Greater Manchester Fire and Rescue Authority

Statement of Accounts 2010/11

GREATER MANCHESTER
FIRE AND RESCUE AUTHORITY

PREVENTING PROTECTING RESPONDING

www.manchesterfire.gov.uk

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Introductory Statements

Introduction to the Statement of Accounts

Greater Manchester Fire and Rescue Service is the largest Fire and Rescue Service outside London with over 2,500 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.

I am pleased to introduce the Statement of Accounts for the Authority. The 2010/11 financial year has been extremely difficult as the Authority has had to adapt quickly and place itself on a sound platform to meet the financial constraints that will affect the future of the Service, at both a local and national level.

Managing the finances of such a large organisation is extremely important and the 2010/11 accounts shows the community where it receives its money from and what it spends it on. The accountability of public funds provides assurance to the taxpayer and the Government that we are taking our responsibilities very seriously and that risks are managed in a proper considered manner. It is often a good indicator of an organisation's overall health and effectiveness that it can show that it is financially competent and the accounts help achieve that objective. The Authority seeks to maintain a reasonable level of revenue balances to assist with budget planning and longer term stability and smooth out wherever possible year on year increases required from the taxpayers of Greater Manchester.

During the year the opportunity has been taken to earmark in year operational efficiencies and place these funds in reserves which will provide an invaluable source of funding in the following year. Therefore permitting the Authority to continue to deliver a quality Service whilst operating within a much more stringent financial regime.

The Authority is facing a very significant financial challenge and it must be flexible to be able to respond to the challenges that it now faces. With this in mind the Authority embarked upon a detailed consultation process (the results of which can be viewed on the Authority's website) which identified the pressures that it was facing and proposals of how these could be best met. A corporate plan has been produced which sets out the principles, standards and framework to be adopted that are necessary to transform the Organisation.

We remain passionate about our goal of making Greater Manchester a safer place and above all we are committed to deliver the expectations of our communities, that when they face an emergency, they get a swift response and a quality of service that is second to none.

Councillor Paul Shannon
Chairman of Greater Manchester Fire and Rescue Authority

Explanatory Foreword by the Treasurer

1. Introduction

The statement of accounts is a statutory publication that sets out the financial results of the authority's activities for the year ended 31 March 2011. The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 Based upon International Financial Reporting Standards and any other Accounting Codes of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code of Practice specifies the principles and practices of accounting required to give a "true and fair" view of the financial position and transactions of the Authority.

There are significant changes in the accounting requirements that have been introduced for the 2010/11 financial year. The Code of Practice has been completely rewritten and now adopts International Accounting Standards. This will help promote comparability of financial statements from one country to another. The Code of Practice has been designed to ensure that an Authority's published Statement of Accounts provides interested parties with clear information about the Authority's finances.

In reading these statements it is important to consider two particular aspects of the information. Firstly the statement of accounts reflects a common presentation and this reduces the areas of difference and variety of accounting treatment across organisations. Secondly, interpretation and explanation are considered to be extremely important. This explanatory forward is required under the Code of Practice and includes the most significant features of the accounts.

The authority's accounts for the year 2010/11 are set out on the following pages and consist of:-

- The statement of accounting policies which explains the basis for the recognition, measurement and disclosure of transactions in the accounts.
- The Comprehensive Income and Expenditure Statement for 2010/11 shows the accounting cost in year of providing services with generally accepted accounting practices, rather than the amount to be funded by taxation.
- 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 Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. For this statement of accounts that date is 31 March 2011
- The Cash Flow Statement which summarises the total movement of cash and cash equivalents during 2010/11.
- The Pension Fund Account which summarises the movements relating to the fire-fighters' pension scheme.
- The Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the Authority and the Treasurer for the accounts.

2. Where the money came from:

	£'m	%
National Non Domestic Rates (Business Rate)	65.782	52
Precept Levied on the 10 Greater Manchester District Authorities	42.210	34
Government Grants	14.827	12
Rents, Charges, Interest etc	2.069	2
Total	**124.888**	**100**

3. What the money was spent on:

	£'m	%
Salaries and Wages	79.472	64
Pensions – Employer Contributionss	13.131	11
Running Expenses	23.433	19
Capital Financing Charges	7.862	6
Total	**123.898**	**100**

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 2010/11 was £42.036m which equated to a Council Tax Band D Equivalent of £52.65.

4. Comparison of Actual Expenditure in 2010/11 with the Budget

The main components of the 2010/11 budget and comparisons with actual income and expenditure are set out below.

	Original Budget £'m	Approved Revised Budget £'m	Actual Income and Expenditure £'m	Variation to Approved £'m
Budget Requirement	120.720	120.720	116.555	-4.165
External Financing	-117.545	-117.545	-117.545	0.000
Surplus (-) / Deficit for the Year	**3.175**	**3.175**	**-0.990**	**-4.165**

The 2010/11 budget assumed a deficit of £3.175m. The above position shows a final surplus of £0.990m has been achieved which is £4.165m better than anticipated.

This improved position has been achieved as a direct result of action taken by the authority during the year. A number of initiatives and service reviews have taken place which has contributed towards reduced spending and increased efficiencies.

The authority also took the opportunity to earmark some of the in year savings to place in reserve against future strategic plans.

The most significant areas are shown below.

- Employees pay and other associated costs have reduced by £3.2m during 2010/11. This is due to a conscious decision not to fill vacant posts across the service, which includes a freeze on the recruitment of new fire-fighters, together with the implementation of a new structure for Fire Safety. This restructure is still underway and further cost savings are anticipated in 2011/12.
- As a result of the savings in employees pay there is an associated savings on the uniformed employer's pension contributions of £1.4m.
- Reduced costs on telephones and communication equipment of £0.3m due in the main to the implementation of the new telephony system.
- Lower than anticipated costs relating to the issue of uniforms of £0.3m.
- Additional income from government grants, contributions and customer receipts of £1.5m have been received during 2010/11.
- Other savings and efficiencies across the service amount to £1.3m.

As mentioned above new reserves and a provision have been created to meet the future costs of restructuring and other commitments. In addition a reserve relating to grant funded schemes has been created as a result of a change in accounting guidance. This reserve does not represent additional funds to the authority, but has been created as a result of a technical accounting change. This will ensure that expenditure can be funded without the risk of impacting upon the 2011/12 budget. Full details of these reserves are provided in note 22 to the accounts.

5. Capital Expenditure

In 2010/11 the Authority spent £4.900m on capital projects (£6.983m in 2009/10).

Capital expenditure is analysed below

2009/10 £'m	Project	2010/11 £'m
2.450	Refurbishment, Adaptations and New Buildings	1.382
2.975	Operational, Communications and Computer Equipment	0.903
0.238	General Purpose Vehicles	0.011
1.320	Pumping and Special Appliances	2.604
6.983	**Total Capital Expenditure**	**4.900**

The most significant items of capital expenditure has been incurred on the purchase of new pumping and special appliances, adaptations to buildings, ongoing refurbishments and the implementation of a new telephony system.

6. Financing of Capital Expenditure

The authority has a rolling capital programme that is reviewed throughout the year. During recent years this programme has been financed mainly by borrowing from internal resources and by using reserves set aside for this purpose. In 2010/11 capital grants were also available to part fund the capital programme.

Central Government provided resources of £4.524m in 2010/11 through the award of a supported capital expenditure (SCE) resource. This allows the authority to borrow and resources are funded by the government to meet the cost of the borrowing. Any future allowance has been withdrawn as part of the Government's spending review.

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 2011 was £8.998m

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 £46.646m as at 31 March 2011.

7. Authority Balances and Reserves

Balances at 1 April 2010 stood at £14.585m. The outturn increases this by £0.990m resulting in balances at 31 March 2011 of £15.575m. However currently £2.482m is earmarked for the 2011/12 budget deficit leaving a remaining balance of £13.094m which in part is used to underpin the agreed three year Medium Term Financial Strategy.

8. Future Spending Plans

The Authority, as part of its Budget setting process, has published a Medium Term Forecast for 2011/12 – 2014/15. The Medium Term Forecast helps to give greater stability and predictability to the Authority's finances by looking to the future to ensure strategic changes are implemented in a timely manner. The forecast includes a number of assumptions and risks which need careful consideration as to the potential impact upon the level of balances that the Authority holds, particularly the uncertainty surrounding 2013/14 and beyond grant income levels.

The authority's strategy remains to deliver low, affordable precept rises whilst seeking to deliver the changes contained within the Integrated Risk Management Plan (IRMP) for the benefit of the residents of Greater Manchester. The authority faces a difficult time financially which is more challenging due to the economic downturn and major reduction in public spending. This places an even greater emphasis on securing organisational efficiencies inherent in the IRMP.

The authority has traditionally operated with balances at or about 5% of the net budget requirement for many years and this has proved to be appropriate in light of the many challenges the authority has faced. The intention is to release any balances considered to be surplus in line with the Medium Term Strategy to maintain the stability of precept levels. The position on balances will be reviewed to ensure a prudent level is maintained.

The future funding of the authority's capital programme is extremely uncertain. The Government has announced that it will support capital for the fire authorities nationally by way of a capital grant. However the announcement covers only the 2011/12 financial year. Other options for the allocation of capital funding are to be considered and it is anticipated that the Fire and Rescue Service will be consulted on the way forward in respect of capital funding. In the short term previously earmarked resources are available to support the capital programme but this is not sustainable in the long run.

9. International Financial Reporting Standards

As mentioned above the 2010/11 financial year is the first year in which International Financial Reporting Standards have been adopted. The move to an IFRS accounting code results in a number of significant changes in accounting practice. The key changes relating to the authority include:-

a. Grants and contributions

b. Changes to the main financial statements

c. The introduction of component accounting on the authority's assets

d. Employee benefits

Whilst the changes are significant in accounting terms and presentationally the accounts will look significantly different to those produced in previous years, there is no impact upon the balances of the authority.

As 2010/11 is the first year for the implementation of IFRS a full restatement of the 2009/10 accounts is required for comparison purposes. Additional disclosures are provided to explain the restatement of the previous year's accounts.

10. 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 £1,177.5m (£1,325.7m in 2009/10). This is split between the Local Government Pension Scheme of £13.4m and the Fire Service Scheme of £1,164.1m. The Fire Service liability includes both the Firefighters' Pension Scheme 1992 and the New Firefighters' Scheme 2006.

The position for 2010/11 has improved when compared to 2009/10 due to the impact of changes in methodology. The most significant changes are:-

There has been a change in the calculation of pension increase using the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). As the RPI is almost always higher than the CPI this has resulted in an overall improvement in the reported balance sheet position and can be seen in the figures quoted above.

In addition under IAS19 when any obligation arising from long-term employee benefits that depend upon length of service need to be recognised when service is rendered. In the case of the GMFRS, as injury awards are dependant on service, then an additional liability of £40m is now recognised.

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

11. 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 2010/11 based upon International Financial Reporting Standards. Each fire and 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 current arrangements ensure that any shortfall on the pension fund is met by grant funding issued by the Department for Communities and Local Government.

12. Other Matters

Pension Review

During 2010/11 the Government commissioned Lord Hutton to review public sector pensions. The interim findings of this report have suggested that employees should make higher contributions, funds should not be based upon final salary schemes and also there should be an increase in the pension age. The final details have yet to be issued but if the above

proposals are accepted then potentially any increase in employers' contributions to the Fire-fighters Pension Scheme as a result of the actuarial review could be minimised.

Fire Control

During the year the Government announced the closure of the Fire Control project. The project was designed to provide regional control facilities. Since the cessation of the project a consultation programme has been undertaken with the fire community to decide upon the future of control room provision. The final outcome of this is not expected until the autumn. There are significant implications for the authority dependant upon the outcome of the consultation as significant investment in its current control facilities may be required.

Fire and Rescue Funding

There is currently an ongoing fundamental review of Local Government Finance. This, in conjunction with the Fire Futures consultation process, which is a national review of the service provision provided by the Fire and Rescue Authorities, places great uncertainty about the future budgetary implications for the Fire and Rescue Service.

