Transport for Greater Manchester

TRANSPORT for GREATER MANCHESTER

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

Table of Contents

DIRECTORS' REPORT and NARRATIVE REPORT

Greater Manchester Combined Authority

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

Transport for Greater Manchester (TfGM) acts as an officer of the GMCA for the purpose of undertaking the transport related activities of GMCA.

TfGM Responsibilities

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

TfGM's vision encapsulates and expresses its aspirations and responsibilities. The vision is noted below.

"Driving the growth of a healthy and sustainable Greater Manchester through the delivery of a reliable, integrated transport system".

TfGM's Mission reminds TfGM, and its customers, what TfGM is here to do every day:

"Making travel easier in Greater Manchester."

Basis of preparation of Statement of Accounts

This Statement of Accounts includes the individual financial statements for TfGM only. In previous years the financial statements have included the individual financial statements for TfGM, along with the group accounts for TfGM and its subsidiary undertakings ('the group'). Due to the size of its subsidiary entities, it is considered that they are no longer material in the context of TfGM and therefore group accounts have not been presented.

There are no changes in accounting standards which are considered to have a material impact on the financial statements for TfGM.

The Statement of Accounts is prepared under an accounting regime adopting the International Financial Reporting Standards (IFRS). TfGM implements IFRS by adopting the IFRS-based 'Code of Practice on Local Authority Accounting' ('the Code'), which is the 'version' of IFRS adopted by local authorities.

Primary Statements

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

Movement in Reserves Statement (MIRS): shows the year on year movement on different reserves held by TfGM. These are analysed into 'Usable'; being those reserves that TfGM may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use; and 'Unusable'; where reserves are those that TfGM is not able to use to provide services. The main Unusable Reserve is the Deferred Capital Grants and Contributions Account, which holds the capital grants received by TfGM to fund its capital programme. This reserve is used to fund the future costs of depreciation on the assets delivered by the programme. As at 31 March 2016, TfGM Usable reserves were £33.185 million (2015: £36.879 million) and the Unusable reserves were £1,800.997 million (2015: £1,698.055 million). The Unusable reserves have increased in 2015/16 as a result of the capital grants received in the year for the significant capital programme which TfGM is currently delivering; and will be used to fund future depreciation on the assets being delivered. The Usable reserves decreased in 2015/16 primarily due to the use of reserves to fund specific costs including concessionary travel, in line with agreed budgets.

Comprehensive Income and Expenditure Account (CIES): shows the accounting receivable income and the costs incurred in the year of providing services. TfGM's Comprehensive Income and Expenditure Statement for the year shows a net income of £99.248 million (2015: £54.758 million). The net income includes capital grants recognised in the year of £150.656 million (2015: £142.206 million), which, under the requirements of the Code, are required to be recognised as income in the year they are received, unless there are conditions attached which TfGM has not met. A reconciliation from the revenue surplus shown in the CIES, in accordance with the Code, to the surplus (2015: deficit) is shown below. This information is disclosed in the movement in reserves statement and is included here as an aid in interpreting the information within these financial statements.

2014/15			2015/16	
£000	£000		£000	£000
	54,758	**Total comprehensive income and expenditure shown in the CIES**		99,248
		Add back: IAS19 Pension adjustments		
21,600		Remeasurement of the net defined benefit liability	(12,300)	
4,300		Current service cost and losses on curtailments and settlements	5,700	
300		Past service cost	-	
(4,400)		Employer contributions	(5,000)	
500		Finance costs of pension scheme	1,100	
	22,300			(10,500)
	77,058			88,748
	(10,536)	Less: Unapplied revenue contribution		-
	14,810	Add: Release of unapplied revenue contributions		11,140
	-	Less: Revaluation reserve adjustment		(2,649)
	(142,206)	Less: Capital grants and contributions		(150,656)
		Add: Amounts released from the Deferred Capital Grants and Contributions Account		
48,627		Amount to match depreciation of grant funded assets	58,915	
3,304		Amount released on disposal of grant funded assets	4,955	
	51,931			63,870
	(8,943)			10,453
	(1,100)	Less: Amount transferred to Deregulation Reserve		(1,100)
	(10,043)	**Revenue (deficit) / surplus for the year after revaluation of investment properties**		9,353
	-	Add back: Loss arising on revaluation of investment properties		-
	(10,043)	**Revenue (deficit) / surplus for the year before revaluation of investment properties**		9,353

Balance Sheet: shows the value as at the balance sheet date of the assets and liabilities recognised by TfGM. The net assets are matched by reserves held, which are analysed into Usable and Unusable Reserves as described above. The net assets at 31 March 2016 were £1,834.182 million (31 March 2015: £1,734.934 million).

Cash Flow Statement: shows the change in cash and cash equivalents of TfGM during the year. The statement shows how TfGM has generated and used cash and cash equivalents; and classifies cashflows into operating, investing and financing activities. The net increase in cash and cash equivalents during the year was £5.483 million (2015: net decrease of £35.937 million). There has been no change in TfGM's borrowing facilities and capital borrowing in the year.

DIRECTORS' REPORT and NARRATIVE REPORT

Activities in the year

Devolution Agreement

In November 2014 the Government and GMCA signed the Greater Manchester Devolution Agreement. The Agreement represents a significant devolution of powers and responsibilities to Greater Manchester. These are designed to drive economic growth and reform public services for the benefit of people who live and work in Greater Manchester. The Devolution Agreement also includes a requirement to appoint an elected Mayor. The arrangements are designed to improve the effectiveness and efficiency of transport and economic development functions and include a number of transport proposals which include the confirmation of funding for the Metrolink extension to the Trafford Centre. Under the agreement the new, directly elected Mayor of Greater Manchester will receive the following powers with respect to transport matters:

- Responsibility for a devolved and consolidated transport budget, with a multi-year settlement to be agreed at the next Spending Review;
- Responsibility for franchised bus services (subject to public consultation) for integrating smart ticketing across all modes of transport and exploring the opportunities for devolving rail stations across the Greater Manchester area.

As part of the Devolution plans, GMCA has also approved proposals for the establishment of a 'key route network' – the most economically important roads (excluding motorways) in Greater Manchester. The key route network model has seen TfGM taking strategic management responsibility for these roads across all ten Greater Manchester districts from 1 April 2015.

During the year work has continued on the preparation of business cases for the transport related elements of the Devolution Agreement. These include Bus Franchising; Rail Station Devolution; and Highways activities including Highways Shared Services, which involve TfGM investigating, with other local authorities, the feasibility of consolidating further aspects of highways activity across the Greater Manchester network.

Transport for the North

Following the establishment of Transport for the North (TfN) last year TfGM has continued to work with TfN on developing its proposals and its Business Plan. In March 2016 the Northern Transport Strategy Spring 2016 was launched by TfN and the Department for Transport, and gives an update on their joint work.

The report outlines transformative projects such as Northern Powerhouse Rail and Smart North – a smart ticketing system to allow passengers to switch easily between transport modes across the North region while ensuring value for money. It also gives updates on some of the key improvements already made in the North over the past year, and the billions of pounds already guaranteed to deliver better journeys and support the region's economic growth.

In the March 2016 Budget, the Chancellor of the Exchequer underlined the government's support for the vision set out by TfN in the Northern Transport Strategy, and also accepted recommendations from the National Infrastructure Commission on northern connectivity. High Speed 3 – a high-speed rail link between Leeds and Manchester – was also given the green light.

2040 Strategy

During the year under review TfGM consulted on a new publication, 'Greater Manchester Transport Strategy 2040: Our Vision' – the starting point in the development of a new long-term transport strategy for Greater Manchester.

This set out a vision for the transport network to deliver "World class connections that support long-term sustainable economic growth and access to opportunities for all". The document provides a vision of what a successful transport system might look like in 2040, to support Greater Manchester's wider economic, social and environmental ambitions.

Comments received during the consultation are being taken into consideration as TfGM develops the new Strategy for 2040. This is due to be published in summer 2016 and together with subsequent more detailed 5-year Transport Delivery Plans, will form TfGM's new statutory Greater Manchester Local Transport Plan. These documents will provide more detail on how TfGM will deliver its Vision over the coming years.

Delivery of new transport facilities

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

The GMTF was established in 2009 and includes prioritised schemes based on delivering the maximum economic benefit, as measured by growth in Gross Value Added, to Greater Manchester, consistent with positive social and environmental outcomes. The GMTF includes a number of public transport schemes, including a package of works to further extend the Metrolink network, including new links to East Didsbury, Ashton, Oldham and Rochdale town centres and Manchester Airport; and a second city centre crossing; development of the Leigh-Salford-Manchester busway; improved interchange facilities at Altrincham and Bolton; and a number of park and ride schemes.

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

In the year under review the extension of the Metrolink system to Exchange Square in Manchester was opened. In addition the upgraded Metrolink stop at Deansgate Castlefield was also opened. A project to upgrade Manchester Victoria station incorporated the expansion of the Metrolink network, boosting the number of tracks from two to three and the number of platforms from two to four to provide additional capacity. The improvements at Exchange Square, Deansgate-Castlefield and Victoria have been made possible by grants from the European Regional Development Fund (ERDF). As part of supporting the expansion of the system further new Light Rail Vehicles were introduced onto the network. Work on the Second City Crossing scheme, which will provide a second route across Manchester City Centre, continued during the year.

During the year work continued on the proposals to build a new Metrolink line to the Trafford Centre, which will be funded as part of the Devolution Agreement. The proposals will see the line being built through Trafford Park, one of the region's largest centres of employment, to the intu Trafford Centre. A Public Inquiry into the scheme commenced in July 2015 and closed in December 2015. Plans are now being refined and TfGM will continue to engage with stakeholders along the route as the design develops.

The new interchange facility at Wythenshawe opened during the year, improving connections between bus, train and tram services and providing a modern gateway to the town. Work is also ongoing on the construction of a new interchange at Bolton which is due to open during Spring 2017.

Just after the year end the Leigh-Salford-Manchester Busway opened and work has continued in the year on a number of other bus priority schemes.

TfGM has won a number awards during the year for various projects and activities. These included:

- TfGM's Disability Design Reference Group (DDRG) secured the 'Putting Passengers First' award at the 2015 National Rail Awards event.
- the Manchester Airport Metrolink line won four national awards including the award for 'Transport Policy, Planning & Implementation' at The Chartered Institute of Logistics and Transport's (CILT) Annual Awards for Excellence;
- the Metrolink Wi-Fi programme, which provides free Wi-Fi on all trams across the network, won the Best Customer Initiative award at the Light Rail Awards;
- at the same awards ceremony the transformation of the Deansgate-Castlefield Metrolink stop in Manchester city centre saw TfGM highly commended in the projects under €50m category;
- the Rochdale underpass project which won the Small Project category at the annual Institute of Civil Engineers (ICE) North West Civil Engineering Awards; and

Local Growth Fund

In July 2014 Government confirmed the award of more than £350 million for Greater Manchester's transport network over the next six years as part of the Local Growth Fund following a successful bid by TfGM on behalf of GMCA and the Districts. This will deliver a further 12 major transport schemes in the period up to 2020/21, including new transport interchanges, roads, bus priority measures and more trams for Metrolink. TfGM will continue with the delivery of its element of these schemes during 2016/17 as well as its general oversight role for the programme as a whole. The schemes which TfGM is responsible for delivering are the development of new transport interchanges at Tameside (which gained full planning permission during the year), Stockport and Wigan; 16 new trams and associated infrastructure improvements for Metrolink; development of a package of network improvements between Bolton and Manchester; and an investment in improved passenger facilities at Salford Central Rail Station. The remaining Local Growth Fund schemes are road schemes which are being delivered by the relevant Local Authorities.

