

**GREATER MANCHESTER PASSENGER TRANSPORT
EXECUTIVE**

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2009**

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DIRECTORS' REPORT

The Executive's Consolidated Revenue Account shows a surplus for the year of £5.210 million (2008 - £1.045 million). The consolidated distributable reserves of the Executive at the year-end were £24.537 million (31 March 2008 - £19.327 million).

The Executive believes that public transport contributes to making Greater Manchester a wealthier, healthier and safer place to live, work and visit. That is why our vision is: making public transport the preferred choice in Greater Manchester. This means working to provide the people of Greater Manchester with the best possible public transport network in terms of quality, safety, attractiveness, convenience and accessibility.

- The number of passenger journeys across Greater Manchester reached more than 275 million in 2008/09, 23.5 million higher than in 2000/01 (the baseline for the Transport Act 2000).
- Bus patronage grew by more than 7 million during 2008/09 to 232.2 million.
- Around 4,300 of Greater Manchester's bus stops now have shelters, helping to make buses a more attractive option.
- Train passengers in Greater Manchester made almost 23 million journeys on local services last year – over half a million more than last year. The number of rail passenger journeys has doubled in the past decade.
- On Metrolink, patronage increased to 20.3 million, following the launch of the marketing and fare evasion initiatives and despite track upgrade work.
- Metrolink reliability (operated mileage) has remained above 98% for the 22nd consecutive 4-week period.

In the past year, GMPTE has successfully completed several major projects and made great strides forward, planning for the future of transport in Greater Manchester. These include the completion of the delivery of a third rail platform at Manchester Airport, which will greatly aid the handling of increased passenger traffic at the airport station.

A significant amount of work has been done in developing public transport schemes for Greater Manchester as part of the preparation and submission of the bid for funding from the Transport Innovation Fund. The work performed as part of this bid was highly regarded and led to the development of a number of strong business cases for public transport schemes in Greater Manchester.

Following the success in gaining Government funding early in the financial year for the major extensions to Metrolink; work on new lines to Droylsden in Tameside, Chorlton in Manchester and to Rochdale and Oldham over existing railway lines has commenced in the year and will continue for the next four years. The first line, to Chorlton, is scheduled to open in Spring 2011.

Work has also continued on the extension of the system to Mediacity in Salford, working in conjunction with Salford City Council. Work has been ongoing on the upgrade and renewal of the Metrolink track, including the ongoing replacement of track in Manchester City Centre. As part of the renewals work and the major line developments underway, work has been ongoing both to increase the number of trams and to upgrade the current tram fleet. A new livery design has been developed for the new fleet and both the new and the existing fleet will be refurbished to ensure they provide the most comfortable service as possible for customers.

Following the successful operation of the Metroshuttle bus service in the Manchester City Centre over a number of years; which GMPTE funds along with Manchester City Council and a number of other partners GMPTE has been contributing to the funding for the provision of other similar services in District centres in Greater Manchester. Services have been launched in the year in Bolton and Stockport and the success of these is being monitored with view to further future services.

GMPTE has continued to make improvements to its structure to help it deliver its ambitious plans.

DIRECTORS' REPORT

Following the year end, on 12 May the AGMA Executive approved the creation of the Greater Manchester Transport Fund, which is designed to support the delivery of a number of public transport schemes. These schemes were the subject of a prioritisation exercise, where all the potential schemes were independently assessed on the basis of their contribution to key economic outcomes, environmental and social objectives. The Transport Fund will finance a number of GMPTE led 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; development of Leigh-Salford-Manchester Busway; improved interchange facilities at Bolton and Altrincham; a number of Park and Ride schemes and other station development works. These investments will be funded from a combination of Central Government funding, 'top slicing' existing Local Transport Plan funding and borrowings, supported by agreed increases in contributions from the levy.

Members of the Executive

The Directors of the Executive 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	- Interim Chief Executive Officer (on contract from Ernst & Young LLP)
U Bramwell	- Organisational Development Director (resigned 31 July 2008)
MCR Renshaw	- Projects Director – acting Service Delivery Director
SG Warrener	- Finance & Corporate Services Director

C Ainscow	- Non Executive Director
Sir H Bernstein	- Non Executive Director
K Giles	- Non Executive Director

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

Philip Purdy	- Metrolink Director (appointed May 2008)
David Hytch	- Information Systems Director (appointed March 2008)
Paul Griffiths	- Interim Projects Director (on contract from Acuity Programme Management Ltd)
Adam Goulcher	- Interim Director of Strategy (appointed April 2008)
Bob Morris	- Interim Chief Operating Officer (appointed June 2009) (on contract from Parsons Brinkerhoff)
Dean Nicholson	- Interim Communications and Customer Services Director (appointed June 2009)

Disabled employees

GMPTE gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is GMPTE'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

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

Grants

The Executive's net expenditure, after taking into account all sources of income and expenditure, is financed primarily by way of Revenue Grant from the Greater Manchester Integrated Transport Authority (GMITA), formerly known as Greater Manchester Passenger Transport Authority. GMITA makes a levy on the ten district councils in Greater Manchester to meet its own expenditure which includes the Revenue Grant to the Executive. GMITA also receives Special Rail Grants and Bus Grants from Central Government to fund the Executive's rail franchise payments and to improve bus services in rural areas and in the most deprived urban areas. In addition the GMITA received grants from Central Government in support of the bid to the Government's Transport Innovation Fund. Capital Grants are also received from GMITA in respect of approved expenditure on capital schemes. The grants receivable by the Executive from GMITA were as follows:

	2009	2008
	£000	£000
Revenue Grants	129,967	124,109
English National Concessionary Travel Scheme Grant	10,638	1,960
Bus Grants	710	1,216
Special Rail Grants	79,621	75,397
Transport Innovation Fund (TIF) Grant	13,778	2,976
Other government grants	806	-
	<u>235,520</u>	<u>205,658</u>
Capital Grants	<u>137,298</u>	<u>57,766</u>

SG WARRENER
Director

MCR RENSHAW
Director

30 September 2009

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS
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The Executive's Responsibilities

The Executive 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.

The Finance and Corporate Services Director's Responsibilities

The Finance and Corporate Services Director is responsible for the preparation of the Executive's statement of accounts, which are required to present fairly, the financial position of the Executive at the accounting date, and the revenue account for the year ended 31 March 2009.

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 are reasonable and prudent.

The Finance and Corporate Services Director has also:

- kept proper accounting records which are up to date;
- 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 presents fairly the financial position of GMPTE as at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.

SG WARRENER
Finance and Corporate Services Director

30 September 2009

ANNUAL GOVERNANCE STATEMENT

1. Introduction

The GMPTE Annual Governance Statement forms part of our Governance Framework and meets the requirement to conduct a review at least once a year of the effectiveness of our system of internal control and to prepare a statement which forms part of our 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 our governance systems and processes are.

2. Scope of responsibility

The Executive is responsible for implementing the policies of the Greater Manchester Integrated Transport Authority. In fulfilling this role the Executive is responsible for ensuring that its business is conducted in accordance with the law and proper standards; and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Whilst the Executive 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, the Executive is responsible for establishing proper arrangements for the governance of its affairs and for facilitating the effective exercise of its functions, including arrangements for the management of risk.

GMPTE is following the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government in preparing this statement. This Statement explains how the Executive has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, which require GMPTE 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 culture and values, by which the Executive is directed and controlled; and its activities, through which it is accountable to, engages with and supports the community. The framework enables the Executive to monitor the achievement of its corporate objectives and to ensure that 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. The system of internal control is an ongoing process, designed to identify and prioritise the risks to the achievement of the Executive'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 fulfills their purpose and achieves their intended outcomes for its end users and that they operate in an effective, economic and ethical manner.

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

- Establish and monitor the achievement against its 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;

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- Safeguard our assets and interests from losses such as 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 GMPTE and on outcomes for the community and on creating and implementing a vision for the local area

GMPTE's role is to carry out GMITA's policies either by providing and managing facilities itself or by contracting with bus, tram and train operators to provide them. The overarching policies focus on the development of a transport system, which contributes to the economic competitiveness of Greater Manchester; aims to address problems of transport related social exclusion; respects the area's environment; acknowledges the diversity of the Greater Manchester community; and provides people with attractive travel choices.

This is captured in GMPTE's vision for the people who live and work within the region of Greater Manchester; "To make public transport the preferred choice in Greater Manchester". This vision underpins GMPTE's strategic objectives and its key business priorities. The vision is also captured and communicated internally in GMPTE's values: Delivery, Partnership, Ambition, Respect and Responsibility.

