Greater Manchester Fire and Rescue Authority

Statement of Accounts 2011/12 2010/11

GREATER MANCHESTER
FIRE AND RESCUE AUTHORITY

PREVENTING PROTECTING RESPONDING

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GREATER MANCHESTER FIRE AND RESCUE AUTHORITY

FINANCIAL STATEMENTS

2011/12

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INTRODUCTION TO THE STATEMENT OF ACCOUNTS

Councillor David Acton
Chairman of Greater Manchester Fire and Rescue Authority

As Chairman I have the responsibility to ensure that 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.

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

I welcome the opportunity to introduce the Statement of Accounts for the Authority. The 2011/12 financial year has been challenging due to the budget pressures placed upon the Authority as a result of the reduction in funding announced in the comprehensive spending review. The Authority has reacted quickly and it is pleasing to see that the planned efficiencies in 2011/12 have been achieved and together with prudent financial management has resulted in the improved position shown in the 2011/12 Statement of Accounts when compared to the Original Budget. This again emphasises that the Authority is operating efficiently and underpins its financial strategy which aims to achieve a balanced budget with no structural funding deficit. What this provides to the taxpayer and the Government is 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 to provide 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 may 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.

We remain passionate about our goal of making Greater Manchester a safer place by being a modern, community focused and influential Fire and Rescue Service.

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 2012. 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 2011/12 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 2011/12 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 2011/12 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 2012.

- The Cash Flow Statement which summarises the total movement of cash and cash equivalents during 2011/12.

- 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 2011/12 of £113.215m. The budget assumed a deficit of £2.482m which would be funded by a contribution from the accumulated balances. The table below provides details of the final position for 2011/12 and compares the actual income and expenditure with the revenue budget.

Comparison of actual income and expenditure with budget.

	Original Budget £'m	Approved Revised Budget £'m	Actual Income and Expenditure £'m	Variation To Approved £'m
Budget Requirement	113.215	114.110	108.677	-5.433
External Financing	-110.733	-111.628	-111.707	-0.079
Surplus(-)/Deficit for the year on normal operating activities	**2.482**	**2.482**	**-3.030**	**-5.512**

The surplus on normal operating activities for 2011/12 is £3.030m which is some £5.512m better than anticipated when compared to the Budget set in February 2011. However, a reserve of £5m was created to be earmarked and utilised to mitigate the impact of the future financial risks facing the Authority. This reserve was funded from the Authority's retained balances. Thus the overall position shows a deficit of £1.970m.

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

The Authority recognised at an early stage that it needed to be proactive in the delivery of savings and efficiencies to be able to continue to offer affordable precept rises in future years, for the benefit of the residents of Greater Manchester.

A rigorous in year budget monitoring process had identified that this proactive approach would deliver a significantly improved position.

- The most significant saving was on employees pay which is approximately £4.0m less than budgeted. This is as a direct result of informed decisions made such as the continuation of a recruitment freeze on fire-fighters, the non filling of vacant posts and the non replacement of retirees from the service. In addition reviews of the Administration and Prevention and Protection Directorate have resulted in substantial efficiencies.

- As a result of lower than anticipated price increases on utilities and investment by the Authority in energy efficient technology a saving of £0.3m has arisen.

- There is a general reduction in expenditure of £1.5m on running expenses which includes underspends on uniform replacement which will now only take place in 2012/13, communications and technology and operational equipment.

- An underspend of £0.25m on Partnership activities has occurred as a result of the challenge process introduced to ensure that approved schemes reflect the aims and add value to brigade activities.

- A review of catering facilities was undertaken during the year. One of the outcomes was to increase catering charges which together with additional income generated from external activities has increased income by £0.4m.

- 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 2012/13.

General Balances as at 1 April 2011 were £15.575m after the required budget support, the funding of the restructuring reserve and the impact of the 2011/12 outturn. Balances as at 31 March 2012 now stand at £13.605m.

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 tables show the main sources of income that the Authority received in 2011/12 and a high level breakdown of the money that it spent on providing the service.

Where the money came from:

	£'m	%
National Non Domestic Rates (Business Rate)	52.080	42
Precept Levied on the 10 Greater Manchester District Authorities	42.555	34
Government Grants	28.574	23
Rents, Charges, Interest Etc.	1.932	1
Total	**125.141**	**100**

What the money was spent on:

	£'m	%
Salaries and Wages	76.624	60
Pensions – Employer Contributions	12.593	10
Running Expenses	28.637	23
Capital Financing Charges.	9.257	7
Total	**127.111**	**100**

The Authority receives Revenue Support Grant and an allocation of pooled National Non Domestic Rates directly from Central Government. It levies a precept on the ten Greater Manchester District Authorities for the balance of its expenditure requirements. The precept levied for 2011/12 excluding the surplus on collection fund was £42.315m which equated to a Council Tax Band D Equivalent of £52.65.

4. Capital Expenditure and Financing

In 2011/12 the Authority spent £4.880m on capital projects (£4.900m in 2010/11).

Capital expenditure is analysed below

2010/11 £'m	Project	2011/12 £'m
1.382	Refurbishment, Adaptations and New Buildings	3.179
0.903	Operational, Communications and Computer Equipment	1.135
0.011	General Purpose Vehicles	0.195
2.604	Pumping and Special Appliances	0.371
4.900	**Total Capital Expenditure**	**4.880**

The most significant items of capital expenditure has been incurred on the new station build 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 2011/12 capital grants were also available to part fund the capital programme.

Central Government has in the past provided resources through the award of a supported capital expenditure (SCE) resource. This allows the authority to borrow and resources are funded by the government to meet the cost of the borrowing. This funding ceased in 2010/11. However a residual sum was carried forward into 2011/12 to help fund the capital programme. In addition, the authority as part of its budget strategy, also made a contribution from the revenue budget towards the cost of capital schemes.

These various sources of funding mean that the capital programme for 2011/12 was fully funded.

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 2012 was £6.700m. This is £2.3m less than the previous year as a loan reached maturity during 2011/12 and was not replaced.

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 £44.958m as at 31 March 2012.

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 £1,279.5m (£1,177.5m in 2010/11). This is split between the Local Government Pension Scheme of £22.9m and the Fire Service Scheme of £1,256.6m. The Fire Service liability includes both the Firefighters' Pension Scheme 1992 and the New Firefighters' Scheme 2006.

The position for 2011/12 has worsened when compared to 2010/11 due to a mixture of factors. The most significant changes are:-

- The financial assumptions at 31 March 2012 were less favourable than at 31 March 2011 in particular the discount rate which is applied to liabilities is lower than the previous year. A lower discount rate leads to a higher value being placed upon the liability.

- In relation to the LGPS scheme there was a lower than anticipated return on assets due to the continuing economic conditions.

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

Financial Reporting Standard FRS 30 Heritage Assets

From 2011/12 the adoption of FRS 30 'Heritage Assets' is required.

Heritage Assets are assets preserved in trust for future generations because of their cultural, environmental or historical associations. The standard applies to assets held and maintained by the Authority for the contribution of knowledge and culture.

An assessment of any potential assets held by the Authority has been undertaken. The Authority has previously recorded Museum assets on its balance sheet, which would have fallen within the Heritage assets classification. However these assets were transferred to a Museum Trust in 2010/11 who will act as custodians.

Fire Control

In 2010/11 the Government announced the closure of the Fire Control project. The project was designed to provide regional control facilities. However, since this announcement a collaborative solution which delivers the optimum service delivery to sustain and improve emergency call handling arrangements has been agreed. The Authority together with Cheshire, Cumbria and Lancashire Fire and Rescue Authorities have agreed to operate the regional control centre with support from the Department for Communities and Local Government. The plan is for the centre to be fully operational in 2014/15.

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 2011/12 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 2011/12 a top up grant of £28.6m is required to meet the shortfall.

7. Future Outlook

The current economic climate has had and will continue to have, an impact upon the Authority and its financial position. It has been indicated by the Government in announcements that public finances in the future will be tighter and the period of financial constraint will be with us for some time.

The scale of the financial challenges the Authority faces over the coming years are unprecedented and has required the Authority to radically rethink about the way in which the service will be delivered in the future. A corporate plan, which has been subject to a Greater Manchester wide consultation process has been created which sets outs the proposals to re-design the service for the benefit of the residents of Greater Manchester whilst ensuring that an effective fire and rescue service is provided.

The Authority, as part of its Budget setting process, has published a Medium Term Strategy for 2012/13 – 2015/16. 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. The Strategy helps to give greater stability and predictability to the Authority's finances by looking to the future to ensure strategic changes are implemented in a timely manner. The forecast includes a number of assumptions and risks which need careful consideration as to the potential impact upon the level of balances that the Authority holds, particularly the uncertainty surrounding the funding of the Authority from 2013/14 and beyond.

The Local Government Resource Review has indicated that the funding for the Authority will change from 2013/14 to a locally funded solution through Business Rates retention from each of the district Councils. In addition proposals have been made to localise the support for council tax. Grant cuts will be made to all local Authorities and potentially any risks can be shared with the preceptors ie Greater Manchester Fire and Rescue.

The Government has also announced changes to the capital support it provides to fire authorities by way of national capital grant. In future years each Authority will be required to submit bids to attract capital grant. This puts some significant uncertainty around the future of the Authority's capital programme. In the short term the programme can be funded from reserves.

