

# The Greater Manchester Combined Authority

Annual Statement of Accounts  
Year ended 31<sup>st</sup> March 2013



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# Explanatory Foreword by the Treasurer

## Introduction

Welcome to the Greater Manchester Combined Authority's audited Annual Statement of Accounts for 2012/13. The statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

The purpose of this foreword is to provide a guide to the Authority's accounts as well as setting out the Authority's financial position.

## Background to the Greater Manchester Combined Authority

The Authority was established as a body corporate for the combined area (the area of the ten constituent authorities) on 1 April 2011, following the enactment on 22 March 2011 of the Greater Manchester Combined Authority Order 2011, Statutory Instrument No. 908.

The Greater Manchester Combined Authority (GMCA) is a unique model of governance for a city region, provided for by the Local Democracy, Economic Development and Construction Act 2009. The functions of the GMCA are set out in legislation and include all the transport functions previously overseen by GMITA, plus some economic development and regeneration functions. A new set of transport functions, notably those adopting responsibility for traffic light signals and reports on road traffic levels have also been delegated by the constituent councils to the GMCA.

GMCA's executive body in relation to transport is Transport for Greater Manchester (TfGM). The GMCA and the constituent district councils have entered in to joint arrangements for the discharge of specified transport functions which is supported through a joint committee called the Transport for Greater Manchester Committee (TfGMC).

Ownership of the Commission for the New Economy (CNE) and Manchester Investment and Development Agency Service Ltd (MIDAS) also now reside with GMCA.

The functions and powers of the GMCA supported by stable and efficient governance arrangements provide the essential conditions to promote effective decision making across the strategic policy areas of economic development, regeneration and transport in Greater Manchester.

The following paragraphs give a brief explanation of the purpose and relationship between each of the main statements that make up the Authority's Annual Statement of Accounts.

## **Statement of Responsibilities for the Statement of Accounts**

The statement confirms the responsibilities of the Authority and the Treasurer for the production and content of the Annual Statement of Accounts.

### **The Core Financial Statements are:**

- **Movement in Reserves Statement (MIRS)**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local levies) and other unusable reserves. The Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for levy setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers (to) or from earmarked reserves undertaken by the Authority.

- **Comprehensive Income and Expenditure Statement (CIES)**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from the levy. The Authority raises a levy to cover expenditure in accordance with regulations; this may be different from the accounting cost. The levy position is shown in the Movement in Reserves Statement.

- **Balance Sheet**

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

- **Cash Flow Statement**

The Cash Flow Statement shows the changes in the cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key

indicator of the extent to which the operations of the Authority are funded by way of levy and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

### **Group Accounts**

The Group Accounts show the full extent of the Authority's economic activities by reflecting the full extent of the Authority's involvement with its group companies and organisations.

### **Notes to the Financial Statements**

These include the accounting policies and concepts applied, as well as all the disclosure notes relating to the above statements.

### **Changes in Accounting Policies**

The way that accounts are presented is governed by the accounting policies that the Authority has to follow. The accounting practice governing local authority accounts which include the GMCA, has undergone major changes over the last few years in order to bring public sector accounting in line with that of the private sector. There have been no further changes to accounting policies that affect the GMCA in 2012/13.

## **How the Authority Performed in 2012/13**

GMCA is the body established to exercise the statutory functions relating to transport, economic development and regeneration in the area, as well as improve economic conditions and the efficiency and effectiveness of transport in the area. Membership of the GMCA comprises the Leaders of the ten constituent councils of Greater Manchester.

The Accounts of the Authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

## **Transport Functions**

The Authority provided a revenue grant to TfGM which is the executive body responsible for implementing the Authority's transport policies. The Authority also received from the Department for Transport revenue grants to fund expenditure on transport schemes approved by the Department. These included funding for Better Bus Area Fund, Local Sustainable Transport Fund, Cross City Bus Package and LEP Capacity Building in Transport. GMCA does not directly provide bus, train or Metrolink services.

The Authority, together with the TfGM is responsible for:

- Paying for bus services which are not provided commercially by bus operators.
- Owning bus stations, shelters and stops in Greater Manchester and working to ensure all the information passengers see there is correct.
- Subsidising concessionary fares and free travel facilities on buses throughout the region, including paying to keep non-profitable services running where passengers need them most.
- Carrying out the policies of an elected authority to ensure that local rail services meet local travel needs.
- Owning Metrolink.

- Campaigning to promote public transport in Greater Manchester, to improve the environment and cut congestion.
- The installation, maintenance and management of traffic signals.
- Maintaining highway databases, surveys, modelling, analysis, appraisals and advice.
- Highways route performance, incident response and event management via a traffic control centre.
- Partnership working to promote a shared strategic road safety analysis and recommendations on interventions.
- Preparing the Local Transport Plan.

In addition the Authority incurs the costs of financing capital expenditure and direct administration costs.

### **Activities in the year**

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

At its meeting on 12 May 2009, the AGMA Executive agreed to establish a Greater Manchester Transport Fund (GMTF) incorporating prioritised schemes based on delivering the maximum economic benefit (Gross Value Added) to Greater Manchester, consistent with positive social and environmental outcomes. The GMTF will finance a number of public transport schemes, including a package of works to further extend the Metrolink network, including new links to:

- East Didsbury;
- Ashton;
- Oldham & Rochdale town centres;
- Manchester Airport;
- And a:
- Second city centre crossing.

Also:

- Development of the Leigh-Salford-Manchester busway;
- Improved interchange facilities at Bolton & Altrincham;
- A number of park & 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 Oldham Mumps, Shaw and Crompton, Rochdale Railway station and Droylsden in East Manchester were opened;
- Further new Light Rail Vehicles were introduced onto the network, both to support the opening of the new lines but also to replace existing vehicles. In total 66 new M5000 trams have been delivered to date with a further 15 trams scheduled to be delivered by the end of the next financial year;



- Work on the other Metrolink lines has continued during the year and the extensions to East Didsbury and Ashton are due to open in the next financial year;
- Work has also been ongoing on the further extensions to Oldham and Rochdale town centres and Manchester Airport;
- A number of other projects to upgrade the existing Metrolink network have been completed during the year including the investments to upgrade the stop at Piccadilly Undercroft on the existing network.

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

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

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

TfGM secured £4.9 million of funding in 2011/12 from the DfT following a successful 'Key Component' bid to its Local Sustainable Transport Fund ('LSTF'). These monies are being used to fund a package of works designed to encourage the use of cycles for commuting. These measures include:

- investment in cycle parking facilities in town and city centres;
- provision of cycle training;
- bike maintenance workshops and general information aimed at increasing cycling generally.

In 2012/13 TfGM opened a new cycle 'hub' facility in Manchester city centre. This provides a secure space for storage of bikes; showering and change facilities; and other cycling facilities. Another facility was opened at Bury for the secure storage of bicycles and further facilities will be rolled out in 2013/14.

In 2012/13 GMCA was awarded £32.5 million following a successful bid to the DfT's 'Large Project' LSTF. This, together with £21 million of local funding contributions, focuses on four key areas:

- sustainable access to key destinations and transport hubs;
- supporting sustainable choices;
- smarter travel;
- enabling community transport.

Good progress in being made on the delivery of these schemes.

Funding has also been secured from the Department for Transport's Better Bus Area Fund. TfGM submitted a successful bid for £5 million of funding which is being used to deliver:

- bus priority measures;
- better public transport interchange facilities;
- to support network growth at Trafford Park and MediaCity UK;
- to provide smarter marketing and passenger information.

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

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

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

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

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

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

## **Economic Development and Regeneration Related Functions**

The Authority also provided funding to Marketing Manchester Ltd., CNE and MIDAS which were funded by contributions from the ten district councils. The Authority received capital and revenue grants from Central Government departments in support of its' economic development and regeneration functions. These included funding for Growing Places, Regional Growth Fund, City Deal, Clusters of Empty Homes and Fit for Work schemes.

## **Commission for the New Economy Ltd:**

### **Principal Activities**

The Commission for the New Economy Limited, hereafter referred to as New Economy, is a Centre of Excellence in Research, Strategy, Evaluation and Performance Management including Employment and Skills. It operates as part of a series of Centres of Excellence developed in April 2011 in response to reduced public funding and wider Governance changes in Greater Manchester.

### **Business Review**

The business of New Economy has continued to evolve over the period and includes:

- Helping to create the conditions for economic growth and prosperity for Greater Manchester by developing intelligence to inform policy, driving projects with economic impact potential, undertaking employment and skills activity, and influencing the latest European Union (EU) developments.
- Working with all ten local authorities and private and public sector partners to understand, influence, innovate and creating a better economy for Greater Manchester.
- Continuing to develop as a research centre of excellence, supporting the integration of Greater Manchester research. In April 2012 a new Public Protection research team was integrated into New Economy, and the team led on the production of a single, shared evidence base to inform the development of Greater Manchester's first Police and Crime Plan.
- Increasing the strategic links with AGMA's environment and planning & housing teams, the fundamental review of GMAC resulting in a fully integrated research team and Greater Manchester Chamber skills functions now housed at New Economy.
- Working with the Skills and Employment Partnership and Greater Manchester Chamber to secure funds for the delivery of a joint venture. This will deliver a service to employers, schools and providers that develops the marketplace and achieves greater investment (public and private) in skills for the employed and unemployed, as well as developing stronger employer-led skills across a broader and more ambitious range of areas.

The Project Development Team have led a significant review of Greater Manchester's science, technology and innovation assets, and are now moving to implementation stage to define the actions that will create a major commercial science economy built upon these assets.

During 2012/13, New Economy operated under a single, over-arching business plan incorporating the activities of the company as well as those of MIDAS, Marketing Manchester and the Business Growth Hub. The business plan demonstrated delivery against the Greater Manchester Strategy.

#### **Key achievements in the year:**

- Playing a leading role in supporting Manchester and Salford's successful Urban Broadband Fund bids totalling £19 million;
- Supporting AGMA and the GMCA in driving a series of Greater Manchester bids;
- Supporting the Economic Advisory Panel to drive forward the Greater Manchester Growth Plan, including its launch in Westminster with Ministers and over 100 key stakeholders;
- Successfully using the strategic assessment framework across a range of policy areas; assessing all regional growth fund bids and Section 48 grants using its formula;
- Securing £8.8 million skills money through the City Deal;
- Progressing the only Skills Funding Agency (SFA) funding pilot proposal in the country;
- Agreeing a common set of skills priorities for Greater Manchester in 2013/14;
- Securing around £11 million of Employer Ownership and Growth and Innovation Fund money;
- Working closely with the University of Manchester to secure an investment of £60 million to build the National Graphene Institute in Manchester, building on the national capital investment of £38 million.;
- Progressing and supporting The Alliance Project to establish if there is a viable business case for the repatriation of textile manufacturing to Britain.

## **Manchester Investment and Development Agency Service Ltd (MIDAS)**

### **Principal Activities**

The main aim of Manchester Investment and Development Agency Service Limited ('MIDAS') is to attract inward investment in to Greater Manchester that ultimately creates and safeguards jobs. This is done through the promotion of Manchester as a business location in key sectors and geographic markets.

## **Business Review**

In performance terms this financial year has been a highly successful year against stretching targets. MIDAS has worked to secure 81 investment projects of which 40 were Foreign Direct Investment (FDI) (10% increase on 11/12). It has also been involved in creating or safeguarding 4,143 jobs in Greater Manchester (19% increase on 11/12).

### **Key Achievements in the year:**

- Has directly assisted in the creation and safeguarding of 4,143 jobs through 81 investment projects across Greater Manchester.
- Has continued to develop its relationship with United Kingdom Trade and Investment through its Memorandum of Understanding and through the 'Deal for Cities' programme and wider collaboration.
- Worked on a promotional programme for the Greater Manchester Enterprise Zone as part of the wider national Enterprise Zone promotional framework.
- Continued to develop its marketing mix, with an improved digital interface through the refreshed 'investinmanchester' website supported by further web development and a new digital and social media strategy which will be implemented in the next financial year.
- Continued to undertake strategic work around Greater Manchester's 'large sites', looking to facilitate access to funding, formulating a synopsis of market demand and providing direct investment opportunities.
- Commissioned a benchmarking exercise that will compare Manchester's performance in the attraction of FDI against 10 of its European peers. This will enable MIDAS to keep driving and contributing to the growth agenda and drive Manchester forward as an investment location.

## **Local Enterprise Partnership (LEP) – Core Capacity Funding 2012 -2015**

The joint working between the Authority and the LEP is essential to continue to support the growth and development of Greater Manchester.

The GM LEP and the GMCA will work together to deliver the aspirations of the Greater Manchester Strategy (GMS). The GMS priorities will form the foundation of, and focus for, the LEP.

The LEP's remit continues to include a general oversight of GM's growth agenda, but in the last 18 months members have identified five areas where they feel they can add particular value and have chosen to focus their efforts. These areas were formally agreed in the private meeting of the LEP on 17<sup>th</sup> December 2012 as being the focus for using GM's allocation of capacity funding for the current and next financial year.

They are science and innovation, internationalisation, infrastructure, town centres and textiles. These are priorities where the LEP is well-placed to add value alongside the GM Combined Authority. They are all key to the Greater Manchester Strategy and support Greater Manchester's Growth aspirations.

On 17 September 2012, the Government announced that local enterprise partnerships will receive funding for their core operational costs. Funding of £625,000 will be available over three years to enable LEP's to drive forward their growth priorities. Further funding is also available including incentives for capital investment through preferential borrowing rates.

## **Grant Funded Schemes**

### **Growing Places Fund and Regional Growth Fund**

The Growing Places Fund and the Regional Growth Fund, which will be administered through the GMCA, are examples of the funding streams available to support investment opportunities. Whilst spending within 2012/13 for both GPF and RGF has been limited, there are a number of projects in the pipeline and it is anticipated that the funding will be spent in full.

#### **Growing Places Fund (GPF)**

The current funding allocation for GPF is £37.358 million of which £2.828 million is revenue and £34.530 million is to support capital expenditure.

The Growing Places Fund has three overriding objectives:

- to generate economic activity in the short term by addressing immediate constraints;
- to allow Local Enterprise Partnerships (LEPs) to prioritise infrastructure needs, empowering them to deliver their economic priorities; and
- to establish sustainable recycled funds so that funding can be reinvested.

The majority of the GPF will be used to provide up front capital investment to help stimulate economic development. Funding can be recycled as developments are completed.

Of the capital allocation £13.3 million has been approved for projects over 2012/13 and, to date, for 2013/14 with another £8.4 million worth of projects awaiting approval. This currently leaves £12.8 million to be awarded to further pipeline projects.

£1.5 million of the revenue allocation has been approved to support GM priorities in 2013/14 including public service reform and Green Deal initiatives.

#### **Regional Growth Fund (RGF)**

The GM RGF programme is part of the Greater Manchester Investment Framework and is designed to replace in the private sector some of the estimated 22,000 public sector jobs we will lose by 2015. In doing so, it will address weaknesses that will stop GM playing a full part in leading the North's economy towards sustained, private sector growth and address our own over-reliance on public sector employment.

To date GMCA has been successful in round 2 (RGF2) and round 3 (RGF 3). The programme rounds have a number employment targets to meet relating to creating & safeguarding both direct & indirect jobs.

- RGF2 was awarded £30m funding in November 2012 with a direct jobs target of 2,000.
- RGF3 was awarded £35m funding in April 2013 with a jobs target of 1,724 which is mixture of direct & indirect jobs.

In respect of both RGF2 and RGF3, as at 31<sup>st</sup> March 2013, £2.8 million has been paid out to seven projects. A further £16.9 million has now been approved for payment.

From the total funding for RGF2 and RGF3 of £65 million, there remains £45.3 million of funding to allocate assuming that the projects listed above receive approval. A pipeline of 65 projects has been created; nine of which are progressing, with a total funding requirement of £9.5 million over the next two years.

### **Empty Homes Programme 2012-15**

An AGMA consortium of authorities, acting on behalf of the GMCA have successfully bid for funding to support the Empty Homes Programme 2012-2015. The consortium also includes Registered Provider partners who will be undertaking the development and management of properties brought back in to occupation.

The grant funding available for the Empty Homes Programme totals £8.769m. The programme is closely linked to the GM City Deal and there will be a close working relationship between GMCA and the HCA regarding the investment strategy.

### **City Deal – Skills Apprenticeship Hub and Tax Incentive Scheme 2012 - 2015**

The Greater Manchester (GM) City Deal will engender greater ownership of skills by employers, and particularly SMEs, and a more effective alignment of the skills system with economic opportunities. It will create a new Apprenticeship Hub, pilot a tax incentive system to encourage greater employer investment in skills and trial, with the Skills Funding Agency, mechanisms through which its skills funding can better support providers to respond to the City's skills priorities.

The City Deal funding will work alongside other funding sources (including GIF and EOP) to support the GM Apprenticeship Hub. This funding will support the Hub to increase the level of engagement in Apprenticeships among GM residents, particularly among young unemployed people and will support providers to develop new Apprenticeship Frameworks at Advanced and Higher Level through:

- Activities to stimulate demand for Apprenticeships from young unemployed people including through work in schools and sixth forms;
- Enhanced IAG and mentoring support for young unemployed people;
- Work to develop clear pre-Apprenticeship routes (within the current system);
- Offering incentives to employers to recruit unemployed young people as Apprentices;
- Events and promotional activities to engage employers and jobseekers such as fairs and milk rounds, including during Apprenticeship Week;
- Briefing events and materials for frontline workers such as NCS and Jobcentre Plus to support promotion of Apprenticeships.

The City Deal funding for the Tax Incentives pilot will test whether a key barrier to small and micro-businesses' investment in the skills of their workforce is primarily a financial one by paying a mimicked 'tax incentive' to those that develop and invest in a workforce training plan.

Funding for this element of the City Deal will be administered via the Skills Funding Agency and totals £8.8m.

## **Other Economic Development Grants**

The GMCA may act as the accountable body to facilitate GM bids by specific organisations, such as New Economy, to attract external funding. Currently there is approved funding of £241,000 in 2012/13 in respect of the Fit for Work Scheme which is funded by Department for Work and Pensions and is designed to fund programmes to support individuals back in to work after prolonged sickness absence.

ERDF Technical Assistance funding of £93,000 has been made available to progress an ERDF bid for GM Broadband Connectivity. The work is being co-ordinated by officers at TfGM in consultation with New Economy on behalf of the Districts.

The Authority is also the lead accountable body for a European grant bid through the PROGRESS EU fund of 229,056 Euros (c£184,425 at the project exchange rate of £1 = 1.242 Euros) for the period April 2012 to April 2013 inclusive. The bid is to fund research in to commercialisation for social value and the extension of the use of social enterprises in the supply chains of private sector organisations. The principle behind this is local business and employment growth and looking at the possible social enterprises which may arise from changes in Local Government funding and commissioning. It is proposed to use the allocation to fund organisations in Europe (Intras in Spain and University de Padova in Italy) as well as £150,000 towards the cost of one post in the Pathways Community Interest Company and to fund research and development work within New Economy.

## **Financial Summary 2012/13**

The accounting practice governing local authority accounts has undergone significant changes over the last few years. One of the main aims of these changes has been to harmonise the accounting requirements of the public sector with those of the private sector. The Comprehensive Income and Expenditure Statement shows the Authority's financial position for the year before taking into account any statutory adjustments to standard accounting practice required in local government accounts. The Movement in Reserves Statement reflects these statutory over-rides and shows how the financial performance for the year has impacted on the Authority's general reserves.

For 2012/13 the Authority's Comprehensive Income and Expenditure Statement shows a deficit for the year of £161.960m (2011/12 deficit of £204.766m).

In 2012/13 the Authority's General Fund shows a surplus for the year of (£0.226m) (2011/12 surplus of (£0.151m)) almost entirely due to efficiencies against corporate budgets. The additional interest receivable and reduced Capital Charges amount in total to £22.764m of which £22.622m this has been transferred to an earmarked Capital Programme Reserve.

The Authority's grant to TfGM in 2012/13 was budgeted at £122,079,300 (2011/12 £133,675,752), which enabled the Authority to restrict the increase in the district levy to 0.71% of the 2011/12 levy, including the 1.50% to fund the Greater Manchester Transport Fund.



## Revenue Expenditure 2012/13

The actual income and expenditure against budget for 2012/13 is summarised below:

<b>GMCA Revenue Outturn 2012/13</b>			
	<b>Approved Budget 2012/13</b>	<b>Outturn 2012/13</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Resources Available:</b>			
<b>Transport Functions</b>			
Transport Levy	(191,211)	(191,211)	-
Government Grants	(2,180)	(14,530)	(12,350)
Section 278 Commuted Sum	-	(25)	(25)
Traffic Signal Repairs	-	(160)	(160)
<b>Economic Devt &amp; Regeneration Functions</b>			
Charges to Districts	(2,813)	(2,813)	-
Government Grants	(13,412)	(13,558)	(146)
<b>Total Resources</b>	<b>(209,616)</b>	<b>(222,297)</b>	<b>(12,681)</b>
<b>Calls on Resources:</b>			
<b>Transport Functions</b>			
Gross Grant to TfGM	145,104	145,104	-
TfGM Funded Finance Costs	(22,964)	(22,964)	-
Net Grant paid to TfGM	122,140	122,140	-
GMCA Traffic Signals	4,498	4,658	160
Other Schemes	2,180	894	(1,286)
Section 278 Commuted Sum	-	25	25
<b>Capital Financing</b>			
Levy Funded	40,865	37,598	(3,267)
TfGM Funded from Reserves/Revenues	21,469	21,469	-
TfGM Funded from Efficiencies	1,495	1,495	-
<b>Economic Devt &amp; Regeneration Functions</b>			
New Economy	849	849	-
MIDAS	1,375	1,375	-
Marketing Manchester	434	434	-
Growing Places Fund	2,828	-	(2,828)
Regional Growth Fund	10,000	2,763	(7,237)
Other Grant Funded Schemes	584	730	146
Interest Receivable	-	(141)	(141)
Interest Receivable - Regional Growth Fund	-	(8)	(8)
GMCA Running Costs	899	814	(85)
<b>Total Call on Resources</b>	<b>209,616</b>	<b>195,095</b>	<b>(14,521)</b>
Contribution to Earmarked Reserves		26,976	26,976
<b>Net Surplus</b>	<b>-</b>	<b>226</b>	<b>226</b>
<b>Contribution to General Fund Reserve</b>			
<b>Transport Related</b>	<b>0</b>	<b>155</b>	<b>155</b>
<b>Economic Development and Regeneration Related</b>	<b>0</b>	<b>71</b>	<b>71</b>

## Capital Expenditure 2012/13

The Authority spends money on traffic signals capital projects and providing Capital Grants to TfGM within the definitions of capital expenditure contained in the Local Authorities (Capital Finance and Accounting) Regulations 2003.

Capital expenditure has to be financed from one of the following sources:

- Borrowing either from Government (PWLB) or the European Investment Bank (EIB).
- Grants or contributions from the Government, the European Union or another third party.
- Proceeds from the sale of capital assets or the repayment of advances.
- Revenue Contributions from the Comprehensive Income and Expenditure Statement.

The Authority spent £273.670 million in 2012/13, which is summarised below:

	2011/12 £m	2012/13 £m
Capital Grants to TfGM/MCC and other recipients (Revenue Expenditure funded from Capital under Statute)	332.036	267.605
Non-current Assets (Property, Plant & Equipment)	5.740	5.439
Long Term Loans (Economic Development and Regeneration schemes)	0.000	0.626
<b>Total</b>	<b>337.776</b>	<b>273.670</b>

Revenue Expenditure funded from Capital under Statute (REFCUS) relates to capital expenditure incurred on non-Authority owned assets, primarily assets owned and accounted for by TfGM.

This Capital Expenditure was spent on the following schemes:

	2011/12 £m	2012/13 £m
Greater Manchester Transport Fund	222.816	196.832
Other Metrolink Schemes	94.530	52.947
Local Sustainable Transport Fund	0.000	1.593
Green Bus Fund	7.164	0.127
Better Bus Area Fund	0.000	0.133
Office for Low Emission Vehicles Plug In Places	0.000	0.389
Minor Works	7.218	3.025
Access for All Small Schemes	0.246	0.000
Grant to Manchester City Council for SEMMMS scheme	0.000	10.065
Various Economic Development and Regeneration Schemes	0.000	2.494
Economic Development and Regeneration Long Term Loans to Partners/Organisations	0.000	0.626
Traffic Signals	5.802	5.439
<b>Total</b>	<b>337.776</b>	<b>273.670</b>

The financing of this expenditure was by the following methods:

	2011/12 £m	2012/13 £m
Borrowing	226.930	254.125
Revenue Contributions	2.828	3.175
Government Grants	104.977	14.010
External Contributions	3.041	2.360
<b>Total</b>	<b>337.776</b>	<b>273.670</b>

### Borrowing Limits

In 2012/13 the Authority had an authorised limit for external debt of £990.500m which compares to the actual level of debt outstanding at 31<sup>st</sup> March 2013 of £628.358m. This is made up of the following figures:

	2011/12 £m	2012/13 £m
Long-term Borrowing – PWLB/Market	540.618	605.618
Short-term Borrowing – Interbank	38.484	22.740
<b>Total Borrowings</b>	<b>579.102</b>	<b>628.358</b>

The Short-term Borrowing – Interbank represents funds deposited in the name of the GMCA, but which are managed on a daily basis by TfGM. At each year end the GMCA brings the value of these deposits into Cash and Cash Equivalents, with a compensating value of Short-term Borrowing to TfGM.

In order to align with the accounting treatment of the Interbank balances by TfGM, the Authority is reporting these balances in the Borrowings figures. These Interbank balances are not included in the calculation of the authorised limit for external debt.

Excluding the movement in the Interbank borrowings, total borrowings showed an increase during the year of £65m. This was used to pay capital grants to TfGM for funding Greater Manchester Transport Fund schemes.

### Investments

Short term money market deposits of cash balances in excess of current requirements as at 31 March 2013 were £41.740m. This is made up of the following figures:

	2011/12 £m	2012/13 £m
Bank Deposits	15.484	19.740
Local Authorities – other	63.500	0.000
UK Government Backed Deposits	54.000	22.000
<b>Total Investments</b>	<b>132.984</b>	<b>41.740</b>

Excluding the movement in the Interbank investments, total investments showed a decrease in the year of £75.51m. The main reason for this decrease relates to the funding of Greater Manchester Transport Fund schemes.

## Current Economic Climate

The reductions made to public sector funding, which have significantly impacted the ten districts of Greater Manchester who provide the transport levy (the main source of revenue funding), has also impacted on TfGM in terms of a reduction in the level of core funding for 2012/13. To align costs with income and to meet the challenges of lower funding, TfGM has implemented a number of cost saving initiatives for 2012/13. These are in addition to the efficiencies which have already been delivered in recent years.

