Greater Manchester Fire and Rescue Authority

Statement of Accounts 2013/14

GREATER MANCHESTER
FIRE AND RESCUE AUTHORITY

PREVENTING PROTECTING RESPONDING

www.manchesterfire.gov.uk

GREATER MANCHESTER FIRE AND RESCUE AUTHORITY

FINANCIAL STATEMENTS

2013/14

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INTRODUCTION TO THE STATEMENT OF ACCOUNTS

Councillor David Acton
Chairman of Greater Manchester Fire and Rescue Authority

Greater Manchester Fire and Rescue Service is the largest outside London with approximately 2,400 members of staff and 41 fire stations. We cover an area of approximately 500 square miles and a culturally diverse population of 2.5m people.

From modern inner city developments to traditional mill towns, Greater Manchester is made up of ten very different districts - Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan. Our vision is to make Greater Manchester a safer place by being a modern, community focused and influential Fire and Rescue Service.

We have a track record of delivering efficiency savings and improving the outcomes for our communities. Since 2005, we have delivered the largest cumulative efficiency savings of all Fire and Rescue Authorities in the UK, saving around £153 million. This has been achieved through a range of activities including; improved procurement, increased collaboration, reductions to support and management costs, revisions to shift / crewing arrangements, reducing ill health retirements and through investment in sustainability and energy conservation. Over the same period we have reduced all fires by 42% and reduced fire-related injuries and deaths by 40%. Despite having cut our overall budget by £6.5m last year.

I am pleased to introduce the Statement of Accounts for the Authority for 2013/14. As part of my role I need to ensure that Greater Manchester Fire and Rescue makes the most effective use of its resources in order to deliver a value for money service for the people of Greater Manchester. The Service's core purpose is to protect and improve the quality of life of the people in Greater Manchester.

I must also ensure that the Authority maintains a sufficient level of balances that will provide long term stability to assist with budget planning and the capital programme. It is also important that balances are available to smooth out wherever necessary any year on year increases which may be required from the Council Tax payers of Greater Manchester.

We must continue to plan for the longer term as the national economic forecast suggests that whichever political party is in power after the next General Election will be committed to addressing the deficit position and therefore austerity is set to continue for the foreseeable future. It is therefore more important than ever that balances are available or the Authority would be extremely restricted in its ability to respond.

Councillor David Acton

EXPLANATORY FOREWORD BY THE TREASURER

1. Introduction

This document is the Statement of Accounts for Greater Manchester Fire & Rescue Authority. It is a statutory publication that sets out the financial results of the Authority's activities for the year ended 31 March 2014. The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting based on International Financial Reporting Standards (IFRS) for 2013/14 and any other Accounting Codes of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA). 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 are extremely detailed and technical therefore this explanatory foreword will hopefully provide the reader with an easily understandable guide to the most significant matters reported in the accounts. Wherever possible the use of technical language is avoided, however inevitably some technical language is used and a glossary is provided at the back of the publication to explain some of the technical terms.

The Authority's accounts for the year 2013/14 are presented in a number of statements, which are explained below:

- 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 Comprehensive Income and Expenditure Statement for 2013/14 shows the accounting cost in year of providing services with generally accepted accounting practices, rather than the amount to be funded by taxation. The taxation position is contained within the movement in reserves statement.

- The Balance Sheet shows the value as at 31 March 2014 of the assets and liabilities recognised by the Authority. The net assets 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 Statement which summarises the total movement of cash and cash equivalents during 2013/14. The statement shows how the Authority uses cash and cash equivalents by classifying cash as operating, investing and financing activities.

- The statement of accounting policies which explains the basis for the recognition, measurement and disclosure of transactions in the accounts.

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

2. Review of the financial year

The Authority set a revenue budget in 2013/14 of £108.581m which included efficiency savings of £2.7m. The budget assumed a surplus of £0.411m. The table below provides details of the final position for 2013/14 and compares the actual income and expenditure with the revenue budget.

Comparison of actual income and expenditure with budget.

	Original Budget £'m	Approved Revised Budget £'m	Actual Income and Expenditure £'m	Variation To Approved £'m
Budget Requirement	108.170	108.170	107.477	-0.693
External Financing	-108.581	-108.581	-108.997	-0.416
Contribution to (-) / From balances	**-0.411**	**-0.411**	**-1.520**	**-1.109**

The surplus on normal operating activities for 2013/14 was £1.520m which is some £1.109m better than anticipated when compared to the Budget set in February 2013.

This improved position means that the £2.7m efficiency savings required to balance the budget for 2013/14 has been delivered and improved upon. The Authority has an excellent track record in the delivery of efficiencies which places it in a strong position to meet the future financial challenges that the Fire Service faces.

The most significant efficiency saving in 2013/14 was on employees pay which was £0.839m less than the budget. In the main this was as a result of changes to the shift duty system which has been adopted for Fire Fighters, together with the non-filling of vacant posts. This provided the opportunity to use some of the underspend to employ additional apprentices.

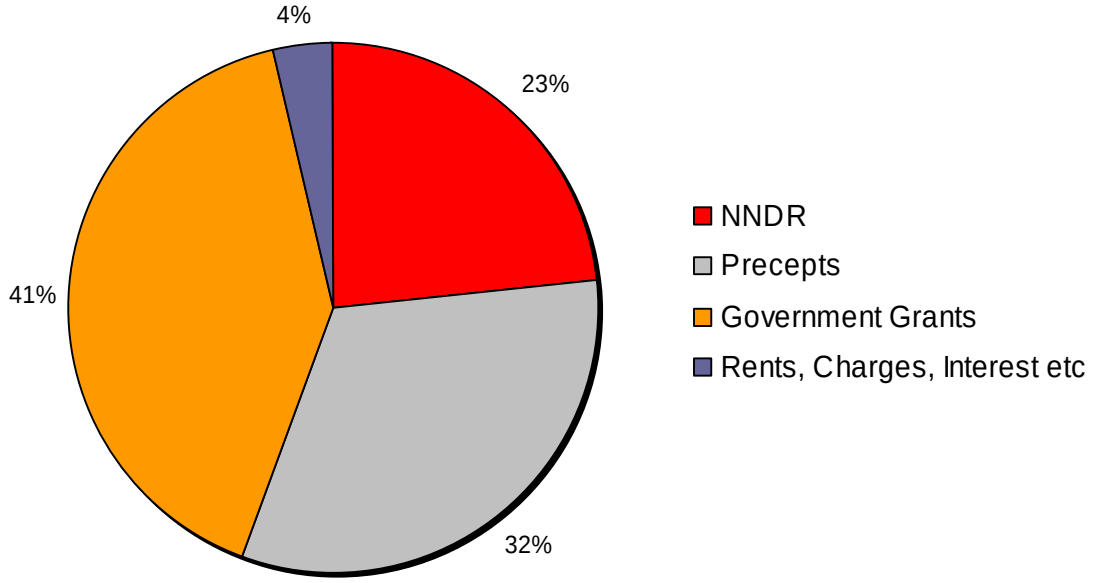
The pro-active approach adopted by the Authority in addressing the challenges that it faces has currently reduced the risks associated with the non achievement of planned efficiencies. This in turn gives me confidence in my duty that balances are at an adequate level and will be available to provide a hedge against future precept rises. It is more important than ever that balances are sufficient to meet the challenging future facing the Authority.

General Balances as at 1 April 2013 were £17.638m. After the impact of the 2013/14 outturn balances as at 31 March 2014 stand at £19.158m.

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

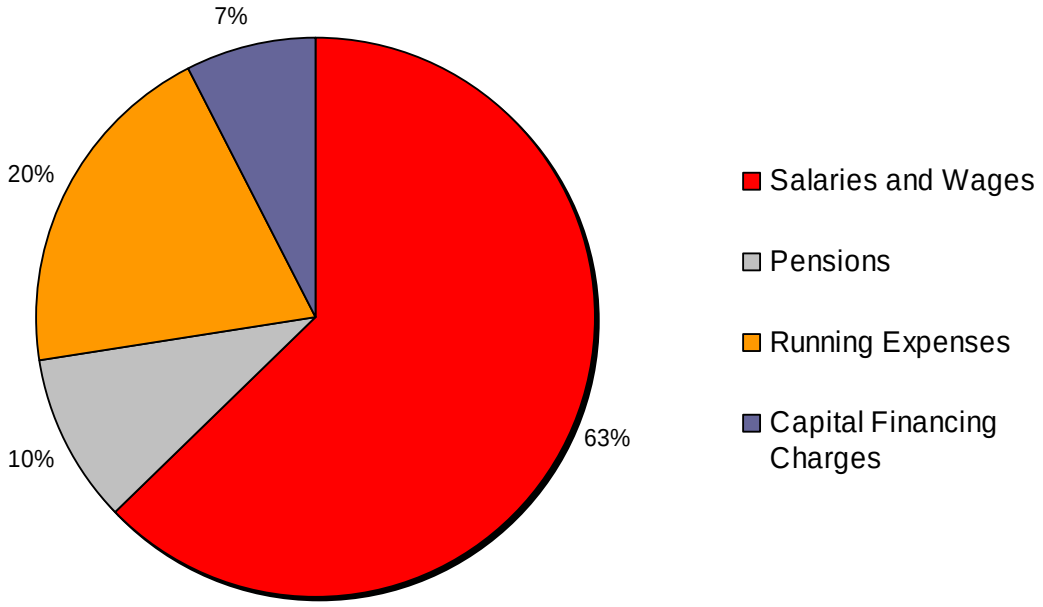
The following charts show the main sources of income that the Authority received in 2013/14 and a high level breakdown of the money that it spent on providing the service.

Where the money came from



The Authority receives Revenue Support Grant and an allocation of pooled National Non Domestic Rates 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 2013/14 excluding the surplus on collection fund was £38.376m which equated to a Council Tax Band D equivalent of £57.64.

What the money was spent on



4. Capital Expenditure and Financing

In 2013/14 £8.196m was spent on capital projects (£5.996m in 2012/13). This includes £1.4m spend on the regional fire control centre, which is fully funded from specific government grant

Capital expenditure is analysed below

2012/13 £'m	Project	2013/14 £'m
3.786	Refurbishment, Adaptations and New Buildings	4.025
1.077	Operational, Communications and Computer Equipment	0.675
0.331	General Purpose Vehicles	0.336
0.535	Pumping and Special Appliances	1.719
0.267	Regional Control Centre	1.441
5.996	**Total Capital Expenditure**	**8.196**

The most significant items of capital expenditure include the construction of a new Community Fire Station at Rochdale, general premises repair and refurbishment and the replacement of vehicles and appliances.