In January 2015 Government confirmed the award of a further £56 million to Greater Manchester for investment in a further package of schemes to be funded from the Local Growth Fund. This includes a range of transport interventions and a number of further schemes that TfGM will be delivering including investments in Rail and improvements for Metrolink passengers.

In addition to the 12 schemes above GMCA has also received funding of £15.2 million to deliver a minor works programme in the period to 2016/17.

Smart Ticketing

TfGM has continued to work on the delivery of a smartcard ticketing system. Metrolink passengers can now pay for their travel using a mobile ticketing app. This allows for the purchase of a range of Metrolink tickets, including single and return stop-to-stop tickets, and a 28-day stop-to-stop travelcard – with no photo ID required – providing customers with a flexible digital travel option covering 99 per cent of ticket sales. Passengers can also buy 7-day travelcards and network-wide day and weekend passes. More than 115,000 tickets have been sold through the get me there app since it was launched in November last year.

In addition, bus passengers are now able to top up their *get me there* bus multi operator travelcards at more than 1,000 PayPoint outlets – making travel easier and more convenient. More than 27,000 get me there smart cards have been issued since November 2015, and over 90% of Greater Manchester buses are now equipped to accept smart cards as part of the scheme.

TfGM is continuing to work with operators to extend the number of get me there bus travelcards available, and is committed to providing Greater Manchester with an integrated smart ticketing system which works seamlessly across all modes.

Other activities

TfGM has continued to deliver a number of schemes funded by DfT's Local Sustainable Transport Fund (LSTF). GMCA, through TfGM and Local Authority partners, previously secured £37.4 million of LSTF funding from DfT, and in 2015/16 secured a further £5 million, which, together with local contributions, was used to fund various schemes to link communities with employment opportunities and encourage sustainable commuting and business travel.

TfGM has previously secured further Cycle City Ambition Grant funding worth £22.1 million through to 2018. This will see the development of key routes and cycle friendly district centres as part of Greater Manchester's Cycle City Programme. The funding will result in over 45km of new or improved cycle routes being developed. The funding will also be used to introduce five new Cycle Friendly District Centres across Greater Manchester, which will include improvements to cycle parking and local routes. The proposed centres are Manchester, Cheadle Hulme, Radcliffe, Oldham and Wigan. There are also plans to increase the number of cycle and ride stations at key transport interchanges to encourage cycling as part of longer journeys.

Schools and colleges across Greater Manchester will also benefit as the money will go towards developing TfGM's Better By Cycle Schools programme, which sees cycling improvements made in and around a number of educational establishments. Funding will also be awarded to businesses and registered social landlords in Greater Manchester who can apply for grants to provide cycle parking facilities for staff and residents.
The funding will allow TfGM to continue its implementation of schemes to support its Cycle City vision, including its target of 10% of all trips by bike in Greater Manchester by 2025. It is in addition to the £20 million of funding which was secured previously. This funding has been used to develop seven cycleway schemes providing high quality cycle links,

principally into Manchester City Centre; Cycle and Ride facilities at 9 train stations and tram stops and improve cycle facilities at a number of partner schools.

TfGM has continued to support initiatives to deliver improvements in rail infrastructure. Rail North, representing local authorities, including Passenger Transport Executives, across the North of England, has entered into a partnership with the Department for Transport. Through its role in Rail North, TfGM has continued to work alongside northern partners to develop proposals for local decision-making to play a central role in defining future rail services in the North. In April 2016 the Department for Transport launched the new franchises for Northern and TransPennine Express. Both of these included significantly higher specifications than the expiring franchises which will lead to enhanced customer benefits across the period of the new franchises, including enhanced rolling stock.

During the year TfGM, on behalf of GMCA, also launched a consultation on a wide range of proposals set out as part of the draft Greater Manchester Low-Emission Strategy and Air Quality Action Plan. The consultation, which was launched by the Interim Mayor Tony Lloyd, included the Low-Emission Strategy and Air Quality Action Plan which proposed a range of measures to improve air quality and reduce emissions across Greater Manchester, focusing on 'key priority areas' in urban centres and near major roads which currently fail to meet UK Government and EU air quality objectives.

TfGM has shortlisted four companies who have successfully pre-qualified to bid to operate and maintain Metrolink from 2017, when the current contracts end. The new 7-year contract comes at an exciting time: 2017 marks Metrolink's silver jubilee and will welcome the completion of the Second City Crossing (2CC), the final piece of a transformational expansion that has trebled the size of the original network.

During the year TfGM launched a new 'early bird' service on the Metrolink line to Manchester Airport. The service, which improves accessibility to one of the region's biggest employers, began operating from Firswood from 3am on 21 March 2016.

Pensions

The Accounts reflect the outcome of the annual actuarial valuation for accounting purposes based on IAS19 of TfGM's pension fund assets and liabilities. A full actuarial valuation on a 'funding' basis is being undertaken at 31 March 2016.

Members of TfGM

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

Dr J Lamonte	- Chief Executive Officer
R Morris	- Chief Operating Officer
SG Warrener	- Finance & Corporate Services Director
R Paver	- Non Executive Director
E Pysden	- Non Executive Director
L Mosco	- Non Executive Director – appointed 26 June 2015

Disabled employees

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

Employee Involvement

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

Employees

Note 8 (c) of the Accounts shows that the headcount of TfGM increased by 79 between 2015 and 2016. The largest area of increase was in customer services staff, primarily due to the insourcing of various customer services activities previously provided by third parties, but also due to a general expansion of the customer services team, in line with TfGM's priority to develop and enhance its customer services. The increase also includes a number of staff working on specific projects. Funding for these roles is provided by those projects.

Grants

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

The grants receivable from GMCA were as follows:

	2016	**2015**
	£000	**£000**
Revenue grants	123,473	109,982
Passenger transport facilities grants	7,642	13,196
Capital grants	144,534	129,938
Total grants receivable	**275,649**	**253,116**

Dr J LAMONTE
Director

SG WARRENER
Director

15 July 2016

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

TfGM's Responsibilities

TfGM is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Finance and Corporate Services Director;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Finance and Corporate Services Director's Responsibilities

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

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

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

The Finance and Corporate Services Director has also:

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

Responsible Financial Officer's Certificate

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of TfGM as at 31 March 2016 and, of its income and expenditure for the year ended 31 March 2016.

SG WARRENER
Finance and Corporate Services Director

15 July 2016

ANNUAL GOVERNANCE STATEMENT

1. Introduction

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

2. Scope of responsibility

Greater Manchester Combined Authority (GMCA) is the body that is responsible for the co-ordination of transport, regeneration and economic development functions for the Greater Manchester region. The creation of the Combined Authority in April 2011 saw a transfer of powers from central government to Greater Manchester and the Authority works with Government to manage the devolved powers. In November 2014 the Government and GMCA agreed plans for the further devolution of specific powers to Manchester, including on a number of transport matters, and work has been carried out in 2015/16 and will continue through 2016/17 on implementing this Agreement.

GMCA and the constituent councils are party to joint arrangements under Section 101(5) of the Local Government Act 1972, Section 20 of the Local Government Act 2000 and Regulations 4, 11 and 12 of the Local Authorities (Arrangements for Discharge of Functions) (England) Regulations 2000 for the discharge of specified transport functions. This includes through a joint committee called the Transport for Greater Manchester Committee.

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

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

TfGM has followed the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* in preparing this statement. This Statement explains how TfGM has complied with the Code and also meets the requirements of regulation 4(1) of the Accounts and Audit Regulations 2015, which require TfGM to publish a statement on internal control, as defined in the Annual Governance Statement.

The purpose of the Governance Framework

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

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

Review of Governance Arrangements

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

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

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

3. Key Principles of Governance

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

TfGM is responsible for implementing the transport and traffic functions of the Combined Authority. TfGM's focus is to ensure that it continues to deliver for the benefit of its customers and stakeholder groups and this is encapsulated in its Vision. TfGM's Vision is ***'Driving the growth of a healthy and sustainable Greater Manchester through the delivery of a reliable, integrated transport system.'***

The Vision lays the foundations for, and underpins TfGM's strategic objectives and its Key Business Priorities. The delivery of the Vision is supported by TfGM's Values which are set out below:

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

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

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

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

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

Some of the key areas of activity undertaken in the year ended 31 March 2016 are set out in the Directors' report above.

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

TfGM's Environmental Policy states that TfGM is committed to continuously improving its environmental performance and it has continued to contribute to environmental initiatives across GM throughout 2015/16:

- As noted in the Directors report above, TfGM are the lead in driving the delivery of the GM Low Emissions Strategy and the Air Quality Action Plan Consultation before publication of the final strategy in autumn 2016;
- TfGM was also successful in gaining funding for undertaking a Clean Air Zone feasibility study within GM for reducing pollution and improving health;
- TfGM has continued to develop the transport element of the GM Climate Change Strategy and has committed to a reduction in its core organisational carbon emissions;

- The newly opened Wythenshawe Interchange achieved 'Very Good' in the Building Research Establishment Environmental Assessment Methodology (BREEAM) award scheme which features 72 solar panels to the interchange's roof, to supply 10% of the building's energy; and
- TfGM has been successful in gaining funding from the 2015 Clean Bus Technology Fund to retro-fit 7 TfGM owned Iveco yellow school buses with exhaust gas abatement technology, this is a continuation of the 34 Iveco yellow school buses retro-fitted with the 2013 Clean Bus Technology Fund. The two projects combined will result in the vehicle emission outputs being improved from Euro 3/4 standards to Euro 4/5 standards by winter 2016.

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

The leadership and decision making functions within TfGM are exercised by the Executive Board, the Operations Board and the Investment Board. The responsibilities of these bodies are set out in TfGM's Governance framework and Constitution. The Executive Board is the ultimate decision making body within TfGM and is responsible for determining strategic issues and policy on the exercise of its powers and the conduct of its business. The Constitution specifies the particular functions of the Executive Board which may not be delegated. In 2015/16, day to day management of TfGM was delegated to the Operations and Investment Boards.

TfGM's Scheme of Delegation sets out details on levels of authority to approve expenditure. These have been communicated to all staff. In determining a Scheme of Delegation, TfGM has reserved powers within its Constitution in respect of those matters reserved for collective decision making. Officers in exercise of delegated powers under the Scheme of Delegation must ensure decisions are taken in accordance with legal requirements; the provisions of the Constitution; capital and revenue budgets; and established policies, plans and procedures. These have been communicated to all staff.

During the year, in line with the requirement to review its governance processes on a regular basis, TfGM has carried out a further review of these processes. Following this review the Constitution has been updated. Although there have been no changes to the overall governance structure there have been a number of changes in areas such as the Scheme of Delegation, to meet the evolving needs of TfGM and to ensure an appropriate balance of delegation of responsibilities and management control. The revised Constitution and Governance arrangements were approved by the Executive Board on 25th February 2016 and will be implemented in financial year 2016/17.