TfGM's Organisational Effectiveness programme has continued through the year and will continue on an ongoing basis.

Local authorities have had to make significant cuts in their budgets. The abolition of the Regional Development Agencies has further reduced the funding available for economic development activities. The impact for Commission for the New Economy Ltd. and MIDAS Ltd. has seen a sharp fall in income and a significant reduction in staffing levels resulting in new structures.

Currently the LEP are engaged as key stakeholders on the refresh of the Greater Manchester Strategy. The refresh has been prompted by the significant downturn in the global economy creating unprecedented economic conditions for GM to contend with. This makes the delivery of GM's ambitious growth objectives more difficult than ever. The LEP are a crucial part of GM's strategic engagement with the private sector which gives GM the best chance of ensuring the Strategy's success and the LEP and the GMCA will continue to work closely to deliver their growth agenda.

To date the collaborative approach to re-invigorating the local economy has borne fruit and successes include:

- developing an investment framework for Greater Manchester, which aligns core economic funds (e.g. Regional Growth Fund and Growing Places Fund, ERDF, the North West Evergreen Fund and private sector funding) to create a sustainable model of funding which recycles public monies by investing in growth projects which then pay the fund back.
- establishing a business-led Growth Hub to integrate Government-led programmes for business support with locally delivered activity to integrate trade, investment and business support services.
- establishing the Airport City Enterprise Zone, a 116 hectare site focused around the airport which is forecast to create 7,500 jobs.
- creating a unified Greater Manchester Skills and Employment Hub to secure stronger local ownership and drive to the skills system in Greater Manchester, which is pivotal in enabling GM to achieve its growth aspirations.
- negotiating one of the first City Deals.

## The Authority's Responsibilities

### The Authority is required to:

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

## The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

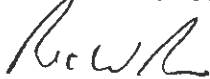
In preparing this Statement of Accounts, the Treasurer has:

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

### The Treasurer has also:

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

I certify that the Statement of Accounts give a true and fair view of the financial position of the Authority as at 31st March 2013 and of its income and expenditure for the year ended 31st March 2013.



**Richard Paver**

**Treasurer – Greater Manchester Combined Authority**

**20 September 2013**

## Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at the meeting held on 20 September 2013.



**Chair of meeting approving the accounts.**

**20 September 2013**

## **Further Information**

Further information about the Authority's Annual Statement of Accounts is available upon request from the following address:

The Finance Department  
Greater Manchester Combined Authority  
P.O Box 532  
Town Hall  
Manchester  
M60 2LA

The Annual Statement of Accounts can also be viewed on the Greater Manchester Combined Authority's website, [www.agma.gov.uk](http://www.agma.gov.uk) Please contact us at the above address if you have any comments on the presentation of the Annual Statement of Accounts.

Local electors and taxpayers have a statutory right to inspect the Authority's Annual Statement of Accounts before the annual accounts audit has been completed, giving them an opportunity to question the auditor. The availability of the unaudited Annual Statement of Accounts for inspection was advertised in the Manchester Evening News on 1 July 2013. Information is provided to all council tax payers in Greater Manchester which explains how TfGM will spend the transport levy which the GMCA collects from the district councils and describes its' efforts to improve the services it provides on behalf of the residents of Greater Manchester. This publication entitled 'Investing in Greater Manchester Transport 2013/2014' can be viewed on the Transport for Greater Manchester Committee's website, [www.tfgmc.com](http://www.tfgmc.com)

**Richard Paver**

**Treasurer**

**Greater Manchester Combined Authority**

**20 September 2013**

**Greater Manchester Combined Authority - Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into "usable reserves" (ie those that can be applied to fund expenditure) and other reserves. The surplus or (deficit) on the Provision of Services line shows the commercial cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for transport and economic development and regeneration contribution setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from the earmarked reserves undertaken by the Authority.

Further details of the Usable Reserves can be found in Note 6.

2011/12

£000's	Note	General Fund Balance Transport	General Fund Balance ED & R	Revenue Grants Unapplied Reserve	Capital Programme Reserve	Capital Grants Unapplied Reserve	Metrolink Reserve	Transport Infrastructure Fund Reserve	Total Usable Reserves	Capital Adjustment Account	Financial Instruments Adjustment Account	Total Unusable Reserves	Total Authority Reserves
Balance as at 1 April 2011		4,584	0	0	10,675	9,072	34,496	3,240	62,057	(439,861)	(262)	(440,123)	(378,056)
Surplus or (deficit) on the provision of services		(204,773)	7	0	0	0	0	0	(204,766)	0	0	0	(204,766)
Other Comprehensive Income and Expenditure		(204,773)	7	0	0	0	0	0	(204,766)	0	0	0	(204,766)
Total Comprehensive Income and Expenditure		(409,546)	14	0	0	0	0	0	(409,532)	0	0	0	(409,532)
Adjustments between accounting basis & funding basis under regulations	7	217,357	0	0	0	0	0	0	217,357	(217,359)	2	(217,357)	0
Net Increase/(decrease) before Transfers to Earmarked Reserves		12,584	7	0	0	0	0	0	12,591	(217,359)	2	(217,357)	(204,766)
Transfers (to)/from Earmarked Reserves	8	(12,440)	0	0	15,268	0	0	(2,828)	0	0	0	0	0
Increase/(decrease) in year		144	7	0	15,268	0	0	(2,828)	12,591	(217,359)	2	(217,357)	(204,766)
Balance as at 31 March 2012		4,728	7	0	25,943	9,072	34,496	412	74,858	(657,220)	(260)	(657,480)	(582,822)

**Greater Manchester Combined Authority - Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into "usable reserves" (ie those that can be applied to fund expenditure) and other reserves. The surplus or (deficit) on the Provision of Services line shows the commercial cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for transport and economic development and regeneration contribution setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from the earmarked reserves undertaken by the Authority.

Further details of the Usable Reserves can be found in Note B.

2012/13

	£000's	Note	General Fund Transport	General Fund Balance ED & R	Revenue Grants Unapplied Reserve	Capital Programme Reserve	Capital Grants Unapplied Reserve	Metrolink Reserve	Transport Infrastructure Fund Reserve	Total Usable Reserves	Capital Adjustment Account	Financial Instruments Adjustment Account	Total Unusable Reserves	Total Authority Reserves
Balance as at 1 April 2012			4,728	7	0	25,943	9,072	34,496	412	74,658	(657,220)	(260)	(657,480)	(582,822)
Surplus or (deficit) on the provision of services			(162,031)	71	0	0	0	0	0	(161,960)	0	0	0	(161,960)
Other Comprehensive Income and Expenditure			(162,031)	71	0	0	0	0	0	(161,960)	0	0	0	(161,960)
<b>Total Comprehensive Income and Expenditure</b>			208,105	0	0	0	34,179	0	0	242,284	(242,286)	2	(242,284)	(161,960)
Adjustments between accounting basis & funding basis under regulations														0
<b>Net Increase/(decrease) before Transfers to Earmarked Reserves</b>			46,074	71	0	0	34,179	0	0	80,324	(242,286)	2	(242,284)	(161,960)
Transfers (to)/from Earmarked Reserves			(45,919)	0	23,709	22,622	0	0	(412)	0	0	0	0	0
<b>Increase/(decrease) in year</b>			155	71	23,709	22,622	34,179	0	(412)	80,324	(242,286)	2	(242,284)	(161,960)
Balance as at 31 March 2013			4,883	78	23,709	48,565	43,251	34,496	0	154,982	(899,506)	(258)	(899,764)	(744,782)



## Greater Manchester Combined Authority - Comprehensive Income and Expenditure Statement

This statement summarises the resources that have been generated and consumed in providing services and managing the Authority during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of non-current assets actually consumed.

	2011/12 £000's	2012/13 £000's	Note	£000's Gross Expenditure	£000's Gross Income	2012/13 £000's Net Expenditure
<b>£000's Gross Expenditure</b>	<b>142,812</b>	<b>132,229</b>		<b>142,812</b>	<b>(14,715)</b>	<b>117,514</b>
	332,036	285,111	15 & 13 16 & 13	332,036	(13,641)	251,470
	<u>474,848</u>	<u>397,340</u>		<u>397,340</u>	<u>(28,356)</u>	<u>368,984</u>
<b>Highways and Transport Services</b>						
Running Costs	137,657					
Revenue Expenditure Payable to TIGM & MCC	229,534					
Funded from Capital under Statute/Capital Grants Receivable	<u>367,191</u>					
<b>Planning Services</b>						
Running Costs	3					
Revenue Expenditure Payable to ED & R	0					
Funded from Capital under Statute/Capital Grants Receivable	<u>3</u>					
<b>Corporate and Democratic Core</b>						
Cost of Services	506	393	13	506	(155)	238
	<u>478,134</u>	<u>403,751</u>		<u>403,751</u>	<u>(79,314)</u>	<u>324,437</u>
<b>Other Operating Expenditure:</b>						
Losses on the disposal of non current assets	1,856	301	18	1,856	0	301
Financing and Investment Income and Expenditure	25,665	31,193	9 & 10	25,665	(388)	30,805
Taxation and Non Specific Grant Income	0	0	11	0	(193,583)	(193,583)
Deficit on Provision of Services	<u>505,655</u>	<u>435,245</u>		<u>435,245</u>	<u>(273,285)</u>	<u>161,960</u>
<b>Total Comprehensive (Income) and Expenditure</b>	<u>204,766</u>	<u>161,960</u>				<u>161,960</u>



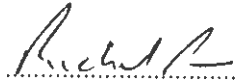
Richard Paver  
Treasurer

20 September 2013

## Greater Manchester Combined Authority - Balance Sheet

The balance sheet is fundamental to the understanding of the Authority's financial position at the end of the financial year. The statement reports on the Authority's balances on assets (non-current and current), liabilities (long and short-term) and reserves.

31 Mar 2012		31 Mar 2013
£000's	Note	£000's
<b>Non-Current Assets</b>		
23,097	Property, Plant and Equipment	24,058
<u>0</u>	Long Term Debtors	<u>626</u>
23,097	<b>Total Non-Current Assets</b>	24,684
<b>Current Assets</b>		
8,194	Short Term Debtors	1,464
135,117	Cash and Cash Equivalents	42,857
<u>143,311</u>	<b>Total Current Assets</b>	<u>44,321</u>
<b>Current Liabilities</b>		
(44,751)	Short Term Borrowing	(45,283)
(90,310)	Short Term Creditors	(91,597)
(1,000)	Revenue Grants Receipts in Advance	0
(14,377)	Capital Grants Receipts in Advance	(44,072)
(2,160)	Deferred Liability	(2,283)
<u>(152,598)</u>	<b>Total Current Liabilities</b>	<u>(183,235)</u>
<u>13,810</u>	<b>Total Assets less Current Liabilities</b>	<u>(114,230)</u>
<b>Long Term Liabilities</b>		
(25,800)	Deferred Liability	(23,516)
(540,878)	Long Term Borrowing	(590,964)
(1,828)	Revenue Grants Receipts in Advance	0
<u>(28,126)</u>	Capital Grants Receipts in Advance	<u>(16,072)</u>
(596,632)		(630,552)
<u>(582,822)</u>	<b>Net (Liabilities)</b>	<u>(744,782)</u>
<b>Financed by :</b>		
<b>Usable Reserves :</b>		
4,735	General Fund Balance	4,961
0	Revenue Grants Unapplied Reserve	23,709
25,943	Capital Programme Reserve	48,565
9,072	Capital Grants Unapplied Reserve	43,251
34,496	Metrolink Reserve	34,496
412	Transport Infrastructure Fund Reserve (mini TIF)	0
<u>74,658</u>		<u>154,982</u>
<b>Unusable Reserves :</b>		
(657,220)	Capital Adjustment Account	(899,506)
(260)	Financial Instruments Adjustment Account	(258)
<u>(657,480)</u>		<u>(899,764)</u>
<u>(582,822)</u>	<b>Total Reserves</b>	<u>(744,782)</u>



Richard Paver

Treasurer

20 September 2013

## Greater Manchester Combined Authority - Cash Flow Statement

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

2011/12			2012/13
£000's		Note	£000's
204,766	Net Deficit on the provision of services		161,960
(92,460)	Adjustments to net surplus or deficit on the provision of services for non cash movements		(14,082)
3,157	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		1,000
<u>115,463</u>	<b>Net Cash Flows from Operating Activities</b>	31	<u>148,878</u>
0	Investing Activities	32	3,557
(198,070)	Financing Activities	33	(60,175)
<u>(82,607)</u>	<b>(Increase)/decrease in cash and cash equivalents</b>		<u>92,260</u>
52,510	Cash and cash equivalents at the beginning of the reporting period	23	135,117
135,117	Cash and cash equivalents at the end of the reporting period	23	42,857

## **Notes to the Authority's Core Financial Statements**

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Note 4	Impact of Accounting Changes Issued but Not Yet Adopted
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## **1. Accounting Concepts and Policies**

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year end 31 March 2013. The Authority is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (The Code) and the Service Reporting Code of Practice 2012/13 (SERCOP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance under Section 21(2) of the Local Government Act 2003.

As local authorities need to reflect statutory conditions, accounting standards are amended for specific statutory adjustments so that the Authority's accounts present a true and fair view of the financial position and transactions of the Authority. All accounting policies are disclosed where they are material.

The accounting convention adopted in these accounts is historical cost.

## **1. Qualitative Characteristics of Financial Statements**

### **1.1 Relevance**

The accounts have been prepared with the objective of providing information about the Authority's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

### **1.2 Materiality**

The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts.

### **1.3 Reliability**

The financial information is reliable, as it has been prepared so as to reflect the reality or substance of the transaction, is free from deliberate or systematic bias, is free from material error and has been prudently prepared.

### **1.4 Faithful Representation**

The financial statements are complete, neutral and free from error, and faithfully represent the phenomena that they purpose to represent.

### **1.5 Comparability**

In addition to complying with the Code the accounts also comply with the Service Reporting Code of Practice for Local Authorities (SeRCOP). This code establishes proper practice in relation to consistent financial reporting below Statement of Accounts level and aids comparability with other local authorities.

## **1. Accounting Concepts and Policies (continued)**

### **1.6 Verifiability**

These accounts utilise quantified information in order to assure users that this information faithfully represents the economic phenomena that it purports to represent.

### **1.7 Timeliness**

These accounts provide decision-makers with information that is capable of influencing their decisions.

### **1.8 Understandability**

These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and local government. Every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary contained within the accounts.

## **2. Underlying Assumptions**

### **2.1 Accruals Basis**

The financial statements, other than the cash flow, are prepared on an accruals basis. Income and Expenditure is recognised in the accounts in the period in which it is earned or incurred not as the cash is received or paid.

### **2.2 Going Concern**

The accounts have been prepared on the assumption that the Authority will continue in existence for the foreseeable future.

### **2.3 Primacy of Legislation Requirements**

In accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following legislative accounting requirements have been applied when compiling these accounts :

- Capital receipts from the disposal of property, plant and equipment are treated in accordance with the provisions of the Local Government Act 2003.
- The Local Government Act 2003 requires the Authority to set aside a minimum revenue provision.

## **3. Accounting Policies**

### **(a) Property, Plant and Equipment (PPE)**

Property, Plant and Equipment assets have physical substance and are held for use in the provision of services for more than one year. For the GMCA these are the traffic signals which were previously the property of the individual district councils within Greater Manchester.

## **1. Accounting Concepts and Policies (continued)**

Expenditure on the acquisition, creation and enhancement of property, plant and equipment has been capitalised on an accruals basis provided that it yields benefit to the Authority and the services it provides are for more than one financial year. This capital expenditure is financed from either (a) the Department for Transport (b) the relevant district council (c) Transport for Greater Manchester (d) the relevant private sector organisation or (e) borrowings. Expenditure on repairs is primarily funded through the transport levy and expenditure on maintenance is funded entirely through the transport levy.

Capital expenditure is added to the value of an asset.

Property, Plant and Equipment are shown on the Balance Sheet at cost, comprising the purchase price and all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

Traffic signals are classified as Infrastructure assets and as such are valued at historical cost net of depreciation.

### **(b) Depreciation on Property, Plant and Equipment**

Depreciation has been calculated using a straight-line method (i.e. apportioned equally over each year of the life of the asset) for all assets. The estimated useful life of each property has been determined by reference to the records kept by the Greater Manchester Urban Traffic Control unit within TfGM. Each component of Property, Plant and Equipment that is considered to be significant in relation to the total cost of the asset is depreciated separately. Depreciation is charged to the service with a corresponding reduction in the value of the asset. The depreciation charge is reversed in the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account. Residual values, useful lives and depreciation methods are reviewed at each financial year end.

### **(c) Derecognition of Property, Plant and Equipment**

An item of Property, Plant and Equipment is derecognised by disposal or when no future economic benefit or service potential is expected from its use.

The carrying amount of a replaced or restored part of an asset is derecognised with the carrying amount of the new component being recognised.

When an asset is disposed of the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement as a loss on disposal. Due to the nature of these assets there are no sales proceeds.

The written off value of disposals is reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

## **1. Accounting Concepts and Policies (continued)**

### **(d) Revenue Expenditure Funded by Capital Under Statute**

Revenue Expenditure Funded by Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the balance sheet. These comprise payments of Capital Grants to Transport for Greater Manchester and Manchester City Council and other organisations carrying out economic development and regeneration functions on behalf of the GMCA where no fixed asset is recognised on the balance sheet of the Authority. Expenditure is charged to the Surplus/Deficit on the Provision of Services as the expenditure is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

Details of the accounting policy relating to grants and funding of REFCUS expenditure is shown in policy 3(i).

### **(e) Borrowing Costs**

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs are interest and other costs that the Authority incurs in connection with the borrowing of funds.

### **(f) Provision for Redemption of Debt**

The Authority is required to make a provision for the repayment of an element of the accumulated General Fund capital expenditure each year, financed by borrowing, through a revenue charge, in accordance with the Minimum Revenue Provision (MRP) requirements. Regulations have replaced the detailed formula for calculating MRP with a requirement to be prudent. The MRP policy (which details the basis of the provision) is agreed by the Authority prior to the start of the financial year. The MRP policy is detailed within the Treasury Management Strategy.

For all capital expenditure incurred before 1 April 2008, and all capital expenditure incurred on non-Metrolink and non-Greater Manchester Transport Fund schemes, the Authority's policy is to adopt existing practice, the regulatory method (4% of capital financing requirements). For capital expenditure incurred on the Metrolink and Greater Manchester Transport Fund schemes, MRP will be deferred until the year after the asset has been commissioned into use, and will be on an annuity basis over the estimated asset life. Total MRP relating to borrowing for capital expenditure in 2012/13 was £8,090k. (2011/12 £7,701k)

Tameside MBC manages the former Greater Manchester Council Inherited Debt of the Authority and repayments are made annually on an annuity basis. The repayment in 2012/13 was £2,161k. (2011/12 £2,070k)

### **(g) Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Balance Sheet and Cash Flow Statement cash and cash equivalents are shown net of any bank overdrafts that form an integral part of cash management.



## **1. Accounting Concepts and Policies (continued)**

### **(h) Accruals of Income and Expenditure**

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

Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

Supplies are recorded as expenditure when they are consumed.

Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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.

### **(i) Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and contributions are recognised when there is a reasonable assurance that the Authority will comply with the conditions attached to the payment and the monies will be received. Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until the conditions have been met. Conditions are stipulations that must be satisfied or the grant or contribution must be returned. Monies advanced as grants for which conditions have not been met are carried in the Balance Sheet as Receipts in Advance.

#### **1. Revenue Grants and Contributions**

All revenue grants and contributions to the GMCA relate to a specific service. Where conditions have been met revenue grants and contributions are credited to the relevant Running Costs line within Cost of Services. When the expenditure relating to specific grants has not been incurred the Authority has elected to make a contribution equivalent to the unspent amount of grant to an earmarked reserve. This reserve will be released in future financial years when the expenditure to which the grant relates is incurred.

#### **2. Capital Grants and Contributions**

Where conditions have been met capital grants and contributions are credited to Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Capital Grants Unapplied Account via the Movement in Reserves Statement. The amount of grant or contribution that has been used to finance expenditure is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. Amounts in the

## **1. Accounting Concepts and Policies (continued)**

Capital Grants Unapplied Account are transferred to the Capital Adjustment Account when they have been applied to fund capital expenditure.

## **3. Grants and Contributions relating to Revenue Expenditure funded by Capital under Statute (REFCUS)**

Where conditions have been met grants and contributions that are attributable to assets not owned by the Authority (Revenue Expenditure Funded by Capital Under Statute) are credited to the Capital Grants Receivable line within the Cost of Services. They are then transferred to the Capital Adjustment Account when the related expenditure has been incurred via the Movement in Reserves Statement. If the grant is not spent it goes to the Capital Grants Unapplied reserve via the Movement in Reserves Statement. When spent, it is transferred from the Capital Grants Unapplied reserve to the Capital Adjustment Account.

Any capital grants and contributions which have been received from the Department for Transport which relate to non GMCA projects are credited to the Creditors Account. When a grant and contribution is paid to the relevant district council the Creditors Account is reduced accordingly.

### **(j) VAT**

VAT is only included in expenditure, either capital or revenue, to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

### **(k) Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the Cost of Services in that year. The reserve is then appropriated back into the Movement in Reserves Statement so that there is no net charge for the expenditure on the General Fund balance.

Certain reserves are kept to manage the accounting treatment for capital expenditure schemes administered by TfGM and the traffic signals asset base and do not represent usable resources for the Authority. These are shown as unusable reserves in the Movement in Reserves Statement and Balance Sheet.

### **(l) Revenue Recognition**

Revenue is a sub-set of income and is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Revenue is measured at the fair value of the consideration received or receivable. In most cases, the consideration receivable is in the form of cash and cash equivalents and the amount of revenue is the amount of cash and cash equivalents receivable.

## **1. Accounting Concepts and Policies (continued)**

Where the Authority is acting as an agent of another organisation the amounts collected for the organisation are excluded from revenue.

Revenue relating to the provision of services is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Authority and the stage of completion of the service can be measured.

### **Financial Instruments**

#### **(m) Financial Assets – Loans and Receivables**

Loans and receivables (investments and debtors) are initially measured at fair value and carried at their amortised cost (when the interest received is spread evenly over the life of the loan). Credits to the Financing and Investment Income line within the Comprehensive Income and Expenditure Statement for interest received are based on the balance sheet amount of the asset multiplied by the effective interest rate for the financial instrument. For the loans that the Authority has made this means the amount shown in the balance sheet is the outstanding principal receivable plus accrued interest. The amount of interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year per the loan agreement.

In 2012/13 the average rate of interest receivable on investments was 0.33% (2011/12 0.40%)

#### **(n) Financial Liabilities**

Financial liabilities (borrowings and creditors) are initially measured at fair value and carried at their amortised cost.

Charges to the Financing and Investment Expenditure line within the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective interest rate for the financial instrument. For the majority of the borrowings that the Authority has made this means the amount shown in the balance sheet is the outstanding principal repayable plus accrued interest. The amount of interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year per the loan agreement.

For Lender Option Borrower Option (LOBO) loans the effective interest rate has been calculated over the life of the loan. This is an average and differs from the amounts actually paid in the year. The difference between the calculated interest charge and interest paid has been adjusted in the carrying amount of the loan and the amount charged in the Comprehensive Income and Expenditure Statement is the effective interest rate for the life of the loan rather than the amount payable per the loan agreement. A statutory over-ride allows the reversal of this difference through the Movement in Reserves Statement in order to charge the actual interest payable to the General Fund.

In 2012/13 the average rate of interest payable on borrowings was 5.19% (2011/12 4.98%).

## 1. Accounting Concepts and Policies (continued)

The Authority's treasury management activities are managed through the Manchester City Council's Treasury Management team. This enables the Authority to borrow and invest on advantageous terms, minimise administration costs and dampen the effects of large interest rate changes.

### **(o) Contingent Assets and Liabilities**

Contingent assets are sums due from individuals or organisations that may arise in future but the amount due cannot be determined in advance. These are not recognised in the accounts. They are disclosed as a note to the accounts as there is a probable receipt, which may result in a transfer of economic benefits.

Contingent liabilities are sums due to individuals or organisations that may arise in future but the amount due cannot be determined in advance. These are not accrued for in the accounts. They are disclosed as a note to the accounts where there is a possible obligation, which may result in a transfer of economic benefits.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in estimation techniques are accounted for prospectively (ie in the current and future years affected by the change and do not give rise to a prior period adjustment).

Changes in accounting policies are only made when required by proper accounting practice or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period.

### **(q) Events after the Balance Sheet Date**

Events after the balance sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Where these provide evidence of conditions in existence at the balance sheet date, the amounts recognised in the accounts are adjusted. Where these are indicative of conditions that arose after the balance sheet date the amounts in the accounts are not adjusted. This is known as a non-adjusting event and is disclosed as a note to the accounts.

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

### **(r) Interests in Companies and Other Entities - Group Accounts**

The Authority has material interests in companies and other entities and therefore group accounts have been prepared for the Authority and its interest in its subsidiaries : Transport for Greater Manchester group, Greater Manchester Accessible Transport Trust group, Commission for the New Economy Ltd. and Manchester Investment and Development Agency

## 1. Accounting Concepts and Policies (continued)

Service Ltd. Inclusion in the Authority group is dependent upon the extent of the Authority's interest and power to influence an entity. The determining factor for assessing the extent of interest and power to influence is either through ownership of an entity, or representation on an entity's board of directors/trustees. An assessment of all the Authority's interests has been carried out during the year, in accordance with the Code of Practice, to determine the relationships that exist and whether they should be included within the Authority's group accounts. As such, Group accounts have been prepared for the Authority to include Transport for Greater Manchester group (TfGM), Greater Manchester Accessible Transport Trust group (GMATT), Commission for the New Economy Ltd. (CNE), and Manchester Investment and Development Agency Service Ltd. (MIDAS) all as subsidiaries, using merger accounting. Inclusion of these organisations within the Authority group boundary is required due to the GMCA exercising ultimate control.

## 2. Critical Accounting Judgements

There have not been any complex transactions or any uncertainty about future events, which have required the Authority to make any critical judgements.

## 3. Key Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty actual results could be different from the assumptions and estimates.

The items in the Authority's Balance Sheet as at 31 March 2013 for which there is a risk of adjustment in the following financial year are :

### **Depreciation of Property, Plant and Equipment**

Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to maintain the expenditure on repairs and maintenance resulting in uncertainty in the useful lives assigned to assets. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls.

It is estimated that the annual depreciation charge would increase by £418k for each year that useful assets lives are reduced.

