Transport for Greater Manchester

TRANSPORT for GREATER MANCHESTER

STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2013

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DIRECTORS' REPORT and EXPLANATORY FOREWORD

Greater Manchester Combined Authority

The Greater Manchester Combined Authority (GMCA) is responsible for a range of transport, economic development and regeneration functions across the Greater Manchester county.

Transport for Greater Manchester (TfGM) is treated as if it were an officer of the GMCA for the purpose of undertaking the transport related activities of GMCA.

TfGM Responsibilities

TfGM is responsible for carrying out the transport related functions of the Combined Authority and the Transport for Greater Manchester Committee, including highways, network management, walking and cycling and road safety. However, it is not a statutory highway authority.

Our vision encapsulates and expresses our aspirations and reflects our responsibilities. The vision is noted below.
"Leading Outstanding Integrated Transport for Greater Manchester".

Basis of preparation of Statement of Accounts

This Statement of Accounts includes the individual financial statements for TfGM as well as group accounts for TfGM and its subsidiary undertakings ('the group').

The 2012/13 Statement of Accounts are prepared under an accounting regime adopting the International Financial Reporting Standards (IFRS). TfGM implements IFRS by adopting the IFRS Based Code, which is the 'version' of IFRS adopted by local authorities.

Primary Statements

The Statement of Accounts includes the following primary statements; a note on the purpose of each of these statements is also shown below:

Movement in Reserves Statement (MIRS): shows the year on year movement on different reserves held by TfGM. These are analysed into 'Usable'; being those reserves that TfGM may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use; and 'Unusable'; where reserves are those that TfGM is not able to use to provide services. The main Unusable Reserve is the Deferred Capital Grants and Contributions Account, which primarily holds the capital grants received by TfGM to fund its capital programme. This reserve is used to fund the future costs of depreciation on the assets delivered by the programme. As at 31 March 2013, TfGM Group Usable reserves were £63.810 million (2012: £72.659 million) and the Unusable reserves were £1,483.491 million (2012: £1,282.377 million). The Unusable reserves have increased in 2012/13 as a result of the capital grants received in the year for the significant capital programme which TfGM is currently delivering; and will be used to fund future depreciation on the assets being delivered. The useable reserves decreased in 2012/13 primarily due to the usage of reserves to fund depreciation.

Comprehensive Income and Expenditure Account (CIES): shows the accounting receivable income and the costs incurred in the year of providing services. TfGM's Group Comprehensive Income and Expenditure Statement for the year shows a net income of £192.265 million (2012: £304.813 million). The net income includes capital grants recognised in the year of £252.057 million (2012: £339.345 million), which, under the requirements of the Code of Practice on Local Authority Accounts (the Code), are required to be recognised as income in the year they are received, unless there are conditions attached which TfGM has not met. A reconciliation from the revenue surplus shown in the CIES, in accordance with the Code, to the deficit (2012: surplus) for the group is shown below. This information is disclosed in the movement in reserves statement and is included here as an aid in interpreting the information within these financial statements.

2011/12			2012/13	
£000	£000		£000	£000
	304,813	**Total comprehensive income and expenditure shown in the CIES**		192,265
		Add back: IAS19 Pension adjustments		
14,900		Actuarial (gains)/losses	14,300	
3,300		Current service cost and losses on curtailments and settlements	3,300	
(3,000)		Employer contributions	(3,100)	
400		Finance costs of pension scheme	2,300	
	15,600			16,800
	320,413			209,065
	(10,000)	Less: Unapplied revenue contribution		(10,000)
	-	Add: Release of unapplied revenue contributions		11,070
	(339,345)	Less: Capital grants and contributions		(252,057)
		Add: Amounts released from the Deferred Capital Grants and Contributions Account		
31,002		Amount to match depreciation of grant funded assets	39,321	
-		Amount released on disposal of grant funded assets	336	
	31,002			39,657
	2,070			(2,265)
	(1,100)	Less: Amount transferred to Deregulation Reserve		(1,100)
	970	**Revenue (deficit) / surplus for the year after revaluation of investment properties**		(3,365)
	-	Add back: Loss arising on revaluation of investment properties		-
	970	**Revenue (deficit) / surplus for the year before revaluation of investment properties**		(3,365)

Balance Sheet: shows the value as at the balance sheet date of the assets and liabilities recognised by TfGM. The net assets are matched by reserves held, which are analysed into Usable and Unusable Reserves as described above. The net assets at 31 March 2013 were £1,547.301 million (31 March 2012: £1,355.036 million).

Cash Flow Statement: shows the change in cash and cash equivalents of TfGM during the year. The statement shows how TfGM has generated and used cash and cash equivalents; and classifies cashflows into operating, investing and financing activities. The net decrease in cash and cash equivalents during the year was £16.189 million (2012: net increase of £8.428 million).

Activities in the year

In the past year, TfGM has continued to deliver a number of major projects including further Metrolink extensions and other public transport schemes, including those within the Greater Manchester Transport Fund.

At its meeting on 12 May 2009, the AGMA Executive agreed to establish a Greater Manchester Transport Fund (GMTF), incorporating prioritised schemes based on delivering the maximum economic benefit (GVA) to Greater Manchester, consistent with positive social and environmental outcomes. The GMTF will finance a number of public transport schemes, including a package of works to further extend the Metrolink network, including new links to East Didsbury, Ashton, Oldham and Rochdale town centres and Manchester Airport; a second city centre crossing; development of the Leigh-Salford-Manchester busway; improved interchange facilities at Bolton and Altrincham; and a number of park and ride schemes.

The investments are being funded from a combination of central government funding; 'top slicing' existing Local Transport Plan funding; contributions from local partners; and borrowings, supported by agreed increases in contributions from the levy and from net revenues generated from the public transport schemes being delivered as part of the Transport Fund.

In the year under review, the extensions of the Metrolink system to Oldham Mumps, Shaw and Crompton, Rochdale Railway station and Droylsden in East Manchester were opened. In addition, further new Light Rail Vehicles were introduced onto the network, both to support the opening of the new lines but also to replace existing vehicles. Work on the other Metrolink lines has continued during the year and the extensions to East Didsbury and Ashton are due to open in the next financial year. Work has also been ongoing on the further extensions to Oldham and Rochdale town centres and Manchester Airport.

A number of other projects to upgrade the existing Metrolink network have been completed during the year including the investments to upgrade the stop at Piccadilly Undercroft on the existing network. In total 66 new M5000 trams have been delivered to date. A further 15 trams are scheduled to be delivered by the end of the next financial year.

In June 2012, GMCA approved the purchase of a further 20 new trams to replace an equivalent number of existing vehicles purchased when the network opened in 1992. This is part of the strategy to upgrade the fleet and will enable enhanced service provision for customers by increasing the reliability and performance. After delivery of these trams the entire previous fleet of 32 T68 trams will have been replaced.

Since August 2011 Metrolink has been operated by RATP Dev UK, which is a subsidiary of RATP, the state-owned operator of public transport services in Paris. RATP runs the Paris Metro and operates in 12 countries across the world, carrying 12 million passengers a day. RATP provides Greater Manchester with access to expertise in public transport, specifically light rail, and across operations, engineering, passenger service and technology, including smart ticketing.

TfGM has continued to support the operation of the 88 low carbon buses which were procured with part-funding from the Department for Transport's Green Bus Fund. As well as operating on the city centre Metroshuttle services, on Yellow School Bus services and subsidised services on the general network, vehicles have also now been deployed onto Metroshuttle services in Bolton and Oldham town centres. During 2012/13 tenders were issued for subsidised services utilising the additional funding secured by TfGM for the purchase of low-carbon vehicles by operators themselves; most of these vehicles have now been ordered by the successful operator, utilising £0.9 million of the available funding. A further bid to round 4 of the Green Bus Fund for £0.85 million was submitted in March 2013, which, if successful, would enable 10 additional low carbon Yellow School Buses and 3 fully-electric vehicles for use on the Manchester Metroshuttle service to be procured by TfGM.

TfGM secured £4.9 million of funding in 2011/12 from the Department of Transport (DfT) following a successful 'Key Component' bid to its Local Sustainable Transport Fund ('LSTF'). These monies are being used to fund a package of works designed to encourage the use of cycles for commuting. These measures include investment in cycle parking facilities in town and city centres; provision of cycle training; bike maintenance workshops; and general information aimed at increasing cycling generally. In 2012/13 TfGM opened a new cycle 'hub' facility in Manchester city centre. This provides a secure space for storage for bikes; showering and change facilities; and other cycling facilities. Another facility was opened at Bury for the secure storage of bicycles and further facilities will be rolled out in 2013/14.

In 2012/13 GMCA was awarded £32.5 million following a successful bid to the DfT's 'Large Project' LSTF. This, together with £21 million of local funding contributions, focuses on 4 key areas of sustainable access to key destinations and transport hubs; supporting sustainable choices; smarter travel; and enabling community transport and good progress is being made on the delivery of these schemes.

Funding has also been secured from the Department for Transport's Better Bus Area Fund. TfGM submitted a successful bid for £5 million of funding which is being used to deliver bus priority measures; better public transport interchange facilities; to support network growth at Trafford Park and MediaCityUK; and to provide smarter marketing and passenger information.

TfGM has continued to work on the delivery of a smartcard ticketing system and in 2012/13 the contract to deliver the technical solution was awarded to ATOS. The delivery of integrated fares and smart ticketing is a major priority for TfGM. We are already using new ways to help our customers with their journeys and to become more 'Customer Smart'.

TfGM continues to drive initiatives to reduce the carbon footprint of transport within Greater Manchester and has been involved in a number of innovative schemes in 2012/13. TfGM is a partner in the INTERREG IVb Ticket to Kyoto project to reduce carbon emissions from public transport and has delivered innovative schemes to improve sustainability such as the installation of a hydroelectric power plant on the River Roch and a wind turbine at Horwich rail station. TfGM is also delivering a £2.5 million project to deploy electrical vehicle charging infrastructure across the ten districts of GM, which has been funded from a £1.5 million grant secured from the Office for Low Emissions Vehicles, in addition to a local contribution of £1 million.

As part of the GMTF package a number of Park & Ride projects were included across Metrolink, Rail and Bus sites. In 2012/13 the first Park & Ride sites were opened at Hollinwood, Derker and Rochdale, which coincided with opening of the Metrolink lines at these stops.

TfGM is also in the process of delivering four new transport interchanges (at Rochdale, Altrincham, Wythenshawe and Bolton). In 2012/13 contracts were awarded and construction commenced for the interchanges at Rochdale and Altrincham.

TfGM has continued to support initiatives to deliver improvements in rail infrastructure. We have helped secure a £500 million plus commitment for the Northern Hub so far, which includes funding for the Ordsall Chord, together with funding for extra rolling stock and electrification upgrades in the North West. The need to increase capacity and improve the quality of rail services for Greater Manchester also underpins our support for high speed rail, plans for the extension of which to Manchester, including stations at Manchester Airport and Manchester city centre, were announced by the government in the year. TfGM has also continued to work, along with the other northern PTEs, on developing plans for the devolution of the operation of rail franchises in northern England.

The Greater Manchester City Deal was announced by Government in March 2012 and includes a substantial package of measures to drive growth by creating jobs and increasing productivity. This will include further investments in transport schemes. Work is ongoing locally and with government departments to implement the elements of the City Deal.

Pensions

The Accounts reflect the outcome of the annual actuarial valuation for accounting purposes of TfGM's pension fund assets and liabilities. There have been a number of significant movements in assets and liabilities relating to the fund in the year, in particular including:

- An increase in asset values of £7.7 million; and
- An increase in the scheme liabilities of £24.5 million due to changes in other assumptions used in valuing liabilities including particularly a reduction in the real discount rate.

Members of TfGM

The Directors of TfGM who held offices of statutory members during the year, in accordance with Section 9 (2) of the Transport Act 1968, were as follows:

D Leather	- Chief Executive Officer - on secondment from Ernst & Young LLP (resigned 4 January 2013)
Dr J Lamonte	- Chief Executive Officer (appointed 7 January 2013)
MCR Renshaw	- Bus and Rail Director
SG Warrener	- Finance & Corporate Services Director
Sir H Bernstein	- Non Executive Director (resigned 14 December 2012)
K Giles	- Non Executive Director
R Paver	- Non Executive Director (appointed 14 December 2012)
E Pysden	- Non Executive Director

In addition to the Statutory Members above, the following individuals held non statutory director roles during the year:

P Cushing	- Metrolink Director (appointed 4 February 2013)
D Hytch	- Information Systems Director
R Morris	- Interim Chief Operating Officer - on secondment from Parsons Brinckerhoff
D Newton	- Transport Strategy Director
P Purdy	- Metrolink Director (resigned 5 April 2013)
S Wildman	- Communications and Customer Services Director (resigned 12 April 2013)

Disabled employees

TfGM gives full consideration to applications for employment from disabled persons where the requirements of the job can be fulfilled by a disabled person. Where existing employees become disabled, it is TfGM's policy, wherever practicable, to provide continuing employment under normal terms and conditions, and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee Involvement

TfGM's management meet regularly to discuss current developments with employee representatives.

Grants

TfGM's net expenditure, after taking into account all sources of income and expenditure, is financed primarily by way of a revenue grant from the Greater Manchester Combined Authority (GMCA). GMCA makes a levy on the ten district councils in Greater Manchester to meet its own expenditure which includes the revenue grant to TfGM. GMCA also receives other grants from central government to fund TfGM's activities. Capital grants are also receivable from GMCA in respect of approved expenditure on capital schemes.

The grants receivable from GMCA were as follows:

	Group and TfGM	
	2013	**2012**
	£000	**£000**
Revenue grants	123,076	133,666
Passenger transport facilities grants	5,871	6,295
Capital grants	249,175	325,741
Total grants receivable	378,122	465,702

Dr J LAMONTE
Director

SG WARRENER
Director

8 July 2013

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

TfGM's Responsibilities

TfGM 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. That officer is the Finance and Corporate Services Director;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Finance and Corporate Services Director's Responsibilities

The Finance and Corporate Services Director is responsible for the preparation of TfGM's Statement of Accounts, in accordance with proper practices as set out in CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (The Code).

In preparing this Statement of Accounts, the Finance and Corporate Services Director has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with The Code, so far as was appropriate for a Passenger Transport Executive.

The Finance and Corporate Services Director has also:

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

Responsible Financial Officer's Certificate

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of TfGM as at 31 March 2013 and, of its income and expenditure for the year ended 31 March 2013

SG WARRENER
Finance and Corporate Services Director

8 July 2013

ANNUAL GOVERNANCE STATEMENT

1. Introduction

The TfGM Annual Governance Statement forms part of TfGM's Governance Framework and results from the requirement to conduct a review at least once a year of the effectiveness of its system of internal control and to prepare a statement which forms part of the Annual Accounts. Governance has been defined as being 'about how bodies ensure that they do the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner' and this statement shows how effective TfGM's governance systems and processes are.

2. Scope of responsibility

In 2009, the ten Greater Manchester local authorities agreed to submit a scheme to the Government for the creation of a new authority. The Greater Manchester Combined Authority (GMCA) was established to co-ordinate transport, regeneration and economic development functions for the Greater Manchester region. The creation of the Combined Authority saw a transfer of powers from central government to Greater Manchester and the new authority works with Government to manage the devolved powers.