Redundancies

As a result of the current financial climate the Authority is facing severe budgetary pressures. As part of its response to enable it to meet its budget for 2011/12 and 2012/13 it has recently announced a programme of Early Retirement / Voluntary Redundancy.

13. Concluding Remarks

The statement of accounts, whilst it is a technical document, is intended to give electors, members, employees and other interested parties clear information about the authority's finances and where ever possible the use of jargon and technical accounting language has been kept to a minimum. In addition a glossary explaining the main accounting terms is provided toward the back of this document. I would welcome any constructive comments, which would help improve the information. To this end a questionnaire is enclosed, which can be found at the end of the document.

It is recognised that the full 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 a summary of the accounts will also be available once the statutory audit has been completed.

I would like to take the opportunity to pass on my thanks to all the staff who has contributed to the completion of the statement of accounts. Given the continual development of accounting standards and their complex nature, 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. The availability of the accounts for inspection is advertised in the local press throughout Greater Manchester.

Paul McKevitt

Paul McKevitt BA (Hons), ACMA
Treasurer to the Authority

30 June 2011

Core Financial Statements

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. These are 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.

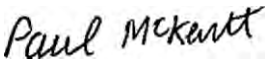
	Notes	Usable Reserves General Fund Balance £'m	Usable Reserves Earmarked General Fund £'m	Total Usable Reserves £'m	Unusable Reserves £'m	Total Authority Reserves £'m
Balance at 31 March 2009		**17.764**	**7.003**	**24.767**	**-893.463**	**-868.696**
Movement in reserves during 2009/10						
Surplus or deficit (-) on provision of services (accounting basis)		-44.648	-	-44.648	-	-44.648
Other Comprehensive Income and Expenditure		-	-	0.000	-369.235	-369.235
Total Comprehensive Income and Expenditure	24	**-44.648**	**0.000**	**-44.648**	**-369.235**	**-413.883**
Adjustments between accounting basis and funding basis under regulations	8	44.418	0.021	44.439	-44.439	0.000
Net Increase or Decrease before Transfers to Earmarked Reserves		**-0.230**	**0.021**	**-0.209**	**-413.674**	**-413.883**
Transfers to or from Earmarked Reserves		-2.948	2.948	0.000	-	0.000
Increase or Decrease in Year		**-3.178**	**2.969**	**-0.209**	**-413.674**	**-413.883**
Balance at 31 March 2010		**14.586**	**9.972**	**24.558**	**-1,307.137**	**-1,282.579**
Movement in reserves during 2010/11						
Surplus or deficit (-) on provision of services (accounting basis)	24	88.722	-	88.722	-	88.722
Other Comprehensive Income and Expenditure		-	-	0.000	70.227	70.227
Total Comprehensive Income and Expenditure		**88.722**	**0.000**	**88.722**	**70.227**	**158.949**
Adjustments between accounting basis and funding basis under regulations	8	-82.372	0.024	-82.348	82.348	0.000
Net Increase or Decrease before Transfers to Earmarked Reserves		**6.350**	**0.024**	**6.374**	**152.575**	**158.949**
Transfers to or from Earmarked Reserves		-5.360	5.360	0.000	-	0.000
Increase or Decrease in Year		**0.990**	**5.384**	**6.374**	**152.575**	**158.949**
Balance at 31 March 2011	22&23	**15.575**	**15.356**	**30.931**	**-1,154.562**	**-1,123.631**

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.

Restated							
2009/10 Gross Expenditure £'m	2009/10 Gross Income £'m	2009/10 Net Expenditure £'m		Notes	2010/11 Gross Expenditure £'m	2010/11 Gross Income £'m	2010/11 Net Expenditure £'m
15.606	1.211	14.395	Community Safety		14.693	1.157	13.536
89.646	7.630	82.016	Firefighting and Rescue Operations		97.789	7.602	90.187
0.502	0.045	0.457	Fire Service Emergency Planning		0.425	0.110	0.315
0.693	0.003	0.690	Corporate and Democratic Core		0.721	-	0.721
0.014	-	0.014	Non Distributed Cost		-143.150	-	-143.150
106.461	**8.889**	**97.572**	**Cost of Services**		**-29.522**	**8.869**	**-38.391**
0.058	0.028	0.030	Other Operating Expenditure	9	0.126	0.034	0.092
66.215	2.635	63.580	Financing and Investment Income and Expenditure	10	74.481	4.007	70.474
-	116.534	-116.534	Taxation and Non-Specific Grant Income	11	-	120.897	-120.897
172.734	**128.086**	**44.648**	**Surplus(-) or Deficit on Provision of Services**		**45.085**	**133.807**	**-88.722**
		0.186	Surplus(-) or deficit on revaluation of non-current assets				-2.616
		369.049	Actuarial gains/losses on pension assets/liabilities				-67.611
		369.235	**Other Comprehensive Income and Expenditure**				**-70.227**
		413.883	**Total Comprehensive Income and Expenditure**				**-158.949**

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 at 31 March 2011.



Paul McKevitt BA (Hons), ACMA
Treasurer to the Authority

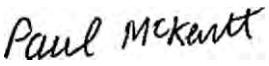
30 June 2011

Balance Sheet at 31 March 2011

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'.

Restated				At 31 March 2011	
At 31 March 2009 £'m	At 31 March 2010 £'m		Notes	£'m	£'m
49.614	51.602	Property, Plant and Equipment: Other Land and Buildings	12	53.213	
10.475	11.239	Property, Plant and Equipment: Vehicles, Plant and Equipment	12	12.043	
-	1.252	Assets under Construction	13	3.185	
-	0.025	Investment Property	14	0.025	
0.104	0.104	Community Assets		-	
2.362	1.671	Intangible Assets	15	1.387	
0.078	0.020	Long Term Debtors		0.002	
62.633	**65.913**	**Long Term Assets**			**69.855**
-	-	Cash and Cash Equivalents	19	0.681	
0.799	0.814	Inventories and Work in Progress	17	0.708	
4.100	5.178	Short Term Debtors	18	4.451	
9.427	6.187	Amount due from Pension Fund	40	5.713	
14.326	**12.179**	**Current Assets**			**11.553**
0.865	2.919	Cash and Cash Equivalents		-	
6.842	1.771	Short Term Borrowing	16	2.711	
7.354	10.828	Short Term Creditors	20	7.064	
0.313	0.310	Short Term Provisions	21	1.803	
15.374	**15.828**	**Current Liabilities**			**11.578**
1.390	1.440	Long Term Provisions	21	1.026	
15.506	15.049	Long Term Borrowing	16	12.335	
910.570	1,325.690	Long Term Liability - Pension Scheme	36	1,177.525	
2.815	2.664	Long Term Liabilities – PFI Scheme	16	2.575	
930.281	**1,344.843**	**Long Term Liabilities**			**1,193.461**
-868.696	**-1,282.579**	**Net Liability**			**-1,123.631**
24.767	24.558	Usable Reserves	22	30.931	
-893.463	-1,307.137	Unusable Reserves	23	-1,154.562	
-868.696	**-1,282.579**	**Total Reserves**			**-1,123.631**

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 2011.



Paul McKevitt BA (Hons), ACMA
Treasurer to the Authority

30 June 2011

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 direct method in preparing its cash flow statement which provides a detailed breakdown of the elements of operating, investing and financing activities. Therefore there is no requirement to produce additional notes to the cash flow statement.

2009/10 £'m		2010/11 £'m	£'m
	Operating Activities		
-101.364	Taxation	-107.992	
-40.300	Grants	-36.959	
-2.130	Sales of Goods and Rendering of Services	-2.017	
-0.003	Interest Received	-0.069	
-6.590	Other Receipts from Operating Activities	-6.367	
-150.387	**Cash Inflows Generated from Operating Activities**		**-153.404**
126.899	Cash Paid to and on Behalf of Employees	123.474	
14.697	Cash Paid to Suppliers of Goods and Services	17.016	
1.044	Interest Paid	1.007	
142.640	**Cash Outflows Generated from Operating Activities**		**141.497**
-7.747	**Net Cash Flows from Operating Activities**		**-11.907**
	Investing Activities		
4.274	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	6.393	
-0.015	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	-	
-0.057	Other Receipts from Investing Activities	-0.018	
4.202	**Net Cash Flows from Investing Activities**		**6.375**
	Financing Activities		
0.071	Cash Payments for the Reduction of the Outstanding Liability Relating to Finance Leases and On-Balance Sheet PFI Contracts	0.080	
5.527	Repayments of Short-Term and Long-Term Borrowing	1.852	
5.598	**Net Cash Flows from Financing Activities**		**1.932**
2.053	**Net Decrease/Increase(-) in Cash**		**-3.600**
0.865	**Cash and Cash Equivalents at the beginning of the reporting period**		**2.919**
2.919	**Cash and Cash Equivalents at the end of the reporting period**		**-0.681**

Notes to the Accounts

1. Transition to IFRS

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

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Short-term accumulating compensated absences

Short-term accumulating compensated absences refer to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code of Practice, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

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

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	2009/10 Statements £'m	Adjustments Made £'m
Short Term Creditors	-6.759	-1.160
Accumulated Absences Account	0.000	-1.160

31 March 2010 Balance Sheet	2009/10 Statements £'m	Adjustments Made £'m
Short Term Creditors	-10.157	-1.250
Accumulated Absences Account	0.000	-1.250

2009/10 Comprehensive Income and Expenditure Statement	2009/10 Statements £'m	Adjustments Made £'m
Community Safety	14.082	0.071
Firefighting and Rescue Operations	79.576	0.014
Fire Service Emergency Planning	0.449	0.005

Government Grants - Capital

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

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

The balance on the Government Grants Deferred Account as at 31 March 2010 has been transferred to the Capital Adjustment Account.

Capital grants received in 2009/10 which were not used were not recognised as income in the Comprehensive Income and Expenditure Account. Following the change in policy the grants have been recognised in full and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

31 March 2010 Balance Sheet	2009/10 Statements £'m	Adjustments Made £'m
Government Grants Deferred/Unapplied	-1.110	1.110
Capital Adjustment Account	12.888	1.089
Capital Grants Unapplied Reserve	0.000	0.021

Government Grants - Revenue

Where an authority was holding a revenue grant as a creditor on the balance sheet, and there were no conditions (as defined by the Code of Practice) in respect of that grant, the grant must be recognised immediately and credited to the Comprehensive Income and Expenditure Account. This income will only be utilised in future years and therefore has been transferred into an earmarked reserve.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	2009/10 Statements £'m	Adjustments Made £'m
Short Term Creditors	-6.759	0.566
Earmarked Reserves	6.438	0.566

31 March 2010 Balance Sheet	2009/10 Statements £'m	Adjustments Made £'m
Short Term Creditors	-10.157	0.735
Earmarked Reserves	9.216	0.735

2009/10 Comprehensive Income and Expenditure Statement	2009/10 Statements £'m	Adjustments Made £'m
Firefighting and Rescue Operations	79.576	-0.169

IAS19 – Injury Award Liability

Under paragraph 130 of IAS19 any obligation arising from other long-term employee benefits that depend on length of service need to be recognised when service is rendered. As injury awards under the Firefighters' schemes are dependant on service, the liability in respect of prior years service has been valued. The liability arising from injury awards has been restated for previous years.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	2009/10 Statements £'m	Adjustments Made £'m
Liability related to defined benefit pension scheme	879.900	30.670
Pension Reserve	-879.900	-30.670

31 March 2010 Balance Sheet	2009/10 Statements £'m	Adjustments Made £'m
Liability related to defined benefit pension scheme	1,274.460	51.230
Pension Reserve	-1,274.460	-51.230

2009/10 Comprehensive Income and Expenditure Statement	2009/10 Statements £'m	Adjustments Made £'m
Community Safety	14.082	0.242
Firefighting and Rescue Operations	79.576	2.595
Fire Service Emergency Planning	0.449	0.003
Pension Interest Cost and Expected Return on Pension Assets	60.310	2.180
Actuarial Gains/Losses on pension fund assets/liabilities	353.509	15.540

2. Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003. 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, 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.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 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 real cost of holding fixed 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 fixed assets attributable to the service.

