

# **The Greater Manchester Combined Authority**

**Annual Statement of Accounts  
Year ended 31<sup>st</sup> March 2014**

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## Explanatory Foreword by the Treasurer

### Introduction

Welcome to the Greater Manchester Combined Authority's audited Annual Statement of Accounts for 2013/14. The statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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 unique statutory body 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) was the first 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 Greater Manchester Integrated Transport Authority, plus 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. The GMCA is also responsible for a range of economic development and regeneration functions across the Greater Manchester County.

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 are 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 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 the disclosure notes relating to the above statements.

### **Changes in Accounting Policies**

The way that accounts are presented are governed by the accounting policies that the Authority has to follow. The accounting practice governing local authority accounts which include the GMCA, have 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 2013/14.

### **How the Authority Performed in 2013/14**

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 or the elected Mayor 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 2013/14.

### **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 and Smarter Cities. 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 elected members within Greater Manchester Authority's 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.

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

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

In the year under review, the extensions of the Metrolink system to East Didsbury, Ashton and Oldham and Rochdale Town Centres were opened. In addition, further new Light Rail Vehicles were introduced onto the network, both to support the opening of the new lines but also to replace existing vehicles. Work on the other Metrolink lines has continued during the year including on the extension to Manchester Airport and the Second City Crossing, which will provide a second route across Manchester City Centre. Work was also completed on the opening of a new stop at Queens Road in north Manchester.

Further Park and Ride sites were opened in the year at East Didsbury, Rochdale, Derker and Hollinwood Metrolink stops and at Horwich rail station.

By the end of the financial year the original fleet of 32 T68 light rail vehicles had been taken out of service, and had been replaced by new M5000 trams. This was part of a strategy approved by GMCA to upgrade the fleet and enable enhanced service provision for customers by increasing reliability and performance.

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 380 million passengers a year. RATP provides Greater Manchester with access to expertise in public transport, specifically light rail, and across operations, engineering, passenger service and technology, including smart ticketing.

TfGM has continued to support the operation of the 88 low carbon buses which were procured with part-funding from the Department for Transport's Green Bus Fund. As well as operating on the city centre Metroshuttle services, on Yellow School Bus services and subsidised services on the general network, low carbon vehicles have also now been deployed onto Metroshuttle services in Bolton town centre. Following a further successful bid to the DfT's Green Bus Fund, TfGM is in the process of procuring a further 16 vehicles, including three electric buses, for use on subsidised routes, including Manchester Metroshuttle.

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

- Provision of journey planning advice including to job seekers and across communities to identify travel opportunities and encourage sustainable travel;
- Provide businesses with travel plans and opportunities to improve cycling infrastructure for

their employees;

- Investment in cycling, including cycle routes and cycle parking and storage facilities, and provision of cycle training, all to encourage an increase in the level of cycle commuting;
- Providing a technology system that allows dynamic route planning;
- Delivering smart ticketing on bus as part of the 'get me there' smart ticketing system; and
- Subsidising certain bus services connected with employment opportunities.

In the year GMCA has submitted a further bid on behalf of TfGM and Local Authority partners, for £5 million of LSTF funding for the delivery of a further tranche of schemes. The outcome of this bid is expected to be announced in summer 2014.

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

TfGM has continued to work on the delivery of a smartcard ticketing system. The delivery of integrated fares and smart ticketing is a major priority for TfGM. We are already using new ways to help our customers with their journeys as part of becoming more 'Customer Smart'. For example, a mobile application is now available for the Manchester Metroshuttle service.

TfGM continues to drive initiatives to reduce the carbon footprint of transport within Greater Manchester and has been involved in a number of innovative schemes in 2013/14. TfGM is a partner in the INTERREG IVb Ticket to Kyoto project to reduce carbon emissions from public transport and has delivered innovative schemes to improve sustainability such as the installation of a hydroelectric power plant on the River Roch and a wind turbine at Horwich rail station. TfGM is also delivering a £2.5 million project to deploy electrical vehicle charging infrastructure across the ten districts of GM, which has been funded from a £1.5 million grant secured from the Office for Low Emissions Vehicles, and a local contribution of £1 million. All of the charging infrastructure has now been deployed.