GMCA and the constituent councils entered into joint arrangements under Section 101(5) of the Local Government Act 1972, Section 20 of the Local Government Act 2000 and Regulations 4, 11 and 12 of the Local Authorities (Arrangements for Discharge of Functions) (England) Regulations 2000 for the discharge of specified transport functions which included the establishment of a joint committee called the Transport for Greater Manchester Committee.

As part of this change, GMPTE was renamed Transport for Greater Manchester (TfGM), and took on additional functions and responsibilities.

In fulfilling this role, TfGM is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Whilst TfGM does not have a duty under the Local Government Act 1999, it is nevertheless committed to achieving continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, TfGM is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

TfGM has followed the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* in preparing this statement. This Statement explains how TfGM has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011, which require TfGM to publish a statement on internal control, as defined in the Annual Governance Statement.

The purpose of the Governance Framework

The Governance Framework comprises the systems and processes, and the culture and values, by which TfGM is directed and controlled, the activities through which it is made accountable to, engages with, and supports the community. The Framework enables TfGM to monitor the achievement of its corporate objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assurance and not absolute assurance of effectiveness. Internal control is an ongoing process, designed to identify and prioritise the risks to the achievement of TfGM's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Review of Governance Arrangements

The function of governance is to ensure that an organisation fulfils its purpose and achieves the intended outcomes for its end users, and to ensure that it operates in an effective, economic and ethical manner.

An important element of governance is the internal control environment that includes TfGM's policies, procedures and operations that are in place to:

- establish and monitor the achievement of TfGM's objectives;
- identify, assess and manage risks to achieving these objectives;
- facilitate policy and decision making;
- ensure value for money;
- ensure compliance with established policies (including ethical expectations), procedures, laws and regulations;
- safeguard our assets and interests from losses such as those arising from fraud, irregularity or corruption; and
- ensure the integrity and reliability of information, accounts and data including internal and external reporting and accountability processes.

3. Key Principles of Governance

Principle 1: Focusing on the purpose of TfGM and on outcomes for the community and on creating and implementing a vision for the local area

TfGM is responsible for implementing the transport and traffic functions of the Combined Authority. As part of its focus to ensure that TfGM continues to deliver for the benefit of its customers and stakeholder groups, during the year its Vision has been reviewed and updated.

The Vision of TfGM is ***'Leading outstanding integrated transport for Greater Manchester.'***

The Vision lays the foundations for, and underpins TFGM's strategic objectives and its Key Business Priorities. In conjunction with the review of the Vision, TfGM's Values were also reviewed in the year in a consultation exercise which gave all employees the opportunity to provide their views. The Values agreed following this exercise are:

RELIABLE by doing what we say we will do, for our customers and each other, always working together as a team.

HONEST in our communications and our feedback to customers and each other.

RESPECTFUL in how we behave towards our customers and each other.

REWARDING by working together to make TfGM a happy, high performing and challenging environment in which to work and by recognising colleagues for a job well done.

EMPOWERING by allowing people to take responsibility in their areas of expertise and learning from our mistakes.

A few of the key areas of activity undertaken in the year ended 31 March 2013 include:

- *Delivering for Greater Manchester:* using transport to help support and create jobs; adding to the economic growth of our region; providing accessible, affordable and quality public transport; designing a transport strategy for the 21st century; ensuring the effective management of the transport network; and developing innovative solutions for delivering public transport.
- *Expanding and modernising the Metrolink network:* new lines to Oldham Mumps, and subsequently Shaw and Crompton and Rochdale Railway Station, and Droylsden, including a stop at the Etihad stadium, were opened in the year, completing all the extensions which formed part of the Metrolink 3a programme of works. In addition, work continued on the further extensions to East Didsbury, Ashton, Oldham and Rochdale town centres and Manchester Airport, the first two of these are scheduled to be opened in 2013/14. Work continued on the upgrading and improving passenger facilities across the existing network including work on Piccadilly station Undercroft; development of a new stop at Queens Road; Bury stop improvements; and the

introduction of further new trams, as part of the agreed strategy to replace all the existing 'Phase 1 and 2' vehicles.

- *Delivering the Greater Manchester Transport Fund:* in addition to the further extensions to Metrolink mentioned above, TfGM has continued the programme to deliver the other schemes in the Fund which includes; new transport interchanges at Bolton, Altrincham, Rochdale and Wythenshawe; new bus priority measures; more park and ride facilities; and environmental improvements to secure maximum economic benefit for Greater Manchester.
- *Supporting and enhancing bus travel:* building and maintaining bus stations, stops and bus shelters; providing Local Link services; supporting the introduction of further new environmentally friendly vehicles across the subsidised services network in Greater Manchester; and investing over £35 million in supporting bus services for the benefits of passengers across the region.
- *Working in partnership to deliver better rail services:* new ramps and passenger facility enhancements at Blackrod rail station were completed in November 2012; a wind turbine was installed at Horwich rail station to provide the energy requirements of the station; and work commenced on the delivery of a new roof at Victoria station, which TfGM is part funding as part of the wider development plans for the station which Network Rail is delivering;
- *Providing quality services for our passengers*: including issuing concessionary passes; transporting children to and from schools on a fleet of Yellow School Buses; and funding Ring and Ride services, the Travel Voucher scheme and Traveline.

Whilst TfGM does not have a statutory duty under the Local Government Act 1999, it is nevertheless committed to achieving continuous improvement in the way its functions are exercised, with particular emphasis placed on achieving value for money. The organisation continues to ensure that its governance and processes are fit for purpose to reflect delivery and service quality priorities and to meet the challenges of the operating environment.

TfGM's Environmental Policy states that TfGM is committed to continuously improving its environmental performance. During 2012/13 TfGM has:

- successfully retained certification to Environmental Management System ISO 14001;
- delivered the EU funded Ticket to Kyoto (T2K) project. During 2012/13, this has included the installation of a wind turbine at Horwich Parkway Rail Station; completion of TfGM's carbon footprint and development of indicators to benchmark the carbon performance of Greater Manchester Transport; and the completion of numerous publically available reports to reduce carbon emissions from transport;
- developed a draft corporate social responsibility policy and a draft Carbon Strategy and associated action plans which will be implemented from 2013/14;
- reduced our carbon footprint by 19% from the 2007/2008 baseline, through on-going reductions in TfGM's energy use, the LED traffic signal replacement programme and further savings from fleet energy use;
- developed and implemented procedures and systems to ensure compliance with the Carbon Reduction Commitment Energy Efficiency Scheme;
- arranged and delivered environmental training for staff, including training all staff in energy management and project managers in biodiversity and legal compliance;
- successfully secured EU funding for the delivery of a sustainable design and construction toolkit; a feasibility study into hydrogen fuel cells; and a "Ding Ding" module to encourage travel behaviour change in young people; and
- ensured new projects are completed to high sustainability standards, through the provision of advice and guidance, in addition to targets and best practice requirements that TfGM has adopted such as the Wildlife, Habitat and Tree Replacement Policy.

Principle 2: Working together to achieve a common purpose with clearly defined functions and roles

The leadership and decision making functions within TfGM are exercised by the Executive Board and Executive Group whose responsibilities are set out in TfGM's Governance framework and Constitution. The Executive Board is the ultimate decision making body within TfGM and is responsible for determining strategic issues and policy on the exercise of its powers and the conduct of its business. The Constitution specifies the particular functions of the Executive Board which may not be delegated. Day to day management of TfGM is delegated to the Executive Group.

The Executive Group's core functions are to:

- co-ordinate TfGM's business planning and performance management processes;
- be responsible for all financial, budgetary and procurement matters;
- approve corporate policies; and
- formulate, for approval by the Executive Board, TfGM's input to the Local Transport Plan and other relevant documents.

TfGM's Scheme of Delegation sets out details on levels of authority to approve expenditure. These have been communicated to all staff.

In determining a Scheme of Delegation, TfGM has reserved powers within its Constitution in respect of those matters reserved for collective decision making. Officers in exercise of delegated powers under the Scheme of Delegation must ensure decisions are taken in accordance with legal requirements; the provisions of the Constitution; capital and revenue budgets; and established policies, plans and procedures.

During 2011/12 a detailed review of the Constitution and the Scheme of Delegation was completed. This review involved a significant consultation exercise across the organisation. The updated Constitution and Scheme of Delegation were approved by the Executive Board on 26 March 2012. In line with the requirement for regular reviews to be undertaken to ensure the Constitution and the Scheme of Delegation are kept up to date and are appropriate for the ongoing governance of TfGM, another review of these is currently being undertaken, the results of this will be implemented during this financial year and communicated to all staff.

A Board Sub-Committee, composed of the Chief Executive Officer, two Non-Executive Directors, the Director of Finance and Corporate Services and the Head of Human Resources has delegated responsibility from the Board to oversee all matters relating to the remuneration and terms and conditions of TfGM employees.

All staff, including senior management, have clear conditions of employment and job profiles which set out their roles and responsibilities. Terms and conditions of employment are overseen by the Head of Human Resources.

The Head of Legal Services carries out the statutory functions of the Monitoring Officer with overall responsibility for legal issues. The Head of Legal Services works closely with elected members and TfGM staff to provide advice where appropriate. All reports to the Executive Board and Executive Group include details of any legal considerations or implications.

The Director of Finance and Corporate Services has overall responsibility for financial issues and all reports to the Executive Board, Executive Group, and Programme and Project Boards, include details of any financial implications.

Principle 3: Promoting values for TfGM and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Executive Board is fully committed, through its policies and actions, to maintaining high standards of conduct and behaviour and to promoting a culture in which these can be openly practised. As noted above an exercise to review the Values of TfGM, in consultation with all employees, was undertaken in early 2013 which has led to them being updated.

The five corporate Values underpin the TfGM vision. As noted above, all staff had a key role in the development of these Values. In order to maintain awareness and ultimately to embed these Values, staff briefings are regularly held; lunchtime seminars conducted; regular e-mail communications sent; and an intranet microsite has been established. Values are also re-iterated in key corporate documents, including the Business Plan, and they underpin the performance management and business planning processes.

TfGM takes fraud, corruption and maladministration very seriously and has a Counter Fraud and Corruption Policy in place, which includes:

- a Fraud Response Plan;
- a Whistleblowing Policy;
- an Anti-Money Laundering Policy and
- Theft Response Procedures.

An Anti-Bribery and Corruption Policy is in place. This is supported by e-learning programmes for counter-fraud; anti-money laundering; and anti-bribery. A corporate Code of Conduct is also in place which sets out expected standards of behaviours in a number of areas.

TfGM participates in the National Fraud Initiative programme which is operated by the Audit Commission.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Constitution documents procedures including financial regulations and procurement rules. This is compliant with the duties and responsibilities of TfGM provided under the Transport Acts 1968, 1983, 1985 and 2000, the Local Government Act 1972, the Transport Works Act 1992 and the Greater Manchester Combined Authority Order 2011.

TfGM is responsible for the delivery of GMCA's and TfGMC's policies for transport and transport choices. Responsibilities for decision-making are clearly identified in the GMCA Constitution.

Effective scrutiny of decisions and business performance is provided in a number of ways. Minutes of the business of the Executive Group are considered by the Executive Board. The Board includes three non-executive directors to provide independent challenge and scrutinise both proposed decisions and the performance of TfGM Directorates.

An Executive Programme Board and a number of Programme and Projects Boards meet at least monthly to review and sanction the development and implementation of all programmes and projects.

Performance updates are reported to the Board monthly. Regular performance updates are also presented to GMCA and to TfGMC.

The proceedings of the Executive Board and Executive Group, and the decisions taken are formally minuted. The minutes are signed by the Chief Executive Officer and approved by the Board. Mechanisms are in place to ensure that any conflicts of interest are declared and recorded.

TfGM has an Audit Committee, which meets at least quarterly, chaired by a non-executive director of the Executive Board, to support the Board in discharging its responsibilities with regard to risk, control and governance and associated assurance. In particular, the Audit Committee advises TfGM Board on:

- the overall adequacy and effectiveness of the strategic processes for risk management, internal control and the Annual Governance Statement;
- the robustness of financial controls, including the financial reporting process, accounting policies, the Annual Report and Accounts of TfGM, to ensure that published financial information has integrity, is well balanced, and transparent; and also the extent to which assets are safeguarded against fraud and irregularity;
- the adequacy of management responses to recommendations made by the internal and external auditors in their reports;
- progress against planned activity and results of both internal and external audit work; and
- the assurances obtained regarding the adequacy and effectiveness of TFGM's arrangements to satisfy the requirements of the CIPFA/SOLACE framework of corporate governance.

The Audit Committee was initially constituted in 2005, and its terms of reference were reviewed and updated in November 2011. The Audit Committee's membership comprises three Non-Executive Members of the Board, with Directors and other Board Members and managers attending, as required, at the invitation of the Chair.

As part of TfGM's corporate governance framework, the Audit Committee has overall responsibility for the risk management framework and for providing the Board with assurance that the risk management process in place is effective. The Audit Committee ensures quarterly oversight and review of the framework. Progress updates on risk management activities and any changes to the strategic risk profile are presented to each meeting of the Audit Committee.

Continued overview and oversight of the risk management framework is also provided across the organisation by Directorate Risk Champions and senior management; and the Executive Group are actively involved in the management and ownership of risk, in accordance with TfGM's Risk Management Strategy.

TfGM's risk management system continues to support the risk management process, acting as a central database for risk information and providing the functionality to run quantitative risk analysis. Robust and established risk processes are in place to ensure that risks at all levels (Strategic, Directorate, Project and Programme) are well managed. Each risk is assigned an owner and actions designed to mitigate each risk are also assigned owners. Risks are regularly reviewed and reported in line with the TfGM Risk Management Strategy. This includes monthly reporting to Programme Boards and to the Executive Board. In addition, risk is explicitly considered in all reports presented to the Executive Board, Executive Group and Programme and Project Boards. Arrangements for the management of project and programme risks are also embedded in project and programme procedures.

Principle 5: Developing the capacity and capability of members and officers to be effective

Effective local government relies on public confidence in organisations and their officers. Good governance strengthens credibility and confidence in public services. Public Bodies need people with the right skills to direct and control them effectively. Governance roles and responsibilities are challenging and demanding and TfGM needs people with the right skills to direct and control them effectively. In addition, governance is strengthened by the participation of people with many different types of knowledge.

The Human Resources department provides a corporate induction programme to all new starters. The induction process includes elements relating to Internal Audit, risk management and counter fraud and corruption.

Learning and Development requirements are captured as part of the Performance Review process. Personal Development plans are developed and training is provided primarily in-house or, if required, and subject to value for money criteria being met, through external training organisations.

TfGM has a Competency Framework in place, in which staff assess themselves against core and other key (behavioural, technical, managerial etc.) competencies. This Framework is regularly reviewed and updated with particular emphasis on refining core competencies. Any skills gaps identified are incorporated into Learning and Development plans which are developed for all staff members.

All staff have job profiles which clearly set out their roles and responsibilities. Job profiles are prepared in advance of the recruitment and selection process and assist TfGM in ensuring that all staff possess the necessary skills to undertake their roles.

All staff have a scheduled performance review on a six monthly basis. The performance review system, which supports this process, has been subject to review during the year and a new system is scheduled to be rolled out early in 2013/14.

In 2012/13 a Future Leaders Programme was introduced. This is designed to help TfGM identify, reward and retain key talent across a wide variety of disciplines and levels, and to enable participants to further improve their skills, take on more responsibility and have more influence across the organisation. The programme will also help ensure that high performing individuals are rewarded with an opportunity to take part in further learning and development that will help them develop key skills in their roles at TfGM and beyond.