Minimum Revenue Provision

The Authority is not required to raise Precept to cover depreciation, revaluation and impairment losses or amortisations. 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, impairment and revaluation losses and amortisations 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.

Cost of 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 Best Value Accounting Code of Practice 2010/11. 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 Account, as part of the Net Cost of 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 revenue 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 and are charged on an accruals basis to the appropriate service line 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.

Exceptional Items

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

Events After the Balance Sheet Date

Events after the Balance Sheet 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 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 acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants 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 Fixed 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 benefitting 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 2010/11 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, using a discount rate of 5.5% (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 Account 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 Account 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 Account.

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 Account.

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 Account 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 as 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.

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.

Contingent Assets

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

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

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 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 Council Tax.

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 for 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 assets 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 and 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. [Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.]

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

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

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

Impairment

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

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

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

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

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 fixed 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 to a maximum of 50 years.
- 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.

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

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.

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. Properties are not depreciated in the Code of Practice on local authority accounting requires properties to be revalued annually according to market conditions at the year-end. However given the low value of the investment property (£0.025m) held by GMFRA, this property will be revalued in line with the Authority's 5 year rolling programme for land and buildings. 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.

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

The adoption of FRS 30 'Heritage Assets' from 2011/12 will result in a change in accounting policy, therefore requiring disclosure in the 2010/11 accounts. As a new requirement the Authority shall recognise Heritage Assets as a separate class of assets for the first time in the 2011/12 financial statements in accordance with FRS 30.

Heritage Assets are assets preserved in trust for future generations because of their cultural, environmental or historical associations. The standard applies to assets held and maintained by the authority for the contribution of knowledge and culture. The Authority has previously recorded Museum assets on its balance sheet, which would have fallen within the Heritage assets classification. However these assets have been transferred to a Museum Trust who will act as custodians.

An assessment of the assets held by the Authority has been undertaken. However, those that could have been categorised as heritage assets in 2011/12 were disposed of in 2010/11.

4. Critical judgements in applying Accounting Policies

There is a high degree of uncertainty about future levels of funding for the fire and rescue service and local government as whole. The Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities. However it is investigating options to continue to provide services more efficiently whilst minimising any reduction in levels of service provision.

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property Plant and Equipment	The calculation of asset values is broadly based upon Depreciated Replacement Cost as there is no market based evidence of fair value. However in the current economic climate it makes it 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 would result in an adjustment of £0.5m.
Pension Liability	Estimation of the net liability to pay pensions is extremely volatile as it depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a change in excess of earning of + or - 0.5% would potentially change the total liability by 2.5% an increase in excess of pensions of 0.5% would change the liability by 7.5% and an increase in pensioner longevity of 2 years would result in a 4% 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.
Restructuring Provision	The Authority has made a provision for the settlement of termination benefits as a result of a voluntary redundancy scheme being offered to employees. The provision will be utilised to meet the costs of redundancy. It is not certain of the exact numbers and cost of redundancies that will be incurred by the authority in the coming year.	An increase over the coming year of adding an additional 10% to the current provision would require a further £0.150m.

6. 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 2010/11 the following transactions are included in the CIES:-

Provision

The creation of a provision towards the cost of restructuring of £1.5m was created in 2010/11. This cost is included in the gross expenditure figure on the Comprehensive Income and Expenditure Statement against the Firefighting and Rescue Operations line.

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 2010/11 a credit of £6.5m has been recorded in the Firefighters and Rescue Operations line (£17.6m in 2009/10).

In the June 2010 Emergency Budget it was announced that Public Sector pension increases would in future be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). As the CPI is currently lower than RPI there will be a reduction in the overall pension liability. Consequently the fall is included in the Comprehensive Income and Expenditure Account and a credit of £143.150m is shown on the Non-Distributed Costs line.

7. Events after the Balance Sheet date

Authorised for Issue Date

The Statement of Accounts was certified by the Treasurer on 22 June 2011. The accounts are therefore authorised for issue. 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 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8. 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.

2010/11	Usable Reserves		
	General Fund Balance £'m	Capital Grants Unapplied £'m	Movement in Unusable Reserves £'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	4.284	-	-4.284
Amortisation of Intangible Assets	0.526	-	-0.526
Capital grants and contributions applied (including donated assets)	-3.190	-	3.190
Revenue Expenditure Funded from Capital under Statute	0.126	-	-0.126
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	0.126	-	-0.126
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment	-2.819	-	2.819
Capital expenditure charged against the General Fund	-0.055	-	0.055
Adjustments primarily involving the Capital Grants Unapplied Account:			
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-0.024	0.024	0.000
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-39.326	-	39.326
Employer's pensions contributions and direct payments to pensioners payable in the year	-41.228	-	41.228
Adjustments primarily involving the Collection Fund Adjustment Account:			
Amount by which Precept credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated for the year in accordance with statutory requirements	-0.104	-	0.104
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	-0.688	-	0.688
Total Adjustments	**-82.372**	**0.024**	**82.348**

2009/10 Comparative Figures	Usable Reserves		Movement in Unusable Reserves £'m
	General Fund Balance £'m	Capital Grants Unapplied £'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	2.225	-	-2.225
Amortisation of Intangible Assets	0.814	-	-0.814
Movements in the market value of Investment Properties	-0.008	-	0.008
Capital grants and contributions applied	-1.089	-	1.089
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	0.073	-	-0.073
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Statutory provision for the financing of capital investment	-2.572	-	2.572
Capital expenditure charged against the General Fund	-1.143	-	1.143
Adjustments primarily involving the Capital Grants Unapplied Account:			
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-0.021	0.021	0.000
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	85.064	-	-85.064
Employer's pensions contributions and direct payments to pensioners payable in the year	-38.993	-	38.993
Adjustments primarily involving the Collection Fund Adjustment Account:			
Amount by which Precept credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated for the year in accordance with statutory requirements	-0.022	-	0.022
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	0.090	-	-0.090
Total Adjustments	**44.418**	**0.021**	**-44.439**

9. Other Operating Expenditure

2009/10 £'m		Expenditure £'m	Income £'m	Total 2010/11 £'m
0.058	Loss on Disposal of Non-Current Assets	0.126	-	0.126
-0.028	Operating Rental Income	-	0.034	-0.034
0.030	**Total**	**0.126**	**0.034**	**0.092**

10. Financing and Investment Income and Expenditure

2009/10 £'m		2010/11 £'m
1.121	Interest Payable and similar charges	1.084
-0.016	Surplus(-)/Deficit on trading undertakings not included under Continuing Operations	0.022
65.094	Pension Interest Costs	73.375
-0.008	Income in relation to investment properties and changes in their fair value	-
-0.003	Interest receivable and similar income	-0.069
-0.004	Investment Property Rental	-0.003
-2.604	Expected Return on Pension Assets	-3.935
63.580	**Total**	**70.474**

Interest receivable and similar income represents the amount of interest earned on the Authority's revenue balances for 2010/11.

11. Taxation and non specific grant incomes

2009/10 £'m		2010/11 £'m
41.008	Precept Income	42.314
60.460	Non Domestic Rates	65.782
13.955	Revenue Support Grant	9.552
1.111	Capital Grants	3.249
116.534	**Total**	**120.897**

The precept received from the ten district authorities of Greater Manchester includes adjustments of £0.174m in respect of previous years.

12. Property, plant and equipment

Movements on Balances

Movements in 2010/11	Land and Buildings £'m	Vehicles, Plant, Furniture and Equipment £'m	Community Assets £'m	Assets under Construction £'m	Total £'m	PFI Assets included in Property, Plant and Equipment £'m
Cost or Valuation						
At 1 April 2010	**52.434**	**23.075**	**0.104**	**1.252**	**76.865**	**2.387**
Additions	1.109	0.959	-	2.464	**4.532**	0.009
Donations	-	1.505	-	-	**1.505**	-
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	1.292	-	-	-	**1.292**	-
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services	-1.596	-	-	-	**-1.596**	-0.033
Derecognition - disposals	-	-1.266	-0.104	-	**-1.370**	-
Other movements in cost or valuation	-	0.531	-	-0.531	**-**	-
At 31 March 2011	**53.239**	**24.804**	**0.000**	**3.185**	**81.228**	**2.363**
Accumulated Depreciation and Impairment						
At 1 April 2010	**-0.832**	**-11.836**	**0.000**	**0.000**	**-12.668**	**-0.162**
Depreciation Charge	-1.741	-2.169	-	-	**-3.910**	-0.047
Depreciation written out to the Revaluation Reserve	1.325	-	-	-	**1.325**	-
Depreciation written out to the Surplus/Deficit(-) on the Provision of Services	1.222	-	-	-	**1.222**	0.064
Derecognition - disposals	-	1.244	-	-	**1.244**	-
At 31 March 2011	**-0.026**	**-12.761**	**0.000**	**0.000**	**-12.787**	**-0.145**
Net Book Value						
At 31 March 2011	**53.213**	**12.043**	**0.000**	**3.185**	**68.441**	**2.218**
At 1 April 2010	**51.602**	**11.239**	**0.104**	**1.252**	**64.197**	**2.225**

Donated Assets

During 2010/11 the authority took over ownership of specialist appliances previously purchased and owned by Communities for Local Government. The assets formed part of the New Dimension Programme, which was aimed at improving national capability to respond to emergencies.

These assets have now been brought onto the balance sheet and are currently valued at £1.505m.

Comparative movements in 2009/10	Land and Buildings £'m	Vehicles, Plant, Furniture and Equipment £'m	Community Assets £'m	Assets under Construction £'m	Total £'m	PFI Assets included in Property, Plant and Equipment £'m
Cost or Valuation						
At 1 April 2009	**49.616**	**23.036**	**0.104**	**0.000**	**72.756**	**2.387**
Additions	2.661	2.572	-	1.252	**6.485**	-
Revaluation increases/ decreases(-) recognised in the Revaluation Reserve	0.166	-	-	-	**0.166**	-
Revaluation increases/ decreases(-) recognised in the Surplus/Deficit on the Provision of Services	0.028	-	-	-	**0.028**	-
Derecognition - disposals	-0.020	-1.171	-	-	**-1.191**	-
Other movements in cost or valuation	-0.017	-1.362	-		**-1.379**	-
At 31 March 2010	**52.434**	**23.075**	**0.104**	**1.252**	**76.865**	**2.387**
Accumulated Depreciation and Impairment						
At 1 April 2009	**-0.001**	**-12.561**	**0.000**	**0.000**	**-12.562**	**-0.119**
Depreciation Charge	-0.831	-1.774	-	-	**-2.605**	-0.043
Derecognition - disposals	-	1.118	-	-	**1.118**	-
Other movements in depreciation and impairment	-	1.381	-	-	**1.381**	-
At 31 March 2010	**-0.832**	**-11.836**	**0.000**	**0.000**	**-12.668**	**-0.162**
Net Book Value						
At 31 March 2010	**51.602**	**11.239**	**0.104**	**1.252**	**64.197**	**2.225**
At 1 April 2009	**49.615**	**10.475**	**0.104**	**0.000**	**60.194**	**2.268**

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 2011, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2010/11 and future years budgeted to cost £5.048m. Similar commitments at 31 March 2010 were £3.050m. The major commitments are:

- Operation Appliances/General Vehicles - £0.425m
- Premises - £3.836m
- ICT - £0.787m

Effects of changes in estimates

As required under IFRS valuations carried out in 2010/11 took into account componentisation of Assets. The properties valued by the Valuer in 2010/11 were split into components with different remaining lives. Following discussions with the Authority's Valuers it was agreed that the residual value of Fire Stations at the end of their economic life is to be the site value. As land is not depreciated, the residual value for the buildings valued in 2010/11 was reduced to zero. The introduction of components and the change of residual life to zero resulted in an additional depreciation charge in 2010/11 of approximately £0.65m as a result of the new valuations. The impact of this change will carry forward into 2011/12 and future years.

As a result of the advice from the Valuer, the residual values for all other Fire Station Buildings not revalued in 2010/11, was reduced to zero. This resulted in approximately £0.2m of additional depreciation being charged in 2010/11. The impact of this change will carry forward into 2011/12 and future years.

