

Greater Manchester Fire and Rescue Authority

# Statement of Accounts

## 2012/13



GREATER MANCHESTER  
FIRE AND RESCUE AUTHORITY

# GREATER MANCHESTER FIRE AND RESCUE AUTHORITY

## FINANCIAL STATEMENTS

2012/13

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## INTRODUCTION TO THE STATEMENT OF ACCOUNTS

**Councillor David Acton**  
**Chairman of Greater Manchester Fire and Rescue Authority**

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

I am pleased to comment on how the Authority makes the most effective use of its resources in order to deliver a value for money service for the people of Greater Manchester. The Service's core purpose is to Protect and improve the quality of life of the people in Greater Manchester. This is much broader than our statutory duties and is supported by six strategic aims.

The six strategic aims are:

Prevention – Engage with Greater Manchester's communities to inform and educate people in how to reduce the risk of fires and other emergencies and do all we can to prevent crime and disorder.

Protection - Influence and regulate the built environment to protect people, property and the environment from harm.

Response – Plan and prepare for emergencies that may happen and make a high quality, effective and resilient response to them.

Public Value – Manage risk through using resources, flexibly, efficiently and effectively, continuously improving our use of public money.

People – Work with people with the right skills and attitude to deliver high quality, value for money services in a positive environment for everyone.

Principles – Operate in accordance with the law and our values, and ensure that safety, sustainability, partnership and inclusivity run through all we do.

Managing the finances of the Fire and Rescue Authority is extremely demanding in the current economic climate. However I welcome the opportunity to introduce the Statement of Accounts for 2012/13. The 2012/13 financial year has been challenging due to further budget pressures placed upon the Authority as a result of the continued reduction in funding announced in the Comprehensive Spending Review. It is pleasing to see that the Authority has taken a pro-active stance and has delivered the planned efficiencies which has resulted in the improved position shown in the Statement of Accounts when compared to the Original Budget. This again emphasises that strong financial management is in place, which provides the taxpayer and the Government with the assurance that the Authority takes its responsibility for the accountability of public funds very seriously.

The Authority must also ensure that it maintains a level of balances that will provide sufficient long term stability which assists with budget planning and is available to smooth out wherever possible any year on year increases which may be required from the Council Tax payers of Greater Manchester. The Government has also indicated that further austerity measures will be implemented which could cut funding even further in future years. Without a suitable level of balances the Authority would be extremely restricted in its ability to respond.



**Councillor David Acton**

## EXPLANATORY FOREWORD BY THE TREASURER

### 1. Introduction

This document is the Statement of Accounts for Greater Manchester Fire & Rescue Authority. It is a statutory publication that sets out the financial results of the Authority's activities for the year ended 31 March 2013. The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting based on International Financial Reporting Standards (IFRS) for 2012/13 and any other Accounting Codes of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The overriding requirement of the Code of Practice is that the Statement of Accounts 'presents a true and fair view' of the financial position and transactions of the Authority.

The accounts are extremely detailed and technical therefore this explanatory foreword will hopefully provide the reader with an easily understandable guide to the most significant matters reported in the accounts. Wherever possible the use of technical language is avoided, however inevitably some technical language is used and a glossary is provided at the back of the publication to explain some of the technical terms.

The Authority's accounts for the year 2012/13 are set out in the following document. The key statements are explained below:

- The Movement in Reserves Statement shows the movement in year on the different reserves held by the Authority, analysed into "usable reserves" (those that can be applied to fund expenditure or reduce taxation) and other reserves.
- The Comprehensive Income and Expenditure Statement for 2012/13 shows the accounting cost in year of providing services with generally accepted accounting practices, rather than the amount to be funded by taxation. The taxation position is contained within the movement in reserves statement.
- The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. For this statement of accounts that date is 31 March 2013.
- The Cash Flow Statement which summarises the total movement of cash and cash equivalents during 2012/13.
- The statement of accounting policies which explains the basis for the recognition, measurement and disclosure of transactions in the accounts.
- The Notes to the Statement of Accounts.
- The Pension Fund Account which summarises the movements relating to the firefighters' pension scheme. This statement shows the costs of pensions for uniformed staff.
- The Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the Authority and the Treasurer for the Accounts.

## 2. Review of the financial year

The Authority set a revenue budget in 2012/13 of £110.213m. The budget assumed a surplus of £0.417m. The table below provides details of the final position for 2012/13 and compares the actual income and expenditure with the revenue budget.

Comparison of actual income and expenditure with budget.

	Original Budget	Approved Revised Budget	Actual Income and Expenditure	Variation To Approved
	£'m	£'m	£'m	£'m
Budget Requirement	110.213	110.869	107.180	-3.689
External Financing*	-110.630	-111.286	-111.213	0.073
<b>Surplus(-)/Deficit for the year on normal operating activities</b>	<b>-0.417</b>	<b>-0.417</b>	<b>-4.033</b>	<b>-3.616</b>

\*pre IAS19 adjustments

The surplus on normal operating activities for 2012/13 is £4.033m which is some £3.616m better than anticipated when compared to the Budget set in February 2012.

There are a number of factors that have contributed towards the improved position and these are explained below.

The Authority is experiencing unprecedented change and has implemented a programme of efficiencies as a result of the comprehensive spending review. I have provided Members with detailed budget monitoring reports throughout the year highlighting any major variations in spend. This rigorous process has resulted in the improved position.

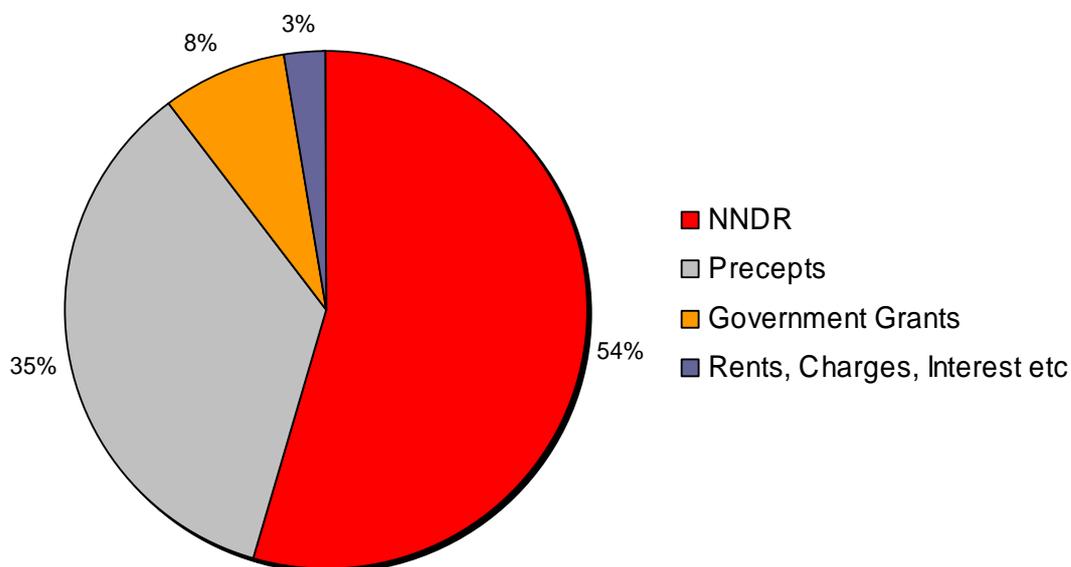
- The most significant saving was on employees pay which is approximately £1.8m less than budgeted. This is as a direct result of planned budget savings from the changes introduced in the Shift Duty System, reviews of non-uniformed support functions, a recruitment freeze and the phased release of fire control staff.
- A rebate of business rates following a revaluation exercise has resulted in an underspend of £0.250m.
- There is a general reduction in expenditure of £1.7m on running expenses which includes underspends on kit replacement, consultancy fees, hydrant repairs, pension scheme sanction charges and general equipment.
- The opportunity was also taken to earmark some of the in-year savings to place in reserve towards future strategic plans, which will ensure that resources are available to assist with the delivery of the required level of efficiencies in 2013/14 and future years.

It is my duty to ensure that adequate levels of balances are maintained and it is essential that the Authority maintains a prudent level of balances as they provide a hedge against future precept rises. It is more important than ever that balances are sufficient to meet the challenging future facing the Authority.

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

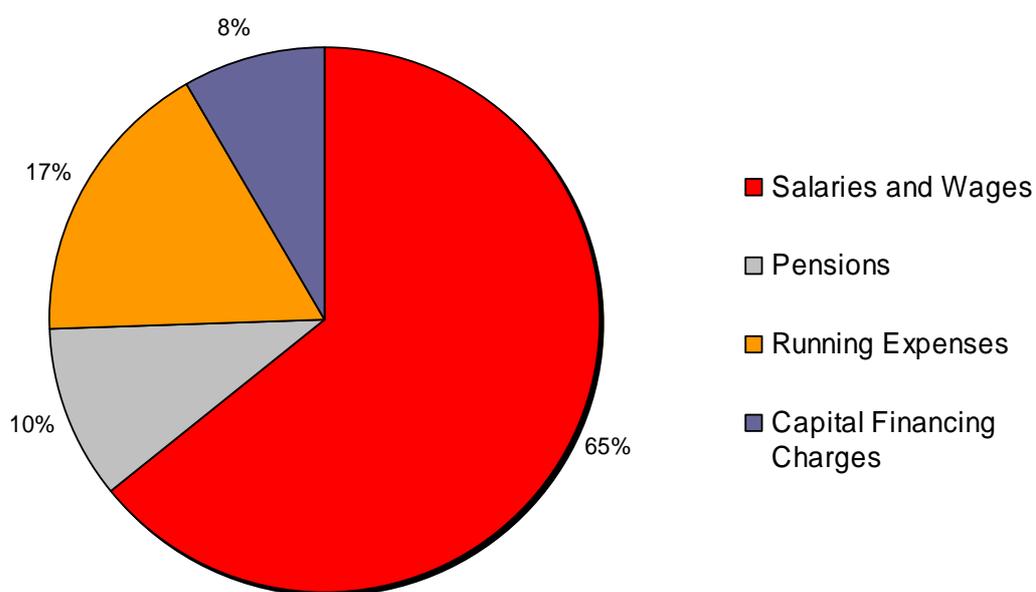
The following charts show the main sources of income that the Authority received in 2012/13 and a high level breakdown of the money that it spent on providing the service.

#### Where the money came from



The Authority receives Revenue Support Grant and an allocation of pooled National Non Domestic Rates directly from Central Government. It levies a precept on the ten Greater Manchester District Authorities for the balance of its expenditure requirements. The precept levied for 2012/13 excluding the surplus on collection fund was £42.545m which equated to a Council Tax Band D equivalent of £52.65.

#### What the money was spent on



#### 4. Capital Expenditure and Financing

In 2012/13 the Authority spent £5.996m on capital projects (£4.880m in 2011/12).

Capital expenditure is analysed below

2011/12 £'m	Project	2012/13 £'m
3.179	Refurbishment, Adaptations and New Buildings	4.053
1.135	Operational, Communications and Computer Equipment	1.077
0.195	General Purpose Vehicles	0.331
0.371	Pumping and Special Appliances	0.535
<b>4.880</b>	<b>Total Capital Expenditure</b>	<b>5.996</b>

The most significant items of capital expenditure has been incurred on the purchase of the site for the new training facility based at Bury, together with the ongoing refurbishment of other stations. Significant investment has also been made in operational training schemes.

#### 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 2012/13 the capital expenditure was funded from a mix of Capital Grants, Capital receipts from the sale of land at Bury and contributions from revenue budgets. The various sources of funding mean that the capital programme for 2012/13 was fully funded.

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

Project	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m
Refurbishment, Adaptations and New Buildings	12.066	4.175	3.450	3.450
Operational, Communications and Computer Equipment	0.766	0.150	0.150	0.150
Vehicles and Equipment	5.732	3.484	3.000	2.950
<b>Total Capital Expenditure</b>	<b>18.564</b>	<b>7.809</b>	<b>6.600</b>	<b>6.550</b>

The high level of estimated capital expenditure in 2013/14 is due to the planned development of a new training facility at Bury.

#### 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 2013 was £4.700m. This is £2.0m less than the previous year as a loan reached maturity during 2012/13 and was not replaced.

In addition to the PWLB borrowing the Authority is also liable for its share of the former Greater Manchester County GMC Debt which is administered by Tameside Metropolitan Borough Council. At 31 March 2013 this debt stood at £5.196m.