However after assessing all 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 full statement of accounts is a statutory document and therefore must comply with detailed technical accounting requirements which may not be easily understood by the reader. Therefore a 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. Given the continual development of accounting standards and their complex nature, producing the accounts ready for certification by the end of June is a considerable achievement.

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

Paul McKevitt

Paul McKevitt BA (Hons), ACMA & CGMA
Treasurer to the Authority
20 June 2012

MOVEMENT IN RESERVES STATEMENT

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

	Note	General Fund Balance	Earmarked General Fund	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'m	£'m	£'m	£'m	£'m	£'m	£'m
Balance at 31 March 2010		**14.586**	**9.951**	**0.021**	**0.000**	**24.558**	**-1,307.137**	**-1,282.579**
Movement in reserves during 2010/11								
Surplus or deficit(-) on provision of services (accounting basis)		88.750	-	-	-	**88.750**	-	**88.750**
Other Comprehensive Income and Expenditure		-	-	-	-	**0.000**	70.227	**70.227**
Total Comprehensive Income and Expenditure	26	**88.750**	**0.000**	**0.000**	**0.000**	**88.750**	**70.227**	**158.977**
Adjustments between accounting basis and funding basis under regulations	7	-82.400	-	0.024	-	**-82.376**	82.376	**0.000**
Net Increase or Decrease before Transfers to Earmarked Reserves		**6.350**	**0.000**	**0.024**	**0.000**	**6.374**	**152.603**	**158.977**
Transfers to or from Earmarked Reserves		-5.360	5.360	-	-	**0.000**	-	**0.000**
Increase or Decrease in Year		**0.990**	**5.360**	**0.024**	**0.000**	**6.374**	**152.603**	**158.977**
Balance at 31 March 2011		**15.575**	**15.311**	**0.045**	**0.000**	**30.931**	**-1,154.534**	**-1,123.603**
Movement in reserves during 2011/12								
Surplus or deficit(-) on provision of services (accounting basis)	26	-33.095	-	-	-	**-33.095**	-	**-33.095**
Other Comprehensive Income and Expenditure		-	-	-	-	**0.000**	-51.726	**-51.726**
Total Comprehensive Income and Expenditure		**-33.095**	**0.000**	**0.000**	**0.000**	**-33.095**	**-51.726**	**-84.821**
Adjustments between accounting basis and funding basis under regulations	7	44.679	-	1.500	0.058	**46.237**	-46.237	**0.000**
Net Increase or Decrease before Transfers to Earmarked Reserves		**11.584**	**0.000**	**1.500**	**0.058**	**13.142**	**-97.963**	**-84.821**
Transfers to or from Earmarked Reserves		-13.554	13.554	-	-	**0.000**	-	**0.000**
Increase or Decrease in Year		**-1.970**	**13.554**	**1.500**	**0.058**	**13.142**	**-97.963**	**-84.821**
Balance at 31 March 2012	22 & 23	**13.605**	**28.865**	**1.545**	**0.058**	**44.073**	**-1,252.497**	**-1,208.424**

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.

2010/11 Gross Expenditure £'m	2010/11 Gross Income £'m	2010/11 Net Expenditure £'m		Notes	2011/12 Gross Expenditure £'m	2011/12 Gross Income £'m	2011/12 Net Expenditure £'m
14.693	1.157	13.536	Community Safety		13.870	1.166	12.704
97.789	7.602	90.187	Fire Fighting and Rescue Operations		79.814	5.580	74.234
0.425	0.110	0.315	Fire Service Emergency Planning		0.809	0.470	0.339
0.721	-	0.721	Corporate and Democratic Core		0.648	-	0.648
-143.150	-	-143.150	Non Distributed Cost		0.510	-	0.510
-29.522	**8.869**	**-38.391**	**Cost of Services**		**95.651**	**7.216**	**88.435**
0.126	0.034	0.092	Other Operating Income(-) and Expenditure	8	0.028	0.030	-0.002
74.481	4.007	70.474	Financing and Investment Income and Expenditure	9	70.954	4.250	66.704
-	120.925	-120.925	Taxation and Non-Specific Grant Income	10	-	122.042	-122.042
45.085	**133.835**	**-88.750**	**Surplus(-) or Deficit on Provision of Services**		**166.633**	**133.538**	**33.095**
		-2.616	Surplus(-) or deficit on revaluation of non-current assets				-2.393
		-67.611	Actuarial gains/losses(-) on pension assets/liabilities	38			54.119
		-70.227	**Other Comprehensive Income(-) and Expenditure**				**51.726**
		-158.977	**Total Comprehensive Income(-) and Expenditure**				**84.821**

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 2012.

Paul McKevitt

P McKevitt BA (Hons), ACMA & CGMA
Treasurer to the Authority
20 June 2012

BALANCE SHEET AT 31 MARCH 2012

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 2011 £'m		Note	At 31 March 2012 £'m
	Property, Plant & Equipment		
53.213	Other Land and Buildings	11	55.659
12.043	Vehicles, Plant & Equipment	11	13.907
3.185	Assets under Construction	11	1.450
0.025	Investment Property	14	0.025
-	Heritage Assets		-
1.387	Intangible Assets	15	1.088
0.002	Long Term Debtors		-
69.855	**Long Term Assets**		**72.129**
0.681	Cash and Cash Equivalents	19	6.831
0.708	Inventories and Work in Progress	17	0.761
4.479	Short Term Debtors	18	4.202
5.713	Amount due from Pension Fund		10.616
11.581	**Current Assets**		**22.410**
2.711	Short Term Borrowing	16	2.440
7.064	Short Term Creditors	20	7.877
1.803	Short Term Provisions	21	0.408
11.578	**Current Liabilities**		**10.725**
1.026	Long Term Provisions	21	0.395
12.335	Long Term Borrowing	16	9.892
1,177.525	Long Term Liability - Pension Scheme	38	1,279.475
2.575	Long Term Liability - PFI Scheme	37	2.476
1,193.461	**Long Term Liabilities**		**1,292.238**
-1,123.603	**Net Liability**		**-1,208.424**
30.931	Usable Reserves	22	44.073
-1,154.534	Unusable Reserves	23	-1,252.497
-1,123.603	**Total Reserves**		**-1,208.424**

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 2012.

Paul McKevitt

P McKevitt BA (Hons), ACMA & CGMA
Treasurer to the Authority
20 June 2012

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.

2010/11 £'m		Notes	2011/12 £'m
-88.750	Net surplus(-) or deficit on the provision of services		33.095
76.826	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	-46.640
3.189	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25	4.439
1.084	Interest Paid		0.855
0.302	Interest element of finance lease and PFI rental payments		0.292
-0.037	Interest received		-0.091
-1.349	Reversal of operating activity items included in the net surplus or deficit on the provision of service		-1.057
-8.735	**Net Cash Flows from Operating Activities**		**-9.107**
	Investing Activities		
6.393	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets		4.592
-	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets		-0.058
-3.190	Capital Grants received		-4.381
3.203	**Net Cash Flows from Investing Activities**		**0.153**
	Financing Activities		
0.080	Cash Payments for the Reduction of the Outstanding Liability Relating to Finance Leases and On-Balance Sheet PFI Contracts		0.089
1.852	Repayments of Short-Term and Long-Term Borrowing		2.715
1.932	**Net Cash Flows from Financing Activities**		**2.804**
-3.600	**Net Decrease/Increase(-) in Cash**		**-6.150**
2.919	**Cash and Cash Equivalents at the beginning of the reporting period**		**-0.681**
-0.681	**Cash and Cash Equivalents at the end of the reporting period**		**-6.831**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. 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 2011/12 and the Service Reporting Code of Practice 2011/12, 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 2011/12. 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 2011/12 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 4.8% (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 deminimis level of £6,000 is in place for the capitalisation of expenditure. Repairs expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

Disposals

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

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

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

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

Depreciation

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

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

Depreciation is calculated on the following bases:

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

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

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

Componentisation Policy

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

i. Enhancement Expenditure

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

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

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

ii. Derecognition

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

iii. Valuations

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

Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Investment Properties are not subject to depreciation. The Code of Practice on Local Authority Accounting requires properties to be revalued annually according to market conditions at the year-end. However given the low value of the investment property (£0.025m) held by GMFRA, this property will be revalued in line with the Authority's 5 year rolling programme for land and buildings. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

Private Finance Initiative (PFI)

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

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

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.
The amounts payable to the PFI operators each year are analysed into four elements:

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

VAT

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

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

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010) by the Code will result in a change in accounting policy in 2012/13. This is not expected to have a material impact on the financial statements of the Authority.

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 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. In response to the potential funding position facing the Authority a Greater Manchester wide consultation on the future of the service has taken place. It is anticipated at this stage that the asset base will not be significantly affected.

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 2.5%. An increase in excess of pensions of 0.5% would change the liability by 7.5% and an increase in pensioner longevity of 2 years would result in a 4% increase in the total liability. However, the assumptions interact in complex ways and changes to other estimates and actuarial assumptions may produce a different impact upon the total liability.

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 2011/12 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 2011/12 a credit of £17m has been recorded in the Firefighters and Rescue Operations line (£6.5m in 2010/11).

In the June 2010 Emergency Budget it was announced that Public Sector pension increases would in future be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). As the CPI is currently lower than RPI there will be a reduction in the overall pension liability. Consequently a reduction of £143.150m is included in the Comprehensive Income and Expenditure Statement in 2010/11. In 2011/12 there have been no significant events and the figure shown on the Non-Distributed Costs line is £0.510m.