The core functions of the boards responsible for the day to day management of TfGM, the Executive, Operations and Investment Boards, are set out below:

Executive Board

The authorities and responsibilities of the Executive Board are as follows:

- The Executive Board is the ultimate decision-making body within TfGM and is responsible in particular for determining strategic issues consistent with GMCA's policies;
- The functions of the Executive Board reflect TfGM's key responsibilities, which include:
  - leading the development of transport strategy for Greater Manchester, shaping and influencing policy;
  - providing a high quality customer service to people using the Greater Manchester transport networks;
  - stewardship of Greater Manchester's transport assets, including the maintenance and renewal of assets, and identifying and delivering enhancements; and
  - ensuring effectiveness and efficiency in the discharge of TfGM business, securing value for money for the Greater Manchester public purse.
- The Executive Board may delegate to any person(s) the exercise of any of its functions except:
  - the power to borrow money;
  - the passing of any resolution under article 19(2) of the South East Lancashire and North East Cheshire Transport Area (Designation) Order 1969 relating to the Greater Manchester County Superannuation Fund;
  - matters requiring the formal approval of the GMCA/TfGMC by virtue of the Transport Act 1968 or subsequent legislation; and

  - approval of the budget, the business plan, the annual report, the risk management strategy and the asset management plan, and the amendment or suspension of the Constitution.
- The Executive Board approves a detailed revenue budget, capital budget and Metrolink budget each year following determination by the GMCA of the levy payable to TfGM;
- The Board approves for submission to GMCA/TfGMC recommendations for the Local Transport Plan;
- Writing-off of debts and stock, where not approved under delegated authority, will require the approval of the Executive Board. The Executive Board shall also receive an annual report of any such write-offs made under the delegated authority;
- The Executive Board may at any time appoint such committees as it thinks fit or dissolve or alter the membership of any such committee, in accordance with the provisions of Article 20 of the SELNEC Order 1969; and
- The Executive Board will receive an annual report which will review TfGM's involvement in companies and present a report and accounts for each of TfGM's non-dormant subsidiaries.

Operations Board

The authorities and responsibilities of the Operations Board are as follows:

General Business

- Responsibility for the day-to-day management of TfGM;
- Approval of corporate policies;
- Co-ordination of TfGM's business planning and performance management processes and, in particular:
  - Monitoring key performance indicators and the priority tasks being undertaken and report key performance indicators and the priority tasks to the Executive Board; and
  - Approval of the Business Plan for submission to the Executive Board.
- Approval of the submission of functional strategies to the Executive Board;
- Monitoring the performance of transport networks and transport providers and ensure the integration of activities, including events planning and incident management, across the modal networks;
- Implement the risk management strategy, ensuring ownership and the active management of risk;
- Acting as Executive Authority over the issue of reports to GMCA and others;
- Acting as Executive Authority (where required) for external communications and engagement;
- Approval of the appointment of TfGM representatives to outside bodies; and
- Approval of the cessation of any activity that was previously approved to proceed by the Operations Board.

Capital Programme

- Monitoring the progress of capital programmes and associated projects with respect to funding and schedule parameters and review performance indicator data;
- Ensuring that overall programmes are managed to budget, time and quality and focused on the successful delivery of identified benefits;
- Monitoring and direction of common matters between programmes and direction of the activities of Functional Programme Boards as required.

Financial matters

Be responsible for financial matters including:

- Monitoring of capital expenditure and revenue income and expenditure;
- Subject in all cases to compliance with the TfGM Contracts and Procurement Rules and the TfGM Financial Regulations, approval of capital expenditure items subject to the limits prescribed within the Scheme of Delegation, provided that:
  - the relevant capital scheme has previously been approved by the Investment Board, Executive Board and GMCA (where appropriate); and
  - the item is within the approved capital budget for the scheme.
- Subject in all cases to compliance with the TfGM Contracts and Procurement Rules and the TfGM Financial Regulations, approval of revenue expenditure items and purchasing and contractual approvals subject to the limits prescribed within the Scheme of Delegation, provided that:

  - the expenditure is explicitly identified within a budget previously approved by the Investment Board; and
  - the item is within the approved budget for the scheme.
- Approving exceptions to the procurement procedures;
- Monitoring the performance of marketing and other commercial activity, including revenue protection and income generation activities.

Investment Board

The authorities and responsibilities of the Investment Board are to:

- Approve funding for capital and revenue schemes not included within an approved budget;
- Approve the release of funding from contingency allowances;
- In addition to the Operations Board, the Investment Board has equal authority to approve expenditure, as set out below:
  - Subject in all cases to compliance with the TfGM Contracts and Procurement Rules and the TfGM Financial Regulations, approval of capital expenditure items subject to the limits prescribed within the Scheme of Delegation, provided that:
  - the relevant capital scheme has previously been approved by the Investment Board, Executive Board and GMCA (where appropriate); and
  - the item is within the approved capital budget for the scheme.
  - Subject in all cases to compliance with the TfGM Contracts and Procurement Rules and the TfGM Financial Regulations, approval of revenue expenditure items and purchasing and contractual approvals subject to the limits prescribed within the Scheme of Delegation, provided that:
  - the expenditure is explicitly identified within a budget previously approved by the Investment Board or the Executive Board; and
  - the item is within the approved budget for the scheme.
- Scrutinise investment decisions which are not the responsibility of any other part of the organisation under the terms of the Constitution;
- Review proposals for new programmes and constituent projects where funding is not yet identified and subsequently recommend to the Executive Board / GMCA for approval;
- Subject in all cases to compliance with the TfGM Financial Regulations, authorising the supply of goods and/or services to the market or to third parties, subject to the limit of authority set out in the Constitution;
- Review recommendations of the Gateway Review Panel and, where appropriate, approve Projects and Programmes to proceed though defined gateways;
- Approve any significant changes in the staffing structure/establishment;
- Approve the disposal of any TfGM property (subject to the TfGMC agreeing that such property is surplus to requirements); and
- Approve proposals for TfGM to acquire an interest in any company or other organisation.

These governance processes give focus to decision making and make a clear distinction between the duties delegated for the day to day management of TfGM and those with respect to decisions on future activities or new ways of delivering its activities.

As part of the introduction of these changes in April 2014 there was a strengthening of the Gateway review process, which has been informed by lessons learned from experience to date in the delivery of projects and programmes. These revised processes have operated successfully during the year.

A Remuneration Sub-Committee of the Executive Board, composed of Non-Executive Directors has delegated responsibility from the Board to oversee the remuneration of senior managers.

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 Human Resources Director.

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

The Director of Finance and Corporate Services has overall responsibility for financial issues and all reports to the Executive Board, Operations Board and Investment Board include details of or reference to any associated financial implications.

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

The Executive Board is fully committed, through its policies and actions, to maintaining high standards of conduct and behaviour and to promoting a culture in which these can be openly practised.

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

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

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

An Anti-Bribery and Corruption Policy is in place. This is supported by e-learning programmes for counter-fraud; anti-money laundering; and anti-bribery.

TfGM participates in the National Fraud Initiative programme which is carried out by the Cabinet Office.

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

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

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

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

In support of the activities of the Operations Board and Investment Boards a number of Functional Programme Boards meet at least monthly to review and sanction the development and implementation of all programmes and projects. The number and terms of reference of such Boards are determined by the Operations and Investment Boards.

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

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

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

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

The Audit Committee was initially constituted in 2005, and its terms of reference were reviewed and updated in November 2011 and again as part of the review of governance carried out in 2013/14. In line with best practice, a further review of its effectiveness will take place in 2016/17. The Audit Committee's membership comprises Non-Executive Members of the Board, with Directors and other Board Members and managers attending, as required, at the invitation of the Chair.

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

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

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

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

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

During the year the Executive Board approved the implementation of a people strategy. The strategy sets out the immediate strategic priorities which are Leadership and Performance, Building Capability, Productivity and Cost-Effectiveness and A values-Driven Organisation Culture. Objectives have been identified for each of the priorities which will be implemented in 2016/17.

There is an induction programme to all new starters. The induction process includes elements relating to Internal Audit, risk management and counter fraud and corruption.

Learning and Development requirements are captured as part of the Performance Review process. Personal Development plans are developed and training is provided by a combination of in-house or external resources, depending on training needs analysis.

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

All staff have a scheduled performance review on a six monthly basis. The performance review system, which supports this process, has been subject to review and a new system was rolled out to all staff in the previous year.

During the year TfGM again took part in the “Best Companies” staff survey. TfGM was again awarded the rating of "one to watch" by Best Companies Limited, an independent research organisation that compiles the “Best Companies to Work For” lists.

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

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

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

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

As part of the expansion of the Metrolink system, the programme of stakeholder engagement and communications with the public and with stakeholder groups continued in 2015/16. This included attending stakeholder meetings and events; sending mailshots to residents and businesses along the lines being delivered; and dealing with stakeholder enquiries. A public enquiry was held with respect to the plans for the extension of Metrolink to Trafford Park.

During the year TfGM carried out a number of consultation exercises including with respect to the 2040 vision for transport; on new state-of-the-art transport interchanges for Tameside and at Wigan; a consultation on transport in Stockport town centre; TfGM also carried out a consultation on behalf of GMCA, which gave stakeholders the opportunity to comment on proposals aimed at improving air quality and reducing carbon emissions from transport across Greater Manchester. There was also ongoing engagement with stakeholders about the Leigh-Salford-Manchester Busway which opened just after the year end.

Responding to customer feedback about transport and the services TfGM offer quickly and efficiently is a key priority for TfGM. The transformation of TfGM’s Customer Service team has continued over the last 12 months resulting in customers being able to access an increased number of services across a range of channels.

Customers can now contact the team to register and book Local Link journeys as well as being able to obtain multi-modal journey planning information. The team has also extended its social media hours of operation to match the contact centre and therefore provide support to customers seven days a week.

These changes demonstrate TfGM’s commitment to its mission of ‘making travel easier in Greater Manchester’.

In recognition of this continued improvement, TfGM’s Customer Service team was awarded with the Investors in People Gold award in December 2015. This award complements the Customer Service Excellence accreditation obtained in January 2015.

TfGM intends to continue this improvement throughout the next financial year and has recently joined the Institute of Customer Service. Membership of the Institute will provide the organisation with opportunities to benchmark its performance against other high performing organisations and industries as well as giving the team opportunities to share best practice and work towards providing a service for its customers that is 'best in class'.

4. Review of Effectiveness

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

Audit Committee

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

Assurance and internal audit

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

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

External audit

The external auditors will issue the following reports in respect of the 2015/16 financial year:

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

Financial control assurance

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

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

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

5. Significant Governance developments

TfGM is committed to a culture of continuous improvement and ensuring value for money. The Annual Governance Statement identifies areas where improvements have been made. As part of the drive for continuous improvement and value for money TfGM will continue to focus its efforts on these and other areas during 2016/17. The Audit Committee and TfGM Board will closely monitor these improvements.