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

TfGM carries out a range of engagement and consultation activities with residents and other stakeholders, such as transport operators, throughout the year, including, for example, regular tracking surveys to identify transport priorities as well as specific consultation on new schemes.

TfGM's aim is to keep its various stakeholders informed and updated in relation to all aspects of Metrolink and other expansion and improvement projects, helping to maximise support through a structured programme of transparent 'no surprises' communications activity and community engagement. This involves consulting with key stakeholders in local communities and public bodies including passengers; schools; local and national political groups; emergency services; disability groups; other public transport providers; environmental groups and the media.

TfGM engages with these groups in a variety of ways in order to meet both the circumstances of the projects and the needs of the stakeholders. This includes engagement by means of meetings; drop in session at local venues; letter drops; newsletters; home/workplace visits; presentations and news releases.

As part of the expansion of the Metrolink system, the significant programme of stakeholder engagement and communications with the public and with stakeholder groups continued in 2012/13. This included attending around 300 stakeholder meetings and events; sending over 200 mailshots to residents and businesses along the lines being delivered; and dealing with over 3,200 stakeholder enquiries.

4. Review of Effectiveness

TfGM is responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is a responsibility administered by the Audit Committee and informed by the work of the Head of Audit and Assurance's annual report, and also by comments made by the external auditors and other assurance providers.

Audit Committee

The Audit Committee is responsible for reviewing the activity of internal and external audit in providing assurance over the effectiveness of internal controls.

Assurance and internal audit

The Audit and Assurance Department delivers an internal audit service that objectively examines, evaluates, and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

The function operates in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom. The work of Audit and Assurance is primarily informed by an analysis of the risks to which TfGM is exposed and annual audit plans are informed and developed from this analysis. The Head of Audit and Assurance agrees the Annual Audit Plan with, and reports to, the Audit Committee and has access to all Executive Officers and Members.

The function is augmented by a Programme Assurance Delivery Partner, whose remit is to assess the quality of project and programme management processes and procedures and to act as a further 'line of defence' in ensuring effective procedures, processes and controls are in place for the management of capital and non-capital projects and programmes.

External audit

The external auditors will issue the following reports in respect of the 2012/13 financial year:

- Annual Governance Report;
- Auditor's report including a Value for Money statement; and
- Annual Audit Letter.

Financial control assurance

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within TfGM. In particular, the system includes:

- comprehensive budgeting and forecasting systems;
- regular reviews of periodic and annual financial reports which compare financial performance against the budget and forecasts;
- setting targets to measure financial and other performance;
- clearly-defined capital expenditure guidelines; and
- formal programme and project management disciplines.

The financial management arrangements of TfGM conform with the governance requirements of CIPFA's "Statement on the Role of the Chief Financial Officer in Local Government".

5. Significant Governance developments

TfGM is committed to a culture of continuous improvement and ensuring value for money. The Annual Governance Statement identifies areas where improvements have been made. As part of the drive for continuous improvement and value for money TfGM will need to continue to focus its efforts on these and other areas during 2013/14. The Audit Committee and TfGM Board will closely monitor these improvements.

Governance Framework

TfGM's governance framework brings together:

- the requirements of the TfGM Constitution;
- the internal TfGM assurance process, including via the various Programme and Project Boards; and
- the day-to-day management of the organisation's operations.

Following the last detailed review and update that was completed in 2011/12, the effectiveness of these arrangements was reviewed again in 2013/14 and will continue to be monitored and reviewed, as necessary, on an ongoing basis.

Resource management

Modifications continue to be made to the organisational structure of TfGM, to ensure we have an appropriate structure and processes in place to deliver our commitments efficiently and effectively.

Risk management

Risk management focuses on managing threats and opportunities; and creating an environment of 'no surprises'. It focuses on managing and mitigating risk without stifling innovation. TfGM is continually improving its risk management system to ensure that it remains robust and supports delivery of the organisation's objectives. Some of the key developments in 2012/13 included:

- updates to the Risk Management Policy and Strategy to ensure ongoing conformity with best practice;
- improving staff awareness and understanding of risk management through a range of communications and learning and development activities, including the rollout of an "Introduction to Risk Management" course and the piloting of a new "Project Risk Management" course;
- undertaking a maturity assessment to measure the existing arrangements against best practice;
- upgrading the risk management software;
- supporting the Gateway Review Panel (GRP); to ensure the ongoing review of the management of risks at key decision points throughout the lifecycle of projects and programmes; and
- continued and improved reporting to Audit Committee, Programme Boards and Executive Board, including the launch of new Programme dashboards.

Further work to embed risk management and improve the risk maturity across the organisation will continue during 2013/14.

Cost Management

As in previous years, the budget for 2013/14 incorporates a number of challenging targeted savings. These will be monitored and reported to the Executive Board on a regular basis.

6. Conclusion

On the basis of the review of the sources of assurance set out in this statement, the Directors are satisfied that, throughout the year and up to the date of the approval of the accounts, TfGM had in place satisfactory systems of internal control which facilitate the effective exercise of the organisation's functions.

Dr J LAMONTE	SG WARRENER
Director	*Director*

8 July 2013

INDEPENDENT AUDITOR’S REPORT TO TRANSPORT FOR GREATER MANCHESTER

Opinion on the financial statements

We have audited the financial statements of Transport for Greater Manchester (TfGM) for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the TfGM and Group Movement in Reserves Statement, the TfGM and Group Comprehensive Income and Expenditure Statement, the TfGM and Group Balance Sheet, the TfGM and Group Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the Directors of Transport for Greater Manchester in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Transport for Greater Manchester and Transport for Greater Manchester's Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Finance and Corporate Services Director and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

In our opinion, the information given in the Directors' Report and Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Other matters on which we are required to conclude

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that TfGM has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in November 2012, we have considered the results of the following:

- our review of the annual governance statement.

As a result, we have concluded that there are no matters to report.

Certificate

We certify that we have completed the audit of the accounts of Transport for Greater Manchester and the Group in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mick Waite
Senior Statutory Auditor, for and on behalf of Grant Thornton UK LLP

4 Hardman Square
Spinningfields
Manchester
M3 3EB

9 July 2013

MOVEMENT IN RESERVES STATEMENTS for the year ended 31 March 2013

The Movement in Reserves Statements show the movement in the year on the different reserves held by TfGM, analysed into ‘usable reserves’ (i.e. those reserves that TfGM may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and ‘unusable reserves’, which include reserves that hold unrealised gains and losses; and reserves that hold timing differences (for example the Deferred Capital Grants and Contributions Account).

Group

	Usable Reserves				Unusable Reserves					Total Reserves
	Revenue Reserves £000	Unapplied Revenue Grants and Contributions Account £000	Unapplied Capital Grants and Contributions Account £000	Total Usable Reserves £000	Capital Reserves £000	Pension Reserve £000	De-regulation Reserve £000	Deferred Capital Grants and Contributions Account £000	Total Unusable Reserves £000	£000
At 31 March 2011	**38,247**	**10,000**	**12,020**	**60,267**	**4,013**	**35,000**	**(53,436)**	**1,000,536**	**986,113**	**1,046,380**
Transferred reserves on acquired functions at 1 April 2011	3,843	-	-	3,843	-	-	-	-	-	3,843
At 1 April 2011 following restatement	**42,090**	**10,000**	**12,020**	**64,110**	**4,013**	**35,000**	**(53,436)**	**1,000,536**	**986,113**	**1,050,223**
Surplus on provision of services	319,713	-	-	319,713	-	-	-	-	-	319,713
Other comprehensive income and expenditure	(14,900)	-	-	(14,900)	-	-	-	-	-	(14,900)
Comprehensive income and expenditure	304,813	-	-	304,813	-	-	-	-	-	304,813
Adjustments between accounting basis and funding basis under regulations										
Capital grants released (amortisation)	31,002	-	-	31,002	-	-	-	(31,002)	(31,002)	-
Capital grants released (disposals)	-	-	-	-	-	-	-	-	-	-
Capital grants unapplied / applied	(339,345)	-	(2,421)	(341,766)	-	-	-	341,766	341,766	-
Revenue grants unapplied	(10,000)	10,000	-	-	-	-	-	-	-	-
Pension contributions by employer	(3,000)	-	-	(3,000)	-	3,000	-	-	3,000	-
Pension cost of service	3,300	-	-	3,300	-	(3,300)	-	-	(3,300)	-
Pension finance costs	400	-	-	400	-	(400)	-	-	(400)	-
Actuarial gains and losses on pension assets and liabilities	14,900	-	-	14,900	-	(14,900)	-	-	(14,900)	-
	(302,743)	10,000	(2,421)	(295,164)	-	(15,600)	-	310,764	295,164	-
Net increase / (decrease) before transfers to earmarked reserves	2,070	10,000	(2,421)	9,649	-	(15,600)	-	310,764	295,164	304,813
Transfer to Deregulation Reserve	(1,100)	-	-	(1,100)	-	-	1,100	-	1,100	-
Increase / (decrease) in 2011/12	970	10,000	(2,421)	8,549	-	(15,600)	1,100	310,764	296,264	304,813
At 31 March 2012	**43,060**	**20,000**	**9,599**	**72,659**	**4,013**	**19,400**	**(52,336)**	**1,311,300**	**1,282,377**	**1,355,036**
Surplus on provision of services	206,565	-	-	206,565	-	-	-	-	-	206,565
Other comprehensive income and expenditure	(14,300)	-	-	(14,300)	-	-	-	-	-	(14,300)
Comprehensive income and expenditure	192,265	-	-	192,265	-	-	-	-	-	192,265
Adjustments between accounting basis and funding basis under regulations										
Capital grants released (amortisation)	39,321	-	-	39,321	-	-	-	(39,321)	(39,321)	-
Capital grants released (disposals)	336	-	-	336	-	-	-	(336)	(336)	-
Capital grants unapplied / applied	(252,057)	-	(4,414)	(256,471)	-	-	-	256,471	256,471	-
Revenue grants unapplied	(10,000)	10,000	-	-	-	-	-	-	-	-
Revenue grants (previously unapplied) released	11,070	(11,070)	-	-	-	-	-	-	-	-
Pension contributions by employer	(3,100)	-	-	(3,100)	-	3,100	-	-	3,100	-
Pension cost of service	3,300	-	-	3,300	-	(3,300)	-	-	(3,300)	-
Pension finance costs	2,300	-	-	2,300	-	(2,300)	-	-	(2,300)	-
Actuarial gains and losses on pension assets and liabilities	14,300	-	-	14,300	-	(14,300)	-	-	(14,300)	-
	(194,530)	(1,070)	(4,414)	(200,014)	-	(16,800)	-	216,814	200,014	-
Net increase / (decrease) before transfers to earmarked reserves	(2,265)	(1,070)	(4,414)	(7,749)	-	(16,800)	-	216,814	200,014	192,265
Transfer to Deregulation Reserve	(1,100)	-	-	(1,100)	-	-	1,100	-	1,100	-
Increase / (decrease) in 2012/13	(3,365)	(1,070)	(4,414)	(8,849)	-	(16,800)	1,100	216,814	201,114	192,265
At 31 March 2013	**39,695**	**18,930**	**5,185**	**63,810**	**4,013**	**2,600**	**(51,236)**	**1,528,114**	**1,483,491**	**1,547,301**

The notes from page 25 onwards form part of these accounts.

MOVEMENT IN RESERVES STATEMENTS for the year ended 31 March 2013

TfGM

	Usable Reserves				Unusable Reserves					Total Reserves
	Revenue Reserves £000	**Unapplied Revenue Grants and Contributions Account £000**	**Unapplied Capital Grants and Contributions Account £000**	**Total Usable Reserves £000**	**Corporate Capital £000**	**Pension Reserve £000**	**De-regulation Reserve £000**	**Deferred Capital Grants and Contributions Account £000**	**Total Unusable Reserves £000**	**£000**
At 31 March 2011	**38,626**	**10,000**	**12,020**	**60,646**	**2,461**	**35,000**	**(53,436)**	**1,000,536**	**984,561**	**1,045,207**
Transferred reserves on acquired functions at 1 April 2011	3,843	-	-	3,843	-	-	-	-	-	3,843
At 1 April 2011 following restatement	**42,469**	**10,000**	**12,020**	**64,489**	**2,461**	**35,000**	**(53,436)**	**1,000,536**	**984,561**	**1,049,050**
Surplus on provision of services	319,644	-	-	319,644	-	-	-	-	-	319,644
Other comprehensive income and expenditure	(14,900)	-	-	(14,900)	-	-	-	-	-	(14,900)
Comprehensive income and expenditure	304,744	-	-	304,744	-	-	-	-	-	304,744
Adjustments between accounting basis and funding basis under regulations										
Capital grants released (amortisation)	31,002	-	-	31,002	-	-	-	(31,002)	(31,002)	-
Capital grants released (disposals)	-	-	-	-	-	-	-	-	-	-
Capital grants applied	(339,345)	-	(2,421)	(341,766)	-	-	-	341,766	341,766	-
Revenue grants unapplied	(10,000)	10,000	-	-	-	-	-	-	-	-
Pension contributions by employer	(3,000)	-	-	(3,000)	-	3,000	-	-	3,000	-
Pension cost of service	3,300	-	-	3,300	-	(3,300)	-	-	(3,300)	-
Pension finance costs	400	-	-	400	-	(400)	-	-	(400)	-
Actuarial gains and losses on pension assets and liabilities	14,900	-	-	14,900	-	(14,900)	-	-	(14,900)	-
	(302,743)	10,000	(2,421)	(295,164)	-	(15,600)	-	310,764	295,164	-
Net increase / (decrease) before transfers to earmarked reserves	2,001	10,000	(2,421)	9,580	-	(15,600)	-	310,764	295,164	304,744
Transfer to Deregulation Reserve	(1,100)	-	-	(1,100)	-	-	1,100	-	1,100	-
Increase / (decrease) in 2011/12	901	10,000	(2,421)	8,480	-	(15,600)	1,100	310,764	296,264	304,744
At 31 March 2012	**43,370**	**20,000**	**9,599**	**72,969**	**2,461**	**19,400**	**(52,336)**	**1,311,300**	**1,280,825**	**1,353,794**
Surplus on provision of services	205,560	-	-	205,560	-	-	-	-	-	205,560
Other comprehensive income and expenditure	(14,300)	-	-	(14,300)	-	-	-	-	-	(14,300)
Comprehensive income and expenditure	191,260	-	-	191,260	-	-	-	-	-	191,260
Adjustments between accounting basis and funding basis under regulations										
Capital grants released (amortisation)	39,321	-	-	39,321	-	-	-	(39,321)	(39,321)	-
Capital grants released (disposals)	336	-	-	336	-	-	-	(336)	(336)	-
Capital grants applied	(252,057)	-	(4,414)	(256,471)	-	-	-	256,471	256,471	-
Revenue grants unapplied	(10,000)	10,000	-	-	-	-	-	-	-	-
Revenue grants (previously unapplied) released	11,070	(11,070)	-	-	-	-	-	-	-	-
Pension contributions by employer	(3,100)	-	-	(3,100)	-	3,100	-	-	3,100	-
Pension cost of service	3,300	-	-	3,300	-	(3,300)	-	-	(3,300)	-
Pension finance costs	2,300	-	-	2,300	-	(2,300)	-	-	(2,300)	-
Actuarial gains and losses on pension assets and liabilities	14,300	-	-	14,300	-	(14,300)	-	-	(14,300)	-
	(194,530)	(1,070)	(4,414)	(200,014)	-	(16,800)	-	216,814	200,014	-
Net increase / (decrease) before transfers to earmarked reserves	(3,270)	(1,070)	(4,414)	(8,754)	-	(16,800)	-	216,814	200,014	191,260
Transfer to Deregulation Reserve	(1,100)	-	-	(1,100)	-	-	1,100	-	1,100	-
Increase / (decrease) in 2012/13	(4,370)	(1,070)	(4,414)	(9,854)	-	(16,800)	1,100	216,814	201,114	191,260
At 31 March 2013	**39,000**	**18,930**	**5,185**	**63,115**	**2,461**	**2,600**	**(51,236)**	**1,528,114**	**1,481,939**	**1,545,054**