6. Events after the Reporting Period

Authorised for Issue Date

The Statement of Accounts was authorised for issue by the Treasurer on 27 September 2012. 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 2012, 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.

2011/12	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance £'m	Capital Grants Unapplied £'m	Capital Receipts Reserve £'m	£'m
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	4.193	-	-	-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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	-3.052	-	-	3.052
Capital expenditure charged against the General Fund	-0.634	-	-	0.634
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-1.500	1.500	-	0.000
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-0.058	-	0.058	0.000
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	96.105	-	-	-96.105
Employer's pensions contributions and direct payments to pensioners payable in the year	-48.273	-	-	48.273
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Precept credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated for the year in accordance with statutory requirements	0.122	-	-	-0.122
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-0.146	-	-	0.146
Total Adjustments	**44.679**	**1.500**	**0.058**	**-46.237**

2010/11 Comparative Figures	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Grants Unapplied	Capital Receipts Reserve	
	£'m	£'m	£'m	£'m
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	4.284	-	-	-4.284
Amortisation of Intangible Assets	0.526	-	-	-0.526
Capital grants and contributions applied	-1.685	-	-	1.685
Income in relation to donated assets	-1.505	-	-	1.505
Revenue Expenditure Funded from Capital under Statute	0.126	-	-	-0.126
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	0.126	-	-	-0.126
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	-2.819	-	-	2.819
Capital expenditure charged against the General Fund	-0.055	-	-	0.055
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-0.024	0.024	-	0.000
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	0.000
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-39.326	-	-	39.326
Employer's pensions contributions and direct payments to pensioners payable in the year	-41.228	-	-	41.228
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which Precept credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated for the year in accordance with statutory requirements	-0.132	-	-	0.132
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-0.688	-	-	0.688
Total Adjustments	**-82.400**	**0.024**	**0.000**	**82.376**

8. Other Operating Income and Expenditure

2010/11 £'m		Expenditure £'m	Income £'m	Total 2011/12 £'m
0.126	Loss on Disposal of Non-Current Assets	0.028	-	0.028
-0.034	Operating Rental Income	-	0.030	-0.030
0.092	**Total**	**0.028**	**0.030**	**-0.002**

9. Financing and Investment Income and Expenditure

2010/11 £'m		2011/12 £'m
1.084	Interest Payable and similar charges	0.954
0.022	Surplus(-)/Deficit on trading undertakings not included under Continuing Operations	-0.072
73.375	Pension Interest Costs	70.000
-0.069	Interest receivable and similar income	-0.072
-0.003	Investment Property Rental	-0.005
-3.935	Expected Return on Pension Assets	-4.101
70.474	**Total**	**66.704**

Interest receivable and similar income represents the amount of interest earned on the Authority's revenue balances for 2011/12.

10. Taxation and non specific grant incomes

2010/11 £'m		2011/12 £'m
42.342	Precept Income	42.432
65.782	Non Domestic Rates	52.080
9.552	Revenue Support Grant	16.098
3.249	Capital Grants and contributions	4.468
-	Council Tax Freeze Grant	1.058
-	Regional Control Centre Grant	5.906
120.925	**Total**	**122.042**

The precept received from the ten district authorities of Greater Manchester includes £42.315m for precepts levied for 2011/12 and adjustments of £0.240m in respect of previous years. An amount of £0.123m 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 2011/12	Land & Buildings £'m	Vehicles, Plant, Furniture & Equipment £'m	Assets under Construction £'m	Total £'m	PFI Assets included in Property, Plant & Equipment £'m
Cost or Valuation					
At 1 April 2011	**53.239**	**24.804**	**3.185**	**81.228**	**2.363**
Additions	1.910	0.838	1.627	**4.375**	-
Donations	-	0.087	-	**0.087**	-
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	2.334	-	-	**2.334**	-
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services	0.378	-	-	**0.378**	-
Derecognition - disposals	-	-1.102	-	**-1.102**	-
Other movements in cost or valuation	-	3.362	-3.362	**0.000**	-
At 31 March 2012	**57.861**	**27.989**	**1.450**	**87.300**	**2.363**
Accumulated Depreciation and Impairment					
At 1 April 2011	**-0.026**	**-12.761**	**0.000**	**-12.787**	**-0.145**
Depreciation Charge	-2.290	-2.336	-	**-4.626**	-0.048
Depreciation written out to the Revaluation Reserve	0.059	-	-	**0.059**	-
Depreciation written out to the Surplus/Deficit(-) on the Provision of Services	0.055	-	-	**0.055**	-
Derecognition - disposals	-	1.015	-	**1.015**	-
At 31 March 2012	**-2.202**	**-14.082**	**0.000**	**-16.284**	**-0.193**
Net Book Value					
At 31 March 2012	**55.659**	**13.907**	**1.450**	**71.016**	**2.170**
At 1 April 2011	**53.213**	**12.043**	**3.185**	**68.441**	**2.218**

Donated Assets

During 2011/12 the Authority took over ownership of Mobile Data Display terminals donated by the Department of Communities and Local Government. These assets have been brought onto the balance sheet with effect from May 2011 with an opening value of £0.087m (£1.505m in 2010/11).

Movements in 2010/11	Land & Buildings £'m	Vehicles, Plant, Furniture & Equipment £'m	Assets under Construction	Total £'m	PFI Assets included in Property, Plant & Equipment £'m
Cost or Valuation					
At 1 April 2010	**52.434**	**23.075**	**1.252**	**76.761**	**2.387**
Additions	1.109	0.959	2.464	**4.532**	0.009
Donations	-	1.505	-	**1.505**	-
Revaluation increases/decreases(-) recognised in the Revaluation Reserve	1.292	-	-	**1.292**	-
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services	-1.596	-	-	**-1.596**	-0.033
Derecognition - disposals	-	-1.266	-	**-1.266**	-
Other movements in cost or valuation	-	0.531	-0.531	**-**	-
At 31 March 2011	**53.239**	**24.804**	**3.185**	**81.228**	**2.363**
Accumulated Depreciation and Impairment					
At 1 April 2010	**-0.832**	**-11.836**	**-**	**-12.668**	**-0.162**
Depreciation Charge	-1.741	-2.169	**-**	**-3.910**	-0.047
Depreciation written out to the Revaluation Reserve	1.325	-	**-**	**1.325**	-
Depreciation written out to the Surplus/Deficit(-) on the Provision of Services	1.222	-	**-**	**1.222**	0.064
Derecognition - disposals	-	1.244	**-**	**1.244**	-
At 31 March 2011	**-0.026**	**-12.761**	**0.000**	**-12.787**	**-0.145**
Net Book Value					
At 31 March 2011	**53.213**	**12.043**	**3.185**	**68.441**	**2.218**
At 1 April 2010	**51.602**	**11.239**	**1.252**	**64.197**	**2.225**

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 2012, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £0.920m which are shown below. Commitments at 31 March 2011 were £5.048m.

- General Vehicles - £0.102m
- Premises (Leigh Incident Command Training - £0.065m
- Premises (Bury Station Build) - £0.634m
- ICT - £0.119m

There are further capital commitments relating to Intangible Assets in note 15.

Effects of changes in estimates

As required under IFRS valuations carried out in 2011/12 took into account componentisation of Assets. The properties valued by the Valuer in 2011/12 were split into components of Structure, Services and Yards all of which have different remaining lives. The componentised depreciation charge in 2011/12 on the seven stations subject to revaluation increased from £0.150m to £0.410m (based on the new valuation). The impact of this change will carry forward into 2012/13 and future years. The Authority operates a five year rolling programme for the valuation of properties, and approximately 40% of properties have been valued based on the componentisation split over the past two years. Remaining properties will be valued on this basis over the next three 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 2011/12 (as at 1 April 2011) 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 2011/12 were carried out by Michael A. Kings FRICS and Chris Morton BA(Hons) of GVA Grimley.

	Land and Buildings £'m
Carried at historic cost	66.373
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
Total Cost or Valuation	**57.861**

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. Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Authority:

	Museum Assets £'m
Cost or Valuation	
1 April 2010	**0.104**
Additions	-
Disposals	-0.104
Revaluations	-
Impairment losses/reversals recognised in the Revaluation Reserve	-
Impairment losses/reversals recognised in Surplus or Deficit on the Provision of Services	-
Depreciation	-
31 March 2011	**0.000**
Cost or Valuation	
1 April 2011	**0.000**
Additions	-
Disposals	-
Revaluations	-
Impairment losses/reversals recognised in the Revaluation Reserve	-
Impairment losses/reversals recognised in Surplus or Deficit on the Provision of Services	-
Depreciation	-
31 March 2012	**0.000**

Museum Assets

Heritage Assets are assets preserved in trust for future generations because of their cultural, environmental or historical associations. The standard applies to assets held and maintained by the Authority for the contribution of knowledge and culture.

The Authority previously recorded Museum Assets on its balance sheet, which would have fallen with the Heritage Assets clarification. However, these assets totalling £0.104m were transferred to a Museum Trust in 2010/11, who will act as custodians.

14. Investment properties

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

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:

	2010/11 £'m	2011/12 £'m
Rental income from investment property	0.003	0.005
Total Income	**0.003**	**0.005**

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

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

	2010/11 £'m	2011/12 £'m
Balance at start of the year	0.025	0.025
Additions	-	-
Disposals	-	-
Balance at end of the year	**0.025**	**0.025**

15. Intangible assets

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.531m charged to revenue in 2011/12 was charged to the appropriate service heading.