There has continued to be significant investment in the upgrade of infrastructure on the Metrolink network; development of the Phase 3 expansion, including the commencement of physical works, and the ordering of new light rail vehicles. Continued improvement in the Quality Bus Corridors has also taken place up to the end of the period of the scheme's funding, and further development and support has been provided to the community transport sector. Pilot schemes to develop Metroshuttle services in town centres throughout the County were established in Bolton and Stockport.

Whilst GMPTE 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 its structures and processes are fit for purpose to reflect delivery and service quality priorities and to meet the challenges of the operating environment.

An Environmental Policy was implemented in February 2008. The policy states that "GMPTE aims to enable the local public transport network and the GMITA and GMPTE in their own activities, to contribute to sustainable development, a cleaner local environment and assist in tackling climate change". During 2008/09, we supported this policy in a variety of ways:

- Environmental work related to the Transport Infrastructure Fund Package bid to central Government. The programme was reviewed and the Strategic Environmental Assessment revised. A programme was devised for Travel Behaviour Change. A major environmental consultation event was held;
- GMPTE retained certification to Environmental Management System ISO 14001. This involves every part of GMPTE and ensures our compliance with environmental legislation and a commitment to continuous improvement;
- We helped Stagecoach to work towards their ISO 14001 Environmental Management System for the Metrolink network;
- A design guide for new public transport infrastructure provided by GMPTE was produced. This included substantial guidance on sustainable design issues;
- Internal environmental training and promotion included environmental induction for new starters, and regular meetings of a 'Green Action Team';
- PTEG sustainability Group studies completed this year included options for reducing pollution from bus fleets outside London and an examination of the carbon footprint of PTE activities; and
- Metrolink upgrading continued to respect the environment. Habitat surveys were carried out before track renewals, and almost all the old track and sleepers were recycled.

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

The leadership and decision making functions within GMPTE are exercised by the Executive Board and the Executive Group whose responsibilities are clearly set out in the Executive's Constitution. The Executive Board is the ultimate decision making body within the Executive 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 the Executive is delegated to the Executive Group.

The Executive Group's core functions are to:

- Co-ordinate the Executive'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, the Executive's input to the Local Transport Plan and other relevant documents.

The Executive's Scheme of Delegation was updated and revised in 2008/09 and updated details of levels of authority to approve expenditure were communicated to staff by the Internal Communications team.

In determining a Scheme of Delegation, the Executive has reserved powers within its Constitution 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.

A Board Sub-Committee, composed of the Interim Chief Executive Officer, a Non-Executive Director, 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 GMPTE 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 Solicitor and Secretary carries out the statutory functions of the Monitoring Officer who has overall responsibility for legal issues and her staff work closely with elected members and GMPTE staff to provide advice where appropriate. All reports to the Executive and its Committees are considered from a legal perspective.

The Director of Finance and Corporate Services carries overall responsibility for financial issues and all reports to the Executive Group, Executive Board and its Committees require commentary about any financial implications.

Principle 3: Promoting values for GMPTE 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. Work is ongoing to continually promote and embed our Values in the day to day business of GMPTE through the performance management framework. Work is also under way to further develop the mechanisms to measure the effectiveness of the organisational Values through the performance management framework.

The five corporate Values (Delivery, Partnership, Ambition, Respect & Responsibility) underpin the GMPTE vision. To raise and maintain awareness and to ultimately embed these Values, staff briefings have been held, lunchtime seminars conducted, regular e-mail communications sent, and an intranet microsite established. They form core parts of corporate documents such as the Business Plan and the Annual Performance Report, and underpin the business planning and performance management processes.

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GMPTTE 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;
- a theft response procedures; and
- a hospitality policy and procedure.

The Counter Fraud and Corruption Policy includes, as separate appendices, the 7 Principles of Public Life (Nolan Committee) and a Code of Conduct. During 2008/09, the Policy was reviewed and amended, and all staff were required to confirm that they were aware of the Policy. The policy has also been incorporated into the PTE's staff induction process.

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 the Executive provided with the Transport Acts 1968, 1983, 1985 and 2000 and Local Government Act 1972 and the Transport Works Act 1992.

In accordance with GMPTTE's Constitution, the Executive is responsible for the delivery of the Authority's policy for public passenger services and transport facilities. Responsibilities for decision-making are clearly identified in the 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 also the performance of GMPTTE Directorates. GMPTTE also has a Projects Review Panel and a number of Project Boards whose role is to review and sanction the development and implementation of all projects.

Performance updates are reported to the Board monthly. Performance updates are also presented to the GMITA Performance Management Committee four times a year.

The Performance Measurement Framework is a suite of measures and Key Performance Indicator's (KPIs) directly related to our Key Business Priorities (KBPs).

The Audit Commission undertake an annual audit of GMPTTE's KPIs to ensure that the performance data we produce is accurate; is in accordance with the definitions set by the Commission and that robust controls are in place to ensure that data being used for the calculation of the KPIs is accurate. Targets are set and reported on in the Annual Report, which is published annually on the GMPTTE website and circulated to all staff and a variety of external stakeholders.

The proceedings of the Executive Group and the Executive Board, and its Committees, and the decisions taken are formally minuted. Mechanisms are in place to ensure any conflicts of interest are declared and recorded.

In addition GMPTTE has an Audit Committee, which meets quarterly, chaired by a non-executive director of the GMPTTE 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 the Executive 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; and the Annual Report and Accounts of the Executive, 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;

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- progress against planned activity and results of both internal and external audit work; and
- the assurances obtained regarding the adequacy and effectiveness of GMPTE'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 in 2008/09. This has further clarified the Committee's role and amended its membership to comprise two non-executive Members of the Board, with other Directors and Board Members to attend, if required, at the invitation of the Chair.

As part of GMPTE's corporate governance framework, the Audit Committee has overall responsibility for the risk management framework and for providing the Board with assurance that the agreed risk management process is in place and is effective.

In addition to the quarterly oversight of the framework provided by the Audit Committee, GMPTE's Executive Group meets to review the Strategic Risk Register four times a year. If required, ad hoc meetings of the Executive Group are convened.

In line with GMPTE's risk management process, each risk on the Strategic Risk Register is assigned an owner and a series of actions, designed to mitigate the risk, are identified and implemented.

As part of GMPTE's ongoing plan to embed its risk management process within the business, a centralised risk management system was implemented in 2007/08. The database provides greater access and visibility of risk information across the entire organisation, while the supporting the risk process and delivering improved risk reporting at all levels. Further developments to facilitate the extraction of management information from the database have also enhanced its functionality and during 2008/09 the foundations have been laid to move to a new, web-based version of the system in June 2009, which will provide increased functionality and a more robust and stable platform.

Managing risk is part of everything we do, including:

- Regular risk reviews at departmental, project and programme level, which are incorporated within our business planning process;
- The implementation of a computerised risk management system ('Predict');
- The direct alignment of risks to Key Business Priorities (KBPs), departmental delivery plans and individual objectives;
- The regular meeting of Risk Champions, drawn from across the organisation; and
- The inclusion of an 'Introduction to Risk Management' within GMPTE's induction pack, and the development of a series of risk training courses.

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

Effective local government relies on public confidence in Authority members and officers. Good governance strengthens credibility and confidence and public services. Authorities need people with the right skills to direct and control them effectively. Governance roles and responsibilities are challenging and demanding and GMPTE 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 and future Learning and Development requirements are captured as part of the Performance Review process. Incorporated in this induction are elements relating to Internal Audit, risk management and countering fraud and corruption. Training plans are then developed and training is provided either in-house or through external training consultants.

A Competency Framework, in which staff assess themselves against core and other key (technical, managerial etc) competencies, was implemented in 2008/09, and further work to develop the system continues. Skills gaps identified are incorporated into learning and development plans.

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All staff, including senior management, 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 GMPTE in ensuring its staff possess the necessary skills required to undertake their roles.

GMPTE continues to develop a Human Resources Strategy to meet future requirements and to manage the challenges and risks facing the organisation. This is part of a wider people strategy to fully reflect GMPTE's priorities and objectives and includes:

- Addressing the modernisation and development of HR policies, procedures and practices to meet changing organisation requirements;
- The recruitment and retention of high quality employees including the introduction of a Graduate Development Scheme;
- The continued promotion of equality and diversity, and the eradication of discrimination in our role as an employer;
- The implementation and embedment of a reward strategy that will enable us to continue to attract, retain and motivate high calibre staff to meet changing organisational requirements;
- The development of an effective Learning and Development Framework - which includes analysis of staff skills against future organisational requirements and implementation of appropriate programmes to meet our requirements, within budgets;
- The further refinement of GMPTE's appraisal process and performance management systems; and
- The promotion of wellbeing amongst our workforce through a supportive and robust Occupational Health provision, which reduces absenteeism and provides continuity of service to the travelling public and stakeholders.