The notes from page 25 onwards form part of these accounts.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENTS for the year ended 31 March 2013

The Comprehensive Income and Expenditure Statements show the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Group

2011/12 Gross Expenditure £000	2011/12 Gross Income £000	2011/12 Net Expenditure £000		Notes	2012/13 Gross Expenditure £000	2012/13 Gross Income £000	2012/13 Net Expenditure £000
			Highway and transport costs				
(82,531)	83,537	1,006	Rail franchise		(62,440)	64,025	1,585
(54,540)	-	(54,540)	Concessionary fare scheme		(56,553)	-	(56,553)
(39,308)	6,062	(33,246)	Supported bus services		(40,633)	5,310	(35,323)
(43,056)	30,484	(12,572)	Metrolink		(65,558)	34,648	(30,910)
(12,944)	-	(12,944)	Exceptional accelerated depreciation charge		(4,800)	-	(4,800)
(5,603)	-	(5,603)	Accessible transport		(5,418)	-	(5,418)
(12,666)	12,818	152	Highways activities		(12,945)	12,851	(94)
(5,478)	6,900	1,422	Road safety activities		(6,295)	7,198	903
(6,295)	6,295	-	Provision of third party passenger transport facilities		(5,871)	5,871	-
(48,980)	11,099	(37,881)	Operational costs		(47,574)	11,635	(35,939)
(311,401)	157,195	(154,206)			(308,087)	141,538	(166,549)
(4,683)	-	(4,683)	Corporate and democratic core costs		(5,911)	-	(5,911)
(43)	-	(43)	Non distributed costs		(43)	-	(43)
(316,127)	157,195	(158,932)	**Cost of services**	5	(314,041)	141,538	(172,503)
			Non-specific grant income				
-	143,896	143,896	Revenue grant	5	-	133,738	133,738
-	339,345	339,345	Capital grants and contributions		-	252,057	252,057
			Other operating expenditure				
10	-	10	Net gain / (loss) on disposal of non-current assets	7,9e	(359)	-	(359)
(4,609)	3	(4,606)	Financing and investment income and expenditure	6	(6,369)	1	(6,368)
(320,726)	640,439	319,713	**Group surplus on provision of services**		(320,769)	527,334	206,565
		-	Taxation charge for the year				-
		319,713	**Group surplus for the year after taxation**				206,565
		(14,900)	Actuarial (losses)/gains on pension assets and liabilities	20			(14,300)
		(14,900)	**Other comprehensive income and expenditure**				(14,300)
		304,813	**Total comprehensive income and expenditure**				192,265

All amounts relate to continuing operations. The notes from page 25 onwards form part of these accounts.

A statement is provided in the Directors' Report on page 3 by way of explanation of the total comprehensive income and expenditure reported under the Code of Practice on Local Authority Accounts and the actual revenue surplus retained / deficit incurred by the organisation.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENTS for the year ended 31 March 2013

TfGM

2011/12					2012/13		
Gross Expend-iture £000	Gross Income £000	Net Expend-iture £000		Notes	Gross Expend-iture £000	Gross Income £000	Net Expend-iture £000
			Highway and transport costs				
(82,531)	83,537	1,006	Rail franchise		(62,440)	64,025	1,585
(54,540)	-	(54,540)	Concessionary fare scheme		(56,553)	-	(56,553)
(39,308)	6,062	(33,246)	Supported bus services		(40,633)	5,310	(35,323)
(43,056)	30,484	(12,572)	Metrolink		(65,558)	34,648	(30,910)
(12,944)	-	(12,944)	Exceptional accelerated depreciation charge		(4,800)	-	(4,800)
(5,603)	-	(5,603)	Accessible transport		(5,418)	-	(5,418)
(12,666)	12,818	152	Highways activities		(12,945)	12,851	(94)
(5,478)	6,900	1,422	Road safety activities		(6,295)	7,198	903
(6,295)	6,295	-	Provision of third party passenger transport facilities		(5,871)	5,871	-
(48,767)	10,650	(38,117)	Operational costs		(47,381)	10,324	(37,057)
(311,188)	156,746	(154,442)			(307,894)	140,227	(167,667)
(4,672)	-	(4,672)	Corporate and democratic core costs		(5,893)	-	(5,893)
(43)	-	(43)	Non distributed costs		(43)	-	(43)
(315,903)	156,746	(159,157)	**Cost of services**	5	(313,830)	140,227	(173,603)
			Non-specific grant income				
-	143,896	143,896	Revenue grant	5	-	133,738	133,738
-	339,345	339,345	Capital grants and contributions		-	252,057	252,057
			Other operating expenditure				
10	-	10	Net gain / (loss) on disposal of non-current assets	7,9e	(359)	-	(359)
(4,609)	159	(4,450)	Financing and investment income and expenditure	6	(6,369)	96	(6,273)
(320,502)	640,146	319,644	**Surplus on provision of services**		(320,558)	526,118	205,560
		-	Taxation charge for the year				-
		319,644	**Surplus for the year after taxation**				205,560
		(14,900)	Actuarial gains/(losses) on pension assets and liabilities	20			(14,300)
		(14,900)	**Other comprehensive income and expenditure**				(14,300)
		304,744	**Total comprehensive income and expenditure**				191,260

All amounts relate to continuing operations. The notes from page 25 onwards form part of these accounts.

BALANCE SHEET at 31 March 2013

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by TfGM. The net assets of TfGM (assets less liabilities) are matched by the reserves held by TfGM. Reserves are reported in two categories – usable and unusable. Usable are those reserves that TfGM may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that TfGM is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences (for example the Deferred Capital Grants and Contributions Account).

		Group		**TfGM**	
	Notes	**31 March 2013 £000**	**31 March 2012 £000**	**31 March 2013 £000**	**31 March 2012 £000**
ASSETS					
Long term assets					
Property, plant & equipment	9	1,557,218	1,343,138	1,557,218	1,343,138
Investment property	11	396	396	-	-
Investments	12	-	-	2,758	2,758
Net pensions assets	20	2,600	19,400	2,600	19,400
		1,560,214	1,362,934	1,562,576	1,365,296
Current Assets					
Short term debtors	13	100,614	118,350	99,677	118,313
Inventories	14	235	539	235	539
Cash and cash equivalents	15	23,656	39,845	23,366	39,620
		124,505	158,734	123,278	158,472
TOTAL ASSETS		**1,684,719**	**1,521,668**	**1,685,854**	**1,523,768**
LIABILITIES					
Current Liabilities					
Short term creditors	16	(63,346)	(87,606)	(66,728)	(90,948)
Provisions	16,17	(1,516)	(1,455)	(1,516)	(1,455)
Short term borrowing	16,18	(1,254)	(2,957)	(1,254)	(2,957)
		(66,116)	(92,018)	(69,498)	(95,360)
Long term liabilities					
Provisions	17	(204)	(3,495)	(204)	(3,495)
Net pension liabilities	20	-	-	-	-
Long term borrowings	18	(71,098)	(71,119)	(71,098)	(71,119)
		(71,302)	(74,614)	(71,302)	(74,614)
TOTAL LIABILITIES		**(137,418)**	**(166,632)**	**(140,800)**	**(169,974)**
NET ASSETS		**1,547,301**	**1,355,036**	**1,545,054**	**1,353,794**
FINANCED AS FOLLOWS:					
Reserves as follows:					
Usable reserves	19	63,810	72,659	63,115	72,969
Unusable reserves	19	1,483,491	1,282,377	1,481,939	1,280,825
		1,547,301	**1,355,036**	**1,545,054**	**1,353,794**

The notes from page 25 onwards form part of these accounts.

Dr J LAMONTE
Director
8 July 2013

SG WARRENER
Director

CASH FLOW STATEMENTS for the year ended 31 March 2013

The Cash Flow Statements show the changes in cash and cash equivalents of the group and TfGM during the reporting period. The statements show how the group and TfGM generates and uses cash and cash equivalents and classifies cash flows into 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 are funded by way of grant income or from the recipients of services provided by the group and TfGM. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to future service delivery. Cash flows arising from financing activities are a useful indicator in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the group and TfGM.

		Group		TfGM	
	Notes	2013 £000	2012 £000	2013 £000	2012 £000
Net surplus on provision of services		206,565	319,713	205,560	319,644
Adjustments to reconcile income to net cash flows:					
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities					
Grants received for capital works		(252,057)	(339,345)	(252,057)	(339,345)
Finance cost	6	6,369	4,609	6,369	4,609
Interest paid		(4,118)	(4,254)	(4,118)	(4,254)
Adjustments for other non- cash movements					
Depreciation	7,9	42,269	34,407	42,269	34,407
(Gain) / loss on disposal of non-current assets	7,9(e)	359	(10)	359	(10)
IAS19 pension service costs	20	3,300	3,300	3,300	3,300
IAS19 employer contributions	20	(3,100)	(3,000)	(3,100)	(3,000)
(Increase) / decrease in debtors		792	(8,777)	1,692	(8,690)
(Increase) / decrease in inventories		304	232	304	232
Increase / (decrease) in creditors and provisions		4,033	(3,071)	4,073	(3,039)
Net cash flows from operating activities		**4,716**	**3,804**	**4,651**	**3,854**
Investing Activities					
Purchase of property, plant and equipment		(288,899)	(315,961)	(288,899)	(315,961)
Grants received for capital works		269,669	322,106	269,669	322,106
Proceeds from sale of property, land and equipment		-	10	-	10
Net cash flows from investing activities		**(19,230)**	**6,155**	**(19,230)**	**6,155**
Financing Activities					
Repayment of short and long term borrowings		(1,675)	(1,531)	(1,675)	(1,547)
Net cash flows from financing activities		**(1,675)**	**(1,531)**	**(1,675)**	**(1,547)**
Net increase/(decrease) in cash and cash equivalents		(16,189)	8,428	(16,254)	8,462
Cash and cash equivalents as at 1 April		39,845	31,417	39,620	31,158
Cash and cash equivalents as at 31 March	15	**23,656**	**39,845**	**23,366**	**39,620**

The notes from page 25 onwards form part of these accounts.

NOTES TO THE ACCOUNTS

1. Introduction

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2011. Paragraph 17 of the Accounts and Audit Regulations 2011 states that 'A statement of accounts of a Passenger Transport Executive must be prepared as if the proper practices in relation to accounts applicable to a local authority were, so far as appropriate, applicable to an Executive'. Proper practices for TfGM are set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ('The Code').

2. Basis of Preparation

The accounts have been prepared on a historical cost basis, except for certain property assets that are measured at fair value, in accordance with the Code. The accounts have been prepared on a going concern basis.

Statement of Compliance with IFRS

TfGM has adopted all aspects of the Code other than as follows:

- Deregulation Reserve. IFRS 5 would treat the deregulation of bus services in 1986 as a discontinued operation, leading to the write off of any costs connected with deregulation. However, the Transport Act of 1985 allowed any costs incurred on deregulation to be transferred to a specific reserve, called the 'Deregulation Reserve'. TfGM has adopted a policy of amortising the Deregulation Reserve over 30 years. Refer to note 19 for further details.
- Investment properties: The Code provides that any surplus or deficit arising on the revaluation of investment properties should be transferred to a revaluation reserve. TfGM's policy is to charge or credit any surplus or deficit to the income and expenditure account in the year that it arises. This policy is in line with IAS and it is considered that this treatment is more appropriate to TfGM than the Code.

Group Accounts

The group accounts comprise the accounts of TfGM and its subsidiary and associated undertakings as at 31 March 2013 (see Note 21(a)).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. They are fully consolidated from the date that TfGM obtains control, until the date that such control ceases.

The financial statements of a joint venture in which TfGM has an interest are prepared for the same reporting period as TfGM, using consistent accounting policies. TfGM recognises its interest in the joint venture, Piccadilly Triangle Developments LLP (see Note 21(a)), using proportionate consolidation. TfGM combines its share of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its group financial statements between the dates that it has an interest.

All intra-group trading, balances and unrealised gains and losses as at the end of the period are eliminated in full (in the case of subsidiaries) or in part (in the case of the joint venture).

3. Summary of Significant Accounting Policies

3.1 Property, Plant and Equipment and Assets Under Construction

Items of property, plant and equipment are stated at cost less accumulated depreciation, with the exception of investment properties and non-infrastructure operational assets which are measured at fair value. TfGM's policy is to write off the carrying value of all assets, other than freehold land, on a straight line basis over their estimated remaining useful lives.

The range of estimated useful lives for each class of assets is as follows:

Freehold and long leasehold buildings	40 to 50 years
Short leasehold buildings	over the lease term
Infrastructure assets (see note * below)	20 to 50 years
Plant and equipment (including software)	3 to 10 years
Vehicles: Motor vehicles	3 to 5 years

* Infrastructure assets includes a number of categories of assets relating to the Metrolink network.

Further details of the asset lives within this category are given below:

Civil structures	50 years
Stations	30 years
Track and track bed	20 to 30 years
Ticket machines and information points	20 years
Overhead power lines	30 years
Signalling/telecoms	20 years
Metrolink trams	30 years

The cost of Metrolink includes £112.670 million (*2012: £111.931 million*) representing the costs of acquiring the land required for the system to be constructed. In accordance with standard accounting practice this land is not being depreciated.

Depreciation of assets, and amortisation of any grant funding its acquisition, commences with effect from the month following capitalisation. Capitalisation of assets is carried out as soon as practicable following its acquisition or completion, irrespective of whether the asset has been brought into full use.

Annual reviews are undertaken of the estimated remaining life and current carrying amount of assets; ensuring that significant assets are reviewed annually and other assets are reviewed at least every three years. Adjustments to the carrying amount, or remaining useful life, are made where necessary.

An item of property, plant and equipment is derecognised upon disposal, replacement or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition (calculated as the difference between the net disposal proceeds and the carrying amount) is included in the Comprehensive Income and Expenditure Statement in the year the item is derecognised, offset by the write-back of any grant funding that has been received and which has not been released to the Revenue Reserve.

For the ongoing measurement of property, plant and equipment, TfGM adopts the Code, which requires the fair value method to be applied to non-infrastructure operational assets. Assets classified as infrastructure include all Metrolink assets, bus stations, interchanges, turning points, bus shelters and other route equipment and works.

As permitted by the Code, the carrying value of property, plant and equipment in existence on the transition date to IFRS of 1 April 2010 has been treated as deemed cost at the transition date.

Assets under construction relate to expenditure incurred in respect of assets which are incomplete as at the reporting date. The assets are transferred to the appropriate heading and depreciated when they become available for use.