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

	2010/11 Other Assets £'m	2011/12 Other Assets £'m
Balance at start of year:		
Gross carrying amounts	7.632	7.874
Accumulated amortisation	-5.961	-6.487
Net carrying amount at start of year	**1.671**	**1.387**
Additions:		
Purchases	0.242	0.232
Amortisation for the period	-0.526	-0.531
Net carrying amount at end of year	**1.387**	**1.088**
Comprising:		
Gross carrying amounts	7.874	8.106
Accumulated amortisation	-6.487	-7.018
	1.387	**1.088**

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

	Carrying Amount 31/03/11 £'m	Carrying Amount 31/03/12 £'m	Remaining Amortisation Period Years
Command and Control System	0.789	0.546	2.25
HR/Payroll System	0.300	0.267	3.00

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 2011/12 the authority entered into contracts which have a commitment in 2012/13. These commitments are for a replacement GIS system (£0.020m), and a replacement Fire Safety software system (£0.050m). Total commitments in 2010/11 totalled £0.051m.

16. Financial instruments

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

	Long-term		Current	
	31 March 2011 £'m	31 March 2012 £'m	31 March 2011 £'m	31 March 2012 £'m
Investments				
Loans and receivables	-	-	0.681	6.831
Total Investments	**0.000**	**0.000**	**0.681**	**6.831**
Debtors				
Financial assets carried at contract amounts	-	-	4.479	4.202
Less items not classed as Financial Instruments*	-	-	-3.644	-3.284
Total Debtors	**0.000**	**0.000**	**0.835**	**0.918**
Borrowings				
Financial liabilities at amortised cost	12.335	9.892	2.711	2.439
Total Borrowings	**12.335**	**9.892**	**2.711**	**2.439**
Other Long Term Liabilities				
PFI and finance lease liabilities	2.575	2.476	-	-
Total other long term liabilities	**2.575**	**2.476**	**0.000**	**0.000**
Creditors**				
Financial liabilities carried at contract amount	-	-	7.064	7.877
Less items not classed as Financial Instruments	-	-	-4.758	-4.757
Total Creditors	**0.000**	**0.000**	**2.306**	**3.120**

* 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

	2010/11		2011/12	
	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	1.084	-	0.954	-
Total expense in Surplus or Deficit on the Provision of Services	**1.084**	**0.000**	**0.954**	**0.000**
Interest Income	-	-0.069	-	-0.072
Total Income in Surplus or Deficit on the Provision of Services	**0.000**	**-0.069**	**0.000**	**-0.072**
Net gain/loss for the year	**1.084**	**-0.069**	**0.954**	**-0.072**

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 2012 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 2011		31 March 2012	
	Carrying Amount £'m	Fair Value £'m	Carrying Amount £'m	Fair Value £'m
PWLB Borrowing	9.075	9.990	6.737	7.612

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 2011/12 as £7.832m (£10.358m in 2010/11).

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 2011		31 March 2012	
	Carrying Amount £'m	Fair Value £'m	Carrying Amount £'m	Fair Value £'m
Loans and Receivables	3.033	3.033	6.723	6.723

Short Term Borrowing

During the year the Authority took out a number of temporary loans. At 31 March 2012 no loans were outstanding (nil in 2010/11).

There is £0.440m which is the part of the outstanding debt transferred from the former Greater Manchester County (GMC) on its abolition in 1986, that is repayable within 12 months of the Balance Sheet date. Tameside Metropolitan Borough Council administers this debt. The balance of the debt is shown in the Balance Sheet as long-term borrowing.

There is an amount of £2.000m relating to a PWLB loan that will mature in September 2012, this is therefore classed as short-term borrowing.

Long-Term Borrowing

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

Source	Maturity in Years				Total
	1 to 2	2 to 5	5 to 10	Over 10	
	£'m	£'m	£'m	£'m	£'m
Public Works Loan Board (PWLB)	-	4.000	-	0.700	4.700
Debt Transferred from former GMC	0.463	1.545	3.184	-	5.192
Total	**0.463**	**5.545**	**3.184**	**0.700**	**9.892**

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 2012/13. It is included under current liabilities as a creditor within the Balance Sheet.

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

Nature and extent of risks arising from financial instruments

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

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

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

The maturity structure of borrowing

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

Maturity structure of projected borrowing

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

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

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

The total principal sums invested for periods longer than 364 days

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

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

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

Credit Risk

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

The risk is minimised through the Treasury Policy Statement, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Statement also imposes a maximum sum to be invested with different financial institutions. The credit criteria in respect of financial assets held by the Authority are as detailed below:

Financial Asset	Maximum Investment £'m
Deposits with Banks	10.000
Deposits with Building Societies	2.000
Deposits with Local Authorities	5.000

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

Debtor Profile	2011/12 £'m
Less than three months	0.371
Three to six months	0.013
Six months to one year	0.048
More than one year	0.040

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:

	2011/12 £'m
Less than 1 year	2.440
1 – 2 years	0.463
2 – 5 years	5.545
More than 5 years	3.884

Market Risk

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

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

Foreign Exchange Risk

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

17. Inventories

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

Consumable Stores	2010/11 £'m	2011/12 £'m
Balance outstanding at start of year	**0.814**	**0.708**
Purchases	1.552	1.437
Recognised as an expense in the year	-1.648	-1.383
Written off balances	-0.010	-0.001
Balance outstanding at year-end	**0.708**	**0.761**

18. Debtors

31 March 2011 £'m		31 March 2012 £'m
	Central Government Bodies:	
0.230	Her Majesty's Revenue & Customs - VAT	0.220
0.230		**0.220**
	Other Local Authorities	
2.762	Council Tax	2.724
0.106	Various Fire Authorities	0.107
0.021	Various Councils	-
2.889		**2.831**
	NHS Bodies	
0.010	North West Ambulance Service	-
0.010		**0.000**
	Public Corporations	
0.035	Transport for Greater Manchester	-
0.035		**0.000**
	Other entities and individuals:	
0.296	Sundry Debtors	0.467
0.119	PFI	0.122
0.066	2e2 UK Ltd	0.093
0.064	NW Fire Control	0.083
0.102	Princes Trust	0.080
-	Utilities	0.047
0.099	Cycle Scheme	0.004
0.177	Insurance Premium	-
0.392	Other Miscellaneous Debtors	0.255
1.315		**1.151**
4.479	**Total Debtors**	**4.202**

19. Cash and Cash Equivalents

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

31 March 2011 £'m		31 March 2012 £'m
0.068	Cash held by the Authority	0.068
-2.420	Bank current accounts	0.040
3.033	Short-term deposits with building societies	6.723
0.681	**Total Cash and Cash Equivalents**	**6.831**

20. Creditors

31 March 2011 £'m		31 March 2012 £'m
	Central Government Bodies	
1.720	Her Majesty's Revenue & Customs	1.835
0.077	Public Works Loans Board	0.177
0.080	CLG- Fire Link	-
1.877		**2.012**
	Other local authorities	
2.416	Council Tax	2.500
0.036	Various Councils	0.171
0.101	Various Fire Authorities	0.044
2.553		**2.715**
	Public Corporations	
0.032	Audit Commission	0.020
0.032		**0.020**
	Other entities and individuals	
0.413	Capital Creditors	0.700
0.562	Accumulated Absences	0.416
0.142	Overtime	0.188
0.088	Construction Industry Payments	0.179
0.097	Utilities	0.161
-	NW Fire Control	0.112
0.522	Sundry Creditors	0.108
-	PFF Stretford Limited	0.104
0.089	PFI	0.099
0.056	Car Allowances	0.049
0.086	Stock Accruals	0.047
0.547	Other Creditors	0.967
2.602		**3.130**
7.064	**Total Creditors**	**7.877**

21. Provisions

Current Liability

	Insurance Provision £'m	Restructuring Provision £'m	Total Provisions £'m
Balance at 1 April 2011	0.303	1.500	**1.803**
Contributions 2011/12	1.289	-	**1.289**
Amounts used in 2011/12	-0.880	-1.442	**-2.322**
Write down to Reserve	-0.362	-	**-0.362**
Balance at 31 March 2012	**0.350**	**0.058**	**0.408**

Long Term Liability

	Insurance Provision £'m	Restructuring Provision £'m	Total Provisions £'m
Balance at 1 April 2011	1.026	0.000	**1.026**
Contributions 2011/12	-	-	**-**
Amounts used in 2011/12	-	-	**-**
Write down to Reserve	-0.631	-	**-0.631**
Balance at 31 March 2012	**0.395**	**0.000**	**0.395**

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

a) Insurance

In recent years, the Authority has carried excess clauses within its legal liability and vehicle insurance policies. Since claims may not be settled for some time after they arise, an Insurance Provision was established to meet the cost of such claims. An annual revenue contribution is made to the provision and claims settlements are charged to the provision. In compliance with IAS37 the provision has been increased to the amount required to meet all known liabilities assessed on an actuarial basis. The surplus or any deficit above or below the sum required to meet the scheme liabilities of £0.993m has been transferred to the Insurance Reserve.

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

The total compensation claims have been split between short (£0.350m) and long term (£0.395m) provisions.

b) Restructuring Provision

In 2010-11 the Authority made a provision for the settlement of termination benefits as a result of a voluntary redundancy scheme being offered to employees. £1.442m of the provision was utilised in 2011-12 to meet the associated costs of redundancy. It is not certain of the exact numbers and cost of further redundancies that will be incurred by the authority in the coming year so the remaining balance of £0.058m has been retained as a short term provision.