TfGM is also in the process of delivering four new transport interchanges (at Rochdale, Altrincham, Wythenshawe and Bolton). In 2013/14 the new interchange at Rochdale was opened; Altrincham Interchange is due to open in 2014/15; followed by the remaining two interchanges in subsequent years.

TfGM has continued to support initiatives to deliver improvements in rail infrastructure. Rail North, representing local authorities, including Passenger Transport Executives across the North of England, has agreed to enter into a partnership with the Department for Transport for the renewal of the Northern and TransPennine rail franchises.

Over the past year, north of England authorities have worked together to develop proposals for local decision-making to play a central role in defining future rail services in the North. The Rail North proposals include a Long Term Rail Strategy for the North, a strong business case, and a new decision-making framework for northern authorities to work together. The DfT - Rail North Partnership is founded on a shared set of principles which include ensuring that new infrastructure, such as the Northern Hub, is used in the most effective way to strengthen our economy, and that priorities are clearly defined for future investment in the network and rolling stock. Future rail services must meet the needs of the North by playing a stronger role in developing the prosperity of the North and in serving passengers better.

The partnership will also build on the work Rail North set out in the Long Term Rail Strategy. The Strategy was publicly consulted on last summer and has gained strong support from businesses, passenger groups and industry stakeholders.

The need to increase capacity and improve the quality of rail services for Greater Manchester also underpins our support for high speed rail. TfGM has continued to work on plans for the extension of HS2, including stations at Manchester Airport and Manchester city centre.

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

The Authority also provided funding for various Economic Development and Regeneration functions which were funded by contributions from the ten district councils. The Authority also received capital and revenue grants from Central Government departments in support of these functions. These included funding for Growing Places, Regional Growth Fund, City Deal, Youth Unemployment, Clusters of Empty Homes, Affordable Homes, Local Enterprise Partnership funding and EU Social Enterprises.

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

The Manchester Family structures are responsible for delivering a number of key functions which underpin GM's growth agenda. The functions which these organisations undertake include economic analysis and policy development; skills and employment programmes; trade, investment and business growth, and marketing and promotion.

### **New Economy Ltd**

#### **Principal Activities**

New Economy is the Centre of Excellence for 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.

Whilst wholly owned by the Combined Authority, it has recently become part of The Manchester Growth Company - a newly established group of companies whose purpose is to drive forward GM's economic development and help deliver the Greater Manchester Strategy's ambition to address GM's GVA growth differential and for GM to become a net contributor to the national economy.

#### **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. Alongside the Public Protection research team (integrated into New Economy in 2012) New Economy also supports the work of the Public Service Reform team in terms of analysis and supporting evidence base.
- The co-location of the planning and housing and environment teams has led to ever closer integration, which is seeing real benefits in terms of ideas generation, policy making and cross team working.
- At the start of 2014 New Economy moved to a two Directorate structure, with a Strategy Directorate consisting of the Economic Strategy and Project Development teams and a Policy Directorate, led by Deputy Chief Executive (Policy) Simon Nokes, which contains the Skills & Employment, Planning and Housing, Environment and European teams. Following agreement two new posts are being created in this Directorate to work on business/science policy starting in 2014/15.



- The publication of the Cost Benefit Analysis methodology we developed as part of the public service reform programme. This has been published by HM Treasury as part of the Green Book. The methodology is already having an impact on how Government spends its money: bidders to the next round of the Transformation Challenge Award will be made aware of the tool to help them assess the costs and benefits of their plans. Bidders to other future reform-based challenge funds will also be expected to use the CBA method developed here.
- Submitting of the European Structural and Investment Fund plan to Government and creation of the GM Local Management Committee to oversee future EU funds.
- Forging closer links with international organisations around the importance of city-led growth, including working with Brookings Institute on two events with Bruce Katz as keynote speaker.
- Working with the LEP, drafting a Manufacturing Strategy for GM, outlining areas where further work is needed to grow our business base.
- Working on a pan-North basis to help rebalance the economy. Work includes creating a robust evidence base which provides an assessment of the medium to longer-term potential value of logistics both directly and indirectly to the GM economy.