3.2 Non-current assets held for sale

Non-current assets classified as held for sale are classified as such, and measured at the lower of carrying amount and fair value less costs to sell, if their value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to complete within one year.

Property, plant and equipment classified as held for sale are not depreciated.

There were no assets classified as held for sale as at 31 March 2013.

3.3 Investment properties

Investment properties are initially recognised at cost, including direct transaction costs. They are subsequently revalued annually in accordance with the fair value model, reflecting market conditions at the balance sheet date. Any surplus or deficit arising from any change in fair value is recognised in the Comprehensive Income and Expenditure Statement in the period in which it arises.

Investment properties are not depreciated. They are de-recognised when disposed of, or when no future economic use is expected. The difference between net proceeds and carrying value is recognised in the Comprehensive Income and Expenditure Statement in the period of de-recognition.

3.4 Capital and revenue grants and contributions

Capital and revenue grants receivable and contributions are recognised immediately in the Comprehensive Income and Expenditure Statement except where the grant or contribution has a condition that has not yet been met. These amounts are recognised in the Balance Sheet within capital and revenue grants received in advance until such time as the conditions are met whereupon they are transferred to the Comprehensive Income and Expenditure Statement.

With respect to capital grants or contributions, if the expenditure to be financed from the grant or contribution has been incurred at the balance sheet date, the grant or contribution is transferred from the Revenue Reserve to the Deferred Capital Grants and Contributions Account via the Movement in Reserves Statement. If the expenditure has not been incurred at the balance sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account via the Movement in Reserves Statement.

With respect to revenue grants or contributions, if the expenditure has not been incurred at the balance sheet date, the grant or contribution is transferred to the Revenue Grants Unapplied Account via the Movement in Reserves Statement.

In the cases where a capital or revenue grant is received which is subject to a stipulation that it be returned to the transferor if a specified future event does not occur, a return obligation does not arise until such time as it is expected that the stipulation will be breached; and a liability is not recognised until the recognition criteria have been satisfied.

3.5 Inventories

Inventories are carried at the lower of cost (including costs incurred in bringing the inventory to its present location, such as freight) and net realisable value, determined on a first in first out basis.

3.6 Financial Assets

Financial assets are classified at recognition as loans, deposits or receivables in accordance with IAS 39, and recognised at cost. TfGM has not designated any financial assets as at fair value through the Comprehensive Income and Expenditure Statement. TfGM's financial assets include cash, short-term deposits, trade and other receivables.

Subsequent measurement depends on their classification as follows:

Cash and cash equivalents: funds placed with banks and other financial institutions by GMCA with a maturity of three months or less. For the purpose of the group cash flow statement, cash and cash equivalents are as defined above, net of any outstanding bank overdrafts.

Loans and deposits: non-derivative financial assets with fixed or determinable payments not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Any gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the assets are amortised, de-recognised or impaired.

Trade and other receivables: recognised and carried at invoice or contract value less an allowance for any amounts which may not be collectable. Should an amount become uncollectable, it is written off to the Comprehensive Income and Expenditure Statement in the period in which it is recognised.

Finance leases: refer to notes 3.14 and 3.15.

3.7 Financial Liabilities

Financial liabilities are classified at recognition as loans and borrowings in accordance with IAS 39, and recognised at cost. TfGM has not designated any financial liabilities or assets as at fair value through the Comprehensive Income and Expenditure Statement. TfGM's financial liabilities include bank overdraft, trade creditors, loans and other payables.

Subsequent measurement depends on their classification as follows:

Loans and borrowings: non-derivative financial liabilities with fixed or determinable payments not quoted in an active market. Such interest-bearing liabilities are carried at amortised cost using the effective interest rate method. Any gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the liabilities are amortised, de-recognised or impaired.

Trade and other payables: recognised and carried at invoice or contract value. Should an amount become non-payable, it is written back to the income statement in the period in which it is recognised.

Finance leases: refer to notes 3.14 and 3.15.

3.8 Offsetting of Financial Instruments

Financial assets and liabilities are offset, and the net amount reported in the Balance Sheet, if, and only if, there is an enforceable legal right to offset, and there is an intention to settle on a net basis in order to realise the assets and discharge the liabilities simultaneously.

3.9 Impairment of non-financial assets

TfGM assesses each year whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, TfGM estimates the asset's recoverable amount, which is the higher of its fair value less costs to sell, and its value in use. This is determined for an individual asset, unless it does not generate cash flows independently from other assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted at a rate reflecting TfGM's current assessment of its average borrowing rates. In determining fair value less costs to sell, an appropriate valuation model is used. The calculations are reviewed where possible against other available indicators.

Impairment losses are recognised in the Comprehensive Income and Expenditure Statement in those expense categories consistent with the function of the asset, except for property previously re-valued where the revaluation was taken to reserves. In this case the impairment is also recognised in reserves up to the amount of any previous revaluation.

An assessment is also made each year as to whether there is any indication that previously recognised impairment losses may no longer exist; or may have decreased. If this is the case, TfGM estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been previously recognised. Such reversal is recognised in the Comprehensive Income and Expenditure Statement unless the asset is carried at re-valued amount, in which case the reversal is treated as a revaluation increase.

3.10 Provisions, Contingent liabilities and Contingent assets

Provisions

Provisions are made where an event has taken place that gives TfGM a legal or constructive obligation that "probably" requires settlement by a transfer of economic benefits or service potential, and, where a reliable estimate can be made of the amount of the obligation.

Provisions are charged either as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement or within project costs included within property, plant and equipment in the year that TfGM 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 be required (or a lower settlement than anticipated is made), the amount of the provision no longer required is reversed and credited back to the relevant service or project cost.

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

Contingent liabilities

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

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 are instead disclosed in a note to the accounts.

Contingent assets

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

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

3.11 Rail Services - Funding

Local rail services are provided under the terms of the relevant Franchise Agreements. TfGM is a co-signatory to the Northern Rail franchise, with the Department for Transport and the other Passenger Transport Executives into whose areas Northern Rail runs services. Under the terms of the Franchise Agreement, each of the funding parties has contracted to pay, direct to the Franchisee, annual sums in respect of their share of the services being provided. In addition, financial bonuses or penalties are applied according to how well the operator performs against certain specific benchmarks in terms of train service reliability and punctuality, and also in terms of a number of specific criteria against which the quality of service provision at stations and on trains is assessed.

The cost of the Franchise and of certain direct costs of rail support is funded by a Special Rail Grant, which is paid by the Department for Transport direct to TfGM.

3.12 Passenger Transport Facilities

As part of its statutory duties, TfGM is responsible for meeting the costs of upgrading public passenger transport facilities in the Greater Manchester area, including railway and highways infrastructure. In addition, TfGM provides assets and grants to Greater Manchester Accessible Transport Limited (GMATL) and grants to bus operators in accordance with section 106 of the Transport Act 1985. The expenditure incurred is offset by equivalent grants received from GMCA, which for the year ended 31 March 2013 amounted to £5.871 million (2012: £6.295 million).

Once completed, ownership of these assets vests in rail operating companies, Network Rail, GMATL, bus operators or the Local Authority as appropriate.

Both the costs and the grant income are recognised within the Comprehensive Income and Expenditure Statement.

3.13 Turnover

Turnover, which all arises within the United Kingdom and is stated net of value added tax, represents income arising from Metrolink fare revenues, services provided, rental income, and advertising revenues, including estimates in respect of services provided but not invoiced at the year end.

3.14 Lease Income

Amounts receivable under finance leases are stated net of interest allocated to future periods. Interest is allocated to accounting periods to produce a constant periodic rate of return on the remaining net investment.

Rentals receivable under operating leases, and secondary rentals received and retained by the group under finance leases, are credited to income as they arise. Any premia or incentives within the lease are recognised as income on an equal basis over the term of the lease.

3.15 Lease expenditure

Assets held under finance leases where TfGM retains substantially all the risks and benefits of ownership are capitalised in the balance sheet at the lower of the fair value of the asset and the net present value of the minimum lease payments; the assets are then depreciated over their useful economic lives.

The lease obligations are recognised as a financial liability. The interest element of the rental obligations is charged to the Comprehensive Income and Expenditure Statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to expenditure on a straight line basis over the term of the lease, recognising on an equal basis the impact of any premia or incentives.

3.16 Pensions

Employees of TfGM are members of the Local Government Pension Scheme administered by Greater Manchester Pension Fund (GMPF).

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for TfGM.

The Scheme is accounted for as a defined benefits scheme:

- The liabilities of the GMPF attributable to TfGM are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5%.
- The assets of GMPF attributable to TfGM are included in the Balance Sheet at their fair value based on the bid values of the assets.
- The change in the net pensions liability is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and analysed separately in the Expenditure Statement as part of Non Distributed Costs;
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - Expected return on assets – the annual investment return on the fund assets attributable to TfGM, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - Gains or losses on settlements and curtailments – the result of actions to relieve TfGM of liabilities or events that reduce the expected future service or accrual of benefits of employees – 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;
  - 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 – credited or debited to the Pensions Reserve; and
  - Contributions paid to the GMPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Revenue Reserve balance to be charged with the amount payable by TfGM 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 balance on the Pensions Reserve thereby reflects the beneficial impact on the Revenue Reserve of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

3.17 Accrual 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 sales of goods is recognised when TfGM 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 TfGM;
- Revenue from the provision of services is recognised when TfGM can reliably measure the completion of the transaction and where it is probable that economic benefits or service potential associated with the transaction will flow to TfGM;

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

3.18 Reserves

TfGM holds specific amounts as reserves for future policy purposes or to cover contingencies. Reserves held are shown 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 or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, capital grants, retirement and employee benefits and do not represent usable resources for TfGM. These reserves are explained in note 19.

3.19 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 TfGM’s financial performance.

3.20 Events after the balance sheet date

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

3.21 Value Added Tax (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.

4. Significant accounting judgements, estimates and assumptions

The preparation of TfGM’s group accounts requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

The items in TfGM’s Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Pension benefits: the cost of defined benefit pension plans is determined using independent actuarial valuation, involving the use of assumptions about discount rates, returns on assets, future salary increases, mortality rates and future pension increases. Such assumptions are reviewed at each period end, and determined jointly between the pension fund management and the actuaries.

5. Amounts Reported for Resource Allocation – Segmental Reporting

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 (SeRCOP). However, decisions about resource allocation are taken by TfGM's Board of Directors on the basis of business performance reports analysed by Directorate. These management reports are prepared on a different basis from the accounting policies used in the financial statements. For example the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year, and the accounting treatment for grants also differs from that prescribed in the Code.

Below is a restatement of the Cost of Services and Non Specific Revenue Grant income presented on a similar basis to that shown in TfGM's monthly business performance reporting.

Group	**2013**			**2012**		
	Non-Metrolink £000	**Metrolink £000**	**Total £000**	**Non-Metrolink £000**	**Metrolink £000**	**Total £000**
Income						
Revenue grants	120,238	-	120,238	133,320	-	133,320
Other government grants	1,977	-	1,977	576	-	576
Special Rail Grant	64,025	-	64,025	83,537	-	83,537
Income from subsidised services	8,871	-	8,871	7,652	-	7,652
Metrolink revenue	-	45,008	45,008	-	35,983	35,983
Funding from reserves	21,469	-	21,469	10,831	-	10,831
Highways activities	7,647	-	7,647	7,279	-	7,279
Road safety activities	7,195	-	7,195	6,900	-	6,900
Other income	13,891	-	13,891	10,947	-	10,947
Total revenue income	245,313	45,008	290,321	261,042	35,983	297,025
Expenditure						
Contracted costs						
Rail grant payable to franchise operators	(62,440)	-	(62,440)	(82,531)	-	(82,531)
Concessionary fare scheme	(63,600)	-	(63,600)	(67,045)	-	(67,045)
Supported bus services	(40,633)	-	(40,633)	(39,308)	-	(39,308)
Metrolink	-	(34,899)	(34,899)	-	(30,307)	(30,307)
Highways activities	(7,862)	-	(7,862)	(7,127)	-	(7,127)
Road safety activities	(6,217)	-	(6,217)	(5,478)	-	(5,478)
Accessible transport	(5,684)	-	(5,684)	(5,603)	-	(5,603)
	(186,436)	(34,899)	(221,335)	(207,092)	(30,307)	(237,399)
Operational costs						
Staff costs	(26,206)	(996)	(27,202)	(22,034)	(825)	(22,859)
Premises costs	(9,506)	-	(9,506)	(8,296)	-	(8,296)
Other external costs	(13,776)	(2,023)	(15,799)	(13,931)	(1,921)	(15,852)
	(49,488)	(3,019)	(52,507)	(44,261)	(2,746)	(47,007)
Financing costs	(7,183)	-	(7,183)	(5,144)	-	(5,144)
Revenue (deficit)/surplus for the year	**2,206**	**7,090**	**9,296**	**4,545**	**2,930**	**7,475**

Reconciliation of above to the Comprehensive Income and Expenditure Statement.

	2013	2013 Total £000	2012	2012 Total £000
Cost of services per CIES		(172,503)		(158,932)
Pensions – IAS19 adjustments		200		300
Amounts released from Capital Adjustment				
Offset of depreciation on grant funded assets	39,321		31,002	
Other releases	336		-	
		39,657		31,002
		(132,646)		(127,630)
Non specific grant income - Revenue Grant	133,738		143,896	
less: Contribution towards future costs	(10,000)		(10,000)	
add: Release of unapplied revenue	11,070		-	
		134,808		133,896
Operating revenue surplus for the year before:		2,162		6,266
Financing and investment income and expenditure costs excluding net pension scheme finance costs and investment property revaluation adjustment		(4,068)		(4,206)
Other operating income / (expenditure)		-		10
Transfer to the Deregulation Reserve		(1,100)		(1,100)
Other reserve transfers		12,302		6,505
Revenue (deficit) / surplus for the year		**9,296**		**7,475**

TfGM	2013			2012		
	Non-Metrolink £000	**Metrolink £000**	**Total £000**	**Non-Metrolink £000**	**Metrolink £000**	**Total £000**
Income						
Revenue grants	120,238	-	120,238	133,320	-	133,320
Other government grants	1,977	-	1,977	576	-	576
Special Rail Grant	64,025	-	64,025	83,537	-	83,537
Income from subsidised services	8,871	-	8,871	7,652	-	7,652
Metrolink revenue	-	45,008	45,008	-	35,983	35,983
Funding from reserves	21,469	-	21,469	10,831	-	10,831
Highways activities	7,647	-	7,647	7,279	-	7,279
Road safety activities	7,195	-	7,195	6,900	-	6,900
Other income	12,580	-	12,580	10,650	-	10,650
Total revenue income	244,002	45,008	289,010	260,745	35,983	296,728
Expenditure						
Contracted costs						
Rail grant payable to franchise operators	(62,440)	-	(62,440)	(82,531)	-	(82,531)
Concessionary fare scheme	(63,600)	-	(63,600)	(67,045)	-	(67,045)
Supported bus services	(40,633)	-	(40,633)	(39,308)	-	(39,308)
Metrolink	-	(34,899)	(34,899)	-	(30,307)	(30,307)
Highways activities	(7,862)	-	(7,862)	(7,127)	-	(7,127)
Road safety activities	(6,217)	-	(6,217)	(5,478)	-	(5,478)
Accessible transport	(5,684)	-	(5,684)	(5,603)	-	(5,603)
	(186,436)	(34,899)	(221,335)	(207,092)	(30,307)	(237,399)
Operational costs						
Staff costs	(26,206)	(996)	(27,202)	(22,034)	(825)	(22,859)
Premises costs	(9,506)	-	(9,506)	(8,296)	-	(8,296)
Other external costs	(13,565)	(2,023)	(15,588)	(13,707)	(1,921)	(15,628)
	(49,277)	(3,019)	(52,296)	(44,037)	(2,746)	(46,783)
Financing costs	(7,088)	-	(7,088)	(5,140)	-	(5,140)
Revenue (deficit) / surplus for the year	**1,201**	**7,090**	**8,291**	**4,476**	**2,930**	**7,406**

Reconciliation of above to the Comprehensive Income and Expenditure Statement.