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 £41.939m as at 31 March 2013.

## **5. Other Matters**

### **International Accounting Standard 19 (IAS19)**

This financial reporting standard requires employers to report the full cost of pension benefits as they are earned, regardless of whether they have been paid for. The total liability now stands at £1,485.8m (£1,279.4m in 2011/12). This is split between the Local Government Pension Scheme of £29.3m and the Fire Service Scheme of £1,456.5m. The Fire Service liability includes both the Firefighters' Pension Scheme 1992 and the New Firefighters' Scheme 2006.

The position for 2012/13 has worsened when compared to 2011/12. The main reason for this increase is due to a lower discount rate on corporate and government bonds being applied to the scheme liabilities. A lower discount rate increases the level of liability.

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

### **Municipal Mutual Insurance (MMI)**

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

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

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

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

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

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

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

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

In the case of this authority the initial levy will be in the order of £0.200m.

The MMI situation has been monitored regularly over the years and adequate reserves maintained within the authority's Insurance Fund. Therefore this levy will be met by the Insurance Fund which, as at 31 March 2013, holds a further £0.200m in respect of the potential contributions to future claim settlements and a future levy.

## **Fire Control**

The Authority together with Cheshire, Cumbria and Lancashire Fire and Rescue Authorities have agreed to operate the regional control centre with support from the Department for Communities and Local Government. The plan is for the centre to be fully operational in 2014/15 and will be run by the North West FiReControl Company, which is limited by guarantee and was created for the sole purpose of operation of the facility.

## **6. Pension Fund Account**

The Financial Statements also include a separate section for the Pension Fund Account in line with the Code of Practice on local authority accounting in the United Kingdom 2012/13 based upon International Financial Reporting Standards. Each Fire & Rescue Authority in England is required by legislation to operate a pension fund and the amounts that must be paid into and out of the fund are specified by regulation.

The pension fund records the cost of pension paid out and the contributions received from the employer and employees. The current scheme arrangements ensure that any shortfall on the pension fund is met by grant funding issued by the Department for Communities and Local Government. In 2012/13 a top up grant of £26.6m is required to meet the shortfall.

## **7. Future Outlook**

The economic climate has had a major impact upon the Authority's financial position. The Government has indicated that cuts to the finances of Local Government will continue for a number of years until at least 2017/18. The funding for the Authority is set to reduce by 7.38% in 2013/14 and a provisional cut of 7.17% in 2014/15.

The future financial position of the Authority is underpinned by a series of documents in particular the Corporate Plan, which effectively provides the blue print of how the organisation will deal with the significant financial challenges whilst ensuring the Authority remains financially sound.

The Authority, as part of its Budget setting process, has published a Medium Term Strategy for 2013/14 – 2017/18. The Medium Term Strategy needs to be able to withstand the events that lie ahead and balances and reserves remain an important feature of enabling phased change in a managed way. Timing and delivery of changes, particularly those where public consultation or negotiations with representative bodies are required, will mean that retaining a degree of flexibility is prudent, with any timing issues being handled through the appropriate use of reserves and balances if required.

The Medium Term Strategy is only an estimate of the financial position based upon known factors and the knowledge and experience of a number of my professional staff. However there are a number of strategic risks that cannot be quantified with any precision and therefore are not included in the strategy. These risks are explained below.

## **Risks Facing the Authority**

The Government introduced changes to the Business Rates system which means that any reduction in business rates collection by the ten Greater Manchester Councils would have an impact upon the Authority up to a potential loss of £2m before it would trigger the safety net set by the government. To mitigate the risk I intend to earmark this value within balances.

The Government has proposed the plans for a single 'flat rate' pension scheme. The plans look to merge the fixed basic pension with the second state pension which is based upon earnings and an amount of national insurance contributions. The impact of this could lead to increases in national insurance employer and employee contributions with a potential increase to the Authority of c£1.8m. It is not anticipated that this will occur prior to 2017.

The efficiency and effectiveness review that has been published by the former Chief Fire and Rescue Advisor examines ways in which the fire and rescue authorities may find further efficiencies. The outcome of the review is proposing some significant changes to the service and will have a direct bearing upon the future of the Fire and Rescue Authorities

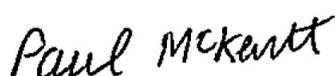
However after assessing these risks the authority's strategy remains to deliver affordable precept rises in future years whilst seeking to deliver the changes in the way we deliver our service as set out in the Corporate Plan.

## **8. Concluding Remarks**

It is recognised that the statement of accounts is a statutory document and therefore must comply with detailed technical accounting requirements which may not be easily understood by the reader. Therefore a glossary is included in this statement. In addition 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 have contributed to the completion of the statement of accounts, as producing the accounts ready for certification by the end of June is a considerable achievement.

Further information about the accounts is available from the Finance Division of the Resources Directorate, Civic Centre, Millgate, Wigan. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press throughout Greater Manchester.



**Paul McKevitt BA (Hons), ACMA & CGMA**  
**Treasurer to the Authority**  
**26 September 2013**

## MOVEMENT IN RESERVES STATEMENT

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

	Note	General Fund Balance £'m	Earmarked General Fund £'m	Capital Grants Unapplied £'m	Capital Receipts Reserve £'m	Total Usable Reserves £'m	Unusable Reserves £'m	Total Authority Reserves £'m
<b>Balance at 31 March 2011</b>		15.575	15.311	0.045	0.000	30.931	-1,154.534	-1,123.603
<b>Movement in reserves during 2011/12</b>								
Surplus or deficit(-) on provision of services (accounting basis)		-33.076	-	-	-	-33.076	-	-33.076
Other Comprehensive Income and Expenditure		-	-	-	-	0.000	-51.726	-51.726
<b>Total Comprehensive Income and Expenditure</b>		<b>-33.076</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>-33.076</b>	<b>-51.726</b>	<b>-84.802</b>
Adjustments between accounting basis and funding basis under regulations	7	44.660	-	1.500	0.058	46.218	-46.218	0.000
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>		<b>11.584</b>	<b>0.000</b>	<b>1.500</b>	<b>0.058</b>	<b>13.142</b>	<b>-97.944</b>	<b>-84.802</b>
Transfers to or from Earmarked Reserves	21	-13.554	13.554	-	-	0.000	-	0.000
<b>Increase or Decrease in Year</b>		<b>-1.970</b>	<b>13.554</b>	<b>1.500</b>	<b>0.058</b>	<b>13.142</b>	<b>-97.944</b>	<b>-84.802</b>
<b>Balance at 31 March 2012</b>	21 & 22	<b>13.605</b>	<b>28.865</b>	<b>1.545</b>	<b>0.058</b>	<b>44.073</b>	<b>-1,252.478</b>	<b>-1,208.405</b>
<b>Movement in reserves during 2012/13</b>								
Surplus or deficit(-) on provision of services (accounting basis)		-39.699	-	-	-	-39.699	-	-39.699
Other Comprehensive Income and Expenditure		-	-	-	-	0.000	-159.883	-159.883
<b>Total Comprehensive Income and Expenditure</b>		<b>-39.699</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>-39.699</b>	<b>-159.883</b>	<b>-199.582</b>
Adjustments between accounting basis and funding basis under regulations	7	43.645	-	0.688	-0.058	44.275	-44.275	0.000
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>		<b>3.946</b>	<b>0.000</b>	<b>0.688</b>	<b>-0.058</b>	<b>4.576</b>	<b>-204.158</b>	<b>-199.582</b>
Transfers to or from Earmarked Reserves	21	0.087	-0.087	-	-	0.000	-	0.000
<b>Increase or Decrease in Year</b>		<b>4.033</b>	<b>-0.087</b>	<b>0.688</b>	<b>-0.058</b>	<b>4.576</b>	<b>-204.158</b>	<b>-199.582</b>
<b>Balance at 31 March 2013</b>	21 & 22	<b>17.638</b>	<b>28.778</b>	<b>2.233</b>	<b>0.000</b>	<b>48.649</b>	<b>-1,456.636</b>	<b>-1,407.987</b>

## 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.

2011/12 Gross Expenditure	2011/12 Gross Income	2011/12 Net Expenditure		Notes	2012/13 Gross Expenditure	2012/13 Gross Income	2012/13 Net Expenditure
£'m	£'m	£'m			£'m	£'m	£'m
13.870	1.166	12.704	Community Safety		19.524	0.970	18.554
79.814	5.580	74.234	Fire Fighting and Rescue Operations		82.295	11.671	70.624
0.809	0.470	0.339	Fire Service Emergency Planning		0.638	0.111	0.527
0.648	-	0.648	Corporate and Democratic Core		0.560	-	0.560
0.510	-	0.510	Non Distributed Cost		0.664	-	0.664
<b>95.651</b>	<b>7.216</b>	<b>88.435</b>	<b>Cost of Services</b>		<b>103.681</b>	<b>12.752</b>	<b>90.929</b>
0.028	0.030	-0.002	Other Operating Income(-) and Expenditure	8	0.618	0.032	0.586
70.954	4.250	66.704	Financing and Investment Income and Expenditure	9	69.054	3.808	65.246
-	122.061	-122.061	Taxation and Non-Specific Grant Income	10	-	117.062	-117.062
<b>166.633</b>	<b>133.557</b>	<b>33.076</b>	<b>Surplus(-) or Deficit on Provision of Services</b>		<b>173.353</b>	<b>133.654</b>	<b>39.699</b>
		-2.393	Surplus(-) or deficit on revaluation of non-current assets				0.051
		54.119	Actuarial gains(-)/losses on pension assets/liabilities	37			159.832
		<b>51.726</b>	<b>Other Comprehensive Income(-) and Expenditure</b>				<b>159.883</b>
		<b>84.802</b>	<b>Total Comprehensive Income(-) and Expenditure</b>				<b>199.582</b>

I certify that the Comprehensive Income and Expenditure Statement presents a true and fair view of the financial position of Greater Manchester Fire and Rescue Authority for the year ended 31 March 2013.

*Paul McKevitt*

**P McKevitt BA (Hons), ACMA & CGMA**  
**Treasurer to the Authority**  
**26 September 2013**

## BALANCE SHEET AT 31 MARCH 2013

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

At 31 March 2012 £'m		Note	At 31 March 2013 £'m
55.659	Property, Plant & Equipment		
	Other Land and Buildings	11	56.302
13.907	Vehicles, Plant & Equipment	11	12.884
1.450	Assets under Construction	11	0.671
0.025	Investment Property	13	0.449
-	Heritage Assets		-
1.088	Intangible Assets	14	0.860
-	Long Term Debtors		-
<b>72.129</b>	<b>Long Term Assets</b>		<b>71.166</b>
6.831	Cash and Cash Equivalents	18	18.382
0.761	Inventories and Work in Progress	16	0.992
4.221	Short Term Debtors	17	4.803
10.616	Amount due from Pension Fund		4.559
<b>22.429</b>	<b>Current Assets</b>		<b>28.736</b>
2.000	Short Term Borrowing	15	-
8.317	Short Term Creditors	19	8.747
0.408	Short Term Provisions	20	0.595
<b>10.725</b>	<b>Current Liabilities</b>		<b>9.342</b>
0.395	Long Term Provisions	20	0.925
4.700	Long Term Borrowing	15	4.700
1,279.475	Long Term Liability - Pension Scheme	37	1,485.821
7.668	Long Term Liability - Other	15	7.101
<b>1,292.238</b>	<b>Long Term Liabilities</b>		<b>1,498.547</b>
<b>-1,208.405</b>	<b>Net Liability</b>		<b>-1,407.987</b>
44.073	Usable Reserves	21	48.649
-1,252.478	Unusable Reserves	22	-1,456.636
<b>-1,208.405</b>	<b>Total Reserves</b>		<b>-1,407.987</b>

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 2013.