However, due to capital regulations, there would be no impact on the general fund balance.

**4. Impact of Accounting Changes Issued But Not Yet Adopted**

The Code of Practice on Local Authority Accounting requires the Authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 2012/13 Code.

There have been none which apply to the GMCA.

**5. Post Balance Sheet Events**

If information has been received providing confirmation of conditions existing as at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have not been any material non-adjusting events after the balance sheet date.

**6. Authorisation for Issue of the Statement of Accounts**

The unaudited 2012/13 Statement of Accounts which were authorised for issue by the Treasurer on 27 June 2013 have now been audited and have been authorised for issue by the Treasurer on 20 September 2013.

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

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

	2011/12		2012/13	
	Usable Reserves	Unusable Reserves	Usable Reserves	Unusable Reserves
	£000's	£000's	£000's	£000's
<b>Adjustments involving the Capital Adjustment Account :</b>				
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u></b>				
Revenue Expenditure Payable to TfGM and Manchester City Council funded from Capital Under Statute	332,036	(332,036)	265,111	(265,111)
Annual Depreciation Charge	4,084	(4,084)	4,177	(4,177)
Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	1,856	(1,856)	301	(301)
Capital Grants Receivable from the DfT - REFCUS	(102,502)	102,502	(13,641)	13,641
Capital Grants Receivable from the DfT - Traffic Signals	(2,475)	2,475	(12)	12
External Capital Contributions Receivable - Traffic Signals	(3,041)	3,041	(2,360)	2,360
Revenue Expenditure Payable to ED & R funded from Capital Under Statute	0	0	2,494	(2,494)
Capital Grants Receivable from CLG - REFCUS	0	0	(34,537)	34,537
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u></b>				
Minimum Revenue Provision for capital financing	(7,701)	7,701	(8,090)	8,090
Inherited Debt Principal Payment	(2,070)	2,070	(2,161)	2,161
Transfer to Growing Places Reserve	0	0	34,529	(34,529)
Long Term Debtor financed from Capital Grants	0	0	(350)	350
Revenue Contributions to Finance Capital	(2,828)	2,828	(3,175)	3,175
<b>Adjustments involving the Financial Instruments Adjustment Account :</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(2)	2	(2)	2
<b>Total Adjustments</b>	<b>217,357</b>	<b>(217,357)</b>	<b>242,284</b>	<b>(242,284)</b>

**8 Transfers to/(from) Earmarked Reserves**

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

	Balance as at 1 April 2011 £000's	Transfers Out 2011/12 £000's	Transfers In 2011/12 £000's	Balance as at 31 March 2012 £000's	Balance as at 1 April 2012 £000's	Transfers Out 2012/13 £000's	Transfers In 2012/13 £000's	Balance as at 31 March 2013 £000's
<b>Revenue Grants Unapplied Reserves :</b>								
Growing Places Fund (1)	0	0	0	0	0	0	2,828	2,828
Local Enterprise Partnership Capacity Building in Transport (2)	0	0	0	0	0	0	132	132
Local Sustainable Transport Fund (3)	0	0	0	0	0	(389)	12,921	12,532
Better Bus Area Fund (4)	0	0	0	0	0	(505)	1,477	972
Regional Growth Fund (5)	0	0	0	0	0	(2,763)	10,000	7,237
Regional Growth Fund Bank Interest (6)	0	0	0	0	0	0	8	8
	0	0	0	0	0	(3,657)	27,366	23,709
<b>Capital Programme Reserve (7)</b>	<b>10,675</b>	<b>0</b>	<b>15,268</b>	<b>25,943</b>	<b>25,943</b>	<b>0</b>	<b>22,622</b>	<b>48,565</b>
<b>Metrolink Reserve (8)</b>	<b>34,496</b>	<b>0</b>	<b>0</b>	<b>34,496</b>	<b>34,496</b>	<b>0</b>	<b>0</b>	<b>34,496</b>
<b>Transport Infrastructure Reserve (Wigan &amp; Bolton mini TIF) (9)</b>	<b>3,240</b>	<b>(2,828)</b>	<b>0</b>	<b>412</b>	<b>412</b>	<b>(412)</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>48,411</b>	<b>(2,828)</b>	<b>15,268</b>	<b>60,851</b>	<b>60,851</b>	<b>(4,069)</b>	<b>49,988</b>	<b>106,770</b>
Transfer (to)/from General Fund			12,440				45,919	
<b>Purpose of the Reserve :</b>								

- (1) Growing Places Fund : funding to establish revolving investment funds, promoting a long term locally led solution to local infrastructure constraints.  
(2) LEP Capacity Building in Transport : funding to assist in the process of devolving of major schemes.  
(3) Local Sustainable Transport Fund : funding to stimulate economic growth whilst reducing carbon emissions.  
(4) Better Bus Area Fund : funding to deliver a package of measures which will make a significant contribution to improving the role of bus.  
(5) Regional Growth Fund : funding to create new, sustainable, private sector jobs in areas vulnerable to public sector job losses.  
(6) Regional Growth Fund Bank Interest : funding to create new, sustainable, private sector jobs in areas vulnerable to public sector job losses.  
(7) Capital Programme Reserve : surpluses of capital financing costs which have been set aside to fund future capital programme related expenditure.  
(8) Metrolink Reserve : funding for Metrolink Service Enhancement related expenditure.  
(9) Wigan and Bolton mini TIF : funding for Wigan and Bolton transport infrastructure related expenditure.



## Notes to the GMCA's Core Financial Statements (continued)

### 9 Financing and Investment Expenditure

2011/12 £000's		2012/13 £000's
18,589	Interest payable and similar charges on borrowings :	
5,376	PWLB	21,091
77	Others	8,535
	Brokerage Fees	0
1,623	Interest payable on the former GMC debt	1,567
25,665		31,193

### 10 Financing and Investment Income

2011/12 £000's		2012/13 £000's
429	Interest receivable on deposits	388
429		388

### 11 Taxation and Non Specific Grant Income

2011/12 £000's		2012/13 £000's
184,355	Transport levy from the Greater Manchester districts	191,211
5,516	Capital Contributions Receivable for Traffic Signal Schemes	2,372
189,871		193,583

### 12 Agency Activities

The Authority provides a service as an agent to the Department for Transport whereby it receives grants from them which are then paid over to other local authorities within Greater Manchester.

The amounts received/paid over are detailed below.

2011/12 £000's		2012/13 £000's
27,434	LTP Highways Capital Maintenance Received from DfT	26,153
(27,434)	LTP Highways Capital Maintenance Paid to Districts	(26,153)
15,000	Greater Manchester Transport Fund - non GMCA Road Schemes Received from DfT	15,000
(10,155)	Greater Manchester Transport Fund - non GMCA Road Schemes Paid to Districts	(3,284)
4,845	Net Cash Receipts	11,716

## Notes to the GMCA's Core Financial Statements (continued)

### 13 Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement :

<b>2011/12</b>	<b><u>Credited to Cost of Services</u></b>	<b>2012/13</b>
<b>£000's</b>		<b>£000's</b>
	<b>Highways and Transport Services</b>	
112	Supporting Community Transport Grant - DfT	0
0	LEP Capacity in Transport - DfT	132
0	Better Bus Area Fund - DfT	1,477
0	Local Sustainable Transport Fund - DfT	12,921
416	District Contributions to TfGM Transport Units	0
3,948	District Contributions to TfGM Traffic Signals Maintenance	0
679	District & External Contributions to Traffic Signals Repairs/S278	185
<u>102,502</u>	Revenue Expenditure Funded by Capital under Statute - DfT	<u>13,641</u>
107,657		28,356
	<b>Planning Services</b>	
174	Fit for Work Grant - DWP	239
25	Local Enterprise Partnership Grant - BIS	0
0	Growing Places Fund - CLG/Home Office	2,828
0	Regional Growth Fund 2 - CLG	10,000
0	Climate Change Risks - Defra	12
0	LEP Core Funding - CLG	125
0	EU Social Enterprise Progress	67
0	GM Digital City Technical Assistance - ERDF/CLG	41
0	City Deal - Skills Funding Agency	246
2,578	District Contributions to the Manchester Family	2,658
155	District Contributions to the GMCA Costs	155
0	AGMA Contribution to the GMCA Costs	50
<u>0</u>	Revenue Expenditure Funded by Capital under Statute - CLG/Home Office	<u>34,537</u>
2,932		50,958
<u>110,589</u>		<u>79,314</u>
	<b><u>Credited to Taxation and Non Specific Grant Income</u></b>	
2,475	DfT Grants to Traffic Signals Schemes	12
3,041	External Contributions to Traffic Signals schemes	2,360
<u>5,516</u>		<u>2,372</u>

## Notes to the GMCA's Core Financial Statements (continued)

### 13 Grant Income (continued)

Certain capital and revenue grants were received in advance. These grants were not recognised as income at the balance sheet date as they have conditions that have not yet been met.

#### Capital Grants Receipts in Advance

	Total 31 March 2012 £'000's	Total 31 March 2013 £'000's
Green Bus Fund - DfT	1,002	1,002
Rochdale Interchange - DfT	6,972	5,346
Local Sustainable Transport Fund - DfT	0	17,946
Cross City Bus Package - DfT	0	30,626
Better Bus Area Fund - DfT	0	3,389
Clusters of Empty Homes - CLG	0	1,835
Growing Places Fund - CLG/Home Office	34,529	0
	<u>42,503</u>	<u>60,144</u>
Due within 1 year	14,377	44,072
Due over 1 year	28,126	16,072

#### Revenue Grants Receipts in Advance

	Total 31 March 2012 £'000's	Total 31 March 2013 £'000's
Growing Places Fund - CLG/Home Office	2,828	0
	<u>2,828</u>	<u>0</u>
Due within 1 year	1,000	0
Due over 1 year	1,828	0

### 14 External Audit Fees

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims provided by the Authority's external auditors :

The following amounts were payable to the Audit Commission and Grant Thornton :

	2011/12 £'000's	2012/13 £'000's
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year.	50	(3)
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year.	0	32
Fees payable to the Audit Commission for the certification of grant claims and returns for the year.	14	0
Fees payable to Grant Thornton for the certification of grant claims and returns for the year.	0	1
<b>Total</b>	<u>64</u>	<u>30</u>

## Notes to the GMCA's Core Financial Statements (continued)

<b>15 <u>Cost of Service - Running costs expenditure</u></b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000's</b>	<b>£'000's</b>
<b>Highways and Transport Services</b>		
Revenue Support Grant to TfGM	133,250	122,140
Supporting Community Transport Grant to TfGM	112	0
Local Sustainable Transport Fund Grant to TfGM	0	389
Better Bus Area Fund Grant to TfGM	0	505
Payments to TfGM for the Transport Units	416	0
Payments to TfGM for Traffic Signals Maintenance/Repairs & S278	4,627	4,682
Annual Depreciation Charge on the Traffic Signals	4,084	4,177
Support Costs - Transport	323	336
	<u>142,812</u>	<u>132,229</u>
<b>Planning Services</b>		
Payments to the Manchester Family companies	2,578	2,658
GM Digital City Technical Assistance Grant	0	41
Fit for Work Grant	174	239
Climate Change Risks Grant	0	12
LEP Capacity Fund Round 1 Grant	15	0
LEP Start up Fund Grant	10	0
LEP Core Funding Grant	0	125
EU Social Enterprise Grant	0	67
City Deal Grant	0	246
Support Costs - Economic Development and Regeneration Functions	3	136
	<u>2,780</u>	<u>3,524</u>
	<u><u>145,592</u></u>	<u><u>135,753</u></u>

### **16 Revenue Expenditure Funded from Capital under Statute**

The capital grants payable to TfGM/MCC and bodies delivering economic development and regeneration projects are charged to the Comprehensive Income and Expenditure Statement as the expenditure is incurred, and then reversed out through the Movement in Reserves Statement.

Full details of this expenditure can be found in the Foreword on pages 14 and 15.

	<b>2011/12</b>	<b>2012/13</b>
	<b>£000's</b>	<b>£000's</b>
Transport related	332,036	265,111
Economic development and regeneration related	0	2,494
	<u>332,036</u>	<u>267,605</u>

**Note 17 Segmental Reporting Analysis**

The table below is a reconciliation of the 2011-12 internal management reports (monitoring and outturn) used by the Authority to make decisions, and the 2011-12 Comprehensive Income and Expenditure Statement. The segments identified in the subjective analysis are the same segments that are reported to the Authority during the year.

Subjective Analysis	Economic Development & Regeneration £000s	Transport £000s	Total £000s
Transport Levy			
Contributions to the Traffic Functions	(184,350)	(184,350)	(184,350)
Contributions to ED & R Functions	(2,730)	(5,040)	(5,040)
Government Grants	(200)	(110)	(2,730)
<b>Total Income</b>	<b>(2,930)</b>	<b>(189,500)</b>	<b>(310)</b>
Grants to Transport for Greater Manchester			
Payments for Transport Functions		133,360	133,360
Payments for ED & R Functions	2,780	5,040	5,040
Capital Financing Costs		35,000	2,780
Running Costs	140	690	35,000
<b>Total Operating Expenses</b>	<b>2,920</b>	<b>174,090</b>	<b>830</b>
<b>Cost of Services - (Surplus)</b>	<b>(10)</b>	<b>(15,410)</b>	<b>177,010</b>

**Reconciliation to net cost of services in the Comprehensive Income and Expenditure Statement (CIES)**

	£000s
Cost of services in service analysis - (surplus)	(15,420)
Add amounts not reported to management *	233,622
Remove amounts reported to management not included in NCS in CIES	149,343
<b>Net cost of services in the Comprehensive Income and Expenditure Statement</b>	<b>367,545</b>

**Reconciliation to subjective analysis.**

	Service Analysis £000s	Not Reported to Management* £000s	Not Included in CIES NCS £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Interest and investment income	0	0	0	0	(429)	(429)
Income from the Transport Levy	(184,350)	0	184,350	0	(184,355)	(184,355)
Grants and contributions	(8,080)	(102,502)	(7)	(110,589)	(5,516)	(116,105)
<b>Total Income</b>	<b>(192,430)</b>	<b>(102,502)</b>	<b>184,343</b>	<b>(110,589)</b>	<b>(190,300)</b>	<b>(300,889)</b>
Grants to Transport for Greater Manchester	133,360	2	0	133,362	0	133,362
Payments for Transport Functions	5,040	3	0	5,043	0	5,043
Payments for ED & R Functions	2,780	(3)	0	2,777	0	2,777
Capital Financing Costs	35,000	0	(35,000)	0	0	0
Service Expenses	830	2	0	832	0	832
Depreciation	0	4,084	0	4,084	0	4,084
Interest payments	0	0	0	0	25,665	25,665
Revenue Expenditure Funded by Capital Under Statute	0	332,036	0	332,036	0	332,036
(Gain) or loss on disposal of non-current assets	0	0	0	0	1,856	1,856
<b>Total Operating Expenses</b>	<b>177,010</b>	<b>336,124</b>	<b>(35,000)</b>	<b>478,134</b>	<b>27,521</b>	<b>505,655</b>
<b>(Surplus) or deficit in the provision of services</b>	<b>(15,420)</b>	<b>233,622</b>	<b>149,343</b>	<b>367,545</b>	<b>(182,779)</b>	<b>204,766</b>

\*Items not reported to management include depreciation and Revenue Expenditure Funded by Capital Under Statute income and expenditure.

**Note 17 Segmental Reporting Analysis**

The table below is a reconciliation of the 2012-13 internal management reports (monitoring and outturn) used by the Authority to make decisions, and the 2012-13 Comprehensive Income and Expenditure Statement. The segments identified in the subjective analysis are the same segments that are reported to the Authority during the year.

Subjective Analysis	Economic Development & Regeneration £000s	Transport £000s	Total £000's
Transport Levy		(191,211)	(191,211)
Contributions to the Traffic Functions	(2,813)	(185)	(2,998)
Contributions to ED & R Functions	(13,558)	(14,530)	(28,088)
Government Grants	(16,371)	(205,928)	(222,297)
<b>Total Income</b>			
Grants to Transport for Greater Manchester		123,034	123,034
Payments for Transport Functions		4,683	4,683
Payments for ED & R Functions	6,151		6,151
Capital Financing Costs	(149)	60,562	60,413
Flurring Costs	225	589	814
<b>Total Operating Expenses</b>	<b>6,227</b>	<b>188,868</b>	<b>195,095</b>
Transfers to Earmarked Reserves	10,073	16,903	26,976
<b>Cost of Services - (Surplus)</b>	<b>(71)</b>	<b>(15)</b>	<b>(226)</b>

**Reconciliation to net cost of services in the Comprehensive Income and Expenditure Statement (CIES)**

Cost of services in service analysis - (surplus)	£000s
Add amounts not reported to management *	(226)
Remove amounts reported to management not included in NCS in CIES	223,604
<b>Net cost of services in the Comprehensive Income and Expenditure Statement</b>	<b>101,059</b>
	<b>324,437</b>

**Reconciliation to subjective analysis.**

	Service Analysis £000s	Not Reported to Management* £000s	Not Included in CIES NCS £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Interest and investment income	0	0	0	0	0	(388)
Income from the Transport Levy	(191,211)	0	191,211	0	(191,211)	(191,211)
Grants and contributions	(31,086)	(48,228)	0	(79,314)	(2,372)	(81,686)
<b>Total Income</b>	<b>(222,297)</b>	<b>(48,228)</b>	<b>191,211</b>	<b>(79,314)</b>	<b>(193,971)</b>	<b>(273,285)</b>
Grants to Transport for Greater Manchester	123,034	0	0	123,034	0	123,034
Payments for Transport Functions	4,683	0	0	4,683	0	4,683
Payments for ED & R Functions	6,151	0	(2,763)	3,388	0	3,388
Capital Financing Costs	60,413	0	(60,413)	0	0	0
Service Expenses	814	50	0	864	0	864
Depreciation	0	4,177	0	4,177	0	4,177
Interest payments	0	0	0	0	31,193	31,193
Revenue Expenditure Funded by Capital Under Statute	0	267,605	0	267,605	0	267,605
(Gain) or loss on disposal of non-current assets	0	0	0	0	301	301
<b>Total Operating Expenses</b>	<b>195,095</b>	<b>271,832</b>	<b>(63,176)</b>	<b>403,751</b>	<b>31,494</b>	<b>435,245</b>
Transfers to Earmarked Reserves	26,976	0	(26,976)	0	0	0
<b>(Surplus) or deficit in the provision of services</b>	<b>(226)</b>	<b>223,604</b>	<b>101,059</b>	<b>324,437</b>	<b>(162,477)</b>	<b>161,960</b>

\*Items not reported to management include depreciation, GIM Broadband and Revenue Expenditure Funded by Capital Under Statute income and expenditure.

## Notes to the GMCA's Core Financial Statements (continued)

### 18 Property, Plant & Equipment

Property, Plant and Equipment relates solely to the traffic signals in Greater Manchester, which became the property of the GMCA on 1 April 2011. Prior to that date, they were the property of the constituent district councils.

These assets are managed by Transport for Greater Manchester on behalf of the GMCA.

The movement on property, plant and equipment during 2011/12 and 2012/13 was as follows :

	<b>Infrastructure Assets TOTAL £'000</b>
<b>Gross Book Value :</b>	
At 1 April 2011	54,692
Additions at cost	5,740
Disposals	(2,653)
At 31 March 2012	57,779
At 1 April 2012	57,779
Additions at cost	5,439
Disposals	(1,407)
At 31 March 2013	61,811
<b>Accumulated Depreciation</b>	
At 1 April 2011	31,395
Charge for year	4,084
Disposals	(797)
At 31 March 2012	34,682
At 1 April 2012	34,682
Charge for year	4,177
Disposals	(1,106)
At 31 March 2013	37,753
<b>Net Book Value :</b>	
At 1 April 2011	23,297
At 31 March 2012	23,097
At 31 March 2013	24,058

### Losses on Disposal of Non Current Assets

This relates to the carrying value of those traffic signals which have been disposed of during the year. No sales proceeds are received for these.

2011/12	2012/13
£000's	£000's
1,856	301

## Notes to the GMCA's Core Financial Statements (continued)

### 19 Valuation of Property, Plant & Equipment

The Authority's non-current assets are valued on the balance sheet in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institution of Chartered Surveyors, (RICS) :

The traffic signals in existence as at 1 April 2011, which are classed as infrastructure assets, have been valued at estimated historical cost as at the date of installation, net of depreciation based on estimated useful lives.

Traffic signals acquired post 1 April 2011 have been valued at historical cost net of depreciation.

Depreciation has been calculated using a straight-line method (ie apportioned equally over each year of the life of the asset) for all assets unless that depreciation is immaterial.

The estimated useful life of each asset in the 1 April 2011 opening balance had previously been determined by the Urban Traffic Control unit within TfGM. Asset lives of 10, 20 and 30 years had been assumed. Where these opening balance assets are still in the asset register at 31 March 2013, the historic asset lives of 10, 20 or 30 years have been used in the calculation of the depreciation charge.

In respect of new additions post 1 April 2011, a blended average of 11 years asset life has been calculated and used for depreciation purposes.

These assets are not required to be revalued.

### 20 Contracted Capital Commitments

Many capital schemes take two or more years to complete. At the Balance Sheet date the main estimated contractual commitments relating to ongoing schemes were as follows :

	31 March 2012 £000's	31 March 2013 £000's
Traffic Signals	386	1,277
Economic development and regeneration schemes	0	5,043
	<u>386</u>	<u>6,320</u>



## Notes to the GMCA's Core Financial Statements (continued)

### 21 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

The Capital Grants Payable, together with the Government Grants and LTP Settlement, all form part of the surplus or deficit on the Comprehensive Income and Expenditure Statement.

	2011/12 £'000's	2012/13 £'000's
Capital Expenditure on Infrastructure assets	5,740	5,439
Capital Grants Payable to TfGM (REFCUS)	332,036	255,046
Capital Grants Payable for ED & R (REFCUS)	0	2,494
Capital Grants Payable to MCC (REFCUS)	0	10,065
Long Term Debtors for ED & R	0	626
<b>Total Capital Expenditure</b>	<u>337,776</u>	<u>273,670</u>
<b>Funded by:</b>		
Central Government Grants	94,938	6,117
DfT LTP Settlement	10,039	7,893
External Capital Contributions	3,041	2,360
Revenue Contributions	2,828	3,175
Borrowing	226,930	254,125
	<u>337,776</u>	<u>273,670</u>

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed below.

	2011/12 £'000's	2012/13 £'000's
<b>Opening Capital Financing Requirement</b>	463,158	680,317
<b>Capital Investment</b>		
Revenue Expenditure Funded from Capital Under Statute	332,036	267,605
Capital Expenditure on Property Plant and Equipment assets	5,740	5,439
Long Term Debtors	0	626
<b>Sources of Finance</b>		
Government Grants & Other Contributions	(108,018)	(16,021)
Long Term Debtor financed from Capital Grants	0	(350)
Revenue Contributions	(2,828)	(3,175)
Minimum Revenue Provision	(7,701)	(8,090)
Repayment of Inherited Debt	(2,070)	(2,161)
<b>Closing Capital Financing Requirement</b>	<u>680,317</u>	<u>924,190</u>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	217,359	242,286
Increase/(Reduction) in carrying value of non current assets	(200)	1,587
<b>Increase/(decrease) in Capital Financing Requirement</b>	<u>217,159</u>	<u>243,873</u>

**Notes to the GMCA's Core Financial Statements (continued)**

**22 Short Term Debtors**

Total 31 March 2012 £'000's		Total 31 March 2013 £'000's
	<b>Central Government Bodies</b>	
286	HMR & C	424
3,504	Capital Grants REFCUS - DfT	133
1,763	Capital Grant Traffic Signals - DfT	0
25	Revenue Grants - Central Government	292
1,521	<b>Other Local Authorities</b>	392
	<b>Public Corporations</b>	
521	Traffic Signal Contributions - TfGM	79
0	Traffic Signal Contributions - GMF & R	4
21	<b>Prepayments</b>	20
553	<b>Other entities and individuals</b>	120
<u>8,194</u>	<b>Total</b>	<u>1,464</u>

Within short term debtors an amount of £220k (31 March 2012 £202k) has been outstanding for over 30 days but has not been impaired.

**Long Term Debtors**

Total 31 March 2012 £'000's		Total 31 March 2013 £'000's
0	<b>Other entities and individuals</b>	626
<u>0</u>		<u>626</u>

These are amounts which are owed to the Authority which are being repaid over various periods longer than one year.

**23 Cash & Cash Equivalents**

The balance of cash and cash equivalents is made up of the following elements :

Total 31 March 2012 £'000's		Total 31 March 2013 £'000's
2,111	Bank current accounts	1,109
15,502	Bank call accounts	19,747
63,503	Short term deposits with other local authorities	0
54,001	Short term deposits with central government	22,001
<u>135,117</u>	<b>Total</b>	<u>42,857</u>

Cash equivalents are carried at cost and accrued interest receivable and represent short term money market deposits invested for less than 3 months.

These short term deposits utilise cash balances which are in excess of current requirements.

The accrued interest receivable included within the cash equivalent figures as at 31 March 2013 is £81 (31 March 2012 £22k)

The average interest receivable on the short term deposits as at 31 March 2013 was 0.39% (31 March 2012 0.39%).

Cash equivalents includes amounts representing monies due to TfGM but not needed by them at that time, held within separate GMCA bank accounts managed by TfGM on behalf of the GMCA. As at 31 March 2013 these amount to £22,740k (31 March 2012 £38,484k). These are also shown within Short Term Borrowings as liabilities with TfGM.

## Notes to the GMCA's Core Financial Statements (continued)

### 24 Short Term Creditors

<i>restated</i> Total 31 March 2012 £'000's		Total 31 March 2013 £'000's
10,772	<b>Central Government Bodies</b> Non GMCA Road Schemes - DfT *	23,154
2,325	<b>Other Local Authorities</b>	11,734
77,129	<b>Public Corporations</b> TfGM	56,371
32	Audit Commission	0
52	<b>Other entities and individuals</b>	338
90,310	Total	91,597

\* The Authority provides a service as an agent to the Department for Transport whereby it receives grants from them which are then paid over to other local authorities within Greater Manchester.

### 25 Deferred Liability

2011/12 £'000's	<b>former Greater Manchester Council debt</b>	2012/13 £'000's
30,030	Balance as at 1st April	27,960
(2,070)	Repayment in the year	(2,161)
27,960	Balance as at 31st March	25,799
2,160	Due within 1 year	2,283
25,800	Due over 1 year	23,516

This debt was created on 1 April 1986 at a value of £48,948,043 and is being repaid annually on an annuity basis over the 36 years to 31 March 2022.