Financing of Capital Expenditure

The Authorities capital programme is reviewed throughout the year to ensure that it remains in a balanced position. During recent years this programme has been financed mainly by borrowing from internal resources and by using reserves set aside for this purpose. In 2013/14 the capital expenditure was funded from a mix of Capital Grants, and contributions from revenue budgets. The various sources of funding mean that the capital programme for 2013/14 was fully funded.

The position on the future programme is provided in the table below.

Project	2014/15 £'m	2015/16 £'m	2016/17 £'m
Refurbishment, Adaptations and New Buildings	12.400	4.950	3.450
Operational, Communications and Computer Equipment	0.264	0.150	0.150
Vehicles and Equipment	5.640	3.000	2.950
Total Capital Expenditure	**18.304**	**8.100**	**6.550**

The high level of estimated capital expenditure in 2014/15 is due to the planned development of a new state of the art training facility at Bury. This facility will become a centre of excellence and will provide a specialist training facility not only for GMFRS but will be available for use by other Fire Authorities.

The long term future of the capital programme remains uncertain as available resources will have been depleted over a number of years. The Government has also introduced changes in the way capital resources are made available to Fire Authorities, with each authority being asked to bid for available funds. The outcome of this bidding process will not be known until later in the year. It is at that time that the capital programme will be updated accordingly subject to the success of any bids submitted.

Borrowing Facilities

The approved borrowing of the Authority has 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 borrowing. It has traditionally been considered to be the most cost effective source of obtaining traditional funding. The current level of PWLB borrowing at 31 March 2014 was £4.700m. No loans were repaid during the year. However £4m is due to be repaid during 2014/15 and at this stage it is unlikely that these loans will require replacing.

In addition to the PWLB borrowing the Authority is also liable for its share of the former Greater Manchester County GMC Debt which is administered by Tameside Metropolitan Council. At 31 March 2014 this debt stood at £4.736m.

In contrast the capital financing requirement, which is defined as the measure of underlying need to borrow to finance capital expenditure (as defined in the Prudential Framework for Capital Accounting) was £39.286m as at 31 March 2014.

5. Other Matters

International Accounting Standard 19 (IAS19)

This financial reporting standard requires employers to report the full cost of pension benefits as they are earned, regardless of whether they have been paid for. The total liability now stands at £1,464.3m (£1,485.8m in 2012/13). This is split between the Local Government Pension Scheme of £25.3m and the Fire Service Scheme of £1,439.0m. The Fire Service liability includes both the Firefighters' Pension Scheme 1992 and the New Firefighters' Scheme 2006.

It should be noted that IAS19 does not impact upon the level of balances held by the Authority.

Municipal Mutual Insurance (MMI)

MMI is an insurance company that was established without share capital by, and for, local authorities. During most of the last century the vast majority of local authorities, police authorities and fire authorities used MMI to provide them with one or more key commercial insurance products.

This authority arranged cover with MMI during the period from 1986 to 1993 but took the step of placing some key covers elsewhere from 1991.

MMI suffered substantial losses between 1990 and 1992 and these reduced MMI's net assets to a level below the minimum regulatory solvency requirement. In September 1992 MMI ceased to take new, or to renew, business - but until now have met all claims liabilities in full.

MMI is subject to a contingent Scheme of Arrangement (Section 899 of the Companies Act 2006) which became effective on 21 January 1994. This authority is a signatory and are thus Scheme Creditors. The Scheme provides for such Creditors to contribute – in the form of a levy - to the finances of MMI should the circumstances require.

A solvent conclusion for the company may have been reached - without the need for Creditors to contribute - were it not for the large number of claims from former employees who developed asbestos related diseases such as mesothelioma.

The wording of MMI policies coupled with the clear inability of the company continue to pay the rising number of mesothelioma compensation claims resulted in clarification litigation.

The Supreme Court has now clarified and confirmed MMIs liability to pay claims hence the directors of MMI concluded that the terms of the 1994 Scheme of Arrangement should be triggered. They served notice on the Scheme Administrator and the Company and as a result the Administrator (of Ernst & Young) has taken over the management of the business of MMI.

The Administrator has determined that all Creditors should initially pay 15% of the sums paid out on their behalf since 1994 and that they should also pay 15% of all future claims settled.

In the case of this authority the initial levy of £0.206m was paid over in January 2014 funded from sums set aside in previous years to meet these potential insurance liabilities. As at 31 March 2014 the Authority holds a further £0.200m in respect of the potential contributions to future claim settlements and a future levy.

Fire Control

In 2010/11 the Government announced the closure of the Fire Control project. The project was designed to provide regional control facilities. However, since this announcement a collaborative solution which delivers the optimum service delivery to sustain and improve emergency call handling arrangements has been agreed. The Authority together with Cheshire, Cumbria and Lancashire Fire and Rescue Authorities have agreed to operate the regional control centre with support from the Department for Communities and Local Government. The centre became fully operational in April 2014.

Further details on the Fire Control relationship is provided in note 32 to the accounts.

6. Pension Fund Account

The Financial Statements also include a separate section for the Pension Fund Account in line with the Code of Practice on local authority accounting in the United Kingdom 2013/14 based upon International Financial Reporting Standards. Each fire & rescue 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.

The pension fund records the cost of pension paid out and the contributions received from the employer and employees. The current scheme arrangements ensure that any shortfall on the pension fund is met by grant funding issued by the Department for Communities and Local Government. In 2013/14 a top up grant of £30.177m is required to meet the shortfall.

7. Future Outlook

The economic climate has had a major impact upon the Authority's financial position. The Government has indicated that cuts to the finances of Local Government will continue for the foreseeable future. The funding for the Authority is set to reduce by 14% in 2014/15 and it is estimated that further cuts of 17% and 6.5% are likely for 2015/16 and 2016/17.

The Authority has consistently delivered cashable savings and Management closely monitor the delivery of efficiency targets to ensure that they are achieved as early as possible in each financial year. This provides the Authority with some financial certainty as it is known at an early stage whether alternative options are to be considered.

In response to the national economic forecasts the Authority has continued to plan over a longer term horizon and has published its Medium Term Financial Strategy (MTFS) for 2014/15 – 2016/17 (click on the following link): Medium Term Financial Strategy 2014 to 2017

The MTFS needs to be able to withstand the events that lie ahead and balances and reserves remain an important feature of enabling phased change in a managed way. It is important that it remains relevant and up to date but it must be stressed that the figures in the final year are estimates based upon current economic forecasts. The MTFS will be updated during 2014/15 and reported to Members of the Authority in due course.

The financial strategy of the Authority is underpinned by a series of corporate documents which demonstrate the links between financial strategy and corporate objectives including service delivery goals and service development plans.

8. Risks Facing the Authority

In 2013/14 the Government introduced changes to the Business Rates system which means that any reduction in business rates collection by the ten Greater Manchester Councils would have an impact upon the Authority. The risk is limited to c£2m at which point a trigger set by the Government, known as the safety net, would apply, the Government covering any loss above this level. To mitigate the risk this sum has been earmarked within general balances.

Pension reforms are also expected to impact upon the Fire and Rescue Service. There are planned changes, based upon the Hutton Report, currently being discussed at national level which are to be introduced in April 2015. How these changes will impact is unclear at this stage.

There are increased demands being placed upon the Authority following a Health and Safety Executive inspection due to a firefighter fatality during 2013/14. The full implications for the Authority are not yet known but a range of contemporary issues such as hot fire training and incident command are currently being dealt with. The construction of a purpose built operational training site will fundamentally address many of the issues which have emerged following this tragic event.

The reduction in local government funding following the latest Comprehensive Spending Review has placed significant financial pressures on our partners which places at risk the external and partnership income that the Authority currently receives and invests in community safety activities.

An independent report was commissioned by the Government to review the Fire Service. Its aim was to identify ways in which the Fire Service on a national basis could deliver further efficiencies and operational improvements without detriment to the front line service. Sir Ken Knight the former Chief Fire and Rescue Advisor published his report in May 2013. It is likely that the outcome of the review will have a direct bearing upon the future of the Fire and Rescue Authorities

The above together with a range of other financial and budget risks are continually monitored through a robust dynamic risk management process which are managed through the corporate plan. These risks are regularly reported to Members and are available on the Authority's website (click on the following link): Corporate Plan 2013 -2016

After assessing the above risks as the Authority's chief finance officer I am required to ensure that its budget and precept are appropriate and that a suitable level of reserves and balances are maintained to ensure that the delivery of future plans are achievable. The authority's strategy remains to deliver affordable precept rises in future years whilst seeking to deliver the changes in the way we deliver our service as set out in the Corporate Plan.

9. Concluding Remarks

I recognise that the statement of accounts is a statutory document and therefore must comply with detailed technical accounting requirements which may not be easily understood by the reader. Therefore I have included a glossary which explains many of the technical terms.

I would like to take the opportunity to pass on my thanks to all the staff who have contributed to the completion of the statement of accounts as producing the accounts ready for certification by the end of June is a considerable achievement.

Further information about the accounts is available from the Finance Division of the Resources Directorate, Civic Centre, Millgate, Wigan. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed.

Paul McKevitt

Paul McKevitt BA (Hons), ACMA & CGMA
Treasurer to the Authority
25 September 2014

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	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'m	£'m	£'m	£'m	£'m	£'m	£'m
Balance at 31 March 2012		**13.605**	**28.865**	**1.545**	**0.058**	**44.073**	**-1,252.478**	**-1,208.405**
Movement in reserves during 2012/13								
Surplus or deficit(-) on provision of services (accounting basis)		-40.218	-	-	-	**-40.218**	-	**-40.218**
Other Comprehensive Income and Expenditure		-	-	-	-	**0.000**	-159.373	**-159.373**
Total Comprehensive Income and Expenditure		**-40.218**	**0.000**	**0.000**	**0.000**	**-40.218**	**-159.373**	**-199.591**
Adjustments between accounting basis and funding basis under regulations	7	44.164	-	0.688	-0.058	**44.794**	-44.794	**0.000**
Net Increase or Decrease before Transfers to Earmarked Reserves		**3.946**	**0.000**	**0.688**	**-0.058**	**4.576**	**-204.167**	**-199.591**
Transfers to or from Earmarked Reserves	21	0.087	-0.087	-	-	**0.000**	-	**0.000**
Increase or Decrease in Year		**4.033**	**-0.087**	**0.688**	**-0.058**	**4.576**	**-204.167**	**-199.591**
Balance at 31 March 2013	21 & 22	**17.638**	**28.778**	**2.233**	**0.000**	**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		-	-	-	-	**-**	77.986	**77.986**
Total Comprehensive Income and Expenditure		**-49.524**	**-**	**-**	**-**	**-49.524**	**77.986**	**28.462**
Adjustments between accounting basis and funding basis under regulations	7	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**	**0.000**	**-1.188**	**29.650**	**28.462**
Transfers to or from Earmarked Reserves	21	1.267	-1.267	-	-	**0.000**	-	**0.000**
Increase or Decrease in Year		**1.520**	**-1.267**	**-1.441**	**0.000**	**-1.188**	**29.650**	**28.462**
Balance at 31 March 2014	21 & 22	**19.158**	**27.511**	**0.792**	**0.000**	**47.461**	**-1,426.995**	**-1,379.534**

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.