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

In addition, GMPTE carries out a range of engagement and consultation activities with resident and other stakeholders, such as transport operators, throughout the year, including, for example, six-monthly tracking surveys to identify transport priorities as well as specific consultation on new schemes.

As part of the bid for TIF funding, major public consultations were carried out, providing extensive data on the public's views, not only with regard to the proposals which were in the TIF package, but also on public transport in Greater Manchester as a whole. This information will continue to be invaluable in supporting further plans and proposals for improvements.

A GMPTE draft stakeholder strategy has been prepared for the purposes of:

- Influencing decision-makers on transport matters;
- Acquiring support for GMPTE projects and initiatives; and
- Creating favourable legislative landscape.

Objectives outlined in the draft strategy will be achieved by:

- Heightening profile via increase activity with stakeholders;
- Enhancing reputation through promotion of key messages;
- Communicating developments and news from GMPTE and in transport generally, and mechanisms for achieving this;
- Gaining intelligence on key stakeholders by fully understanding their issues and agenda;
- Identifying opportunities for joint working or accessing funds; and
- Providing an appropriate point of contact with GMPTE.

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4. Review of Effectiveness

The Executive 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 Risk and Assurance's annual report, and also by comments made by the external auditors and other assurance providers.

This process includes:

- Reviews of performance overseen by the GMITA's Performance Management Committee;
- Review of the effectiveness of internal controls by the Executive's internal auditors; and
- Submission of an annual assessment (annual governance report) by the Executive's external auditor.

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.

Risk and Assurance/ Internal Audit

The Risk and Assurance Function 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 Risk and Assurance is informed by an analysis of risk to which the Executive is exposed and annual audit plans are informed and developed from this analysis. The Head of Risk and Assurance agrees the Annual Audit Plan with, and reports to, the Audit Committee and has access to all Executive Officers and members.

In 2007/08 the function was strengthened by the appointment of 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 defense in ensuring effective procedures, processes and controls are in place for the management of capital and non-capital projects and programmes. Through the Programme Assurance framework, assurance was provided during 2008/09 by IS specialists, during and post implementation of a new Management Information System.

The results of their reviews are summarised and reported to each meeting of the Audit Committee.

External Audit

External Audit have issued the following reports during 2008/09:

- Medium Term Financial Strategy (MTFS);
- Opinion on financial statements;
- Value for Money Conclusion;
- Annual Audit Letter; and
- Annual Governance Report.

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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 the Executive. In particular, the system includes:

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

5. Significant Governance Issues

The Executive is committed to a culture of continuous improvement and ensuring value for money. The annual Governance Statement identifies areas where further improvements need to be made and where the Executive will need to focus its efforts during 2009/10. The Audit Committee will closely monitor these improvements.

Resource Management

Since September 2007, improvements have been made to the organisational structure of GMPTE on an incremental basis. This will continue, to ensure that our structure reflects the changing demands on the organisation.

We will continue to investigate how more efficient and effective ways of working can be achieved, including flexible working policies and more efficient "hot-desking" strategies to enable informed decisions to be taken on future office and other accommodation requirements.

Risk Management

GMPTE is continually developing its risk management arrangements and will need to ensure that these remain robust. Risk registers have been developed and agreed together with actions to mitigate risk. Further work will be progressed in 2009/10 to ensure that risk management arrangements are fully embedded including:

- Regular review and update of the risk registers as part of regular meeting agendas;
- Completion of, and subsequent adherence to, documented policies and procedures that support the risk strategy;
- Upgrade of the existing risk software to enhance the existing functionality;
- Review of existing Business Continuity Management arrangements;
- Assessment of data protection systems; and
- Enhancement of contract management procedures.

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Policies and Procedures

GMPTTE have a policy and procedures approval process to ensure there is proper consultation, appropriate approval and an implementation plan to embed the relevant policy or procedure. To support this approval process, there are separate policy and procedural templates. Further work will be progressed in 2009/10 to ensure that all policies and procedures are documented, appropriately reviewed and fully embedded, specifically including:

- Annual review of the Constitution and associated rules and procedures;
- Mechanism for monitoring compliance with the annual review of policies and procedures; and
- A complete suite of policies and procedures;

We propose over the coming year to take steps to address the above matters to further enhance and strengthen our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our continuing review

SG WARRENER
Director

MCR RENSHAW
Director

30 September 2009

Opinion on the financial statements

I have audited the financial statements of Greater Manchester Passenger Transport Executive and group for the year ended 31 March 2009. The financial statements comprise the consolidated Revenue Account, the consolidated Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the Directors of Greater Manchester Passenger Transport Executive in accordance with Part II of the Audit Commission Act 1998, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the financial statements in accordance with the Accounts and Audit Regulations 2003 as amended.

My responsibility, as independent auditor, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements, of the financial position of the Executive and its income and expenditure for the year. I also report to you whether, in my opinion, the information which comprises the Directors' Report, is consistent with the financial statements.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Executive's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Executive's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the Executive and group financial statements give a true and fair view of the state of affairs of Greater Manchester Passenger Transport Executive as at 31 March 2009 and of its income and expenditure for the year then ended in accordance with the accounting policies adopted by the Executive; and
- information which comprises the Directors' Report is consistent with the financial statements.

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

Executive's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Executive for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to the relevant criteria specified by the Audit Commission for other local government bodies. I report if significant matters have come to my attention which prevent me from concluding that the Executive has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Executive's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Practice and having regard to the criteria for local government bodies specified by the Audit Commission and published in 2009, I am satisfied that, in all significant respects, Greater Manchester Passenger Transport Executive made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

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

Jackie Bellard
(Officer of the Audit Commission)

Audit Commission
Aspinall House
Aspinall Close
Middlebrook
Horwich
BOLTON
BLR 6QQ

30 September 2009

ACCOUNTING POLICIES

Introduction

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2003 (as amended 2006). These require the accounts to be no less informative than if the disclosure requirements of the Companies Acts were, so far as appropriate, applicable. They also require that the accounts are prepared in accordance with proper professional practices, which for GMPTE is UK GAAP. In all material respects these accounts are prepared on this basis, with the exception of the Deregulation Reserve (please see note 17).

Basis of Preparation

The accounts have been prepared under the historical cost convention, modified by the revaluation of certain tangible fixed assets, and in accordance with accounting standards to the extent that they are considered to be appropriate to Passenger Transport Executives.

Consolidation

The consolidated accounts comprise the accounts of the Executive and all its subsidiary and associated undertakings drawn up to 31 March 2009.

Tangible fixed assets

Tangible fixed assets are recorded at historical cost with the exception of certain land and buildings recorded at valuation. The Executive has followed the provisions of FRS 15 (Tangible Fixed Assets) to retain the book value of land and buildings.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold & long leasehold buildings	40 to 50 years
Short leasehold buildings	over the lease term
Metrolink (Phases 1 and 2)	30 years *
Plant and equipment (including software)	3 to 10 years
Vehicles held for operating leases	3 to 5 years

* The cost of Phases 1 and 2 of the Metrolink system includes a total of £11.498m (2008 £11.498m) representing the costs of acquiring the land required to enable the system to be constructed. In accordance with standard accounting practice this amount is not being depreciated.

Depreciation is applied with effect from the 1 April following the bringing into use of the asset. Similarly the amortisation of the funding used for the acquisition of the asset is effected from the same date. Although the policy is not in accordance with FRS 15, the treatment of both the depreciation of cost and the amortisation of capital grant funding is neutral to the revenue result reported.

A review for impairment of fixed assets is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Capital projects

Capital projects relate to expenditure made in respect of assets and passenger transport facilities which are not operational at the balance sheet date. Capital project grants are grants receivable relating to capital project expenditure. Upon the associated assets becoming operational, the expenditure is transferred to either fixed assets or passenger transport facilities and depreciated accordingly. The related grants are transferred to deferred capital grants or passenger transport facilities and amortised on the same basis as expenditure. In the case of passenger transport facilities assets the cost of investing in these assets is shown net of the associated grants. In the event that capital expenditure does not directly result in an operational asset, the costs and related grants are transferred to the revenue account.

ACCOUNTING POLICIES 31 March 2009 (continued)

Capital grants

Capital grants for tangible fixed assets are credited to a deferral account and released to revenue over the life of the assets to which they relate.

Capital grants received for Metrolink have been apportioned against the total cost of the system. To the extent that these grants are apportioned against the costs of acquiring land they are not being released to the revenue account.

Capital grants received in relation to expenditure incurred on passenger transport facilities in which title vests with other organisations, (including expenditure relating to operators of vehicles for mobility impaired passengers) are netted against the expenditure as shown in note 7(b).

Rail Services - Funding

Local rail services are provided under the terms of a number of Franchise Agreements. GMPTE is a co-signatory to the Northern Rail franchise, with the Department for Transport and the other PTEs into whose areas the Train Operating Company 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 are currently being funded by a Special Rail Grant, which is paid by the Department for Transport direct to GMITA/GMPTE.