## Notes to the GMCA's Core Financial Statements (continued)

### 26 Financial Instruments

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

	Long Term		Current	
	31 March 2012 £000's	31 March 2013 £000's	31 March 2012 £000's	31 March 2013 £000's
<b>Investments</b>				
Loans and receivables - due within 3 months	0	0	133,006	41,748
<b>Debtors</b>				
Loans and receivables	0	626	7,908	1,040
<b>Cash</b>				
	0	0	2,111	1,109
<b>Borrowings</b>				
Financial liabilities at amortised cost	540,878	590,964	44,751	45,283
<b>Creditors and Grants Received in Advance</b>				
Financial liabilities at amortised cost	29,954	16,072	105,687	135,669

### Income and Expense

	2011/12			2012/13		
	Financial Liabilities measured at amortised cost £000's	Financial assets: loans and receivables £000's	Total £000's	Financial Liabilities measured at amortised cost £000's	Financial assets: loans and receivables £000's	Total £000's
Interest expense	(23,965)		(23,965)	(29,626)		(29,626)
Fee expense	(77)		(77)	0		0
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>(24,042)</b>	<b>0</b>	<b>(24,042)</b>	<b>(29,626)</b>	<b>0</b>	<b>(29,626)</b>
Interest Income		429	429		388	388
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>429</b>	<b>429</b>	<b>0</b>	<b>388</b>	<b>388</b>
<b>Net gain/(loss) for the year</b>	<b>(24,042)</b>	<b>429</b>	<b>(23,613)</b>	<b>(29,626)</b>	<b>388</b>	<b>(29,238)</b>

## Notes to the GMCA's Core Financial Statements (continued)

### 26 Financial Instruments (continued)

#### Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining life of the instrument, using the following assumptions :

interest is calculated using the most common market convention, ACT/365 (366 days in a leap year with the exception of PWLB)

interest is not paid/received on the start date of an instrument, but is paid/received on the maturity date

we have not adjusted the interest value and date where a relevant date occurs on a non working day

The fair values are calculated as follows :

	31 March 2012		31 March 2013	
	Carrying Amount £000's	Fair Value £000's <i>restated</i>	Carrying Amount £000's	Fair Value £000's
<b>Financial Liabilities at Amortised Cost</b>				
PWLB Debt -from 31 March 2012 using premature repayment rates	425,533	558,989	425,476	574,917
Non- PWLB debt	160,096	159,320	210,771	214,430
Total Borrowings	585,629	718,309	636,247	789,347
Creditors and Grants Received in Advance	135,641	135,641	151,741	151,741
Total Financial Liabilities	721,270	853,950	787,988	941,088

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss arising from a commitment to pay interest to lenders above the current market rates.

Creditors are carried at cost as this is a fair approximation of their value.

	31 March 2012		31 March 2013	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
<b>Financial Assets at Amortised Cost</b>				
Cash	2,111	2,111	1,109	1,109
Loans and receivables	140,914	140,888	42,788	42,788
Total Loans and Receivables	143,025	142,999	43,897	43,897

If the fair value of the assets is lower than the carrying amount this is because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future loss attributable to the commitment to receive interest below the current market rates.

Debtors are carried at cost as this is a fair approximation of their value.

Notes to the GMCA's Core Financial Statements (continued)

26 **Financial Instruments (continued)**

<b>Borrowings</b>	<b>Range of interest rates payable in 12/13</b>		<b>Average Interest % at 31/03/12</b>	<b>Average Interest % at 31/03/13</b>	<b>Total Outstanding 31 March 2012 £'000's</b>	<b>Total Outstanding 31 March 2013 £'000's</b>
	<b>from %</b>	<b>to %</b>				
<b>a) Analysis of loans by type :</b>						
Public Works Loans Board	0.59%	11.375%	5.03%	5.03%	420,706	420,706
Other Loans	3.95%	6.22%	4.46%	4.32%	120,172	185,170
TfGM - Interbank					38,484	22,740
Accrued Interest Payable :						
PWLB					4,827	4,770
Others					1,440	2,861
<b>Total as at 31st March</b>			<b>4.90%</b>	<b>4.81%</b>	<b>585,629</b>	<b>636,247</b>
<b>b) Analysis of loans by maturity</b>						
<b>Maturing:</b>						
Due within 1 year : accrued interest payable						
PWLB					4,827	4,770
Others					1,440	2,861
Due within 1 year : principal						
PWLB					0	0
Others					0	14,912
Due within 1 year : TfGM - Interbank						
					38,484	22,740
Due within 1 year						
					<u>44,751</u>	<u>45,283</u>
In 1 to 2 years						
					14,912	0
In 2 to 5 years						
					10,800	17,341
In 5 to 10 years						
					40,000	47,703
In over 10 years						
					475,166	525,920
Due over 1 year						
					<u>540,878</u>	<u>590,964</u>
<b>Total</b>						
					<u>585,629</u>	<u>636,247</u>

## 27 Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks, the key risks are :-

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

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

The procedures for risk management are set out through a legal framework, set out in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - The Authority's overall borrowing;
  - Its maximum exposures to fixed and variable rates;
  - Its maximum exposures in the maturity structure of its fixed rate debts;
  - Its maximum exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting Investment counter parties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Authority's annual levy setting budget or before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported at least annually to the Members.

These policies are implemented by a central treasury team. The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury

**27 Nature and Extent of Risks Arising from Financial Instruments (continued)**

Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

**Specified Investments**

Specified Investments are investments in sterling denomination, with maturities up to a maximum of 1 year. All specified investments meet the minimum 'high' ratings criteria where applicable.

- Term deposits – Other Local Authorities: Credit Criteria high security
- Term deposits – Banks and building societies; Credit Criteria Varied
- Debt Management Agency Deposit Facility & UK Nationalised Banks – UK Government Backed.
- Certificates of deposits issued by banks and building societies covered by UK Government guarantees – UK Government explicit guarantee

**Non-Specified Investments**

Non-specified investments are any other type of investment not defined as specified above.

Any proposals to use any non-specified investments will be reported to members for approval.

**Investment Limits**

The financial investment limits of banks and building societies are linked to their Fitch long-term ratings (or equivalent) , as follows:-

Banks		Building Societies	
Fitch AA+	£10 million	Fitch AA/AA-	£15 million
Fitch AA/AA-	£7 million	Fitch A+/A-	£10 million
Fitch A+/A	£5 million		
Debt Management Office	£200 million	Manchester City Council	£50 million
District Councils	£5 million		
Other Local Authorities	£20 million		

In order to reduce the risk of over exposure by joint lending activities with the same counterparty, it has been agreed with TfGM that they will not invest with any of the counterparties used by the GMCA. Accordingly TfGM will only invest their surplus funds with the Debt Management Office.



**27 Nature and Extent of Risks Arising from Financial Instruments (continued)**

**Credit Risk**

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. All investments held as at 31 March 2013 were with the HM Treasury Debt Management Office, UK banks or building societies.

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Authority maintains strict credit criteria for investment counterparties.

The Authority has not used any non credit rated institutions (for instance smaller building societies or bank subsidiaries where the parent has a satisfactory rating). In these circumstances these investments would have been classified as other counterparties.

The Authority's trade debtors relate primarily to claims on Central Government departments. £220k of the balance of debtors of £1,040k is past its due date for payment.

The Authority's trade creditors relate primarily to capital and revenue grants payable to Transport for Greater Manchester, and other Greater Manchester Transport Fund schemes.

**Credit Ratings Used:**

Banks – Fitch: long-term A, Short term F1, Support Fitch 3

Banks – Moody's: Short Term P-1.

Building Societies – Fitch: Long Term A-, Short Term F2, Support Fitch 3

Building Societies – Moody's: Long term A3

**Monitoring of credit ratings:**

- A- All credit ratings will be monitored weekly. The Authority is alerted by Sector, its external Treasury Management advisors, to changes in the Moody's and Fitch ratings.
- B- If a downgrade results in the counter party/investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- C- Extreme market movements in the iTraxx benchmark may result in the downgrade of an institution or removal from the Authority's lending list.

**27 Nature and Extent of Risks Arising from Financial Instruments (continued)**

The current trade debtor amount excluding HMR & C is £1,040k and the estimated exposure to default is £nil.

**Liquidity Risk**

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available as needed.

If unexpected movements happen, the Authority has ready access to borrowings from the money market and the Public Works Loans Board. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures listed above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Authority has £105m lender option borrower option (LOBO) Loans. These have fixed rates of interest but the lender may seek to increase interest rates at which point the Authority has the option to repay the loan. As there is no certainty as to whether these loans will be repaid early, the Authority has treated them as fixed loans which will run to maturity. In forming this judgement the Authority has taken account of its ability to refinance through PWLB.

**27 Nature and Extent of Risks Arising from Financial Instruments (continued)**

The maturity analysis of financial liabilities is as follows:

	<b>31 March 2012 £000's</b>	<b>31 March 2013 £000's</b>
Less than one year	150,438	180,952
Between one and two years	44,866	16,072
Between two and five years	10,800	17,341
Between five and 10 years	40,000	47,703
More than 10 years	475,166	525,920
<b>Total</b>	<b>721,270</b>	<b>787,988</b>

The maturity analysis of financial assets including cash balances, is as follows:

	<b>31 March 2012 £000's</b>	<b>31 March 2013 £000's</b>
Less than one year	143,025	43,897
Between one and two years	0	626
<b>Total</b>	<b>143,025</b>	<b>44,523</b>

More detail on the Financial Liabilities and Assets can be found in Note 26 – Financial Instruments.

### 27 Nature and Extent of Risks Arising from Financial Instruments (continued)

#### Market Risk

##### Interest Rate Risk

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – The interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- Borrowings at fixed rates - The fair value of the borrowing liability will fall;
- Investments at variable rates - The interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- Investments at fixed rates - The fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and effect the General Fund Balance.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy, a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market interest rates and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

The Authority tries to maximise its income on temporary investment and minimise its interest costs on temporary and long-term borrowing.

The maximum interest rate increase that could be expected in the current climate is assessed at 0.5%. This would only apply to our net short term investments. The Authority also has a number of LOBO loans that can be called at periods. There is the risk that these may have to be refinanced at a higher rate. The financial effect of these variable rate changes would be :

- Short term investment risk (£41.748m. @0.5%) = £0.20874m gain.
- Short term borrowing risk (nil @x%) = £nil.
- LOBO risk (loans potentially subject to call over the remaining term of the loan)  
(£60m. @0.5% ) = £0.300m loss.

**27 Nature and Extent of Risks Arising from Financial Instruments (continued)**

- Range LOBO risk where the interest rate payable is 3.45% whilst the 6 month LIBOR rate is within the range of 4% to 6%. If outside this range the interest rate payable is 4.10%.  
(£30m. @ 0.65%) = £0.195m loss.

**Impact on the Surplus or Deficit on the Provision of Services = £0.28626m loss.**

The impact of a 0.5% fall in interest rates would be as follows :

- Short term investment risk (£41.748m. @0.39%) = £0.1628m loss.
- Short term borrowing risk (nil @x%) = £nil.
- LOBO risk (loans potentially subject to call over the remaining term of the loan)  
(£60m. @0.5% ) = £0.300m gain.
- Range LOBO risk where the interest rate payable is 3.45% whilst the 6 month LIBOR rate is within the range of 4% to 6%. If outside this range the interest rate payable is 4.10%.  
(£30m. @ 0.65%) = £0.195m loss.

**Impact on the Surplus or Deficit on the Provision of Services = £0.0578m loss.**

**Foreign Exchange risk**

The Authority has received a grant of £53,517 from the European Union which was denominated in euros. It therefore has a small exposure to loss arising from movements in exchange rates.

## Notes to the GMCA's Core Financial Statements (continued)

### 28 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 8.

### 29 Unusable Reserves

	<b>Total 31 March 2012 £'000's</b>	<b>Total 31 March 2013 £'000's</b>
(657,220) Capital Adjustment Account		(899,506)
(260) Financial Instruments Adjustment Account		(258)
<b>(657,480) Total Unusable Reserves</b>		<b>(899,764)</b>

#### 29(a) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of the capital grants payable to TfGM/MCC and ED & R partners, and the annual depreciation charge and loss on disposal of traffic signals, and credited with both the the capital grants and contributions receivable, and the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

Note 7 provides details of the source of all the transactions posted to the Account.

<b>2011/12 £'000's</b>		<b>2012/13 £'000's</b>
(439,861)	Balance as at 1st April	(657,220)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :	
(332,036)	Revenue expenditure funded from capital under statute	(267,605)
(4,084)	Annual depreciation charge of non current assets	(4,177)
(1,856)	Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(301)
	Capital Financing Applied in the year :	
<b>108,018</b>	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	16,021
7,701	Statutory provision for the financing of capital investment	8,090
2,070	Repayment of Inherited Debt charged against the General Fund	2,161
0	Long Term Debtor financed from Capital Grants	350
2,828	Revenue Contributions to Finance Capital	3,175
<b>(657,220)</b>	<b>Balance as at 31st March</b>	<b>(899,506)</b>

## Notes to the GMCA's Core Financial Statements (continued)

### 29(b) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage the Effective Interest Adjustment on one stepped LOBO. Each year the Comprehensive Income and Expenditure Statement is debited or credited with the EIR adjustment, then reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over the remaining life of this loan, the EIR adjustments will be reversed out of the General Fund and the Account will reduce to nil by 31 March 2054.

2011/12 £'000's		2012/13 £'000's
(262)	Balance as at 1st April	(260)
675	Interest incurred in the year and charged to the Comprehensive Income and Expenditure Statement	675
(673)	Proportion of interest incurred to be charged against the General Fund Balance in accordance with statutory requirements	(673)
2	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2
(260)	Balance as at 31st March	(258)

**30 Related Party Transactions**

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority.

**Central Government - Department for Transport**

The DfT provides the majority of the Authority's capital expenditure funding.

The yearly transactions, and year end balances were as follows:

	2011/12 £'000's	2012/13 £'000's
<b>Income</b>		
Dept for Transport - revenue grants	112	14,530
Dept for Transport - capital grants - REFCUS	102,502	13,641
Dept for Transport - capital grants - Traffic Signals Schemes	2,475	12
<b>Debtors</b>		
Dept for Transport - capital grants - REFCUS	3,504	133
Dept for Transport - capital grants - Traffic Signals Schemes	1,763	0

**Central Government - Communities and Local Government/DWP/Business  
Innovation and Skills/Defra/Skills Funding Agency and the Home Office**

The CLG has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates.

The yearly transactions were as follows :

	2011/12 £'000's	2012/13 £'000's
<b>Income</b>		
DWP - revenue grant	174	239
BIS - revenue grants	25	0
CLG - revenue grants	0	10,166
CLG/Home Office - revenue grants	0	2,828
Defra - revenue grant	0	12
Skills Funding Agency - revenue grant	0	246
CLG - capital grants - REFCUS	0	34,537
<b>Debtors</b>		
BIS - revenue grants	25	0
CLG - revenue grant	0	34
Defra - revenue grant	0	12
Skills Funding Agency - revenue grant	0	246

**The Association of Greater Manchester Authorities**

The 10 district councils which comprise AGMA, provide the 10 leaders who serve as members of the GMCA, and the 33 councillors who serve as members of the TIGMC joint committee.

	2011/12 £'000's	2012/13 £'000's
<b>Income</b>		
The annual transport levy from the 10 district councils	184,355	191,211
The annual contributions to the TfGM Transport Units from the 10 district councils	416	0
The annual contributions to the traffic signals maintenance and repairs from the 10 district councils	4,627	160
The capital contributions to new traffic signals schemes from the 10 district councils	1,886	1,542
The annual contributions to the Manchester Family from the 10 district councils	2,578	2,658
The annual contributions to the GMCA Costs from the 10 district councils	155	155
AGMA Contribution to the GMCA Costs	0	50
<b>Debtors</b>		
Traffic Signal Scheme and Repair Invoices	1,507	389



## Notes to the GMCA's Core Financial Statements (continued)

### 30 Related Party Transactions (continued)

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority.

#### Transport for Greater Manchester

The decisions of the GMCA are implemented by TfGM. The net expenditure of TfGM after taking into account all sources of income and expenditure is financed by way of a revenue grant from the GMCA. The corporate objectives of TfGM are derived from the GMCA's policy priorities, stakeholder consultation and its principal statutory obligations.

TfGM also manage the maintenance, repair and schemes of the GMCA traffic signals asset base on behalf of the Authority. These transactions appear as related party expenditure and income, along with the end of year balances which are reported within related parties below.

The yearly transactions, and year end balances were as follows:

	2011/12 £'000's	2012/13 £'000's
<b>Expenditure</b>		
Revenue Support Grant	133,250	122,140
Revenue Grants	112	935
Transport Units Grants	416	0
Traffic Signals Maintenance/Repairs and S278	4,627	4,682
General Expenditure	21	70
Capital Grants - REFCUS	332,036	255,046
Traffic Signals Schemes	5,740	5,410
<b>Income</b>		
Traffic Signals Schemes	521	593
<b>Debtors</b>		
Traffic Signals Schemes	521	79
<b>Creditors</b>		
Revenue Grants	56	819
Capital Grants - REFCUS	72,329	54,566
General Expenditure	0	20
Traffic Signals Schemes/Repairs and S278	4,744	966
<b>Borrowings</b>		
Interbank Balance	38,484	22,740

#### The Greater Manchester Accessible Transport Trust

The majority of the Trustees of the GMATT are also members of TfGMC, a committee of the GMCA. The decisions of the GMCA are implemented by TfGM and through them the GMATT. A proportion of the revenue grant paid to TfGM is subsequently granted over to the Greater Manchester Accessible Transport Ltd via its parent the GMATT. The corporate objectives of the GMATT are derived from the GMCA's policy priorities, stakeholder consultation and its principal statutory obligations.

There have been no transactions during the year, nor any outstanding year end balances between the GMCA and GMATT.

**30 Related Party Transactions (continued)**

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority.

**Members**

Members of the Authority have direct control over the Authority's financial and operating policies.

No members allowances are payable.

During 2012/13 no works or services were commissioned from companies in which any members had an interest.

A grant of £5,480k (2011/12 £5,584k) was paid to the Greater Manchester Accessible Transport Ltd, a charitable company limited by guarantee, whose Board of Directors consist entirely of TfGMC members, and whose Members are the Deputy Clerk to the TfGMC and the Information Systems Director of TfGM. This grant was paid via its parent the Greater Manchester Accessible Transport Trust. In all instances the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to grants. Details of all these transactions are recorded in the Register of Members' Interests, open to the public at the Town Hall during office hours.

**Officers**

There have been no pecuniary interests involving either the Head of Paid Service, the Treasurer or the Monitoring Officer to the Authority.

**Manchester City Council**

Key management personnel and officers of Manchester City Council are also the statutory and support officers to the Greater Manchester Combined Authority.

The yearly transactions, and year end balances were as follows:

	2011/12 £000's	2012/13 £000's
<b>Income</b>		
Traffic Signals Repairs	354	26
Traffic Signals Schemes	251	215
<b>Expenditure</b>		
General Expenditure	577	670
Capital Grant - REFCUS	0	10,065
Revenue Grants	0	5
<b>Debtors</b>		
Traffic Signals Schemes & Repairs	295	93
General Expenditure	14	0
<b>Creditors</b>		
General Expenditure	127	127
Capital Grant - REFCUS	0	10,065
Revenue Grants	0	5

## Notes to the GMCA's Core Financial Statements (continued)

### 30 Related Party Transactions (continued)

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority.

#### Manchester Family Organisations

Under the new governance arrangements operating from 1 April 2011, Commission for the New Economy Ltd. (CNE) and Manchester Investment and Development Agency Service Ltd. (MIDAS) have become wholly owned subsidiaries of the Greater Manchester Combined Authority.

	2011/12 £'000's	2012/13 £'000's
<b><u>Commission for the New Economy</u></b>		
<b>Expenditure</b>		
General Expenditure	784	849
Revenue Grants	0	289
<b>Creditors</b>		
General Expenditure	18	0
Revenue Grants	0	241
	2011/12 £'000's	2012/13 £'000's
<b><u>MIDAS</u></b>		
<b>Expenditure</b>		
General Expenditure	1,375	1,375

## Notes to the GMCA's Core Financial Statements (continued)

### 31 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items :

2011/12 £'000's		2012/13 £'000's
408	Interest Received	401
(23,285)	Interest and similar charges paid	(29,834)

### 32 Cash Flow Statement - Investing Activities

2011/12 £'000's		2012/13 £'000's
(2,388)	Purchase of Property, Plant and Equipment	(8,313)
0	Long Term Loans paid out	(626)
2,388	Capital grants and contributions received	5,382
0	<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b>(3,557)</b>

### 33 Cash Flow Statement - Financing Activities

2011/12 £'000's		2012/13 £'000's
(2,076)	Repayment of former GMC Debt	(2,161)
4,845	Capital Grants Receipts in Advance relating to non GMCA road schemes	11,716
(24,000)	Repayment of borrowing	0
219,301	Receipt of borrowing	50,620
198,070	<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>60,175</b>

## Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

### Group Accounts

The group accounts comprise the accounts of the Authority together with those of Transport for Greater Manchester, Greater Manchester Accessible Transport Trust and its subsidiary and associated undertakings, Commission for the New Economy Ltd. and Manchester Investment and Development Agency Service Ltd. all as at 31 March 2013.

The accounts of Transport for Greater Manchester are prepared in accordance with the Accounts and Audit (England) Regulations 2011. These require the accounts to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 ('The Code'). The consolidated accounts comprise the accounts of TfGM and all its subsidiary and associated undertakings drawn up to 31 March 2013.

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

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

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

Further information about TfGM's consolidated accounts is available from the following address:

The Finance Department  
TfGM  
3<sup>rd</sup> Floor ,  
2 Piccadilly Place  
Manchester  
M1 3BG

The accounts of Greater Manchester Accessible Transport Trust are prepared in accordance with regulation 8 of the Charities (Accounts and Reports) Regulations 2008, the Charities Act 2011, and the Statement of Recommended Practice, "Accounting and Reporting by Charities" as revised in 2005. The consolidated accounts comprise the accounts of the Trust and its subsidiary undertaking Greater Manchester Accessible Transport Ltd (GMATL), drawn up to 31 March 2013.

Further information about the Greater Manchester Accessible Transport Trust's consolidated accounts is available from the following address:

The Finance Department  
TfGM  
3<sup>rd</sup> Floor  
2 Piccadilly Place  
Manchester  
M1 3BG

## Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

The accounts of Commission for the New Economy Ltd. are prepared in accordance with UK Generally Accepted Accounting Practices and the Companies Act 2006.

Further information about CNE's accounts is available from the following address:

Manchester Professional Services Ltd  
P O Box 532  
Town Hall  
Manchester  
M60 2LA

The accounts of Manchester Investment and Development Agency Service Ltd. are prepared in accordance with UK Generally Accepted Accounting Practices and the Companies Act 2006.

Further information about MIDAS's accounts is available from:

Manchester Professional Services Ltd  
P O Box 532  
Town Hall  
Manchester  
M60 2LA

### **Basis of Dominant Influence**

The Greater Manchester Combined Authority is made up of the 10 Leaders of the 10 district councils within Greater Manchester. They set local public transport policy and are responsible for deciding how funds are spent on supporting and improving Greater Manchester's public transport network. The decisions of the GMCA are implemented by TfGM and through them the Greater Manchester Accessible Transport Trust (GMATT). TfGM and GMATT are responsible for implementing the policies of the GMCA. TfGM's net expenditure after taking into account all sources of income and expenditure is financed by way of a Revenue Grant from the GMCA. A proportion of the revenue grant paid to TfGM is subsequently granted over to Greater Manchester Accessible Transport Ltd via its parent the GMATT. TfGM and GMATT's corporate objectives are derived from the GMCA's policy priorities, stakeholder consultation and its principal statutory obligations. Strategic objectives and targets are set out in the GMCA/TfGM Business and Performance Plan.

CNE and MIDAS are 100% owned by the Greater Manchester Combined Authority by virtue of the GMCA being the sole member of both organisations.

### **Basis of Preparation**

The group 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 group accounts have been prepared on a going concern basis.

# Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

## Statement of Compliance with IFRS

In accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, 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.
- **Investment properties:** The Code provides that any surplus or deficit arising on the revaluation of investment properties should be transferred to a revaluation reserve. TfGM's policy is to charge or credit any surplus or deficit to the income and expenditure account in the year that it arises. This policy is in line with IAS and it is considered that this treatment is more appropriate to TfGM than the Code.

The following is a summary of the accounting policies of the bodies included in the Group accounts where they differ from those applied to the Greater Manchester Combined Authority, mainly because the nature of its transactions are different.

## Summary of Significant Accounting Policies

### 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 values of all assets, other than freehold land, on a straight-line basis over its estimated remaining useful life.

Vehicles supplied to GMATT on a reversionary basis by TfGM are stated at the deemed cost to TFGM.

The range of estimated useful lives for each class of asset 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
Motor vehicles	3 to 5 years

\* Infrastructure assets include a number of categories of assets relating to the Metrolink network. Further details of asset lives within this category are given below:

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

\* The cost of Metrolink includes £112.670m (2011/12 £111.931m) 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.

## Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

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

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

An item of property, plant and equipment is derecognised upon disposal, replacement or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition (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 has adopted the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, which requires the fair value method to be applied to non-infrastructure operational assets. Assets classified as infrastructure include all Metrolink assets, bus stations, interchanges, turning points, bus shelters and other route equipment and works.

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

Assets under construction relates 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.

### **Non-current assets held for sale**

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

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

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

### **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.

### **Capital and revenue grants and contributions**

Capital and revenue grants and contributions receivable 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



## Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

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.

### **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.

### **Financial Assets**

Financial assets are classified at recognition as loans, deposits or receivables in accordance with IAS39, 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 maturity of three months or less. For the purpose of the group cash flow statement, cash and cash equivalents are defined above, net of any outstanding bank overdrafts.

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

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

### **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 assets 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:

## Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

Loans and borrowings: non –derivative financial liabilities with fixed or determinable payments not quoted in and 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.

### **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.

### **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, the asset's recoverable amount is estimated, which is the higher of its fair value less costs to sell, and its value in use. It is determined for an individual asset, unless it doesn't 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 the 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 equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is also made each year whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If so, the asset's recoverable amount is estimated. 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 so 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.

### **Provisions, Contingent liabilities and Contingent assets - Provisions**

Provisions are made where an event has taken place that gives 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 as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that we become 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.

## Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

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.

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 the obligation is settled.

### **Contingent liabilities**

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

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 a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Group's control.

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.