	2013	2013	2012	2012
		Total £000		Total £000
Cost of services per CIES		(173,603)		(159,157)
Pensions – IAS19 adjustments		200		300
Amounts released from Capital Adjustment				
Offset of depreciation on grant funded assets	39,321		31,002	
Other releases	336		-	
		39,657		31,002
		(133,746)		(127,855)
Non specific grant income - Revenue Grant	133,738		143,896	
less: Contribution towards future costs	(10,000)		(10,000)	
add: Release of unapplied revenue	11,070		-	
		134,808		133,896
Operating revenue surplus for the year before:		1,062		6,041
Financing and investment income and expenditure costs excluding net pension scheme finance costs and investment property revaluation adjustment		(3,973)		(4,050)
Other operating income / (expenditure)		-		10
Transfer to the Deregulation Reserve		(1,100)		(1,100)
Other reserve transfers		12,302		6,505
Revenue (deficit) / surplus for the year		**8,291**		**7,406**

Included within revenue grants is an amount of £10 million (2012: £10 million) which relates to an instalment of the resource contribution of £50 million which is being made by Manchester Airport plc to the costs of funding of the Metrolink Airport line as noted in the report to AGMA on 10 July 2010. Further instalments of £10 million each are payable over the next two years to 31 March 2015. The funding agreement includes the requirement for the airport line extension to be open by an agreed 'long stop' date of 31 December 2020. The line is planned to become operational during 2016. During the year £11.070 million was released (2012:£Nil).

Other Income

Other income was derived from the following sources:

	Group		TfGM	
	2013 £000	**2012 £000**	**2013 £000**	**2012 £000**
Bus station facility charges	3,254	2,970	3,254	2,970
Passenger information services, Travelshop, bus station ancillary charges, rail franchise, operators and local authorities' recoveries.	5,654	6,315	5,407	6,047
Rents and service charges	2,160	1,308	1,096	1,127
Advertising revenue	567	506	567	506
	11,635	**11,099**	**10,324**	**10,650**

6. Financing and Investment Income and Expenditure

	Group		TfGM	
	2013	**2012**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**
Financing Costs				
Interest payable and similar charges	4,089	4,228	4,089	4,228
Adjustment on the equalisation of interest on a loan	(20)	(19)	(20)	(19)
Pensions interest cost and expected return on pensions assets	2,300	400	2,300	400
Changes in the fair value of investment properties	-	-	-	-
	6,369	**4,609**	**6,369**	**4,609**

	Group		TfGM	
	2013	**2012**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**
Investment Income				
Interest receivable and similar income	1	3	1	3
Received from Piccadilly Triangle Developments LLP – distribution of part of partnership profits	-	-	95	156
	1	**3**	**96**	**159**

7. Surplus on provision of services for the year

(a) The operating surplus for the year has been stated after the following have been charged/(credited):

	Group		TfGM	
	2013	**2012**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**
Remuneration of Statutory Directors (note 7b)	331	257	331	257
Non - executive directors fees	50	30	50	30
Depreciation of property, plant and equipment (note 9)				
Standard depreciation	37,469	21,463	37,469	21,463
Accelerated depreciation on Metrolink trams	4,800	12,944	4,800	12,944
Net (gain) / loss on disposal of non-current assets	359	(10)	359	(10)
Fees payable to external auditors for:				
- audit services	70	103	58	89
- certification of grant claims and returns*	2	3	2	3
- other services*	1	2	1	1
Rents receivable	(2,160)	(1,308)	(1,096)	(1,127)
Operating leases - minimum lease payments	549	549	544	544

* The 2013 entries relate to work undertaken by the previous auditors (Audit Commission) during the year ended 31 March 2013.

(b) Directors' remuneration

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

		Salary	Employer pension contributions	Total
		£	£	£
Chief Executive Officer (appointed 7 January 2013)	2012/13	61,976	9,606	71,582
	2011/12	-	-	-
Bus and Rail Director	2012/13	99,768	15,300	115,068
	2011/12	99,768	14,313	114,081
Communications and Customer Services Director	2012/13	92,000	14,260	106,260
(resigned 12 April 2013)	2011/12	92,000	13,340	105,340
Finance & Corporate Services Director	2012/13	124,845	19,351	144,196
	2011/12	124,845	18,102	142,947
Information Systems Director	2012/13	126,875	19,666	146,541
	2011/12	126,875	18,397	145,272
Metrolink Director (appointed 4 February 2013)	2012/13	19,213	2,978	22,191
	2011/12	-	-	-
Metrolink Director (resigned 5 April 2013)	2012/13	121,800	18,879	140,679
	2011/12	121,800	17,661	139,461
Transport Strategy Director	2012/13	92,231	14,570	106,801
	2011/12	94,000	13,630	107,630

During the year there was a change of director responsible for Metrolink. There was a period of two months during which there was a hand over of duties.

Payments to external organisations for the services of directors in 2012/13 totalled £495,250 (2011/12: £498,205).

(c) Staff costs (before IAS19 pension adjustments) and average number of employees

	Group		TfGM	
	2013	**2012**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**
Wages and salaries	20,576	20,219	20,353	20,011
Social security costs	1,776	1,639	1,762	1,626
Pension costs	2,735	2,527	2,711	2,506
	25,087	**24,385**	**24,826**	**24,143**
The average number of employees during the year	**662**	**661**	**652**	**649**

The number of employees (including directors) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were as follows:

	Group and TfGM	
	2013	2012
Salary range	**Number**	**Number**
£50,000 to £54,999	25	22
£55,000 to £59,999	12	11
£60,000 to £64,999	12	13
£65,000 to £69,999	1	-
£70,000 to £74,999	2	2
£75,000 to £79,999	6	4
£80,000 to £84,999	2	2
£85,000 to £89,999	1	1
£90,000 to £94,999	3	3
£95,000 to £99,999	1	1
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-
£110,000 to £114,999	-	-
£115,000 to £119,999	-	-
£120,000 to £124,999	2	2
£125,000 to £129,999	1	1

Movements between the bands are as a result of grade increments.

(d) Staff exit packages

There is a constant, ongoing requirement for the organisation to be more effective and efficient, particularly when our external environment is changing constantly. Organisational Effectiveness (OE) is good practice. The OE programme is about making sure we have appropriate structures and processes in place to deliver our commitments efficiently and effectively. It ensures we constantly review our structures and processes in a measured and considered way to release benefits; and continue to give us a stronger platform to move forward.

Details of the numbers of exit packages, with total cost per band and total cost of redundancies and other departures, are set out in the table below.

Exit package cost band	**Number of redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013 £000**	**2012 £000**
£0 - £20,000	1	4	4	3	5	7	45	75
£20,001 - £40,000	-	6	-	1	-	7	-	205
£40,001 - £60,000	-	2	-	-	-	2	-	89
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
Total	**1**	**12**	**4**	**4**	**5**	**16**	**45**	**369**

8. Taxation

There is no corporation tax due for either the year ended 31 March 2013 or 2012 for any organisation in these group accounts. TfGM's advisers on taxation continue to monitor TfGM's taxation position, and the directors have been advised that it is unlikely that there will be any corporation tax payable in the foreseeable future.

9. Property, Plant and Equipment

a) Capitalised assets available for use and assets under construction

Property, plant and equipment is reported as either capitalised assets available for use or as assets under construction. An analysis of the movements within the gross and depreciated or impaired book value of property, plant and equipment by key category is contained in the tables below:

Group and TfGM	Total £000	Infra-structure £000	Land & Building £000	Plant & Equipment £000	Vehicles £000	Assets Under Construction £000
Cost or valuation:						
At 31 March 2011	**1,197,456**	**453,051**	**14,990**	**30,150**	**6,158**	**693,107**
Expenditure during the year	355,486	-	-	-	-	355,486
Release of expenditure from prior year	3,924	-	-	-	-	3,924
Transfers from assets under construction	-	210,473	-	900	9,896	(221,269)
Transfers to passenger transport facilities and other revenue expenditure	(16,665)	-	-	-	-	(16,665)
Reclassification	-	1,555	-	(1,555)	-	-
Disposals	(121)	-	-	(75)	(46)	-
Elimination of costs on revaluation	(2,191)	-	(2,191)	-	-	-
At 31 March 2012	**1,537,889**	**665,079**	**12,799**	**29,420**	**16,008**	**814,583**
Expenditure during the year	278,346	-	-	-	-	278,346
Transfers from assets under construction	-	508,910	-	821	2,984	(512,715)
Transfers to passenger transport facilities and other revenue expenditure	(21,638)	-	-	-	-	(21,638)
Disposals	(808)	(711)	-	(71)	(26)	-
At 31 March 2013	**1,793,789**	**1,173,278**	**12,799**	**30,170**	**18,966**	**558,576**
Depreciation and impairment:						
At 31 March 2011	**162,656**	**141,387**	**1,558**	**18,361**	**1,350**	**-**
Depreciation provided during the period	34,407	29,467	752	3,503	685	-
Reclassification	-	1,360	-	(1,360)	-	-
Disposals	(121)	-	-	(75)	(46)	-
Elimination of depreciation on revaluation	(2,191)	-	(2,191)	-	-	-
At 31 March 2012	**194,751**	**172,214**	**119**	**20,429**	**1,989**	**-**
Depreciation provided during the period	42,269	37,568	379	2,962	1,360	-
Reclassification						-
Disposals	(449)	(352)	-	(71)	(26)	-
At 31 March 2013	**236,571**	**209,430**	**498**	**23,320**	**3,323**	**-**
Net Book Value:						
At 31 March 2013	**1,557,218**	**963,848**	**12,301**	**6,850**	**15,643**	**558,576**
At 31 March 2012	1,343,138	492,865	12,680	8,991	14,019	814,583

The net book value of land and buildings, within infrastructure and non-infrastructure categories comprised of the following:

	Group and TfGM	
	31 March 2013 £000	31 March 2012 £000
Freehold	125,333	125,017
Long Leasehold	51,802	53,708
Short Leasehold	1,244	722
	178,379	**179,447**

Following the decisions to replace the original fleet of T68 trams, approved by GMCA in September 2011 (12 vehicles) and July 2012 (remaining 20 vehicles), the carrying value and remaining useful economic life of the T68 trams was reviewed in 2011/12 and again in 2012/13. Based on the expected remaining life of the vehicles, the depreciation charge has been accelerated. The depreciation charge for the year ended 31 March 2013 includes accelerated depreciation of £4,800,000 (2012: £12,944,000). After accounting for the release of grants associated with the purchase of these trams the net charge to reserves in 2012/13 with respect to the adjustments in the trams' asset lives is £364,000 (2011/12 £947,000). However, as all the grants have already been recognised in full in the Comprehensive Income and Expenditure Statement in previous years, in line with the requirements of the Code, the 'gross' depreciation charge of £4,800,000 (2012: £12,944,000) is shown as a 'charge' in the Comprehensive Income and Expenditure Statement in the year and the associated grant release is shown as a movement on reserves.

b) Assets held under finance leases

TfGM has a number of leases relating to vehicles and office equipment with subsidiary companies. The carrying value of these assets held under finance leases at 31 March 2013 was £Nil (2012: £Nil), with an original cost of £262,000 (2012: £288,000). The value of the on-going annual rentals are £73,000 (2011: £81,000). The leases are in the secondary period and can be terminated at any time.

c) Revaluation of property, plant and equipment

In accordance with the Code of Practice for local authorities, TfGM will be carrying out regular revaluations of all non-infrastructure operational assets. Fair value will be determined by reference to market based evidence, adjusted for the nature, location and condition of the specific property (Existing Use Value).

No revaluations were undertaken during the year.

d) Assets under Construction

The value of assets under construction and the financial movements within this area are provided in Note 9a.

The main items of capital expenditure in the year related to amounts invested in the Phase 3 Metrolink extensions. This includes investment in the construction of the lines and the rolling stock. Other significant items of capital expenditure included: investment in design and construction of new transport interchanges at Altrincham, Bolton, Rochdale and Wythenshawe; investment in upgrading the existing Metrolink network; and a number of other schemes including rail station improvements.

Financing of the expenditure comes by way of capital grants. Capital grants receivable in the year were receivable from the GMCA, Manchester City Council, Oldham Metropolitan Borough Council, Rochdale Metropolitan Borough Council and various other organisations. None of the expenditure in the year was financed by finance leases.

At 31 March 2013 the amount of grants received in advance of payments made in respect of expenditure on capital projects and held within the Unapplied Grants Account was £5.185 million (£9.600 million at 31 March 2012).

The value of grants held against assets under construction and as deferred grants held against fixed assets are reported within the Deferred Capital Grants and Contributions Account. The Deferred Capital Grants and Contributions Account is included with the unusable reserves within the balance sheet.

e) Net gain / (loss) on disposal of property, plant and equipment

The reported gain or loss on disposal of fixed assets is calculated with reference to both the carrying value of the assets themselves, and also the write-back of any unamortised grant outstanding. In relation to the gain / (loss) made during the year, they can be analysed as follows:

	Group		TfGM	
	2013	2012	2013	2012
	£000	£000	£000	£000
Net proceeds from sale of assets	-	10	-	10
Disposal costs written off	-	-	-	-
De-recognition of carrying values of assets	(359)	-	(359)	-
Gain / (loss) on disposal of property, plant and equipment per Comprehensive Income and Expenditure Statement	**(359)**	**10**	**(359)**	**10**
De-recognition of carrying values of associated grants	336	-	336	-
	(23)	**10**	**(23)**	**10**

10. Passenger Transport Facilities

As part of its statutory duties, TfGM is responsible for meeting the costs of upgrading public passenger transport facilities in the Greater Manchester area, including railway and highways infrastructure. The expenditure incurred is offset by equivalent grants, which for the year ended 31 March 2013 amounted to £5.871 million (*2012: £6.295 million*). The ownership of these assets normally vests in rail operating companies; Network Rail; GMCA; GMATL; the bus operator; or the appropriate Local Authority. In certain circumstances, title in these assets may ultimately revert to TfGM. Costs and grants are written off as incurred / received.

11. Investment Property

	Group		TfGM	
	2013	2012	2013	2012
	£000	£000	£000	£000
Fair value:				
At 1 April	396	396	-	-
Revaluations	-	-	-	-
At 31 March	**396**	**396**	**-**	**-**

The valuation was carried out by the directors of Charterplan Holidays Ltd, based on the advice of a qualified member of TfGM staff.

There is no investment property held directly by TfGM.

In addition to the changes in the fair value of investment properties referred to above, the following amounts are recognised in the Comprehensive Income and Expenditure Statement.