2012/13 Gross Expenditure £'m	2012/13 Gross Income £'m	2012/13 Net Expenditure £'m		Notes	2013/14 Gross Expenditure £'m	2013/14 Gross Income £'m	2013/14 Net Expenditure £'m
19.524	0.970	18.554	Community Safety		21.061	0.938	20.123
82.295	11.671	70.624	Fire Fighting and Rescue Operations		85.298	14.081	71.217
0.638	0.111	0.527	Fire Service Emergency Planning		0.112	0.074	0.038
0.560	-	0.560	Corporate and Democratic Core		0.641	-	0.641
0.664	-	0.664	Non Distributed Cost		-	-	-
103.681	**12.752**	**90.929**	**Cost of Services**		**107.112**	**15.093**	**92.019**
0.618	0.032	0.586	Other Operating Income(-) and Expenditure	8	0.007	0.035	-0.028
69.045	3.298	65.747	Financing and Investment Income and Expenditure	9	74.092	3.505	70.587
-	117.044	-117.044	Taxation and Non-Specific Grant Income	10	-	113.054	-113.054
173.344	**133.126**	**40.218**	**Surplus(-) or Deficit on Provision of Services**		**181.211**	**131.687**	**49.524**
		0.051	Surplus(-) or deficit on revaluation of non-current assets				-5.462
		159.322	Re-measurement of the net defined liability/(asset)	36			-72.524
		159.373	**Other Comprehensive Income(-) and Expenditure**				**-77.986**
		199.591	**Total Comprehensive Income(-) and Expenditure**				**-28.462**

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 2014.

Paul McKevitt

P McKevitt BA (Hons), ACMA & CGMA
Treasurer to the Authority
25 September 2014

BALANCE SHEET AT 31 MARCH 2014

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets 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 2013 £'m		Note	At 31 March 2014 £'m
	Property, Plant & Equipment		
56.302	Other Land and Buildings	11	63.553
12.884	Vehicles, Plant & Equipment	11	12.938
0.671	Assets under Construction	11	0.169
0.449	Investment Property	13	0.378
-	Heritage Assets		-
0.860	Intangible Assets	14	0.496
-	Long Term Debtors		-
71.166	**Long Term Assets**		**77.534**
18.382	Cash and Cash Equivalents	18	18.491
-	Assets Held for Sale	12	0.203
0.992	Inventories and Work in Progress	16	1.039
4.785	Short Term Debtors	17	5.724
4.559	Amount due from Pension Fund		8.041
28.718	**Current Assets**		**33.498**
-	Short Term Borrowing	15	4.000
8.747	Short Term Creditors	19	12.872
0.595	Short Term Provisions	20	1.048
9.342	**Current Liabilities**		**17.920**
0.925	Long Term Provisions	20	1.100
4.700	Long Term Borrowing	15	0.700
1,485.812	Long Term Liability - Pension Scheme	36	1,464.352
7.101	Long Term Liability - Other	15	6.494
1,498.538	**Long Term Liabilities**		**1,472.646**
-1,407.996	**Net Liability**		**-1,379.534**
48.649	Usable Reserves	21	47.461
-1,456.645	Unusable Reserves	22	-1,426.995
-1,407.996	**Total Reserves**		**-1,379.534**

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 2014.

Paul McKevitt

P McKevitt BA (Hons), ACMA & CGMA
Treasurer to the Authority
25 September 2014

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.

2012/13 £'m		Notes	2013/14 £'m
40.218	Net surplus(-) or deficit on the provision of services		49.524
-60.318	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23	-58.595
4.497	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	3.194
0.781	Interest Paid		0.811
0.282	Interest element of finance lease and PFI rental payments		0.270
-0.189	Interest received		-0.107
-0.874	Reversal of operating activity items included in the net surplus or deficit on the provision of service		-0.975
-15.603	**Net Cash Flows from Operating Activities**		**-5.877**
	Investing Activities		
6.015	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets		8.390
-0.527	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets		-0.007
-3.887	Capital Grants received		-3.187
-0.083	Other receipts for investing activities		-
1.518	**Net Cash Flows from Investing Activities**		**5.196**
	Financing Activities		
0.099	Cash Payments for the Reduction of the Outstanding Liability Relating to Finance Leases and On-Balance Sheet PFI Contracts		0.111
2.435	Repayments of Short-Term and Long-Term Borrowing		0.460
2.534	**Net Cash Flows from Financing Activities**		**0.571**
-11.551	**Net Decrease/Increase(-) in Cash**		**-0.109**
-6.831	**Cash and Cash Equivalents at the beginning of the reporting period**		**-18.382**
-18.382	**Cash and Cash Equivalents at the end of the reporting period**		**-18.491**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Prior Period Adjustments and Changes to Accounting Polices

IAS 19 Employee Benefits

As reported last year there are a number of changes to the IAS 19 standard. These are detailed below; Note the changes only impact on the Local Government Pension Scheme.

Expected Return on Assets

Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using expected return on assets assumptions). The effect of this change is illustrated in the tables below.

Disclosure Presentation

IAS19 requires a much more detailed breakdown of the pension fund assets. The pension notes now reflect the required breakdown. There has also been some other minor disclosure and presentational changes required by IAS19 and the pension notes now reflect these changes also.

2012/13 Gross Expenditure £'m	2012/13 Gross Income £'m	2012/13 Net Expenditure £'m		IAS Pensions Restatement £'m	2012/13 Restated Net Expenditure £'m
19.524	0.970	18.554	Community Safety		18.554
82.295	11.671	70.624	Fire Fighting and Rescue Operations		70.624
0.638	0.111	0.527	Fire Service Emergency Planning		0.527
0.560	-	0.560	Corporate & Democratic Core		0.560
0.664	-	0.664	Non Distributed Costs		0.664
103.681	**12.752**	**90.929**	**Net Cost of General Fund Services**		**90.929**
0.618	0.032	0.586	Other Operating Expenditure		0.586
69.045	3.808	65.237	Financing & Investment Income & Expenditure	0.510	65.747
-	117.044	-117.044	Taxation and Non Specific Grant Income		-117.044
173.344	**133.636**	**39.708**	**Surplus or Deficit on the Provision of Services**	**0.510**	**40.218**
		0.051	Surplus/deficit arising on revaluation of fixed assets		0.051
		159.832	Re-measurement of the net defined liability/(asset)	-0.510	159.322
		199.591	**Total Comprehensive Income & Expenditure**	**0**	**199.591**

	Note	General Fund Balance £'m	Earmarked General Fund £'m	Capital Grants Unapplied £'m	Capital Receipts Reserve £'m	Total Usable Reserves £'m	Unusable Reserves £'m	Total Authority Reserves £'m
Balance at 31 March 2012		**13.605**	**28.865**	**1.545**	**0.058**	**44.073**	**-1,252.478**	**-1,208.405**
Movement in reserves during 2012/13								
Surplus or deficit(-) on provision of services (accounting basis)		-39.708	-	-	-	**-39.708**	-	**-39.708**
IAS 19 Restatement		-0.510				**-0.510**	0.510	**0**
Other Comprehensive Income and Expenditure		-	-	-	-	**0**	-159.883	**-159.883**
Total Comprehensive Income and Expenditure		**-40.218**	**0.000**	**0.000**	**0.000**	**-40.218**	**-159.373**	**-199.591**
Adjustments between accounting basis and funding basis under regulations	7	43.654	-	0.688	-0.058	**44.284**	-44.248	**0**
IAS 19 Restatement		0.510				0.510	-0.510	0
Net Increase or Decrease before Transfers to Earmarked Reserves		**3.946**	**0.000**	**0.688**	**-0.058**	**4.576**	**-204.167**	**-199.591**
Transfers to or from Earmarked Reserves	21	0.087	-0.087	-	-	**0**	-	**0**
Increase or Decrease in Year		**4.033**	**-0.087**	**0.688**	**-0.058**	**4.576**	**-204.167**	**-199.591**
Balance at 31 March 2013	21 & 22	**17.638**	**28.778**	**2.233**	**0.000**	**48.649**	**-1,456.645**	**-1,407.996**

2. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2013/14 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014.

IFRS 10 Consolidated Financial Statements

This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Authority's relationship with the North West FireControl company has been previously assessed and it is not anticipated that the new definition will change this assessment.

If its deemed that Group Accounts are required then significant disclosures will be produced incorporating a set of Group primary statements ie Group Movements in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet and a Group Cashflow Statement. Full disclosures in relation to these statements will also be provided.

The final position on the production of group accounts will be agreed with the Authority's external auditors during 2014/15.

IFRS 11 Joint Arrangements

This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition, proportionate consolidation can no longer be used for jointly controlled entities. The Authority has assessed that its relationship with the North West FiReControl Company will be classified as a joint entity. Any impact will be considered as part of the review of group accounts discussed above.

IFRS 12 Disclosures of Involvement with Other Entities

This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Authority's only arrangements with other entities is its relationship with the North West FiReControl company. Therefore there should be little impact in addition to that which is already disclosed.

IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures

These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.

IAS 32 Financial Instruments Presentation

The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore, no further disclosure is required.

3. 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 was not operational during 2013/14 although It has been determined that it meets with the definition of a jointly controlled entity for Group Accounts purposes. For 2013/14 as the company was not operational the decision has been made 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 32).

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.