Revaluations

A rolling programme of revaluation of land and buildings is contained within the Authority's Asset Management Plan. This rolling programme caters for the re-valuation of all fixed assets and is carried out over 5 years. The valuation of nine properties for financial year 2010/11 (as at 1 April 2010) was carried out by GVA Grimley, 81 Fountain Street, Manchester.

Information from the Authority's Valuers identified that construction cost had reduced by 1% between 1 April 2009 and 31 March 2010, and increased by 2.67% between 1 April 2010 and 31 March 2011. As a result of these changes a further estimation exercise was carried out to reflect the potential change in value of those properties valued at depreciated replacement cost.

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 2010/11 were carried out by Michael A. Kings FRICS and Chris Morton BA(Hons) of GVA Grimley.

	Land and Buildings £'m
Carried at historic cost	64.463
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	-0.330
Total Cost or Valuation	**53.213**

13. 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 and none currently meet with all the criteria above.

14. Investment properties

The Authority owns a piece of land at Stalybridge Fire Station which is currently leased to GMPTE.

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:

	2009/10 £'m	2010/11 £'m
Rental income from investment property	0.004	0.003
Net gain/loss(-)	**0.004**	**0.003**

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.

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

	2009/10 £'m	2010/11 £'m
Balance at start of the year	0.000	0.025
Additions:		
Purchases	-	-
Construction	-	-
Subsequent Expenditure	-	-
Disposals	-	-
Net gains/losses(-) from fair value adjustments	0.008	-
Transfers to/from Property, Plant and Equipment	0.017	-
Balance at end of the year	**0.025**	**0.025**

15. 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 £0.526m charged to revenue in 2010/11 was charged to the appropriate service heading.

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

	2009/10 Other Assets £'m	2010/11 Other Assets £'m
Balance at start of the year:		
Gross carrying amounts	7.489	7.632
Accumulated amortisation	-5.127	-5.961
Net carrying amount at start of year	2.362	1.671
Additions:		
Purchases	0.143	0.242
Amortisation for the period	-0.814	-0.526
Other changes	-0.020	-
Net carrying amount at end of year	**1.671**	**1.387**
Comprising:		
Gross carrying amounts	7.632	7.874
Accumulated amortisation	-5.961	-6.487
	1.671	**1.387**

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

	Carrying Amount 31/03/10 £'m	Carrying Amount 31/03/11 £'m	Remaining Amortisation Period Years
Command and Control System	1.032	0.789	3.25
Rostering System	0.246	0.105	0.75
HR/Payroll System	0.129	0.300	4.00

Due to the cancellation of the Regional Control Project in December 2010, the lifetime of the Command and Control system has been extended from December 2011 to June 2014. The change reduced the amortisation which was originally scheduled to be charged in 2010/11 by £0.347m to give a revised amortisation charge for 2010/11 of £0.243m.

Contractual Commitments

The authority entered into a contract for the replacement of its HR/Payroll system in October 2009. The system has been developed in stages, with the contractual commitment at 31 March 2011 for the software being approximately £0.051m.

16. Financial instruments

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

	Long Term		Current	
	31 March 2010 £'m	31 March 2011 £'m	31 March 2010 £'m	31 March 2011 £'m
Investments				
Loans and Receivables	-	-	-	3.033
Total Investments	**0.000**	**0.000**	**0.000**	**3.033**
Debtors*				
Financial assets carried at contract amounts	-	-	5.178	4.451
Total Debtors	**0.000**	**0.000**	**5.178**	**4.451**
Borrowings				
Financial liabilities at amortised cost	15.049	12.335	1.848	2.711
Total Borrowings	**15.049**	**12.335**	**1.848**	**2.711**
Other Long Term Liabilities				
PFI and finance lease liabilities	2.664	2.575	0.080	0.089
Total Long Term Liabilities	**2.664**	**2.575**	**0.080**	**0.089**
Creditors**				
Financial liabilities carried at contract amount	-	-	10.828	7.064
Total Creditors	**0.000**	**0.000**	**10.828**	**7.064**

* 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.

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 2011 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, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be invoiced or billed amount.

The fair values calculated by Sector, the Authority's Treasury Management Advisor are as follows:

	31 March 2010		31 March 2011	
	Carrying Amount £'m	Fair Value £'m	Carrying Amount £'m	Fair Value £'m
Financial Liabilities	9.075	10.534	9.075	9.990

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 2010/11 as £10.358m (£10.715m in 2009/10).

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.

	31 March 2010		31 March 2011	
	Carrying Amount £'m	Fair Value £'m	Carrying Amount £'m	Fair Value £'m
Loans and Receivables	-	-	3.033	3.033

Long Term Debtors

The IFRS Code requires the Authority to assess whether any loans have been granted at less than market rates. Where this is material the IFRS Code requires the discounted interest rate to be recognised as a reduction in fair value of the asset when measured for the first time.

The Cycle to Work Scheme has been subjected to the criteria but it has been determined that the scheme is an employee benefit scheme and as such is outside the scope of financial instruments.

Short Term Borrowing

During the year the Authority took out a number of temporary loans. At 31 March 2011 no loans were outstanding (£1.400m in 2009/10).

There is £0.413m which is the part of the outstanding debt transferred from the former Greater Manchester County (GMC) on its abolition in 1986, that is repayable within 12 months of the Balance Sheet date. Tameside Metropolitan Borough Council administers this debt. The balance of the debt is shown in the Balance Sheet as long-term borrowing.

There is an amount of £2.298m relating to a PWLB loan that will mature in January 2012, this is therefore classed as short-term borrowing.

Long-Term Borrowing

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

Source	Maturity in Years				Total £'m
	1 to 2 £'m	2 to 5 £'m	5 to 10 £'m	Over 10 £'m	
Public Works Loan Board (PWLB)	2.000	4.000	-	0.700	6.700
Debt Transferred from former GMC	0.436	1.460	3.029	0.710	5.635
Total	**2.436**	**5.460**	**3.029**	**1.410**	**12.335**

There is an amount of £0.077m which is accrued interest added to the PWLB loans. This is not included in the table above and will be paid in 2011/12. It is included under current liabilities as a creditor within the Balance Sheet.

Tameside Metropolitan Borough Council administers debt transferred to the Authority from the former Greater Manchester County (GMC). Debt repayable within 12 months of the balance sheet date is classified as short term borrowing.

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.

The Authority has adopted CIPFA's Treasury Management in the Public Services 'Code of Practice'. In accordance with the Code of Practice 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

The maturity structure of borrowing

The Authority is required to set for the forthcoming year only both upper and lower limits with respect to the maturity structure of its projected fixed rate borrowing. The limits are to be expressed as percentages of total projected borrowing.

Maturity structure of projected borrowing

	Upper Limit %	Lower Limit %
Under 12 months	0	0
12 months and within 24 months	0	0
24 months and within 5 years	50	0
5 years and within 10 years	50	0
10 years and above	100	50

The maturity profile that is actually chosen for new borrowing would depend on prevailing market conditions, the acceptance of the above limits will give reasonable flexibility in that it would allow: -

- All new borrowing (but no less than 50%) to be taken out for 10 years or more.
- Up to 50% of new borrowing to be taken out for periods of 2 to 10 years.
- No borrowing for less than 2 years.

The total principal sums invested for periods longer than 364 days.

The Authority is required to set a prudential limit on sums invested for periods longer than 364 days.

It is not envisaged that there would be any investments held for more than 364 days.

The Authority also produces an Annual Investment Strategy which sets out the general policy objectives for investments, the procedures for determining which investments categories the Authority will use and the maximum periods for which funds may be committed.

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 Statement also imposes a maximum sum to be invested with different financial institutions. The credit criteria in respect of financial assets held by the Authority are as detailed below:

Financial Asset	Maximum Investment £'m
Deposits with Banks	10.000
Deposits with Building Societies	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:

Creditor Profile	2010/11 £'m
Less than three months	0.260
Three to six months	0.006
Six months to one year	0.005
More than one year	0.025

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:

	2010/11 £'m
Less than 1 year	2.711
1 to 2 years	2.436
2 to 5 years	5.460
More than 5 years	4.439

Market 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

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.

17. 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.

	2009/10 £'m	2010/11 £'m
Balance outstanding at start of year	**0.799**	**0.814**
Purchases	2.580	1.552
Recognised as an expense in the year	-2.542	-1.648
Written off balances	-0.023	-0.010
Reversals of write-offs in previous years	-	-
Balance outstanding at year-end	**0.814**	**0.708**

18. Debtors

31 March 2009 £'m	31 March 2010 £'m		31 March 2011 £'m
		Central Government Bodies	
0.202	0.444	Her Majesty's Revenue and Customs - VAT	0.230
0.202	**0.444**		**0.230**
		Other Local Authorities	
2.726	3.442	Council Tax	2.734
-	-	Various Councils	0.021
-	-	Various Fire Authorities	0.106
2.726	**3.442**		**2.861**
		NHS Bodies	
-	-	Greater Manchester Ambulance Service	0.010
0.000	**0.000**		**0.010**
		Public Corporations	
-	-	Transport for Greater Manchester	0.035
0.000	**0.000**		**0.035**
		Other entities and individuals	
0.376	0.446	Sundry Debtors	0.296
0.099	0.094	Prince's Trust	0.102
0.072	0.087	Cycle Scheme	0.099
-	0.081	Utilities Refunds	-
0.121	0.098	PFI	0.119
-	-	NW Fire Control	0.064
-	-	Insurance Premium	0.177
0.504	0.486	Other Miscellaneous Debtors	0.458
1.172	**1.292**		**1.315**
4.100	**5.178**	**Total Debtors**	**4.451**

19. Cash and Cash Equivalents

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

31 March 2010 £'m		31 March 2011 £'m
0.068	Cash held by the Authority	0.068
-2.987	Bank current accounts	-2.420
-	Short-term deposits with building societies	3.033
-2.919	**Total Cash and Cash Equivalents**	**0.681**

20. Creditors

31 March 2009 £'m	31 March 2010 £'m		31 March 2011 £'m
		Central Government Bodies	
1.882	1.773	Her Majesty's Revenue and Customs	1.720
-	0.077	Public Works Loan Board	0.077
-	-	CLG Fire Link	0.080
1.882	**1.850**		**1.877**
		Other Local Authorities	
2.534	3.228	Council Tax	2.416
-	0.087	Various Councils	0.036
-	-	Various Fire Authorities	0.101
2.534	**3.315**		**2.553**
		Public Corporations	
-	-	Audit Commission	0.032
0.000	**0.000**		**0.032**
		Other entities and individuals	
0.309	1.906	Capital Creditors	0.413
0.328	0.315	Sundry Creditors	0.522
-	0.270	Utilities	0.097
-	0.202	Construction Industry Payments	0.088
0.097	0.092	Car Allowances	0.056
-	0.080	Finance Lease PFI	0.089
1.160	1.250	Accumulated Absences	0.562
-	-	Stock Accruals	0.086
1.044	1.548	Other Creditors	0.689
2.938	**5.663**		**2.602**
7.354	**10.828**	**Total Creditors**	**7.064**

21. Provisions

	Compensation Claims £'m	Other Provision £'m	Total Provision £'m
Insurance Provision			
Balance at 1 April 2010	-	1.750	**1.750**
Additional Provisions 2010/11	-	1.276	**1.276**
Amounts used in 2010/11	-0.410	-1.287	**-1.697**
Total Insurance Provision	**-0.410**	**1.739**	**1.329**
Restructuring Provision		1.500	**1.500**
Balance at 31 March 2011	**-0.410**	**3.239**	**2.829**

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

a) Insurance

In recent years, the Authority has carried excess clauses within its legal liability and vehicle insurance policies. Since claims may not be settled for some time after they arise, an Insurance Provision was established to meet the cost of such claims. An annual revenue contribution is made to the provision and claims settlements are charged to the provision. In compliance with IAS37 the provision has been increased to the amount required to meet all known liabilities assessed on an actuarial basis. The surplus or any deficit above or below the sum required to meet the scheme liabilities of £0.884m has been transferred to the Insurance Reserve.