*Paul McKevitt*

**P McKevitt BA (Hons), ACMA & CGMA**  
**Treasurer to the Authority**  
**26 September 2013**

## CASH FLOW STATEMENT

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

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

2011/12 £'m		Notes	2012/13 £'m
33.076	Net surplus(-) or deficit on the provision of services		39.699
-46.621	Adjustments to net surplus or deficit on the provision of services for non-cash movements	23	-59.799
4.439	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	4.497
0.855	Interest Paid		0.781
0.292	Interest element of finance lease and PFI rental payments		0.282
-0.091	Interest received		-0.189
-1.057	Reversal of operating activity items included in the net surplus or deficit on the provision of service		-0.874
<b>-9.107</b>	<b>Net Cash Flows from Operating Activities</b>		<b>-15.603</b>
	<b>Investing Activities</b>		
4.592	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets		6.015
-0.058	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets		-0.527
-4.381	Capital Grants received		-3.887
-	Other receipts for investing activities		-0.083
<b>0.153</b>	<b>Net Cash Flows from Investing Activities</b>		<b>1.518</b>
	<b>Financing Activities</b>		
0.089	Cash Payments for the Reduction of the Outstanding Liability Relating to Finance Leases and On-Balance Sheet PFI Contracts		0.099
2.715	Repayments of Short-Term and Long-Term Borrowing		2.435
<b>2.804</b>	<b>Net Cash Flows from Financing Activities</b>		<b>2.534</b>
<b>-6.150</b>	<b>Net Decrease/Increase(-) in Cash</b>		<b>-11.551</b>
<b>-0.681</b>	<b>Cash and Cash Equivalents at the beginning of the reporting period</b>		<b>-6.831</b>
<b>-6.831</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>		<b>-18.382</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Accounting Policies

#### General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011. These regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, 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 highly liquid investments that mature in no more than three months from the balance sheet date and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

## Charges to Revenue for Non Current Assets

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

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

## Minimum Revenue Provision

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

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

or:

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

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

## Overheads and Support Services

The costs of overheads and support services are charged to those service areas that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

## Employee Benefits

### Benefits Payable During Employment

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

### Termination Benefits

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

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

### 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 Reporting Period

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

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

## Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- available-for-sales assets that have a quoted market price and/or do not have fixed or determinable payments.

### Loans and Receivables

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

### Available-for-Sale Assets

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

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

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

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

## Financial Liabilities

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

## Government Grants and Contributions

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

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

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

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

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

## Heritage Assets

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historic associations. Heritage Assets are preserved principally for their contribution to knowledge and culture and this distinguishes them from other assets. The Authority currently does not own any assets of this nature. The former fire museum assets are now owned and managed by a Museum Trust who will act as custodians.

The policy below has been included for completeness and is therefore in place if the Authority acquires any assets of this nature during the year.

Heritage Assets are recognised and measured in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

Acquisitions are initially recognised at cost and donations are recognised at valuation in accordance with the authority's policy on acquisitions and disposals. The assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see impairment note in this summary of accounting policies.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

## Inventories and Long Term Contracts

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

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

## Intangible Assets

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

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

## Leases

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

### The Authority as Lessee

#### Operating Leases

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

### The Authority as Lessor

#### Operating Leases

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

## Pensions

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

In accordance with proper practices the Authority has within its Statement of Accounts for 2012/13 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 4.5% (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 Statement to the revenue accounts of services for which the employees worked.
- ii. past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.  
  
Under IAS19 any obligation arising from other long-term employee benefits that depend on length of service need to be recognised when service is rendered, which for the Authority now includes Injury Awards.
- iii. interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to Financing and Investment Income and Expenditure Line in the Comprehensive Income and Expenditure Statement.
- iv. expected return on assets** – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return. This is credited to Financing and Investment Line in the Comprehensive Income and Expenditure Statement.
- v. gains/losses on settlements and curtailments** – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- vi. actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- vii. contributions paid to the pension fund** – cash paid as employer's contributions to the fund.

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

### **Discretionary Benefits**

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

### **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

### **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 the relevant service account in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts so there is no impact on the level of Precept.

## **Reserves**

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

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

## **Property, Plant and Equipment**

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

## Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. A de minimis level of £6,000 is in place for the capitalisation of expenditure. Repairs expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

## Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

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

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

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

- community assets and assets under construction – depreciated historical cost
- vehicles, plant, furniture & equipment – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains after any reversals of previous losses have been credited to the Surplus or Deficit on the Provision of Services.

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

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

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

### **Impairment**

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

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

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

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

### **Disposals**

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

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

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

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

## Depreciation

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

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

Depreciation is calculated on the following bases:

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

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

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

## Componentisation Policy

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

### i. Enhancement Expenditure

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

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

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

## **ii. Derecognition**

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

## **iii. Valuations**

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

### **Investment Property**

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

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **Private Finance Initiative (PFI)**

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

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

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

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

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

## **VAT**

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

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

The Code of Practice on Local Council Accounting in the United Kingdom 2012/13 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2013. The following changes are not considered to have a significant impact on the Statement of Accounts.

IAS 19 Employee Benefits. IAS19 is changing for accounting years starting on or after 1 January 2013 and this will affect the budgeted pension expense for the next financial year. The key change affecting LGPS employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to profit and loss, however from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumption). The effect of the changes on the income statement to 31 March 2013 will be an increase of £0.510m.

Amendments to IAS 1 Presentation of Financial Statements (other comprehensive income, June 2011). No change required.

IFRS 7 Financial Instruments: Disclosure (Offsetting Financial Assets and Liabilities). It is not likely that IFRS 7 will have a material impact on the financial statements of local authorities.

Recognition of Assets under Construction or Intangible Assets. This is not applicable.

IAS 12 Income Taxes (deferred tax: recovery of underlying assets, December 2010). This is not applicable.

## **3. Critical judgements in applying Accounting Policies**

There is a high degree of uncertainty about future levels of funding for the Fire & Rescue Service and Local Government as a 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.

The Authority together with Cheshire, Cumbria and Lancashire Fire and Rescue Authorities created the North West FiReControl limited company to operate a regional control centre.

It has been determined that for future years the company will be accounted for as a jointly controlled entity for Group Accounts purposes within the accounts of the Authority. However on the basis of materiality and that the control centre is not currently operational the decision has been made that Group Accounts are not required for 2012/13. For the reader's benefit we have continued to include details of the relationship with the company and its financial performance. These details are included in the Related Parties note.

#### 4. 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 less than £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 3%. An increase in excess of pensions of 0.5% would change the liability by 7% and an increase in pensioner longevity of 1 year would result in a 3% 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.

#### 5. Material items of income and expense

It is a requirement of the Code of Practice that details of any material items of income and expenditure that are recorded in the CIES, that would potentially distort any comparison with previous years are identified. In 2012/13 the following transactions are included in the CIES:-

##### IAS19 Employee Benefits

This standard requires the recognition of the cost of pensions to be recorded in the Comprehensive Income and Expenditure Statement. Due to the volatility and uncertainty of the estimation process involved in the calculation of these costs there are significant variations each year. In 2012/13 a credit of £13m has been recorded in the Firefighters and Rescue Operations line (£17m in 2011/12).

#### 6. Events after the Reporting Period

New arrangements for the retention of business rates come into effect on 1 April 2013. Local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. Each of the Greater Manchester Councils will assess their own individual share of these liabilities and determine if it is material.

As GMFRA share of retained business rates is 1% then it is assumed that the impact on the Authority will not be material. The liability does not arise in the reporting period covered by these accounts and so it is not reflected in the core financial statements.

## **Authorised for Issue Date**

The Statement of Accounts was authorised for issue by the Treasurer on 26 September 2013. 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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information

## **7. Adjustments between accounting basis and funding basis under regulations**

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

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

### **General Fund Balance**

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

### **Capital Grants Unapplied**

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

### **Capital Receipts Reserve**

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

2012/13	Usable Reserves			Movement in Unusable Reserves £'m
	General Fund Balance £'m	Capital Grants Unapplied £'m	Capital Receipts Reserve £'m	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	4.863	-	-	-4.863
Movements in the market value of Investment Properties	-0.024	-	-	0.024
Amortisation of Intangible Assets	0.430	-	-	-0.430
Capital grants and contributions applied	-2.887	-	-	2.887
Income in relation to donated assets	-0.075	-	-	0.075
Revenue Expenditure Funded from Capital under Statute	0.568	-	-	-0.568
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	1.145	-	-	-1.145
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	-3.019	-	-	3.019
Capital expenditure charged against the General Fund	-2.213	-	-	2.213
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-1.000	1.000	-	0.000
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-0.312	-	0.312
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-0.527	-	0.527	0.000
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-0.585	0.585
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	92.634	-	-	-92.634
Employer's pensions contributions and direct payments to pensioners payable in the year	-46.119	-	-	46.119
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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	0.082	-	-	-0.082
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-0.213	-	-	0.213
<b>Total Adjustments</b>	<b>43.645</b>	<b>0.688</b>	<b>-0.058</b>	<b>-44.275</b>

2011/12	Usable Reserves			Movement in Unusable Reserves £'m
	General Fund Balance £'m	Capital Grants Unapplied £'m	Capital Receipts Reserve £'m	
	£'m	£'m	£'m	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	4.193	-	-	-4.193
Amortisation of Intangible Assets	0.531	-	-	-0.531
Capital grants and contributions applied	-2.881	-	-	2.881
Income in relation to donated assets	-0.087	-	-	0.087
Revenue Expenditure Funded from Capital under Statute	0.273	-	-	-0.273
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	0.086	-	-	-0.086
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	-3.052	-	-	3.052
Capital expenditure charged against the General Fund	-0.634	-	-	0.634
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-1.500	1.500	-	0.000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-0.058	-	0.058	0.000
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	96.105	-	-	-96.105
Employer's pensions contributions and direct payments to pensioners payable in the year	-48.273	-	-	48.273
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
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	0.103	-	-	-0.103
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
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	-0.146	-	-	0.146
<b>Total Adjustments</b>	<b>44.660</b>	<b>1.500</b>	<b>0.058</b>	<b>-46.218</b>

## 8. Other Operating Income and Expenditure

2011/12 £'m		Expenditure £'m	Income £'m	Total 2012/13 £'m
0.028	Loss on Disposal of Non-Current Assets	0.618	-	0.618
-0.030	Operating Rental Income	-	0.032	-0.032
<b>-0.002</b>	<b>Total</b>	<b>0.618</b>	<b>0.032</b>	<b>0.586</b>

## 9. Financing and Investment Income and Expenditure

2011/12 £'m		2012/13 £'m
0.954	Interest Payable and similar charges	0.752
-0.072	Surplus(-)/Deficit on trading undertakings not included under Continuing Operations	2.944
70.000	Pension Interest Costs	65.358
-0.072	Interest receivable and similar income	-0.151
-	BCCI Income	-0.083
-0.005	Investment Property Rental	-0.003
-4.101	Expected Return on Pension Assets	-3.571
<b>66.704</b>	<b>Total</b>	<b>65.246</b>

Interest receivable and similar income represents the amount of interest earned on the Authority's revenue balances for 2012/13.

## 10. Taxation and non specific grant incomes

2011/12 £'m		2012/13 £'m
-42.451	Precept Income	-42.651
-52.080	Non Domestic Rates	-65.812
-16.098	Revenue Support Grant	-1.276
-4.468	Capital Grants and contributions	-3.962
-1.058	Council Tax Freeze Grant	-1.277
-5.906	Regional Control Centre Grant	-2.084
<b>-122.061</b>	<b>Total</b>	<b>-117.062</b>

The precept received from the ten district authorities of Greater Manchester includes £42.545m for precepts levied for 2012/13 and adjustments of £0.188m in respect of previous years. An amount of £0.082m is adjusted in accordance with statutory requirements in relation to the difference between the authority's budgeted and actual share of the surplus/deficit on the Collection Fund.

## 11. Property, Plant and Equipment

### Movements on Balances

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

### Donated Assets

During 2012/13 the Authority took ownership of a number of assets (Office Equipment, Furniture and Audio Visual Equipment) donated by the Department of Communities and Local Government in respect of the Regional Control Project. The assets were brought on to the balance sheet from March 2013 with a value of £0.075m. All of these assets were subsequently donated to North West Fire Control Ltd in March 2013.