4. 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 £149.6m A change in excess of earnings of + or – 0.5% would potentially change the total liability by £25.2m. An increase in excess of pensions of 0.5% would change the liability by £124.2m and an increase in longevity of 1 year would result in a £25.5m 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 £0.7m.

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.

5. 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 2013/14 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 2013/14 a credit of £10.8m has been recorded in the Firefighters and Rescue Operations line (£13m in 2012/13).

6. Events after the reporting period.

Authorised for Issue Date

The Statement of Accounts was authorised for issue by the Treasurer on 30 June 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information

7. 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.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

2013/14	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance £'m	Capital Grants Unapplied £'m	Capital Receipts Reserve £'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
Income in relation to donated assets	-	-	-	-
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:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-1.441	-	1.441
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-
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**	**0.00**	**-48.336**

2012/13	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance £'m	Capital Grants Unapplied £'m	Capital Receipts Reserve £'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	4.863	-	-	-4.863
Movements in the market value of Investment Properties	-0.024	-	-	0.024
Amortisation of Intangible Assets	0.430	-	-	-0.430
Capital grants and contributions applied	-2.887	-	-	2.887
Income in relation to donated assets	-0.075	-	-	0.075
Revenue Expenditure Funded from Capital under Statute	0.568	-	-	-0.568
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	1.145	-	-	-1.145
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	-3.019	-	-	3.019
Capital expenditure charged against the General Fund	-2.213	-	-	2.213
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-1.000	1.000	-	0.000
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-0.312	-	0.312
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-0.527	-	0.527	0.000
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-0.585	0.585
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	93.135	-	-	-93.135
Employer's pensions contributions and direct payments to pensioners payable in the year	-46.119	-	-	46.119
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	0.100	-	-	-0.100
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	-0.213	-	-	0.213
Total Adjustments	**44.164**	**0.688**	**-0.058**	**-44.794**

8. Other Operating Income and Expenditure

2012/13 £'m		Expenditure £'m	Income £'m	2013/14 £'m
0.618	Loss on Disposal of Non-Current Assets	0.007	-	0.007
-0.032	Operating Rental Income	-	0.035	-0.035
0.586	**Total**	**0.007**	**0.035**	**-0.028**

9. Financing and Investment Income and Expenditure

2012/13 £'m		2013/14 £'m
0.752	Interest Payable and similar charges	0.701
2.944	Surplus(-)/Deficit on trading undertakings not included under Continuing Operations	6.397
65.349	Net interest on the net defined liability (asset)	66.994
-0.151	Interest receivable and similar income	-0.145
-0.083	BCCI Income	-
-0.003	Investment Property Rental	-0.054
-3.061	Expected Return on Pension Assets	-3.306
65.747	**Total**	**70.587**

Interest receivable and similar income represents the amount of interest earned on the Authority's revenue balances for 2013/14.

10. Taxation and non specific grant incomes

2012/13 £'m		2013/14 £'m
-42.633	Precept Income	-38.863
-65.812	Non Domestic Rates	-26.435
-1.276	Revenue Support Grant	-42.290
-3.962	Capital Grants and contributions	-3.187
-1.277	Council Tax Freeze Grant	-
-2.084	Regional Control Centre Grant	-1.906
-	Localising Council Tax Support Grant	-0.090
-	Small Business and Empty Property Rates	-0.283
-117.044	**Total**	**-113.054**

The precept received from the ten district authorities of Greater Manchester includes £38.376m for precepts levied for 2013/14 and adjustments of £0.151m in respect of previous years. An amount of £0.337m 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.

11. Property, Plant and Equipment

Movements on Balances

Movements in 2013/14	Land & Buildings £'m	Vehicles, Plant, Furniture & Equipment £'m	Assets under Construction £'m	Total £'m	PFI Assets included in Property, Plant & Equipment £'m
Cost or Valuation					
At 1 April 2013	**60.678**	**28.991**	**0.670**	**90.339**	**2.363**
Additions	2.042	1.854	2.275	**6.171**	-
Donations	-	-	-	**-**	-
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	**-**	
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**

Movements in 2012/13	Land & Buildings £'m	Vehicles, Plant, Furniture & Equipment £'m	Assets under Construction	Total £'m	PFI Assets included in Property, Plant & Equipment £'m
Cost or Valuation					
At 1 April 2012	**57.861**	**27.989**	**1.449**	**87.300**	**2.363**
Additions	2.295	1.276	1.255	**4.826**	-
Donations	-	0.075	-	**0.075**	-
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	-0.214	-	-	**-0.214**	-
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services	-0.057	-	-	**-0.057**	-
Derecognition - disposals	-1.123	-0.467	-	**-1.590**	-
Other movements in cost or valuation	1.916	0.118	-2.034	**-**	-
At 31 March 2013	**60.678**	**28.991**	**0.670**	**90.340**	**2.363**
Accumulated Depreciation and Impairment					
At 1 April 2012	**-2.202**	**-14.082**	**0.000**	**-16.284**	**-0.193**
Depreciation Charge	-2.558	-2.367	-	**-4.925**	-0.044
Depreciation written out to the Revaluation Reserve	0.164	-	-	**0.164**	-
Depreciation written out to the Surplus/Deficit(-) on the Provision of Services	0.118	-	-	**0.118**	-
Derecognition - disposals	0.102	0.342	-	**0.444**	-
At 31 March 2013	**-4.376**	**-16.107**	**0.000**	**-20.483**	**-0.237**
Net Book Value					
At 31 March 2013	**56.302**	**12.884**	**0.671**	**69.857**	**2.126**
At 1 April 2012	**55.659**	**13.907**	**1.450**	**71.016**	**2.170**

Depreciation

The following useful lives have been used in the calculation of depreciation:

- Land – Not Depreciated
- Other Buildings – 20-75 years (straight line)
- Vehicles, Plant, Furniture and Equipment – 3-15 years (straight line)

Capital Commitments

At 31 March 2014, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment to the value of £0.438m details of which are shown below. Commitments at 31 March 2013 were £2.584m.

- Vehicles - £0.098m
- Premises (Rochdale Fire Station Build and Land) - £0.340m

There are further capital commitments relating to Intangible Assets in note 14.

Effects of changes in estimates

As required by IFRS, valuations carried out in 2013/14 took into account componentisation of Assets. The properties valued by the Valuer in 2013/14 were split into components of Frame, Services and Yards which have different remaining lives. This componentisation increased the depreciation charge in 2013/14 on the ten sites valued from £0.312m (as per the previous valuation) to £0.770m (based on the new valuation). The impact of this change will carry forward into 2014/15 and future years. Approximately 80% of properties have been valued based on this componentisation split over the past four years with the remaining properties being valued on this basis in 2014/15.

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 eight properties for financial year 2013/14 (as at 1 April 2013) was carried out by GVA Grimley, 81 Fountain Street, Manchester.

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 2013/14 were carried out by Michael A. Kings FRICS and Chris Morton BA(Hons) of GVA Grimley.

	Land and Buildings £'m
Carried at historic cost	73.877
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	5.157
Total Cost or Valuation	**70.251**

12. 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.

A review of assets held by the Authority was undertaken. The only asset that meets the criteria is Rochdale Fire Station.

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

13. Investment properties

The Authority owns a piece of land at Stalybridge Fire Station which is currently leased to TFGM, and an office premises which is on the site of the training facility in Bury, which are currently leased to a third party.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2012/13 £'m	2013/14 £'m
Rental income from investment property	0.003	0.054
Direct Operating Expenses Arising from Investment	0.000	0.002
Total Net Gain	**0.003**	**0.052**

In respect of the land at Stalybridge there are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

In respect of the Office Premises at the training facility in Bury there are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The term of this arrangement is up to September 2018 however there is a mutual break clause in September 2015.

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

	2012/13 £'m	2013/14 £'m
Balance at start of the year	0.025	0.449
Additions: Purchases	0.400	-
Net gains/losses(-) from fair value adjustments	0.024	-0.070
Balance at end of the year	**0.449**	**0.379**

14. 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 £0.458m charged to revenue in 2013/14 was charged to the appropriate service heading.

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

	2012/13 Other Assets £'m	2013/14 Other Assets £'m
Balance at start of year:		
Gross carrying amounts	8.106	8.308
Accumulated amortisation	-7.018	-7.448
Net carrying amount at start of year	**1.088**	**0.860**
Additions:		
Purchases	0.202	0.094
Amortisation for the period	-0.430	-0.458
Net carrying amount at end of year	**0.860**	**0.496**
Comprising:		
Gross carrying amounts	8.308	8.402
Accumulated amortisation	-7.448	-7.906
	0.860	**0.496**

There are two items of capitalised software that are individually material in the financial statements:

	Carrying Amount 31/03/13 £'m	Carrying Amount 31/03/14 £'m	Remaining Amortisation Period Years
Command and Control System	0.303	0.061	0.25
HR/Payroll System	0.191	0.091	1.00

As at 31 March 2014 the Authority entered into contracts which have a commitment in 2014/15. This commitment is for a replacement Prevention and Protection software system (£0.047m).

15. Financial Instruments

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

	Long-term		Current	
	31 March 2013 £'m	31 March 2014 £'m	31 March 2013 £'m	31 March 2014 £'m
Investments				
Loans and receivables:				
Short Term Investments	-	-	18.700	18.845
Cash at Bank in hand / overdrawn (-)	-	-	-0.318	-0.354
Total Investments	**-**	**-**	**18.382**	**18.491**
Debtors				
Financial assets carried at contract amounts	-	-	4.785	5.724
Less items not classed as Financial Instruments*	-	-	-3.549	-4.787
Total Debtors	**0.000**	**-**	**1.236**	**0.937**
Borrowings				
Financial liabilities at amortised cost	4.700	0.700	-	4.000
Total Borrowings	**4.700**	**0.700**	**0.000**	**4.000**
Other Long Term Liabilities				
PFI and finance lease liabilities	2.365	2.241	-	-
Total other long term liabilities	**2.365**	**2.241**	**0.000**	**0.000**
Creditors**				
Financial liabilities carried at contract amount	-	-	8.747	12.872
Less items not classed as Financial Instruments	-	-	-5.062	-6.540
Total Creditors	**0.000**	**-**	**3.685**	**6.332**

* 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

	2012/13		2013/14	
	Financial Liabilities measured at Amortised Cost £'m	Financial Assets: Loans and Receivables £'m	Financial Liabilities measured at Amortised Cost £'m	Financial Assets: Loans and Receivables £'m
Interest expense	0.752	-	0.701	-
Total expense in Surplus or Deficit on the Provision of Services	**0.752**	**-**	**0.701**	**-**
Interest Income	-	-0.151	-	-0.145
Total Income in Surplus or Deficit on the Provision of Services	**-**	**-0.151**	**-**	**-0.145**
Net gain/loss for the year	**0.752**	**-0.151**	**0.701**	**-0.145**

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 2014 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 2013		31 March 2014	
	Carrying Amount £'m	Fair Value £'m	Carrying Amount £'m	Fair Value £'m
PWLB Borrowing	4.700	5.356	4.700	4.931

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 2013/14 as £5.041m (£5.499m in 2012/13).