Governance Framework

TfGM's governance framework brings together:

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

During 2015/16 a further review has been carried out of the governance arrangements in TfGM including in particular the Constitution. This was reported to, and approved by, Executive Board in February and has led to a number of small changes being made, in particular in levels of authority and the Terms of Reference for certain committees and boards. These changes are being implemented after the financial year end and the effectiveness of the arrangements will continue to be monitored and reviewed, as necessary, on an ongoing basis.

Resource management

In the previous two financial years, as part of a two year settlement in funding from the Transport Levy, and in order to manage within the budgetary constraints that the current public sector funding position imposes, TfGM implemented a voluntary severance scheme and also undertook an Organisational Review. TfGM continued to implement the Organisational Review during 2015/16. Whilst the primary focus from both these exercises was to deliver the financial savings required for TfGM to be able to manage within the funding available, the new structures have been designed to ensure that TfGM can continue to deliver its commitments as efficiently and effectively as possible; and that the organisation is most appropriately structured to meet the challenges ahead.

TfGM is currently reviewing its organisational structures again to assess the changes it will need to be to successfully achieve its vision for transport in 2040. In 2015/16, TfGM has been working to assess the impact that devolution, as well as the increasing demand for integrated travel, customer focus and smart ticketing, will have on TfGM's role in making travel easier. This activity has resulted in the development of a Transformation Programme to consider the new or additional capabilities that TfGM will have to develop by 2020 and how those capabilities may be grouped from 2016 onwards. During 2016/17 TfGM will continue to work to make sure that it is working together effectively across all teams and departments and that it has the right structures in place to make this happen.

Risk management

Risk management focuses on managing threats and opportunities; and creating an environment of 'no surprises'. It focuses on managing and mitigating risk without stifling innovation. TfGM is continually improving its risk management system to ensure that it remains robust and supports delivery of the organisation's objectives. Some of the key developments in 2015/16 included:

- establishing a new Corporate SharePoint site giving greater visibility of the risk profile and management of risks across the organisation;
- improving staff awareness and understanding of risk management through targeted learning and development activities;
- updates to the risk management intranet site to act as a central location for resources and learning;
- re-alignment of risk registers with the updated organisational structure;
- strengthening Business Continuity planning and establishing an Incident Management Team (IMT) to respond effectively to incidents, emergencies and major events;
- supporting improvements to the Gateway Review Panel (GRP), to ensure that there is an ongoing review of the management of risks at key decision points throughout the lifecycle of projects and programmes; and
- continued and improved reporting to Audit Committee, Programme Boards and Operations Board.

Further work to embed risk management and improve the risk maturity across the organisation will continue during 2016/17 in line with the Annual Strategic Risk Management Plan approved by Executive Board.

Cost Management

As in previous years, the budget for 2016/17 incorporates a number of very challenging savings targets. Following the savings implemented in 2014/15 and 2015/16, the 2016/17 includes further targeted savings in costs and generation of additional income. The proposals for delivering the budgeted savings have been presented to, and approved by, GMCA, TfGMC and TfGM's Executive Board. Progress on the delivery of the challenging savings targets will be monitored and reported to the Operations Board, Executive Board, TfGMC and GMCA on a regular basis.

6. Conclusion

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

Dr J LAMONTE
Director

SG WARRENER
Director

15 July 2016

INDEPENDENT AUDITOR’S REPORT TO THE DIRECTORS OF TRANSPORT FOR GREATER MANCHESTER

We have audited the financial statements of Transport for Greater Manchester for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the Directors of Transport for Greater Manchester, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Directors of Transport for Greater Manchester those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Transport for Greater Manchester and Transport for Greater Manchester's Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Finance and Corporate Services Director and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Finance and Corporate Services Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to Transport for Greater Manchester’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Finance and Corporate Services Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors’ Report and Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of Transport for Greater Manchester as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Directors’ Report and Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to Transport for Greater Manchester under section 24 of the Act; or

- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on Transport for Greater Manchester's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of Transport for Greater Manchester and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that Transport for Greater Manchester has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of Transport for Greater Manchester's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of Transport for Greater Manchester's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether Transport for Greater Manchester had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether Transport for Greater Manchester put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects Transport for Greater Manchester has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects Transport for Greater Manchester has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Transport for Greater Manchester in accordance with the requirements of the Act and the Code.

Mark Heap
Mark Heap
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB
15 July 2016

MOVEMENT IN RESERVES STATEMENT for the year ended 31 March 2016

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

TfGM	Usable Reserves				Unusable Reserves						Total Reserves
	Revenue Reserves £000	Unapplied Revenue Grants and Contributions Account £000	Unapplied Capital Grants and Contributions Account £000	Total Usable Reserves £000	Corporate Capital £000	Revaluation Reserve £000	Pension Reserve £000	De-regulation Reserve £000	Deferred Capital Grants and Contributions Account £000	Total Unusable Reserves £000	£000
At 31 March 2014	**32,890**	**15,728**	**4,326**	**52,944**	**2,461**	**-**	**(12,400)**	**(50,136)**	**1,687,307**	**1,627,232**	**1,680,176**
Surplus on provision of services	76,358	-	-	76,358	-	-	-	-	-	-	76,358
Other comprehensive income and expenditure	-	-	-	-	-	-	(21,600)	-	-	(21,600)	(21,600)
Comprehensive income and expenditure	76,358	-	-	76,358	-	-	(21,600)	-	-	(21,600)	54,758
Adjustments between accounting basis and funding basis under regulations											
Capital grants released (amortisation)	48,627	-	-	48,627	-	-	-	-	(48,627)	(48,627)	-
Capital grants released (disposals)	3,304	-	-	3,304	-	-	-	-	(3,304)	(3,304)	-
Capital grants applied	(142,206)	-	(1,748)	(143,954)	-	-	-	-	143,954	143,954	-
Revenue grants unapplied	(10,536)	10,536	-	-	-	-	-	-	-	-	-
Revenue grants (previously unapplied) released	14,810	(14,810)	-	-	-	-	-	-	-	-	-
Pension contributions by employer	(4,400)	-	-	(4,400)	-	-	4,400	-	-	4,400	-
Pension cost of service	4,600	-	-	4,600	-	-	(4,600)	-	-	(4,600)	-
Pension finance costs	500	-	-	500	-	-	(500)	-	-	(500)	-
	(85,301)	(4,274)	(1,748)	(91,323)	-	-	(700)	-	92,023	91,323	-
Net increase / (decrease) before transfers to earmarked reserves	(8,943)	(4,274)	(1,748)	(14,965)	-	-	(22,300)	-	92,023	69,723	54,758
Transfer to Deregulation Reserve	(1,100)	-	-	(1,100)	-	-	-	1,100	-	1,100	-
Increase / (decrease) in 2014/15	(10,043)	(4,274)	(1,748)	(16,065)	-	-	(22,300)	1,100	92,023	70,823	54,758
At 31 March 2015	**22,847**	**11,454**	**2,578**	**36,879**	**2,461**	**-**	**(34,700)**	**(49,036)**	**1,779,330**	**1,698,055**	**1,734,934**
Surplus on provision of services	84,506	-	-	84,506	-	-	-	-	-	-	84,506
Other comprehensive income and expenditure	-	-	-	-	-	2,442	12,300	-	-	14,742	14,742
Comprehensive income and expenditure	84,506	-	-	84,506	-	2,442	12,300	-	-	14,742	99,248
Adjustments between accounting basis and funding basis under regulations											
Capital grants released (amortisation)	58,915	-	-	58,915	-	-	-	-	(58,915)	(58,915)	-
Capital grants released (disposals)	4,955	-	-	4,955	-	-	-	-	(4,955)	(4,955)	-
Capital grants applied	(150,656)	-	(1,907)	(152,563)	-	-	-	-	152,563	152,563	-
Revenue grants unapplied	-	-	-	-	-	-	-	-	-	-	-
Revenue grants (previously unapplied) released	11,140	(11,140)	-	-	-	-	-	-	-	-	-
Pension contributions by employer	(5,000)	-	-	(5,000)	-	-	5,000	-	-	5,000	-
Pension cost of service	5,700	-	-	5,700	-	-	(5,700)	-	-	(5,700)	-
Pension finance costs	1,100	-	-	1,100	-	-	(1,100)	-	-	(1,100)	-
Reallocation of revaluation reserve	(207)	-	-	(207)	-	207	-	-	-	207	
	(74,053)	(11,140)	(1,907)	(87,100)	-	207	(1,800)	-	88,693	87,100	-
Net increase / (decrease) before transfers to earmarked reserves	10,453	(11,140)	(1,907)	(2,594)	-	2,649	10,500	-	88,693	101,842	99,248
Transfer to Deregulation Reserve	(1,100)	-	-	(1,100)	-	-	-	1,100	-	1,100	-
Increase / (decrease) in 2015/16	9,353	(11,140)	(1,907)	(3,694)	-	2,649	10,500	1,100	88,693	102,942	99,248
At 31 March 2016	**32,200**	**314**	**671**	**33,185**	**2,461**	**2,649**	**(24,200)**	**(47,936)**	**1,868,023**	**1,800,997**	**1,834,182**

The notes from page 27 onwards form part of these accounts.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2016

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

TfGM

2014/15					2015/16		
Gross Expend-iture £000	Gross Income £000	Net Expend-iture £000		Notes	Gross Expend-iture £000	Gross Income £000	Net Expend-iture £000
			Highway and transport costs				
(46,362)	48,193	1,831	Rail franchise		(47,696)	49,533	1,837
(56,649)	-	(56,649)	Concessionary fare scheme		(56,121)	-	(56,121)
(40,131)	8,232	(31,899)	Supported bus services		(35,968)	7,850	(28,118)
(90,042)	46,934	(43,108)	Metrolink		(106,154)	52,666	(53,488)
(5,169)	-	(5,169)	Accessible transport		(4,663)	-	(4,663)
(9,085)	11,225	2,140	Highways activities		(9,617)	11,204	1,587
(8,852)	8,690	(162)	Road safety activities		(7,457)	7,140	(317)
(13,196)	13,196	-	Provision of third party passenger transport facilities		(7,642)	7,642	-
(52,069)	11,267	(40,802)	Operational costs	6	(61,409)	26,506	(34,903)
(321,555)	147,737	(173,818)			(336,727)	162,541	(174,186)
(5,649)	-	(5,649)	Corporate and democratic core costs		(5,622)	-	(5,622)
(302)	-	(302)	Non distributed costs		(5)	-	(5)
(327,506)	147,737	(179,769)	**Cost of services**	5	(342,354)	162,541	(179,813)
			Non-specific grant income				
-	121,642	121,642	Revenue grant		-	122,479	122,479
-	142,206	142,206	Capital grants and contributions		-	150,656	150,656
			Other operating expenditure				
(3,355)	-	(3,355)	Net gain / (loss) on disposal of non-current assets	8,10e	(4,969)	-	(4,969)
(4,475)	109	(4,366)	Financing and investment income and expenditure	7	(5,194)	1,347	(3,847)
(335,336)	411,694	76,358	**Surplus on provision of services**		(352,517)	437,023	84,506
		-	Taxation charge for the year				-
		76,358	**Surplus for the year after taxation**				84,506
		-	Surplus or deficit on revaluation of non-current assets				2,442
		(21,600)	Remeasurement of the net defined benefit liability	21			12,300
		(21,600)	**Other comprehensive income and expenditure**				14,742
		54,758	**Total comprehensive income and expenditure**				99,248

All amounts relate to continuing operations. The notes from page 27 onwards form part of these accounts.