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.

Leasing activities

Amounts receivable under finance leases are stated net of interest allocated to future periods. Interest is allocated to accounting periods so as to produce a constant periodic rate of income 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.

Investment properties

Investment properties are revalued annually in accordance with Statement of Standard Accounting Practice No. 19. Any surplus arising is transferred to a revaluation reserve, together with any deficit, to the extent that there was previously a surplus, arising therefrom. No depreciation or amortisation is provided thereon.

Finance and operating leases

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the revenue account 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 income on a straight line basis over the term of the lease.

Inventory (Stock)

Inventory is carried at the lower of cost and net realisable value.

Short term deposits

Surplus cash funds available to the Executive are deposited, interest free, with the Greater Manchester Integrated Transport Authority. Such amounts are shown as a debtor in the Executive's accounts.

Pensions

The Executive participates in a defined benefit pension scheme, the assets of which are held separately from those of the Executive in an independently administered fund. The funds are valued every three years by a professionally qualified independent actuary. The pension costs of the Executive, representing the contributions payable to the funds in respect of current employees, are charged to the revenue account in the year in which they are incurred as part of "Administration and Management Costs". In addition the Executive has an on-going liability for pensions increase costs in respect of certain past employees or their dependants. To the extent that they cannot be met by the Pension Fund itself these costs are identified and shown separately under the heading "Unfunded pension costs".

Pension costs have been charged to the income and expenditure account in line with FRS17 and reversed out below the surplus for the year applying to the statutory override provided by Regulation 7A(2) of the Accounts and Audit Regulation 2003 as amended.

The Executive's pension costs have been determined on the basis of contribution rates that are set to meet the full liabilities of the independently administered fund. No provision has been established in respect of the unfunded on-going liability for pensions increase costs in respect of past employees. As a result, the Executive does not comply with the accounting requirements of FRS17 'Retirement Benefits' in this regard. Such non-compliance is considered appropriate to the particular circumstances of the Executive.

Provisions

Provisions are recognised when the Executive has a present, legal or constructive obligation as a result of a past event which makes it probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

REVENUE ACCOUNTS for the year ended 31 March 2009

	Notes	Consolidated		Executive	
		2009 £000	2008 £000	2009 £000	2008 £000
Revenue Grant		129,967	124,109	129,967	124,109
English National Concessionary Travel Scheme Grant		10,638	1,960	10,638	1,960
Rural / Urban Bus Grant		710	1,216	710	1,216
Special Rail Grant		79,621	75,397	79,621	75,397
TIF Grant		13,778	2,976	13,778	2,976
Other government grants		806	-	806	-
Total Revenue Grants received from GMITA		235,520	205,658	235,520	205,658
Metrolink income	1	26,104	25,310	26,104	25,310
Other income	2	15,593	13,933	15,262	13,628
Total income		277,217	244,901	276,886	244,596
Concessionary fare scheme		(66,795)	(58,622)	(66,795)	(58,622)
Supported bus services		(34,851)	(33,639)	(34,851)	(33,639)
Accessible transport		(6,446)	(5,976)	(6,446)	(5,976)
Rail franchise		(78,348)	(74,252)	(78,348)	(74,252)
Metrolink		(23,181)	(25,780)	(23,181)	(25,780)
Operational costs		(57,517)	(43,656)	(57,258)	(43,360)
Total operating expenditure		(267,138)	(241,925)	(266,879)	(241,629)
Unfunded pension costs	24	(425)	(459)	(425)	(459)
Pensions - current service cost	24	(2,700)	(2,500)	(2,700)	(2,500)
Total expenditure		(270,263)	(244,884)	(270,004)	(244,588)
Operating surplus for the year	3	6,954	17	6,882	8
Income from investments and loans	4	26	33	670	28
Interest payable	5	(4,470)	(4,550)	(4,470)	(4,550)
Net finance cost of pension scheme	24	(2,100)	(3,900)	(2,100)	(3,900)
Transfer from pensions reserve	24	4,800	6,400	4,800	6,400
		5,210	(2,000)	5,782	(2,014)
Provision of passenger transport facilities - net cost	7(b)	-	-	-	-
Profit on disposal of tangible fixed assets		1,100	4,145	249	4,145
Surplus for the year before taxation	16	6,310	2,145	6,031	2,131
Taxation charge for the year	6	-	-	-	-
Surplus for the year after taxation	16	6,310	2,145	6,031	2,131
Transfer to Deregulation Reserve	17	(1,100)	(1,100)	(1,100)	(1,100)
Surplus for the year		5,210	1,045	4,931	1,031

All amounts relate to continuing operations.

Statement of total recognised gains and losses for the year ended 31 March 2009

	Notes	Consolidated		Executive	
		2009 £000	2008 £000	2009 £000	2008 £000
Surplus for the year		5,210	1,045	4,931	1,031
Amortisation of Deregulation Reserve	16,17	1,100	1,100	1,100	1,100
Unrealised (deficit)/surplus on revaluation of investment properties	15	(66)	(18)	-	-
Net (loss) /gain on the pension scheme FRS 17 valuation	24	(33,500)	64,400	(33,500)	64,400
Total recognised (losses) / gains for the year		(27,256)	66,527	(27,469)	66,531

The notes on pages 25 to 42 form part of these accounts.

BALANCE SHEETS at 31 March 2009
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	Notes	Consolidated		Executive	
		2009 £000	2008 £000	2009 £000	2008 £000
FIXED ASSETS:					
Fixed assets	7(a)	301,977	304,252	301,907	304,125
Capital projects	8	288,165	175,337	287,940	175,087
Investments	9(a)	-	-	2,758	2,758
Investment Property	10	369	410	-	-
		590,511	479,999	592,605	481,970
LONG TERM DEBTORS					
	11	2,540	2,689	2,540	2,845
CURRENT ASSETS:					
Debtors	11	73,094	57,579	73,113	57,538
Cash at bank and in hand	19	667	934	359	571
		73,761	58,513	73,472	58,109
CURRENT LIABILITIES:					
Creditors: amounts falling due within one year	12(a)	(52,396)	(53,083)	(55,436)	(55,837)
Bank overdrafts	19	-	(4)	-	(4)
		(52,396)	(53,087)	(55,436)	(55,841)
NET CURRENT ASSETS		21,365	5,426	18,036	2,268
TOTAL ASSETS LESS CURRENT LIABILITIES		614,416	488,114	613,181	487,083
LONG TERM LIABILITIES:					
Creditors: amounts falling due after more than one year	12(b)	-	(9)	-	-
Provisions for liabilities and charges	12(c)	(3,821)	(515)	(3,821)	(515)
NET PENSION ASSETS	24	41,500	75,000	41,500	75,000
		652,095	562,590	650,860	561,568
FINANCED AS FOLLOWS:					
DEFERRED CAPITAL GRANTS	13	273,813	274,163	273,813	274,163
CAPITAL PROJECT GRANTS	8	288,325	169,940	288,325	169,940
LOAN CAPITAL:	14	74,887	76,161	74,887	76,161
RESERVES:					
Undistributable reserves	15	4,669	4,735	2,668	2,668
Distributable revenue reserves	16	24,537	19,327	25,303	20,372
Pensions reserve	24	41,500	75,000	41,500	75,000
		70,706	99,062	69,471	98,040
DEREGULATION RESERVE	17	(55,636)	(56,736)	(55,636)	(56,736)
	21	652,095	562,590	650,860	561,568

These accounts were approved by the Executive on 30 September 2009

SG WARRENER
Director

MCR RENSHAW
Director

The notes on pages 25 to 42 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 March 2009
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	Notes	2009		2008	
		£000	£000	£000	£000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18		10,946		17,717
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:					
Interest received		26		33	
Interest paid		<u>(4,334)</u>		<u>(4,478)</u>	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(4,308)		(4,445)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT:					
Payments on capital projects		(137,514)		(64,657)	
Capital grants/contributions received		130,389		48,251	
Receipts from sale of surplus assets less costs of disposal		<u>1,100</u>		<u>4,376</u>	
NET CASH INFLOW / (OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			<u>(6,025)</u>		<u>(12,030)</u>
NET CASH INFLOW BEFORE FINANCING			613		1,242
FINANCING:					
Repayment of monies advanced		291		133	
Loans repaid	14(a)	<u>(1,167)</u>		<u>(1,067)</u>	
NET CASH OUTFLOW FROM FINANCING			<u>(876)</u>		<u>(934)</u>
(DECREASE) / INCREASE IN CASH	20		<u>(263)</u>		<u>308</u>

The notes on pages 25 to 42 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Metrolink

Since 15 July 2007, GMPTE has contracted with Stagecoach to provide the operation of the Metrolink service. Under this contract, GMPTE receives all the revenues generated by Metrolink and pays Stagecoach an operating fee partly linked to system performance. Therefore, the accounts reflect the full income and costs of operating the Metrolink system.