Movements in 2011/12	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets under Construction	Total	PFI Assets included in Property, Plant & Equipment
	£'m	£'m		£'m	£'m
<b>Cost or Valuation</b>					
<b>At 1 April 2011</b>	<b>53.239</b>	<b>24.804</b>	<b>3.185</b>	<b>81.228</b>	<b>2.363</b>
Additions	1.910	0.838	1.627	<b>4.375</b>	-
Donations	-	0.087	-	<b>0.087</b>	-
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	2.334	-	-	<b>2.334</b>	-
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services	0.378	-	-	<b>0.378</b>	-
Derecognition - disposals	-	-1.102	-	<b>-1.102</b>	-
Other movements in cost or valuation	-	3.362	-3.362	<b>0.000</b>	-
<b>At 31 March 2012</b>	<b>57.861</b>	<b>27.989</b>	<b>1.450</b>	<b>87.300</b>	<b>2.363</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1 April 2011</b>	<b>-0.026</b>	<b>-12.761</b>	<b>0.000</b>	<b>-12.787</b>	<b>-0.145</b>
Depreciation Charge	-2.290	-2.336	-	<b>-4.626</b>	-0.048
Depreciation written out to the Revaluation Reserve	0.059	-	-	<b>0.059</b>	-
Depreciation written out to the Surplus/Deficit(-) on the Provision of Services	0.055	-	-	<b>0.055</b>	-
Derecognition - disposals	-	1.015	-	<b>1.015</b>	-
<b>At 31 March 2012</b>	<b>-2.202</b>	<b>-14.082</b>	<b>0.000</b>	<b>-16.284</b>	<b>-0.193</b>
<b>Net Book Value</b>					
<b>At 31 March 2012</b>	<b>55.659</b>	<b>13.907</b>	<b>1.450</b>	<b>71.016</b>	<b>2.170</b>
<b>At 1 April 2011</b>	<b>53.213</b>	<b>12.043</b>	<b>3.185</b>	<b>68.441</b>	<b>2.218</b>

## 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 2013, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment to the value of £2.584m details of which are shown below. Commitments at 31 March 2012 were £0.920m.

- Vehicles - £0.162m
- Premises (Rochdale Fire Station Build and Land) - £2.333m
- Operational Training Equipment - £0.048m
- ICT - £0.041m

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

## Effects of changes in estimates

As required under IFRS, valuations carried out in 2012/13 took into account componentisation of Assets. The properties valued by the Valuer in 2012/13 were split into components of Frame, Services and Yards all of which have different remaining lives. This componentisation increased the depreciation charge in 2012/13, on the eight stations valued, from £0.220m (as per the previous valuation) to £0.550m (based on the new valuation). The impact of this change will carry forward into 2013/14 and future years. The Authority operates a five year rolling programme for the valuation of properties, and approximately 60% of properties have been valued based on this componentisation split over the past three years. Remaining properties will be valued on this basis over the next two 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 seven properties for financial year 2012/13 (as at 1 April 2012) was carried out by GVA Grimley, 81 Fountain Street, Manchester.

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

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

The following statement shows the progress of the rolling programme for the valuation of fixed assets. The valuations for 2012/13 were carried out by Michael A. Kings FRICS and Chris Morton BA(Hons) of GVA Grimley.

	Land and Buildings £'m
Carried at historic cost	69.461
Valued at fair value as at:	
PFI Stretford (1999 and 2004)	-0.972
2007/08	0.186
2008/09 (includes impairment review)	-10.328
2009/10	0.194
2010/11	-0.304
2011/12	2.712
2012/13	-0.271
<b>Total Cost or Valuation</b>	<b>60.678</b>

## 12. Assets held for sale

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

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A review of assets held by the Authority was undertaken and none currently meet with all the criteria above.

## 13. Investment properties

The Authority owns a piece of land at Stalybridge Fire Station which is currently leased to Transport for Greater Manchester.

In March 2013 land and buildings were purchased in respect of the development of a new training facility in Bury. Part of this purchase includes office premises which are currently leased to a third party.

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

	2011/12 £'m	2012/13 £'m
Rental income from investment property	0.005	0.003
<b>Total Income</b>	<b>0.005</b>	<b>0.003</b>

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.

In respect of the land at Stalybridge, the Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

In relation to the office premises at the new training facility in Bury, the term of this arrangement is up to September 2018, however, there is a mutual break clause in September 2015. The Authority has a contractual obligation to contribute towards the maintenance of a CCTV system on the site and to replace doors by April 2014.

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

	2011/12 £'m	2012/13 £'m
Balance at start of the year	0.025	0.025
Additions: Purchases	-	0.400
Net gains/losses(-) from fair value adjustments	-	0.024
<b>Balance at end of the year</b>	<b>0.025</b>	<b>0.449</b>

## 14. Intangible assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licences. There are currently no internally generated items of software treated as intangible assets.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are between 3 and 15 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.430m charged to revenue in 2012/13 was charged to the appropriate service heading.

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

	2011/12	2012/13
	Other Assets	Other Assets
	£'m	£'m
Balance at start of year:		
Gross carrying amounts	7.874	8.106
Accumulated amortisation	-6.487	-7.018
<b>Net carrying amount at start of year</b>	<b>1.387</b>	<b>1.088</b>
Additions:		
Purchases	0.232	0.202
Amortisation for the period	-0.531	-0.430
<b>Net carrying amount at end of year</b>	<b>1.088</b>	<b>0.860</b>
Comprising:		
Gross carrying amounts	8.106	8.308
Accumulated amortisation	-7.018	-7.448
	<b>1.088</b>	<b>0.860</b>

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

	Carrying Amount 31/03/12	Carrying Amount 31/03/13	Remaining Amortisation Period Years
	£'m	£'m	
Command and Control System	0.546	0.303	1.25
HR/Payroll System	0.267	0.191	2.00

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 new Regional Control facility is expected to go live in early to mid 2014.

In 2012/13 the Authority entered into a contract which has a commitment in 2013/14. This commitment is for a replacement Prevention and Protection software system (£0.040m). Total commitments in 2011/12 totalled £0.070m.

## 15. Financial Instruments

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

	Long-term		Current	
	31 March 2012 £'m	31 March 2013 £'m	31 March 2012 £'m	31 March 2013 £'m
<b>Investments</b>				
Loans and receivables:				
Short Term Investments	-	-	6.723	18.700
Cash at Bank in hand / overdrawn (-)	-	-	0.108	-0.318
<b>Total Investments</b>	<b>0.000</b>	<b>0.000</b>	<b>6.831</b>	<b>18.382</b>
<b>Debtors</b>				
Financial assets carried at contract amounts	-	-	4.221	4.803
Less items not classed as Financial Instruments*	-	-	-3.303	-3.567
<b>Total Debtors</b>	<b>0.000</b>	<b>0.000</b>	<b>0.918</b>	<b>1.236</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	4.700	4.700	2.000	-
<b>Total Borrowings</b>	<b>4.700</b>	<b>4.700</b>	<b>2.000</b>	<b>0.000</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	2.476	2.365	-	-
<b>Total other long term liabilities</b>	<b>2.476</b>	<b>2.365</b>	<b>0.000</b>	<b>0.000</b>
<b>Creditors**</b>				
Financial liabilities carried at contract amount	-	-	8.317	8.747
Less items not classed as Financial Instruments	-	-	-5.197	-5.062
<b>Total Creditors</b>	<b>0.000</b>	<b>0.000</b>	<b>3.120</b>	<b>3.685</b>

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

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

## Income, Expense, Gains and Losses

	2011/12		2012/13	
	Financial Liabilities measured at Amortised Cost £'m	Financial Assets: Loans and Receivables £'m	Financial Liabilities measured at Amortised Cost £'m	Financial Assets: Loans and Receivables £'m
Interest expense	0.954	-	0.752	-
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>0.954</b>	<b>0.000</b>	<b>0.752</b>	<b>0.000</b>
Interest Income	-	-0.072	-	-0.151
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0.000</b>	<b>-0.072</b>	<b>0.000</b>	<b>-0.151</b>
<b>Net gain/loss for the year</b>	<b>0.954</b>	<b>-0.072</b>	<b>0.752</b>	<b>-0.151</b>

## 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 2013 for loans from the PWLB and for short term investments based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

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

Financial Liabilities	31 March 2012		31 March 2013	
	Carrying Amount £'m	Fair Value £'m	Carrying Amount £'m	Fair Value £'m
PWLB Borrowing	6.737	7.612	4.700	5.356

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 2012/13 as £5.499m (£7.832m in 2011/12).

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

Financial Assets	31 March 2012		31 March 2013	
	Carrying Amount £'m	Fair Value £'m	Carrying Amount £'m	Fair Value £'m
Loans and Receivables	6.723	6.723	18.700	18.743

## Short Term Borrowing

During the year the Authority took out one overnight temporary loan of £0.290m. At 31 March 2013 no loans were outstanding (nil in 2011/12).

## 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)	4.000	-	-	0.700	4.700
<b>Total</b>	<b>4.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.700</b>	<b>4.700</b>

There is an amount of £0.037m which is accrued interest added to the PWLB loans. This is not included in the table above and will be paid in 2013/14. It is included under current liabilities as a creditor within the Balance Sheet.

31 March 2012 £'m	Long Term Liability	31 March 2013 £'m
2.476	PFI	2.365
5.192	Debt transferred from former GMC	4.736
<b>7.668</b>		<b>7.101</b>

The debt outstanding on the assets transferred from the Greater Manchester Council (GMC) following the 1986 reorganisation is administered by Tameside Metropolitan Borough Council on behalf of all successor Authorities. There is £0.460m debt repayable with 12 months. This is classified as a short term creditor on the Balance Sheet.

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

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

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

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

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

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

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

The risk is minimised through the Treasury Policy Statement, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The 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:

	2012/13 £'m
Less than three months	0.410
Three to six months	0.012
Six months to one year	0.038
More than one year	0.018

### 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:

	2012/13 £'m
Less than 1 year	-
1 – 2 years	4.000
2 – 5 years	-
More than 5 years	0.700

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

### Market Risk

#### Interest Rate Risk

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

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

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

	2012/13 £'m
Daily average investment balance (average rate of interest 0.98%)	23.030
Additional Interest assuming interest rates 1% higher	0.230
Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income & Expenditure Statement)	-0.146

### Foreign Exchange Risk

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

## 16. Inventories

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

Balances are carried as specified in the IFRS code.

Consumable Stores	2011/12 £'m	2012/13 £'m
<b>Balance outstanding at start of year</b>	<b>0.708</b>	<b>0.761</b>
Purchases	1.437	1.622
Recognised as an expense in the year	-1.383	-1.380
Written off balances	-0.001	-0.011
<b>Balance outstanding at year-end</b>	<b>0.761</b>	<b>0.992</b>

## 17. Debtors

31 March 2012 £'m		31 March 2013 £'m
0.220	Central Government Bodies	0.430
2.850	Other Local Authorities	2.961
0.000	Public Corporations	0.004
1.151	Other entities and individuals	1.408
<b>4.221</b>	<b>Total Debtors</b>	<b>4.803</b>

## 18. Cash and Cash Equivalents

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

31 March 2012 £'m		31 March 2013 £'m
0.068	Cash held by the Authority	0.068
0.040	Bank current accounts in hand / overdrawn (-)	-0.386
6.723	Short-term deposits with building societies	18.700
<b>6.831</b>	<b>Total Cash and Cash Equivalents</b>	<b>18.382</b>

## 19. Creditors

31 March 2012 £'m		31 March 2013 £'m
2.012	Central Government Bodies	1.880
3.155	Other local authorities	3.164
0.020	Public Corporations	0.000
3.130	Other entities and individuals	3.703
<b>8.317</b>	<b>Total Creditors</b>	<b>8.747</b>

## 20. Provisions

	Insurance Provision £'m	Restructuring Provision £'m	Total Provisions £'m
Balance at 1 April 2012	0.745	0.058	<b>0.803</b>
Additional provisions made in 2012/13	1.169	0.208	<b>1.377</b>
Provision utilised in year	-0.512	-0.266	<b>-0.778</b>
Transfers in year	0.118	-	<b>0.118</b>
<b>Balance at 31 March 2013</b>	<b>1.520</b>	<b>0.000</b>	<b>1.520</b>

### Split between short and long term

	Insurance Provision £'m	Restructuring Provision £'m	Total Provisions £'m
Short term component of provisions balance	0.595	-	<b>0.595</b>
Long term component of provisions balance	0.925	-	<b>0.925</b>
<b>Total</b>	<b>1.520</b>	<b>0.000</b>	<b>1.520</b>

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

#### a) Insurance

At 31 March 2013 the Authority held an Insurance provision of £1.520m. This is for future payments of claims made or yet to be made for incidents which occurred before 31 March 2013. These include incidents where a legal liability arises and incidents of damage to Fire Authority property. Increases to the provision in 2012/13 reflect contributions from services. The costs of premium payments, settlement of claims and risk management are shown as decreases to the provision in 2012/13.