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 2013		31 March 2014	
	Carrying Amount £'m	Fair Value £'m	Carrying Amount £'m	Fair Value £'m
Loans and Receivables	18.700	18.743	18.845	18.878

Short Term Borrowing

As at 31 March 2014 £4.000m short term PWLB loans were outstanding (nil in 2012/13).

Long-Term Borrowing

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

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

There is an amount of £0.037m which is accrued interest added to the PWLB loans. This is not included in the table above and will be paid in 2014/15. It is included under current liabilities as a creditor within the Balance Sheet.

31 March 2013 £'m	Long Term Liability	31 March 2014 £'m
2.365	PFI	2.241
4.736	Debt transferred from former GMC	4.253
7.101		**6.494**

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 £0.483m 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 £'m	% Limit
Deposits with part nationalised Banks	10.000	45%
Deposits with Banks	10.000	35%
Deposits with Building Societies	2.000	-
Deposits with Money Market Funds	2.000	-
Deposits with Local Authorities	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:

	2013/14 £'m
Less than three months	0.170
Three to six months	0.022
Six months to one year	0.032
More than one year	0.041

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:

	2013/14 £'m
Less than 1 year	4.000
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:

	2013/14 £'m
Daily average investment balance (average rate of interest 0.77%)	25.534
Additional Interest assuming interest rates 1% higher	0.255
Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income & Expenditure Statement)	-0.104

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.

16. 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	2012/13 £'m	2013/14 £'m
Balance outstanding at start of year	**0.761**	**0.992**
Purchases	1.622	1.641
Recognised as an expense in the year	-1.380	-1.624
Written off balances	-0.011	0.030
Balance outstanding at year-end	**0.992**	**1.039**

17. Debtors

31 March 2013 £'m		31 March 2014 £'m
0.430	Central Government Bodies	0.311
2.943	Other Local Authorities	4.240
0.004	Public Corporations	-
1.408	Other entities and individuals	1.173
4.785	**Total Debtors**	**5.724**

18. Cash and Cash Equivalents

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

31 March 2013 £'m		31 March 2014 £'m
0.068	Cash held by the Authority	0.083
-0.386	Bank current accounts in hand / overdrawn (-)	-0.437
18.700	Short-term deposits with building societies	18.845
18.382	**Total Cash and Cash Equivalents**	**18.491**

19. Creditors

31 March 2013 £'m		31 March 2014 £'m
1.880	Central Government Bodies	1.738
3.164	Other local authorities	6.196
3.703	Other entities and individuals	4.938
8.747	**Total Creditors**	**12.872**

20. Provisions

	Insurance Provision £'m	NDR Appeals Provision £'m	Total Provisions £'m
Balance at 1 April 2013	**1.520**	**0.000**	**1.520**
Additional provisions made in 2013/14	1.169	0.548	**1.717**
Provision utilised in year	-0.988	-	**-0.988**
Transfers in year	-0.101	-	**-0.101**
Balance at 31 March 2014	**1.600**	**0.548**	**2.148**

Split between short and long term

	Insurance Provision £'m	NDR Appeals Provision £'m	Total Provisions £'m
Short term component of provisions balance	0.500	0.548	**1.048**
Long term component of provisions balance	1.100	-	**1.100**
Total	**1.600**	**0.548**	**2.148**

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

a) Insurance

At 31 March 2014 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 2014. These include incidents where a legal liability arises and incidents of damage to Fire Authority property. Increases to the provision in 2013/14 reflect contributions from services. The costs of premium payments, settlement of claims and risk management are shown as decreases to the provision in 2013/14.

21. Usable Reserves

2012/13 £'m		2013/14 £'m
28.778	Earmarked Reserves	27.511
17.638	General Fund Balances	19.158
2.233	Capital Grants Unapplied Reserve	0.792
48.649	**Total Usable Reserves**	**47.461**

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 2012 £'m	Transfers Out 2012/13 £'m	Transfers in 2012/13 £'m	Balance at 31 March 2013 £'m	Transfers Out 2013/14 £'m	Transfers in 2013/14 £'m	Balance at 31 March 2014 £'m
Capital Reserve	8.335	-	4.885	13.220	-	0.958	14.178
Insurance Reserve	5.002	0.293	0.076	4.785	0.190	0.101	4.696
Restructuring Reserve	5.000	4.000	0.240	1.240	-	-	1.240
Innovation & Partnership/CYP Reserve	1.460	0.153	0.120	1.427	0.127	0.316	1.616
Unspent Grant Reserve	6.581	1.761	0.726	5.546	3.951	0.840	2.435
Earmarked Budgets Reserve	1.879	0.687	0.838	2.030	0.896	1.856	2.990
Projects Reserve	0.608	0.112	0.034	0.530	0.300	0.126	0.356
Total	**28.865**	**7.006**	**6.919**	**28.778**	**5.464**	**4.197**	**27.511**

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 2013/14 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 Council'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 £0.200m 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. In 2013/14 further contributions of £0.316m were made to provide for future 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

In year savings have been identified in various budgets across the Authority where expenditure savings have been achieved against the budget. The opportunity has been taken to transfer these sums into reserve in order to earmark the funds to meet the costs of future projects. This will ensure that projects can be continued in the future without any risks of impacting upon the achievement of a balanced budget in 2014/15. Part of the reserve has been utilised in 2013/14 to fund specific projects.

g) Projects Reserve

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

h) General Fund Balances

Available balances at 31 March 2014 were £19.252m (£17.638m at 31 March 2013).

i) Capital Grants Unapplied Reserve

This reserve represents the amount of unused capital grant as at 31 March 2014. 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.

22. Unusable Reserves

2012/13 £'m		2013/14 £'m
9.497	Revaluation Reserve	14.610
19.730	Capital Adjustment Account	23.840
-1,485.812	Pensions Reserve	-1,464.352
0.143	Collection Fund Adjustment Account	-0.894
-0.203	Accumulated Absences Account	-0.199
-1,456.645	**Total Unusable Reserves**	**-1,426.995**

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.

2012/13 £'m		2013/14 £'m	2013/14 £'m
10.017	**Balance at 1 April**		**9.497**
0.936	Upward revaluation of assets	6.901	
-0.987	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-1.439	
-0.051	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		**5.462**
-0.303	Difference between fair value depreciation and historical cost depreciation	-0.349	
-0.166	Accumulated gains on assets sold or scrapped	-	
-0.469	Amount written off to the Capital Adjustment Account		**-0.349**
9.497	**Balance at 31 March**		**14.610**

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.

2012/13		2013/14	
£'m		£'m	£'m
17.153	**Balance at 1 April**		**19.730**
	Reversal of items relating to capital expenditure debited or credited to the CI&E:		
-4.925	Charges for depreciation and impairment of non-current assets	-5.053	
0.061	Revaluation losses(-)/gains on Property, Plant & Equipment	0.432	
-0.430	Amortisation of intangible assets	-0.458	
-0.568	Revenue Expenditure Funded from Capital Under Statute	-1.931	
-1.145	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	-0.007	
-7.007			-7.017
0.469	Adjusting amounts written out of the Revaluation Reserve		0.349
-6.538	**Net written out amount of the cost of non-current assets consumed in the year**		**-6.668**
	Capital financing applied in the year:		
0.585	Use of the Capital Receipts Reserve to finance new capital expenditure	-	
2.962	Capital grants and contributions credited to the CI&E that have been applied to capital financing	3.187	
0.312	Application of grants to capital financing from the Capital Grants Unapplied Account	1.441	
3.019	Statutory provision for the financing of capital investment charged against the General Fund	2.652	
2.213	Capital expenditure charged against the General Fund	3.568	
9.091			**10.848**
0.024	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-0.070	
0.024			**-0.070**
19.730	**Balance at 31 March**		**23.840**

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.

2012/13 £'m		2013/14 £'m
-1,279.475	**Balance at 1 April**	**-1,485.812**
-159.322	Actuarial gains or losses on pensions assets and liabilities	72.524
-93.144	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	-99.597
46.120	Employer's pensions contributions and direct payments to pensioners payable in the year	48.533
0.009	Adjustment to align to actuaries report	-
-1,485.812	**Balance at 31 March**	**-1,464.352**

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.

2012/13 £'m		2013/14 £'m
0.243	**Balance at 1 April**	**0.143**
-0.082	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	-1.037
-0.018	Adjustment to previously notified surplus/deficit on Collection Fund	-
0.143	**Balance at 31 March**	**-0.894**

The above deficit of £0.858m does not impact upon the bottom line and therefore does not affect balances in 2013/14. However this sum will need to be deducted from the budgeted precept income in 2015/16. Monies have been previously earmarked within general balances 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. The backdated element is a one off event and it is not anticipated that deficits of this level will be repeated.

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.