	Group		TfGM	
	2013	2012	2013	2012
	£000	£000	£000	£000
Direct costs of properties under rental agreements	(23)	(24)	-	-
Net loss	**(23)**	**(24)**	**-**	**-**

12. Investments

The investments of £2.758 million (*2012: £2.758 million*) held by TfGM all relate to shareholdings in subsidiary undertakings. There are no investments held at a group level. TfGM's principal trading subsidiary undertakings at 31 March 2013, all of which are incorporated in England, are contained within note 21a on related party disclosures.

13. Debtors

Short term debtors: amounts falling due within one year:

	Group		TfGM	
	31 March 2013 £000	**31 March 2012 £000**	**31 March 2013 £000**	**31 March 2012 £000**
Trade debtors	28,937	16,280	28,896	16,243
Amounts receivable from GMCA	56,371	77,073	56,371	77,073
Amounts due from group undertakings	-	-	47	46
Other debtors	4,547	11,706	4,547	11,706
Prepayments and accrued income	10,759	13,291	9,816	13,245
	100,614	**118,350**	**99,677**	**118,313**
Analysed between the following classes of debtors:				
Central government bodies	3,176	4,584	3,176	4,584
Other local authorities	71,265	84,816	71,265	84,816
Other entities and individuals	26,173	28,950	25,236	28,913
	100,614	**118,350**	**99,677**	**118,313**

Trade debtors are non-interest bearing; are generally on terms of 30 days or less; and are shown net of any provision for impairment.

At 31 March 2013, trade debtors at a nominal value of £1,419,000 (*2011: £1,254,000*) were impaired. Movements in the provision for impairment of receivables were as follows:

	Group		TfGM	
	31 March 2013 £000	**31 March 2012 £000**	**31 March 2013 £000**	**31 March 2012 £000**
Opening provision	1,254	587	1,254	587
Charge for the year	262	894	262	894
Amounts written off	(97)	(227)	(97)	(227)
Closing provision	**1,419**	**1,254**	**1,419**	**1,254**

As at 31 March 2013, the group ageing analysis of trade debtors was as follows:

			Past due but not impaired				
	Total £000	**Neither overdue nor impaired £000**	**1-30 days £000**	**31-60 days £000**	**61-90 days £000**	**91-120 days £000**	**over 120 days £000**
31 March 2013	28,937	26,710	1,676	453	4	67	27
31 March 2012	16,280	14,440	845	270	69	14	642

14. Inventories

	Group		TfGM	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Materials in relation to route service provision	49	180	49	180
Materials in relation to traffic control equipment	186	359	186	359
	235	**539**	**235**	**539**

The amount of write-down of inventories recognised as an expense is £nil (2011/12: £nil).

15. Cash and cash equivalents

	Group		TfGM	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Cash at bank and in hand	916	1,361	626	1,136
Short term deposits with GMCA	22,740	38,484	22,740	38,484
	23,656	**39,845**	**23,366**	**39,620**

Surplus cash funds available to TfGM were deposited with the GMCA for periods between one day and three months depending on the immediate cash requirements of TfGM and GMCA. GMCA earns variable period rates of interest, none of which is receivable by TfGM. Such amounts are shown as 'Short term deposits with GMCA above.

16. Current Liabilities

	Group		TfGM	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Short term creditors				
Trade creditors	4,631	3,309	4,630	3,309
Taxation and social security	578	515	553	500
Accruals for expenditure recognised	46,877	72,996	46,803	72,940
Deferred income	4,426	6,893	4,424	6,869
Amounts due to GMCA	79	521	79	521
Amounts due to group undertakings	-	-	3,530	3,480
Other creditors	6,755	3,372	6,709	3,329
	63,346	87,606	66,728	90,948
Provisions (note 17)	1,516	1,455	1,516	1,455
Short term borrowings (note 18)	1,254	2,957	1,254	2,957
	66,116	**92,018**	**69,498**	**95,360**
Analysed between the following classes of creditors:				
Central government bodies	942	881	916	865
Other local authorities	143	600	143	600
Other entities and individuals	65,031	90,537	68,439	93,895
	66,116	**92,018**	**69,498**	**95,360**

Trade creditors are non-interest bearing and are generally on terms of 30 days or less.

For terms and conditions pertaining to related parties, refer to note 21.

17. Provisions

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or timings are uncertain. Provisions during the year may be analysed as follows:

Group & TfGM	Total	Insurance Excess	Contractual Obligations	Capital Works	Contracted Maintenance	Onerous Leases
	£000	£000	£000	£000	£000	£000
At 1 April 2012	**4,950**	**218**	**520**	**3,280**	**728**	**204**
Arising during the year	166	165	-	-	-	1
Utilised during the year	(2,105)	(35)	(70)	(2,000)	-	-
Unused amounts reversed	(1,291)	-	-	(1,280)	(11)	-
At 31 March 2013	**1,720**	**348**	**450**	**-**	**717**	**205**

Below is the aged expectation of the utilisation of the provisions.

	Total	Less than 12 months	Greater than 12 months
	£000	£000	£000
At 31 March 2012			
Insurance Excess	218	218	-
Contractual Obligations	520	520	-
Capital Works	3,280	-	3,280
Contracted Maintenance	728	717	11
Onerous Lease	204	-	204
	4,950	**1,455**	**3,495**
At 31 March 2013			
Insurance Excess	348	348	-
Contractual Obligations	450	450	-
Capital Works	-	-	-
Contracted Maintenance	717	717	-
Onerous Lease	205	1	204
	1,720	**1,516**	**204**

The amounts provided above at 31 March 2013 are described below:

- Insurance excesses: Excesses on Public Liability claims, arising from minor accidents to the public, and Employers Liability claims for work related illnesses that were potentially incurred prior to the transfer of TfGM's bus operations following the implementation of the Transport Act 1985.
- Contractual obligations: Certain contractual obligations existing at the balance sheet date.
- Capital works: Costs for works arising in the ordinary course of delivering TfGM's capital programme.
- Contracted maintenance: Maintenance works performed where the amount of payment is uncertain.
- Onerous lease: Future lease costs of a property held on a long term lease by TfGM.

18. Financial Instruments

Set out below is a comparison by class of the carrying amounts of TfGM's financial assets and financial liabilities that are carried in the financial statements:

Group	Carrying Amount		Fair Value	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Financial Assets:				
Current trade debtors	28,937	16,280	28,937	16,280
Amounts receivable from GMCA	56,371	77,073	56,371	77,073
Amounts due from group undertakings	-	-	-	-
Other debtors	1,379	7,122	1,379	7,122
Cash and cash equivalents	23,656	39,845	23,656	39,845
Financial Liabilities:				
Short term creditors	(58,342)	(80,198)	(58,342)	(80,198)
Loans and receivables: interest bearing loans and borrowings:				
Obligations under finance leases	-	-	-	-
Floating rate borrowings	-	-	-	-
Fixed rate borrowings - due within one year	(1,254)	(2,957)	(1,254)	(3,038)
Fixed rate borrowings - due after one year	(71,098)	(71,119)	(85,989)	(83,928)

TfGM	Carrying Amount		Fair Value	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Financial Assets:				
Investments	2,758	2,758	2,758	2,758
Current trade debtors	28,896	16,243	28,896	16,243
Amounts receivable from GMCA	56,371	77,073	56,371	77,073
Amounts due from group undertakings	47	46	47	46
Other debtors	1,379	7,122	1,379	7,122
Cash and cash equivalents	23,366	39,620	23,366	39,620
Financial Liabilities:				
Short term creditors	(61,751)	(83,759)	(61,751)	(83,759)
Loans and receivables: Interest bearing loans and borrowings:				
Obligations under finance leases	-	-	-	-
Floating rate borrowings	-	-	-	-
Fixed rate borrowings - due within one year	(1,254)	(2,957)	(1,254)	(3,038)
Fixed rate borrowings - due after one year	(71,098)	(71,119)	(85,989)	(83,928)

The carrying amounts for interest bearing loans and borrowings can be analysed as follows:

	Effective Interest Rate %	Maturity	2013 £000	2012 £000
Group				
Current:				
Obligations under finance leases	-	-	-	-
Bank overdrafts	0.5% over base rate	Demand	-	-
Loan capital from European Investment Bank	9.25%	Dec 2012	-	1,652
Loan capital from Greater Manchester Local Authorities	7.3 – 10.5%	2013-14	5	7
Accrued interest on all loans			1,249	1,298
			1,254	2,957
Non-current:				
Obligations under finance leases	-	-		-
Loan capital from Greater Manchester Local Authorities	7.3 – 10.5%	2014-45	12	13
Public Works Loan Board re Metrolink phase 2 - a	6.63%	May 2023	6,997	6,997
Public Works Loan Board re Metrolink phase 2 - b	4.75%	May 2024	1,208	1,208
Public Works Loan Board re Metrolink phase 2 - c	4.75%	May 2024	6,237	6,237
Public Works Loan Board re Metrolink phase 2 - d	5.00%	Nov 2024	2,880	2,880
DePfa ACS Bank - a	5.97%	Mar 2017	5,000	5,000
DePfa ACS Bank - b	5.92%	Mar 2022	7,500	7,500
DePfa ACS Bank - c	6.42%	Apr 2022	12,000	12,000
Dexia Credit Local - London Branch - a	4.75%	May 2032	7,000	7,000
Dexia Credit Local - London Branch - b	4.80%	May 2033	6,500	6,500
Dexia Credit Local - London Branch - c	4.80%	May 2034	7,000	7,000
Dexia Credit Local - London Branch - d	5.95%	May 2035	8,000	8,000
Accrued interest for stepped LOBO loan - Dexia d	5.95%	2013-35	764	784
			71,098	71,119
Total Loans and borrowings			**72,352**	**74,076**

	2013 £000	2012 £000
Instalments are payable as follows:		
Within 1 year or repayable on demand	1,254	2,957
Within 1 to 2 years	-	1
Within 2 to 5 years	5,001	5,001
Within 5 to 10 years	19,502	7,502
Longer than 10 years	46,595	58,615
	72,352	**74,076**

TfGM

	Effective Interest Rate %	Maturity	2013 £000	2012 £000
Current:				
Obligations under finance leases	-	-	-	-
Bank overdrafts	0.5% over base rate	Demand	-	-
Loan capital from European Investment Bank	9.25%	Dec 2012	-	1,652
Loan capital from Greater Manchester Local Authorities	7.3 – 10.5%	2013-14	5	7
Accrued interest on all loans			1,249	1,298
			1,254	2,957

	Effective Interest Rate %	Maturity	2013 £000	2012 £000
Non-current:				
Obligations under finance leases	-	-	-	-
Loan capital from Greater Manchester Local Authorities	7.3 – 10.5%	2014-45	12	13
Public Works Loan Board re Metrolink phase 2 - a	6.63%	May 2023	6,997	6,997
Public Works Loan Board re Metrolink phase 2 - b	4.75%	May 2024	1,208	1,208
Public Works Loan Board re Metrolink phase 2 - c	4.75%	May 2024	6,237	6,237
Public Works Loan Board re Metrolink phase 2 - d	5.00%	Nov 2024	2,880	2,880
DePfa ACS Bank - a	5.97%	Mar 2017	5,000	5,000
DePfa ACS Bank - b	5.92%	Mar 2022	7,500	7,500
DePfa ACS Bank - c	6.42%	Apr 2022	12,000	12,000
Dexia Credit Local - London Branch - a	4.75%	May 2032	7,000	7,000
Dexia Credit Local - London Branch - b	4.80%	May 2033	6,500	6,500
Dexia Credit Local - London Branch - c	4.80%	May 2034	7,000	7,000
Dexia Credit Local - London Branch - d	5.95%	May 2035	8,000	8,000
Accrued interest for stepped LOBO loan - Dexia d	5.95%	2013-35	764	784
			71,098	71,119
Total Loans and borrowings			**72,352**	**74,076**

	2013 £000	2012 £000
Instalments are payable as follows:		
Within 1 year or repayable on demand	1,254	2,957
Within 1 to 2 years	-	1
Within 2 to 5 years	5,001	5,001
Within 5 to 10 years	19,502	7,502
Longer than 10 years	46,595	58,615
	72,352	**74,076**

Risk Factors

TfGM carries out credit assessments of all new customers before contracting with them; and, a prudent view is taken in respect of impairment of trade debtors as referred to in note 13.

TfGM bears almost no interest rate risk in relation to loans and borrowings, as all existing loans are at a fixed rate. Short term funding for working capital is provided by GMCA at zero interest.

Currency risk is not a significant factor for TfGM, as it ensures that substantially all financial assets and liabilities are contracted for in sterling. The value of contracts denominated in Euros is not material.

Equity price risk is not a factor for TfGM since it holds no tradable investments.

Risks are managed in accordance with the Annual Governance Statement. Management of TfGM's cash balances and funding requirements is undertaken by the daily assessment of available funds for short-term deposits; and the regular preparation of detailed treasury and cash flow forecasts which are reviewed by the Head of Finance and Director of Finance and Corporate Services. Where necessary, mitigating actions are taken and agreement is sought from GMCA officers if further funding is required to cover, for example, short term cash flow requirements arising from the timing difference between expenditure and grant monies being applied for and received.

There is an element of inherent credit risk in respect of short-term deposits placed by TfGM on behalf of GMCA. This risk is managed in accordance with the policies and procedures set out in the accounts of GMCA.

Hedging Instruments

TfGM holds no financial instruments that could be classified as hedging instruments.

Fair Values

Fair values are included at the amount at which the instrument could be exchanged in a current transaction between willing parties. The fair value evaluations in respect of loans and borrowings are explained below.

The fair values of the following classes of financial instruments approximate their carrying amounts due to the short term maturities of these instruments:

- Trade receivables;
- Trade payables and accruals for expenditure recognised;
- Cash and short term deposits;
- Receivables from, and deposits with, GMCA; and
- Amounts due from group undertakings

Long term receivables have been evaluated based on collectability risk.

Loans and Borrowings

- Fair value is determined by calculating the Net Present Value of future cash flows, thereby estimating the value of future payments in today's terms. This is a widely accepted and commonly used valuation technique. The discount rate used is equal to the current rate for a similar loan from a comparable lender. This will be the market rate applicable on the date of valuation for a loan with the same outstanding period to maturity.
- However, it may be that the future cash flows of a loan do not fall in equal time periods from the date of valuation. Where this is the case, adjustments are made to each discount factor in order to account for the timing inequality.
- The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value, which includes accrued interest as at the balance sheet date. We have therefore included accrued interest in the fair value calculation.
- The discount rates used for the evaluation were obtained by GMCA from Sector. Sector is a leading and independent provider of capital financing, treasury advisory and strategic advisory consulting services to the public sector.
- Assumptions used, which do not have a material effect on the fair value evaluation are: interest is calculated using a 365 day basis; interest is paid on the maturity date; no adjustment is made to the interest value and date where a relevant date occurs on a non-working day.
- The repayment profile of loans and borrowings is taken into account during the TfGM’s preparation and review of cash flow forecasts which are carried out on a regular basis.
- Overdraft: one of the group's bankers has the right of set-off against certain of the group's bank balances of £4,000 (*2012: £11,000*) in respect of overdrafts, with the same bank, of any group undertaking.
- European Investment Bank: loan period 1993 to 2012. Repayable by instalments with the final payment being made December 2012. Secured by Statute on all revenues.
- Small Local Authority loans exist from Tameside and Wigan; the remaining balance is payable in periodic instalments, and the balance will have been cleared by 2045. These loans are unsecured.
- Public Works Loan Board loans were taken out to assist with the completion of Metrolink phase 2. The loans were taken out from 1997 to 2000 for a period of approximately 25 years and are repayable in full during 2023 and 2024. Secured by Statute on all revenues.
- DePfa ACS Bank loans were taken out in 2002 for 15 and 20 years and are repayable in full by 2017 and 2022. Secured by Statute on all revenues. In December 2011 DePfa transferred the loans to FMS Wertmanagement AöR. However, DePfa ACS Bank will continue to be the contact in relation to matters arising out of or in connection with the loans.
- Dexia Credit loans were taken out in 2004 for 28-31 years and are repayable in full by 2032-2035. Secured by Statute on all revenues.