The Authority is not aware of any material unfunded risks other than any possible liability resulting from unpaid claims against its former insurer Municipal Mutual Insurance Limited (MMI).

The total compensation claims have been split between short (£0.303m) and long term (£0.107m) provisions.

b) Restructuring Provision

The Authority has made a provision for the settlement of termination benefits as a result of a voluntary redundancy scheme being offered to employees. The provision will be utilised to meet the associated costs of redundancy. It is not certain of the exact numbers and cost of redundancies that will be incurred by the authority in the coming year. These changes are necessary due to the impact of the Comprehensive Spending Review, which has significantly reduced the levels of funds available for the fire and rescue service.

22. Usable Reserves

2009/10 £'m		2010/11 £'m
9.951	Earmarked Reserves	15.311
14.586	General Fund Balances	15.575
0.021	Capital Grants Unapplied Reserve	0.045
24.558	**Total Usable Reserves**	**30.931**

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 2009 £'m	Transfers Out 2009/10 £'m	Transfers In 2009/10 £'m	Balance at 31 March 2010 £'m	Transfers Out 2010/11 £'m	Transfers In 2010/11 £'m	Balance at 31 March 2011 £'m
Capital Reserve	3.609	1.182	2.500	4.927	-	2.685	7.612
Insurance Reserve	2.829	0.378	0.760	3.211	0.055	0.884	4.040
Innovation and Partnership/CYP Reserve	-	-	1.078	1.078	0.095	0.260	1.243
Unspent Grant Reserve	0.565	-	0.170	0.735	0.316	0.079	0.499
Earmarked Budgets Reserve	-	-	-	-	-	1.294	1.294
Projects Reserve	-	-	-	-	-	0.623	0.623
Total	**7.003**	**1.560**	**4.508**	**9.951**	**0.466**	**5.826**	**15.311**

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. In 2010/11 no expenditure was financed from the Capital Reserve as the level of capital spending was lower than anticipated. A contribution of £2.500m was made in line with the 2010/11 budget strategy. In addition further contributions of £0.150m and £0.035m have also been made in respect of the GIS system and support to general capital resources.

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. Full details of which are provided in the Contingent Liabilities note. The reserve also provides a prudent hedge against changes in the insurance market which may require premium increases.

c) Innovation and Partnership /CYP Reserve

This reserve was created in 2009/10 to provide the necessary funding for future partnership and innovation schemes and to support children's and young people's initiatives. In 2010/11 £0.095m was transferred from the fund to support various schemes and further contributions of £0.260m were made to provide for future initiatives.

d) Unspent Grant Reserve

The accounting treatment required for Grants received has been amended under the International Financial Reporting Standards. This changes the way the grants are reported and hence this new reserve has been created. This is a technical change in that instead of rolling any unspent funds into future accounting years the surplus/ unspent values are now earmarked and transferred to the reserve.

e) 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 2011/12.

f) Projects Reserve

This reserve has been created in year to specifically support project work within the Authority for the future arrangements of delivering the Control Room function.

General Fund Balances

In year a surplus of £0.990m has been achieved which increases available balances from £14.585m as at 1 April 2010 to £15.575m at 31 March 2011.

Capital Grants Unapplied Reserve

This reserve represents the amount of unused capital grant as at 31 March 2011. 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.

23. Unusable Reserves

2009/10 £'m		2010/11 £'m
5.603	Revaluation Reserve	7.885
13.986	Capital Adjustment Account	15.322
-1,325.690	Pensions Reserve	-1,177.525
0.214	Collection Fund Adjustment Account	0.318
-1.250	Accumulated Absences Account	-0.562
-1,307.137	**Total Unusable Reserves**	**-1,154.562**

Revaluation Reserve

The Revaluation Reserve contains the gains made to the Authority arising from increases in the value of Property, Plant and 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.

2009/10 £'m		2010/11	
		£'m	£'m
-5.931	**Balance at 1 April**		**-5.603**
-0.260	Upward revaluation of assets	-3.051	
0.446	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0.435	
0.186	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		**-2.616**
0.142	Difference between fair value depreciation and historical cost depreciation	0.230	
-	Accumulated gains on assets sold or scrapped	0.104	
0.142	Amount written off to the Capital Adjustment Account		**0.334**
-5.603	**Balance at 31 March**		**-7.885**

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 and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2009/10 £'m		2010/11 £'m	£'m
-12.144	**Balance at 1 April**		**-13.986**
	Reversal of items relating to capital expenditure debited or credited to the CI&E:		
2.252	Charges for depreciation and impairment of non-current assets	3.910	
-0.028	Revaluation losses on Property, Plant and Equipment	0.374	
0.814	Amortisation of intangible assets	0.526	
-	Revenue Expenditure Funded from Capital Under Statute	0.126	
0.073	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	0.126	
3.111			5.062
-0.141	Adjusting amounts written out of the Revaluation Reserve		-0.334
2.970	**Net written out amount of the cost of non-current assets consumed in the year**		**4.728**
	Capital financing applied in the year:		
-1.090	Capital grants and contributions credited to the CI&E that have been applied to capital financing	-3.190	
-2.571	Statutory provision for the financing of capital investment charged against the General Fund	-2.819	
-1.143	Capital expenditure charged against the General Fund	-0.055	
-4.804			**-6.064**
-0.008	Movements in the market value of Investment Properties debited or credited to the CI&E		-
-13.986	**Balance at 31 March**		**-15.322**

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.

2009/10 £'m		2010/11 £'m
-910.570	**Balance at 1 April**	**-1,325.690**
-369.049	Actuarial gains or losses on pensions assets and liabilities	67.611
-85.064	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	39.326
38.993	Employer's pensions contributions and direct payments to pensioners payable in the year	41.228
-1,325.690	**Balance at 31 March**	**-1,177.525**

Collection Fund Adjustment Account

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

2009/10 £'m		2010/11 £'m
0.192	**Balance at 1 April**	**0.214**
-0.082	Amount by which precept income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	0.104
0.104	Adjustment to previously notified surplus/deficit on Collection Fund	-
0.214	**Balance at 31 March**	**0.318**

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.

2009/10 £'m		2010/11 £'m	£'m
-1.160	**Balance at 1 April**		**-1.250**
1.160	Settlement or cancellation of accrual made at the end of the preceding year	1.250	
-1.250	Amounts accrued at the end of the current year	-0.562	
-0.090	**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**		**0.688**
-1.250	**Balance at 31 March**		**-0.562**

24. 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 Best Value Accounting 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 2010/11	Community Safety £'m	Firefighting and Rescue Operations £'m	Total £'m
Government Grants	-0.003	-1.492	-1.495
Customer and Client Receipts	-0.879	-0.059	-0.938
Recharges to Other Revenue A/C Heads	-0.274	-6.052	-6.326
Total Income	**-1.156**	**-7.603**	**-8.759**
Employees Pay	5.735	60.611	66.346
Pensions	0.834	9.235	10.069
Indirect Employee Allowances	0.119	-0.117	0.002
Premises Related Expenditure	0.002	2.661	2.663
Transport Related Expenditure	0.200	1.208	1.408
Supplies, Services and Other Expenses	0.679	4.210	4.889
Support Services	7.909	25.309	33.218
Capital Charges	0.025	3.448	3.473
Capital Financing Costs	0.000	0.000	0.000
Total Expenditure	**15.503**	**106.565**	**122.068**
Net Expenditure	**14.347**	**98.963**	**113.309**

Service Income and Expenditure 2009/10	Community Safety £'m	Firefighting and Rescue Operations £'m	Total £'m
Government Grants	-0.009	-0.855	-0.864
Customer and Client Receipts	-0.890	-0.102	-0.992
Recharges to Other Revenue A/C Heads	-0.312	-6.673	-6.985
Total Income	**-1.211**	**-7.630**	**-8.841**
Employees Pay	5.583	61.772	67.355
Pensions	0.954	11.731	12.685
Indirect Employee Allowances	0.117	0.194	0.311
Premises Related Expenditure	0.008	2.617	2.625
Transport Related Expenditure	0.226	1.269	1.495
Supplies, Services and Other Expenses	1.974	3.682	5.656
Support Services	9.208	21.594	30.802
Capital Charges	0.011	2.414	2.425
Capital Financing Costs	-	0.025	0.025
Total Expenditure	**18.081**	**105.298**	**123.379**
Net Expenditure	**16.870**	**97.668**	**114.538**

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2009/10 £'m	2010/11 £'m
Cost of Services in Service Analysis	114.538	113.309
Additional Segments not included in analysis	1.229	1.174
Amounts not included in the analysis but included in the CI&E Statement	-16.419	-149.994
Amounts included in the analysis but not included in the CI&E Statement	-1.776	-2.880
Net Cost of Services in Comprehensive Income and Expenditure Statement	**97.572**	**-38.391**

Reconciliation to Subjective Analysis 2010/11	Service analysis £'m	Services not in analysis £'m	Amounts not included in analysis but included in CI&E £'m	Amounts included in analysis but not included in CI&E £'m	Net cost of services £'m	Corporate Amounts £'m	Total £'m
Government Grants and Contributions	-1.493	-0.066	-	-	-1.559	-120.897	-122.456
Customer and Client Receipts	-0.939	-0.044	-	-	-0.983	-	-0.983
Recharges	-6.327	-	-	-	-6.327	-	-6.327
Operating Lease Income	-	-	-	-	0.000	-0.034	-0.034
Investment Property Lease Income	-	-	-	-	0.000	-0.003	-0.003
Expected Returns on Pensions Assets	-	-	-	-	0.000	-3.935	-3.935
Interest and investment income	-	-	-	-	0.000	-0.069	-0.069
Total income	**-8.759**	**-0.110**	**0.000**	**0.000**	**-8.869**	**-124.938**	**-133.807**
Employees Pay	66.346	0.410	-	-	66.756	-	66.756
Pensions	10.069	0.109	-149.994	-	-139.816	-	-139.816
Indirect employee expenses	0.002	0.004	-	-	0.006	-	0.006
Premises related expenditure	2.663	-	-	-	2.663	-	2.663
Transport related expenditure	1.408	0.019	-	-	1.427	-	1.427
Supplies, services and other expenses	4.889	0.513	-	-2.730	2.672	-	2.672
Support services	33.218	0.227	-	-0.150	33.295	-	33.295
Capital charges	3.473	-	-	-	3.473	-	3.473
Capital financing costs	-	0.002	-	-	0.002	-	0.002
Deficit on Trading Undertakings	-	-	-	-	0.000	0.022	0.022
Pension interest cost	-	-	-	-	0.000	73.375	73.375
Interest payable	-	-	-	-	0.000	1.084	1.084
Loss on disposal of non-current assets	-	-	-	-	0.000	0.126	0.126
Total Operating Expenses	**122.068**	**1.284**	**-149.994**	**-2.880**	**-29.522**	**74.607**	**45.085**
Surplus(-)/Deficit on the provision of services	**113.309**	**1.174**	**-149.994**	**-2.880**	**-38.391**	**-50.331**	**-88.722**

Reconciliation to Subjective Analysis 2009/10 Comparative Figures	Service analysis £'m	Services not in analysis £'m	Amounts not included in analysis but included in CI&E £'m	Amounts included in analysis but not included in CI&E £'m	Net cost of services £'m	Corporate Amounts £'m	Total £'m
Government Grants and Contributions	-0.864	-0.010	-	-	-0.874	-116.534	-117.408
Customer and Client Receipts	-0.992	-0.038	-	-	-1.030	-	-1.030
Recharges	-6.985	-	-	-	-6.985	-	-6.985
Surplus on Trading	-	-	-	-	0.000	-0.016	-0.016
Net gain from fair value adjustment on Investment Property	-	-	-	-	0.000	-0.008	-0.008
Operating Lease Income	-	-	-	-	0.000	-0.028	-0.028
Investment Property Lease Income	-	-	-	-	0.000	-0.004	-0.004
Expected Returns on Pensions Assets	-	-	-	-	0.000	-2.604	-2.604
Interest and investment income	-	-	-	-	0.000	-0.003	-0.003
Total income	**-8.841**	**-0.048**	**0.000**	**0.000**	**-8.889**	**-119.197**	**-128.086**
Employees Pay	67.355	0.476	-	-	67.831	-	67.831
Pensions	12.685	0.121	-16.419	-	-3.613	-	-3.613
Indirect employee expenses	0.311	0.006	-	-	0.317	-	0.317
Premises related expenditure	2.625	-	-	0.087	2.712	-	2.712
Transport related expenditure	1.495	0.021	-	-	1.516	-	1.516
Supplies, services and other expenses	5.656	0.445	-	-1.838	4.263	-	4.263
Support services	30.802	0.206	-	-	31.008	-	31.008
Capital charges	2.425	-	-	-	2.425	-	2.425
Capital financing costs	0.025	0.002	-	-0.025	0.002	-	0.002
Pension interest cost	-	-	-	-	0.000	65.094	65.094
Interest payable	-	-	-	-	0.000	1.121	1.121
Loss on disposal of non-current assets	-	-	-	-	0.000	0.058	0.058
Total Operating Expenses	**123.379**	**1.277**	**-16.419**	**-1.776**	**106.461**	**66.273**	**172.734**
Surplus (-)/Deficit on the provision of services	**114.538**	**1.229**	**-16.419**	**-1.776**	**97.572**	**-52.924**	**44.648**

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 2010/11 this relates to Fire Service Emergency Planning, Corporate and 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 on revenue committees.