2012/13		2013/14	
£'m		£'m	£'m
-0.416	**Balance at 1 April**		**-0.203**
0.416	Settlement or cancellation of accrual made at the end of the preceding year	0.203	
-0.203	Amounts accrued at the end of the current year	-0.199	
0.213	**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**
-0.203	**Balance at 31 March**		**-0.199**

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

2012/13 £'m		2013/14 £'m
-4.925	Depreciation of non-current assets	-5.053
0.086	Revaluation gain(-)/loss of non-current assets	0.362
-0.568	De-minimus	-1.931
-0.430	Amortisation of intangible fixed assets	-0.458
-47.016	Pension Fund adjustments	-51.064
-0.717	Contributions to provisions	-0.628
-1.145	Carrying amount of PPE, investment property and intangible assets sold	-0.007
0.075	Other non-cash items	-
0.231	Increase(-)/decrease in inventories	0.047
-5.493	Increase(-)/decrease in debtors	4.421
-0.416	Increase/decrease(-) in creditors	-4.284
-60.318		**-58.595**

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

2012/13 £'m		2013/14 £'m
0.527	Proceeds from the disposal of PPE, investment property and intangible assets	0.007
3.887	Capital grants credited to surplus or deficit on the provision of services	3.187
0.083	Other adjustments	-
4.497		**3.194**

25. 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 Finance and General Purposes 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 2013/14	Community Safety £'m	Firefighting and Rescue Operations £'m	Total £'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**

Service Income and Expenditure 2012/13	Community Safety £'m	Firefighting and Rescue Operations £'m	Total £'m
Government Grants	-	-0.452	**-0.452**
Other Grants, Reimbursements & Contributions	-0.263	-1.493	**-1.756**
Customer & Client Receipts	-0.793	-0.083	**-0.876**
Recharges to Other Revenue A/C Heads	-0.255	-10.343	**-10.598**
Total Income	**-1.311**	**-12.371**	**-13.682**
Employees Pay	6.529	54.216	**60.745**
Pensions	0.596	8.273	**8.869**
Indirect Employee Allowances	0.163	0.408	**0.571**
Premises Related Expenditure	0.005	2.681	**2.686**
Transport Related Expenditure	0.287	1.150	**1.437**
Supplies, Services & Other Expenses	2.102	2.830	**4.932**
Support Services	13.287	22.807	**36.094**
Capital Charges	0.035	3.872	**3.907**
Capital Financing Costs	0.269	0.210	**0.479**
Total Expenditure	**23.273**	**96.447**	**119.720**
Net Expenditure	**21.962**	**84.076**	**106.038**

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2012/13 £'m	2013/14 £'m
Cost of Services in Service Analysis	106.038	105.688
Additional Segments not included in analysis	1.172	1.121
Amounts not included in the analysis but included in the CI&E Statement	-15.273	-12.624
Amounts included in the analysis but not included in the CI&E Statement	-1.008	-2.168
Net Cost of Services in Comprehensive Income and Expenditure Statement	**90.929**	**92.017**

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	-	-	-	-	**-**	-0.035	**-0.035**
Investment Property Lease Income	-	-	-	-	**-**	-0.054	**-0.054**
Expected Returns on Pensions Assets	-	-	-	-	**-**	-3.306	**-3.306**
BCCI Income	-	-	-	-	**-**	-	**-**
Interest & investment income	-	-	-	-	**-**	-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	-	-	-	-	**-**	66.994	**66.994**
Deficit on trading undertakings	-	-	-	-	**-**	6.397	**6.397**
Interest payable	-	-	-	-	**-**	0.701	**0.701**
Loss on disposal of non-current assets	-	-	-	-	**-**	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**

Reconciliation to Subjective Analysis 2012/13	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	-0.452	-0.093	-	-	**-0.545**	-74.411	**-74.956**
Other Grants, Reimbursements & Contributions	-1.756	-0.212	-	1.253	**-0.715**	-42.633	**-43.348**
Customer & Client Receipts	-0.876	-0.018	-	-	**-0.894**	-	**-0.894**
Recharges	-10.598	-	-	-	**-10.598**	-	**-10.598**
Operating Lease Income	-	-	-	-	**0.000**	-0.032	**-0.032**
Investment Property Lease Income	-	-	-	-	**0.000**	-0.003	**-0.003**
Expected Returns on Pensions Assets	-	-	-	-	**0.000**	-3.061	**-3.061**
BCCI Income					**0.000**	-0.083	**-0.083**
Interest & investment income	-	-	-	-	**0.000**	-0.151	**-0.151**
Total income	**-13.682**	**-0.323**	**0.000**	**1.253**	**-12.752**	**-120.374**	**-133.126**
Employees Pay	60.745	0.472	-	-	**61.217**	-	**61.217**
Pensions	8.869	0.116	-15.273	-	**-6.288**	-	**-6.288**
Indirect employee expenses	0.571	0.005	-	0.195	**0.771**	-	**0.771**
Premises related expenditure	2.686	-	-	-	**2.686**	-	**2.686**
Transport related expenditure	1.437	0.022	-	-	**1.459**	-	**1.459**
Supplies, services & other expenses	4.932	0.617	-	-1.977	**3.572**	-	**3.572**
Support services	36.094	0.254	-	-	**36.348**	-	**36.348**
Capital charges	3.907	0.007	-	-	**3.914**	-	**3.914**
Capital financing costs	0.479	0.002	-	-0.479	**0.002**	-	**0.002**
Pension interest cost	-	-	-	-	**0.000**	65.349	**65.349**
Deficit on Trading						2.944	**2.944**
Interest payable	-	-	-	-	**0.000**	0.752	**0.752**
Loss on disposal of non-current assets	-	-	-	-	**0.000**	0.618	**0.618**
Total Operating Expenses	**119.720**	**1.495**	**-15.273**	**-2.261**	**103.681**	**69.663**	**173.344**
Surplus(-)/Deficit on the provision of services	**106.038**	**1.172**	**-15.273**	**-1.008**	**90.929**	**-50.711**	**40.218**

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 2013/14 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.

26. 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 £0.894m 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

2012/13 Surplus(-)/Deficit £'m		2013/14 Expenditure £'m	2013/14 Income £'m	2013/14 Surplus(-)/Deficit £'m
-0.340	Central Support	26.217	-26.420	-0.203
-0.041	Secondments	0.294	-0.266	0.028
3.325	Regional Control	6.573	-	6.573
2.944	**Total**	**33.084**	**-26.686**	**6.398**

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.

27. 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 on behalf of the Fire Authority. This money is paid over to the Authority during the year. For 2013/14 the amount of precept paid to the Authority was £38.376m.

28. Members' Allowances

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

	2012/13 £'m	2013/14 £'m
Salaries	0.008	0.008
Allowances	0.201	0.207
Expenses	0.019	0.012
Total	**0.228**	**0.227**

29. 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 2012/13	Remuneration Band	Number of Employees 2013/14
*38	£50,000 - £54,999	*33
*16	£55,000 - £59,999	*26
*18	£60,000 - £64,999	*18
6	£65,000 - £69,999	*8
2	£70,000 - £74,999	3
1	£75,000 - £79,999	*3
*1	£80,000 - £84,999	-
1	£85,000 - £89,999	-
1	£90,000 - £94,999	-
-	£95,000 - £99,999	-
1	£100,000 - £104,999	2
-	£105,000 - £109,999	-
-	£110,000 - £114,999	*1
1	£115,000 - £119,999	*1
1	£120,000 - £124,999	2
-	£125,000 - £129,999	-
-	£130,000 - £134,999	-
1	£135,000 - £139,999	1
-	£140,000 - £164,999	-
1	£165,000 - £169,999	1
89	**Total**	**99**

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 2012/13 £	Post	Salary (including fees & allowances) £	Expenses £	Total Remuneration excluding pension contributions 2013/14 £	Pension Cont's £	Total Remuneration including pension contributions 2013/14 £
Chief Executive & County Fire Officer - whose salary is £150,000 or more per year						
200,145	S McGuirk	165,480	-	165,480	35,233	200,713
Corporate Leadership Team whose salary is less than £150,000 but equal or more than £50,000 per year						
164,927	Deputy County Fire Officer	130,609	5,203	135,812	27,759	163,571
145,683	Director of Emergency Response	118,963	5,059	124,022	25,335	149,357
144,159	Director of Prevention & Protection	119,119	3,692	122,811	25,372	148,183
117,634	Director of People & Organisation Development	98,469	2,256	100,725	19,201	119,926
120,769	Director of Finance & Technical Services	99,070	2,057	101,127	19,319	120,446
94,186	Director of Information & Communications Technology	75,918	2,934	78,852	14,219	93,071
73,464	Deputy Clerk & Authority Solicitor	60,052	1,663	61,715	11,710	73,425
53,275	Director of Corporate Communications	50,262	2,001	52,263	9,208	61,471

Note 1 A temporary addition to the Corporate Leadership Team occurred from 25/03/2014 in the form of a supplementary Director of Prevention & Protection. The salary for this post is £114,070.

Exit Packages

Table c)

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band £'m	
£	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
0 - £20,000	-	-	29	9	29	9	0.182	0.136
£20,001 - £40,000	-	-	9	11	9	11	0.310	0.302
£40,001 - £60,000	-	-	4	4	4	4	0.185	0.198
£60,001 - £80,000	-	-	1	-	1	0	0.065	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
	0	**0**	**43**	**24**	**43**	**24**	**0.742**	**0.636**

30. 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:

	2012/13 £'m	2013/14 £'m
Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year	0.047	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	**0.054**	**0.053**

31. Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

Credited to Taxation and Non Specific Grant Income	2012/13 £'m	2013/14 £'m
Capital Grants	3.887	3.187
NW Fire Control Grant	2.084	1.906
Council Tax Freeze Grant	1.277	-
Revenue Support Grant	1.276	42.290
Donated Assets	0.075	-
Localising Council Tax Support Grant	-	0.090
Small Business and Empty Property Rates	-	0.283
Total	**8.599**	**47.756**

Credited to Services	2012/13 £'m	2013/14 £'m
PFI Grant	0.452	0.452
Firelink Grant	0.155	0.184
Urban Search and Rescue Grant	0.138	0.107
New Dimensions Grant	0.092	0.126
Section 31 Grant	0.027	-
New Risk Programme	-	-
Public Disorder Recovery Scheme Grant	-	-
Fire Revenue Grant	-	-
Total	**0.864**	**0.869**

32. 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.

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 2013/14 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 2013/14.

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), and it appoints members to the North West Partnership Board. The work of the partnership board has been scaled back in 2013/14 and no financial transactions have taken place.

Under the terms of a Service Level Agreement between the Authority and Wigan Council in 2013/14, 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 related party. It is a company limited by guarantee which was incorporated in July 2007 and was established to operate a Regional Control Centre with the responsibility for Fire and Rescue Service mobilisation for the North West region.

During 2011/12 renegotiations were made for the future of the project following the closure of the National Project announced in December 2012 by the Fire Minister. The Company now has four members which are Cheshire, Cumbria, Greater Manchester and Lancashire Fire & Rescue Authorities (FRAs). These authorities have agreed to continue to support the project in preparation for transferring their mobilising function to NW Fire Control Ltd and have been successful in obtaining support from CLG to continue the project. 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 2013/14 the company has continued to be funded by a Section 31 Grant from the Department for Communities and Local Government. Accommodation and other implementation expenditure will continue to be funded during the project phase to implement the new Control Mobilising system. 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. The transition of the Control function to NW Fire Control Ltd is being implemented in the first quarter of 2014/15.