### **Rail Services – Funding**

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

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

### **Passenger Transport Facilities**

As part of its statutory duties, TfGM is responsible for meeting the costs of upgrading public passenger transport facilities in the Greater Manchester area, including railway and highways infrastructure. In addition, TfGM provides assets and grants to Greater Manchester Accessible Transport Limited (GMATL) and grants to bus operators in accordance with section 106 of the Transport Act 1985. The expenditure incurred is offset by equivalent grants received from GMCA, which for the year ended 31 March 2013 amounted to £5.871 million (2011/12 : £6.295 million).

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

## Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

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

### Turnover

Turnover, all of which 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.

### 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 income on the remaining net investment.

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

### Lease Expenditure

Assets held under finance leases where we retain 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.

### Pensions

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

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

The Scheme is accounted for as a defined benefits scheme:

- The liabilities of the GMPF attributable to the Group 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5%
- The assets of GMPF attributable to the Group are included in the Balance Sheet at their fair value based on the bid values of the assets.

## Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

- The change in the net pensions liability is analysed into seven components:
  - Current service cost- the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost- the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and analysed separately in the Expenditure Statement as part of Non Distributed Costs;
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - Expected return on assets – the annual investment return on the fund assets attributable to the Group based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
  - Gains or losses on settlements and curtailments – the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - Actuarial gains and losses – changes in the net pensions liability that arise because the actuaries have updated their assumptions – credited or debited to the Pensions Reserve (for TfGM) ; and
  - Contributions paid to the GMPF – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

In relation to GMPF retirement benefits relating to CNE, the current service costs are charged to Running Costs, the net costs or returns on assets are charged to Financing and Investment Income and Expenditure and the actuarial gains and losses are charged to Other Comprehensive Income and Expenditure immediately they are recognised.

In relation to GMPF retirement benefits relating to MIDAS, board approval has been given to change the accounting policy and account for the scheme as a multi employer arrangement which then allows for the scheme to be accounted for as a defined contribution type and to treat all of its’ pension assets and liabilities as off balance sheet.

GMATT through GMATL, operates a defined contribution pension scheme and the pension charge represents the amount payable to the pension fund in respect of the year.

Both CNE and MIDAS operate a defined contribution pension scheme for those employees who are not members of the GMPF. The pension charge includes the amount payable to the pension fund in respect of the year.

# Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

## 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.

- Revenue from sale of goods is recognised when the significant risks and rewards of ownership are transferred to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Group;
- Revenue from the provision of services is recognised when we 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 the Group;
- 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.

## Reserves

The Group 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 the Group. These reserves are explained in Note 19 of TfGM'S Statement of Accounts.

## Exceptional Items

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

# Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

## Events after the balance sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occurred 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 Account 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.

## 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.

## Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, 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 the Group's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Pension benefits: the cost of defined benefit pension plans is determined using independent actuarial valuation, involving the use of assumptions about discount rates, return 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.

## Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

### **Deregulation Reserve**

The reserve represents the costs relating to the transfer of TfGM's bus operations to Greater Manchester Buses Ltd. following the implementation of the Transport Act 1985. As required by the provisions of the Act and in accordance with the transfer scheme, which was approved by the Secretary of State for Transport, TfGM 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 TfGM with respect to deregulation on 25 October 1986 and which were not charged to profit and loss.

Although there is no legal requirement to amortise this reserve to the revenue account, 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 account 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.

### **Fund Accounting**

The GMATT's Endowment Fund represents the value of gifted tangible fixed assets, being vehicles supplied by TfGM for use in the operation of its services.

The GMATT's Unrestricted Fund comprises the subsidiary undertaking's general fund, which consists of funds that the subsidiary undertaking may use for its purposes at its discretion, and the designated funds, which consist of the Bus Service Operators Grant, which will be used for the specific purpose of addressing the effects of Social Exclusion in Transport, and the reserve fund set aside primarily for building refurbishment works.

In the Group consolidation, an Accumulated Absences accrual of (a) £55k (2011/12 £55k) has been brought into the 31 March 2013 GMATT Financial Statements, (b) £16k (2011/12 £nil) has been brought into the 31 March 2013 MIDAS Financial Statements, (c) £30k (2011/12 £nil) has been brought into the 31 March 2013 CNE Financial Statements. This is a requirement of the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.



**Group Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Group, analysed into "usable reserves" (in those that can be applied to fund expenditure) and other reserves. The surplus or deficit on the Provision of Services line shows the commercial cost of providing the Group's services. The details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory General Fund Balance for transport levy and economic development and regeneration continuing being purposes. The Net Increase/(Decrease) below Transfers to Estimated Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from the estimated reserves by the Group.

The movements on the reserves are as follows:

	£'000	2011/12													Total Group Reserves					
		restated General Fund Balance	Note	Revenue Grants Unapplied Reserve	Capital Grants Unapplied Reserve	Property Reserve	Metrolink Reserve	Transport Infrastructure Fund Reserve	Capital Programme Reserve	Joint Road Safety Group Reserve	Concessionary Fares Reserve	Total Usable Reserves	restated Capital Account GMCA	Financial Instruments Adjustment Account - GMCA		Pensions Reserve TIGM	Capital Reserve TIGM	Derogation Reserve TIGM	Charitable Trust Reserve GMATT	Total Usable Reserves
Balance as at 1 April 2011 - restated		10,109		10,000	21,092	9,144	45,345	3,240	10,675	3,529	14,045	127,179	(163,489)	724,164	35,000	4,013	(53,436)	3,062	549,052	676,231
Surplus or (deficit) on the provision of services		114,662		0	0	0	0	0	0	0	0	114,662	0	0	0	0	0	0	0	114,662
Other Comprehensive Expenditure and Income		(14,968)		0	0	0	0	0	0	0	0	(14,968)	0	0	0	0	0	0	0	(14,968)
Total Comprehensive Expenditure and Income		99,694		0	0	0	0	0	0	0	0	99,694	0	0	0	0	0	0	0	99,694
Adjustments between accounting basis & funding basis under regulations	35	(75,386)		0	(2,421)	0	0	0	0	0	0	(77,807)	5,880	87,525	2	(15,600)	0	0	0	77,807
Net Increase/(decrease) before Transfers to Estimated Reserves		24,308		0	(2,421)	0	0	0	0	0	0	21,887	5,880	87,525	2	(15,600)	0	0	0	99,694
Transfers to/from Estimated Reserves	36	(24,183)		10,000	0	(556)	(4,252)	(2,828)	15,266	1,423	4,326	(802)	0	0	0	0	1,100	(298)	0	0
Increase/(decrease) in year		125		10,000	(2,421)	(955)	(4,252)	(2,828)	15,266	1,423	4,326	21,085	5,880	87,525	2	(15,600)	0	1,100	(298)	802
Balance as at 31 March 2012 carried forward - restated		10,234		20,000	18,671	8,588	41,093	412	25,943	4,952	18,371	148,264	(157,609)	811,689	19,400	4,013	(52,336)	2,764	78,609	59,694
GMCA		4,735		9,072	34,496	412	25,943					24,658	(657,220)							(657,220)
TIGM		4,552		20,000	9,589	8,588	6,597					72,659	499,811	1,311,300	19,400	4,013	(52,336)	2,764	1,284,377	1,355,006
Consolidation Adjustment																				
GMATT																				
CNE		160										160								
MIDAS - restated		787									787									

**Group Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Group, analysed into "usable reserves" (in those that can be applied to fund expenditure) and other reserves. The surplus or (deficit) on the Provision of Services line shows the commercial cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for transport levy and economic development and regeneration contribution setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from the earmarked reserves by the Group.

The movements on the reserves are as follows:

Note	£'000	2012/13																			
		restated	restated	restated	restated	restated	restated	restated	restated	restated	restated	restated	restated								
		General Fund Balance	Revenue Grants Unapplied Reserve	Capital Grants Unapplied Reserve	Property Reserve	Metrolink Reserve	Transport Infrastructure Fund Reserve	Capital Programme Reserve	Joint Road Safety Group Reserve	Concessionary Fares Reserve	Total Usable Reserves	Capital Grants TIGM	Deferred Capital Grants TIGM	Financial Instruments Adjustment Account - GMCA	Pensions Reserve TIGM	Capital Reserve TIGM	Development Reserve TIGM	Charitable Trust Reserve GMATT	Total Unusable Reserves	Total Group Reserves	
Balance as at 1 April 2012 - restated		10,234	20,000	18,671	8,588	41,093	412	25,943	4,952	18,371	148,264	157,609	811,689	(260)	19,400	4,013	(52,336)	2,764	627,661	775,925	
Surplus or (deficit) on the provision of services		43,871	0	0	0	0	0	0	0	0	43,871	0	0	0	0	0	0	0	0	43,871	
Other Comprehensive Expenditure and Income		(14,376)	0	0	0	0	0	0	0	0	(14,376)	0	0	0	0	0	0	0	0	(14,376)	
Total Comprehensive Expenditure and Income		29,495	0	0	0	0	0	0	0	0	29,495	0	0	0	0	0	0	0	0	29,495	
Adjustments between accounting basis & funding basis under regulations	35	12,505	0	23,765	0	0	0	0	0	0	42,270	(6,752)	(16,720)	2	(16,800)	0	0	0	0	(42,270)	0
Net increase/(decrease) before Transfers to Earmarked Reserves		42,000	0	23,765	0	0	0	0	0	0	71,765	(6,752)	(16,720)	2	(16,800)	0	0	0	(42,270)	29,495	
Transfers to/(from) Earmarked Reserves	36	(41,659)	22,639	0	702	(3,310)	(412)	22,622	929	(1,887)	(376)	0	0	0	0	0	0	1,100	(724)	0	
Increase/(decrease) in year		341	22,639	23,765	702	(3,310)	(412)	22,622	929	(1,887)	71,389	(6,752)	(16,720)	2	(16,800)	0	0	(724)	(41,894)	29,495	
Balance as at 31 March 2013		10,575	42,639	48,436	9,290	37,783	0	48,565	5,881	16,484	219,653	(164,361)	792,969	(258)	2,600	4,013	(51,236)	2,040	585,767	805,420	
GMCA		4,961	23,709	43,251	34,496	0	48,565	5,881	16,484	16,484	184,862	(899,596)	1,526,114	(258)	2,600	4,013	(51,236)	0	(899,764)	(744,762)	
TIGM		4,753	16,930	5,185	9,280	3,267	0	48,565	5,881	16,484	95,810	735,145	(735,145)	0	2,600	4,013	(51,236)	0	1,483,491	1,547,201	
Consolidation adjustment		79									79							2,040	2,040	0	
GMATT		782									782								0	2,040	
CNE																			0	0	
MIDAS																			0	0	

## Group Comprehensive Income and Expenditure Statement

This statement summarises the resources that have been generated and consumed in providing services and managing the Group during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of non-current assets actually consumed.

<i>restated</i>	<i>restated</i>	<i>restated</i>				2011/12				2012/13
£'000	£'000	£'000				£'000	£'000			£'000
Gross Expenditure	Gross Income	Net Expenditure				Gross Expenditure	Gross Income	Note	£'000 Net Expenditure	
82,531	(83,537)	(1,006)	<u>Highways and Transport Services</u>							
54,540	0	54,540	Rail franchise			62,440	(64,025)			(1,585)
39,308	(6,062)	33,246	Concessionary fare scheme			56,553	0			56,553
43,056	(30,484)	12,572	Supported bus services			40,633	(5,310)			35,323
12,944	0	12,944	Metrolink			65,558	(34,648)			30,910
7,024	(1,168)	5,856	Exceptional accelerated depreciation charge			4,800	0			4,800
5,728	(2,035)	3,691	Accessible transport			6,936	(882)			6,054
5,478	(6,900)	(1,422)	Highways Activities			6,571	(2,383)			4,188
6,295	(6,295)	0	Road Safety Activities			6,295	(7,198)			(903)
54,156	(16,180)	37,976	Passenger transport facilities			5,871	(5,871)			0
			Running Costs			52,346	(26,183)			26,163
			Revenue Expenditure Payable							
			Funded from Capital under Statute/ Capital Grants Receivable			10,065	0			10,065
311,058	(152,661)	158,397				318,068	(146,500)			171,568
			<u>Planning Services</u>							
6,034	(6,024)	10	Running Costs			5,919	(18,641)			(12,722)
0	0	0	Revenue Expenditure Payable							
			Funded from Capital under Statute/ Capital Grants Receivable			2,494	(34,537)			(32,043)
6,034	(6,024)	10				8,413	(53,178)			(44,765)
			<u>Corporate and Democratic Core</u>							
5,189	(155)	5,034	Non distributed costs			6,304	(155)			6,149
43	0	43	Cost of Services			43	0			43
322,324	(158,840)	163,484				332,828	(199,833)	40		132,995
			<u>Other Operating Expenditure</u>							
1,846	0	1,846	Losses on the disposal of non current assets			660	0	45		660
30,264	(450)	29,814	<u>Financing and Investment Income and Expenditure</u>			37,557	(403)	37 & 38		37,154
0	(309,806)	(309,806)	<u>Taxation and Non Specific Grant Income</u>			0	(214,680)	39		(214,680)
354,434	(469,096)	(114,662)	(Surplus) on Provision of Services			371,045	(414,916)			(43,871)
354,434	(469,096)	(114,662)	Group (Surplus)			371,045	(414,916)			(43,871)
		14,968	Actuarial (gains)/losses on pension fund assets and liabilities							14,376
		14,968	Other Comprehensive (Income) and Expenditure							14,376
		(99,694)	Total Comprehensive (Income) and Expenditure							(29,495)

**Reconciliation of the Authority Comprehensive (Income)/Expenditure to the Group  
Comprehensive (Income)/Expenditure**

*restated*

<b>2011/12</b>		<b>2012/13</b>
<b>£'000</b>		<b>£'000</b>
204,766	Deficit for the year on the Authority Comprehensive Income and Expenditure Statement	161,960
	(Surplus)/deficit arising from other entities included in the group accounts analysed into the amounts attributable to :	
(304,813)	Subsidiary - TfGM	(192,265)
298	Subsidiary - GMATT	724
55	Subsidiary - CNE	81
0	Subsidiary - MIDAS	5
<hr style="border: 0.5px solid black;"/>		
<b>(99,694)</b>	<b>(Income)/Expenditure for the year on the Group Comprehensive Income and Expenditure Account</b>	<b>(29,495)</b>

## Group Balance Sheet

The balance sheet is fundamental to the understanding of the Group's financial position at the end of the financial year. The statement reports on the Group's balances on assets (non-current and current), liabilities (long and short term) and reserves.

<i>restated</i>	<i>restated</i>			
01 Apr 2011	31 Mar 2012			31 Mar 2013
£'000	£'000		Note	£'000
<b>Non-Current Assets</b>				
<b>Property, Plant &amp; Equipment</b>				
13,435	12,693	Land and Buildings	45	12,346
17,812	23,968	Vehicles, Plant, Furniture and Equipment	45	23,308
334,960	515,962	Infrastructure	45	987,906
693,107	814,583	<b>Assets Under Construction</b>	45	558,576
396	396	Investment Property	45	396
0	0	Long Term Debtors	23	626
35,116	19,467	Net Pension Asset	55	2,602
<b>1,094,826</b>	<b>1,387,069</b>	<b>Total Non-Current Assets</b>		<b>1,585,760</b>
<b>Current Assets</b>				
771	539	Inventories	46	235
0	0	Short Term Investments	59	250
69,730	50,447	Short Term Debtors	42	47,206
<b>58,149</b>	<b>140,865</b>	Cash and Cash Equivalents	43	46,932
128,650	191,851	<b>Total Current Assets</b>		<b>94,623</b>
<b>1,223,476</b>	<b>1,578,920</b>	<b>Total Assets</b>		<b>1,680,383</b>
<b>Current Liabilities</b>				
(6,768)	(9,224)	Short Term Borrowing	41	(23,797)
(78,204)	(103,493)	Short Term Creditors	44	(101,311)
0	(1,000)	Revenue Grants Receipts in Advance	13	0
0	(14,377)	Capital Grants Receipts in Advance	13	(44,072)
(564)	(1,455)	Provisions	48	(1,516)
(2,051)	(2,160)	Deferred Liability	25	(2,283)
<b>(87,587)</b>	<b>(131,709)</b>	<b>Total Current Liabilities</b>		<b>(172,979)</b>
<b>1,135,889</b>	<b>1,447,211</b>	<b>Total Assets less Current Liabilities</b>		<b>1,507,404</b>
<b>Long Term Liabilities</b>				
(27,979)	(25,800)	Deferred Liability	25	(23,516)
(428,674)	(611,997)	Long Term Borrowing	41	(662,062)
0	(1,828)	Revenue Grants Receipts in Advance	13	0
0	(28,126)	Capital Grants Receipts in Advance	13	(16,072)
0	(40)	Deferred Income	47	(130)
(3,005)	(3,495)	Provisions	48	(204)
(459,658)	(671,286)			(701,984)
<b>676,231</b>	<b>775,925</b>	<b>Net Assets</b>		<b>805,420</b>
<b>Financed By :</b>				
<b>Usable Reserves - Authority :</b>				
4,584	4,735	General Fund Reserve	49	4,961
0	0	Revenue Grants Unapplied Reserve	49	23,709
10,675	25,943	Capital Programme Reserve	49	48,565
9,072	9,072	Capital Grants Unapplied Reserve	49	43,251
34,496	34,496	Metrolink Reserve	49	34,496
3,240	412	Transport Infrastructure Fund Reserve (mini TIF)	49	0
<b>62,067</b>	<b>74,658</b>			<b>154,982</b>
<b>Usable Reserves - Executive :</b>				
4,523	4,552	General Fund Reserve	49	4,753
9,144	8,588	Property Reserve	49	9,290
10,000	20,000	Revenue Grants Unapplied Reserve	49	18,930
12,020	9,599	Capital Grants Unapplied Reserve	49	5,185
10,849	6,597	Metrolink Reserve	49	3,287
3,529	4,952	Joint Road Safety Group Reserve	49	5,881
14,045	18,371	Concessionary Fares Reserve	49	16,484
64,110	72,659			63,810
<b>Usable Reserves - Manchester Family</b>				
215	160	General Fund Reserve - CNE	49	79
787	787	General Fund Reserve - MIDAS	49	782
1,002	947			861
<b>Unusable Reserves - Authority, Executive and GMATT :</b>				
(163,489)	(157,609)	Capital Adjustment Account (GMCA)	50(a)	(164,361)
(262)	(260)	Financial Instruments Adjustment Account (GMCA)	29(b)	(258)
724,164	811,689	Deferred Capital Grants and Contributions Account (TIGM)	50(b)	792,969
35,000	19,400	Pensions Reserve (TIGM)	50(c)	2,600
4,013	4,013	Capital Reserves (TIGM)	50(d)	4,013
(53,436)	(52,336)	Deregulation Reserve (TIGM)	50(e)	(51,236)
3,062	2,764	Charitable Trust Income and Expenditure Reserve (GMATT)	50(f)	2,040
549,052	627,661			585,767
<b>676,231</b>	<b>775,925</b>	<b>Total Reserves</b>		<b>805,420</b>

## Group Cash Flow Statement

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

<i>restated</i> 2011/12		Note	2012/13
£'000			£'000
(114,662)	Net (Surplus) on the provision of services		(43,871)
(115,533)	Adjustments to net surplus or deficit on the provision of services for non cash movements		(61,750)
154,208	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		45,356
<u>(75,987)</u>	<b>Net Cash Flows from Operating Activities</b>	51	<u>(60,265)</u>
181,866	Investing Activities	52	228,442
(188,595)	Financing Activities	53	(74,244)
<u>(82,716)</u>	<b>(Increase)/decrease in cash and cash equivalents</b>		<u>93,933</u>
58,149	Cash and cash equivalents at the beginning of the reporting period	43	140,865
140,865	Cash and cash equivalents at the end of the reporting period	43	46,932

## **Notes to the Group's Core Financial Statements**

Note 34	Reconciliation of prior year adjustments from published statements to restated figures.
Note 35	Adjustments between Accounting Basis and Funding Basis under Regulations.
Note 36	Transfers to/(from) Earmarked Reserves
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Note 42	Short Term Debtors
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## Notes to the Group Accounts

### Note 34 Reconciliation of prior year adjustments from published statements to restated figures

#### Group Movement in Reserves Statement

	Usable Reserves			Unusable Reserves			
	Published 2011/12 MIRS £000s	MIDAS Pension Adjustment (1) £000s	Restated 2011/12 MIRS £000s	Published 2011/12 MIRS £000s	Capital Adjustment Account Adjustment (2)	Deferred Capital Grants and Contributions Account Adjustment (3)	Restated 2011/12 MIRS £000s
<b>Balance as at 1 April 2011</b>	126,805	374	127,179	549,052	5,516	(5,516)	549,052
Surplus or (deficit) on the provision of services	114,716	(54)	114,662	0		0	0
Other Comprehensive Expenditure and Income	(15,656)	688	(14,968)	0		0	0
<b>Total Comprehensive Expenditure and Income</b>	99,060	634	99,694	0		0	0
Adjustments between accounting basis & funding basis under regulation	(77,807)		(77,807)	77,807			77,807
<b>Net Increase/(decrease) before Transfers to Earmarked Reserves</b>	21,253	634	21,887	77,807	0	0	77,807
Transfers to/(from) Earmarked Reserves	(802)		(802)	802			802
<b>Increase/(decrease) in year</b>	20,451	634	21,085	78,609	0	0	78,609
<b>Balance as at 31 March 2012 carried forward</b>	147,256	1,008	148,264	627,661	5,516	(5,516)	627,661

(1) The MIDAS FRS17 pension figures are no longer being disclosed due to MIDAS being part of the 'Small Admitted Bodies Pool' and not being required to include FRS17 figures in their accounts.

(2) Traffic Signals capital grants and contributions were incorrectly excluded from the Capital Adjustment Account.

(3) Traffic Signals capital grants and contributions were incorrectly included in the Deferred Capital Grants and Contributions Account.



Notes to the Group Accounts (continued)

Note 34 Reconciliation of prior year adjustments from published statements to restated figures

Group Comprehensive Income and Expenditure Statement

	Published 31 March 2012 Gross Expenditure £000s	MIDAS Pension Adjustment (1) £000s	Restated 31 March 2012 Gross Expenditure £000s	Published 31 March 2012 Gross Income £000s	MIDAS Pension Adjustment (1) £000s	Restated 31 March 2012 Gross Income £000s	Published 31 March 2012 Net Expenditure £000s	MIDAS Pension Adjustment (1) £000s	Restated 31 March 2012 Net Expenditure £000s
Highways and Transport Services									
Rail franchise	82,531		82,531	(83,537)		(83,537)	(1,006)	0	(1,006)
Concessionary fare scheme	54,540		54,540	0		0	54,540	0	54,540
Supported bus services	39,308		39,308	(6,082)		(6,082)	33,246	0	33,246
Metrolink	43,056		43,056	(30,484)		(30,484)	12,572	0	12,572
Exceptional accelerated depreciation charge	12,944		12,944	0		0	12,944	0	12,944
Accessible transport	7,024		7,024	(1,168)		(1,168)	5,856	0	5,856
Highways Activities	5,726		5,726	(2,035)		(2,035)	3,691	0	3,691
Road Safety Activities	5,478		5,478	(6,309)		(6,309)	(1,422)	0	(1,422)
Passenger transport facilities	6,295		6,295	(6,295)		(6,295)	0	0	0
Running Costs	54,155		54,155	(15,180)		(15,180)	37,976	0	37,976
Planning Services	311,058		311,058	(132,861)		(132,861)	158,397	0	158,397
Running Costs	5,976	58	6,034	(6,024)		(6,024)	(48)	58	10
Corporate and Democratic Core	5,189		5,189	(195)		(195)	5,034	0	5,034
Non distributed costs	43		43	0		0	43	0	43
Cost of Services	322,266		322,324	(158,840)		(158,840)	163,426	58	163,484
Other Operating Expenditure									
Losses on the disposal of non current assets	1,846		1,846	0		0	1,846	0	1,846
Financing and Investment Income and Expenditure	30,264	(4)	30,264	(450)		(450)	29,814	(4)	29,814
Taxation and Non-Specific Grant Income				(309,305)		(309,305)	(309,305)	0	(309,305)
(Surplus) on Provision of Services	354,380	(4)	354,434	(469,095)		(469,095)	(114,715)	54	(114,662)
Group (Surplus)	354,380		354,434	(469,095)		(469,095)	(114,715)	54	(114,662)
Actuarial (gains)/losses on pension fund assets and liabilities		54			0			(688)	14,968
Other Comprehensive (Income) and Expenditure							15,656		
Total Comprehensive (Income) and Expenditure							15,656		14,968
							(99,060)		(99,060)
									(634)

Reconciliation of the Authority Comprehensive (Income)/Expenditure to the Group Comprehensive (Income)/Expenditure

	Published 31 March 2012 £000s	MIDAS Pension Adjustment (1) £000s	Restated 31 March 2012 £000s
Deficit for the year on the Authority Comprehensive Income and Expenditure Statement	204,766		204,766
(Surplus)/deficit arising from other entities included in the group accounts analysed into the amounts attributable to:			
Subsidiary - TRGM	(304,813)		(304,813)
Subsidiary - GMATT	298		298
Subsidiary - CNE	55		55
Subsidiary - MIDAS	634	(634)	0
(Income)/Expenditure for the year on the Group Comprehensive Income and Expenditure Account	(99,060)	(634)	(99,694)

(1) The MIDAS FRS17 pension figures are no longer being disclosed due to MIDAS being part of the 'Small Admitted Bodies Pool' and not being required to include FRS17 figures in their accounts.