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

BALANCE SHEET at 31 March 2016

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

	Notes	31 March 2016 £000	31 March 2015 £000
ASSETS			
Long term assets			
Property, plant & equipment	10	1,898,735	1,822,730
Investment property	12	890	150
Investments	13	-	2,758
Long term debtors	14	1,339	72
		1,900,964	1,825,710
Current Assets			
Assets held for sale		715	-
Short term debtors	14	75,245	81,233
Inventories	15	206	237
Cash and cash equivalents	16	21,834	16,351
		98,000	97,821
TOTAL ASSETS		**1,998,964**	**1,923,531**
LIABILITIES			
Current Liabilities			
Short term creditors	17	(65,816)	(78,905)
Provisions	17,18	(2,292)	(2,506)
Short term borrowing	17,19	(6,252)	(1,240)
		(74,360)	(82,651)
Long term liabilities			
Provisions	18	(201)	(202)
Net pension liabilities	21	(24,200)	(34,700)
Long term borrowings	19	(66,021)	(71,044)
		(90,422)	(105,946)
TOTAL LIABILITIES		**(164,782)**	**(188,597)**
NET ASSETS		**1,834,182**	**1,734,934**
FINANCED AS FOLLOWS:			
Reserves as follows:			
Usable reserves	20	33,185	36,879
Unusable reserves	20	1,800,997	1,698,055
		1,834,182	**1,734,934**

The notes from page 27 onwards form part of these accounts.

Dr J LAMONTE
Director
15 July 2016

SG WARRENER
Director

CASH FLOW STATEMENT for the year ended 31 March 2016

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

	Note	2016 £000	2015 £000
Net surplus on provision of services		84,506	76,358
Adjustments to reconcile income to net cash flows:			
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities			
Grants received for capital works		(150,656)	(142,206)
Finance cost	7	3,983	3,975
Interest paid		(3,971)	(3,975)
IAS19 pension finance interest		1,100	500
Revaluation loss on non-current assets		110	-
Adjustments for other non- cash movements			
Depreciation	8,10	60,651	50,433
(Gain) / loss on disposal of non-current assets	8,10(e)	4,969	3,355
(Gain) / loss on disposal of short-term and long-term investments		(1,155)	-
IAS19 pension service costs	21	5,700	4,600
IAS19 employer contributions	21	(5,000)	(4,400)
(Increase) / decrease in debtors		(431)	(17,859)
(Increase) / decrease in inventories		31	75
Increase / (decrease) in creditors and provisions		(8,172)	3,114
Net cash flows from operating activities		**(8,335)**	**(26,030)**
Investing Activities			
Purchase of property, plant and equipment		(147,413)	(156,528)
Grants received for capital works		155,809	146,558
Proceeds from short-term and long-term investments		3,913	-
Proceeds from sale of property, land and equipment		1,531	84
Net cash flows from investing activities		**13,840**	**(9,886)**
Financing Activities			
Repayment of short and long term borrowings		(22)	(21)
Net cash flows from financing activities		**(22)**	**(21)**
Net increase/(decrease) in cash and cash equivalents		5,483	(35,937)
Cash and cash equivalents as at 1 April		16,351	52,288
Cash and cash equivalents as at 31 March	16	**21,834**	**16,351**

The notes from page 27 onwards form part of these accounts.

NOTES TO THE ACCOUNTS

1. Introduction

TfGM is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015. These Regulations require Accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, supported by International Financial Reporting Standards (IFRS).

2. Basis of Preparation

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

Statement of Compliance with IFRS

The following accounting standards have been issued but not yet adopted by the Code:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

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

- Deregulation Reserve: IFRS 5 would treat the deregulation of bus services in 1986 as a discontinued operation, leading to the write off of any costs connected with deregulation. However, the Transport Act of 1985 allowed any costs incurred on deregulation to be transferred to a specific reserve, called the 'Deregulation Reserve'. TfGM has adopted a policy of amortising the Deregulation Reserve over 30 years. Refer to note 20 for further details.

Single Entity Accounts

This Statement of Accounts includes the individual financial statements for TfGM only. In previous years the financial statements have included the individual financial statements for TfGM, along with the group accounts for TfGM and its subsidiary undertakings ('the group'). In 2015/16 due to the size of the remaining subsidiary entities, it is considered that they are no longer material in the context of TfGM and therefore group accounts have not been presented.

3. Summary of Significant Accounting Policies

3.1 Property, Plant and Equipment and Assets Under Construction

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

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

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

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

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

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

The cost of Metrolink includes £117.071 million (*2015: £116.495 million*) representing the costs of acquiring the land required for the system to be constructed. In accordance with standard accounting practice this land is not being depreciated.

Depreciation of assets, and amortisation of any grant funding its acquisition, commences with effect from the month following capitalisation. Capitalisation of assets is carried out as soon as practicable following its acquisition or completion.

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

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

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

CIPFA/LASAAC has confirmed that the 2016/17 edition of the Code will adopt the measurement requirements of the CIPFA Code of Practice on Transport Infrastructure Assets, as amended in 2013 (or any subsequent amendments to that Code that may be issued) which will require infrastructure assets to be measured on a Depreciated Replacement Cost (DRC) basis. The code currently confirms light rail is out of scope so Metrolink assets will continue to be measured at historical cost.

This will represent a change in accounting policy from 1 April 2016, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors would have required a full retrospective restatement. Exceptionally, the 2016/17 Code will include an adaptation to IAS 1 for the transition for the move to measuring the Highways Network Asset at Depreciated Replacement Cost so that there is no requirement to restate the preceding year information or for an opening balance as at 1 April 2016. The change shall therefore be accounted for as an adjustment to opening balances as at 1 April 2016. This change to the Code will require the establishment of a separate asset, the Highways Network Asset; class of assets for transport infrastructure assets in accordance with the Code of Practice on Transport Infrastructure.

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

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

3.2 Fair Value measurement

In 2015/16 the Code has adopted IFRS 13 Fair Value Measurement, restatement of prior year transactions are not required.

TfGM measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

TfGM measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, TfGM takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

TfGM uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in TfGM's financial statements are categorised within the fairvalue hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

3.3 Non-current assets held for sale

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

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

One asset was classified as held for sale as at 31 March 2016.

3.4 Investment properties

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

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

3.5 Capital and revenue grants and contributions

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

With respect to capital grants or contributions, if the expenditure to be financed from the grant or contribution has been incurred at the balance sheet date, the grant or contribution is transferred from the Revenue Reserve to the

Deferred Capital Grants and Contributions Account via the Movement in Reserves Statement. If the expenditure has not been incurred at the balance sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account via the Movement in Reserves Statement.

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

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

3.6 Inventories

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

3.7 Financial Assets

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

Subsequent measurement depends on their classification as follows:

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

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

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

Finance leases: refer to notes 3.15 and 3.16.

3.8 Financial Liabilities

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

Subsequent measurement depends on their classification as follows:

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

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

Finance leases: refer to notes 3.15 and 3.16.

3.9 Offsetting of Financial Instruments

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

3.10 Impairment of non-financial assets

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

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

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

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

3.11 Provisions, Contingent liabilities and Contingent assets

Provisions

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

Provisions are charged either as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement or within project costs included within property, plant and equipment in the year that TfGM becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the amount of the provision no longer required is reversed and credited back to the relevant service or project cost.

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

Contingent liabilities

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

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are instead disclosed in a note to the accounts.

Contingent assets

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

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

3.12 Rail Services - Funding

Local rail services are provided under the terms of the relevant Franchise Agreements. TfGM was a co-signatory to the Northern Rail franchise until the financial year end, with the Department for Transport and the other Passenger Transport Executives into whose areas Northern Rail ran services. Under the terms of the Franchise Agreement, each of the funding parties was 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 were applied according to how well the operator performed 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 was assessed.

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

3.13 Passenger Transport Facilities

As part of its statutory duties, TfGM is responsible for meeting the costs of upgrading public passenger transport facilities in the Greater Manchester area, including railway and highways infrastructure. The expenditure incurred is offset by equivalent grants received from GMCA and other parties, which for the year ended 31 March 2016 amounted to £7.642 million (2015: £13.196 million).

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

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

3.14 Turnover

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

3.15 Lease Income

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

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

3.16 Lease expenditure

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

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

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

3.17 Pensions

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

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

The Scheme is accounted for as a defined benefits scheme:

- The liabilities of the GMPF attributable to TfGM are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.4% (2015: 3.1%).
- The assets of GMPF attributable to TfGM are included in the Balance Sheet at their fair value based on the bid values of the assets.
- The change in the net pensions liability is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year are allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and analysed separately in the Expenditure Statement as part of Non Distributed Costs;
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - Expected return on assets – the annual investment return on the fund assets attributable to TfGM, based on an average of the expected long-term return - is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - Gains or losses on settlements and curtailments – the result of actions to relieve TfGM of liabilities or events that reduce the expected future service or accrual of benefits of employees – are debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - Remeasurement of the net defined benefit liability – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – are credited or debited to the Pensions Reserve; and
  - Contributions paid to the GMPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; are not accounted for as an expense.

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

3.18 Accrual of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from sales of goods is recognised when TfGM transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to TfGM;
- Revenue from the provision of services is recognised when TfGM can reliably measure the completion of the transaction and where it is probable that economic benefits or service potential associated with the transaction will flow to TfGM;
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses relating to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than on the basis of the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of the debtors is written down and a charge made to revenue for the amount of income that might not be collected.

3.19 Reserves

TfGM holds specific amounts as reserves for future policy purposes or to cover contingencies. Reserves held are shown in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, capital grants, retirement and employee benefits and do not represent usable resources for TfGM. These reserves are explained in note 20.

3.20 Exceptional items

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

3.21 Events after the balance sheet date

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

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

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

3.22 Value Added Tax (VAT)

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

3.23 Agency Services

Transactions are excluded from TfGM's financial statements for all agency relationships. As stipulated by the Code TfGM is acting as an agent in situations when TfGM do not have exposure to the significant risks and rewards in providing the goods or services. TfGM review all services provided to determine who has exposure to the significant risks and rewards and when this is not deemed to be TfGM the transactions have been excluded from the financial statements. There were no significant agency relationships in 2015/16 and 2014/15.

4. Significant accounting judgements, estimates and assumptions

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

The items in TfGM's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

- Carrying value of property, plant and equipment: for assets held at historical cost the carrying value is the initial cost of the asset less accumulated depreciation. Depreciation is calculated using the expected useful life for each component of an asset. The useful life is a best estimate of the life of the asset and is provided by an expert in the relevant area. Each year end an annual review is performed to ensure the remaining useful life and carrying value of the asset are appropriate. For assets held at valuation, a full valuation is performed as a minimum every 5 years by an independent external valuer; an impairment review is undertaken by management for all other years.