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom Based on International Financial Reporting Standards, the Authority has considered any requirement for the preparation of Group Accounts as a result of its relationship with NW Fire Control Limited.

It has been determined that the company will be accounted for as a jointly controlled entity for Group Accounts purposes within the accounts of the Authority. This has been determined by following guidance in the Code of Practice. This will be reviewed in forthcoming financial years based upon the future of the Company and if any Fire and Rescue Authority influence positions or Company governance arrangements have changed.

However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2013/14 having considered both qualitative and quantitative factors, including the following:

- The Authority does not depend on the company for continued provision of statutory services at present and activities provided by the control function remain within the individual Fire Authorities.
- The company is not operational in providing a public service and is not expected to become so until late in the financial year 2014/15.
- The only trading activity of the Company is currently the use of facilities at the building and car parking which is charged out accordingly to other Fire Authorities and organisations.
- The Authority's share of the gross administrative expenses of the company in the financial year 2013/14 (25% of £2.931m) is not material in the context of the Authority's gross expenditure.
- The Authority is not expected to make any contribution to the company until it commences using the company's services.
- The cost of running the company is covered by Section 31 grant from the Department for Communities and Local Government, bank interest earned and small values of trading profit.
- The liability of the Authority is limited to a maximum of £1.

Below shows the key Information from the Draft Financial Statements of NW Fire Control Ltd:

Accounts Information	2012/13 £'m	2013/14 £'m
Net Assets	0.120	0.136
Profits Before Taxation	0.078	0.063
Profits After Taxation	0.062	0.048
Debtor Balance (GMFRS)	0.147	0.250
Creditor Balance (GMFRS)	0.364	0.668

The Company's Financial Statements can be obtained from Companies House with the deadline for submission as 31 December 2014 for the final audited 2013/14 accounts.

The position regarding Group Accounts will be reviewed for the 2014/15 financial year.

33. 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.

	2012/13 £'m	2013/14 £'m
Opening Capital Financing Requirement	**44.959**	**41.939**
Capital Investment		
Property, Plant and Equipment	4.826	6.171
Investment Properties	0.400	0
Intangible Assets	0.202	0.094
Revenue Expenditure Funded from Capital under Statute	0.568	1.931
Sources of Finance		
Capital receipts	-0.585	-
Government grants and other contributions	-3.199	-4.628
Sums set aside from revenue:		
Direct revenue contributions	-2.213	-3.568
MRP/loans fund principal	-3.019	-2.653
Closing Capital Financing Requirement	**41.939**	**39.286**
Explanation of movements in year		
Increase/decrease (-) in underlying need to borrowing (supported by government financial assistance)	-	-
Increase/decrease (-) in underlying need to borrowing (unsupported by government financial assistance)	-3.020	-2.653
Increase/decrease (-) in Capital Financing Requirement	**-3.020**	**-2.653**

34. 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:

	2012/13 £'m	2013/14 £'m
Not later than 1 Year	0.080	0.091
Later than 1 Year and not later than 5 years	-	0.086
later than 5 Years	-	0.022

The expenditure during 2013/14 in relation to these leases was £0.107m (£0.107m in 2012/13). A new contract is awarded with effect from 1 July 2014 for 5 years and the above figures are based on this. There will be a rolling transfer programme onto the new MFD's

Authority acting as Lessor – Operating Leases

The Authority leases out property for operational reasons. The rent receivable in 2013/14 was £0.035m.

35. Private Finance Initiatives and similar contracts

2013/14 was the fifteenth 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 11.

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 2014 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 2014/15	0.124	0.257	0.305	0.686	0.301	0.682
Within 2-5 years	0.660	0.865	1.315	2.840	1.202	2.728
Within 6-10 years	1.366	0.541	1.863	3.770	1.503	3.410
Within 11-15 years	0.214	0.008	0.244	0.467	0.184	0.406
	2.365	**1.671**	**3.728**	**7.763**	**3.190**	**7.226**

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

	Value at 31 March 2013	Principal Repayment in 2013/14	Value as at 31 March 2014
	£'m	£'m	£'m
Liabilities resulting from PFI Contract	-2.476	0.111	-2.365

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 2013 £'m	Payments into Sinking Fund in 2013/14 £'m	Payments out of sinking fund in 2013/14 for Repair and Replacement £'m	Value as at 31 March 2014 £'m
Sinking Fund (Prepayment Account)	0.137	0.019	0.033	0.123

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	-2.261
Within 11-15 years	-0.339
Total	**-4.861**

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.

36. 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 General Fund Balance via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance during the year via the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement

2012/13 £'m LGPS	2012/13 £'m Fire		2013/14 £'m LGPS	2013/14 £'m Fire
		Cost of Services:		
1.943	28.240	Current service cost (includes transfer in)	2.439	33.470
0.664	-	Past service cost (including curtailments)	-	-
2.607	**28.240**	**Total Service Cost**	**2.439**	**33.470**
		Financing and Investment Income & Expenditure:		
-3.061	-	Interest income on plan assets	-3.306	-
4.149	61.200	Interest cost on defined benefit obligation	4.634	62.360
1.088	**61.200**	**Total Net Interest**	**1.328**	**62.360**
3.695	**89.440**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**3.767**	**95.830**
		Remeasurements of the Net Defined Liability Comprising:		
-6.176	-	Return on plan assets excluding amounts included in net interest	-0.414	-
-	-	Changes in demographic assumptions	0.130	-
11.637	-	Changes in financial assumptions	0.810	-
-0.109	153.970	Other	-6.260	-66.790
5.352	**153.970**	**Total Remeasurements Recognised in Other in the Comprehensive Income and Expenditure Statement**	**-5.734**	**-66.790**
9.047	**243.410**	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	**-1.967**	**29.040**

Movement in the Reserves Statement

2012/13 £'m LGPS	2012/13 £'m Fire		2013/14 £'m LGPS	2013/14 £'m Fire
0.009	-	Adjustment to align to actuaries report	-	-
-3.704	-89.440	Reversal of net charges made to the surplus / deficit on the provision of service	-3.767	-95.830
2.560	-	Employers' contributions payable to the scheme	2.063	-
-	43.560	Retirement benefits payable to pensioners	-	46.470
-1.135	**-45.880**	**Actual amount charged against the General Fund Balance for Pensions in the year**	**-1.704**	**-49.360**

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	
	2012/13 £'m	2013/14 £'m	2012/13 £'m	2013/14 £'m
Present value of the defined benefit obligation	-102.766	-102.640	-1,456.470	-1,439.040
Fair value of employer assets	73.424	77.328		
Net Liability Arising from the Defined Benefit Obligation	**-29.342**	**-25.312**	**-1,456.470**	**-1,439.040**

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

- Firefighters' Pension Scheme 1992 liability is £1,323.390 (£1,334.350m in 2012/13)
- Firefighters' Injury Benefit Scheme liability is £81.710m (£91.300m in 2012/13)
- Firefighters' Pension Scheme 2006 liability is £33.940m (£30.820m in 2012/13)

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

	Funded Liabilities: Local Government Pension Scheme		Fire Fighters Pension Scheme	
	2012/13	2013/14	2012/13	2013/14
	£'m	£'m	£'m	£'m
Opening fair value of scheme liabilities	**86.185**	**102.766**	**1,256.620**	**1,456.470**
Current Service Cost	1.943	2.439	28.240	33.470
Interest Cost	4.158	4.634	61.200	62.360
Contributions from scheme participants	0.684	0.685	-	-
Remeasurement gain				
Change in demographic assumptions		0.130	-	
Change in financial assumptions	11.637	0.810	-	
Other	-0.109	-6.260	153.970	-66.790
Past Service Costs	0.664		-	
Benefits Paid	-2.396	-2.564	-43.560	-46.470
Closing balance at 31 March	**102.766**	**102.640**	**1,456.470**	**1,439.040**

Reconciliation of movements in the fair value of the scheme assets

	Local Government Pension Scheme	
	2012/13	2013/14
	£'m	£'m
Opening fair value of scheme assets	**63.330**	**73.424**
Interest Income	3.061	3.306
Remeasurement gain		
Return on assets excluding amounts included in net interest	6.176	0.414
Contributions from employer	2.560	2.063
Contributions from employees into the scheme	0.684	0.685
Benefits Paid	-2.396	-2.564
Adjustment to align to actuaries report	9	0
Closing fair value of scheme assets	**73.424**	**77.328**

Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2013				Period Ended 31 March 2014			
	Quoted prices in active markets	Quoted prices in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices in active markets	Total	Percentage of Total Assets
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Equity Securities								
Consumer	8,155.7		**8,155.7**	**11**	8,146.7		**8,146.7**	**11**
Manufacturing	6,727.1		**6,727.1**	**9**	7,473.6		**7.473.6**	**10**
Energy and utilities	6,607.6		**6,607.6**	**9**	6,832.0		**6,832.0**	**9**
Financial Institutions	8,062.6		**8,062.6**	**11**	9,442.8		**9,442.8**	**12**
Health and care	3,277.7		**3,277.7**	**4**	3,307.8		**3,307.8**	**4**
Information Technology	1,387.9		**1,387.9**	**2**	1,504.2		**1,504.2**	**2**
Other	989.3		**989.3**	**1**	1,177.8		**1,177.8**	**2**
Debt Securities								
Corporate bonds (investment grade)	5,705.2		**5,705.2**	**8**	4,596.6		**4,596.6**	**6**
Corporate bonds (non investment grade)								
UK Government	1,142.1		**1,142.1**	**2**	1,289.1		**1,289.1**	**2**
Other	2,531.0		**2,531.0**	**3**	2,680.5		**2,680.5**	**3**
Private Equity		**1,773.9**	**1,773.9**	**2**		**1,909.2**	**1,909.2**	**2**
All								
Real Estate								
UK Property		2,150.6	**2,150.6**	**3**		2,277.8	**2,277.8**	**3**
Overseas Property								
Investment Funds and Unit Trusts								
Equities	14,498.9		**14,498.9**	**20**	14,829.8		**14,829.8**	**19**
Bonds	4,070.5		**4,070.5**	**6**	4,091.1		**4,091.1**	**5**
Hedge Funds				**0**			**0**	**0**
Commodities				**0**			**0**	**0**
Infrastructure		444.5	**444.5**	**1**		546.3	**546.3**	**1**
Other		1,804.0	**1,804.0**	**2**		3,116.7	**3,116.7**	**4**
Derivatives								
Inflation								
Interest Rate								
Foreign Exchange								
Other	979.7		**979.7**	**2**	1,056.0		**1,056.0**	**1**
Cash and Cash Equivalents								
All	3,115.7		**3,115.7**	**4**	3,050.0		**3,050.0**	**4**
Totals	**67,251**	**6,173**	**73,424**	**100**	**69,478**	**7,849**	**77,328**	**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 2013. The Firefighters Pension Scheme has been assessed by the Government Acutary Department (GAD).