During 2013/14, 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:**

- The Textiles project, in particular raising the debate on reshoring and the economic opportunity across GM and nationally and securing RGF4 funding to provide grants to textile companies across GM, Lancashire and West Yorkshire.
- The delivery of the GM Science and Technology Review, and Smart Specialisation Strategy focused on the ambition of Greater Manchester to be recognised as a leading commercial science city by 2020.
- Key role in securing Work Programme Leavers for GM along with a positive active role in the ongoing Public Service Reform agenda.
- Work to prevent and reduce youth unemployment. This includes securing £5.8m DWP funding for the youth contract programme.
- Research Centre of Excellence with Production of over 100 high-quality pieces of research
- Establishment of the Manchester-China Forum
- £20m NEDO MOU signed & procured delivery of Green Deal
- Town Centres project delivered
- Land Review, Critical Infrastructure and Residential Growth (Housing) work commenced
- European Structural Investment Fund strategy completed and Regional Aid map approved
- £23m ERDF to National Graphene Institute

## **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 (2013/14) has been Midas' most successful year for job creation to date. MIDAS has worked to secure 75 investment projects of which 30 were Foreign Direct Investment (FDI), resulting in the creation and safeguarding of 5,609 jobs in Greater Manchester, a huge 26% increase on 2012/13.

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

- Achieved best ever job creation and safeguarding performance of 5,609 jobs, through 75 investment projects across Greater Manchester with a GVA impact of £288m.
- Account managed over 250 strategically important businesses across Greater Manchester, identifying potential investment projects but also feeding back market intelligence in to other agencies and further connecting the companies in to the GM public and private sector networks.
- Significantly increased the number of projects in the investment pipeline, with 275 new investment projects added (up from 140 in 2012/13) and 15,924 new jobs associated with those projects
- Increased promotional activity in key sectors such as Life Sciences, Creative, Digital and Media and Advanced Manufacturing & Materials. Major overseas activity has been undertaken in Life Sciences in conjunction with UKTI, in Japan, USA, Israel and China, leading to a significant increase in the number and quality of pipeline projects. In Creative and Digital, in-market activity included business development work in India and the USA, as well as hosting high profile events such as the 'Manimation' animation conference and India Digital Media Exchange. There have been a number of successes related to advanced manufacturing and materials, with MIDAS having developed a new proposition for the latter that will drive activity for the coming years.
- Commissioned additional research in conjunction with New Economy to support further proposition development for the GM Energy and Environment, Business Services, Financial Services and Strategic Logistics offers.
- Made a significant contribution to the creation of a combined international strategy for Greater Manchester, encompassing both trade and investment, as well as tourism and education.
- Lead the 'Manchester in India' campaign tasked with maximising the trade, investment, education and tourism opportunities with India. Early outputs include the creation of the Manchester India Steering Group to improve the coordination of the public/private sector India activity and the commissioning of UKIBC to undertake the GM-India strategic review with a 12 month outlook of integrated activity delivered. There have also been high profile visits by the Indian High Commissioner and a group of Indian CEOs from the creative and digital industries in India.
- Supported the creation of the Manchester – China Forum, increasing activity in-market which has seen China now account for 15% of FDI projects, a major increase on the previous year.

## Other District Funded Economic Development and Regeneration functions

In addition to the Manchester Family contributions, Districts also contribute to other Economic Development and Regeneration activities that were previously shown within the Association of Greater Manchester Authority's budget.

Details of the functions are listed below as follows:

- Core Investment Team – The main remit of the team is to administer both the RGF / GPF grants on behalf of the GMCA as well as leveraging in external funding to support the GM Growth Strategy. In addition to District Contributions, the Core Investment Team also receiving funding from the GPF Revenue Grant that the GMCA is the accountable body for.
- Low Carbon Investment Team – In 2013/14 this team was fully funded from the GPF Revenue grant, however going forward there will be contributions from Districts. The team will be developing a pipeline of low carbon projects across Greater Manchester.
- Three further activities were also transferred from AGMA in 2013/14 due to the links with New Economy. These functions were the Planning and Housing team, who are based within the New Economy Offices, contributions towards the 14-19 Service that New Economy lead on and Manchester Family secondments. These are staff members that work within New Economy but are on secondments from Districts.