25. Trading operations

Holding Account Balances

The Authority operates support services which can, under the Best Value Accounting 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 £0.990m 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

	Expenditure £'m	Income £'m	Surplus(-)/Deficit £'m
Central Support	25.965	25.928	0.037
Secondments	0.378	0.393	-0.015
Total	**26.343**	**26.321**	**0.022**

26. Agency services

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

The Authority also has a service level agreement with Wigan Council to provide democratic and financial services.

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 2010/11 the amount of precept paid to the Authority was £42.314m.

27. Members' Allowances

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

	2009/10 £'m	2010/11 £'m
Salaries	0.011	0.009
Allowances	0.213	0.209
Expenses	0.060	0.055
Total	**0.284**	**0.273**

28. 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 28a)

Number of Employees 2009/10	Renumeration Band	Number of Employees 2010/11
61	£50,000 - £54,999	55
19	£55,000 - £59,999	20
14	£60,000 - £64,999	7
6	£65,000 - £69,999	10
4	£70,000 - £74,999	2
2	£75,000 - £79,999	4
2	£80,000 - £84,999	1
1	£85,000 - £89,999	-
-	£90,000 - £94,999	-
1	£95,000 - £99,999	-
1	£100,000 - £104,999	2
-	£105,000 - £109,999	-
-	£110,000 - £114,999	1
1	£115,000 - £119,999	-
2	£120,000 - £124,999	1
-	£125,000 - £129,999	1
1	£130,000 - £134,999	-
-	£135,000 - £159,999	-
-	£160,000 - £169,999	1
115	**Total**	**105**

The following table sets out the remuneration disclosures for senior officers.

Table 28b)

Total Renumeration including pension contributions 2009/10	Post	Note	Salary (including fees and allowances)	Expenses Allowances	Total Renumeration excluding pension contributions 2010/11	Pension Contributions	Total Renumeration including pension contributions 2010/11
£			£	£	£	£	£
Senior Officers whose salary is £150,000 or more per year							
97,920	Chief Executive and County Fire Officer - S. McGuirk	1	165,000	338	165,338	35,145	200,483
Senior Officers whose salary is less than £150,000 but equal or more than £50,000 per year							
161,522	Deputy County Fire Officer	2	127,273	201	127,474	27,109	154,583
147,651	Director of Emergency Response	3	120,235	3,380	123,615	24,987	148,602
-	Director of Emergency Response	4	2,429	-	2,429	517	2,946
145,659	Director of Prevention and Protection	5	9,412	1,483	10,895	2,005	12,900
144,004	Director of Corporate Planning and Performance	6	110,617	2,354	112,971	23,154	136,125
118,476	Director of Human Resources		98,823	2,087	100,910	18,875	119,785
117,873	Director of Finance and Technical Services		98,823	2,240	101,063	18,875	119,938
87,356	Head of ICT		72,737	2,991	75,728	13,893	89,621
71,310	Deputy Clerk and Authority Solicitor		59,902	1,633	61,535	11,441	72,976
-	Director of Corporate Communications	7	26,021	774	26,795	4,970	31,765

Note1 The current Chief Fire Officer started employment on 05/10/2009. The Annual Salary was £165,000 for 2009/10.

Note 2 The Deputy Chief Fire Officer commenced employment in this position on 27/06/2010 and was previously the Director of Prevention and Protection.

Note 3 Director of Emergency Response finished employment on 27/03/2011.

Note 4 The current Director of Emergency Response commenced employment on 24/03/2011. The annual salary for this post was £112,941 for 2010/11.

Note 5 Director of Prevention and Protection commenced employment on 01/03/2011. The annual salary for this post was £112,941 for 2010/11.

Note 6 Director of Corporate Planning and Performance Finished employment on 06/03/2011.

Note 7 Director of Corporate Communications commenced employment on 11/10/2010. The annual salary for this post was £55,000 for 2010/11.

29. 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:

	2009/10 £'m	2010/11 £'m
Fees payable to the Audit Commission in respect of statutory inspections	0.095	0.092
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	0.003	0.003
Total	**0.098**	**0.095**

30. Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

Credited to Taxation and Non Specific Grant Income	2009/10 £'m	2010/11 £'m
Revenue Support Grant	13.955	9.552
Diversity Recruitment Grant	0.034	0.034
Fire Capital Grant	1.076	1.579
New Dimensions – Donated Assets	-	1.505
North West Improvement and Efficiency Partnership Grant	-	0.095
Other Contributions	-	0.036
Total	**15.065**	**12.801**

Credited to Services	2009/10 £'m	2010/11 £'m
PFI Grant	0.452	0.452
Urban Search and Rescue Grant	0.215	0.460
New Risk Programme	-	0.066
North West Improvement and Efficiency Partnership Grant	0.126	-
New Burdens Grant	0.210	1.012
Section 31 Grant	-	0.036
Total	**1.003**	**2.026**

31. 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, the ten Greater Manchester District Authorities and other Authorities administering 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 2010/11 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 parties. There were no reported interests in an organisation that generated a related party transaction with the Authority in respect of 2010/11.

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 and Transition to IFRS.

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.

Under the terms of a service level agreement between the Authority and Wigan Council, Joyce Redfearn, Chief Executive of Wigan, is the Clerk to the Authority, and Paul McKevitt Wigan's Director of Corporate Services – Resources is the Authority's Treasurer. (formerly David Smith until 20 February 2011).

North West Partnership Board

The North-West Fire and Rescue Management Board was disbanded in July 2010. This was following the Government decision to remove the request from the Fire and Rescue National Framework 2008-2011 for Fire and Rescue services to work through Regional Management Boards. Therefore the accounts were concluded for the North-West Fire and Rescue Management Board and no separate audit for the Board is to be conducted for 2010/11.

However the North-West Fire and Rescue Authorities have decided to continue to work collaboratively and a new Board has been set up with effect from March 2011 called the North-West Partnership Board. This is a new Joint committee of the five fire authorities in the North West (Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside). The committee is comprised of councillors from the five constituent authorities.

The objectives of the North-West Partnership Board are as below:

- Develop the sharing of best practice from across the North West and beyond to influence future business.
- Encourage the provision of sustainable and increasingly efficient prevention, protection and intervention services to reduce overall risk.
- Influence the implementation of value led strategies on a localised basis.
- Provide the platform for continuing collaboration between NW FRS's to promote increasing value in all aspects of service delivery.
- Lobby key internal and external partners to improve fire and rescue service policies and processes.
- To lead continuous improvement through delivery of a sector led, peer reviewed approach.

During 2010/11 the transactions made between the five Authorities are shown below.

Greater Manchester Fire and Rescue Authority manage the income and expenditure on behalf of the region.

Authority	Transaction Totals Expenditure/ (Income) £'m	Outstanding Balance at 31/03/2011 Creditor/(Debtor) £'m
Greater Manchester	0.189	0.134
Merseyside	-0.049	-0.049
Lancashire	-0.036	-0.034
Cheshire	-0.025	-0.025
Cumbria	-0.079	-0.026

NW FiReControl Limited

NW FiReControl Limited 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.

The company has five members, the Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside Fire and Rescue Authorities (FRAs). The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint 2 directors, who are Councillors appointed to their respective FRAs. All directors have equal voting rights.

During 2010/11 in December 2010 the Fire Minister announced the closure of the FiReControl project. A consultation was then published in January 2011 for the Fire and Rescue community to decide on the future of its control room services. The resulting outcome for the North-West is expected to be finalised in July 2011 as to whether this project will continue and in what format for the region.

During 2010/11 the company has continued to be funded by a section 31 grant from the Department for Communities and Local Government and all accommodation expenditure will continue to be funded until the regional decision and negotiations are finalised. The grant is paid to Greater Manchester Fire and Rescue Authority as lead authority for the North West region and released to the company as required.

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 FiReControl Limited.

It has been determined that the company will be accounted for as a joint venture 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 on 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 2010/11 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 financial year 2014/15 if the regional project is to go ahead under new arrangements being negotiated.
- The only trading activity of the Company is currently the use of facilities at the building 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 2010/11 (20% of £2.147m) 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 FireControl:

Accounts Information	Year ended 2010/11 £000s	Year ended 2009/10 £000s
Net Assets	69	43
Profits Before Taxation	10	68
Profits After Taxation	10	56
Debtor Balance (GMFRS)	19	31
Creditor Balance (GMFRS)	422	262

The Company's Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/11 for the final audited 2010/11 accounts.

The position regarding Group Accounts will be reviewed for the 2011/12 financial year.

Tameside Metropolitan Borough Authority

Tameside MBC administers debt transferred from the former Greater Manchester Authority and the Authority makes annual repayments of principal together with interest and debt management expenses. In 2010/11 the total payment was £0.780m (£0.785m in 2009/10).

32. 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.

	2009/10 £'m	2010/11 £'m
Opening Capital Financing Requirement	**44.481**	**46.305**
Capital Investment		
Property, Plant and Equipment	6.840	4.531
Investment Properties	-	-
Intangible Assets	0.143	0.242
Revenue Expenditure Funded from Capital under Statute	-	0.126
Sources of Finance		
Capital receipts	-	-
Government grants and other contributions	-1.089	-1.685
Sums set aside from revenue:		
Direct revenue contributions	-1.499	-0.055
MRP/loans fund principal	-2.571	-2.818
Closing Capital Financing Requirement	**46.305**	**46.646**
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	1.825	0.341
Increase/decrease (-) in Capital Financing Requirement	**1.825**	**0.341**

33. 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:

	2009/10 £'m	2010/11 £'m
Not later than 1 Year	0.114	0.109
Later than 1 Year and not later than 5 years	0.275	0.167
Later than 5 Years	0.000	0.000

The expenditure during 2010/11 in relation to these leases and a vehicle lease which has now expired was £0.114m.

Authority acting as Lessor – Operating Leases

The Authority leases out property for Operational reasons. The rent receivable in 2010/11 was £0.034m.

34. Private Finance Initiatives and similar contracts

2010/11 was the twelfth 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.

There have been no changes in the arrangement during the year.

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 12.