Notes to the Group Accounts (continued)

Note 34 Reconciliation of prior year adjustments from published statements to restated figures

Group Balance Sheet

	Published 2011/12 Balance Sheet 1 April 2011 £000s	MIDAS Pension Adjustment (1) £000s	Restated 2011/12 Balance Sheet April 2011 £000s	Published 2011/12 Balance Sheet 31 March 2012 £000s	MIDAS Pension Adjustment (1) £000s	Capital Adjustment and Deferred Capital Grants Accounts (2 & 3) £000s	Restated 2011/12 Balance Sheet 31 March 2012 £000s
<b>Non-Current Assets</b>							
Property, Plant & Equipment							
Land and Buildings	13,435		13,435	12,693			12,693
Vehicles, Plant, Furniture and Equipment	17,812		17,812	23,968			23,968
Infrastructure	334,960		334,960	515,962			515,962
Assets Under Construction	693,107		693,107	814,583			814,583
Investment Property	396		396	396			396
Net Pension Asset	34,742	374	35,116	18,459	1,008		19,467
<b>Total Non-Current Assets</b>	<b>1,094,452</b>	<b>374</b>	<b>1,094,826</b>	<b>1,386,061</b>	<b>1,008</b>		<b>1,387,069</b>
<b>Current Assets</b>							
Inventories	771		771	539			539
Short Term Debtors	69,730		69,730	50,447			50,447
Cash and Cash Equivalents	58,149		58,149	140,865			140,865
<b>Total Current Assets</b>	<b>128,650</b>		<b>128,650</b>	<b>191,851</b>			<b>191,851</b>
<b>Total Assets</b>	<b>1,223,102</b>	<b>374</b>	<b>1,223,476</b>	<b>1,577,912</b>	<b>1,008</b>		<b>1,578,920</b>
<b>Current Liabilities</b>							
Short Term Borrowing	(6,768)		(6,768)	(9,224)			(9,224)
Short Term Creditors	(78,204)		(78,204)	(103,493)			(103,493)
Revenue Grants Receipts in Advance	0		0	(1,000)			(1,000)
Capital Grants Receipts in Advance	0		0	(14,377)			(14,377)
Provisions	(564)		(564)	(1,455)			(1,455)
Deferred Liability	(2,051)		(2,051)	(2,160)			(2,160)
<b>Total Current Liabilities</b>	<b>(87,587)</b>	<b>0</b>	<b>(87,587)</b>	<b>(131,709)</b>	<b>0</b>		<b>(131,709)</b>
<b>Total Assets less Current Liabilities</b>	<b>1,135,515</b>	<b>374</b>	<b>1,135,889</b>	<b>1,446,203</b>	<b>1,008</b>		<b>1,447,211</b>
<b>Long Term Liabilities</b>							
Deferred Liability	(27,979)		(27,979)	(25,800)			(25,800)
Long Term Borrowing	(428,674)		(428,674)	(611,997)			(611,997)
Revenue Grants Receipts in Advance	0		0	(1,828)			(1,828)
Capital Grants Receipts in Advance	0		0	(28,126)			(28,126)
Deferred Income	0		0	(40)			(40)
Provisions	(3,005)		(3,005)	(3,495)			(3,495)
<b>Total Long Term Liabilities</b>	<b>(459,658)</b>	<b>0</b>	<b>(459,658)</b>	<b>(671,286)</b>	<b>0</b>		<b>(671,286)</b>
<b>Net Assets</b>	<b>675,857</b>	<b>374</b>	<b>676,231</b>	<b>774,917</b>	<b>1,008</b>		<b>775,925</b>
<b>Financed By :</b>							
<b>Usable Reserves - Authority :</b>							
General Fund Reserve	4,584		4,584	4,735			4,735
Capital Programme Reserve	10,675		10,675	25,943			25,943
Capital Grants Unapplied Reserve	9,072		9,072	9,072			9,072
Metrolink Reserve	34,496		34,496	34,496			34,496
Transport Infrastructure Fund Reserve (mini TIF)	3,240		3,240	412			412
<b>Usable Reserves - Executive :</b>	<b>62,067</b>	<b>0</b>	<b>62,067</b>	<b>74,658</b>	<b>0</b>		<b>74,658</b>
General Fund Reserve	4,523		4,523	4,552			4,552
Property Reserve	9,144		9,144	8,588			8,588
Revenue Grants Unapplied Reserve	10,000		10,000	20,000			20,000
Capital Grants Unapplied Reserve	12,020		12,020	9,599			9,599
Metrolink Reserve	10,849		10,849	6,597			6,597
Joint Road Safety Group Reserve	3,529		3,529	4,952			4,952
Concessionary Fares Reserve	14,045		14,045	18,371			18,371
<b>Usable Reserves - Manchester Family</b>	<b>64,110</b>	<b>0</b>	<b>64,110</b>	<b>72,659</b>	<b>0</b>		<b>72,659</b>
<b>Usable Reserves - Manchester Family</b>							
General Fund Reserve - CNE	215		215	160			160
General Fund Reserve - MIDAS	413	374	787	(221)	1,008		787
	628	374	1,002	(61)	1,008		947
<b>Unusable Reserves - Authority, Executive and GMATT :</b>							
Capital Adjustment Account (GMCA)	(163,489)		(163,489)	(163,125)		5,516	(157,609)
Financial Instruments Adjustment Account (GMCA)	(262)		(262)	(260)			(260)
Deferred Capital Grants and Contributions Account (TIGM)	724,164		724,164	817,205		(5,516)	811,689
Pensions Reserve (TIGM)	35,000		35,000	19,400			19,400
Capital Reserves (TIGM)	4,013		4,013	4,013			4,013
Deregulation Reserve (TIGM)	(53,436)		(53,436)	(52,336)			(52,336)
Charitable Trust Income and Expenditure Reserve (GMATT)	3,062		3,062	2,764			2,764
	549,052	0	549,052	627,661	0	0	627,661
<b>Total Reserves</b>	<b>675,857</b>	<b>374</b>	<b>676,231</b>	<b>774,917</b>	<b>1,008</b>	<b>0</b>	<b>775,925</b>

(1) The MIDAS FRS17 pension figures are no longer being disclosed due to MIDAS being part of the 'Small Admitted Bodies Pool' and not being required to include FRS17 figures in their accounts.

(2) Traffic Signals capital grants and contributions were incorrectly excluded from the Capital Adjustment Account.

(3) Traffic Signals capital grants and contributions were incorrectly included in the Deferred Capital Grants and Contributions Account.

## Notes to the Group Accounts (continued)

### Note 34 Reconciliation of prior year adjustments from published statements to restated figures

#### Group Cash Flow Statement

	Published 2011/12 Cash Flow Statement £000s	MIDAS Pension Adjustment (1) £000s	Restated 2011/12 Cash Flow Statement £000s
Net (Surplus) on the provision of services	(114,716)	54	(114,662)
Adjustments to net surplus or deficit on the provision of services for non cash movements	(115,479)	(54)	(115,533)
Adjust for items not included in the net (surplus) or deficit on the provision of services that are investing and financing activities	154,208		154,208
<b>Net Cash Flows from Operating Activities</b>	<b>(75,987)</b>	<b>0</b>	<b>(75,987)</b>
Investing Activities	181,866	0	181,866
Financing Activities	(188,595)	0	(188,595)
<b>(Increase)/decrease in cash and cash equivalent</b>	<b>(82,716)</b>	<b>0</b>	<b>(82,716)</b>
Cash and cash equivalents at the beginning of the reporting period.	58,149	0	58,149
Cash and cash equivalents at the end of the reporting period.	140,865	0	140,865

(1) The MIDAS FRS17 pension figures are no longer being disclosed due to MIDAS being part of the 'Small Admitted Bodies Pool' and not being required to include FRS17 figures in their accounts.

## Notes to the Group Accounts (continued)

### 35 Adjustments between accounting basis and funding basis under regulations

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

2011/12		2012/13
£'000	<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>	£'000
6,295	Revenue Expenditure Funded from Capital under Statute	18,430
4,084	Annual Depreciation Charge	4,177
1,856	Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	301
(121,622)	Capital Grants & Contributions Receivable	(53,432)
31,002	Capital grants released	39,657
(2,421)	Capital grants applied/(unapplied)	(4,414)
(2)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(2)
700	Amount by which pension costs calculated in accordance with the SORP (ie in accordance with IAS19) are different from the contributions due under pension scheme regulations	2,500
14,900	Actuarial gains and losses on pension assets and liabilities	14,300
<u>(65,208)</u>	<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>	<u>21,517</u>
(7,701)	Minimum Revenue Provision for capital financing	(8,090)
(2,070)	Inherited Debt Principal Payment	(2,161)
0	Transfer to Growing Places Reserve	34,529
0	Long Term Debtor financed from Capital Grants	(350)
(2,828)	Revenue Contributions to Finance Capital	(3,175)
<u>(12,599)</u>		<u>20,753</u>
<u>(77,807)</u>	<b>Total Adjustments</b>	<u><u>42,270</u></u>

Notes to the Group Accounts (continued)

36 Transfers to/(from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

	Balance as at 1 April 2011 £000's	Transfers Out 2011/12 £000's	Transfers In 2011/12 £000's	Balance as at 31 March 2012 £000's	Balance as at 1 April 2012 £000's	Transfers Out 2012/13 £000's	Transfers In 2012/13 £000's	Balance as at 31 March 2013 £000's
<b>Revenue Grants Unapplied Reserves :</b>								
Growing Places Fund (1)	0	0	0	0	0	0	2,828	2,828
LEP Capacity Building in Transport (2)	0	0	0	0	0	0	132	132
Local Sustainable Transport Fund (3)	0	0	0	0	0	(389)	12,921	12,532
Better Bus Area Fund (4)	0	0	0	0	0	(505)	1,477	972
Regional Growth Fund (5)	0	0	0	0	0	(2,763)	10,000	7,237
Regional Growth Fund Bank Interest (6)	0	0	0	0	0	0	8	8
Revenue Grants Unapplied Reserve - TfGM - (7)	10,000	0	10,000	20,000	20,000	10,000	(11,070)	18,930
	10,000	0	10,000	20,000	20,000	6,343	16,296	42,639
<b>Property Reserve - TfGM (8)</b>	9,144	(556)	0	8,588	8,588	0	702	9,290
<b>Metrolink Reserves (9)</b>								
Metrolink Reserve - GMCA	34,496	0	0	34,496	34,496	0	0	34,496
Metrolink Reserve - TfGM	10,849	(4,252)	0	6,597	6,597	(3,310)	0	3,287
	45,345	(4,252)	0	41,093	41,093	(3,310)	0	37,783
<b>Transport Infrastructure Reserve (W &amp; B mini TIF) (10)</b>	3,240	(2,828)	0	412	412	(412)	0	0
<b>Capital Programme Reserve (11)</b>	10,675	0	15,268	25,943	25,943	0	22,622	48,565
<b>Joint Road Safety Group Reserve - TfGM - (12)</b>	3,529	0	1,423	4,952	4,952	0	929	5,881
<b>Concessionary Fares Reserve - TfGM (13)</b>	14,045	0	4,326	18,371	18,371	(1,887)	0	16,484
<b>Unusable Reserves :</b>								
Capital Reserves - TfGM (14)	4,013	0	0	4,013	4,013	0	0	4,013
Deregulation Reserve - TfGM (15)	(53,436)	0	1,100	(52,336)	(52,336)	0	1,100	(51,236)
Charitable Trust Reserve - GMATT (16)	3,062	0	(298)	2,764	2,764	0	(724)	2,040
	(46,361)	0	802	(45,559)	(45,559)	0	376	(45,183)
<b>Total</b>	<b>49,617</b>	<b>(7,636)</b>	<b>31,819</b>	<b>73,800</b>	<b>73,800</b>	<b>734</b>	<b>40,925</b>	<b>115,459</b>
Transfer (to)/from General Fund			24,183				41,659	

Purpose of the Reserve :

- (1) Growing Places Fund : funding to establish revolving investment funds, promoting a long term locally led solution to local infrastructure constraints.
- (2) LEP Capacity Building in Transport : funding to assist in the process of devolving of major schemes.
- (3) Local Sustainable Transport Fund : funding to stimulate economic growth whilst reducing carbon emissions.
- (4) Better Bus Area Fund : funding to deliver a package of measures which will make a significant contribution to improving the role of bus.
- (5) Regional Growth Fund : funding to create new, sustainable, private sector jobs in areas vulnerable to public sector job losses.
- (6) Regional Growth Fund Bank Interest : funding to create new, sustainable, private sector jobs in areas vulnerable to public sector job losses.
- (7) Revenue Grants Unapplied Reserve - TfGM : Manchester Airport contributions to the Metrolink extension to the airport.
- (8) Property Reserve - TfGM : surpluses arising from 2 Piccadilly Place.
- (9) Metrolink Reserves : funding for Metrolink Service Enhancement related expenditure.
- (10) Wigan and Bolton mini TIF : funding for Wigan and Bolton transport infrastructure related expenditure.
- (11) Capital Programme Reserve : surpluses of capital financing costs which have been set aside to fund future capital programme related expenditure.
- (12) Joint Road Safety Group Reserve - TfGM : surpluses arising from the JRSG team.
- (13) Concessionary Fares Reserve - TfGM : surpluses of re-imbursed income which will be spent in future years.
- (14) Capital Reserves - TfGM : reserves from the entities from which the former GMPTC was formed.
- (15) Reserve representing the costs relating to the transfer of the Executive's bus operations to Greater Manchester Buses Ltd following the implementation of the Transport Act 1985.
- (16) Reserve representing the general fund balance on the subsidiary undertaking the Greater Manchester Accessible Transport Trust.

## Notes to the Group Accounts (continued)

### 37 Financing and Investment Expenditure

<i>restated</i> 2011/12 £000's		2012/13 £000's
22,798	Interest payable and similar charges on borrowings	
5,376	PWLB	25,160
77	Others	8,535
1,623	Brokerage Fees	0
390	Interest payable on the former GMC debt	1,567
	Pensions interest costs and expected return on pensions assets	2,295
30,264		37,557

### 38 Financing and Investment Income

2011/12 £000's		2012/13 £000's
450	Interest receivable on deposits	403
450		403

### 39 Taxation and Non Specific Grant Income

2011/12 £000's		2012/13 £000's
184,355	Transport Levy	191,211
2,475	Capital Grants Receivable for Traffic Signal Schemes - DfT	12
2,520	Capital Contributions Receivable for Traffic Signal Schemes - Others	1,767
98,624	Capital Grants Receivable for Transport Schemes - DfT	7,770
11,186	Capital Contributions Receivable for Transport Schemes - Others	2,882
10,646	Revenue Contributions Receivable for Transport Schemes - Others	11,038
309,806		214,680

## Notes to the Group Accounts (continued)

### 40 Grant Income

The Group credited the following grants and contributions to the Comprehensive Income and Expenditure Statement :

2011/12	<u>Credited to Cost of Services</u>	2012/13
£000's		£000's
112	Supporting Community Transport Grant - DfT	0
0	LEP Capacity in Transport - DfT	132
0	Better Bus Area Fund - DfT	1,477
0	Local Sustainable Transport Fund - DfT	12,921
83,537	Special Rail Grant - DfT	64,025
416	District Contributions to TfGM Transport Units	0
3,948	District Contributions to TfGM Traffic Signals Maintenance	0
679	District Contributions to the Traffic Signals Repairs	185
174	Fit for Work Grant - DWP	239
0	Growing Places Fund - CLG/Home Office	2,828
0	Regional Growth Fund 2 - CLG	10,000
0	Climate Change Risks - Defra	12
0	LEP Core Funding - CLG	125
0	EU Social Enterprises Progress	67
0	GM Digital City Technical Assistance - ERDF/CLG	41
0	City Deal - Skills Funding Agency	246
25	Local Enterprise Partnership Grant - BIS	0
2,578	District Contributions to the Manchester Family	2,658
155	District Contributions to the GMCA Costs	155
0	AGMA Contribution to GMCA Costs	50
2,999	Grants and Contributions to Commission for the New Economy Ltd	2,224
248	Grants and Contributions to MIDAS Ltd.	151
0	Revenue Expenditure Funded by Capital under Statute - CLG	34,537
94,871		132,073
	<u>Credited to Taxation and Non Specific Grant Income</u>	
2,475	Capital Grants Receivable for Traffic Signal Schemes - DfT	12
2,520	Capital Contributions Receivable for Traffic Signal Schemes - Others	1,767
98,624	Capital Grants Receivable for Transport Schemes - DfT	7,770
11,186	Capital Contributions Receivable for Transport Schemes - Others	2,882
10,646	Revenue Contributions Receivable for Transport Schemes - Others	11,038
125,451		23,469

## Notes to the Group Accounts (continued)

### 40 Grant Income

The Group credited the following grants and contributions to the Comprehensive Income and Expenditure Statement :

2011/12 £000's	<u>Credited to Cost of Services</u>	2012/13 £000's
112	Supporting Community Transport Grant - DfT	0
0	LEP Capacity in Transport - DfT	132
0	Better Bus Area Fund - DfT	1,477
0	Local Sustainable Transport Fund - DfT	12,921
83,537	Special Rail Grant - DfT	64,025
416	District Contributions to TfGM Transport Units	0
3,948	District Contributions to TfGM Traffic Signals Maintenance	0
679	District Contributions to the Traffic Signals Repairs	185
174	Fit for Work Grant - DWP	239
0	Growing Places Fund - CLG/Home Office	2,828
0	Regional Growth Fund 2 - CLG	10,000
0	Climate Change Risks - Defra	12
0	LEP Core Funding - CLG	125
0	EU Social Enterprises Progress	67
0	GM Digital City Technical Assistance - ERDF/CLG	41
0	City Deal - Skills Funding Agency	246
25	Local Enterprise Partnership Grant - BIS	0
2,578	District Contributions to the Manchester Family	2,658
155	District Contributions to the GMCA Costs	155
0	AGMA Contribution to GMCA Costs	50
2,999	Grants and Contributions to Commission for the New Economy Ltd	2,224
248	Grants and Contributions to MIDAS Ltd.	151
0	Revenue Expenditure Funded by Capital under Statute - CLG	34,537
94,871		132,073
	<u>Credited to Taxation and Non Specific Grant Income</u>	
2,475	Capital Grants Receivable for Traffic Signal Schemes - DfT	12
2,520	Capital Contributions Receivable for Traffic Signal Schemes - Others	1,767
98,624	Capital Grants Receivable for Transport Schemes - DfT	7,770
11,186	Capital Contributions Receivable for Transport Schemes - Others	2,882
10,646	Revenue Contributions Receivable for Transport Schemes - Others	11,038
125,451		23,469



## Notes to the Group Accounts (continued)

### 41 Financial Instruments

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

	Long Term			Current		
	1 April 2011 £000's	31 March 2012 £000's	31 March 2013 £000's	1 April 2011 £000's	31 March 2012 £000's	31 March 2013 £000's
<b>Investments</b>						
Loans and receivables - due within 3 months	0	0	250	51,291	133,006	41,998
<b>Debtors</b>						
Loans and receivables	0	0	626	65,145	45,491	43,568
<b>Cash</b>						
	0	0	0	6,858	7,859	4,934
<b>Borrowings</b>						
Financial liabilities at amortised cost	428,674	611,997	662,062	6,768	9,224	23,797
<b>Creditors and Grants Received in Advance</b>						
Financial liabilities at amortised cost	0	29,954	16,072	77,376	118,080	144,552

### Income and Expense

	2011/12			2012/13		
	<i>restated</i> Financial Liabilities measured at amortised cost £000's	Financial assets: loans and receivables £000's	Total £000's	Financial Liabilities measured at amortised cost £000's	Financial assets: loans and receivables £000's	Total £000's
Interest expense	(28,174)		(28,174)	(33,695)		(33,695)
Fee expense	(77)		(77)	0		0
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>(28,251)</b>	<b>0</b>	<b>(28,251)</b>	<b>(33,695)</b>	<b>0</b>	<b>(33,695)</b>
Interest Income		450	450		403	403
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>450</b>	<b>450</b>	<b>0</b>	<b>403</b>	<b>403</b>
<b>Net gain/(loss) for the year</b>	<b>(28,251)</b>	<b>450</b>	<b>(27,801)</b>	<b>(33,695)</b>	<b>403</b>	<b>(33,292)</b>

## Notes to the Group Accounts (continued)

### 41 Financial Instruments (continued)

#### Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining life of the instrument, using the following assumptions :

interest is calculated using the most common market convention, ACT/365 (366 years in a leap year with the exception of PWLB)

interest is not paid/received on the start date of an instrument, but is paid/received on the maturity date

we have not adjusted the interest value and date where a relevant date occurs on a non working day

The fair values are calculated as follows :

	1 April 2011		31 March 2012		31 March 2013	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's <i>restated</i>	Carrying Amount £000's	Fair Value £000's
<b>Financial Liabilities at Amortised Cost</b>						
PWLB Debt - from 31 March 2012 using premature repayment	255,879	262,313	443,221	582,255	443,161	598,823
Non- PWLB debt	179,563	200,289	178,000	184,535	242,698	255,026
Total Borrowings	435,442	462,602	621,221	766,790	685,859	853,849
Creditors	77,376	77,376	148,034	148,034	160,624	160,624
Total Financial Liabilities	512,818	539,978	769,255	914,824	846,483	1,014,473

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss arising from a commitment to pay interest to lenders above the current market rates.

Short term creditors are carried at cost as this is a fair approximation of their value.

	1 April 2011		31 March 2012		31 March 2013	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
<b>Financial Assets at Amortised Cost</b>						
Cash	6,858	6,858	7,859	7,859	4,934	4,934
Loans and receivables	120,895	120,645	178,497	178,471	85,566	85,566
Total Loans and Receivables	127,753	127,503	186,356	186,330	90,500	90,500

If the fair value of the assets is lower than the carrying amount this is because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future loss attributable to the commitment to receive interest below the current market rates.

Debtors are carried at cost as this is a fair approximation of their value.

## Notes to the Group Accounts (Continued)

### 41 Financial Instruments (continued)

	Range of interest rates payable in 12-13		Average Interest	Average Interest	Total Outstanding	Total Outstanding	Total Outstanding
	from %	to %	% at 31/03/12	% at 31/03/13	1 April 2011 £'000	31 March 2012 £'000	31 March 2013 £'000
<b>a) Analysis of loans by type :</b>							
Public Works Loans Board	0.59%	11.375%	5.05%	5.05%	253,028	438,028	438,028
Other Loans	3.95%	10.50%	4.75%	4.61%	177,161	175,628	238,951
Accrued Interest Payable :							
PWLB					2,851	5,193	5,133
Others					2,402	2,372	3,747
Total as at 31st March			4.96%	4.89%	435,442	621,221	685,859
<b>b) Analysis of loans by maturity</b>							
<b>Maturing:</b>							
Due within 1 year : accrued interest payable							
PWLB					2,851	5,193	5,133
Others					2,402	2,372	3,747
Due within 1 year : principal							
PWLB					0	0	0
Others					1,515	1,659	14,917
Due within 1 year					<u>6,768</u>	<u>9,224</u>	<u>23,797</u>
In 1 to 2 years					1,655	14,912	0
In 2 to 5 years					20,714	10,801	22,342
In 5 to 10 years					50,002	45,001	67,205
In over 10 years					356,303	541,283	572,515
Due over 1 year					<u>428,674</u>	<u>611,997</u>	<u>662,062</u>
Total					<u>435,442</u>	<u>621,221</u>	<u>685,859</u>

42 Short Term Debtors

Total 1 April 2011 £'000's	Total 31 March 2012 £'000's		Total 31 March 2013 £'000's
		<b>Central Government Bodies</b>	
4,585	4,956	HMR & C	3,638
28,410	5,267	Capital Grants	133
0	383	Revenue Grants	807
7,901	9,716	<b>Other Local Authorities</b>	15,482
113	23	<b>NHS Bodies</b>	0
380	0	<b>Public Corporations</b>	4
8,201	7,978	<b>Prepayments</b>	7,311
20,140	22,124	<b>Other entities and individuals</b>	19,831
<u>69,730</u>	<u>50,447</u>	<b>Total</b>	<u>47,206</u>

Within short term debtors an amount of £2,447k (2011/12 £2,042k) has been outstanding for over 30 days but has not been impaired.

Short term debtors at a nominal value of £1,419k (2011/12 £1,254k) were impaired.

43 Cash and Cash Equivalents

Total 1 April 2011 £'000's	Total 31 March 2012 £'000's		Total 31 March 2013 £'000's
6,858	7,859	Bank current accounts	4,934
14,540	15,502	Bank call accounts	19,747
250	0	Short term deposits with banks	250
6,500	63,503	Short term deposits with other local authorities	0
30,001	54,001	Short term deposits with central government	22,001
<u>58,149</u>	<u>140,865</u>	<b>Total</b>	<u>46,932</u>

44 Short Term Creditors

Total 1 April 2011 £'000's	<i>restated</i> Total 31 March 2012 £'000's		Total 31 March 2013 £'000's
		<b>Central Government Bodies</b>	
717	790	HMR & C	831
1,701	1,677	Revenue Grants	942
0	10,772	DfT	23,154
9,097	3,188	<b>Other Local Authorities</b>	13,233
163	121	<b>NHS Bodies</b>	0
310	150	<b>Public Corporations</b>	0
66,216	86,795	<b>Other entities and individuals</b>	63,151
<u>78,204</u>	<u>103,493</u>	<b>Total</b>	<u>101,311</u>

Notes to the Group Accounts (Continued)

45 Property, Plant & Equipment / Assets under Construction and Investment Property

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure £'000	Assets under Construction £'000	TOTAL £'000
<b>Cost or Valuation :</b>					
At 1 April 2011	15,019	39,968	507,743	693,107	1,255,837
Additions at cost	12	70	5,740	0	5,822
Transfers from assets under construction	0	10,796	210,473	0	221,269
Reclassification	0	(1,555)	1,555	0	0
Disposals	0	(121)	(2,853)	0	(2,774)
Revaluation	(2,191)	0	0	0	(2,191)
Expenditure incurred/grant receivable	0	0	0	355,486	355,486
Release of expenditure from prior year	0	0	0	3,924	3,924
Trf to fixed assets/deferred capital grants	0	0	0	(221,269)	(221,269)
Transferred to passenger transport facilities	0	0	0	(6,295)	(6,295)
Transferred to revenue account	0	0	0	(10,370)	(10,370)
At 31 March 2012	<u>12,840</u>	<u>49,158</u>	<u>722,858</u>	<u>814,583</u>	<u>1,599,439</u>
At 1 April 2012	12,840	49,158	722,858	814,583	1,599,439
Additions at cost	47	158	5,439	0	5,644
Transfers from assets under construction	0	3,805	508,910	0	512,715
Reclassification	0	0	0	0	0
Disposals	0	(239)	(2,118)	0	(2,357)
Revaluation	0	0	0	0	0
Expenditure incurred/grant receivable	0	0	0	278,346	278,346
Release of expenditure from prior year	0	0	0	0	0
Trf to fixed assets	0	0	0	(512,715)	(512,715)
Transferred to passenger transport facilities	0	0	0	(21,638)	(21,638)
Transferred to revenue account	0	0	0	0	0
At 31 March 2013	<u>12,887</u>	<u>52,882</u>	<u>1,235,089</u>	<u>558,576</u>	<u>1,859,434</u>
<b>Accumulated Depreciation :</b>					
At 1 April 2011	1,584	22,156	172,783	0	196,523
Charge for year	754	4,515	33,550	0	38,819
Reclassification	0	(1,360)	1,360	0	0
Disposals	0	(121)	(797)	0	(918)
Revaluation	(2,191)	0	0	0	(2,191)
At 31 March 2012	<u>147</u>	<u>25,190</u>	<u>206,896</u>	<u>0</u>	<u>232,233</u>
At 1 April 2012	147	25,190	206,896	0	232,233
Charge for year	394	4,615	41,745	0	46,754
Reclassification	0	0	0	0	0
Disposals	0	(231)	(1,458)	0	(1,689)
Revaluation	0	0	0	0	0
At 31 March 2013	<u>541</u>	<u>29,574</u>	<u>247,183</u>	<u>0</u>	<u>277,298</u>
<b>Net Book Value :</b>					
At 1 April 2011	<u>13,435</u>	<u>17,812</u>	<u>334,960</u>	<u>693,107</u>	<u>1,059,314</u>
At 31 March 2012	<u>12,693</u>	<u>23,968</u>	<u>515,962</u>	<u>814,583</u>	<u>1,367,206</u>
At 31 March 2013	<u>12,346</u>	<u>23,308</u>	<u>987,906</u>	<u>558,576</u>	<u>1,582,136</u>

**Investment Property**

	Investment Property £'000
<b>Cost or Valuation :</b>	
At 1 April 2011	396
Revaluation	0
At 31 March 2012	<u>396</u>
At 1 April 2012	396
Revaluation	0
At 31 March 2013	<u>396</u>

TOTAL PPE, Assets under Construction and Investment Property at 1 April 2011 1,059,710

TOTAL PPE, Assets under Construction and Investment Property at 31 March 2012 1,367,602

TOTAL PPE, Assets under Construction and Investment Property at 31 March 2013 1,582,532

Losses on Disposal of Non Current Assets

2011/12 £000's	2012/13 £000's
<u>1,846</u>	<u>660</u>

## Notes to the Group Accounts (Continued)

### 46 Inventories

	1 April 2011 £'000	31 March 2012 £'000	31 March 2013 £'000
Material in relation to route service provision	40	180	49
Material in relation to traffic control equipment	731	359	186
	771	539	235

### 47 Deferred Income

	1 April 2011 £'000	31 March 2012 £'000	31 March 2013 £'000
Income deferred against future expenditure	0	40	130

All due in over 1 year

### 48 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 provided as at 31 March 2013 relate to (a) capital works, and (b) others, including insurance excesses, contractual obligations, contracted maintenance and an onerous lease.