5. Amounts Reported for Resource Allocation – Segmental Reporting

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

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

	2016 Non-Metrolink £000	2016 Metrolink £000	2016 Total £000	2015 Non-Metrolink £000	2015 Metrolink £000	2015 Total £000
Income						
Revenue grants	113,271	-	113,271	104,294	-	104,294
Other government grants	7,565	-	7,565	4,772	-	4,772
Special Rail Grant	49,533	-	49,533	47,868	-	47,868
Income from subsidised services	10,341	-	10,341	11,316	-	11,316
Metrolink revenue	-	65,090	65,090	-	59,272	59,272
Funding from reserves	4,447	-	4,447	33,139	-	33,139
Highways activities	6,910	-	6,910	6,566	-	6,566
Road safety activities	7,140	-	7,140	8,662	-	8,662
Other income	26,300	-	26,300	12,253	-	12,253
Total revenue income	225,507	65,090	290,597	228,870	59,272	288,142
Expenditure						
Contracted costs						
Rail grant payable to franchise operators	(47,696)	-	(47,696)	(46,362)	-	(46,362)
Concessionary fare scheme	(63,676)	-	(63,676)	(65,794)	-	(65,794)
Supported bus services	(37,008)	-	(37,008)	(41,144)	-	(41,144)
Metrolink	-	(53,292)	(53,292)	-	(45,900)	(45,900)
Highways activities	(5,683)	-	(5,683)	(5,810)	-	(5,810)
Road safety activities	(7,487)	-	(7,487)	(7,659)	-	(7,659)
Accessible transport	(4,914)	-	(4,914)	(5,409)	-	(5,409)
	(166,464)	(53,292)	(219,756)	(172,178)	(45,900)	(218,078)
Operational costs						
Staff costs	(30,454)	(1,960)	(32,414)	(27,823)	(1,466)	(29,289)
Premises costs	(10,125)	-	(10,125)	(10,186)	-	(10,186)
Other external costs	(12,145)	(4,265)	(16,410)	(10,465)	(2,205)	(12,670)
	(52,724)	(6,225)	(58,949)	(48,474)	(3,671)	(52,145)
Financing costs	(6,371)	(1)	(6,372)	(6,526)	50	(6,476)
Revenue surplus for the year	**(52)**	**5,572**	**5,520**	**1,692**	**9,751**	**11,443**

Reconciliation of above to the Comprehensive Income and Expenditure Statement.

	2016	2016 Total £000	2015	2015 Total £000
Cost of services per CIES		(179,813)		(179,769)
Pensions – IAS19 adjustments		700		200
Amounts released from Capital Adjustment				
Offset of depreciation on grant funded assets	58,915		48,627	
Other releases	4,955		3,304	
		63,870		51,931
		(115,243)		(127,638)
Non specific grant income - Revenue Grant	122,479		121,642	
less: Contribution towards future costs	-		(10,536)	
add: Release of unapplied revenue	11,140		14,810	
		133,619		125,916
Operating revenue surplus for the year before:		18,376		(1,722)
Financing and investment income and expenditure costs excluding net pension scheme finance costs and investment property revaluation adjustment		(2,747)		(3,866)
Other operating income / (expenditure)		(4,611)		(2,997)
Transfer to the Deregulation Reserve		(1,100)		(1,100)
Other reserve transfers		(4,398)		21,128
Revenue surplus for the year		**5,520**		**11,443**

Included within revenue grants in 2014/15 is £10.536 million which relates to an instalment of the resource contribution which is being made by Manchester Airport plc to the costs of funding of the Metrolink Airport line as noted in the report to AGMA on 10 July 2010. This was the final instalment of the revenue grant.

6. Other Income

Other income was derived from the following sources:

	2016 £000	2015 £000
Bus station facility charges	3,166	3,199
Passenger information services, Travelshop, bus station ancillary charges, rail franchise, operators and local authorities' recoveries.	6,962	6,693
Contract settlement	15,000	-
Rents and service charges	858	798
Advertising revenue	520	577
	26,506	**11,267**

The contract settlement income relates to a contract within the delivery of TfGM's capital programme. As the supplier could not deliver the system as contracted, it was mutually agreed to terminate the contract and compensation valued at £15 million was paid to TfGM under the terms of that agreement.

7. Financing and Investment Income and Expenditure

	2016 £000	2015 £000
Financing Costs		
Interest payable and similar charges	4,007	3,997
Adjustment on the equalisation of interest on a loan	(23)	(22)
Pensions interest cost and expected return on pensions assets	1,100	500
Revaluation loss on non-current assets	110	-
	5,194	**4,475**

	2016 £000	2015 £000
Investment Income		
Interest receivable and similar income	5	6
Received from Charterplan Holidays Limited – distribution of subsidiary profits	1,154	-
Received from Piccadilly Triangle Developments LLP – distribution of part of partnership profits	188	103
	1,347	**109**

8. Surplus on provision of services for the year

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

	2016 £000	2015 £000
Remuneration of Statutory Directors (note 8b)	726	689
Non - executive directors fees (One of the non-executive directors receives no fees or remuneration)	55	51
Depreciation of property, plant and equipment (note 10)		
Standard depreciation	59,571	49,844
Accelerated depreciation on TfGM assets	1,080	589
Net (gain) / loss on disposal of non-current assets	4,969	3,355
Fees payable to external auditors for:		
- audit services	44	58
- certification of grant claims and returns	-	1
- other services	-	-
Rents (receivable)	(858)	(798)
Operating leases - minimum lease payments	214	194

(b) Statutory Directors' remuneration

The Executive Board is composed of the Chief Executive Officer and the other Executive Directors' who have been appointed by GMCA as members of the executive under s9(2) of the Transport Act 1968. Their remuneration has been disclosed as follows:

		Salary £	Employer pension contributions £	Total £
Chief Executive Officer	2015/16	285,069	51,585	336,654
Dr J Lamonte	2014/15	277,500	48,008	325,508
Chief Operating Officer	2015/16	170,081	30,769	200,850
RM Morris	2014/15	160,107	27,680	187,787
Finance & Corporate Services Director	2015/16	160,002	28,959	188,961
Steve Warrener	2014/15	150,018	25,950	175,968

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

	2016 £000	2015 £000
Wages and salaries	24,023	20,415
Social security costs	1,985	1,748
Pension costs	4,073	3,442
	30,081	**25,605**
The average number of employees during the year	**707**	**628**

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

Remuneration range	2016 Number	2015 Number
£50,000 to £54,999	26	25
£55,000 to £59,999	14	11
£60,000 to £64,999	13	15
£65,000 to £69,999	9	3
£70,000 to £74,999	4	1
£75,000 to £79,999	2	4
£80,000 to £84,999	5	5
£85,000 to £89,999	3	5
£90,000 to £94,999	1	3
£95,000 to £99,999	3	1
£105,000 to £109,999	1	1
£110,000 to £114,999	1	1
£120,000 to £124,999	1	1

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

Note the numbers above do not include the Directors salaries. See note 8b) above for the Directors remuneration.

(d) Staff exit packages

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

Exit package cost band	Number of redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016	2015	2016	2015	2016	2015	2016 £000	2015 £000
£0 - £20,000	-	-	2	1	2	1	26	4
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
	-	**-**	**2**	**1**	**2**	**1**	**26**	**4**

9. Taxation

There is no corporation tax due for the year ended 31 March 2016 in line with the previous year. TfGM's advisers on taxation continue to monitor TfGM's taxation position, and the directors have been advised that it is unlikely that there will be any corporation tax payable in the foreseeable future on the basis of existing activities.

10. Property, Plant and Equipment

a) Capitalised assets available for use and assets under construction

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

	Total £000	Infra-structure £000	Land & Building £000	Plant & Equipment £000	Vehicles £000	Surplus assets £000	Assets Under Construction £000
Cost or valuation:							
At 31 March 2014	**2,002,013**	**1,527,185**	**12,799**	**35,631**	**18,703**	**-**	**407,695**
Expenditure during the year	188,003	-	-	-	-	-	188,003
Transfers from assets under construction	-	405,083	-	2,152	3,619	-	(410,854)
Transfers to passenger transport facilities and other revenue expenditure	(31,038)	-	-	-	-	-	(31,038)
Disposals	(67,456)	(53,521)	-	(13,923)	(12)	-	-
At 31 March 2015	**2,091,522**	**1,878,747**	**12,799**	**23,860**	**22,310**	-	**153,806**
Expenditure during the year	175,545	-	-	-	-	-	175,545
Transfers from assets under construction	-	106,105	-	7,765	450	-	(114,320)
Transfers to passenger transport facilities and other revenue expenditure	(33,269)	-	-	-	-	-	(33,269)
Reclassifications	(1,455)	(1,744)	199	-	-	90	-
Restatement of assets	1,792	676	401	-	-	715	-
Disposals	(11,896)	(11,471)	-	(283)	(142)	-	-
At 31 March 2016	**2,222,239**	**1,972,313**	**13,399**	**31,342**	**22,618**	**805**	**181,762**
Depreciation and impairment:							
At 31 March 2014	**282,375**	**251,314**	**877**	**25,836**	**4,348**	**-**	**-**
Depreciation provided during the period	50,433	46,420	378	2,256	1,379	-	-
Disposals	(64,016)	(51,853)	-	(12,151)	(12)	-	-
At 31 March 2015	**268,792**	**245,881**	**1,255**	**15,941**	**5,715**	**-**	**-**
Depreciation provided during the period	60,651	56,913	378	1,926	1,434	-	-
Reclassifications	-	(30)	30	-	-	-	-
Restatement of assets	(541)	(511)	(30)	-	-	-	-
Disposals	(5,398)	(4,972)	-	(283)	(143)	-	-
At 31 March 2016	**323,504**	**297,281**	**1,633**	**17,584**	**7,006**	**-**	**-**
Net Book Value:							
At 31 March 2016	**1,898,735**	**1,675,032**	**11,766**	**13,758**	**15,612**	**805**	**181,762**
At 31 March 2015	**1,822,730**	**1,632,866**	**11,544**	**7,919**	**16,595**	**-**	**153,806**

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

	31 March 2016 £000	31 March 2015 £000
Freehold	128,786	125,298
Long Leasehold	73,629	67,671
Short Leasehold	1,997	1,661
	204,412	**194,630**

The depreciation charge for 2016 includes accelerated depreciation of £1,080,000 (2015: £589,000). The charge in the year relates to existing facilities which are to be demolished and replaced with new facilities in future years. These mainly relate to the new interchange facilities. After accounting for the release of grants associated with these assets, the net charge to reserves in 2015/16 with respect to the adjusted carrying values for these assets is £7,000 (2015: £6,000). However, as all the grants have already been recognised in full in the Comprehensive Income and Expenditure Statement in previous years, in line with the requirements of the Code, the 'gross' depreciation charge of £1,080,000 (2015: £589,000) is shown as a 'charge' in the Comprehensive Income and Expenditure Statement in the year and the associated grant release is shown as a movement on reserves.

The transfer from assets under construction to infrastructure assets relates to a number of capital schemes that have been completed in the year. These include new Light Rail Vehicles, Metrolink stops at Exchange square and Deansgate Castlefield and Wythenshawe Interchange.

The disposals in the year mainly relates to the Metrolink stops and track at St Peters square that has been demolished in the year and is being replaced as part of the second city crossing.

b) Assets held under finance leases

In 2014/15 TfGM had a number of leases relating to vehicles with subsidiary companies with a nil net book. As part of the closure of the subsidiary companies these vehicles were no longer required by TfGM or the subsidiary companies and were disposed in 2015/16. TfGM do not have any other assets held under a finance lease.

c) Revaluation of property, plant and equipment

TfGM carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The current values for these properties have been based on existing use values.