22. Usable Reserves

2010/11 £'m		2011/12 £'m
15.311	Earmarked Reserves	28.865
15.575	General Fund Balances	13.605
-	Capital Receipts	0.058
0.045	Capital Grants Unapplied Reserve	1.545
30.931	**Total Usable Reserves**	**44.073**

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 2010 £'m	Transfers Out 2010/11 £'m	Transfers in 2010/11 £'m	Balance at 31 March 2011 £'m	Transfers Out 2011/12 £'m	Transfers in 2011/12 £'m	Balance at 31 March 2012 £'m
Capital Reserve	4.927	-	2.685	7.612	0.277	1.000	8.335
Restructuring Reserve	-	-	-	-	-	5.000	5.000
Insurance Reserve	3.211	0.055	0.884	4.040	0.031	0.993	5.002
Innovation & Partnership/CYP Reserve	1.078	0.095	0.260	1.243	0.010	0.227	1.460
Unspent Grant Reserve	0.735	0.316	0.080	0.499	0.499	6.581	6.581
Earmarked Budgets Reserve	-	-	1.294	1.294	0.459	1.044	1.879
Projects Reserve	-	-	0.623	0.623	0.045	0.030	0.608
Total	**9.951**	**0.466**	**5.826**	**15.311**	**1.321**	**14.875**	**28.865**

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

a) Capital Reserve

The Capital Reserve is built up from revenue contributions for the purpose of funding deficiencies in the resources available to finance the Authority's capital programme. In 2011/12 expenditure of £0.277m was financed from the Capital Reserve as the level of capital spending exceeded grant funding. A contribution of £1.000m was made in line with the 2011/12 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 2011/12 further contributions of £0.227m 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. The large increase in 2011/12 is due to the receipt of a grant paid to the Authority under the new Fire Control arrangements. This money will be rolled forward into future years to meet the costs of the fire control project.

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 2012/13.

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.

h) General Fund Balances

Available balances at 31 March 2012 were £13.605m (£15.575m at 31 March 2011).

i) Capital Grants Unapplied Reserve

This reserve represents the amount of unused capital grant as at 31 March 2012. 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 2011/12 that have not been applied to fund capital expenditure. These funds will be used to fund capital expenditure in future years.

23. Unusable Reserves

2010/11 £'m		2011/12 £'m
7.885	Revaluation Reserve	10.017
15.322	Capital Adjustment Account	17.153
-1,177.525	Pensions Reserve	-1,279.475
0.346	Collection Fund Adjustment Account	0.224
-0.562	Accumulated Absences Account	-0.416
-1,154.534	**Total Unusable Reserves**	**-1,252.497**

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.

2010/11 £'m		2011/12 £'m	2011/12 £'m
5.603	**Balance at 1 April**		**7.885**
3.051	Upward revaluation of assets	2.515	
-0.435	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-0.122	
2.616	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		**2.393**
-0.230	Difference between fair value depreciation and historical cost depreciation	-0.261	
-0.104	Accumulated gains on assets sold or scrapped	-	
-0.334	Amount written off to the Capital Adjustment Account		**-0.261**
7.885	**Balance at 31 March**		**10.017**

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.

2010/11		2011/12	
£'m		£'m	£'m
13.986	**Balance at 1 April**		**15.322**
	Reversal of items relating to capital expenditure debited or credited to the CI&E:		
-3.910	Charges for depreciation and impairment of non-current assets	-4.626	
-0.374	Revaluation losses(-)/gains on Property, Plant & Equipment	0.433	
-0.526	Amortisation of intangible assets	-0.531	
-0.126	Revenue Expenditure Funded from Capital Under Statute	-0.273	
-0.126	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	-0.086	
-5.062			**-5.083**
0.334	Adjusting amounts written out of the Revaluation Reserve		0.261
-4.728	**Net written out amount of the cost of non-current assets consumed in the year**		**-4.822**
	Capital financing applied in the year:		
3.190	Capital grants and contributions credited to the CI&E that have been applied to capital financing	2.967	
2.819	Statutory provision for the financing of capital investment charged against the General Fund	3.052	
0.055	Capital expenditure charged against the General Fund	0.634	
6.064			**6.653**
15.322	**Balance at 31 March**		**17.153**

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.

2010/11 £'m		2011/12 £'m
-1,325.690	**Balance at 1 April**	**-1,177.525**
67.611	Actuarial gains or losses on pensions assets and liabilities	-54.119
39.326	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	-96.105
41.228	Employer's pensions contributions and direct payments to pensioners payable in the year	48.274
-1,177.525	**Balance at 31 March**	**-1,279.475**

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.

2010/11 £'m		2011/12 £'m
0.214	**Balance at 1 April**	**0.346**
0.104	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	-0.122
0.028	Adjustment to previously notified surplus/deficit on Collection Fund	-
0.346	**Balance at 31 March**	**0.224**

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.

2010/11		2011/12	
£'m		£'m	£'m
-1.250	**Balance at 1 April**		**-0.562**
1.250	Settlement or cancellation of accrual made at the end of the preceding year	0.562	
-0.562	Amounts accrued at the end of the current year	-0.416	
0.688	**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**
-0.562	**Balance at 31 March**		**-0.416**

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

2010/11 £'m		2011/12 £'m
-3.910	Depreciation of non-current assets	-4.627
-0.374	Revaluation gain(-)/loss of non-current assets	0.433
-0.135	De-minimus	-0.273
-0.526	Amortisation of intangible fixed assets	-0.531
80.554	Pension Fund adjustments	-47.831
-1.079	Contributions to provisions	2.026
-0.126	Carrying amount of PPE, investment property and intangible assets sold	-0.086
-0.026	Other non-cash items	0.088
-0.106	Increase(-)/decrease in inventories	0.053
-1.219	Increase(-)/decrease in debtors	4.623
3.773	Increase/decrease(-) in creditors	-0.515
76.826		**-46.640**

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

2010/11 £'m		2011/12 £'m
-	Proceeds from the disposal of PPE, investment property and intangible assets	0.058
3.189	Capital grants credited to surplus or deficit on the provision of services	4.381
3.189		**4.439**

26. 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 2011/12	Community Safety £'m	Firefighting and Rescue Operations £'m	Total £'m
Government Grants	-	-0.546	**-0.546**
Other Grants, Reimbursements & Contributions	-	-0.023	**-0.023**
Customer & Client Receipts	-0.890	-0.035	**-0.925**
Recharges to Other Revenue A/C Heads	-0.276	-4.976	**-5.252**
Total Income	**-1.166**	**-5.580**	**-6.746**
Employees Pay	6.310	56.642	**62.952**
Pensions	0.753	8.756	**9.509**
Indirect Employee Allowances	0.133	-0.245	**-0.112**
Premises Related Expenditure	0.003	2.567	**2.570**
Transport Related Expenditure	0.235	1.133	**1.368**
Supplies, Services & Other Expenses	0.893	3.600	**4.493**
Support Services	7.501	22.393	**29.894**
Capital Charges	0.027	3.368	**3.395**
Capital Financing Costs	0.015	0.050	**0.065**
Total Expenditure	**15.870**	**98.264**	**114.134**
Net Expenditure	**14.704**	**92.684**	**107.388**

Service Income and Expenditure 2010/11	Community Safety £'m	Firefighting and Rescue Operations £'m	Total £'m
Government Grants	-0.003	-1.492	**-1.495**
Customer & Client Receipts	-0.879	-0.059	**-0.938**
Recharges to Other Revenue A/C Heads	-0.274	-6.052	**-6.326**
Total Income	**-1.156**	**-7.603**	**-8.759**
Employees Pay	5.735	60.611	**66.346**
Pensions	0.834	9.235	**10.069**
Indirect Employee Allowances	0.119	-0.117	**0.002**
Premises Related Expenditure	0.002	2.661	**2.663**
Transport Related Expenditure	0.200	1.208	**1.408**
Supplies, Services & Other Expenses	0.679	4.210	**4.889**
Support Services	7.909	25.309	**33.218**
Capital Charges	0.025	3.448	**3.473**
Capital Financing Costs	0.000	0.000	**0.000**
Total Expenditure	**15.503**	**106.565**	**122.068**
Net Expenditure	**14.347**	**98.962**	**113.309**

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2010/11 £'m	2011/12 £'m
Cost of Services in Service Analysis	113.309	107.388
Additional Segments not included in analysis	1.174	1.293
Amounts not included in the analysis but included in the CI&E Statement	-149.994	-18.068
Amounts included in the analysis but not included in the CI&E Statement	-2.880	-2.178
Net Cost of Services in Comprehensive Income and Expenditure Statement	**-38.391**	**88.435**