	2011/12 £'000	2011/12 £'000	2011/12 £'000
	Capital Works	Others	Total
Balance as at 1 April	2,800	769	3,569
Additional amounts set aside during the year	3,280	1,198	4,478
Utilised during the year	(2,800)	(115)	(2,915)
Released during the year		(182)	(182)
Balance as at 31 March	3,280	1,670	4,950
Due within 1 year	0	1,455	1,455
Due in over 1 year	3,280	215	3,495
	2012/13 £'000	2012/13 £'000	2012/13 £'000
	Capital Works	Others	Total
Balance as at 1 April	3,280	1,670	4,950
Additional amounts set aside during the year	0	166	166
Utilised during the year	(2,000)	(105)	(2,105)
Released during the year	(1,280)	(11)	(1,291)
Balance as at 31 March	0	1,720	1,720
Due within 1 year	0	1,516	1,516
Due in over 1 year	0	204	204

Notes to the Group Accounts (continued)

49 Usable Reserves

Movements in the Group's usable reserves are detailed in the Movement in Reserves Statement and Note 36.

50 Unusable Reserves

Total 1 April 2011 £'000's	<i>restated</i> Total 31 March 2012 £'000		Total 31 March 2013 £'000
(163,489)	(157,609)	Capital Adjustment Account	(164,361)
(262)	(260)	Financial Instruments Adjustment Account	(258)
724,164	811,689	Deferred Capital Grants and Contributions	792,969
35,000	19,400	Pensions Reserve	2,600
4,013	4,013	Capital Reserve	4,013
(53,436)	(52,336)	Deregulation Reserve	(51,236)
3,062	2,764	Charitable Trust Income and Expenditure Reserve	2,040
<u>549,052</u>	<u>627,661</u>	<b>Total Unusable Reserves</b>	<u>585,767</u>

50(a) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of the capital grants payable to TfGM for Passenger Transport Facilities, Manchester City Council and ED & R partners, and credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

Note 35 provides details of the source of all the transactions posted to the Account.

<i>restated</i> 2011/12 £'000		2012/13 £'000
(163,489)	Balance as at 1st April	(157,609)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :	
(6,295)	Revenue expenditure funded by capital under statute	(18,430)
(4,084)	Annual Depreciation Charge of non current assets	(4,177)
(1,856)	Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(301)
	Capital Financing Applied in the year :	
5,516	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,380
7,701	Statutory provision for the financing of capital investment and Inherited Debt charged against the General Fund	8,090
2,070	Repayment of Inherited Debt charged against the General Fund	2,161
0	Long Term Debtor financed from Capital Grants	350
2,828	Revenue Contributions to Finance Capital	3,175
<u>(157,609)</u>	Balance as at 31st March	<u>(164,361)</u>

## Notes to the Group Accounts (continued)

### 50(b) Deferred Capital Grants and Contributions

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

Note 35 provides details of the source of all the transactions posted to the Account.

*restated*

2011/12 £'000		2012/13 £'000
724,164	Balance as at 1st April	811,689
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :	
(31,002)	Charges for capital grants released	(39,657)
	Capital Financing Applied in the year :	
118,527	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	20,937
<u>811,689</u>	Balance as at 31st March	<u>792,969</u>

### 50(c) Pensions Reserve

This relates to the net pension asset as at 31 March 2013 in accordance with the actuary's report. Further details are shown in Note 55.

2011/12 £'000		2012/13 £'000
35,000	Balance as at 1st April	19,400
(14,900)	Actuarial gains and losses on pensions assets/liabilities	(14,300)
(3,700)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.	(5,600)
3,000	Employer's pension contributions and direct payments to pensioners payable in the year	3,100
<u>19,400</u>	Balance as at 31st March	<u>2,600</u>



## Notes to the Group Accounts (continued)

### 50(d) Capital Reserve

This primarily relates to the reserves of the entities from which the former GMPTE was formed.

2011/12 £'000		2012/13 £'000
4,013	Balance as at 1st April	4,013
4,013	Balance as at 31st March	4,013

### 50(e) Deregulation Reserve

The Deregulation Reserve represents payments and losses incurred by TfGM with respect to deregulation on 25 October 1986, which were not charged to profit and loss.

2011/12 £'000		2012/13 £'000
(53,436)	Balance as at 1st April	(52,336)
1,100	Amortisation during the year	1,100
(52,336)	Balance as at 31st March	(51,236)

### 50(f) Charitable Trusts Income and Expenditure Reserve

These are the assets of the Greater Manchester Accessible Transport Trust group which have been consolidated into the GMCA group accounts, but are not the property of the Authority.

2011/12 £'000		2012/13 £'000
3,062	Balance as at 1st April	2,764
(298)	(Deficit) / Surplus in the year	(724)
2,764	Balance as at 31st March	2,040

## Notes to the Group Accounts (continued)

### 51 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items :

2011/12 £'000's		2012/13 £'000's
430	Interest Received	416
(27,539)	Interest and similar charges Paid	(33,952)

### 52 Cash Flow Statement - Investing Activities

2011/12 £'000's		2012/13 £'000's
(318,431)	Purchase of property, plant and equipment	(297,417)
0	Long Term Loans paid out	(626)
136,555	Capital grants and contributions received	69,601
10	Proceeds from sale of property, land and equipment	0
<u>(181,866)</u>	<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<u>(228,442)</u>

### 53 Cash Flow Statement - Financing Activities

2011/12 £'000's		2012/13 £'000's
(2,076)	Repayment of former GMC Debt	(2,161)
4,845	Capital Grants Receipts in Advance relating to non GMCA road schemes	11,716
(25,531)	Repayment of borrowing	(1,675)
211,357	Receipt of borrowing	66,364
<u>188,595</u>	<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<u>74,244</u>

## Notes to the Group Accounts (continued)

54	<u>External Audit Fees</u>	
2011/12		2012/13
£'000's		£'000's
165	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year.	(3)
28	Fees payable to other external auditors with regard to external audit services carried out by the appointed auditor for the year.	134
17	Fees payable to the Audit Commission for the certification of grant claims and returns for the year.	2
0	Fees payable to other external auditors for the certification of grant claims and returns for the year.	3
3	Fees payable in respect of other services provided by the Audit Commission during the year.	1
4	Fees payable in respect of other services provided by other external auditors during the year.	2
217		139

## Notes to the Group Accounts (Continued)

### 55 Pension Costs

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

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

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

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

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

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

Pension contributions paid by TfGM in the year amounted to £2.735 million (2011/12 : £2.527 million), in respect of current employees. Per the IAS19 Report at 31 March 2013 it is estimated that contributions payable by TfGM for the year to 31 March 2014 will be approximately £2.952 million.

Total costs of £0.443 million (2011/12 : £0.443 million) were charged to TfGM in respect of unfunded Pension Increase Costs in respect of former employees. Part of the existing surplus on the defined benefit scheme has been used to reduce the amount of these unfunded liabilities.

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

#### Assumptions

<u>Financial Assumptions as at:</u>	31.03.2009	31.03.2010	31.03.2011	31.03.2012	31.03.2013
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Salary increases *	4.6%	5.3%	4.3%	4.3%	4.6%
Pension increases	4.5%	3.8%	2.8%	2.5%	2.8%
Discount rate	6.9%	5.5%	5.5%	4.8%	4.5%

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

#### Expected return on assets

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

## Notes to the Group Accounts (Continued)

### 55 Pension Costs (continued)

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

#### Mortality

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

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

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

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

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

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

#### Amount recognised in Statement of Comprehensive Income and Expenditure Statement

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

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

## Notes to the Group Accounts (Continued)

### 55 Pension Costs (continued)

	2011/12 £000	2012/13 £000
<b>Operating Surplus :</b>		
Current service gain/ (cost)	(3,000)	(3,300)
Past service gain/ (cost)	0	0
Losses on Curtailments and settlements	(300)	0
Total operating income/ (charge)	<u>(3,300)</u>	<u>(3,300)</u>
<b>Other finance income :</b>		
Expected return on pension scheme assets	16,600	13,500
Interest on pension scheme liabilities	(17,000)	(15,800)
Net cost	<u>(400)</u>	<u>(2,300)</u>
<b>Net Revenue Account Return/ (Cost):</b>		
Actual return on scheme assets	<u>(3,700)</u>	<u>(5,600)</u>
	<u>14,400</u>	<u>25,600</u>
	<b>2011/12 £000</b>	<b>2012/13 £000</b>
<b>Reconciliation of defined benefit obligation</b>		
Opening defined benefit obligation	317,700	337,000
Current service cost	3,000	3,300
Interest on pension scheme liabilities	17,000	15,800
Contributions by members	1,200	1,200
Actuarial (gains)/losses	20,700	26,500
Past service (income)/ Cost	0	0
Losses on curtailments and settlements	300	0
Estimated unfunded benefits paid	(400)	(400)
Estimated benefits paid	<u>(22,500)</u>	<u>(21,900)</u>
Closing defined benefit obligation	<u>337,000</u>	<u>361,500</u>
<b>Reconciliation of fair value of employer assets</b>		
Opening fair value of employer assets	352,700	356,400
Expected return on assets	16,600	13,500
Contributions by members	1,200	1,200
Contributions by employer	2,600	2,700
Contributions in respect of unfunded benefits	400	400
Actuarial gains/ (losses)	5,800	12,200
Unfunded benefits paid	(400)	(400)
Benefits paid	<u>(22,500)</u>	<u>(21,900)</u>
Closing fair value of employer assets	<u>356,400</u>	<u>364,100</u>
Pension Scheme Asset/(Liability)	19,400	2,600

The IAS19 valuation at 31 March 2013 showed a reduction in the fund during the year of £16.8 million (2011/12 : reduction of £15.6 million), to end the year with a surplus of £2.6 million (2011/12 : surplus of £19.4 million).

55 **Pension Costs (continued)**

In order to assess the employer's liabilities in the Fund at 31 March 2013 the actuary has rolled forward the value of employer's liabilities calculated as at the latest formal funding valuation, allowing for the different financial assumptions required under this year's IAS 19 valuation. In calculating the service cost, the actuary has allowed for changes in TfGM's pensionable payroll as estimated from contribution information provided. In calculating the asset share, the actuary has rolled forward the employer's share of the asset allocated at the latest formal funding valuation allowing for investment returns (estimated where necessary), the effect of contributions paid into, and estimated benefits paid from, the Fund by the employer and its employees. The actuary has also adjusted the employer's assets to take account of the IAS19 disclosure requirement to use the bid value of assets.

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

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

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

In addition to the employees of TfGM who participate in the Greater Manchester Pension Fund, as at 31 March 2013 there were 3 current employees of MIDAS, and 1 current employee of CNE who also participated.

A proposal has been presented to the board of MIDAS to approve a change in accounting policy for the GMPF, taking it out of FRS17 and accounting for it as a defined contribution scheme. The proposal was accepted by the board and the MIDAS Financial Statements 2012-13 have been prepared on that basis.

It should be noted that the assumptions used by the actuary in the calculation of pension assets and liabilities relating to CNE are different to those used by TfGM.

These differences are not material when considered against the significantly larger values of the of the TfGM pension scheme.

Full details of the CNE FRS17 pension figures can be found in the Directors' Report and Financial Statements which are available on request from the address shown on page 63.

The respective GMPF pension scheme assets/liabilities are as follows :

	<i>restated</i> 1 April 2011 £000	<i>restated</i> 31 March 2012 £000	31 March 2013 £000
Pension Scheme Asset/(Liability) : MIDAS	0	0	0
Pension Scheme Asset : CNE	116	67	2

## Notes to the Group Accounts (Continued)

### 55 Pension Costs (continued)

The amounts recognised as an expense for defined contribution plans is as follows :

	2011/12 £'000's	2012/13 £'000's
	259	257

### 56 Contractual Commitments

	31 March 2012 £'000	31 March 2013 £'000
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Capital Commitments	285,721	245,109
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#### Lease Commitments

There were no amounts due under external finance lease and hire purchase contracts for the Group. A number of operating leases relating to land, building and office equipment have been entered into which vary in length.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was :

	2011/12 £'000's	2012/13 £'000's
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697 Highways and Transport Services		565
278 Planning Services		251

975

816

The total future minimum lease commitments under non-cancellable operating leases were as follows :

	1 April 2011 £'000	31 March 2012 £'000	31 March 2013 £'000
<b>Land</b>			
Payments due within 1 year	309	346	52
Later than 1 year and not later than 5 years	1,027	1,263	39
Later than 5 years	1,558	1,576	302
	<u>2,894</u>	<u>3,185</u>	<u>393</u>
<b>Buildings</b>			
Payments due within 1 year	492	425	452
Later than 1 year and not later than 5 years	1,643	1,593	1,894
Later than 5 years	5,782	5,177	4,709
	<u>7,917</u>	<u>7,195</u>	<u>7,055</u>
<b>Other</b>			
Payments due within 1 year	19	18	12
Later than 1 year and not later than 5 years	38	21	33
Later than 5 years	0	0	0
	<u>57</u>	<u>39</u>	<u>45</u>



## Notes to the Group Accounts (Continued)

### 57 Staff Costs

	2011/12 £000	2012/13 £000
Wages and Salaries	27,159	27,319
Social Security Costs	2,186	2,301
Pension Costs	2,854	3,022
<b>Total</b>	<b>32,199</b>	<b>32,642</b>
Average number of employees during the year	1,016	1,012

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

	2011/12	2012/13
<b>Salary Range</b>		
£50,000 to £54,999	22	25
£55,000 to £59,999	11	12
£60,000 to £64,999	13	12
£65,000 to £69,999	3	2
£70,000 to £74,999	2	2
£75,000 to £79,999	4	6
£80,000 to £84,999	2	2
£85,000 to £89,999	1	1
£90,000 to £94,999	3	3
£95,000 to £99,999	1	1
£100,000 to £104,999	0	0
£105,000 to £109,999	1	1
£110,000 to £114,999	0	0
£115,000 to £119,999	0	0
£120,000 to £124,999	3	3
£125,000 to £129,999	1	1
	<b>67</b>	<b>71</b>

### Agreed Staff Exit Packages

<b>Exit Package Cost Band</b>	<b>Total number of exit packages by cost band</b>		<b>Total cost of exit packages in each band</b>	
	2011/12	2012/13	2011/12 £000	2012/13 £000
	£0 - £20,000	11	17	99
£20,001 - £40,000	7	0	205	0
£40,001 - £60,000	4	0	201	0
	<b>22</b>	<b>17</b>	<b>505</b>	<b>88</b>

## Notes to the Group Accounts (Continued)

### 58 Related Party Transactions

The Group is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Group or to be controlled or influenced by the Group.

Transactions and balances between the Authority and its' related parties are disclosed in Note 30.

Transactions and balances between the Group entities and their related parties are disclosed in their respective Financial Statements as follows :

Transport for Greater Manchester :	Disclosure Note 21
Greater Manchester Accessible Transport	Disclosure Note 20
Commission for the New Economy Ltd. :	Disclosure Note 17
MIDAS Ltd. :	Disclosure Note 16

### 59 Short Term Investments

The balance of short term investments is made up of the following :

Total 1 April 2011 £'000's	Total 31 March 2012 £'000's		Total 31 March 2013 £'000's
0	0	Bank deposit account	250
<u>0</u>	<u>0</u>	Total	<u>250</u>

Short Term investments are carried at cost and represent money market deposits invested for more than 3 months but less than 12 months.

These short term investments utilise cash balances which are in excess of current requirements.

The interest receivable which is not included within the figures as at 31 March 2013 is £2k (31 March 2012 £nil)

The average interest receivable on the short term deposits as at 31 March 2013 was 2.22% (31 March 2012 nil%).

## Notes to the Group Accounts (Continued)

### 60 Post Balance Sheet Event

The unaudited accounts presented to the 19 July 2013 Audit Committee included Note 57 Contingent Liability and Contingent Asset disclosure.

During August 2013, discussions were concluded, which has resulted in this disclosure note being removed from the 2012/13 accounts as there is no material impact on the financial statements.

There are no other material post balance sheet events.

**Note 61 Segmental Reporting Analysis**

The table below is a reconciliation of the 2011-12 internal management reports (monitoring and output) used by the Authority to make decisions, and the 2011-12 Group Comprehensive Income and Expenditure Statement. The segments identified in the subjective analysis are the same segments that are reported to the Authority during the year. The management reports of group entities are not reported to the Authority therefore the subjective analysis will not differ to that in the Authority's single entity statements.

Subjective Analysis	Economic Development & Regeneration £000s	Transport £000s	Total £000s
Transport Levy		(184,350)	(184,350)
Contributions to the Traffic Functions	(2,730)	(5,040)	(7,770)
Contributions to ED & R Functions	(200)	(110)	(310)
Government Grants	(2,930)	(189,500)	(192,430)
<b>Total Income</b>			
Grants to Transport for Greater Manchester		133,360	133,360
Payments for Transport Functions	2,780	5,040	7,820
Payments for ED & R Functions		35,000	35,000
Capital Financing Costs	140	690	830
Running Costs	2,920	174,090	177,010
<b>Total Operating Expenses</b>			
<b>Cost of Services - (Surplus)</b>	(10)	(15,410)	(15,420)

**Reconciliation to net cost of services in the Group Comprehensive Income and Expenditure Statement (CIES)**

Cost of services in service analysis - (surplus)	£000s
Add subsidiaries & associates not included in analysis	(15,420)
Add amounts not reported to management *	166,648
Remove amounts reported to management not included in NCS in Group CIES	4,088
	8,168
<b>Net cost of services in the Group Comprehensive Income and Expenditure Statement</b>	<b>163,484</b>

Reconciliation to subjective analysis	Service Analysis £000s	Analysis of subsidiaries not included in service analysis £000s	Not Reported to Management* £000s	Not Included in Group CIES NCS £000s	Net Cost of Services £000s	Corporate Amounts £000s	Subsidiaries not in NCS £000s	Total £000s
Fees, charges & other service income	0	(63,400)	0	0	(63,400)	0	0	(63,400)
Interest and investment income	0	0	0	0	0	(429)	(21)	(450)
Income from the Transport Levy	(184,350)	0	0	184,350	0	(184,355)	0	(184,355)
Grants and contributions	(8,080)	(87,360)	0	0	(95,440)	(5,516)	(119,935)	(220,891)
<b>Total Income</b>	<b>(192,430)</b>	<b>(150,760)</b>	<b>0</b>	<b>184,350</b>	<b>(158,840)</b>	<b>(190,300)</b>	<b>(119,956)</b>	<b>(469,096)</b>
Grants to Transport for Greater Manchester	133,360	0	2	(133,362)	0	0	0	0
Payments for Traffic Functions	5,040	0	3	(5,043)	0	0	0	0
Payments for ED & R Functions	2,780	0	(3)	(2,777)	0	0	0	0
Capital Financing Costs	35,000	0	0	(35,000)	0	0	0	0
Employee Expenses	0	30,598	0	0	30,598	0	0	30,598
Service Expenses	830	252,075	2	0	252,907	0	0	252,907
Depreciation	0	34,735	4,084	0	38,819	0	0	38,819
Interest payments	0	0	0	0	0	25,665	4,599	30,264
(Gain) or loss on disposal of non-current assets	0	0	0	0	0	1,856	(1,10)	1,846
<b>Total Operating Expenses</b>	<b>177,010</b>	<b>317,408</b>	<b>4,088</b>	<b>(176,182)</b>	<b>322,324</b>	<b>27,521</b>	<b>4,589</b>	<b>354,434</b>
<b>(Surplus) or deficit in the provision of services</b>	<b>(15,420)</b>	<b>(166,648)</b>	<b>4,088</b>	<b>8,168</b>	<b>163,484</b>	<b>(162,779)</b>	<b>(115,367)</b>	<b>(114,662)</b>

\*Items not reported to management includes depreciation of traffic signals.

**Note 6.1 Segmental Reporting Analysis**

The table below is a reconciliation of the 2012-13 internal management reports (monitoring and output) used by the Authority to make decisions, and the 2012-13 Group Comprehensive Income and Expenditure Statement. The segments identified in the subjective analysis are the same segments that are reported to the Authority during the year. The management reports of group entities are not reported to the Authority therefore the subjective analysis will not differ to that in the Authority's single entity statements.

Subjective Analysis	Economic Development & Regeneration £000's	Transport £000's	Total £000's
Transport Levy		(191,211)	(191,211)
Contributions to the Traffic Functions	(2,813)	(185)	(185)
Contributions to ED & R Functions	(13,558)	(14,530)	(28,113)
Government Grants	(16,371)	(205,926)	(222,297)
Grants to Transport for Greater Manchester		123,034	123,034
Payments for Transport Functions	6,151	4,683	4,683
Payments for ED & R Functions	(149)	60,562	6,151
Capital Financing Costs	225	589	60,413
Running Costs	6,227	188,868	195,095
Total Operating Expenses			814
Transfers to Earmarked Reserves	10,073	16,903	26,976
Cost of Services - (Surplus)	(71)	(155)	(226)

**Reconciliation to net cost of services in the Group Comprehensive Income and Expenditure Statement (CIES)**

Cost of services in service analysis - (surplus)	£000's	(226)
Add subsidiaries & associates not included in analysis	181,018	
Add amounts not reported to management *	(17,751)	
Remove amounts reported to management not included in NCS in Group CIES	(30,046)	
Net cost of services in the Group Comprehensive Income and Expenditure Statement	132,995	

	Service Analysis £000's	Analysis of subsidiaries not included in service analysis £000's	Not Reported to Management* £000's	Not included in Group CIES NCS £000's	Net Cost of Services £000's	Corporate Amounts £000's	Subsidiaries not in NCS £000's	Total £000's
Reconciliation to subjective analysis	0	(66,769)	0	0	(66,769)	0	0	(66,769)
Fees, charges & other service income	(191,211)	0	0	0	0	(388)	(15)	(403)
Interest and investment income	(31,086)	(67,441)	(34,537)	191,211	(133,064)	(191,211)	0	(191,211)
Income from the Transport Levy								
Grants and contributions	(222,297)	(134,210)	(34,537)	191,211	(199,833)	(2,372)	(21,097)	(156,533)
Total Income								(414,916)
Grants to Transport for Greater Manchester	123,034	0	0	(123,034)	0	0	0	0
Payments for Traffic Functions	4,683	0	0	(4,683)	0	0	0	0
Payments for ED & R Functions	6,151	0	0	(6,151)	0	0	0	0
Capital Financing Costs	60,413	0	0	(60,413)	0	0	0	0
Employee Expenses	814	34,625	0	0	34,625	0	0	34,625
Service Expenses		238,026	50	0	238,890	0	0	238,890
Depreciation		42,577	4,177	0	46,754	0	0	46,754
Interest payments		0	0	0	0	0	0	0
Revenue Expenditure Funded by Capital Under Statute		0	12,559	0	12,559	0	0	12,559
(Gain) or loss on disposal of non-current assets		0	0	0	0	0	359	660
Total Operating Expenses	195,095	315,228	15,786	(194,281)	332,828	31,494	6,723	371,045
Transfers to Earmarked Reserves	26,976	0	0	(26,976)	0	0	0	0
(Surplus) or deficit in the provision of services	(226)	181,018	(17,751)	(30,046)	132,995	(162,477)	(14,389)	(43,871)

\*Items not reported to management include depreciation, GIM Broadband and Revenue Expenditure Funded by Capital Under Statute income and expenditure for ED & R schemes

## **GLOSSARY OF FINANCIAL TERMS**

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

### **Agency Services**

Services that are performed by or for another authority or public body, where the authority responsible for the service reimburses the authority carrying out the work for the cost of that work.

### **Amortisation**

A charge to the comprehensive income and expenditure statement spread over a number of years.

### **Assets**

Items of worth that are measurable in terms of value. Current assets are ones that may change in value on a day-to-day basis (ie. inventory). Non current assets are assets that yield benefit to the Authority and Group for a period of more than one year (ie. Metrolink trams).

### **Balances**

The reserves of the Authority and Group, which include the accumulated surplus of income over expenditure.

### **Capital Expenditure**

Expenditure on the acquisition or enhancement of property, plant and equipment that have a long-term value to the Authority and Group. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own property, plant and equipment.

### **Capital Receipts**

Money received from the sale of property, plant and equipment or repayment of a capital advance.

### **Contingent Assets**

Sums due from individuals or organisations that may arise in the future but which cannot be determined in advance.

## **Contingent Liabilities**

Sums due to individuals or organisations that may arise in the future but which cannot be determined in advance.

## **Corporate and Democratic Core**

This comprises the activities that all local authorities engage in because they are elected multi-purpose authorities. The cost of these activities is over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services.

## **Creditors**

Amounts owed by the Authority and Group for goods and services provided by the balance sheet date, where payment has not been made at that date.