A number of surplus properties were identified in the year and in accordance with the code were revalued at fair value. The fair value for the properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

In estimating the fair value of TfGM's surplus properties, the highest and best use of the properties is their current use.

All valuations were carried out by Leslie Roberts & Co Ltd, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. TfGM's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

d) Assets under Construction

The value of assets under construction and the financial movements within this area are provided in Note 10a.

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

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

At 31 March 2016 the amount of grants received in advance of payments made in respect of expenditure on capital projects and held within the Unapplied Grants Account was £0.671million (£2.578 million at 31 March 2015).

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

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

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

	2016 £000	2015 £000
Net proceeds from sale of assets	1,531	84
Disposal costs written off	-	-
De-recognition of carrying values of assets	(6,500)	(3,439)
Gain / (loss) on disposal of property, plant and equipment per Comprehensive Income and Expenditure Statement	**(4,969)**	**(3,355)**
De-recognition of carrying values of associated grants	4,955	3,304
	(14)	**(51)**

11. Passenger Transport Facilities

As part of its statutory duties, TfGM is responsible for meeting the costs of upgrading public passenger transport facilities in the Greater Manchester area, including railway and highways infrastructure. The expenditure incurred is offset by equivalent grants or funding, which for the year ended 31 March 2016 amounted to £7.642 million (*2015: £13.196 million*). The ownership of these assets normally vests in either rail operating companies; Network Rail; GMCA; or the appropriate Local Authority. In certain circumstances, title in these assets may ultimately revert to TfGM. Costs and grants are written off as incurred / received.

12. Investment Property

	2016 £000	2015 £000
Fair value:		
At 1 April	150	150
Transfers from property, plant and equipment	890	-
Transfers to property, plant and equipment	(150)	-
At 31 March	**890**	**150**

13. Investments

The investments held in 2015 related to shareholding in subsidiary companies. Proceedings took place in the year to strike off the remaining three companies as these were no longer required, dividends were declared to clear the reserve balances which removed the value of the investment held. The remaining investments are disclosed within note 22a on related party disclosures.

14. Debtors

Long term debtors: amounts falling due after one year:

	31 March 2016 £000	31 March 2015 £000
Other debtors	1,339	72
	1,339	**72**
Analysed as the following class of debtor:		
Other local authorities	1,339	72
	1,339	**72**

Short term debtors: amounts falling due within one year:

	31 March 2016 £000	31 March 2015 £000
Trade debtors	6,232	6,160
Amounts receivable from GMCA	48,685	50,796
Amounts due from group undertakings	88	35
Other debtors	7,601	11,300
Prepayments and accrued income	12,639	12,942
	75,245	**81,233**
Analysed between the following classes of debtors:		
Central government bodies	4,327	4,291
Other local authorities	52,385	54,267
Other entities and individuals	18,533	22,675
	75,245	**81,233**

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

At 31 March 2016, trade debtors at a nominal value of £1,912,000 (*2015: £1,901,000*) were impaired. Movements in the provision for impairment of receivables were as follows:

	31 March 2016 £000	31 March 2015 £000
Opening provision	1,901	1,878
Charge for the year	57	87
Amounts written off	-	(64)
Unused amounts reversed	(46)	-
Closing provision	**1,912**	**1,901**

As at 31 March 2016, the ageing analysis of trade debtors was as follows:

	Total	Neither overdue nor impaired	Past due but not impaired				
			1-30 days	31-60 days	61-90 days	91-120 days	over 120 days
	£000	£000	£000	£000	£000	£000	£000
31 March 2016	6,232	5,130	836	61	18	13	174
31 March 2015	6,183	5,606	452	47	17	55	6

15. Inventories

	31 March 2016 £000	31 March 2015 £000
Materials in relation to route service provision	175	192
Materials in relation to traffic control equipment	31	45
	206	**237**

The amount of write-down of inventories recognised as an expense is £nil (2014/15: £nil).

16. Cash and cash equivalents

	31 March 2016 £000	31 March 2015 £000
Cash at bank and in hand	39	192
Short term deposits with GMCA	21,795	16,159
	21,834	**16,351**

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

17. Current Liabilities

	31 March 2016 £000	31 March 2015 £000
Short term creditors		
Trade creditors	5,979	9,740
Taxation and social security	630	552
Accruals for expenditure recognised	45,973	52,757
Deferred income	3,294	4,141
Amounts due to GMCA	1,879	2,002
Amounts due to group undertakings	-	3,686
Other creditors	8,061	6,027
	65,816	78,905
Provisions (note 18)	2,292	2,506
Short term borrowings (note 19)	6,252	1,240
	74,360	**82,651**

Analysed between the following classes of creditors:

Central government bodies	996	915
Other local authorities	2,495	2,387
Other entities and individuals	70,869	79,349
	74,360	**82,651**

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

For terms and conditions pertaining to related parties, refer to note 22.

18. Provisions

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

	Total	Insurance Excess	Contractual Obligations	Capital Works	Onerous Leases
	£000	**£000**	**£000**	**£000**	**£000**
At 1 April 2015	2,708	495	670	1,340	203
Arising during the year	349	40	109	200	-
Utilised during the year	(209)	(9)	(199)	-	(1)
Unused amounts reversed	(355)	(88)	(267)	-	-
At 31 March 2016	**2,493**	**438**	**313**	**1,540**	**202**

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

	Total	Less than 12 months	Greater than 12 months
	£000	**£000**	**£000**
At 31 March 2015			
Insurance Excess	495	495	-
Contractual Obligations	670	670	-
Capital Works	1,340	1,340	-
Onerous Lease	203	1	202
	2,708	**2,506**	**202**
At 31 March 2016			
Insurance Excess	438	438	-
Contractual Obligations	313	313	-
Capital Works	1,540	1,540	-
Onerous Lease	202	1	201
	2,493	**2,292**	**201**

The amounts provided above at 31 March 2016 are described below:

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

19. Financial Instruments

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

	Carrying Amount		Fair Value	
	31 March 2016 £000	**31 March 2015 £000**	**31 March 2016 £000**	**31 March 2015 £000**
Financial Assets:				
Investments	-	2,758	-	2,758
Long term debtors	1,339	72	1,339	72
Current trade debtors	6,232	6,160	6,232	6,160
Amounts receivable from GMCA	48,684	50,796	48,684	50,796
Amounts due from group undertakings	88	35	88	35
Other debtors	3,285	7,645	3,285	7,645
Cash and cash equivalents	21,834	16,351	21,834	16,351
Financial Liabilities:				
Short term creditors	(61,892)	(82,060)	(61,892)	(82,060)
Loans and receivables: Interest bearing loans and borrowings:				
Obligations under finance leases	-	-	-	-
Floating rate borrowings	-	-	-	-
Fixed rate borrowings - due within one year				
Accrued Interest	(1,252)	(1,240)	(1,252)	(1,240)
Market debt	(5,000)	-	(5,286)	-
Fixed rate borrowings - due after one year				
PWLB debt	(17,322)	(17,322)	(23,025)	(23,150)
Market debt	(48,699)	(53,722)	(67,521)	(67,562)

Fair Values

The 2015/16 code adopted IFRS 13 Fair Value Measurement which requires TfGM to measure any financial instruments in accordance with IFRS 13. Prior year restatement is not required. Fair value in IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In 2014/15 the fair values are included at the amount at which the instrument could be exchanged in a current transaction between willing parties.

The fair value evaluations in respect of loans and borrowings are explained below.

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

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

Long term receivables have been evaluated based on collectability risk.

Loans and Borrowings

- In 2015/16 for non-PWLB loans payable, the fair value of the current and long term debt has been measured at £72.807 million using premature repayment rates. These are the rates that would apply if the loan was to be repaid early and is deemed to be the principle market for the current debt. A supplementary measure of the fair value using current market rates is £66.695 million.
- The fair value of Public Works Loan Board (PWLB) loans of £23.025 million measures the economic effect of the terms agreed with the PWLB based on premature repayment rates. This is deemed to be the principle market for the PWLB loan debt. The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at premature repayment rates.
- However, TfGM has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that TfGM will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £17.322 million would be valued at £21.584 million. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans would be £5.001 million.
- The valuation techniques used for PWLB and non PWLB debt are at level 2 – significant observable inputs. There have been no changes in valuation technique during the financial year.
- In 2014/15 the fair value is determined by calculating the Net Present Value of future cash flows, thereby estimating the value of future payments in today's terms. This is a widely accepted and commonly used valuation technique. The discount rate used is equal to the current rate for a similar loan from a comparable lender. This will be the market rate applicable on the date of valuation for a loan with the same outstanding period to maturity.
- However, it may be that the future cash flows of a loan do not fall in equal time periods from the date of valuation. Where this is the case, adjustments are made to each discount factor in order to account for the timing inequality.
- The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value, which includes accrued interest as at the balance sheet date. TfGM has therefore included accrued interest in the fair value calculation.
- The discount rates used for the evaluation were obtained by GMCA from Capita. Capita is a leading and independent provider of capital financing, treasury advisory and strategic advisory consulting services to the public sector.
- Assumptions used, which do not have a material effect on the fair value evaluation are: interest is calculated using a 365 day basis; interest is paid on the maturity date; no adjustment is made to the interest value and date where a relevant date occurs on a non-working day.
- The repayment profile of loans and borrowings is taken into account during the TfGM's preparation and review of cash flow forecasts which are carried out on a regular basis.
- A small Local Authority loan exists from Wigan; the balance is due to be repaid in full in 2016/17. The loan is unsecured.
- Public Works Loan Board loans were taken out to assist with the completion of Metrolink phase 2. The loans were taken out from 1997 to 2000 for a period of approximately 25 years and are repayable in full during 2023 and 2024. They are secured by Statute on all revenues.
- DePfa ACS Bank loans were taken out in 2002 for 15 and 20 years and are repayable in full by 2017 and 2022. They are secured by Statute on all revenues. In December 2011 DePfa transferred the loans to FMS Wertmanagement AöR. However, DePfa ACS Bank will continue to be the contact in relation to matters arising out of or in connection with the loans.
- Dexia Credit loans were taken out in 2004 for 28-31 years and are repayable in full by 2032-2035 and are secured by Statute on all revenues

	Effective Interest Rate %	Maturity	2016 £000	2015 £000
Current:				
Loan capital from Greater Manchester Local Authorities	7.3 – 10.5%	2016-17	1	1
Accrued interest on all loans			1,251	1,239
DePfa ACS Bank - a	5.97%	Mar 2017	5,000	-
			6,252	1,240

	Effective Interest Rate %	Maturity	2016 £000	2015 £000
Non-current:				
Public Works Loan Board re Metrolink phase 2 - a	6.63%	May 2023	6,997	6,997
Public Works Loan Board re Metrolink phase 2 - b	4.75%	May 2024	1,208	1,208
Public Works Loan Board re Metrolink phase 2 - c	4.75%	May 2024	6,237	6,237
Public Works Loan Board re Metrolink phase 2 - d	5.00%	Nov 2024	2,880	2,880
DePfa ACS Bank - a	5.97%	Mar 2017	-	5,000
DePfa ACS Bank - b	5.92%	Mar 2022	7,500	7,500
DePfa ACS Bank - c	6.42%	Apr 2022	12,000	12,000
Dexia Credit Local - London Branch - a	4.75%	May 2032	7,000	7,000
Dexia Credit Local - London Branch - b	4.80%	May 2033	6,500	6,500
Dexia Credit Local - London Branch - c	4.80%	May 2034	7,000	7,000
Dexia Credit Local - London Branch - d	5.95%	May 2035	8,000	8,000
Accrued interest for stepped LOBO loan - Dexia d	5.95%	2013-35	699	722
			66,021	71,044
Total Loans and borrowings			**72,273**	**72,284**

	2016 £000	2015 £000
Instalments are payable as follows:		
Within 1 year or repayable on demand	6,252	1,240
Within 1 to 2 years	-	5,000
Within 2 to 5 years	-	-
Within 5 to 10 years	36,822	36,822
Longer than 10 years	29,199	29,222
	72,273	**72,284**

Risk Factors

TfGM carries out credit assessments of all new customers before contracting with them.