2. Other Income

Operating income was derived from the following sources:

	Consolidated		Executive	
	2009 £000	2008 £000	2009 £000	2008 £000
Bus station facility charges	2,877	2,667	2,877	2,667
Subsidised bus services	6,239	5,130	6,239	5,130
Passenger information services, Travelshop, bus station ancillary charges, rail franchise, operators and local authorities recoveries.	4,396	4,283	4,091	3,982
Rents and service charges	1,525	1,313	1,499	1,309
Advertising revenue	556	540	556	540
	<u>15,593</u>	<u>13,933</u>	<u>15,262</u>	<u>13,628</u>

3. Operating surplus for the year

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

	Consolidated		Executive	
	2009 £000	2008 £000	2009 £000	2008 £000
Remuneration of Members of the Executive (see note 3(c))	331	430	331	430
Depreciation (note 7(a)):				
Owned assets	15,665	14,495	15,608	14,426
Auditors' remuneration - audit	111	102	92	89
Rents receivable	(1,525)	(1,313)	(1,499)	(1,309)
Capital grants released (note 13)	(13,701)	(12,597)	(13,701)	(12,597)
Operating lease rentals	678	624	673	620

(b) Transport Innovation Fund costs:

An analysis of the costs incurred in the year in developing the public transport, and other associated schemes that formed part of the Transport Innovation Fund, and the associated funding sources for those costs, is shown below.

	Consolidated and Executive	
	2009 £000	2008 £000
Costs		
Revenue costs	15,750	2,976
Capital costs	8,682	-
	<u>24,432</u>	<u>2,976</u>

NOTES TO THE ACCOUNTS

3. Operating surplus for the year (continued)

Transport Innovation Fund costs (continued):

	Consolidated and Executive	
	2009	2008
	£000	£000
Funded by		
DfT grant (received via GMITA)	14,659	2,976
GMITA grant	7,801	-
Revenue reserves	1,972	-
	<u>24,432</u>	<u>2,976</u>

(c) Remuneration of Statutory Executive Members:

The aggregate amount of the emoluments of the Statutory Executive Members, including pension contributions were:

	2009	2008
	£000	£000
Salaries	253	336
Fees	46	54
Pension contributions	32	40
	<u>331</u>	<u>430</u>

During the year three of the Statutory Executive Members, (2008: four) participated in the defined benefit scheme.

The highest paid Statutory Executive Member received remuneration of £123,555 (2008: £95,937). Pension contributions of £15,375 were paid with regard to the highest paid director who had accrued a pension of £13,764 and a pension lump sum of £35,143.

Fees paid for the services of interim Directors amounted to £658,625 (2008: £751,415). The services were provided by Ernst and Young LLP and Acuity Programme Management Limited. In 2008 services were also provided by Robert Half Limited.

(d) Staff costs were as follows:

	Consolidated		Executive	
	2009	2008	2009	2008
	£000	£000	£000	£000
Wages and salaries	17,386	15,796	17,129	15,513
Social security costs	1,364	1,258	1,346	1,242
Other pension costs	1,839	1,578	1,815	1,554
	<u>20,589</u>	<u>18,632</u>	<u>20,290</u>	<u>18,309</u>

The average number of employees during the year was made up as follows:

	Consolidated		Executive	
	2009	2008	2009	2008
Operational Staff	252	259	232	237
Administrative Staff	371	331	370	330
	<u>623</u>	<u>590</u>	<u>602</u>	<u>567</u>

NOTES TO THE ACCOUNTS (continued)

4. Income from Investments and loans

	Consolidated		Executive	
	2009	2008	2009	2008
	£000	£000	£000	£000
From short-term loans and deposits	26	33	20	28
Funds received from Piccadilly Triangle Developments LLP – distribution of part of partnership profits	-	-	650	-
	<u>26</u>	<u>33</u>	<u>670</u>	<u>28</u>

5. Interest payable

	Consolidated		Executive	
	2009	2008	2009	2008
	£000	£000	£000	£000
On loan capital - other	4,440	4,544	4,440	4,544
On short-term borrowings	30	6	30	6
	<u>4,470</u>	<u>4,550</u>	<u>4,470</u>	<u>4,550</u>

6. Taxation

The tax charge/(credit) for the year is as detailed below:

	Consolidated		Executive	
	2009	2008	2009	2008
	£000	£000	£000	£000
Corporation tax for the year	-	-	-	-

The Executive's advisers on taxation continue to monitor the Executive'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.

NOTES TO THE ACCOUNTS (continued)

7. Fixed assets

Expenditure on fixed assets is analysed as follows:

Tangible fixed assets at note 7(a)

Passenger transport facilities at note 7(b)

7(a). Tangible fixed assets - General

Consolidated	Total £000	Land and Buildings £000	Plant and Equipment £000	Metrolink (Phases 1&2) £000
Cost or Valuation:				
At 31 March 2008	450,008	97,674	29,537	322,797
Additions at cost	-	-	-	-
Transfers from capital projects (note 8)	13,466	265	40	13,161
Disposals	(205)	(4)	(126)	(75)
At 31 March 2009 analysed below	<u>463,269</u>	<u>97,935</u>	<u>29,451</u>	<u>335,883</u>
Cost	460,434	95,100	29,451	335,883
Valuation	2,835	2,835	-	-
	<u>463,269</u>	<u>97,935</u>	<u>29,451</u>	<u>335,883</u>
Depreciation:				
At 31 March 2008	145,756	20,714	12,135	112,907
Charge for year	15,665	2,454	3,292	9,919
Disposals	(129)	(3)	(126)	-
At 31 March 2009	<u>161,292</u>	<u>23,165</u>	<u>15,301</u>	<u>122,826</u>
Net Book Value:				
At 31 March 2008	<u>304,252</u>	<u>76,960</u>	<u>17,402</u>	<u>209,890</u>
At 31 March 2009	<u>301,977</u>	<u>74,770</u>	<u>14,150</u>	<u>213,057</u>

NOTES TO THE ACCOUNTS (continued)

7(a). Tangible fixed assets - General (continued)

Executive	Total £000	Land and Buildings £000	Plant and Equipment £000	Metrolink (Phases 1&2)
Cost or Valuation:				
At 31 March 2008	449,385	97,674	28,914	322,797
Additions at cost	-	-	-	-
Transfers from capital projects (note 8)	13,466	265	40	13,161
Disposals	(79)	(4)	-	(75)
At 31 March 2009 analysed below	<u>462,772</u>	<u>97,935</u>	<u>28,954</u>	<u>335,883</u>
Cost	459,937	95,100	28,954	335,883
Valuation	2,835	2,835	-	-
	<u>462,772</u>	<u>97,935</u>	<u>28,954</u>	<u>335,883</u>
Depreciation:				
At 31 March 2008	145,260	20,714	11,639	112,907
Charge for year	15,608	2,454	3,235	9,919
Disposals	(3)	(3)	-	-
At 31 March 2009	<u>160,865</u>	<u>23,165</u>	<u>14,874</u>	<u>122,826</u>
Net Book Value:				
At 31 March 2008	<u>304,125</u>	<u>76,960</u>	<u>17,275</u>	<u>209,890</u>
At 31 March 2009	<u>301,907</u>	<u>74,770</u>	<u>14,080</u>	<u>213,057</u>

The net book value of land and buildings shown above comprises:

	Consolidated		Executive	
	2009 £000	2008 £000	2009 £000	2008 £000
Freehold	14,487	14,824	14,487	14,824
Long Leasehold	59,437	61,249	59,437	61,249
Short Leasehold	846	887	846	887
	<u>74,770</u>	<u>76,960</u>	<u>74,770</u>	<u>76,960</u>

Included within Metrolink (Phases 1 & 2) is £11.498 million (2008: £11.498 million) being the cost and net book value of acquiring freehold land required to enable the system to be constructed.

NOTES TO THE ACCOUNTS (continued)

7(b). Passenger transport facilities

As part of its statutory duties, the Executive is responsible for meeting the costs of upgrading public passenger transport facilities in the Greater Manchester area; including Railway and Highways infrastructure. In addition, the Executive provides assets and / or capital grants to Greater Manchester Accessible Transport Limited (GMATL) and capital grants to bus operators in accordance with section 106 of the Transport Act 1985. The expenditure incurred is offset by equivalent grants, which for the year ended 31 March 2009 amounted to £8.782 million (2008: £14.478 million). The ownership of these assets normally vests in rail operating companies, Network Rail, GMATL, the bus operator or the Local Authority as appropriate. In certain circumstances, title in these assets may ultimately revert to the Executive. Costs and grants are depreciated / amortised over the estimated useful life of the respective assets. Costs and grants that have been fully depreciated / amortised are classified as disposals / expired items.