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 payment 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 2011 are as follows:

To Service Provider	Repayment of Liability £'m	Repayment of Interest £'m	Service Charge Assume 3% Inflation £'m	Total Assumes 3% inflation on service charges £'m	Service Charges bsed on Current Prices £'m	Total Assumes Service Charges based on Current Prices £'m
Payable in 2011/12	0.089	0.292	0.322	0.703	0.317	0.698
Within 2-5 years	0.474	1.052	1.388	2.914	1.269	2.795
Within 6-10 years	0.979	0.927	1.983	3.889	1.586	3.492
Within 11-15 years	1.122	0.244	1.602	2.968	1.145	2.511
	2.664	**2.515**	**5.295**	**10.474**	**4.317**	**9.496**

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

	Value at 31 March 2010 £'m	Principal Repayment in 2010/11 £'m	Value as at 31 March 2011 £'m
Liabilities resulting from PFI Contract	-2.744	0.080	-2.664

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 2010 £'m	Payments into Sinking Fund in 2010/11 £'m	Payments out of Sinking Fund in 2010/11 for Repair and Replacement £'m	Value as at 31 March 2011 £'m
Sinking Fund (Prepayment Account)	0.098	0.023	0.001	0.120

Central Government Grant Subsidy

	Grant due to be received £'m
Within 1 year	-0.452
Within 2-5 years	-1.809
Within 6-10 years	-2.260
Within 11-15 years	-1.696
Total	**-6.217**

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.

35. Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11 incurring liabilities of £0.114m (£0.052m in 2009/10).

In addition the Authority during 2010/11 announced a scheme for voluntary redundancy. The scheme would release staff during 2011/12 in line with the savings required to meet the budget deficit. As the decision to release staff was made prior to the end of the financial year then a provision of £1.5m has been recognised in the accounts, which is an estimate of the anticipated costs associated with redundancy.

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 Income and Expenditure Account in the Statement of Movement on General Fund Balances.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported 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 is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Fire Service Pension Scheme	
	2009/10 £'m	2010/11 £'m	2009/10 £'m	2010/11 £'m
Cost of Services				
Current service cost	1.220	2.364	21.340	32.020
Past service costs	0.014	-8.950	-	-134.200
Settlements and curtailments	-	-	-	-
Financing and Investment Income and Expenditure				
Interest cost	3.694	4.735	61.400	68.640
Expected return on scheme assets	-2.604	-3.935	-	-
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**2.324**	**-5.786**	**82.740**	**-33.540**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Actuarial Gain/Loss Recognised in SRIE	23.009	-14.521	346.000	-53.090
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**25.333**	**-20.307**	**428.740**	**-86.630**

Movement in Reserves Statement	Local Government Pension Scheme		Fire Service Pension Scheme	
	2009/10 £'m	2010/11 £'m	2009/10 £'m	2010/11 £'m
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-2.324	5.786	-82.740	33.540
Actual amount charged against the General Fund Balance for pensions in the year				
Employers' contributions payable to the scheme	2.073	2.188	-	-
Retirement benefits payable to pensioners	-	-	36.920	39.040
Total actual amount charged against the General Fund Balance for pensions in the year	**2.073**	**2.188**	**36.920**	**39.040**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £82.825m.

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities:

Assets and Liabilities in Relation to Post-Employment Benefits	Funded Liabilities		Unfunded Liabilities	
	2009/10 £'m	2010/11 £'m	2009/10 £'m	2010/11 £'m
Opening Balance at 1 April	**53.467**	**92.550**	**898.000**	**1,289.820**
Current Service Cost	1.220	2.364	21.340	32.020
Interest Cost	3.694	4.735	61.400	68.640
Contributions by Scheme Participants	0.739	0.751	-	-
Actuarial Gains and Losses	35.235	-14.137	346.000	-53.090
Benefits Paid	-1.819	-2.061	-36.920	-39.040
Past Service Costs	0.014	-8.950	-	-134.200
Closing Balance at 31 March	**92.550**	**75.252**	**1,289.820**	**1,164.150**

Reconciliation of Fair Value of the Scheme Assets	Assets: Local Government Pension Scheme	
	2009/10 £'m	2010/11 £'m
Opening Balance at 1 April	**40.857**	**56.680**
Expected Rate of Return	2.604	3.935
Actuarial Gains and Losses	12.226	0.384
Employer Contributions	2.073	2.188
Contributions by Scheme Participants	0.739	0.751
Benefits Paid	-1.819	-2.061
Closing Balance at 31 March	**56.680**	**61.877**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was -£3.830m (-£14.841m in 2009/10).

Scheme History

	2006/07 £'m	2007/08 £'m	2008/09 £'m	2009/10 £'m	2010/11 £'m
Present Value of Liabilities:					
Local Government Pension Scheme	-59.890	-54.240	-53.467	-92.550	-75.252
Fire Service Pension Scheme	-1,049.560	-919.480	-867.290	-1,289.820	-1,164.150
Fair Value of Assets in Local Government Pension Scheme	50.390	48.310	40.857	56.680	61.877
	-1,059.060	**-925.410**	**-879.900**	**-1,325.690**	**-1,177.525**
Surplus/Deficit in the Scheme:					
Local Government Pension Scheme	-9.500	-5.930	-12.610	-35.870	-13.375
Fire Service Pension Scheme	-1,049.560	-919.480	-867.290	-1,289.820	-1,164.150
Total	**-1,059.060**	**-925.410**	**-879.900**	**-1,325.690**	**-1,177.525**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £1,177.5m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £1,122.1m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the Local Government Scheme will be made good by increased contributions over the remaining life of the employees, as assessed by the actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2012 is £2.247m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP and the Firefighters' Pension Scheme has been assessed by the Government Actuary's Department (GAD).

The principal assumptions used in the calculations have been:

Long term expected rate of return on assets in the scheme	Local Government Pension Scheme	
	2009/10	2010/11
Equity Investments (Equities)	7.8%	7.5%
Bonds	5.0%	4.9%
Property	5.8%	5.5%
Cash	4.8%	4.6%

Mortality Assumptions: Longevity at 65	Local Government Pension Scheme		Fire Service Pension Scheme	
	2009/10 Years	2010/11 Years	2009/10 Years	2010/11 Years
Current Pensioners:				
Male	20.8	20.1	23.3	23.4
Female	24.1	22.9	25.2	25.3
Future Pensioners:				
Male	22.8	22.5	26.2	26.3
Female	26.2	25.0	28.0	28.0

	Local Government Pension Scheme		Fire Service Pension Scheme	
	2009/10	2010/11	2009/10	2010/11
Rate of Inflation (Price Increases)	3.8%	2.8%	3.9%	3.0%
Rate of Increase in Salaries (Salary Increases)	5.3%	4.3%	5.4%	5.3%
Rate of Increase in Pensions (Pension Increases)	3.8%	2.8%	3.9%	2.6%
Rate of Discounting Scheme Liabilities (Discount Rate)	5.5%	5.5%	5.8%	5.7%
Take up of option to convert annual pension into retirement lump sum	50%	50%	-	-

The Fire Service Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories by proportion of the assets held:

	Local Government Pension Scheme	
	2009/10 %	2010/11 %
Equity Investments (Equities)	67	66
Bonds	16	17
Property	6	5
Cash	11	12

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the pension reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31 March 2011:

Local Government Pension Scheme

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	0.6	-11.1	-0.3	0.2	-0.1
Differences between actuarial assumptions about liabilities and actual experiences	0.1	-4.4	0.0	0.0	0.0

Fire Service Pension Scheme

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between actuarial assumptions about liabilities and actual experiences	4.4	0.2	0.0	0.0	0.0

37. Contingent liabilities

Municipal Mutual Insurance Limited (MMI)

M.M.I no longer trade as an insurance company but they continue to meet claims liabilities in full from remaining resources. A Scheme of Arrangement with major creditors has been agreed and became effective, but held in reserve, on the 21 January 1994. The main effect of the Scheme if triggered would be the imposition of a levy on all claims paid since 30 September 1993. The amount of liability that would fall upon the Authority, if the scheme is triggered is £1.159m.

As at June 2010 the MMI Annual Report and Accounts stated that the Directors are of the view that if a positive outcome can be achieved in the current litigation case a solvent run off with full payment of claims will be achieved. The litigation case is to be considered by the Supreme Court at the end of 2011 and a decision to be made possible summer 2012.

38. Provision for the Repayment of External Loans

2009/10 £'m	Transaction	2010/11 £'m
2.225	MRP and Voluntary Contribution	2.444
-3.419	Amount Charged as Depreciation	-4.436
-1.194		**-1.992**
0.347	Principal Repayments of Transferred Debt	0.375
-0.847	**Balance to Comprehensive Income and Expenditure Statement**	**-1.617**

The Minimum Revenue Provision (MRP) is the statutory amount which must be set aside from revenue for the repayment of external loans. In addition the Authority made a voluntary revenue contribution. This voluntary payment recognises the shorter life of a large proportion of assets, namely vehicles and plant, which would become obsolete before the full revenue provision for debt repayment had been made under the statutory arrangements. The MRP for 2010/11 was £1.512m (£1.367m in 2009/10). In addition the Authority made a voluntary revenue contribution of £0.932m (£0.858m in 2009/10).

39. 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.

2009/10 £'m		2010/11 £'m
0.075	Recruitment Advertising	0.112
0.481	Other Publicity	0.483
0.556	**Total**	**0.595**

40. 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.

Other Financial Statements

Pension Fund Account

2009/2010 £'m		2010/11 £'m	2010/11 £'m
	Contributions Receivable		
	From Employer:		
-11.399	Contributions in relation to pensionable pay	-10.925	
-6.129	From Employee	-5.909	
-0.257	Ill Health Retirements	-0.280	
-17.785			**-17.114**
-0.204	**Transfers In from other Authorities**		**-0.178**
	Benefits Payable		
27.626	Pensions	28.828	
9.282	Commutations and lump sum retirement benefits	8.431	
36.908			**37.259**
	Payments to and on account of leavers		
1.294	Individual Transfers out to other schemes		**0.033**
20.213	**Sub Total: Net Amount Payable/Receivable for the year before top-op grant receivable/payable to CLG**		**20.000**
-20.213	**Top-up grant receivable**		**-20.000**
0.000	**Net amount payable/receivable for the year**		**0.000**

NET ASSETS STATEMENT

2009/10 £'m		2010/11 £'m
6.268	Pension Top-Up Grant receivable from CLG	4.216
0.534	Payments in Advance	1.526
-0.615	Creditor	-0.093
-	Debtor	0.064
-6.187	Amount due to/from General Fund	**-5.713**
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 £4.216m due from CLG for 2010/11 Top-up Grant. There is also a Payments in Advance figure of £1.526m which relates to Lump Sums paid on 31 March 2011 to 13 leavers, and a creditor figure of £0.089m which relates to a Lump Sum owed for a 30 March 2011 leaver.

The Debtor figure relates to £0.022m of overpayment of pensions, and £0.042m for a transfer value.

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

Governance and Audit

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 and Scrutiny Committee at the meeting held on 28 September 2011.

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

Councillor John Bell

28 September 2011

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 2011.

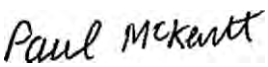
In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

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.

Treasurer

30 June 2011

Independent Auditor's Report to the Members of Greater Manchester Fire and Rescue Authority

Opinion on the Authority and Pension Fund accounting statements

I have audited the accounting statements and the firefighters' pension fund accounting statements of Greater Manchester Fire and Rescue Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Greater Manchester Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Treasurer to the Authority and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and the Pension Fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Greater Manchester Fire and Rescue Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011. I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Greater Manchester Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Greater Manchester Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Jackie Bellard

Officer of the Audit Commission

Audit Commission, Aspinall House, Aspinall Close, Middlebrook, Horwich, Bolton, BL6 6QQ

30 September 2011

Non Financial Statements

Sustainability Accounting and Reporting

In the UK, sustainable development is increasing in profile – the UK government and the devolved administrations have prepared a single UK strategy, highlighting a UK wide commitment to pursuing a sustainable agenda across the whole public sector. 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. Our sustainability strategy for Greater Manchester incorporates three core overarching principles:

1. Reduction of CO2 equivalent emissions from our direct operations and from fires in the communities we serve.
2. Adaptation of our service to the risks posed by climate change and the changing needs of our communities.
3. Promotion of sustainable development and consumption to maximise our efficient use of natural resources.

Greater Manchester Fire and Rescue Authority approved its latest Sustainability policy in 2010; this can be found on the website at the following location:

http://www.manchesterfire.gov.uk/media/33898/sustainability_policy_2011.pdf

Direct Impacts

Financial Performance - Investment

Financial investment has been made to support sustainability initiatives within the Authority, with both capital and revenue commitments.