In 1992 MMI ceased underwriting and as a result a Scheme of Arrangement was put in place between MMI and its creditors. Under the provisions of the scheme MMI has continued to pay all losses since 1994. However, over the years the solvency of MMI has deteriorated largely due to the higher than expected reporting of industrial disease type claims, particularly Mesothelioma.

In 2012 an adverse judgement in the Supreme Court led to a pessimistic outlook on the company's future and as a result the Administrator has written to all Creditors notifying them that the Scheme of Arrangement will be triggered and that the likely liability will equate to 15%. This will be in the form of a levy on all claims. For the Authority this means a potential cost of c£0.195m and provision has been created within the insurance fund to cover this liability. In addition, as this is the initial estimated levy rate, further sums have been earmarked within the insurance fund to cover the maximum liability of 28% as declared in the modelling work undertaken by the Administrator and KMPG.

#### b) Restructuring Provision

The opening balance as at 1 April 2012 represented the residual sum retained to fund any further redundancy costs. During 2012/13 further redundancy costs have been incurred and additional contributions were made to the provision. The provision has now been fully utilised and no definitive plans are in place for the further roll out of redundancies in 2013/14.

## 21. Usable Reserves

2011/12 £'m		2012/13 £'m
28.865	Earmarked Reserves	28.778
13.605	General Fund Balances	17.638
1.545	Capital Grants Unapplied Reserve	2.233
0.058	Capital Receipts	-
<b>44.073</b>	<b>Total Usable Reserves</b>	<b>48.649</b>

### 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 2011 £'m	Transfers Out 2011/12 £'m	Transfers in 2011/12 £'m	Balance at 31 March 2012 £'m	Transfers Out 2012/13 £'m	Transfers in 2012/13 £'m	Balance at 31 March 2013 £'m
Capital Reserve	7.612	0.277	1.000	8.335	-	4.885	13.220
Restructuring Reserve	-	-	5.000	5.000	4.000	0.240	1.240
Insurance Reserve	4.040	0.031	0.993	5.002	0.293	0.076	4.785
Innovation & Partnership/CYP Reserve	1.243	0.010	0.227	1.460	0.153	0.120	1.427
Unspent Grant Reserve	0.499	0.499	6.581	6.581	1.761	0.726	5.546
Earmarked Budgets Reserve	1.294	0.459	1.044	1.879	0.687	0.838	2.030
Projects Reserve	0.623	0.045	0.030	0.608	0.112	0.034	0.530
<b>Total</b>	<b>15.311</b>	<b>1.321</b>	<b>14.875</b>	<b>28.865</b>	<b>7.006</b>	<b>6.919</b>	<b>28.778</b>

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. A transfer of £4.000m was made from the Restructuring reserve along with £0.885m transfer of underspends in line with approved budget strategy.

#### 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 & Partnership /CYP Reserve

This reserve was created to provide the necessary funding for future partnership and innovation schemes and to support Children's and Young People's initiatives. In 2012/13 further contributions of £0.120m 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 2013/14.

#### **f) Projects Reserve**

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

#### **g) Restructuring Reserve**

This new reserve was created to provide funds towards the costs of transition as the levels of funding provided by the Government as announced in the spending review, continues to fall over the next few years. £4.000m was transferred to Capital reserve as agreed to contribute to the costs of the new training facility at Bury.

#### **h) General Fund Balances**

Available balances at 31 March 2013 were £17.638m (£13.605m at 31 March 2012).

#### **i) Capital Grants Unapplied Reserve**

This reserve represents the amount of unused capital grant as at 31 March 2013. In line with accounting practice it has been recognised in the Comprehensive Income and Expenditure Statement (CIES) but the expenditure to be financed from the grants has not been incurred at the balance sheet date therefore, it is removed from the CIES and placed in the Capital Grants Unapplied Reserve.

#### **j) Capital Receipts Reserve**

This reserve contains the balance of any capital receipts received during 2012/13 that have not been applied to fund capital expenditure. These funds will be used to fund capital expenditure in future years.

## 22. Unusable Reserves

2011/12		2012/13
£'m		£'m
10.017	Revaluation Reserve	9.497
17.153	Capital Adjustment Account	19.730
-1,279.475	Pensions Reserve	-1,485.821
0.243	Collection Fund Adjustment Account	0.161
-0.416	Accumulated Absences Account	-0.203
<b>-1,252.478</b>	<b>Total Unusable Reserves</b>	<b>-1,456.636</b>

### Revaluation Reserve

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

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

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

2011/12		2012/13	
		£'m	£'m
<b>7.885</b>	<b>Balance at 1 April</b>		<b>10.017</b>
2.515	Upward revaluation of assets	0.936	
-0.122	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-0.987	
<b>2.393</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>		<b>-0.051</b>
-0.261	Difference between fair value depreciation and historical cost depreciation	-0.303	
-	Accumulated gains on assets sold or scrapped	-0.166	
<b>-0.261</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>-0.469</b>
<b>10.017</b>	<b>Balance at 31 March</b>		<b>9.497</b>

## Capital Adjustment Account

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

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

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

2011/12 £'m		2012/13	
		£'m	£'m
15.322	<b>Balance at 1 April</b>		<b>17.153</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the CI&amp;E:</b>		
-4.626	Charges for depreciation and impairment of non-current assets	-4.925	
0.433	Revaluation losses(-)/gains on Property, Plant & Equipment	0.061	
-0.531	Amortisation of intangible assets	-0.430	
-0.273	Revenue Expenditure Funded from Capital Under Statute	-0.568	
-0.086	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	-1.145	
-5.083			-7.007
0.261	Adjusting amounts written out of the Revaluation Reserve		0.469
<b>-4.822</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>-6.538</b>
	<b>Capital financing applied in the year:</b>		
-	Use of the Capital Receipts Reserve to finance new capital expenditure	0.585	
2.967	Capital grants and contributions credited to the CI&E that have been applied to capital financing	2.962	
-	Application of grants to capital financing from the Capital Grants Unapplied Account	0.312	
3.052	Statutory provision for the financing of capital investment charged against the General Fund	3.019	
0.634	Capital expenditure charged against the General Fund	2.213	
<b>6.653</b>			<b>9.091</b>
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0.024	
<b>0.000</b>			<b>0.024</b>
<b>17.153</b>	<b>Balance at 31 March</b>		<b>19.730</b>

## 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.

2011/12 £'m		2012/13 £'m
<b>-1,177.525</b>	<b>Balance at 1 April</b>	<b>-1,279.475</b>
-54.119	Actuarial gains or losses on pensions assets and liabilities	-159.832
-96.105	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	-92.634
48.274	Employer's pensions contributions and direct payments to pensioners payable in the year	46.120
<b>-1,279.475</b>	<b>Balance at 31 March</b>	<b>-1,485.821</b>

## 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.

2011/12 £'m		2012/13 £'m
<b>0.346</b>	<b>Balance at 1 April</b>	<b>0.243</b>
-0.122	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	-0.082
0.019	Adjustment to previously notified surplus/deficit on Collection Fund	-
<b>0.243</b>	<b>Balance at 31 March</b>	<b>0.161</b>

## 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.

2011/12 £'m		2012/13	
		£'m	£'m
-0.562	<b>Balance at 1 April</b>		<b>-0.416</b>
0.562	Settlement or cancellation of accrual made at the end of the preceding year	0.416	
-0.416	Amounts accrued at the end of the current year	-0.203	
<b>0.146</b>	<b>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</b>		<b>0.213</b>
<b>-0.416</b>	<b>Balance at 31 March</b>		<b>-0.203</b>

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

2011/12 £'m		2012/13 £'m
-4.627	Depreciation of non-current assets	-4.925
0.433	Revaluation gain(-)/loss of non-current assets	0.086
-0.273	De-minimus	-0.568
-0.531	Amortisation of intangible fixed assets	-0.430
-47.831	Pension Fund adjustments	-46.515
2.026	Contributions to provisions	-0.717
-0.086	Carrying amount of PPE, investment property and intangible assets sold	-1.145
0.088	Other non-cash items	0.075
0.053	Increase(-)/decrease in inventories	0.231
4.642	Increase(-)/decrease in debtors	-5.475
-0.515	Increase/decrease(-) in creditors	-0.416
<b>-46.621</b>		<b>-59.799</b>

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

2011/12 £'m		2012/13 £'m
0.058	Proceeds from the disposal of PPE, investment property and intangible assets	0.527
4.381	Capital grants credited to surplus or deficit on the provision of services	3.887
-	Other adjustments	0.083
<b>4.439</b>		<b>4.497</b>

## 25. Amounts reported for resource allocation decisions

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

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

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

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

Service Income and Expenditure 2011/12	Community Safety £'m	Firefighting and Rescue Operations £'m	Total £'m
Government Grants	-	-0.546	<b>-0.546</b>
Other Grants, Reimbursements & Contributions	-	-0.023	<b>-0.023</b>
Customer & Client Receipts	-0.890	-0.035	<b>-0.925</b>
Recharges to Other Revenue A/C Heads	-0.276	-4.976	<b>-5.252</b>
<b>Total Income</b>	<b>-1.166</b>	<b>-5.580</b>	<b>-6.746</b>
Employees Pay	6.310	56.642	<b>62.952</b>
Pensions	0.753	8.756	<b>9.509</b>
Indirect Employee Allowances	0.133	-0.245	<b>-0.112</b>
Premises Related Expenditure	0.003	2.567	<b>2.570</b>
Transport Related Expenditure	0.235	1.133	<b>1.368</b>
Supplies, Services & Other Expenses	0.893	3.600	<b>4.493</b>
Support Services	7.501	22.393	<b>29.894</b>
Capital Charges	0.027	3.368	<b>3.395</b>
Capital Financing Costs	0.015	0.050	<b>0.065</b>
<b>Total Expenditure</b>	<b>15.870</b>	<b>98.264</b>	<b>114.134</b>
<b>Net Expenditure</b>	<b>14.704</b>	<b>92.684</b>	<b>107.388</b>

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2011/12 £'m	2012/13 £'m
Cost of Services in Service Analysis	107.388	106.038
Additional Segments not included in analysis	1.293	1.172
Amounts not included in the analysis but included in the CI&E Statement	-18.068	-15.273
Amounts included in the analysis but not included in the CI&E Statement	-2.178	-1.008
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>88.435</b>	<b>90.929</b>

Reconciliation to Subjective Analysis 2012/13	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 & Contributions	-0.452	-0.093	-	-	<b>-0.545</b>	-74.411	<b>-74.956</b>
Other Grants, Reimbursements & Contributions	-1.756	-0.212	-	1.253	<b>-0.715</b>	-42.651	<b>-43.366</b>
Customer & Client Receipts	-0.876	-0.018	-	-	<b>-0.894</b>	-	<b>-0.894</b>
Recharges	-10.598	-	-	-	<b>-10.598</b>	-	<b>-10.598</b>
Operating Lease Income	-	-	-	-	<b>0.000</b>	-0.032	<b>-0.032</b>
Investment Property Lease Income	-	-	-	-	<b>0.000</b>	-0.003	<b>-0.003</b>
Expected Returns on Pensions Assets	-	-	-	-	<b>0.000</b>	-3.571	<b>-3.571</b>
BCCI Income	-	-	-	-	<b>0.000</b>	-0.083	<b>-0.083</b>
Interest & investment income	-	-	-	-	<b>0.000</b>	-0.151	<b>-0.151</b>
<b>Total income</b>	<b>-13.682</b>	<b>-0.323</b>	<b>0.000</b>	<b>1.253</b>	<b>-12.752</b>	<b>-120.902</b>	<b>-133.654</b>
Employees Pay	60.745	0.472	-	-	<b>61.217</b>	-	<b>61.217</b>
Pensions	8.869	0.116	-15.273	-	<b>-6.288</b>	-	<b>-6.288</b>
Indirect employee expenses	0.571	0.005	-	0.195	<b>0.771</b>	-	<b>0.771</b>
Premises related expenditure	2.686	-	-	-	<b>2.686</b>	-	<b>2.686</b>
Transport related expenditure	1.437	0.022	-	-	<b>1.459</b>	-	<b>1.459</b>
Supplies, services & other expenses	4.932	0.617	-	-1.977	<b>3.572</b>	-	<b>3.572</b>
Support services	36.094	0.254	-	-	<b>36.348</b>	-	<b>36.348</b>
Capital charges	3.907	0.007	-	-	<b>3.914</b>	-	<b>3.914</b>
Capital financing costs	0.479	0.002	-	-0.479	<b>0.002</b>	-	<b>0.002</b>
Pension interest cost	-	-	-	-	<b>0.000</b>	65.358	<b>65.358</b>
Deficit on trading undertakings	-	-	-	-	<b>0.000</b>	2.944	<b>2.944</b>
Interest payable	-	-	-	-	<b>0.000</b>	0.752	<b>0.752</b>
Loss on disposal of non-current assets	-	-	-	-	<b>0.000</b>	0.618	<b>0.618</b>
<b>Total Operating Expenses</b>	<b>119.720</b>	<b>1.495</b>	<b>-15.273</b>	<b>-2.261</b>	<b>103.681</b>	<b>69.672</b>	<b>173.353</b>
<b>Surplus(-)/Deficit on the provision of services</b>	<b>106.038</b>	<b>1.172</b>	<b>-15.273</b>	<b>-1.008</b>	<b>90.929</b>	<b>-51.230</b>	<b>39.699</b>