These amounts are for information purposes only and are not included in the accounts of the Executive. The expenditure incurred and the related grants can be analysed as follows:

	At 31 March 2008	Movements in the year		At 31 March 2009
	£000	Additions £000	Expired items £000	£000
Costs:				
Rail Improvements	69,969	7,634	-	77,603
Accessible Transport	5,468	846	-	6,314
Highways Infrastructure	4,234	-	-	4,234
Bus schemes	42,766	302	-	43,068
Other schemes	4,208	-	-	4,208
	<u>126,645</u>	<u>8,782</u>	<u>-</u>	<u>135,427</u>
Depreciation *	(52,806)	(12,171)	-	(64,977)
Notional net book value	<u>73,839</u>	<u>(3,389)</u>	<u>-</u>	<u>70,450</u>
Capital Grants:				
Grants received	126,645	8,782	-	135,427
Grants released *	(52,806)	(12,171)	-	(64,977)
End of year	<u>73,839</u>	<u>(3,389)</u>	<u>-</u>	<u>70,450</u>

* The depreciation charge, and grants released, are not charged, or credited, through the Revenue Account.

8. Capital projects

Consolidated	Expenditure £000	Grants £000	Net £000
At 31 March 2008	175,337	(169,940)	5,397
Revaluation adjustment of development property *	(25)	-	(25)
Expenditure incurred/grants receivable in year	135,101	(140,593)	(5,492)
Transferred to fixed assets/deferred capital grants (notes 7(a)/13)	(13,466)	13,426	(40)
Transferred to passenger transport facilities (note 7(b))	(8,782)	8,782	-
At 31 March 2009	<u>288,165</u>	<u>(288,325)</u>	<u>(160)</u>

* The valuation was carried out by the directors of Charterplan Holidays Ltd (a subsidiary company of GMPTE), based on the advice of a qualified member of GMPTE staff.

NOTES TO THE ACCOUNTS (continued)

8. Capital projects (continued)

Executive	Expenditure £000	Grants £000	Net £000
At 31 March 2008	175,087	(169,940)	5,147
Expenditure incurred/grants receivable in year	135,101	(140,593)	(5,492)
Transferred to fixed assets/deferred capital grants (notes 7(a)/13)	(13,466)	13,426	(40)
Transferred to passenger transport facilities (note 7(b))	(8,782)	8,782	-
At 31 March 2009	<u>287,940</u>	<u>(288,325)</u>	<u>(385)</u>

All deferred capital grants receivable in the year came from the GMITA.

9(a). Investments

Consolidated		Total £000
Cost and Net Book Value		
At 31 March 2008 and 31 March 2009		<u>-</u>
	Subsidiary Undertakings Shares £000	Total £000
Executive		
Cost and Net Book Value		
At 31 March 2008 and 31 March 2009	<u>2,758</u>	<u>2,758</u>

9(b). Subsidiary companies and other undertakings

The Executive's principal trading subsidiary undertakings at 31 March 2009, all of which are incorporated in England, are as follows:

Name of Company	Percentage Control	Nature of business
Charterplan Holidays Limited	100%	Intermediate holding company, vehicle and 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
The Real Time Information Group Limited*	100%	Real time information technology
Transport Management Group Limited*	100%	Project consultancy
Greater Manchester Public Transport Information Limited	100%	Public transport information

* indirectly owned

In April 2009 the shareholding of The Real Time Information Group Limited was disposed of to Merseytravel at cost and carrying value of £1.

GMPTE and Manchester City Council are partners in Piccadilly Triangle Developments LLP. GMPTE has a 50% share of Piccadilly Triangle Developments LLP. This partnership is for the development of an area of land in the centre of Manchester. Development of this land commenced in May 2005. The partnership made a profit during the year of £1,663,177 (2008: loss of £86,221).

NOTES TO THE ACCOUNTS (continued)

10. Investment

Consolidated	2009 £000	2008 £000
At beginning of year	410	434
Revaluation at 31 March	(41)	(24)
At end of year	<u>369</u>	<u>410</u>

* The valuation was carried out by the directors of Charterplan Holidays Ltd (a subsidiary company of GMPTE), based on the advice of a qualified member of GMPTE staff.

Executive	2009 £000	2008 £000
At 31 March 2008 and 31 March 2009	<u>-</u>	<u>-</u>

11. Debtors

	Consolidated		Executive	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts due within one year				
Trade debtors	4,183	1,790	4,177	1,773
Amounts receivable from GMITA	38,967	22,546	38,967	22,546
Amounts deposited with GMITA	21,200	22,185	21,200	22,185
Amounts due from group undertakings	-	-	42	159
Other debtors	5,541	9,344	5,541	9,263
Prepayments and accrued income	3,203	1,714	3,186	1,612
	<u>73,094</u>	<u>57,579</u>	<u>73,113</u>	<u>57,538</u>
Amounts due after one year				
Amounts due from group undertakings	-	-	-	156
Other debtors	251	301	251	301
Prepayments and accrued income	2,289	2,388	2,289	2,388
	<u>2,540</u>	<u>2,689</u>	<u>2,540</u>	<u>2,845</u>

12. Creditors and provisions

12(a). Creditors: amounts falling due within one year

	Consolidated		Executive	
	2009 £000	2008 £000	2009 £000	2008 £000
Trade creditors	5,920	4,544	5,913	4,245
Loan capital (note 14(b))	1,274	1,167	1,274	1,167
Amounts due to group undertakings	-	-	3,270	3,127
Amounts due to GMITA	-	19,925	-	19,925
Taxation and social security	504	429	461	411
Other creditors	3,802	3,700	3,680	3,695
Accruals and deferred income	40,896	23,318	40,838	23,267
	<u>52,396</u>	<u>53,083</u>	<u>55,436</u>	<u>55,837</u>

NOTES TO THE ACCOUNTS (continued)

12(b). Creditors: amounts falling due after more than one year

	Consolidated		Executive	
	2009 £000	2008 £000	2009 £000	2008 £000
Deferred income	-	9	-	-

12(c). Provisions for liabilities and charges

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or timings are uncertain. The Executive has established the following provisions.

- Insurance excesses on Public Liability claims, for minor accidents to the public, and Employers Liability claims for work related illnesses that were potentially incurred prior to the transfer of the Executive's bus operations following the implementation of the Transport Act 1985.

The Executive has established new provisions in the year. These mainly represent re-classifications of existing creditor balances from accruals to provisions, rather than making provision for new liabilities in the current financial year.

- Costs of certain contractual liabilities.
- Costs for certain employment related obligations and benefits.
- Capital expenditure relating to the Metrolink network.
- Expenditure for contracted maintenance costs.

	Consolidated		Executive	
	2009 £000	2008 £000	2009 £000	2008 £000
Insurance excesses				
At 1 April	515	448	515	448
Released during the year	-	(185)	-	(185)
Additional amounts set aside during the year	-	252	-	252
At 31 March	<u>515</u>	<u>515</u>	<u>515</u>	<u>515</u>
Additional provisions established during the year				
Certain contractual obligations	504	-	504	-
Employment related obligations and benefits	702	-	702	-
Capital expenditure	600	-	600	-
Contracted maintenance expenditure	1,500	-	1,500	-
	<u>3,821</u>	<u>515</u>	<u>3,821</u>	<u>515</u>

NOTES TO THE ACCOUNTS (continued)

12(d). Obligations under leases and hire purchase contracts

There were no amounts due under finance leases and hire purchase contracts for either the Executive 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.