In 2010 the Authority approved its 5 year Sustainability Strategy, a comprehensive programme of projects and initiatives to reduce resource use and associated carbon emissions by 25%.

To date capital budgets have been used to support the asset refurbishment programme on initiatives including, solar thermal water, micro-generation, rainwater harvesting, occupancy sensors, non-concussive taps and cavity wall insulation and projects are prioritised based on projected energy, carbon and cost saving to ensure value for money.

Capital investment projects undertaken over 2010/11 have been largely focussed on reducing electricity consumption;

- All sites across Greater Manchester have now been fitted with remote gas and electricity meter reading systems, allowing energy champions to track and target reductions in utility use.
- Voltage Power Optimisation systems have been installed on priority sites demonstrating a strong return on investment. The first installs have shown a consistent reduction of approximately 15% in electricity use.

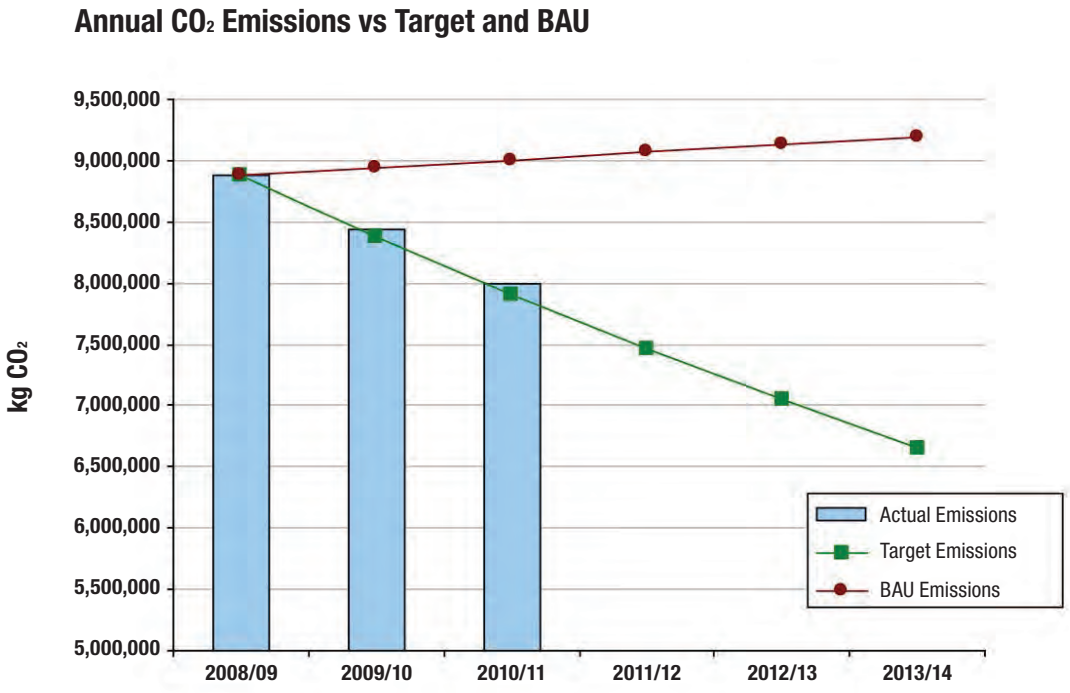
Sustainability Capital Investment Summary

	2009/10 Actual (£000s)	2010/11 Actual (£000s)
Water Consumption	34	16
Energy Consumption	256	155
Energy Management	0	48
Total	**290**	**219**

Please note that Grant Funding of £95,000 was received in 2010/11 from the North-West Improvement and Efficiency Partnership which was awarded towards funding the implementation of Voltage Power Optimisation.

Carbon Footprint

Since our baseline year (2008/09) we have reduced our total carbon emissions by **1,501 tonnes**.



Please note that business as usual costs are based on an annual resource demand increase of 0.7%.

We are currently on track to meet our targeted 25% reduction by 2014, and our focus on reducing electricity consumption has demonstrated a **9.3%** reduction in usage since our baseline year.

Financial and Non-Financial Performance Summary

Electricity

		2008/09	2009/10	2010/11
Consumption	kWH	6,481,982	6,465,153	5,878,301
		LACMP	LACMP	Encompass
Cost	£	£601,580	£698,186	£568,458
Carbon footprint	kg	3,480,824	3,471,787	3,156,648

Gas

		2008/09	2009/10	2010/11
Consumption	kWH	16,882,389	15,499,087	16,286,969
		LACMP	TEAM	TEAM
Cost	£	£565,973	£426,068	£402,051
Carbon footprint	kg	3,123,242	2,867,331	3,013,089

Diesel

		2008/09	2009/10	2010/11
Consumption	kWH	823,225	777,005	674,005
		LACMP	LACMP	Core Vu
Cost	£	£810,709	£730,024	£765,930
Carbon footprint	kg	2,165,682	2,043,523	1,772,633

Electricity

There is a large reduction in consumption year on year (accurate to within half an hour using new remote meters). This is significantly better than target. This reflects the VPO installations and lighting upgrades and PIR retrofits across the estate.

Gas

The gas usage shows an increase versus the previous year. Gas usage is seasonal and part of the increase may be attributable to the cold snap in December - however gas has been billed on estimates which can result in misleading information. Remote meters providing half hourly data have been fitted to all sites (complete March 2011) so 2011/12 will be the first year of accurate real time usage information.

Diesel

There has been a significant reduction in diesel usage which reflects reduced incidents, fuel efficient policies and investments in fuel efficient / energy saving technologies and driver training.

Indirect Impacts

Low and zero-cost initiatives

In addition to investments in proven cost and carbon-saving technology, we carry out ongoing initiatives at little to no cost, to further promote sustainability within the organisation and within the communities we serve.

To engage with employees across the service we:

- Undertook an in-depth consultation, and used staff suggestions and feedback as the basis for our 5-year sustainability strategy.
- Promote and run a popular cycle to work scheme, with more than 20% of employees (~500 of 2400 staff) now taking part.
- Hold smarter driving contests with the Energy Saving Trust, and incorporate 'Eco Safe' driving into our in-house training.
- Encourage staff 'sustainability blogs' which are published on our internal website.
- Incorporate environmental checks into the weekly routine at all our stations.

To engage with our local communities we:

- Offer grant referrals to residents identified as facing fuel poverty through our 60,000 annual Home Fire Risk Assessment (HFRA) visits.
- Provide further information through our station open days, external website and 'Safe 4' campaigns, on topics ranging from sustainability to energy efficiency, recycling and composting. Our online Safe4 sites alone received more than 40,000 visits in 2010.
- Include environmental sustainability as part of our Community Fire Cadets syllabus for young people.
- Share our sustainability strategy with local community partners, and feed back all suggestions to our Sustainability Steering Group to enable continuous improvement.

Beyond our own region, we:

- Chair the North West Fire and Rescue Service Sustainability Network, promoting collaboration, sharing best practices and pooling resources. Through this network we have secured £250,000 in grant capital funding, which has supported collaborative sustainability projects across the North West.
- Share and promote our work on sustainability and our resources for Environmental Champions through the Mayday Network, Chief Fire Officers Association and our external website.

Awards

The Authority is now recognised as a regional and national leader on sustainability; in 2010/11 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 two awards:

Climate Leaders Awards

pea awards in association with The co-operative

We were presented with the North West Climate Leaders Award in October 2010 for our work on promoting sustainable behaviours in collaboration with the North West Fire and Rescue Services Sustainability Network.

In March 2011 we were chosen as winners in the National Geographic public sector category of the 'People and the Environment Achievement Awards'. This award recognised our regional leading role in sustainability behaviour change projects and significant year-on-year savings.

Additional Information

Glossary

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

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.

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

CAPITAL EXPENDITURE Expenditure on the acquisition of fixed 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 fixed 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 REQUIREMENT 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.

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 FRS17 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.

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.

INTERNATIONAL FINANCE REPORTING STANDARDS These are the new accounting standards that must be adopted for 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.

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.

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.

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.

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.

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.

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

Audit Commission

Independent body with the responsibility of appointing external auditors to local authorities. The Audit Commission has a duty to ensure that local authorities make sufficient arrangements to secure economy, efficiency, and effectiveness in their use of resources and is able to subject a local Authority to "Value for Money" studies

http://www.audit-commission.gov.uk/

Best Value Accounting Code of Practice (BVACOP)

Published by CIPFA (below) the BVACOP establishes "proper practice" with regard to consistent financial reporting to enhance the comparability of local Authority financial information and is given statutory force in England by regulations under the Local Government Act 2003.

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.uk/

Communities and Local Government (CLG)

Government department formerly known as the Office of the Deputy Prime Minister (ODPM). or Department of Communities and Local Government (CLG), CLG issues government lead initiatives on issues such as fire prevention, emergency planning and training. CLG is also a major funding source.

http://www.communities.gov.uk/

Financial Reporting Standards (FRS's)

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 SORP incorporates these accounting standards to the extent that they comply with specific legal requirements and are relevant to the activities of the Authority.

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 and 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 for the year to 31 March 2007.

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

Code of Practice on Local Government Accounting in the United Kingdom 2010/11: Detailed guidance on the proper accounting treatment to be used in the preparation of local Authority statement of accounts.

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 BVACOP.

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

Medium Term Financial Strategy (MTFS)

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

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

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/

GOVERNMENT FUNDING

National Non Domestic Rate (NNDR)

NNDR poundage is set annually by the government, collected by local authorities and paid into a national pool. The proceeds are then redistributed by central government as a grant to authorities in accordance with a government formula.

New Burdens Grant

Government funding to ease the financial implications of new initiatives.

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.

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

Supported Capital Expenditure (Revenue) (SCE(R))

A source of funding from Central Government which is repaid to government from the revenue accounts.

Feedback

Here at the Greater Manchester Fire and Rescue Authority, we value the input and views of our stakeholders. Having read our 2010/11 Statement of Accounts we would be extremely grateful if you could spare a few moments to complete and return our Feedback Questionnaire.

Your views would be valuable in assisting us to improve the content, language and format used in the 2011/12 Statement of Accounts.

You can print out and return the completed feedback questionnaire to:

Anthony Clarke
Strategic Finance Manager
Wigan Council
Business Support Services
Civic Centre
Millgate
Wigan
WN1 1DD

If you require any further information please do not hesitate to contact us on 01942 827272.

Alternatively, you can complete the questionnaire online.

Click here to complete the online questionnaire

Questionnaire

Please tick the appropriate box and place any comments in the space provided below, thank you.

1 How clear and easy to understand did you find information contained within the following sections of the Statement of Accounts?

	Very Easy	Easy	Neither Easy Nor Difficult	Difficult	Very Difficult
Introductory Statement	☐	☐	☐	☐	☐
Core Financial Statements	☐	☐	☐	☐	☐
Other Financial Statements	☐	☐	☐	☐	☐
Governance and Audit	☐	☐	☐	☐	☐
Additional Information	☐	☐	☐	☐	☐

2 How useful did you find the information contained in the following sections of the Statement of Accounts?

	Extremely Useful	Useful	Not Useful
Introductory Statement	☐	☐	☐
Core Financial Statements	☐	☐	☐
Other Financial Statements	☐	☐	☐
Governance and Audit	☐	☐	☐
Additional Information	☐	☐	☐

3 Did you find the Glossary and Terms of Reference helpful?

Yes ☐

No ☐

If No, please state why

4 Overall, has the Statement of Accounts been of value in helping you to assess the Fire and Rescue Authority's financial position and performance?

Yes ☐

No ☐

If No, please state why

continued overleaf

Continued from overleaf

5 Did you like the overall design of this publication?

Yes ☐
No ☐

If No, please state why

6 Do you feel that the Fire and Rescue Authority Statement of Accounts could be improved?

Yes ☐
No ☐

If Yes, please state how

7 Any other comments?

Thank you for taking the time to complete this questionnaire.

Notes

GREATER MANCHESTER
FIRE AND RESCUE AUTHORITY