Reconciliation to Subjective Analysis 2011/12	Service Analysis	Services not in analysis	Amounts not included in analysis but included in CI&E	Amounts included in analysis but not included in CI&E	Net Cost of Services	Corporate Amounts	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Government Grants & Contributions	-0.546	-0.371	-	-	**-0.917**	-79.610	**-80.527**
Other Grants, Reimbursements & Contributions	-0.023	-	-	-	**-0.023**	-42.432	**-42.455**
Customer & Client Receipts	-0.925	-0.097	-	-	**-1.022**	-	**-1.022**
Recharges	-5.252	-0.002	-	-	**-5.254**	-	**-5.254**
Operating Lease Income	-	-	-	-	**0.000**	-0.030	**-0.030**
Surplus on trading undertakings	-	-	-	-	**0.000**	-0.072	**-0.072**
Investment Property Lease Income	-	-	-	-	**0.000**	-0.005	**-0.005**
Expected Returns on Pensions Assets	-	-	-	-	**0.000**	-4.101	**-4.101**
Interest & investment income	-	-	-	-	**0.000**	-0.072	**-0.072**
Total income	**-6.746**	**-0.470**	**0.000**	**0.000**	**-7.216**	**-126.322**	**-133.538**
Employees Pay	62.952	0.574	-	-	**63.526**	-	**63.526**
Pensions	9.509	0.144	-18.068	-	**-8.415**	-	**-8.415**
Indirect employee expenses	-0.112	0.001	-	-	**-0.111**	-	**-0.111**
Premises related expenditure	2.570	-	-	-	**2.570**	-	**2.570**
Transport related expenditure	1.368	0.031	-	-	**1.399**	-	**1.399**
Supplies, services & other expenses	4.493	0.710	-	-2.042	**3.161**	-	**3.161**
Support services	29.894	0.226	-	-	**30.120**		**30.120**
Capital charges	3.395	0.004	-	-	**3.399**	-	**3.399**
Capital financing costs	0.065	0.073	-	-0.136	**0.002**	-	**0.002**
Pension interest cost	-	-	-	-	**-**	70.000	**70.000**
Interest payable	-	-	-	-	**-**	0.954	**0.954**
Loss on disposal of non-current assets	-	-	-	-	**-**	0.028	**0.028**
Total Operating Expenses	**114.134**	**1.763**	**-18.068**	**-2.178**	**95.651**	**70.982**	**166.633**
Surplus(-)/Deficit on the provision of services	**107.388**	**1.293**	**-18.068**	**-2.178**	**88.435**	**-55.340**	**33.095**

Reconciliation to Subjective Analysis 2010/11	Service Analysis	Services not in analysis	Amounts not included in analysis but included in	Amounts included in analysis but not included	Net Cost of Services	Corporate Amounts	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Government Grants & Contributions	-1.493	-0.066	-	-	**-1.559**	-78.583	**-80.142**
Other Grants, Reimbursements & Contributions	-	-	-	-	**0.000**	-42.342	**-42.342**
Customer & Client Receipts	-0.939	-0.044	-	-	**-0.983**	-	**-0.983**
Recharges	-6.327	-	-	-	**-6.327**	-	**-6.327**
Operating Lease Income	-	-	-	-	**0.000**	-0.034	**-0.034**
Investment Property Lease Income	-	-	-	-	**0.000**	-0.003	**-0.003**
Expected Returns on Pensions Assets	-	-	-	-	**0.000**	-3.935	**-3.935**
Interest & investment income	-	-	-	-	**0.000**	-0.069	**-0.069**
Total income	**-8.759**	**-0.110**	**0.000**	**0.000**	**-8.869**	**-124.966**	**-133.835**
Employees Pay	66.346	0.410	-	-	**66.756**	-	**66.756**
Pensions	10.069	0.109	-149.994	-	**-139.816**	-	**-139.816**
Indirect employee expenses	0.002	0.004	-	-	**0.006**	-	**0.006**
Premises related expenditure	2.663	-	-	-	**2.663**	-	**2.663**
Transport related expenditure	1.408	0.019	-	-	**1.427**	-	**1.427**
Supplies, services & other expenses	4.889	0.513	-	-2.730	**2.672**	-	**2.672**
Support services	33.218	0.227	-	-0.150	**33.295**	-	**33.295**
Capital charges	3.473	-	-	-	**3.473**	-	**3.473**
Capital financing costs	-	0.002	-	-	**0.002**	-	**0.002**
Deficit on Trading Undertakings	-	-	-	-	**0.000**	0.022	**0.022**
Pension interest cost	-	-	-	-	**0.000**	73.375	**73.375**
Interest payable	-	-	-	-	**0.000**	1.084	**1.084**
Loss on disposal of non-current assets	-	-	-	-	**0.000**	0.126	**0.126**
Total Operating Expenses	**122.068**	**1.284**	**-149.994**	**-2.880**	**-29.522**	**74.607**	**45.085**
Surplus(-)/Deficit on the provision of services	**113.309**	**1.174**	**-149.994**	**-2.880**	**-38.391**	**-50.359**	**-88.750**

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 2011/12 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.

27. 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 £0.637m 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

2010/11 Surplus(-)/Deficit £'m		2011/12 Expenditure £'m	2011/12 Income £'m	2011/12 Surplus(-)/Deficit £'m
0.037	Central Support	23.110	23.163	-0.053
-0.015	Secondments	0.151	0.170	-0.019
0.022	**Total**	**23.261**	**23.333**	**-0.072**

28. 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 2011/12 the amount of precept paid to the Authority was £42.555m.

29. Members' Allowances

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

	2010/11 £'m	2011/12 £'m
Salaries	0.009	0.008
Allowances	0.209	0.197
Expenses	0.055	0.026
Total	**0.273**	**0.231**

30. 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 2010/11	Remuneration Band	Number of Employees 2011/12
55	£50,000 - £54,999	41
20	£55,000 - £59,999	14*
7	£60,000 - £64,999	16*
10	£65,000 - £69,999	9
2	£70,000 - £74,999	-
4	£75,000 - £79,999	3
2*	£80,000 - £84,999	1
-	£85,000 - £89,999	1*
-	£90,000 - £94,999	-
-	£95,000 - £99,999	-
2	£100,000 - £104,999	1
-	£105,000 - £109,999	-
1	£110,000 - £114,999	-
-	£115,000 - £119,999	2
1	£120,000 - £124,999	-
1	£125,000 - £129,999	-
-	£130,000 - £134,999	-
-	£135,000 - £139,999	1
	£140,000 - £164,999	-
1	£165,000 - £169,999	1
106	**Total**	**90**

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 2010/11 £	Post	Salary (including fees & allowances) £	Expenses £	Total Remuneration excluding pension contributions 2011/12 £	Pension Cont's £	Total Remuneration including pension contributions 2011/12 £
Chief Executive & County Fire Officer - whose salary is £150,000 or more per year						
200,483	S McGuirk	165,000	110	165,110	35,145	200,255
Corporate Leadership Team whose salary is less than £150,000 but equal or more than £50,000 per year						
154,583	Deputy County Fire Officer	129,999	5,942	135,941	27,690	163,631
2,946	Director of Emergency Response (1)	113,154	5,331	118,485	24,102	142,587
12,900	Director of Prevention & Protection (2)	112,941	3,620	116,561	24,056	140,617
119,785	Director of HR (3)	74,649	1,591	76,240	14,556	90,796
-	Temp Director of HR (4)	23,386	990	24,376	4,560	28,936
119,938	Director of Finance & Technical Services	98,823	2,164	100,987	19,270	120,257
89,621	Director of Information & Communications Technology	74,237	3,088	77,325	14,184	91,509
72,976	Deputy Clerk & Authority Solicitor	61,402	1,754	63,156	11,681	74,837
31,765	Director of Corporate Communications (5)	44,110	1,976	46,086	9,885	55,971

Note1 The Director of Emergency Response commenced employment on 24/03/2011.

Note 2 The Director of Prevention & Protection commenced employment on 01/03/2011.

Note 3 The Director of Human Resources finished employment on 02/01/2012.

Note 4 The Temporary Director of Human Resources commenced this post on 03/01/12. The annual salary for this post is £94,116.

Note 5 The Director of Corporate Communications was appointed on 11/10/2010 and 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	
£	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
0 - £20,000	2	-	6	83	8	83	0.034	0.646
£20,001 - £40,000	-	-	-	20	-	20	-	0.518
£40,001 - £60,000	-	-	-	1	-	1	-	0.046
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	1	-	1	-	0.080	-
£100,001 - £150,000	-	-	-	-	-	-	-	
	2	**0**	**7**	**104**	**9**	**104**	**0.114**	**1.210**

In addition to the above, a further cost of exit packages is the Actuarial assessment of accrued pensions for LGPS early retirements. This is £0.164m for the period ending 31 March 2012. It is not possible to divide this figure into the appropriate bands in table (c) above.

31. Termination Benefits

The Authority terminated the contracts of a number of employees in 2011/12 incurring liabilities of £1.210m (£0.114m in 2010/11) – see Note 30 for the number of exit packages and total cost per band. The increase is due to the Authority's voluntary redundancy scheme which was announced in 2010/11.

32. 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:

	2010/11 £'m	2011/12 £'m
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	0.092	0.077
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	0.003	0.004
Fees payable in respect of other services provided by the Audit Commission during the year	0.000	0.001
Total	**0.095**	**0.082**

The 2011/12 fees payable to the Audit Commission includes a rebate of £0.007m.
The 2011/12 fees payable to the Audit Commission in respect of other services relate to a payment for the National Fraud Incentive received in 2011/12.

33. Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

Credited to Taxation and Non Specific Grant Income	2010/11 £'m	2011/12 £'m
Revenue Support Grant	9.552	16.098
NW Fire Control Grant	-	5.906
Capital Grants	1.579	4.381
Council Tax Freeze Grant	-	1.058
Donated Assets	1.505	0.087
North West Improvement and Efficiency Partnership Grant	0.095	-
Diversity Recruitment Grant	0.034	-
Other Contributions	0.036	-
Total	**12.801**	**27.530**

Credited to Services	2010/11 £'m	2011/12 £'m
PFI Grant	0.452	0.452
New Risk Programme	0.066	0.188
Firelink Grant	-	0.128
New Dimensions Grant	-	0.117
Urban Search and Rescue Grant	0.460	0.106
Public Disorder Recovery Scheme Grant	-	0.033
Fire Revenue Grant	-	0.020
New Burdens Grant	1.012	-
Section 31 Grant	0.036	-
Total	**2.026**	**1.044**

34. 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 2011/12 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 2011/12.