## **Current Service Cost**

The increase in present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current financial year.

## **Curtailments**

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces the accrual of defined benefits for a number of employees for some or all of their future service.

## **Debtors**

Sums of money owed to the Authority and Group at the balance sheet date but not received at that date.

## **Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

## **Defined Contribution Scheme**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

## **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful economic life of property, plant and equipment.

## **Exceptional Items**

Material items which derive from effects or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

## **Expected Return on Pension Assets**

For a funded defined benefit pension scheme, the average return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

## **Expenditure**

Amounts paid by the Authority and Group for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment - expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

## **Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arms length transaction.

## **Fees and Charges**

Income arising from the provision of services, e.g. the use of premises.

## **Finance Lease**

A finance lease is one that transfers substantially all the risks and rewards of ownership of items of property, plant and equipment to a lessee.

## **General Fund**

The total services of the Authority and Group.

## **Impairment**

A reduction in the value of a property, plant and equipment below its carrying amount in the balance sheet.



## **Income**

Amounts due to the Authority and Group for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve cash being received - income is deemed to have been earned once the goods or services have been supplied even if the cash has not been received.

## **Infrastructure Assets**

These are inalienable assets, expenditure on which is recoverable only by continued use of the asset created. Examples of such assets are traffic signals.

## **Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

## **International Financial Reporting Standards (IFRS)**

These are statements prepared by the International Accounting Standards Board to ensure consistency in accountancy matters. Many of these standards now apply to local authorities and any departure from these must be disclosed in the published accounts.

## **Inventory**

Raw materials and consumable items the Authority's Group has purchased to use on a continuing basis and has not used by the end of the financial year.

## **Investment Properties**

These are property or land that is held solely to earn rentals or for capital appreciation or both.

## **Liabilities**

Amounts due to individuals or organisations that will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

## **Long-term Contracts**

A contract entered into for the design, manufacture or construction of a single substantial asset or service where the time taken to complete the contract is such that the contract activity falls into different accounting periods.

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

This is the amount that is charged to an Authority's Movement in Reserves Statement each year and set aside as a provision for credit liabilities.

### **Operating Lease**

A lease other than a finance lease.

### **Past Service Cost**

For a defined benefit pension scheme, the increase in present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

### **Past Service Credit**

For a defined benefit pension scheme, the decrease in present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or reductions, in retirement benefits.

### **Provisions**

These are sums set aside to meet liabilities or losses that have been incurred but where the amount and/or timing of such costs are uncertain.

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

A Government agency that lends money to local authorities. Local authorities are able to borrow some or all of their requirements to finance capital expenditure from this source.

### **Residual Value**

The net realisable value of property, plant or equipment at the end of its useful life.

### **Reserves**

These are sums set aside to meet possible future costs where there is no certainty about whether or not these costs will be incurred.

### **Revenue Contributions**

The method of financing capital expenditure directly from revenue.

## **Revenue Expenditure**

Expenditure incurred on the day-to-day running of the Authority and Group. This mainly includes staff recharge costs, general running expenses and capital financing costs.

## **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

These are items of capital expenditure that do not result in, or remain matched by, the Authority's property, plant and equipment.

## **Settlement**

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligations and the assets used to effect the settlement.

## **Greater Manchester Combined Authority**

### **Annual Governance Statement 2012 - 13**

#### **1. Scope of Responsibility**

- 1.1 The Greater Manchester Combined Authority (GMCA) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The GMCA also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the GMCA is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. This includes arrangements for the management of risk.
- 1.3 A draft Code of Corporate Governance for the GMCA has been developed, which is consistent with the principles of the CIPFA / SOLACE Framework for Delivering Good Governance in Local Government. This Annual Governance Statement explains how the GMCA is complying with the principles which underpin the Code and also how it meets the requirements of regulation 4(3) of the Accounts and Audit [England] Regulations 2011 in relation to the publication of an Annual Governance Statement that accompanies the Annual Report.

#### **2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the GMCA is directed and controlled and its activities through which it is accountable to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 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 risks or failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the GMCA'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.

- 2.3 The governance framework described below has been in place within the GMCA for the year ending 31 March 2013 and up to the date of approval of the GMCA Annual Report and Statement of Accounts.

### **3. The Governance Framework**

#### **Context**

- 3.1 This section describes the key elements of the governance systems and processes that comprise the Authority's governance framework, and provides a commentary on how these arrangements have worked in practice.
- 3.2 Now in its second year of operation, the GMCA remains a unique model of governance for a city region. Whilst it developed from the AGMA model of voluntary collaboration between its constituent local authorities over a 20 year period, the GMCA is a statutory body with its functions, powers and responsibilities set out in legislation. These functions include all the transport functions previously undertaken and overseen by the former GM Integrated Transport Authority, plus a series of economic development and regeneration functions. In addition, a number of transport functions, including those adopting responsibility for traffic light signals and reports on road traffic levels, have been delegated by the constituent councils to the GMCA.
- 3.3 The functions and powers of the GMCA provide for stable, effective and efficient governance across the strategic policy areas of economic development, regeneration and transport in Greater Manchester. However, initiatives such as the City Deal negotiations which look to provide Greater Manchester with greater autonomy to develop and implement effective, pro-growth policies may, in time, lead to further devolution of resource and functions to the city region, which in turn may have implications for the GMCA's governance arrangements

#### **Greater Manchester Combined Authority structure**

- 3.4 As an Authority, the GMCA comprises the Leaders or the Elected Mayor of each of the ten constituent councils in Greater Manchester (or their substitutes). It meets on the last Friday of every month, following the convention established by the AGMA Executive Board which continues to meet immediately after the GMCA meeting, to discuss and provide strategic direction on a wide ranging agenda beyond the formal responsibilities of the GMCA.

- 3.5 The GMCA's Constitution and the Operating Agreement have been approved by all ten constituent councils. Together they set out the terms of reference and rules of procedure for the Transport for Greater Manchester Committee (TfGMC), the Joint Committee that oversees many of the transport functions of the GMCA either under delegated authority or through recommendation. The Constitution also establishes and outlines the operation of Scrutiny arrangements.
- 3.6 The Constitution and Operating Agreement sets out the powers and functions of the GMCA, those powers and functions referred or delegated to TfGMC, Financial Procedures, Codes of Conduct for members and officers, and schemes of delegation to Chief Officers. These latter delegations provide for the day to day management, supervision and control of services provided for the GMCA, including the responsibilities of the Head of Paid Service, Treasurer, Monitoring Officer and Secretary.
- 3.7 Below the formal structure of the GMCA and under-pinning the wider array of Greater Manchester organisations, a Wider Leadership Team of senior officers has been established which meets twice monthly. This consists of the Chief Executives from the ten district authorities plus similar level representation from GM Police, GM Fire and Rescue Service, TfGM, New Economy and from other bodies as appropriate. It acts as a senior officer team for both the GMCA and the AGMA Executive Board, ensuring that conurbation-wide business is well managed and effectively co-ordinated with all other activity with a Greater Manchester ambit. This level of officer involvement has proved to be important in providing leadership on key priorities and in helping to ensure that decisions are efficiently and effectively followed up with delivery.

### **Transport for Greater Manchester Committee**

- 3.8 TfGMC is a joint committee of the GMCA and the ten district authorities. Its significant workload is matched by the broad representation provided by this 33 member body, which is responsible for the oversight of Transport for Greater Manchester (the executive transport body of the GMCA), scrutinising the performance and service delivery of a wide range of public transport operators, monitoring the delivery of one of the largest transport capital programmes in the country, and responding to the changing transport policy landscape. Whilst many transport functions have been delegated by GMCA to TfGMC, on major, strategic issues such as approving the revenue budget, the capital programme and significant changes to transport policy, TfGMC is required to provide advice to the GMCA by way of recommendations which are submitted to subsequent meetings of the GMCA for endorsement or final decision.

- 3.9 The three sub committees of TfGMC, each with discrete terms of reference and work programmes helps to effectively manage and share this extensive workload. The sub committees are Capital Projects and Policy, Bus Network and TfGM Services, and Metrolink and Rail Networks. They provide for more detailed oversight on key issues, for example in relation to monitoring the delivery of an extensive transport capital programme, agreeing the provision of subsidised bus services across the conurbation and monitoring the performance of Metrolink and local rail services.
- 3.10 The GMCA's executive body for transport is Transport for Greater Manchester (TfGM). Formerly known as GMPTE, this body remains a Passenger Transport Executive as established by the Transport Act 1968 and continues to undertake all of the public transport related functions it carried out previously. However, in the shift to new governance arrangements in April 2011, TfGM also became responsible for a set of additional functions, which relate in the main to traffic light signals, maintaining and providing advice in relation to transport and highway databases, and working closely with district authorities to improve highway network efficiency and road safety.

### **Manchester Family / Centres of Excellence**

- 3.11 To help fulfil its economic development and regeneration functions, the GMCA owns and funds two companies, namely New Economy and Manchester Investment and Development Agency Services (MIDAS). Along with Marketing Manchester, which receives a portion of its funding from GMCA, these organisations plus the business support activities of Manchester Solutions are known as the Manchester Family.
- 3.12 Within the Manchester Family, there are three Centres of Excellence, each with distinct roles, as follows:
- New Economy specialises in research, strategy, evaluation and performance management, including employment and skills;
  - MIDAS / Manchester Solutions specialises in business growth, trade and inward investment;
  - Marketing Manchester (Visit Manchester) specialises in marketing, communications and tourism.
- 3.13 A three year business plan outlining how the Centres of Excellence will contribute to the delivery of GMCA objectives was approved by the GMCA in March 2012, and updates on performance were presented to the GM Local Enterprise Partnership on a quarterly basis. The GMCA also received a quarterly financial forecast from Marketing Manchester, MIDAS and New Economy.

- 3.14 Both New Economy and MIDAS are owned by the GMCA and their Boards are chaired by the GMCA's Head of the Paid Service. The Treasurer to the GMCA also has a seat on both Boards. Whilst Marketing Manchester has a separate ownership structure, two GMCA members are represented on its Board.
- 3.15 A Joint Audit Committee for the Manchester Family has been established which consists of the Treasurers of Manchester City Council and Salford City Council, the Chair of the Marketing Manchester's Audit and Remuneration Committee and the Manchester Family Chief Operating Officer. This Committee considers all internal and external audit reports and financial statements for the Manchester Family.

### **Scrutiny Pool**

- 3.16 The Greater Manchester Scrutiny Pool is now in its fourth year of operation, having been formed in 2009 following changes to the AGMA Executive's constitution. Following the establishment of the GMCA, its remit was widened further to incorporate scrutiny of the GMCA, TfGMC, TfGM and the Manchester Family in addition to the AGMA Executive Board and the GM Commissions, including the Low Carbon Hub and Interim GM Health and Wellbeing Board.
- 3.17 It comprises of 30 elected councillors, three from each of the ten constituent district authorities, reflecting their political balance and including representatives from both sexes. Members serve on the Scrutiny Pool on an annual basis but can and do serve for consecutive years.
- 3.18 The Scrutiny Pool's key functions are to hold the sub-regional decision makers to account through monitoring their key decisions and having the opportunity to 'call in' any decisions which the members deem require further scrutiny and challenge. The Pool also undertake pre-policy scrutiny where they can act as a 'critical friend' to highlight key issues, areas for further work, and challenge GMCA and AGMA policies at a developmental stage. The Pool has the potential to highlight any areas of particular strategic importance for the people of Greater Manchester for review and make relevant recommendations to the GMCA, Executive Board or TfGMC. The Pool also undertake a performance monitoring role in relation to the Greater Manchester Strategy (GMS) to ensure that it is being delivered effectively.

### **Other Greater Manchester structures - AGMA, GM Commissions and Strategic Partnerships**

- 3.19 Whilst the bodies outlined in this section are not a statutory part of the GMCA governance structure, their work nonetheless helps inform the



GMCA and its policies, and as such are referenced in this Annual Governance Statement.

- 3.20 AGMA (Association of Greater Manchester Authorities) is a Joint Committee of the 10 district authorities. Prior to the establishment of the GMCA, it provided the focus for much of the collaborative work undertaken across Greater Manchester for the past 20 years, albeit that it was not a statutory or accountable body in its own right. Whilst its role is now reduced, it continues to undertake a number of functions, notably those that the GMCA has no specific remit to undertake. A key role includes monitoring the budgets and expenditure of all authorities or bodies which have the power to issue a precept or levy on member councils (other than the GMCA, such as the GM Fire and Rescue Authority, the GM Waste Disposal Authority and the Police and Crime Commissioner). AGMA also looks to oversee the policy areas of health, and improvement and efficiency.
- 3.21 To support the work of AGMA and to help deliver the Greater Manchester Strategy, a number of strategic Commissions were established in 2009 to act as a focus for collaborative working on key, conurbation-wide policy agendas. These included Environment, Planning and Housing, Improvement and Efficiency, Health, and Public Protection. Each Commission is formed from a mix of elected members and representatives from the private sector, other public sector agencies and the third sector.
- 3.22 During 2012 – 13, three of the Commissions were reformed in light of significant national policy shifts. For example:
- the election in November 2012 of a Greater Manchester Police and Crime Commissioner and the establishment of a Police and Crime Panel has largely taken on the responsibilities of the Public Protection Commission, which has now been disestablished.
  - The transition of the Greater Manchester Health Commission into a non-statutory Greater Manchester Health and Wellbeing Board resulted from a recognition that new organisations (such as Clinical Commissioning Groups and the National Commissioning Board, as created by the Health and Social Care Act 2012) needed to be involved in its membership, and adopt a greater focus on integrated care. It had its first meeting in December 2012.
  - Finally, the Environment Commission was renamed as the Low Carbon Hub and re-focused in light of the GM City Deal initiative to bring together the knowledge of GM universities with the innovation of business within the strong public governance provided by the GMCA. The Hub works to coordinate existing governance and partnership structures to forge stronger relationships with appropriate Government Departments and their Agencies.

### **GM Health Scrutiny Panel**

- 3.23 The Greater Manchester Health Scrutiny Panel has been established for over ten years, with a specific remit to scrutinise major strategic developments within the acute health care service. This has engaged elected members in a range of programmes including, 'Making it Better' which reformed maternity services across the sub-region. The panel meets quarterly, and includes a representative from each Greater Manchester authority, normally the Chair/Vice Chair of each authority's Health Scrutiny Committee. In 2012 -13 the panel have examined a number of key topics, for example reviewing the progress of the 'Healthier Together' programme which plans to look at where acute health care can be improved through service re-design across each of the hospitals in Greater Manchester.

### **GM Local Enterprise Partnership**

- 3.24 Again, although not a formal part of the GMCA governance arrangements, the Greater Manchester Local Enterprise Partnership (LEP) is a business-led body that includes representation from the Chair and the three Vice Chairs of the GMCA. It looks to add value to Greater Manchester partnerships between local government, businesses and other partners in further and higher education, and across the public, private and voluntary and community sectors. It also provides important support in terms of strategic direction to New Economy and the LEP also fulfils a performance review and management role. The Chair and Vice Chairs of the GMCA are members of the LEP, and Minutes of its meetings are submitted to the GMCA to ensure the Authority can keep abreast of the LEP's work.

### **Decision-making**

- 3.25 Agendas and reports for GMCA are issued to members and published online ([www.agma.gov.uk](http://www.agma.gov.uk)) according to the standard 5 day period which is the statutory norm in local government, and the same standard is maintained for TfGMC, Scrutiny Pool and Commission meetings. GMCA meetings take place according to a cycle which ensures that each Greater Manchester district Town Hall or Civic Centre hosts at least one meeting of the GMCA each year. All meetings are held in public, except in those few cases where reports contain confidential information, and the public are excluded during discussion and decision-making on such items.
- 3.26 A Forward Plan identifying the major, strategic decisions that the GMCA will be required to make over a period of four months is updated and presented at each meeting. The GMCA also receive minutes and recommendations from the previous TfGMC meeting, which are

scheduled to take place two weeks before the GMCA, and GMCA Audit Committee minutes are also received. The Scrutiny Pool then receives notice of all decisions made by GMCA and any major, strategic decisions made by TfGMC, within 2 days of the respective meeting. Members of the Scrutiny Pool then have 5 days to determine whether they wish to exercise their right to call-in (provided at least 5 members agree to call-in a specific decision), as outlined above.

### **Financial Management**

- 3.27 One of the most important responsibilities of the GMCA is to determine, agree and monitor the GMCA budget. These responsibilities include setting appropriate budgets to fulfil the Authority's transport, economic development and regeneration functions, and determining the transport levy on constituent district councils.
- 3.28 In terms of the budget setting process, a comprehensive report was presented to the Authority for approval in January 2013 which detailed the forecast outturn position for 2012/13 and provided a proposed GMCA budget for 2013/14. It also included indicative budgets for the next two years. Maintaining the well established process of budget scrutiny for Greater Manchester Joint Authorities as developed in previous years, the transport elements of the budget (which represent by far the most significant proportion) were subject to scrutiny during the Autumn by a GMCA Transport Levy Scrutiny Panel (consisting of the Leaders and Treasurers of Wigan, Trafford and Bury) and were also reported to TfGMC. The GM Scrutiny Pool and the GMCA's Audit Committee each received a presentation from the GMCA Treasurer on the proposed GMCA Budget at their meetings in January 2013.
- 3.29 Regular, detailed monitoring of both the transport revenue budget and the transport capital programme are also undertaken by TfGMC and by its Capital Programme and Policy sub committee. Any significant issues or areas of concern can then be reported back as appropriate to the Authority.
- 3.30 As noted in the Review of Effectiveness section below, the Head of Internal Audit and Risk Management has provided substantial assurance in relation to the operation of the Authority's core financial systems.

### **Risk Management**

- 3.31 The GMCA's Audit Committee has overseen the development of a Risk Register which covers the broader responsibilities of the GMCA. In 2012 Internal Audit facilitated a risk management session for key officers, including the Treasurer and the Deputy Clerk to the TfGM Committee to develop an initial view of potential risks to the Authority

achieving its objectives. The risks identified were written up into a Risk Register and presented to Audit Committee for discussion and agreement. The Risk Register is reviewed regularly by officers, including representatives from TfGM, most recently in March 2013. In addition, TfGM has a well defined set of risk management arrangements which cover its responsibilities as the executive transport body of the GMCA and as a statutory body in its own right.

## **Performance Management**

- 3.32 The strategic priorities of the GMCA are set out in Greater Manchester Strategy (GMS), and this Strategy informs the rationale and context for the work programmes of the GMCA and all its subsidiary bodies. With regard to its transport functions, TfGMC and its sub committees receive a wide range of monitoring reports, covering both the performance of TfGM and the performance of operators in delivering a diverse range of transport services. In addition, the Capital Projects and Policy sub committee of TfGMC receives a report updating members on a set of agreed Key Performance Indicators which relate both to the Local Transport Plan 3 and to GMS transport priorities.
- 3.33 The Manchester Family Centres of Excellence operate a three year integrated business plan which is updated annually to respond to changing conditions in Greater Manchester. The business plan aligns activity with the strategic priorities which form the focus of activity across Greater Manchester and they are rooted in the GMS. This serves as the foundation for all of the activity that the Centres of Excellence undertake. Performance management of progress against the business plan is undertaken by the LEP and the Strategic Boards of the Centres of Excellence. The business plan covering 2012 – 2015 represents the start of a rolling three year business plan and is reviewed and refreshed each year.

## **4. Review of effectiveness**

- 4.1 Now in its second year of operation, the GMCA continues to function well, with administrative, reporting and decision-making processes working smoothly and effectively. The working practices adopted by the Authority and its committees have enabled it to make key strategic decisions in an efficient, timely and transparent manner. These include for example, overseeing and approving the GM City Deal and its associated initiatives, setting the transport levy/budget and agreeing the formation of a new GM Local Transport Body that will administer major scheme transport funding which is scheduled to be devolved from the Department for Transport from 2015.
- 4.2 Supporting the GMCA governance structures are a number of senior officer groups, such as the Wider Leadership Team (WLT) which

comprises of the Chief Executives of all constituent local authorities along with representatives from key Greater Manchester bodies such as GMP, TfGM, GM Growth Company and New Economy. The WLT and similar officer groups are a key supporting element of the overall governance structures, and they help ensure that a shared approach, informed by the Greater Manchester Strategy, is adopted from the outset on any new initiatives.

- 4.3 The Greater Manchester Integrated Support Team (GMIST) provides support to the GMCA, AGMA Executive, TfGMC, the Scrutiny Pool, WLT and other GM structures. It continues to work towards ensuring that the administration of the Authority, TfGMC and associated bodies is conducted as efficiently and seamlessly as possible, and always in accordance with statutes and constitutional rules. GMIST officers look to maintain a continuous review of governance and administration arrangements with regard to the operation of GMCA, TfGMC and its Scrutiny and subsidiary bodies, and also provide support and advice to members and officers as necessary.
- 4.4 TfGM is responsible for the largest proportion of the Authority's budget, both in terms of revenue and particularly capital spending, in light of the fact that the current level of transport investment across Greater Manchester represents the largest public transport investment programme outside London. In addition to the financial scrutiny and oversight provided by both GMCA and TfGMC members, TfGM also benefits from its own internal governance arrangements. The TfGM Board includes representation from the GMCA's Treasurer, who also attends TfGM's Audit Committee, thus providing further oversight and assurance in relation to GMCA's transport-related financial responsibilities. Further, TfGM produce and publish a full set of Annual Accounts which are independently audited by the external auditors, Grant Thornton.
- 4.5 The GMCA Audit Committee is responsible for overseeing the effective operation of the systems of governance, risk management and internal control. In order to secure a more fully informed oversight across the range of GMCA functions and responsibilities, the GMCA Audit Committee asked officers to develop a system of 'assurance mapping.' This approach enables the Audit Committee to assess risks identified in the Risk Register against the various sources of control and assurance, provided for example by the GMCA's constitution and by the work of Internal and External Audit. Whilst the development of this 'assurance mapping' system remains a work in progress which will be further developed and refined, it already helps to provide the Audit Committee with a structured method to focus their scrutiny.
- 4.6 During the 2012 – 13 municipal year, the Scrutiny Pool has had an active role in scrutinising the draft Greater Manchester Strategy, the Manchester Family Business plan and has highlighted areas for further development. It has also undertaken research gathering exercises

from partner organisations, including New Economy, regarding the current economic climate in order to be in a position to offer informed scrutiny as to the priorities for Greater Manchester. The Pool has continued to develop a varied and focused monthly work programme including strategic reviews on specific policy development areas, including the GM City Deal and the Community Budget Programme, from which additional scrutiny reviews have been identified.

- 4.7 The Pool did not exercise its call-in function during this municipal year, but has continued to positively engage in the development of policy across the conurbation and made a series of recommendations to the GMCA and its partner organisations.

### **Head of Internal Audit and Risk Management – Annual Assurance Opinion 2012/13**

- 4.8 The Head of Internal Audit and Risk Management is responsible for providing an independent opinion on the adequacy and effectiveness of the Authority's systems of internal control. This is delivered through an annual programme of audit work designed to raise standards of governance, risk management and internal control. Internal Audit Assurance Reports are presented to Audit Committee to provide assurance that the annual programme is being delivered as planned, culminating in an Annual Assurance Opinion.
- 4.9 Overall, internal controls are generally sound and operate effectively. Based on the programme of planned Internal Audit work, the Head of Internal Audit and Risk Management has provided substantial assurance over the operation of the Authority's core financial systems and moderate assurance over its governance arrangements. Financial systems were managed and operated effectively and full assurance was provided on audits of budget monitoring and reporting and income and payments. There is also a high capacity to improve governance arrangements. Good progress has been made with the implementation of effective risk management arrangements, and the adoption of a Code of Corporate Governance and the development of performance management arrangements, both of which are currently in hand, should lead to an improved assurance opinion.

### **Review of effectiveness of the system of Internal Audit**

- 4.91 In accordance with the requirements of the Accounts and Audit Regulations 2003 (Amended 2006 and 2011) an annual review of the effectiveness of the system of internal audit was undertaken as part of governance assurance processes. The 2012/13 review demonstrated that there was an effective system of internal audit in place including a policy framework, internal audit function, Audit Committee and effective management engagement. Internal Audit operates in line with

professional standards and codes of ethics for the delivery of audit work. The external auditors confirmed they take assurance over the quality and extent of audit work done in 2011/12 including assurance over the core financial systems activity and have agreed the approach taken in the 2012/13 audit plan.

### **Annual Review of the Chief Financial Officer (the Treasurer)**

- 4.92 As part of its work on governance and financial management across public services, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued its Statement on the Role of the Chief Financial Officer in Local Government (the Statement) in 2010. The Chief Financial Officer (CFO) to the GMCA undertakes the same role for AGMA and Manchester City Council. For the purpose of the GMCA's Annual Governance Statement, the role of the CFO has been reviewed against the governance arrangements set out in the Statement, which are required to ensure the CFO is able to operate effectively and perform their core duties. Full conformance with these arrangements was confirmed.

## **5. Programme of improvement**

- 5.1 The process of developing a Code of Corporate Governance for the GMCA is underway and officers have brought to the GMCA Audit Committee a draft Code for discussion and endorsement. The Code will be a public statement setting out how the Authority will meet its commitment to have culture, values, systems and processes in place to ensure it operates effectively and achieves its objectives. It is intended to follow the CIPFA / SOLACE (Society of Local Authority Chief Executives) model code as set out in their report 'Delivering Good Governance in Local Government' which sets six core principles:
- Focus on purpose, community outcomes and vision for the local area;
  - Members and officers work together to a common purpose with clearly defined functions and roles;
  - Promote values by upholding high standards of conduct and behaviour;
  - Take informed, transparent decisions which are subject to effective scrutiny and risk management;
  - Develop the capacity and capability of Members and Officers to be effective; and
  - Engage local people and other stakeholders to ensure robust public accountability.
- 5.2 Given the broad and diverse set of functions for which GMCA now has either sole or a shared responsibility (alongside TfGM and district councils, for example), work continues to develop and refine

performance management arrangements, particularly in the context of a revised Greater Manchester Strategy. Specifically, these will be developed such that they are sufficiently efficient and robust that they provide GMCA members, district authorities and the wider public with assurance that a clear focus is maintained on securing the strategic priorities set out in the emerging Strategy.

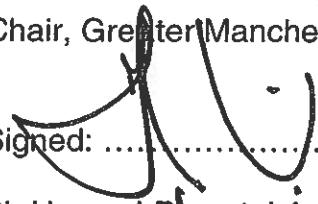
**6. Conclusion**

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

Signed: 

Lord Peter Smith

Chair, Greater Manchester Combined Authority

Signed: 

Sir Howard Bernstein

Head of Paid Service, Greater Manchester Combined Authority