	Consolidated		Executive	
	2009 £000	2008 £000	2009 £000	2008 £000
Land and buildings				
Operating leases which will expire:				
Within 1 year	63	3	63	3
Within 2 to 5 years	208	80	208	80
Within 6 to 10 years	79	38	79	38
After 10 years	328	370	323	366
	<u>678</u>	<u>491</u>	<u>673</u>	<u>487</u>

13. Deferred capital grants

	Consolidated and Executive			
	2009		2008	
	£000	£000	£000	£000
At beginning of year				
Metrolink grants - Public Sector	188,189		165,899	
- Private Sector	<u>7,732</u>		<u>7,868</u>	
		195,921		173,767
Other project grants - Public Sector	76,798		74,852	
- Private Sector	<u>1,444</u>		<u>2,187</u>	
		<u>78,242</u>		<u>77,039</u>
		274,163		250,806
Transfers from capital projects (note 8)				
Metrolink	13,161		31,765	
Other projects	<u>265</u>		<u>5,488</u>	
		13,426		37,253
Released to revenue account				
Metrolink	(8,865)		(8,326)	
Other projects	<u>(4,836)</u>		<u>(4,271)</u>	
		(13,701)		(12,597)
Released on disposal of assets				
Metrolink	(75)		-	
Other projects	<u>-</u>		<u>(14)</u>	
		(75)		(14)
Adjustments on reclassification of assets				
Metrolink	-		(1,285)	
Other projects	<u>-</u>		<u>-</u>	
		-		(1,285)
At end of year		<u>273,813</u>		<u>274,163</u>
Represented by:				
Metrolink grants - Public Sector	192,549		188,189	
- Private Sector	<u>7,593</u>		<u>7,732</u>	
		200,142		195,921
Other project grants - Public Sector	72,283		76,798	
- Private Sector	<u>1,388</u>		<u>1,444</u>	
		<u>73,671</u>		<u>78,242</u>
At 31 March		<u>273,813</u>		<u>274,163</u>

NOTES TO THE ACCOUNTS (continued)

14. Loan capital

(a) Loan capital

	Consolidated and Executive	
	2009	2008
	£000	£000
Loans balance at beginning of year	77,328	78,395
Repaid during the year	(1,167)	(1,067)
Loans balance at end of year	<u>76,161</u>	<u>77,328</u>
Less: amounts falling due within one year (notes 12(a) and 14(b))	<u>(1,274)</u>	<u>(1,167)</u>
	<u><u>74,887</u></u>	<u><u>76,161</u></u>

Installments are payable as follows:

Within 1 year or repayable on demand	1,274	1,167
Within 1 to 2 years	1,382	1,283
Within 2 to 5 years	3,170	4,543
Within 5 to 10 years	5,002	5,002
Longer than 10 years	<u>65,333</u>	<u>65,333</u>
	<u><u>76,161</u></u>	<u><u>77,328</u></u>

Other loans are analysed as follows:

Lender	Interest rates rate range %		
Local Authority loans	7.375 - 10.50%	41	57
PWLB loans	4.75 - 6.625%	17,322	17,322
European Investment Bank Loan	9.25%	5,798	6,948
Loans from banks and other financial institutions	3.70 - 6.42%	<u>53,000</u>	<u>53,000</u>
		<u><u>76,161</u></u>	<u><u>77,327</u></u>

(b) Summary of amounts falling due within one year:

	Consolidated and Executive	
	2009	2008
	£000	£000
Other loan capital	<u>1,274</u>	<u>1,167</u>

NOTES TO THE ACCOUNTS (continued)

15. Undistributable reserves

	Total £000	Corporate capital £000	Revaluation reserves £000	Capital reserve £000
Consolidated				
<i>Current year</i>				
At 31 March 2008	4,735	2,461	722	1,552
Deficit on revaluation (notes 8 and 10)	(66)	-	(66)	-
At 31 March 2009	<u>4,669</u>	<u>2,461</u>	<u>656</u>	<u>1,552</u>
<i>Previous year</i>				
At 31 March 2007	4,753	2,461	740	1,552
Deficit on revaluation	(18)	-	(18)	-
At 31 March 2008	<u>4,735</u>	<u>2,461</u>	<u>722</u>	<u>1,552</u>
Executive				
<i>Current year</i>				
At 31 March 2008 and 31 March 2009	<u>2,668</u>	<u>2,461</u>	<u>207</u>	<u>-</u>

16. Revenue reserves

	Consolidated		Executive	
	2009 £000	2008 £000	2009 £000	2008 £000
At 1 April	19,327	18,282	20,372	19,341
Surplus for the year	6,310	2,145	6,031	2,131
Transfer to Deregulation reserve	(1,100)	(1,100)	(1,100)	(1,100)
At 31 March	<u>24,537</u>	<u>19,327</u>	<u>25,303</u>	<u>20,372</u>

£4.3 million of the surplus for the year (2008 - £Nil) has been allocated to a Specific Revenue Reserve. £0.65 million of the surplus for the year (2008: £Nil) has been allocated to a specific reserve relating to the development of Piccadilly Triangle.

17. Deregulation reserve

	Consolidated		Executive	
	2009 £000	2008 £000	2009 £000	2008 £000
At 1 April	(56,736)	(57,836)	(56,736)	(57,836)
Transfer from Revenue reserves	1,100	1,100	1,100	1,100
At 31 March	<u>(55,636)</u>	<u>(56,736)</u>	<u>(55,636)</u>	<u>(56,736)</u>

The above amounts represent the costs relating to the transfer of the Executive's bus operations to Greater Manchester Buses Limited following the implementation of the Transport Act 1985. As required by the provisions of the Act and in accordance with the transfer scheme, which was approved by the Secretary of State for Transport, the Executive 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 the Executive with respect to deregulation on 25 October 1986, which were not charged to the Executive's Revenue Account.

Although there is no legal requirement to amortise this reserve, the Executive acknowledges the prudence of taking steps to reduce the levels of ongoing borrowing by which the deregulation was originally funded. To this end, the Executive is amortising the reserve 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.

NOTES TO THE ACCOUNTS (continued)

18. Reconciliation of operating surplus to net cash inflow from operating activities

	2009	2008
	£000	£000
Operating surplus	6,954	17
Pensions current service cost arising from FRS 17 valuations	2,700	2,500
Depreciation	15,665	14,495
Capital grants released	(13,701)	(12,597)
(Increase) / decrease in debtors	(5,551)	9,164
Increase in creditors and provisions	4,879	4,138
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>10,946</u>	<u>17,717</u>

19. Analysis of changes in net debt

Analysis of movement of cash as shown in the consolidated cash flow statement

	At	Cash	Other	At
	1 April	flow	changes	31 March
	2008	£000	£000	2009
	£000	£000	£000	£000
Cash at bank and in hand	934	(267)	-	667
Bank overdraft	(4)	4	-	-
Debt due within one year	(1,167)	1,167	(1,274)	(1,274)
Debt due after one year	(76,161)	-	1,274	(74,887)
Total	<u>(76,398)</u>	<u>904</u>	<u>-</u>	<u>(75,494)</u>

Within 'Other Changes' is the transfer of debt due within one year.

20. Reconciliation of net cash flow to movement in net debt

	2009	2008
	£000	£000
(Decrease) / increase in cash in the year	(263)	308
Cash used to repay loans	1,167	1,067
Movement in net debt in the year	<u>904</u>	<u>1,375</u>
Net debt at 1 April	<u>(76,398)</u>	<u>(77,773)</u>
Net debt at 31 March	<u>(75,494)</u>	<u>(76,398)</u>

NOTES TO THE ACCOUNTS (continued)

21. Reconciliation of movement in Executive funds

	Consolidated		Executive	
	2009 £000	2008 £000	2009 £000	2008 £000
Surplus for the year after taxation	6,310	2,145	6,031	2,131
Increase in capital grants/private sector funding	118,035	35,622	118,035	35,622
(Decrease) in loan capital	(1,274)	(1,151)	(1,274)	(1,151)
(Decrease) in undistributable reserves	(66)	(18)	-	-
(Decrease) / increase in Pensions Reserves	(33,500)	64,400	(33,500)	64,400
	<u>89,505</u>	<u>100,998</u>	<u>89,292</u>	<u>101,002</u>
Opening Executive funds	562,590	461,592	561,568	460,566
Closing Executive funds	<u>652,095</u>	<u>562,590</u>	<u>650,860</u>	<u>561,568</u>

The definition of 'funds' includes unamortised grant and long term borrowing.

22. Capital Commitments

	Consolidated		Executive	
	2009 £000	2008 £000	2009 £000	2008 £000
Capital commitments at balance sheet date	<u>379,577</u>	<u>38,399</u>	<u>379,577</u>	<u>38,399</u>

23. Legal charges

One of the group's bankers has the right of set-off against certain of the group's bank balances of £5,000 (2008: £125,000) in respect of overdrafts, with the same bank, of any group undertaking.

24. Pension costs

The substantial majority of the employees of the Executive participate in the Greater Manchester Pension Fund ('the Fund') administered by Tameside Metropolitan Borough Council. The Scheme is of the defined benefit type. The fund is 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 GMPTE and the other participating employers.

The market value of the Fund's assets at 31 March 2007 amounted to £9,563 million. The funding level of the Fund as measured using the actuarial method of valuation was 100.0% as at 31 March 2007.

A full actuarial valuation was carried out at 31 March 2007 by a qualified independent actuary. The principal assumptions used by the actuary at that date were:

Rate of increase in salaries	4.7% per annum
Rate of increase in pensions in payment	3.2% per annum
Discount rate	6.1% per annum
Inflation assumption	3.2% per annum

The next full actuarial valuation is scheduled to be undertaken at 31 March 2010.