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

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

Under the terms of a service level agreement between the Authority and Wigan Council in 2011/12, Joyce Redfearn, Chief Executive of Wigan, was the Clerk to the Authority, and Paul McKevitt 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.

During 2011/12 transactions were made between the five Authorities totalling the following with outstanding balances also noted in relation to each. Lancashire Combined Fire Authority manages the income and expenditure on behalf of the region.

Authority	Transaction Totals Expenditure/ (Income) £'m	Outstanding Balance at 31/03/2012 Creditor/ (Debtor) £'m
Lancashire	0.037	0.037
Greater Manchester	-0.019	-0.019
Merseyside	-0.009	-0.009
Cheshire	-0.007	-0.007
Cumbria	-0.002	-0.002

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 2011/12 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.

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 2011/12 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 2011/12 (25% of £2.214m) 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	2010/11 £'m	2011/12 £'m
Net Assets	0.069	0.080
Profits Before Taxation	0.010	0.027
Profits After Taxation	0.010	0.022
Debtor Balance (GMFRS)	0.019	0.021
Creditor Balance (GMFRS)	0.422	0.298

The Companies Financial Statements can be obtained from Companies House with the deadline for submission as 31 December 2012 for the final audited 2011/12 accounts.

The position regarding Group Accounts will be reviewed for the 2012/13 financial year.

35. 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.

	2010/11 £'m	2011/12 £'m
Opening Capital Financing Requirement	**46.305**	**46.646**
Capital Investment		
Property, Plant and Equipment	4.531	4.375
Investment Properties	-	-
Intangible Assets	0.242	0.232
Revenue Expenditure Funded from Capital under Statute	0.126	0.273
Sources of Finance		
Capital receipts	-	-
Government grants and other contributions	-1.685	-2.881
Sums set aside from revenue:		
Direct revenue contributions	-0.055	-0.634
MRP/loans fund principal	-2.818	-3.052
Closing Capital Financing Requirement	**46.646**	**44.959**
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	0.341	1.687
Increase/decrease (-) in Capital Financing Requirement	**0.341**	**1.687**

36. 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:

	2010/11 £'m	2011/12 £'m
Not later than 1 Year	0.109	0.106
Later than 1 Year and not later than 5 years	0.167	0.064
later than 5 Years	0.000	0.000

The expenditure during 2011/12 in relation to these leases was £0.111m (£0.114m in 2010/11).

Authority acting as Lessor – Operating Leases

The Authority leases out property for operational reasons. The rent receivable in 2011/12 was £0.030m.

37. Private Finance Initiatives and similar contracts

2011/12 was the thirteenth 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.

A reduction to the contract sum was agreed in 2011/12 due to the removal of catering services (full year effect £0.018m).

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 2012 are as follows:

To Service Provider	Repayment of Liability £'m	Repayment of Interest £'m	Service Charges Assume 3% inflation £'m	Total Assumes 3% inflation on service charges £'m	Service Charges based on Current Prices £'m	Total assumes Service Charges based on Current Prices £'m
Payable in 2012/13	0.099	0.282	0.299	**0.680**	0.295	0.676
Within 2-5 years	0.529	0.996	1.290	**2.815**	1.180	2.705
Within 6-10 years	1.094	0.813	1.843	**3.750**	1.475	3.382
Within 11-15 years	0.853	0.132	1.057	**2.042**	0.771	1.756
	2.575	**2.223**	**4.489**	**9.287**	**3.721**	**8.519**

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

	Value at 31 March 2011 £'m	Principal Repayment in 2011/12 £'m	Value as at 31 March 2012 £'m
Liabilities resulting from PFI Contract	-2.664	0.089	-2.575

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 2011 £'m	Payments into Sinking Fund in 2011/12 £'m	Payments out of sinking fund in 2011/12 for Repair and Replacement £'m	Value as at 31 March 2012 £'m
Sinking Fund (Prepayment Account)	0.120	0.018	-0.015	0.123

Central Government Grant Subsidy

	Grant Due to be Received £'m
Within 1 year	-0.452
Within 2-5 years	-1.809
Within 6-10 years	-2.261
Within 11-15 years	-1.243
Total	**-5.765**

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.

38. 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	
	2010/11 £'m	2011/12 £'m	2010/11 £'m	2011/12 £'m
Cost of Services				
Current service cost	2.364	1.856	32.020	27.840
Past service costs	-8.950	-	-134.200	-
Settlements and curtailments	-	0.510	-	-
Financing and Investment Income and Expenditure				
Interest cost	4.735	4.160	68.640	65.840
Expected return on scheme assets	-3.935	-4.101	-	-
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**-5.786**	**2.425**	**-33.540**	**93.680**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Actuarial Gain(-)/Loss Recognised in Other Comprehensive Income and Expenditure	-14.521	9.189	-53.090	44.930
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**-20.307**	**11.614**	**-86.630**	**138.610**

Movement in Reserves Statement	Local Government Pension Scheme		Fire Service Pension Scheme	
	2010/11 £'m	2011/12 £'m	2010/11 £'m	2011/12 £'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	5.786	-2.425	33.540	-93.680
Actual amount charged against the General Fund Balance for pensions in the year				
Employers' contributions payable to the scheme	2.188	2.134	-	-
Retirement benefits payable to pensioners	-	-	39.040	46.140
Total amount charged against the General Fund Balance for pensions in the year	**7.974**	**-0.291**	**72.581**	**-47.540**

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 2012 a gain of £28.706m and at 31 March 2011 was a gain of £82.825m.

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities:

Assets and Liabilities in Relation to Post-Employment Benefits	Funded Liabilities		Unfunded Liabilities	
	2010/11 £'m	2011/12 £'m	2010/11 £'m	2011/12 £'m
Opening Balance at 1 April	**92.550**	**75.252**	**1,289.820**	**1,164.150**
Current Service Cost	2.364	1.856	32.020	27.840
Interest Cost	4.735	4.160	68.640	65.840
Contributions by Scheme Participants	0.751	0.722	-	-
Actuarial Gains(-) and Losses	-14.137	5.983	-53.090	44.930
Benefits Paid	-2.061	-2.298	-39.040	-46.140
Past Service Costs	-8.950	-	-134.200	-
Curtailments	-	0.510	-	-
Closing Balance at 31 March	**75.252**	**86.185**	**1,164.150**	**1,256.620**

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

- Firefighters' Pension Scheme 1992 liability is £1,156.740m (£1,075.510m in 2010/11)
- Firefighters' Injury Benefit Scheme liability is £79.470m (£73.400m in 2010/11)
- Firefighters' Pension Scheme 2006 liability is £20.410m (£15.240m in 2010/11)

Reconciliation of Fair Value of the Scheme Assets	Assets: Local Government Pensions Scheme	
	2010/11 £'m	2011/12 £'m
Opening Balance at 1 April	**56.680**	**61.877**
Expected Rate of Return	3.935	4.101
Actuarial Gains and Losses(-)	0.384	-3.206
Employer Contributions	2.188	2.134
Contributions by Scheme Participants	0.751	0.722
Benefits Paid	-2.061	-2.298
Closing Balance at 31 March	**61.877**	**63.330**

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 £0.906m (£3.830m in 2010/11).

Scheme History

	2007/08 £'m	2008/09 £'m	2009/10 £'m	2010/11 £'m	2011/12 £'m
Present Value of Liabilities:					
Local Government Pension Scheme	-54.240	-53.467	-92.550	-75.252	-86.185
Fire Service Pension Scheme	-919.480	-867.290	-1,289.820	-1,164.150	-1,256.620
Fair Value of Assets in Local Government Pension Scheme	48.310	40.857	56.680	61.877	63.330
	-925.410	**-879.900**	**-1,325.690**	**-1,177.525**	**-1,279.475**
Surplus/Deficit(-) in the Scheme:					
Local Government Pension Scheme	-5.930	-12.610	-35.870	-13.375	-22.855
Fire Service Pension Scheme	-919.480	-867.290	-1,289.820	-1,164.150	-1,256.620
Total	**-925.410**	**-879.900**	**-1,325.690**	**-1,177.525**	**-1,279.475**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £1,279.5m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £1,208.4m. 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 2013 are £2.072m.