Reconciliation to Subjective Analysis	Service Analysis	Services not in analysis	Amounts not included in analysis but included in CI&E	Amounts included in analysis but not included in CI&E	Net Cost of Services	Corporate Amounts	Total
2011/12							
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Government Grants & Contributions	-0.546	-0.371	-	-	<b>-0.917</b>	-79.610	<b>-80.527</b>
Other Grants, Reimbursements & Contributions	-0.023	-	-	-	<b>-0.023</b>	-42.451	<b>-42.474</b>
Customer & Client Receipts	-0.925	-0.097	-	-	<b>-1.022</b>	-	<b>-1.022</b>
Recharges	-5.252	-0.002	-	-	<b>-5.254</b>	-	<b>-5.254</b>
Operating Lease Income	-	-	-	-	<b>0.000</b>	-0.030	<b>-0.030</b>
Surplus on trading undertakings	-	-	-	-	<b>0.000</b>	-0.072	<b>-0.072</b>
Investment Property Lease Income	-	-	-	-	<b>0.000</b>	-0.005	<b>-0.005</b>
Expected Returns on Pensions Assets	-	-	-	-	<b>0.000</b>	-4.101	<b>-4.101</b>
Interest & investment income	-	-	-	-	<b>0.000</b>	-0.072	<b>-0.072</b>
<b>Total income</b>	<b>-6.746</b>	<b>-0.470</b>	<b>0.000</b>	<b>0.000</b>	<b>-7.216</b>	<b>-126.341</b>	<b>-133.557</b>
Employees Pay	62.952	0.574	-	-	<b>63.526</b>	-	<b>63.526</b>
Pensions	9.509	0.144	-18.068	-	<b>-8.415</b>	-	<b>-8.415</b>
Indirect employee expenses	-0.112	0.001	-	-	<b>-0.111</b>	-	<b>-0.111</b>
Premises related expenditure	2.570	-	-	-	<b>2.570</b>	-	<b>2.570</b>
Transport related expenditure	1.368	0.031	-	-	<b>1.399</b>	-	<b>1.399</b>
Supplies, services & other expenses	4.493	0.710	-	-2.042	<b>3.161</b>	-	<b>3.161</b>
Support services	29.894	0.226	-	-	<b>30.120</b>	-	<b>30.120</b>
Capital charges	3.395	0.004	-	-	<b>3.399</b>	-	<b>3.399</b>
Capital financing costs	0.065	0.073	-	-0.136	<b>0.002</b>	-	<b>0.002</b>
Pension interest cost	-	-	-	-	<b>0.000</b>	70.000	<b>70.000</b>
Interest payable	-	-	-	-	<b>0.000</b>	0.954	<b>0.954</b>
Loss on disposal of non-current assets	-	-	-	-	<b>0.000</b>	0.028	<b>0.028</b>
<b>Total Operating Expenses</b>	<b>114.134</b>	<b>1.763</b>	<b>-18.068</b>	<b>-2.178</b>	<b>95.651</b>	<b>70.982</b>	<b>166.633</b>
<b>Surplus(-)/Deficit on the provision of services</b>	<b>107.388</b>	<b>1.293</b>	<b>-18.068</b>	<b>-2.178</b>	<b>88.435</b>	<b>-55.359</b>	<b>33.076</b>

**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 2012/13 this relates to Fire Service Emergency Planning, Corporate & Democratic Core and Non Distributed Costs.

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

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

## 26. Trading operations

### Holding Account Balances

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

The activities included under central support services are: Finance, Information Technology, Personnel, Facilities Management and Catering. Contained within these activities is income of £0.819m 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

2011/12 Surplus(-)/Deficit £'m		2012/13 Expenditure £'m	2012/13 Income £'m	2012/13 Surplus(-)/Deficit £'m
-0.053	Central Support	24.237	-24.577	-0.340
-0.019	Secondments	0.280	-0.321	-0.041
-	Regional Control	3.325	-	3.325
<b>-0.072</b>	<b>Total</b>	<b>27.842</b>	<b>-24.898</b>	<b>2.944</b>

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

## 27. Agency Services

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

The 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 2012/13 the amount of precept paid to the Authority was £42.732m.

## 28. Members' Allowances

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

	2011/12 £'m	2012/13 £'m
Salaries	0.008	0.008
Allowances	0.197	0.201
Expenses	0.026	0.019
<b>Total</b>	<b>0.231</b>	<b>0.228</b>

## 29. Officers' Remuneration

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

**Table a)**

Number of Employees 2011/12	Remuneration Band	Number of Employees 2012/13
41	£50,000 - £54,999	*38
*14	£55,000 - £59,999	*16
*16	£60,000 - £64,999	*18
9	£65,000 - £69,999	6
-	£70,000 - £74,999	2
3	£75,000 - £79,999	1
1	£80,000 - £84,999	*1
*1	£85,000 - £89,999	1
-	£90,000 - £94,999	1
-	£95,000 - £99,999	-
1	£100,000 - £104,999	1
-	£105,000 - £109,999	-
-	£110,000 - £114,999	-
2	£115,000 - £119,999	1
-	£120,000 - £124,999	1
-	£125,000 - £129,999	-
-	£130,000 - £134,999	-
1	£135,000 - £139,999	1
-	£140,000 - £164,999	-
1	£165,000 - £169,999	1
<b>90</b>	<b>Total</b>	<b>89</b>

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

\* Includes Redundancy Payments

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

Table b)

Total Remuneration including pension contributions 2011/12 £	Post	Salary (including fees & allowances) £	Expenses £	Total Remuneration excluding pension contributions 2012/13 £	Pension Cont's £	Total Remuneration including pension contributions 2012/13 £
<b>Chief Executive &amp; County Fire Officer - whose salary is £150,000 or more per year</b>						
200,255	S McGuirk	165,000	-	165,000	35,145	200,145
<b>Corporate Leadership Team whose salary is less than £150,000 but equal or more than £50,000 per year</b>						
163,631	Deputy County Fire Officer	131,499	5,419	136,918	28,009	164,927
142,587	Director of Emergency Response	115,825	5,187	121,012	24,671	145,683
140,617	Director of Prevention & Protection	115,999	3,452	119,451	24,708	144,159
119,732	Director of People & Organisation Development (1)	95,867	3,073	98,940	18,694	117,634
120,257	Director of Finance & Technical Services	98,823	2,676	101,499	19,270	120,769
91,509	Director of Information & Communications Technology	77,237	2,765	80,002	14,184	94,186
74,837	Deputy Clerk & Authority Solicitor	59,902	1,881	61,783	11,681	73,464
55,971	Director of Corporate Communications (2)	40,443	2,107	42,550	10,725	53,275

**Note 1** The previous Director of Human Resources finished employment on 02/01/12. The temporary Director of People & Organisation Development was appointed on 03/01/12.

**Note 2** The Director of Corporate Communications is currently on maternity leave. The annual salary for this post is £55,000.

## Exit Packages

Table c)

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band £'m	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
	£							
0 - £20,000	-	-	83	29	83	29	0.646	0.182
£20,001 - £40,000	-	-	20	9	20	9	0.518	0.310
£40,001 - £60,000	-	-	1	4	1	4	0.046	0.185
£60,001 - £80,000	-	-	-	1	-	1	-	0.065
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
	<b>0</b>	<b>0</b>	<b>104</b>	<b>43</b>	<b>104</b>	<b>43</b>	<b>1.210</b>	<b>0.742</b>

In addition to the above, a further cost of exit packages is the Actuarial assessment of accrued pensions for LGPS early retirements. This is £0.193m for the period ending 31 March 2013. It is not possible to divide this figure into the appropriate bands in table (c) above.

### 30. Termination Benefits

The Authority terminated the contracts of a number of employees in 2012/13 incurring liabilities of £0.742m (£1.210m in 2011/12) – see Note 29 for the number of exit packages and total cost per band.

### 31. 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:

	2011/12 £'m	2012/13 £'m
Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year	0.077	0.047
Fees payable to the external auditors for the certification of grant claims and returns for the year	0.004	-
Fees payable in respect of other services provided by the external auditors during the year	0.001	0.001
<b>Total</b>	<b>0.082</b>	<b>0.048</b>

The 2012/13 fees payable for external audit services include a rebate of £0.006m. The 2012/13 fees in respect of other services relate to a payment for the National Fraud Initiative (£0.001m).

### 32. Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

Credited to Taxation and Non Specific Grant Income	2011/12 £'m	2012/13 £'m
Capital Grants	4.381	3.887
NW Fire Control Grant	5.906	2.084
Council Tax Freeze Grant	1.058	1.277
Revenue Support Grant	16.098	1.276
Donated Assets	0.087	0.075
<b>Total</b>	<b>27.530</b>	<b>8.599</b>

Credited to Services	2011/12 £'m	2012/13 £'m
PFI Grant	0.452	0.452
Firelink Grant	0.128	0.155
Urban Search and Rescue Grant	0.106	0.138
New Dimensions Grant	0.117	0.092
Section 31 Grant	-	0.027
New Risk Programme	0.188	-
Public Disorder Recovery Scheme Grant	0.033	-
Fire Revenue Grant	0.020	-
<b>Total</b>	<b>1.044</b>	<b>0.864</b>

### 33. Related Parties

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

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

#### Members of the Authority

The Authority consists of 30 members, all of whom are councillors appointed by Greater Manchester's 10 district councils. Members of the Authority have direct control over the Authority's financial and operating policies. Each year the Authority invites Members to declare any such interests including related parties. During 2012/13 there were no reported material transactions with related parties advised by Members.

## Chief Officers

The Authority on an annual basis necessitates Chief Officers to make a declaration of any related party transactions. There were no reported interests in an organisation that generated a related party transaction with the Authority in respect of 2012/13.

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

The Authority makes a number of appointments to outside bodies, principally the Local Government Association (LGA), and it appoints members to the North West Partnership Board.

Under the terms of a Service Level Agreement between the Authority and Wigan Council in 2012/13, Donna Hall, Chief Executive of Wigan, was the Clerk to the Authority, and Paul McKeivitt Wigan's Director of Corporate Services – Resources is the Authority's Treasurer.

## North West Partnership Board

The North-West Partnership Board is a related party. The North-West Fire and Rescue Authorities are continuing to work collaboratively, via the North-West Partnership Board which was set up in March 2011. This is a 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.

## NW FiReControl Limited

NW Fire Control Limited is a related party. It is a company limited by guarantee which was incorporated in July 2007 and was established to operate a Regional Control Centre with the responsibility for Fire and Rescue Service mobilisation for the North West region.

During 2011/12 renegotiations were made for the future of the project following the closure of the National Project announced in December 2012 by the Fire Minister. The Company now has four members which are Cheshire, Cumbria, Greater Manchester and Lancashire Fire & Rescue Authorities (FRAs). These authorities have agreed to continue to support the project in preparation for transferring their mobilising function to NW Fire Control Ltd and have been successful in obtaining support from CLG to continue the project. The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint 2 directors, who are Councillors appointed to their respective FRAs. All directors have equal voting rights.

During 2012/13 the company has continued to be funded by a Section 31 Grant from the Department for Communities and Local Government. Accommodation and implementation expenditure will continue to be funded during the project phase to implement the new Control Mobilising system. The grant is paid to Greater Manchester Fire & Rescue Authority as lead authority for the North West region and released to the company as required. The transition of the Control function to NW Fire Control Ltd is planned to be completed during the final quarter of 2013/14.