The significant assumptions used by the actuary have been:

Mortality Assumptions

2012/13 LGPS	2012/13 Fire		2013/14 LGPS	2013/14 Fire
		Longevity at 65 for current pensioners:*		
20.1 years	23.5 years	Male	21.4 years	23.5 years
22.9 years	25.4 years	Female	24.0 years	25.5 years
		Longevity at 65 for future pensioners:*		
22.5 years	26.7 years	Male	24.0 years	26.6 years
25.0 years	28.4 years	Female	26.6 years	28.6 years
2.8%	2.5%	Rate of Inflation (Price Increases)	2.8%	2.5%
4.6%	4.7%	Rate of increase in salaries (Salary Increases)	3.9%	4.5%
2.8%	1.7%	Rate of increase in pensions (Pension Increases)	2.8%	2.5%
4.5%	4.3%	Rate of discounting scheme liabilities (Discount Rate)	4.3%	4.4%
50.0%	-	Take up of option to convert annual pension into retirement grant	55.0%	-

*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 Change in Assumption at 31 March 2014	Approximate % increase to Employer Liability	Approximate monetary amount £'m
0.5% decrease in Real Discount Rate	10%	10.551
1 year increase in member life expectancy	3%	3.079
0.5% increase in the Salary Increase Rate	3%	3.133
0.5% increase in the Pension Increase Rate	7%	7.295

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

The Authority anticipates paying £2.204m contributions to the scheme in 2014/15.

Fire Fighters Pension Scheme (1992 scheme) Change in Assumption at 31 March 2014	Approximate % increase to Employer Liability	Approximate monetary amount £'m
0.5% decrease in Real Discount Rate	10%	132.000
1 year increase in member life expectancy	1.7%	22.000
0.5% increase in the Salary Increase Rate	1.4%	18.000
0.5% increase in the Pension Increase Rate	8.6%	114.000

The weighted average duration of the defined benefit obligation for scheme members is approximately 19 years.

Fire Fighters Pension Scheme (2006 scheme) Change in Assumption at 31 March 2014	Approximate % increase to Employer Liability	Approximate monetary amount £'m
0.5% decrease in Real Discount Rate	20.8%	7.100
1 year increase in member life expectancy	1.4%	0.500
0.5% increase in the Salary Increase Rate	12.2%	4.100
0.5% increase in the Pension Increase Rate	8.6%	2.900

The weighted average duration of the defined benefit obligation for scheme members is approximately 41 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, to establish new career average revalued earnings schemes to pay pensions and other benefits.

37. 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.

38. 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.

2012/13 £'m		2013/14 £'m
0.060	Recruitment Advertising	0.068
0.602	Other Publicity	0.634
0.662	**Total**	**0.702**

39. 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.

40. Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14, 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 2013/14. 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.

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:

i. **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.

ii. **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.

iii. **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.

iv. **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.

v. **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.

vi. **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.

vii. **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

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.

i. 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

ii. 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.

iii. 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

2012/13 £'m		2013/14 £'m	2013/14 £'m
	Contributions Receivable		
	From Employer:		
-9.631	Contributions in relation to pensionable pay	-9.858	
-5.551	From Employee	-6.246	
-0.397	Ill Health Retirements	-0.400	
-15.579			**-16.504**
-0.401	**Transfers In from other Authorities**		**-0.146**
	Benefits Payable		
33.856	Pensions	36.271	
7.714	Commutations and lump sum retirement benefits	9.931	
41.570			**46.202**
	Payments to and on account of leavers		
1.003	Individual Transfers out to other schemes		**0.625**
26.593	**Sub Total: Net Amount Payable/Receivable for the year before top-op grant receivable/payable to CLG**		**30.177**
-26.593	**Top-up grant receivable**		**-30.177**
0.000	**Net amount payable/receivable for the year**		**0.000**

NET ASSETS STATEMENT

2012/13 £'m		2013/14 £'m
4.713	Pension Top-Up Grant receivable from CLG	9.081
-0.154	Creditor	-2.325
-	Debtor	1.018
	Payment in Advance	0.267
-4.559	Amount due to/from General Fund	**-8.041**
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 36).

Net Assets Statement

Included within this statement is the balance of £9.081m due from CLG for the 2013/14 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.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;

- 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 25 September 2014.

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 Brian Rigby
25 September 2014

The Treasurer's Responsibilities

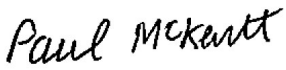
The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2014.

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

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
25 September 2014

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

In 2010 the Authority approved its first Sustainability Strategy, committing to reduce resource use and associated carbon emissions by 25% by 2014. Emissions have actually fallen by 26%* over this period, saving nearly 7,000 tonnes of CO2. After five years and capital investments of ~£1m on projects such as Solar Panels and Voltage Power Optimisation, annual utility bills are actually £0.210m lower. This is against a backdrop of rapidly rising fuel and utility prices: So if no action had been taken increased utility bills would have cost an extra £4.4 million. For a full analysis of performance against the 5-year target readers are referred to the Annual Sustainability Review 2013-14.
*Taking into account decarbonisation of the national grid (the UK now burns less coal and uses more renewables to generate electricity).

In April 2014 the Authority approved a new 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 through training all staff in 'carbon literacy', halving our CO2 emissions and making environmental protection a day-to-day part of fire-fighting.

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 2013 the auditor reported that:

"Clearly Senior management and the authority are committed to ensuring that the activities of the service are managed in a way that is sustainable and protects and improve the quality of life of the people of Greater Manchester."

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 2013/14:

Project	Location	Cost (£000s)	Payback
Solar Photovoltaic panels generating electricity	15 sites	645	7 years
Solar Photovoltaic panels	Rochdale Community Fire Station	50	7 years
Computer Power-down Software	All Sites	£540 Annual maintenance (£3,000 licence)	£6,000 / year
Heating Pipe Insulation	Whitehill	3	8 years
LED lighting	Headquarters, Training Centre, Whitehill, Leigh	Included in refurb projects	

Sustainability Capital Investment Summary- Expenditure 2013/14

	2010/11 Actual (£000s)	2011/12 Actual (£000s)	2012/13 Actual (£000s)	2013/14 Actual (£000s)
Water Consumption & Management	16	0	0	46
Energy Consumption & Management	203	47	189	656
Waste & Recycling Management	0	0	34	1
Travel				10
TOTAL	**219**	**47**	**223**	**713**

Income Generation
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 £0.021m has been received this year.
A Partnership Grant of £0.010m has been secured from Transport for Greater Manchester to install cycle shelters at Training Centre and Headquarters.

Energy Data Management
New Energy Management Software has allowed detailed analysis of energy and water data and bills. This has led to £0.098m being reclaimed from utility companies this year.

Financial & Non-Financial Performance Summary

	Measure	2011/12	2012/13	2013/14	% Change year on year
Electricity	kWh	5,172,459	4,809,755	4,354,869	⇩10%
	£	480,480	524,779	502,787	
Gas	kWh	13,557,390	14,388,360	13,421,047	⇩7%
	£	407,641	517,955	443,976	
Diesel	Litres	668,917	647,565	638,441	⇩1%
	£	802,817	801,042	767,038	
Water	m3	31,486	36,528	35,336	⇩3%
	£	248,089	298,540	227,890	
Waste	% Recycled*	84	87	87	⇔0%
	£	82,627	90,617	76,359	
Paper	Sheets	2,965,000	2,807,000	2,800,000	⇔0%
	£	£16,477	£15,158	£15,120	

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

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 the investment in solar PV systems (60%), the replacement of Bury fire station (7%), computer power-down software (1%).

Gas
In the last two years replacing Bury and Rochdale stations has reduced gas use by nearly 90% from these two sites.

Diesel
There has been a significant and consistent reduction in diesel usage over previous years. However, savings this year are masked by two large incidents which required huge amounts of water to be pumped.

Waste
Only 13% of our waste now ends up in landfill. Most of the waste that cannot be recycled is processed into refuse derived fuel.

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:

- Support a network of over 100 Sustainability Champions who are directly engaged in reducing the environmental impact across our sites. Their interest in the environment agenda continues across the service with locally organised events such as the community apple pick at Mossley, community orchard at Irlam and school environment quiz at Whitehill.

- Held a second Green Hose Awards to find our greenest fire station. Following last year's success, the competition has been launched again with tougher challenges. The scope has also been opened up to support staff with the launch of Green Impact. This partnership with the National Union of Students means teams will have their green credentials verified by volunteer students.

- Engaged in a research collaboration with Salford University, tapping into academic expertise to advise on subjects including:
    - Re-circulating fire water run off back onto fires
    - Controlled burns

- Hosted a Sustainability Intern for 9 months who was presented with the problem of the tens of thousands spent on heating drying rooms each year. He proved that dehumidifiers are the most efficient and appropriate method for drying fire gear and that installing them across the board could save £20K/year. He also developed a toolkit for assessing Green Infrastructure in partnership with Red Rose Forest.

- Invited speakers from a series of organisations with a reputation for leading the future environmental sustainability agenda to help frame our thinking in this area.

- Promote and run a popular cycle to work scheme, with more than 1,000 employees now taking part to date – the highest uptake across fire services.

To engage with our local communities and encourage a lower carbon city, we:

- Embedded regular Dr. Bike cycle maintenance classes open to the community at fire stations in partnership with Transport for Greater Manchester.

- Include environmental sustainability as part of our Community Fire Cadets syllabus for young people.

Recognition

The Authority is now recognised as a regional and national leader on sustainability; since launching our sustainability strategy we have received considerable external recognition and publicity for the effectiveness and extent of our work to cut both our costs and our environmental impact, including several awards. This year we won UK Gold Winners in the Public Sector Best Environmental Practice category of the 2013 Green Apple Awards.

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

A

Audit Commission
Independent body with the responsibility of appointing external auditors to local authorities.
http://www.audit-commission.gov.uk/

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 2013/14:
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

National Non Domestic Rate (NNDR)

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