A prudent view is taken in respect of impairment of trade debtors as referred to in note 14.

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

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

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

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

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

Hedging Instruments

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

20. Reserves

The movements on reserves are disclosed on page 23.

Usable Reserves

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

Unusable Reserves

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

Corporate Capital Reserve

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

Revaluation Reserve

The Revaluation Reserve contains the gains made by TfGM arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

Pension Reserve

This relates to the net pension liability at 31 March 2016 in accordance with the actuary's report. Further details are shown in Note 21.

Deregulation Reserve

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

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

Deferred Capital Grants and Contributions Account

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

21. Employee Benefits - Pension Costs

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

The market value of the Fund's assets at 31 March 2013 amounted to £12,590 million. The funding level of the Fund as measured using the actuarial method of valuation was 90.5% as at 31 March 2013.

A full actuarial valuation was carried out at 31 March 2013 by a qualified independent actuary. The principal assumptions used by the actuary at that date were:

Rate of increase in salaries	3.55% per annum
Discount rate	4.8% per annum
Inflation assumption	2.5% per annum

TfGM recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge TfGM are required to make against Usable Reserves is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the Revenue Reserve via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Usable Reserves balance via the Movement in Reserves Statement during the year:

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

In June 2011 the International Accounting Standards Board (IASB) issued a new version of IAS19. The key change is that the interest cost and expected return on assets components of profit are now combined into a net figure. In effect this means that the expected return has been replaced by a figure that would be applicable if the expected return on assets was equal to the discount rate.

This has involved removing some disclosure requirements but new requirements have been added. The information below complies with the new disclosure requirements.

	Local Government Pension Scheme	
	2016	2015
	£000	£000
Comprehensive Income and Expenditure statement		
Cost of Services:		
Service cost comprising:		
Current Service cost	(5,700)	(4,300)
Past service costs	-	(300)
Financing and Investment Income and Expenditure		
Net interest (expense) / income	(1,100)	(500)
Total Post-employment Benefits charged to the Surplus on the provision of services	**(6,800)**	**(5,100)**
Remeasurement of the net defined liability / benefit comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(10,400)	1,900
Actuarial gains and losses arising on changes in demographic assumptions	-	-
Actuarial gains and losses arising on changes in financial assumptions	14,800	(26,900)
Other experience	7,900	3,400
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure statement	**12,300**	**(21,600)**
Movement in reserves statement		
Reversal of net charges made to the Surplus on the provision of services for post-employment benefits in accordance with the Code	10,500	(22,300)
Actual amount charged against the Usable Reserves Balance for pensions in the year:		
Employer’s contributions payable to scheme	5,000	4,400
Retirement benefits payable to pensioners	(22,100)	(21,600)

Pension assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from TfGM's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme	
	2016	2015
	£000	£000
Present value of the defined benefit obligation	(357,800)	(383,500)
Fair value of plan assets	333,600	348,800
Net liability arising from the defined benefit obligation	**(24,200)**	**(34,700)**

Reconciliation of the Movements in the Fair Value of the Scheme

	Local Government Pension Scheme	
	2016	2015
	£000	£000
Opening value of the scheme assets	348,800	348,600
Interest Income	10,600	14,000
Remeasurement loss:		
The return on plan assets, excluding the amount included in the net interest expense	(10,400)	1,900
Contributions from employer	4,500	3,900
Contributions from employees into the scheme	1,700	1,500
Contributions in respect of unfunded benefits	500	500
Benefits paid	(22,100)	(21,600)
Closing value of scheme assets	**333,600**	**348,800**

Reconciliation of Present Value of the Scheme Liabilities

	Funded liabilities: Local Government Pension Scheme	
	2016	2015
	£000	£000
Opening balance at 1 April	383,500	361,000
Current service cost*	5,700	4,300
Interest cost	11,700	14,500
Contributions from scheme participants	1,700	1,500
Remeasurement gains / (losses)		
Actuarial gains/losses arising from changes in demographic assumptions	-	-
Actuarial gains/losses arising from changes in financial assumptions	(14,800)	26,900
Other experience	(7,900)	(3,400)
Past service cost	-	300
Benefits paid	(22,100)	(21,600)
Closing balance at 31 March**	**357,800**	**383,500**

*The current service cost includes an allowance for administration expenses of 0.2% of payroll.

** The closing liability includes £5.1 million of unfunded liabilities (2015: £5.5 million).

Local Government Pension Scheme assets comprised:

	Local Government Pension Scheme 2016 £000	2015 £000
Cash and cash equivalents	68,968	87,584
Equity instruments		
Consumer	12,751	14,019
Manufacturing	10,494	13,047
Energy and utilities	7,773	11,666
Financial institutions	14,046	16,522
Health and care	6,055	6,590
Information technology	3,253	2,807
Other	1,908	1,754
Sub-total equity	56,280	66,405
Bonds:		
By sector		
Corporate	7,214	8,218
Government	124,634	126,694
Other	4,521	6,896
Sub-total bonds	136,369	141,808
Property:		
UK property	4,559	3,861
Private equity	3,618	3,875
Investment funds and unit trusts		
Equities	40,348	25,749
Bonds	11,249	7,734
Infrastructure	1,941	1,530
Other	9,887	8,698
Sub-total other investment funds	63,425	43,711
Derivatives:		
Other	381	1,556
Total assets	**333,600**	**348,800**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Greater Manchester Pension Fund being based on the latest full valuation of the scheme as at 1 April 2013. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme 2016 £000	2015 £000
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	21.4 years	21.4 years
Women	24.0 years	24.0 years
Longevity at 65 for future pensioners		
Men	24.0 years	24.0 years
Women	26.0 years	26.6 years
Rate of inflation		
Rate of increase in salaries	3.35%	3.25%
Rate of increase in pensions	2.10%	2.10%
Rate for discounting scheme liabilities	3.40%	3.10%

The return on the Employers' portion of the main fund assets for the year to 31 March 2016 is (0.6)% (2015: 11.6%).

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the scheme 2015/16		2014/15	
	Approximate % increase to Employer	Approximate monetary amount £000	Approximate % increase to Employer	Approximate monetary amount £000
Longevity (increase or decrease of 1 year)	3%	10,734	3%	11,500
Rate of increase in salaries (increase or decrease by 0.5%)	2%	6,567	2%	6,900
Rate of increase in pensions (increase or decrease by 0.5%)	6%	20,595	6%	21,300
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	8%	27,442	7%	28,600

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. TfGM has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next year. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the previous Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

TfGM anticipates paying £4,078,000 (2015/16: £3,777,000) in expected contributions to the scheme in 2016/17.

The following table shows the weighted average duration of the key assumptions for Greater Manchester Pension Fund liabilities:

Weighted Average Duration

	Short 31 March 2016 % p.a.	Medium 31 March 2016 % p.a.	Long 31 March 2016 % p.a.
Pension increase rate	2.1%	2.2%	2.2%
Retail Price Inflation (RPI)	3.1%	3.2%	3.2%
Discount rate	3.4%	3.5%	3.6%

	Short 31 March 2015 % p.a.	Medium 31 March 2015 % p.a.	Long 31 March 2015 % p.a.
Pension increase rate	2.1%	2.4%	2.5%
Retail Price Inflation (RPI)	3.0%	3.3%	3.4%
Discount rate	3.1%	3.2%	3.3%

22. Related party disclosures

a) Group companies

These financial statements include the financial statements of TfGM only. TfGM has the following interests in other companies but these have not been consolidated on the basis of materiality:

Name of Company	Equity Interest	Nature of business
Charterplan Holidays Limited	100%	Intermediate holding company, vehicle/equipment leasing
Clipwood Limited*	100%	Property company
Powerview Developments Limited*	100%	Property development
Greater Manchester Public Transport Information Limited	51%	Public transport information
Transport for Greater Manchester Limited	100%	Non-trading dormant company

* indirectly owned

An application to strike off Clipwood Limited has been made and strike off forms are due to be submitted for Charterplan Holidays Limited and Powerview Developments Limited.

TfGM and Manchester City Council are partners in Piccadilly Triangle Developments LLP (PTD LLP). TfGM has a 50% share of PTD LLP. This partnership is for the development of an area of land in Manchester, which commenced in May 2005. PTD LLP made a profit during the year of £280,000 (*2015: £202,000*).

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

b) Greater Manchester Combined Authority

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

c) General

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

	Transactions during year		Balances at 31 March	
	Income from £000	Expenditure with £000	Receivable from £000	Payable to £000
GMCA – grant / sales related 2016 (page 8, notes 14 and 17)	283,714	425	48,684	1,879
GMCA – grant / sales related 2015 (page 8, notes 14 and 17)	260,512	198	50,796	2,002
GMCA - short term deposits 2016	-	-	21,795	-
GMCA - short term deposits 2015	-	-	16,159	-
Piccadilly Triangle Developments 2016	188	-	-	-
Piccadilly Triangle Developments 2015	103	-	18	-

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

23. Commitments

	2016 £000	2015 £000
Capital commitments at balance sheet date	59,297	120,541

Lease commitments

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

	2016 £000	2015 £000
Land and buildings		
Payments due within 1 year	214	193
Payments due between 2 and 5 years	602	557
Total payments due thereafter	6,960	4,776
	7,776	**5,526**

24. Contingent assets and liabilities

A contingent liability exists in relation to potential third party property costs which may be incurred in connection with the building of the Metrolink extensions. Based on the current information available the final amount payable in relation to these costs is uncertain. No provision has been made in the Accounts for this matter.

A contingent liability also exists in relation to a claim received from a third party contractor as part of the Metrolink extension scheme. Due to this, the final amount payable in relation to an element of the capital programme is uncertain. The Directors consider that the provision of additional information could be prejudicial to its position in resolving this matter.

A contingent asset exists for the recovery of costs associated with delivering the TfGM Capital Programme. The costs incurred have been disputed by the third party and as the final amount is uncertain the income has not yet been recognised in the accounts.

25. Post balance sheet events

As at 15 July 2016, there are no Post Balance Sheet Events which require disclosure.