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

It has been determined that the company will be accounted for as a jointly controlled entity for Group Accounts purposes within the accounts of the Authority. This has been determined by following guidance in the Code of Practice. This will be reviewed in forthcoming financial years based 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 2012/13 having considered both qualitative and quantitative factors, including the following:

- The Authority does not depend on the company for continued provision of statutory services at present and activities provided by the control function remain within the individual Fire Authorities.
- The company is not operational in providing a public service and is not expected to become so until late in the financial year 2013/14.
- The only trading activity of the Company is currently the use of facilities at the building and car parking which is charged out accordingly to other Fire Authorities and organisations.
- The Authority's share of the gross administrative expenses of the company in the financial year 2012/13 (25% of £2.462m) is not material in the context of the Authority's gross expenditure.
- The Authority is not expected to make any contribution to the company until it commences using the company's services.

- The cost of running the company is covered by Section 31 grant from the Department for Communities and Local Government, bank interest earned and small values of trading profit.
- The liability of the Authority is limited to a maximum of £1.

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

Accounts Information	2011/12 £'m	2012/13 £'m
Net Assets	0.080	0.120
Profits Before Taxation	0.027	0.078
Profits After Taxation	0.022	0.062
Debtor Balance (GMFRS)	0.021	0.147
Creditor Balance (GMFRS)	0.298	0.364

The Companies Financial Statements can be obtained from Companies House with the deadline for submission as 31 December 2013 for the final audited 2012/13 accounts.

The position regarding Group Accounts will be reviewed for the 2013/14 financial year.

#### 34. 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.

	2011/12 £'m	2012/13 £'m
<b>Opening Capital Financing Requirement</b>	<b>46.646</b>	<b>44.959</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	4.375	4.826
Investment Properties	-	0.400
Intangible Assets	0.232	0.202
Revenue Expenditure Funded from Capital under Statute	0.273	0.568
<b>Sources of Finance</b>		
Capital receipts	-	-0.585
Government grants and other contributions	-2.881	-3.199
Sums set aside from revenue:		
Direct revenue contributions	-0.634	-2.213
MRP/loans fund principal	-3.052	-3.019
<b>Closing Capital Financing Requirement</b>	<b>44.959</b>	<b>41.939</b>
<b>Explanation of movements in year</b>		
Increase/decrease (-) in underlying need to borrowing (supported by government financial assistance)	-1.687	-
Increase/decrease (-) in underlying need to borrowing (unsupported by government financial assistance)	-	-3.020
<b>Increase/decrease (-) in Capital Financing Requirement</b>	<b>-1.687</b>	<b>-3.020</b>

### 35. 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:

	2011/12	2012/13
	£'m	£'m
Not later than 1 Year	0.106	0.080
Later than 1 Year and not later than 5 years	0.064	-
later than 5 Years	-	-

The expenditure during 2012/13 in relation to these leases was £0.107m (£0.111m in 2011/12).

#### Authority acting as Lessor – Operating Leases

The Authority leases out property for operational reasons. The rent receivable in 2012/13 was £0.032m.

### 36. Private Finance Initiatives and similar contracts

2012/13 was the fourteenth year of a 25 year PFI contract (ending October 2024) for the construction, maintenance and provision of a Fire Station at Stretford, along with associated equipment.

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The building and equipment will be transferred to the Authority at the end of the 25 year contract.

#### Property Plant and Equipment

The Fire Station and Equipment provided under the contract are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property Plant and Equipment balance in note 11.

#### Payments

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

Payments remaining to be made under the contract as at 31 March 2013 are as follows:

To Service Provider	Repayment of Liability	Repayment of Interest	Service Charges Assume 3% inflation	Total Assumes 3% inflation on service charges	Service Charges based on Current Prices	Total assumes Service Charges based on Current Prices
	£'m	£'m	£'m	£'m	£'m	£'m
Payable in 2013/14	0.111	0.270	0.300	<b>0.681</b>	0.295	0.676
Within 2-5 years	0.592	0.934	1.292	<b>2.818</b>	1.182	2.708
Within 6-10 years	1.222	0.684	1.840	<b>3.746</b>	1.477	3.383
Within 11-15 years	0.551	0.053	0.641	<b>1.245</b>	0.476	1.080
	<b>2.476</b>	<b>1.941</b>	<b>4.073</b>	<b>8.490</b>	<b>3.430</b>	<b>7.847</b>

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

	Value at 31 March 2012	Principal Repayment in 2012/13	Value as at 31 March 2013
	£'m	£'m	£'m
Liabilities resulting from PFI Contract	-2.575	0.099	-2.476

### 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 2012	Payments into Sinking Fund in 2012/13	Payments out of sinking fund in 2012/13 for Repair and Replacement	Value as at 31 March 2013
	£'m	£'m	£'m	£'m
Sinking Fund (Prepayment Account)	0.123	0.019	-0.004	0.138

### Central Government Grant Subsidy

	Grant Due to be Received
	£'m
Within 1 year	-0.452
Within 2-5 years	-1.809
Within 6-10 years	-2.261
Within 11-15 years	-0.791
<b>Total</b>	<b>-5.313</b>

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.

## 37. 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	
	2011/12 £'m	2012/13 £'m	2011/12 £'m	2012/13 £'m
<b>Cost of Services</b>				
Current service cost	1.856	1.943	27.840	28.240
Past service costs	-	-	-	-
Settlements and curtailments	0.510	0.664	-	-
<b>Financing and Investment Income and Expenditure</b>				
Interest cost	4.160	4.158	65.840	61.200
Expected return on scheme assets	-4.101	-3.571	-	-
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2.425</b>	<b>3.194</b>	<b>93.680</b>	<b>89.440</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>				
Actuarial Gain(-)/Loss Recognised in Other Comprehensive Income and Expenditure	9.189	5.862	44.930	153.970
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>11.614</b>	<b>9.056</b>	<b>138.610</b>	<b>243.410</b>

Movement in Reserves Statement	Local Government Pension Scheme		Fire Service Pension Scheme	
	2011/12 £'m	2012/13 £'m	2011/12 £'m	2012/13 £'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	-2.425	-3.194	-93.680	-89.440
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>				
Employers' contributions payable to the scheme	2.134	2.560	-	-
Retirement benefits payable to pensioners	-	-	46.140	43.560
<b>Total amount charged against the General Fund Balance for pensions in the year</b>	<b>-0.291</b>	<b>-0.634</b>	<b>-47.540</b>	<b>-45.880</b>

The cumulative amount of actuarial gains and losses recognised in the Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2013 a loss of £131.126m and at 31 March 2012 was a gain of £28.706m.

### 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	
	2011/12 £'m	2012/13 £'m	2011/12 £'m	2012/13 £'m
<b>Opening Balance at 1 April</b>	<b>75.252</b>	<b>86.185</b>	<b>1,164.150</b>	<b>1,256.620</b>
Current Service Cost	1.856	1.943	27.840	28.240
Interest Cost	4.160	4.158	65.840	61.200
Contributions by Scheme Participants	0.722	0.684	-	-
Actuarial Gains(-) and Losses	5.983	11.528	44.930	153.970
Benefits Paid	-2.298	-2.396	-46.140	-43.560
Past Service Costs	-	-	-	-
Curtailments	0.510	0.664	-	-
<b>Closing Balance at 31 March</b>	<b>86.185</b>	<b>102.766</b>	<b>1,256.620</b>	<b>1,456.470</b>

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

- Firefighters' Pension Scheme 1992 liability is £1,334.350m (£1,156.740m in 2011/12)
- Firefighters' Injury Benefit Scheme liability is £91.300m (£79.470m in 2011/12)
- Firefighters' Pension Scheme 2006 liability is £30.820m (£20.410m in 2011/12)

Reconciliation of Fair Value of the Scheme Assets	Assets: Local Government Pensions Scheme	
	2011/12 £'m	2012/13 £'m
<b>Opening Balance at 1 April</b>	<b>61.877</b>	<b>63.330</b>
Expected Rate of Return	4.101	3.571
Actuarial Gains and Losses(-)	-3.206	5.666
Employer Contributions	2.134	2.560
Contributions by Scheme Participants	0.722	0.684
Benefits Paid	-2.298	-2.396
<b>Closing Balance at 31 March</b>	<b>63.330</b>	<b>73.415</b>

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 £9.248m (£0.906m in 2011/12).

## Scheme History

	2008/09 £'m	2009/10 £'m	2010/11 £'m	2011/12 £'m	2012/13 £'m
<b>Present Value of Liabilities:</b>					
Local Government Pension Scheme	-53.467	-92.550	-75.252	-86.185	-102.766
Fire Service Pension Scheme	-867.290	-1,289.820	-1,164.150	-1,256.620	-1,456.470
Fair Value of Assets in Local Government Pension Scheme	40.857	56.680	61.877	63.330	73.415
	<b>-879.900</b>	<b>-1,325.690</b>	<b>-1,177.525</b>	<b>-1,279.475</b>	<b>-1,485.821</b>
<b>Surplus/Deficit(-) in the Scheme:</b>					
Local Government Pension Scheme	-12.610	-35.870	-13.375	-22.855	-29.351
Fire Service Pension Scheme	-867.290	-1,289.820	-1,164.150	-1,256.620	-1,456.470
<b>Total</b>	<b>-879.900</b>	<b>-1,325.690</b>	<b>-1,177.525</b>	<b>-1,279.475</b>	<b>-1,485.821</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £1,485.8m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £1,407.9m. 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 2014 are £1.999m.

## 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	
	2011/12	2012/13
Equity Investments (Equities)	6.3%	4.5%
Bonds	3.9%	4.5%
Property	4.4%	4.5%
Cash	3.5%	4.5%

Mortality Assumptions: Longevity at 65	Local Government Pension Scheme		Fire Service Pension Scheme	
	2011/12 Years	2012/13 Years	2011/12 Years	2012/13 Years
<b>Current Pensioners:</b>				
Male	20.1	20.1	24.3	23.5
Female	22.9	22.9	26.3	25.4
<b>Future Pensioners:</b>				
Male	22.5	22.5	26.5	26.7
Female	25.0	25.0	28.3	28.4

	Local Government Pension Scheme		Fire Service Pension Scheme	
	2011/12	2012/13	2011/12	2012/13
Rate of Inflation (Price Increases)	2.5%	2.8%	2.5%	2.5%
Rate of Increase in Salaries (Salary Increases)	4.3%	4.6%	4.7%	4.7%
Rate of Increase in Pensions (Pension Increases)	2.5%	2.8%	2.3%	1.7%
Rate of Discounting Scheme Liabilities (Discount Rate)	4.8%	4.5%	4.9%	4.3%
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:

	2011/12 %	2012/13 %
Equity Investments	70	72
Bonds	18	17
Property	5	5
Cash	7	6

### History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the pension reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31 March 2013:

#### Local Government Pension Scheme

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	28.3	-21.6	0.2	5.0	-7.7
Differences between actuarial assumptions about liabilities and actual experiences	0.0	0.0	-4.5	1.0	-0.1

#### Fire Service Pension Scheme

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between actuarial assumptions about liabilities and actual experiences	-0.3	-3.1	-3.2	-1.1	-1.0

### 38. Contingent liabilities

#### Municipal Mutual Insurance Limited (MMI)

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

### 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.

2011/12 £'m		2012/13 £'m
0.078	Recruitment Advertising	0.060
0.480	Other Publicity	0.602
<b>0.558</b>	<b>Total</b>	<b>0.662</b>

### 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.

## PENSION FUND ACCOUNT

2011/12 £'m		2012/13 £'m	2012/13 £'m
	<b>Contributions Receivable</b>		
	From Employer:		
-10.173	Contributions in relation to pensionable pay	-9.631	
-5.530	From Employee	-5.551	
-0.434	Ill Health Retirements	-0.397	
<b>-16.137</b>			<b>-15.579</b>
<b>-0.022</b>	<b>Transfers In from other Authorities</b>		<b>-0.401</b>
	<b>Benefits Payable</b>		
31.362	Pensions	33.856	
12.852	Commutations and lump sum retirement benefits	7.714	
<b>44.214</b>			<b>41.570</b>
	<b>Payments to and on account of leavers</b>		
<b>0.551</b>	Individual Transfers out to other schemes		<b>1.003</b>
<b>28.606</b>	<b>Sub Total: Net Amount Payable/Receivable for the year before top-op grant receivable/payable to CLG</b>		<b>26.593</b>
<b>-28.606</b>	<b>Top-up grant receivable</b>		<b>-26.593</b>
<b>0.000</b>	<b>Net amount payable/receivable for the year</b>		<b>0.000</b>

## NET ASSETS STATEMENT

2011/12 £'m		2012/13 £'m
10.811	Pension Top-Up Grant receivable from CLG	4.713
-0.195	Creditor	-0.154
<b>-10.616</b>	Amount due to/from General Fund	<b>-4.559</b>
<b>0.000</b>		<b>0.000</b>

## 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 37).

### Net Assets Statement

Included within this statement is the balance of £4.713m due from CLG for the 2012/13 Top-up Grant. There is also a creditor figure of £0.154m which relates £0.149m of Transfer Values and £0.005m of Pre 1974 payments to Lancashire Fire Authority, which were paid in 2013/14 but relate to 2012/13.