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	
	2010/11	2011/12
Equity Investments (Equities)	7.5%	6.3%
Bonds	4.9%	3.9%
Property	5.5%	4.4%
Cash	4.6%	3.5%

Mortality Assumptions: Longevity at 65	Local Government Pension Scheme		Fire Service Pension Scheme	
	2010/11 Years	2011/12 Years	2010/11 Years	2011/12 Years
Current Pensioners:				
Male	20.1	20.1	23.4	24.3
Female	22.9	22.9	25.3	26.3
Future Pensioners:				
Male	22.5	22.5	26.3	26.5
Female	25.0	25.0	28.0	28.3

	Local Government Pension Scheme		Fire Service Pension Scheme	
	2010/11	2011/12	2010/11	2011/12
Rate of Inflation (Price Increases)	2.8%	2.5%	3.0%	2.5%
Rate of Increase in Salaries (Salary Increases)	4.3%	4.3%	5.3%	4.7%
Rate of Increase in Pensions (Pension Increases)	2.8%	2.5%	2.6%	2.3%
Rate of Discounting Scheme Liabilities (Discount Rate)	5.5%	4.8%	5.7%	4.9%
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:

	2010/11 %	2011/12 %
Equity Investments	66	70
Bonds	17	18
Property	5	5
Cash	12	7

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the pension reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31 March 2012:

Local Government Pension Scheme

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	-12.3	-28.7	21.6	-12.5	-7.9
Differences between actuarial assumptions about liabilities and actual experiences	3.3	0.0	0.0	-4.5	1.0

Fire Service Pension Scheme

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between actuarial assumptions about liabilities and actual experiences	-0.2	-0.3	-3.1	-3.2	-1.1

39. Contingent liabilities

Municipal Mutual Insurance Limited (MMI)

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

In March 2012 the Supreme Court made a ruling against the company. However MMI has yet to determine whether or not the ruling means that they have to formally trigger the scheme of arrangement. An assessment is underway by the scheme administrator, Creditor's Committee and the Financial Services Authority of the most appropriate way forward.

40. Provision for the Repayment of External Loans

2010/11 £'m	Transaction	2011/12 £'m
2.444	MRP and Voluntary Contribution	2.635
-4.436	Amount Charged as Depreciation	-5.157
-1.992		**-2.522**
0.375	Principal Repayments of Transferred Debt	0.417
-1.617	**Balance to Comprehensive Income and Expenditure Statement**	**-2.105**

The Minimum Revenue Provision (MRP) is the statutory amount which must be set aside from revenue for the repayment of external loans. In addition the Authority made a voluntary revenue contribution. This voluntary payment recognises the shorter life of a large proportion of assets, namely vehicles and plant, which would become obsolete before the full revenue provision for debt repayment had been made under the statutory arrangements. The MRP for 2011/12 was £1.517m (£1.512m in 2010/11). In addition the Authority made a voluntary revenue contribution of £1.118m (£0.932m in 2010/11).

41. 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.

2010/11 £'m		2011/12 £'m
0.112	Recruitment Advertising	0.078
0.483	Other Publicity	0.480
0.595	**Total**	**0.558**

42. 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

2010/11 £'m		2011/12 £'m	2011/12 £'m
	Contributions Receivable		
	From Employer:		
-10.925	Contributions in relation to pensionable pay	-10.173	
-5.909	From Employee	-5.530	
-0.280	Ill Health Retirements	-0.434	
-17.114			**-16.137**
-0.178	**Transfers In from other Authorities**		**-0.022**
	Benefits Payable		
28.828	Pensions	31.362	
8.431	Commutations and lump sum retirement benefits	12.852	
37.259			**44.214**
	Payments to and on account of leavers		
0.033	Individual Transfers out to other schemes		**0.551**
20.000	**Sub Total: Net Amount Payable/Receivable for the year before top-op grant receivable/payable to CLG**		**28.606**
-20.000	**Top-up grant receivable**		**-28.606**
0.000	**Net amount payable/receivable for the year**		**0.000**

NET ASSETS STATEMENT

2010/11 £'m		2011/12 £'m
4.216	Pension Top-Up Grant receivable from CLG	10.811
1.526	Payments in Advance	-
-0.093	Creditor	-0.195
0.064	Debtor	-
-5.713	Amount due to/from General Fund	**-10.616**
0.000		**0.000**

NOTES TO THE PENSION FUND ACCOUNT

Introduction

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

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

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

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

Accounting Policies

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

The Net Assets statement does not include liabilities to pay pensions and other benefits after the balance sheet date. Future liabilities are addressed under the application of IAS19 (See note 38).

Net Assets Statement

Included within this statement is the balance of £10.811m due from CLG for the 2011/12 Top-up Grant. There is also a creditor figure of £0.195m which relates to a Lump Sum owed for a 29 March 2012 leaver and a Death in Service payment.

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 27 September 2012.

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

Councillor Dylan Butt
27 September 2012

The Treasurer's Responsibilities

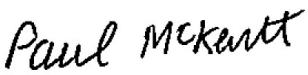
The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2012.

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
20 June 2012

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

Opinion on the Authority and Pension Fund financial statements

I have audited the financial statements and the firefighters' pension fund financial statements of Greater Manchester Fire and Rescue Authority for the year ended 31 March 2012 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. The firefighters' pension fund financial statements comprise 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 2011/12.

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

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, which includes the financial statements and the firefighters' pension fund 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. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the 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 and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Greater Manchester Fire and Rescue Authority as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my 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 I report by exception

I report to you if:

- in my 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;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I 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
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on 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.

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

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Greater Manchester Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

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

Mick Waite
District Auditor

The Audit Practice,
Second Floor,
Aspinall House,
Aspinall Close,
Middlebrook,
Horwich,
Bolton, BL6 6QQ

28 September 2012

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.

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 non-concussive 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.

Capital investment projects undertaken over 2011/12:

- £192K has been invested in Voltage Optimisation systems on fifteen priority sites by the end 2011/12. Third party independent analysis of savings has been completed for nine sites representing £120K of the total investment. Average reduction in electricity consumption is 11.6%, saving £28,940 annually, meaning the payback period is 4.2 years.

- Investment in specifying fuel efficient fleet replacements has compounded the savings resulting from other initiatives saving 50,318 litres of diesel or £58,663 (excluding VAT).

- Refurbishments at S16 and S17 have included high efficiency boilers and solar thermal arrays, which has reduced gas use at these sites by an estimated 10%. **Movement sensors now control the lights reducing power consumed by up to 40%.**

- Smaller refurbishments through the Asset Management Strategy have included more efficient lighting solutions such as LED, saving over 60% of electricity in those offices.

Sustainability Capital Investment Summary

	2009/10 Actual £'m	2010/11 Actual £'m	2011/12 Actual £'m
Water Consumption	0.034	0.016	0.000
Energy Consumption	0.256	0.155	0.044
Energy Management	0.000	0.048	0.003
TOTAL	**0.290**	**0.219**	**0.047**

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

Financial & Non-Financial Performance Summary

	Measure	2009/10	2010/11	2011/12	% Change year on year
Electricity	kWh £	6,465,153 £706,031	5,878,301 £568,458	5,172,459 £480,480	⇩12%
Gas	kWh £	15,499,087 £450,044	16,286,969 £385,571	13,557,390 £407,641	⇩17%
Diesel	Litres £	777,005 £730,024	727,176 £765,930	668,917 £802,817	⇩8%
Water	m3 £	38,055 £278,314	36,709 £251,202	33,560 £248,089	⇩9%
Waste	% Recycled* £	55 £46,068	71 £60,695	84 £82,627	⇧13%
Paper	Reams £	8600 £18,872.70	6490 £15,653.10	5930 £16,477.40	⇩9%

***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

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

Electricity prices have remained fairly static year on year, so reduced consumption has translated directly into lower costs. Electricity prices decreased by 14% in November 2010 and this has continued through for the following year.

Gas

The gas usage shows a dramatic decrease versus the previous year, which is mostly attributable to a very cold snap in 2010/11 followed by a very mild winter.
Gas prices have increased by 24% during 2011/12 which included a 9.8% increase with affect from June 2011.

Diesel

There has been a significant reduction in diesel usage which reflects reduced incidents, investments in fuel efficient vehicles and technologies, fuel efficient policies and driver training.
Whilst diesel prices have increased, improved efficiency has enabled costs to come I only slightly over budget.

Water

Water usage has reduced with the metered water costs reducing over the previous 3 years. The overall costs have reduced despite rates increasing by 9.8% since 2009/10.

Waste

We have dramatically increased the waste diverted from landfill by specifying a waste contract including off-site segregation for recycling and recovery for refuse derived fuel.

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. This includes incorporating environmental checks into the weekly routine at all our stations.

- 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.

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

- Offer grant referrals to residents identified as facing fuel poverty through our 60,000 annual Home Fire Risk Assessment (HFRA) visits.

- Provide further information through our station open days, external website and 'Safe 4' campaigns, on topics ranging from sustainability to energy efficiency, recycling and composting. Our online Safe4 sites alone received more than 40,000 visits in 2010.

- 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 £250,000 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; in 2011/12 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 (1st Place – Best Public Sector Initiative)
Business in the Community Ways2Work Award (1st Place – National Example of Excellence)
North West Carbon Positive Award (1st Place – Regional Winner)
People and the Environment Awards (1st Place – Public Sector)
CLASP North West Climate Leaders Award (1st Place – Sustainable Behaviours)
Energy Saving Trust Fleet Hero Awards (2nd Place – Fleet Leadership)

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

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. The Audit Commission has a duty to ensure that local authorities make sufficient arrangements to secure economy, efficiency, and effectiveness in their use of resources and is able to subject a local Authority to "Value for Money" studies
http://www.audit-commission.gov.uk/

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.uk/

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

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 2011/12:
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 three 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 this new code replaces the Best Value Accounting Code of Practice (BVACOP). The code has been updated and expanded to
keep pace with the needs of modern local government; particularly the Transparency agenda, Best Value and public services reform.

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 Burdens Grant

Government funding to ease the financial implications of new initiatives.

New Dimensions Grant

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

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

S

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

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

NOTES

GREATER MANCHESTER
FIRE AND RESCUE AUTHORITY