NOTES TO THE ACCOUNTS (continued)

24. Pension costs (continued)

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

Pension contributions paid by the Executive in the year amounted to £1,839,000 (2008: £1,578,000), in respect of current employees.

Total costs of £425,000 (2008: £459,000) were charged to the Executive 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 2009 were measured in accordance with the requirements of FRS17, and represent the Executive's share of the Scheme.

Assumptions

Financial Assumptions - as at	31.03.2009	31.03.2008	31.03.2007	31.03.2006	31.03.2005
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Price increases	3.1%	3.6%	3.2%	3.1%	2.9%
Salary increases	4.6%	5.1%	4.7%	4.6%	4.4%
Pension increases	4.5%	3.6%	3.2%	3.1%	2.9%
Discount rate	6.9%	6.9%	5.4%	4.9%	5.4%

Expected return on assets by category - as at	31.03.2009	31.03.2008	31.03.2007	31.03.2006	31.03.2005
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Equities	7.0%	7.7%	7.8%	7.4%	7.7%
Bonds	5.4%	5.7%	4.9%	4.6%	4.8%
Index linked gilts	4.2%	4.4%	3.6%	3.8%	4.3%
Property	4.9%	5.7%	5.8%	5.5%	5.7%
Cash	4.0%	4.8%	4.9%	4.6%	4.8%

The expected return on assets is 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 PFA92 and PMA92 tables, projected to calendar year 2033 for non pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	19.6 years	22.5 years
Future pensioners	20.7 years	23.6 years

NOTES TO THE ACCOUNTS (continued)

24. Pension costs (continued)

Assets: Valuation - as at	31.03.2009 £000	31.03.2008 £000	31.03.2007 £000	31.03.2006 £000	31.03.2005 £000
Equities	32,200	38,100	40,700	36,100	30,300
Bonds	6,100	9,200	9,300	8,000	5,800
Index linked gilts	252,700	278,200	250,500	282,100	273,000
Property	3,400	5,300	6,000	5,100	4,500
Cash	11,300	23,800	36,400	18,400	29,900
	<u>305,700</u>	<u>354,600</u>	<u>342,900</u>	<u>349,700</u>	<u>343,500</u>
Net Pension Asset - as at	31.03.2009 £000	31.03.2008 £000	31.03.2007 £000	31.03.2006 £000	31.03.2005 £000
Fair value of employer assets	305,700	354,600	342,900	349,700	343,300
Present value of scheme liabilities	264,200	279,600	332,300	347,900	327,600
Net pension asset	41,500	75,000	10,600	1,800	15,700
Experience gains/(losses) on assets	(47,600)	16,500	(300)	11,800	(1,700)
Experience gains/(losses) on liabilities	100	11,700	(1,900)	1,000	26,200

The figure of £305.7 million shown in the above table for "Estimated employer assets" is based on the Actuary's estimate of GMPTE's share of the total value of the Fund as at 31 March 2009.

Amount recognised in Statement of Total Recognised Gains and Losses (STRGL)

	31.03.2009 £000	31.03.2008 £000	31.03.2007 £000	31.03.2006 £000	31.03.2005 £000
Actuarial gains/(losses)	(31,300)	68,800	11,500	(12,400)	21,500
Cumulative actuarial gains/(losses)	58,100	89,400	20,600	9,100	21,500

The recognition requirements of FRS 17 have been applied to the current accounting period. The following amounts have been recognised in the performance statements in the year to 31 March 2009 under the requirements of FRS 17:

	2009 £000	2008 £000
Operating Surplus:		
Current service cost	1,900	2,500
Past service cost	700	-
Losses on curtailments and settlements	100	-
Total operating charge	<u>2,700</u>	<u>2,500</u>
Other finance income:		
Expected return on pension scheme assets	(16,600)	(14,300)
Interest cost on pension scheme liabilities	<u>18,700</u>	<u>18,200</u>
Net cost	<u>2,100</u>	<u>3,900</u>
Net Revenue Account Cost:	<u>4,800</u>	<u>6,400</u>
Actual return on scheme assets	<u>(30,700)</u>	<u>24,200</u>

NOTES TO THE ACCOUNTS (continued)

24. Pension costs (continued)

	2009 £000	2008 £000
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	279,600	332,300
Current service cost	1,900	2,500
Interest on pension scheme liabilities	18,700	18,200
Contributions by members	1,000	800
Actuarial losses	(16,300)	(52,300)
Past service cost	700	-
(Losses) on curtailments and settlements	100	-
Estimated unfunded benefits paid	(400)	(400)
Estimated benefits paid	(21,100)	(21,500)
Closing defined benefit obligation	<u>264,200</u>	<u>279,600</u>
Reconciliation of fair value of employer assets		
Opening fair value of employer assets	354,600	342,900
Expected return on assets	16,600	14,300
Contributions by members	1,000	800
Contributions by employer	2,200	1,600
Contributions in respect of unfunded benefits	400	400
Actuarial gains / (losses)	(47,600)	16,500
Unfunded benefits paid	(400)	(400)
Benefits paid	(21,100)	(21,500)
Opening fair value of employer assets	<u>305,700</u>	<u>354,600</u>

The FRS 17 valuation at 31 March 2009 showed a reduction in the surplus during the year of £33.5 million (2008: increase in surplus of £64.4 million), to end the year with a surplus of £41.5 million (2008: £75.0 million). In order to assess the employer's liabilities in the Fund at 31 March 2009 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 FRS 17 valuation. In calculating the service cost, the actuary has allowed for changes in GMPTE'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 FRS 17 valuation has been calculated using the projected unit method of valuation to calculate the service cost.

It is estimated that employer's contributions for the year to 31 March 2010 will be approximately £2.0 million.

Changes to the Local Government Pension Scheme (LGPS) permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. An allowance has been made for exchanging (commuting) part of the LGPS pension for additional cash for retirements with effect from 6 April 2006.

25. Related party transactions

The directors regard the Greater Manchester Integrated Transport Authority (GMITA) as the ultimate controlling party by virtue of its ability to direct the financial and operating policies of the Executive. GMITA was formerly known as Greater Manchester Passenger Transport Authority. However, on 9 February 2009 it changed its name following the implementation of the Local Transport Act 2008.

NOTES TO THE ACCOUNTS (continued)

25. Related party transactions (continued)

A summary of the transactions in the year between the Executive and GMITA is detailed on page 6 of the accounts.

In addition to this there remained balances as at 31 March 2009 between the Executive and GMITA as follows:

	2009	2008
	£000	£000
Grants receivable (note 11)	38,967	22,546
Amounts deposited (note 11)	21,200	22,185
Amounts payable (note 12)	-	19,925

Related party transactions requiring disclosure under FRS 8 arising from transactions with members of the Executive Board, including interim directors, were as follows: -

Mr P Griffiths, the interim Projects Director, is a director of Acuity Programme Management Limited. During the year ended 31 March 2009, fees totaling £397,761 (2008: £341,097) were invoiced by Acuity Programme Management Limited to GMPTE and its subsidiary companies for various consultancy activities.

In accordance with GMPTE's governance arrangements and procurement procedures, Mr Griffiths did not participate in any procurement decisions nor did he authorise the procurement of any services from the organisation from whom he was seconded.

Mr D Leather, the Interim Chief Executive Officer, is a partner of Ernst and Young LLP. During the year ended 31 March 2009 fees totaling £3,750,496 (2008: £3,365,813) were invoiced by Ernst and Young LLP to GMPTE and its subsidiary companies for services including advisory services relating to the Metrolink capital programme and the TIF programme; programme assurance and other assurance services; the provision of a number of interim staff; taxation advice and fees for the Interim Chief Executive Officer.

GMPTE has incurred significant expenditure with third parties during the year in respect of the Metrolink capital programme, and the TIF programme, as part of a total discretionary revenue and capital spend of approximately £133 million (2008: £138 million).

In accordance with GMPTE's governance arrangements and procurement procedures, Mr Leather did not participate in any procurement decisions, nor did he authorise the procurement of any services, from the organisation from whom he was seconded.

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

26. Post balance sheet events

Following the year end, on 12 May the AGMA Executive approved the creation of the Greater Manchester Transport Fund, which is designed to support the delivery of a number of public transport schemes. These schemes were the subject of a prioritisation exercise, where all the potential schemes were independently assessed on the basis of their contribution to key economic outcomes, environmental and social objectives. The Transport Fund will finance a number of GMPTE led 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; development of Leigh-Salford-Manchester Busway; improved interchange facilities at Bolton and Altrincham; a number of Park and Ride schemes and other station development works. These investments will be funded from a combination of Central Government funding, 'top slicing' existing Local Transport Plan funding and borrowings, supported by agreed increases in contributions from the levy.