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

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

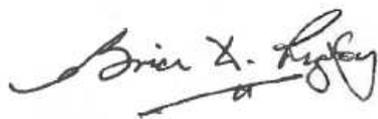
### The Authority's Responsibilities

The Authority is required:

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

I confirm that these accounts were approved by the Audit and Scrutiny Committee at the meeting held on 26 September 2013.

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



**Councillor Brian Rigby**  
**26 September 2013**

### 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 2013.

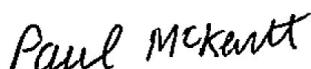
In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

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



**P McKevitt BA (Hons), ACMA & CGMA**  
**Treasurer**  
**26 September 2013**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREATER MANCHESTER FIRE AND RESCUE AUTHORITY**

### **Opinion on the Authority financial statements**

We have audited the financial statements of Greater Manchester Fire and Rescue Authority for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Greater Manchester Fire and Rescue Authority as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

## **Opinion on other matters**

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

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

### **Respective responsibilities of the Authority and the auditor**

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

## **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are 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 2013.

### **Certificate**

We certify that we have completed the audit of the financial statements 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.

### **Mick Waite**

**Director for and on behalf of Grant Thornton UK LLP, Appointed Auditor**

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

**30 September 2013**

## SUSTAINABILITY ACCOUNTING AND REPORTING

In the UK, sustainable development is increasing in profile – the UK government strategy: Mainstreaming Sustainable Development highlights 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 2012; this can be found on the website.

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% by 2014.

### Environmental Management System (EMS)

The EMS is now fully implemented throughout the service. It is the main tool used to understand how all GMFRS activities impact the environment and to ensure full compliance with environmental legislation. This year external certification to ISO 14001 was achieved following an extensive external audit. Maintaining this standard means demonstrating that we are taking active steps to continually improve our environmental performance. Internal checking is a key part of the EMS with Environmental Champions carrying out routine inspections at their site.

### Direct Impacts

#### Financial Performance - Investment

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

To date capital budgets have been used to support the asset refurbishment programme on initiatives including, cavity wall insulation, solar thermal water, high efficiency boilers, efficient lighting with occupancy sensors and percussive taps. Projects are prioritised based on projected energy, carbon and cost saving to ensure value for money and paybacks within a 10 year timeframe.

Further investment has been in vehicle fleet improvement initiatives including improved engine management, lightweight recyclable polymer bodywork, and specifying Euro 5 standard vehicles ahead of legislation. Most recently Light Foot systems have been installed in delivery vans, which give instant feedback to drivers when they are not driving in the most economical way. Capital investment projects undertaken over 2012/13:

Project	Location	Cost £'m	Payback
Solar Photovoltaic panels generating electricity	Training Centre, Headquarters, Leigh Training Centre	0.170	6 years
Voltage Optimisation	Training Centre	0.024	3 years
Recycling Hubs	All sites	0.020	Legal Compliance
Drainage Improvements	Cheadle, Bolton North, Stalybridge, Leigh	0.015	Legal Compliance
Bunded Foam Store – spill prevention	Leigh Technical Centre	0.013	Legal Compliance
Boiler valve insulation	Headquarters, Agecroft, Eccles, Salford, Broughton	0.005	3 years
Sub-metering of electricity	Manchester Central, Leigh	0.003	10 years
LED lighting	Training Centre	0.003	6 years
Aerosol crusher, creating income from waste	Leigh Technical Centre	0.001	2 years

There has been a rephrasing of £0.130m in the Capital Programme to the 2013/14 programme for further Solar PV installations.

### Sustainability Capital Investment Summary – Expenditure 2012/13

	2010/11 Actual £'m	2011/12 Actual £'m	2012/13 Actual £'m
Water Consumption	0.016	-	-
Energy Consumption	0.203	0.047	0.189
Energy Management	-	-	0.034
<b>TOTAL</b>	<b>0.219</b>	<b>0.047</b>	<b>0.223</b>

### Energy Data Management

The installation of Automatic Meter Readers has allowed much greater focus on utilities. Detailed analysis of energy and water data carried out internally has identified billing errors resulting in £0.032m being reclaimed this year. The Utility Monitoring System is being used to identify energy saving opportunities and to evaluate the performance of previous investments.

### Financial & Non-Financial Performance Summary

	Measure	2009/10	2010/11	2011/12	2012/13	% Change year on year
<b>Electricity</b>	kWh	6,465,153	5,878,301	5,172,459	4,809,755	↓7%
	£	£706,031	£568,458	£480,480	£524,779	
<b>Gas</b>	kWh	15,499,087	16,286,969	13,557,390	14,388,360	↑6%
	£	£450,044	£385,571	£407,641	£517,955	
<b>Diesel</b>	Litres	777,005	727,176	668,917	647,565	↓3%
	£	£730,024	£765,930	£802,817	£801,042	
<b>Water</b>	m3	57,013	60,348	61,747	65,790	↑7%
	£	£278,314	£251,202	£248,089	£298,540	
<b>Waste</b>	% Recycled*	55	71	84	86	↑2%
	£	£46,068	£60,695	£82,627	£90,617	
<b>Paper</b>	Reams	8,600	6,490	5,930	5,614	↓5%
	£	£18,872.70	£15,653.10	£16,477.40	£15,157.80	

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

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

## Electricity

The significant drop in electricity consumption can be partially accounted for by some distinct projects (with % of saving in brackets):

- a. Voltage Optimisation (17%) at Training Centre
- b. Bury Community Station & disposal of the 'Rock' (13%)
- c. Solar PV Systems (5%)

However, there has been a consistent reduction at all stations. This might be accounted for by increased activity from Environmental Champions as a result of the Environmental Management System and Green Hose Awards.

## Gas

A cold winter has increased consumption – in fact the extra cold can be measured as a 25% increase in the demand for heating. When gas consumption is weather adjusted it does show a reduction, which is what we'd expect to see from station refurbishments and replacing the old inefficient Bury Station.

## Diesel

There has been a significant and consistent reduction in diesel usage which reflects reduced incidents, investments in fuel efficient vehicles and technologies, fuel efficient policies, driver training and more efficient driving by our staff.

## Water

Despite investment to reduce consumption, it has actually increased over the past few years. Data management software and a dedicated resource to validate utility bills are now in place. As a result some overcharging has been identified – e.g. £10,760 has been recovered at Wythenshawe where charges had been made for training water (which by law should be free) for the last 6 years.

## Waste

This year the introduction of recycling bins across all sites has helped further increase the amount of our waste diverted from landfill. Most of the waste that cannot be recycled is processed into refuse derived fuel. Since the baseline year the recycling rate has improved by 31%, so that now 86% of all waste is recycled.

## Indirect Impacts

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 and improve efficiency across the service we:

- Support a network of over 150 Sustainability Champions who are directly engaged in reducing the environmental impact across our sites.
- Held the inaugural Green Hose Awards – a competition to find GMFRS's most environmentally sound fire station. 34 stations entered the 6 month awards process, with 7 achieving the Gold standard. Marple were crowned the overall winners for reducing the station energy consumption, involvement in community environmental projects, every fire fighter cycling to work and improving on-site biodiversity with beehives, bird and bat boxes and tree planting.

- Encourage a Green Ideas scheme for staff suggestions which has resulted in investment in initiatives such as kitchen gardens, rainwater harvesting and mini wind turbine feasibilities and bee hives at fire stations.
- Promote and run a popular cycle to work scheme, with more than 30% of employees now taking part – the highest uptake across fire services.
- Have launched the UK's first competition to find the most sustainable fire station – resulting in more than 1500 actions undertaken.

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

- Offer referrals to residents identified as facing fuel poverty through our 60,000 annual Home Safety Check (HSC) 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.
- Held 40 Dr. Bike cycle maintenance classes open to the community at fire stations and attended by 530 people.
- Include environmental sustainability as part of our Community Fire Cadets syllabus for young people.

Beyond the city region, we:

- Are partners in the North West Fire and Rescue Service Sustainability Network, promoting collaboration, sharing best practices and pooling resources. Through this network we have secured £0.250m in grant capital funding, which has supported collaborative sustainability projects across the North West.

## Recognition

The Authority is now recognised as a regional and national leader on sustainability; since launching our sustainability strategy we have received considerable external recognition and publicity for the effectiveness and extent of our work to cut both our costs and our environmental impact, including several awards:

EDIE Award for Environmental Excellence (1<sup>st</sup> Place – Best Public Sector Initiative)  
 Business in the Community Ways2Work Award (1<sup>st</sup> Place – National Example of Excellence)  
 North West Carbon Positive Award (1<sup>st</sup> Place – Regional Winner)  
 People and the Environment Awards (1<sup>st</sup> Place – Public Sector)  
 CLASP North West Climate Leaders Award (1<sup>st</sup> Place – Sustainable Behaviours)  
 Energy Saving Trust Fleet Hero Awards (2<sup>nd</sup> Place – Fleet Leadership)

## GLOSSARY

### A

#### **Accruals**

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

### B

#### **Budget**

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

### C

#### **Capital Adjustment Account**

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

#### **Capital Expenditure**

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

#### **Capital Financing Costs**

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

#### **Capital Financing Requirements**

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

#### **Capital Receipts**

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

#### **Commutation**

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

#### **Corporate and Democratic Core**

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

#### **Corporate Governance**

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

#### **Creditors**

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

## D

### **Debtors**

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

### **Defined Benefit Pension Scheme**

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

### **Depreciation**

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

## F

### **Fair Value**

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

### **Financial Instruments**

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

### **Funded Pension Scheme**

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

## I

### **International Financial Reporting Standards**

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

### **Impairment**

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

### **Intangible Assets**

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

## **M**

### **Minimum Revenue Provision (MRP)**

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

## **N**

### **Net Book Value**

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

### **Non Distributed Costs**

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

## **P**

### **Pension Account**

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

### **Precept**

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

### **Private Finance Initiative (PFI)**

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

### **Provision**

An amount set aside to provide for a liability, which is likely to be incurred, but the exact amount and the date on which it will arise is uncertain.

## **R**

### **Reserves**

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

### **Revaluation Reserve**

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

### **Revenue Expenditure**

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

## U

### **Unfunded Pension Scheme**

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

## V

### **Voluntary Revenue Provision (VRP)**

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

## TERMS OF REFERENCE

### REGULATORY BODIES, OTHER BODIES AND REGULATORY FRAMEWORK

#### A

##### **Audit Commission**

Independent body with the responsibility of appointing external auditors to local authorities.

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

#### C

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

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

<http://www.cipfa.org>

##### **Communities and Local Government (CLG)**

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

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

#### G

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

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

##### **Government Actuary's Department (GAD)**

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

#### I

##### **Integrated Risk Management Plan (IRMP)**

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

##### **International Financial Reporting Standards (IFRS) - Code of Practice on Local Government Accounting in the United Kingdom 2012/13:**

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

## L

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

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

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

## M

### **Medium Term Financial Strategy (MTFS)**

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

## P

### **Public Works Loan Board (PWLB)**

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

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

## R

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

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

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

## S

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

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

## **GOVERNMENT FUNDING**

### **N**

#### **National Non Domestic Rate (NNDR)**

NNDR poundage is set annually by the government, collected by local authorities and 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 Dimensions Grant**

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

### **R**

#### **Revenue Support Grant (RSG)**

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

## NOTES



**GREATER MANCHESTER**  
FIRE AND RESCUE AUTHORITY