19. Reserves

The movements on reserves are disclosed on pages 19 and 20.

Usable Reserves
The usable reserves relate to Revenue Reserves and the Unapplied Capital and Revenue Grants and Contributions Accounts.

Unusable Reserves
Unusable reserves comprise Corporate Capital Reserve, Pension Reserve, Deregulation Reserve and Deferred Capital Grants and Contributions Account.

Corporate Capital Reserve
This primarily relates to the reserves of the entities from which the Greater Manchester Passenger Transport Executive (GMPTE) was formed. On 1 April 2011 GMPTE was renamed Transport for Greater Manchester (TfGM).

Pension Reserve
This relates to the net pension liability at 31 March 2013 in accordance with the actuary's report. Further details are shown in Note 20.

Deregulation Reserve
The reserve represents the costs relating to the transfer of Greater Manchester Passenger Transport Executive's (GMPTE) bus operations to Greater Manchester Buses Limited following the implementation of the Transport Act 1985. As required by the Act, and in accordance with the transfer scheme, which was approved by the Secretary of State for Transport, GMPTE transferred its bus operation activities and certain of its assets and liabilities to this new company. The Deregulation Reserve represents payments and losses incurred by GMPTE with respect to deregulation on 25 October 1986, which were not charged to profit and loss. On 1 April 2011, under a parliamentary order, Statutory Instrument 2011 number 908 The Greater Manchester Combined Authority Order 2011 article 9(2), GMPTE changed its name to TfGM.

Although there is no legal requirement to amortise this reserve, TfGM acknowledges the prudence of taking steps to reduce the levels of ongoing borrowing by which the deregulation was originally funded. To this end, TfGM commenced transferring the Deregulation Reserve to the Revenue Reserve from 2006 over a period of 30 years. The amount of capital being amortised will increase in future years as interest on the loans supporting the reserve reduces.

Deferred Capital Grants and Contributions Account
The Deferred Capital Grants and Contributions Account represents the value of capital grants received, which are not subject to conditions which may give rise to repayment thereof, less the amortisation of grants in line with the write off of equivalent depreciation on the value of assets that were supported by the grants.

20. Employee Benefits - Pension Costs

The substantial majority of the employees of TfGM participate in the Greater Manchester Pension Fund ('the Fund') administered by Tameside Metropolitan Borough Council. The scheme is a defined benefit scheme. The fund was valued using the projected unit method. The purpose of the valuation was to determine the financial position of the fund and to recommend the contribution rate to be paid by TfGM and the other participating employers.

The market value of the Fund's assets at 31 March 2010 amounted to £10,835 million. The funding level of the Fund as measured using the actuarial method of valuation was 96.4% as at 31 March 2010.

A full actuarial valuation was carried out at 31 March 2010 by a qualified independent actuary. The principal assumptions used by the actuary at that date were:

Rate of increase in salaries	4.8% per annum
Discount rate	6.3% per annum
Inflation assumption	3.3% per annum

A full actuarial valuation as at 31 March 2013 is currently being undertaken.

The pension costs of TfGM, representing the contributions payable to the Fund in respect of current employees, are charged to the revenue account in the year in which they are incurred.

Pension contributions paid by TfGM in the year amounted to £2.735 million (*2012: £2.527* million), in respect of current employees. Per the IAS19 Report at 31 March 2013 it is estimated that contributions payable by TfGM for the year to 31 March 2014 will be approximately £2.952 million.

Total costs of £0.443 million (*2012: £*0.443 million) were charged to TfGM in respect of unfunded pension increase costs in respect of former employees. Part of the existing surplus on the defined benefit scheme has been used to reduce the amount of these unfunded liabilities.

The following amounts at 31 March 2013 were measured in accordance with the requirements of IAS19, and represent TfGM's share of the Scheme.

Assumptions

Financial Assumptions

- as at	31.03.2013	31.03.2012	31.03.2011	31.03.2010	31.03.2009
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Salary increases*	4.6%	4.3%	4.3%	5.3%	4.6%
Pension increases	2.8%	2.5%	2.8%	3.8%	4.5%
Discount rate	4.5%	4.8%	5.5%	5.5%	6.9%

* Salary increases are assumed to be 1% until March 2015, reverting thereafter to the long term assumption noted above

Expected return on assets

by category - as at	31.03.2013	31.03.2012	31.03.2011	31.03.2010	31.03.2009
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Equities	4.5%	6.3%	7.5%	7.8%	7.0%
Bonds	4.5%	3.9%	4.9%	5.0%	5.4%
Index linked gilts	4.5%	3.3%	4.3%	4.5%	4.2%
Property	4.5%	4.4%	5.5%	5.8%	4.9%
Cash	4.5%	3.5%	4.6%	4.8%	4.0%

The expected return on assets at 31 March 2013 is set equal to the discount rate, in accordance with the forthcoming revised version of IAS19. Previously, the expected return on assets was based on the long-term future expected investment return for each asset class as at the beginning of the period.

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the Medium Cohort and a 1% per annum underpin from 2010. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	20.1 years	22.9 years
Future pensioners	22.5 years	25.0 years

Assets: Valuation - as at	31.03.2013	31.03.2012	31.03.2011	31.03.2010	31.03.2009
	£000	£000	£000	£000	£000
Equities	74,100	60,200	53,400	38,200	32,200
Bonds	17,900	13,800	12,000	9,600	6,100
Index linked gilts	207,100	200,600	264,400	232,500	252,700
Property	5,500	5,000	4,100	3,200	3,400
Cash	59,500	76,800	18,800	35,000	11,300
	364,100	356,400	352,700	318,500	305,700

Net Pension Asset - as at	**31.03.2013 £000**	**31.03.2012 £000**	**31.03.2011 £000**	**31.03.2010 £000**	**31.03.2009 £000**
Fair value of employer assets	364,100	356,400	352,700	318,500	305,700
Present value of scheme liabilities	(361,500)	(337,000)	(317,700)	(358,200)	(264,200)
Net pension (liability)/asset	2,600	19,400	35,000	(39,700)	41,500
Experience gains/(losses) on assets	12,200	5,800	38,000	17,600	(47,600)
	3.3%	1.6%	10.8%	5.5%	(15.6)%
Experience gains/(losses) on liabilities	(26,500)	(20,700)	11,600	(95,200)	16,300
	(7.3)%	(6.1)%	3.7%	(26.6)%	6.2%

The figure of £364.1 million shown in the above table for “Fair value of employer assets“ is based on the Actuary’s estimate of TfGM’s share of the total value of the Fund as at 31 March 2013.

The net pension asset included unfunded liabilities which have been valued at £4.7 million at 31 March 2013.

Amount recognised in Statement of Comprehensive Income and Expenditure Statement

	31.03.2013 £000	**31.03.2012 £000**	**31.03.2011 £000**	**31.03.2010 £000**	**31.03.2009 £000**
Actuarial (losses)/gains	(14,300)	(14,900)	49,600	(77,600)	(31,300)
Cumulative actuarial (losses)/gains	900	15,200	30,100	(19,500)	58,100

The recognition requirements of IAS19 have been applied to the current accounting period. The following amounts have been recognised in the performance statements in the year to 31 March 2013 under the requirements of IAS19. The figures are based on the current version of IAS19. Changes to IAS19 come into effect for the financial year to 31 March 2014. The changes will be adopted retrospectively for the prior year, in accordance with IAS8. The effect of the change to IAS19 on the income statement to 31 March 2013 will be a decrease of £3.167 million.

	2013 £000	**2012 £000**
Operating Surplus:		
Current service gain / (cost)	(3,300)	(3,000)
Losses on curtailments and settlements	-	(300)
Total operating income / (charge)	(3,300)	(3,300)
Other finance income:		
Expected return on pension scheme assets	13,500	16,600
Interest cost on pension scheme liabilities	(15,800)	(17,000)
Net cost	(2,300)	(400)
Net Revenue Account Return / (Cost):	(5,600)	(3,700)
Actual return on scheme assets	25,600	14,400
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	337,000	317,700
Current service cost	3,300	3,000
Interest on pension scheme liabilities	15,800	17,000
Contributions by members	1,200	1,200
Actuarial (gains) / losses	26,500	20,700
Losses on curtailments and settlements	-	300
Estimated unfunded benefits paid	(400)	(400)
Estimated benefits paid	(21,900)	(22,500)
Closing defined benefit obligation	361,500	337,000

	2013 £000	2012 £000
Reconciliation of fair value of employer assets		
Opening fair value of employer assets	356,400	352,700
Expected return on assets	13,500	16,600
Contributions by members	1,200	1,200
Contributions by employer	2,700	2,600
Contributions in respect of unfunded benefits	400	400
Actuarial gains / (losses)	12,200	5,800
Unfunded benefits paid	(400)	(400)
Benefits paid	(21,900)	(22,500)
Closing fair value of employer assets	364,100	356,400

The IAS19 valuation at 31 March 2013 showed a reduction in the fund during the year of £16.8 million (*2012: reduction of £15.6 million*), to end the year with a surplus of £2.6 million (*2012: surplus of £19.4 million).*

In order to assess the employer's liabilities in the Fund at 31 March 2013 the actuary has rolled forward the value of employer's liabilities calculated as at the latest formal funding valuation, allowing for the different financial assumptions required under this year's IAS19 valuation. In calculating the service cost, the actuary has allowed for changes in TfGM's pensionable payroll as estimated from contribution information provided. In calculating the asset share, the actuary has rolled forward the employer's share of the assets allocated at the latest formal funding valuation allowing for investment returns (estimated where necessary), the effect of contributions paid into, and estimated benefits paid from, the Fund by the employer and its employees. The actuary has also adjusted the employer's assets to take account of the IAS19 disclosure requirement to use the bid value of assets.

The IAS19 valuation has been calculated using the projected unit method of valuation to calculate the service cost.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Changes in assumptions at year ended 31 March 2013	**Approximate percentage increase in liabilities**	**Approximate monetary value £000**
0.5% decrease in real discount rate	7%	24,300
1 year increase in member life expectancy	3%	10,800
0.5% increase in salary increase rate	1%	4,100
0.5% increase in pension increase rate	6%	20,100

21. Related party disclosures

a) Group companies

These financial statements include the financial statements of TfGM, and its subsidiaries, as follows:

Name of Company	**Equity Interest**	**Nature of business**
Charterplan Holidays Limited	100%	Intermediate holding company, vehicle/equipment leasing
Clipwood Limited*	100%	Property company
Dashstone Finance Limited*	100%	Equipment leasing
Powerview Developments Limited*	100%	Property development
St. Johns Leasing Limited*	100%	Equipment leasing
Transport Management Group Limited*	100%	Project consultancy
Greater Manchester Public Transport Information Limited	51%	Public transport information
Transport for Greater Manchester Limited	100%	Non-trading dormant company

* indirectly owned

TfGM and Manchester City Council are partners in Piccadilly Triangle Developments LLP (PTD LLP). TfGM has a 50% share of PTD LLP. This partnership is for the development of an area of land in Manchester, which commenced in May 2005. PTD LLP made a profit during the year of £2,093,000 (*2012: £257,000*).

In addition to the subsidiaries named above, and PTD LLP, the directors regard GMCA as a related party.

b) Greater Manchester Combined Authority

Greater Manchester Combined Authority (GMCA) is the ultimate controlling party, by virtue of its ability to direct the financial and operating policies of TfGM.

c) Officers

The members of TfGM are listed in the Directors' Report, whether or not they are direct employees of TfGM or its subsidiaries. Members of TfGM exercising control over TfGM through third party entities are as follows:

- Mr D Leather, who was until 4 January 2013 Chief Executive Officer, is a partner of Ernst & Young LLP. During the year ended 31 March 2013 fees totalling £2,782,000 (*2012: £1,487,000*) were invoiced by Ernst & Young to TfGM and its subsidiary companies for services including programme assurance and other assurance services relating to the Metrolink capital programme and the Greater Manchester Transport Fund Programme; taxation advice; services with respect to the Smart ticketing programme and fees for the Chief Executive Officer.
- Mr R Morris, Interim Chief Operating Officer, is a director of Parsons Brinckerhoff Limited. During the year ended 31 March 2013, fees totalling £12,550,000 (*2012: £11,298,000*) were invoiced by Parsons Brinckerhoff Limited to TfGM and its subsidiary companies, predominantly for their role as Delivery Partner for the Metrolink capital programme.

In accordance with TfGM's governance arrangements and procurement procedures, Mr Leather and Mr Morris did not participate in any procurement decisions relating to the organisations from which they were seconded; nor did they authorise the procurement of any services, from the organisations from whom they were seconded.

The Board of Directors does not consider that either Ernst & Young LLP or Parsons Brinckerhoff Limited is a Related Party, and this information is therefore being provided on a voluntary basis.

d) General

TfGM has incurred significant expenditure with third parties during the year in respect of the Metrolink capital programme, and the other public transport schemes within the Greater Manchester Transport Fund, as part of a total discretionary revenue and capital spend of approximately £270 million (*2012: £350 million*).

A summary of the transactions in the year, and the balances outstanding at the end of the year, in respect of non-TfGM related parties, is contained within the following table:

	Transactions during year		Balances at 31 March	
	Income from £000	Expenditure with £000	Receivable from £000	Payable to £000
GMCA – grant / sales related 2013 (page 6, notes 13 and 16)	388,285	593	56,371	79
GMCA – grant / sales related 2012 (page 6, notes 13 and 16)	476,090	521	77,073	521
GMCA - short term deposits 2013			22,740	-
GMCA - short term deposits 2012			38,484	-
Piccadilly Triangle Developments 2013	95	-	-	-
Piccadilly Triangle Developments 2012	156	-	-	-

Further details of TfGM's relationship with, and the grants received from GMCA are contained within the Directors' report. Outstanding balances as at 31 March are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received. No impairment of receivables has occurred during the year.

22. Commitments

	Group and TfGM	
	2013	2012
	£000	£000
Capital commitments at balance sheet date	219,789	285,335

Lease commitments

There were no amounts due under external finance leases and hire purchase contracts for either TfGM or the group. There are no annual commitments under non-cancellable operating leases other than for land and buildings, details of which are noted below.

	Group		TfGM	
	2013	2012	2013	2012
	£000	£000	£000	£000
Land and buildings				
Payments due within 1 year	209	504	204	499
Payments due between 2 and 5 years	606	1,855	586	1,835
Total payments due thereafter	4,835	6,379	4,580	6,129
	5,650	**8,738**	**5,370**	**8,463**

23. Contingent liability and contingent asset

A contingent liability exists in relation to discussions with a contractor regarding certain matters arising in the course of delivering TfGM's capital programme. Due to this, the final amount payable in relation to an element of the capital programme is uncertain. The Directors consider that the provision of additional information could be prejudicial to its position in resolving this matter.

24. Post balance sheet events

As at 8 July 2013, there are no Post Balance Sheet Events which require disclosure.