### Grant Funded Schemes

#### 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.

All LEP's have been granted 'capacity funding', paid as Section 31 unringfenced grant to give LEP areas the resource to deliver specific tasks required by government, specifically:

Funding Description	Funding Period 2013 - 2015    £ million
Development of a 'Growth Plan'	0.551
Establishment of a Local Transport Body	0.132
Delivery of an EU Structural and Investment Funds Strategy	0.500
	1.183

The LEP's remit continues to include a general oversight of GM's growth agenda, but in the last 18 months members have identified six areas where they feel they can add particular value and have chosen to focus their efforts.

They are science and innovation, internationalisation - China, Internationalisation – India, infrastructure, town centres and logistics. 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.

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

The Growing Places Fund and the Regional Growth Fund are examples of the funding streams available to support investment opportunities. Whilst spending within 2013/14 was lower than expected for both GPF and RGF, there are a number of projects in the pipeline and it is anticipated that the funding will be spent in full by March 2016.

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

In 2012/13 the GMCA received a total funding allocation of £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 and the investments repaid.

The revenue grant is being used to support the administration of investment activities and to date £0.653 million has been utilised from the grant.

From the capital grant funding totalling £26.95 million has been approved for eight projects and to date £2.32 (£0.35 million 2012/13 and £1.97 million 2013/14) has been paid to these projects with at least a further £7 million anticipated to be drawn down in 2014/15. This funding is for large capital investments. There has been a lag in the drawdown of funds, as a result of delays with the progression of certain schemes. Drawdown of funding will only occur once schemes have met certain criteria such as receiving planning permission, however work has now started on these schemes and the amount of funds paid to projects will start to increase.

### **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 and safeguarding both direct and 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 and indirect jobs.

The Regional Growth Fund has conditionally approved under the GM Investment Framework funding for 37 projects. The projects are projected to create / safeguard 4,885 jobs. The funds are paid to projects as grant or loans on a defrayed basis and therefore can be drawn down over a period of two years. To date £16.4 million has been paid to projects (£2.8 million 2012/13 and £13.6 million 2013/14). It was previously forecast that £18.8m would be spent within 2013/14, the variation to outturn is as a result of the phasing of drawdown requests for currently approved projects. It is currently anticipated that RGF 3 funds will be spent by May 2015 and RGF 2 by March 2016.



## Empty Homes Programme 2012-15

The Combined Authority on behalf of a consortium acting for all 10 Districts have successfully bid for funding to support an Empty Homes Programme for the period to March 2015. The consortium includes 22 housing provider partners who will be undertaking the development and management of properties brought back in to occupation.

The confirmed grant funding available for the Empty Homes Programme is shared between two rounds of Affordable Homes Programme (via Homes and Communities Agency), now being managed in effect as a single programme, and a separate CLG Clusters of Empty Homes Programme. In 2013/14, amounts totalling £3.677 million through the Clusters programme and £2.330 million from the Affordable Homes Programme have been claimed, with 398 properties having now been returned to use since the programmes began and work on site on a further 67 properties at year end.

<b>Empty Homes Programme 2012 - 2015</b>				
<b>Funding Description</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>Total Per Scheme £000</b>
Clusters of Empty Homes	7	3,677		3,684
Affordable Homes Programme		2,330	7,687	10,017
<b>Anticipated Total Expenditure per Year</b>	<b>7</b>	<b>6,007</b>	<b>7,687</b>	<b>13,701</b>

The affordable homes programme was forecast to spend £4.531 million within 2013/14, the variation to outturn is as a result of trends in the wider housing market which have seen significant and continuing reductions in the numbers of empty properties in GM, particularly so in those longer-term empty properties which are the target for these programmes. Clearly this is welcome in strategic terms, but as a result we have adjusted the allocation of funds within the GM consortium to maximise impact, in agreement with partners and Homes and Communities Agency. It is still anticipated that the full available grant will be drawn down within 2014/15

## 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 training, 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 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.

#### **City Deal Funding Allocations 2012 - 2016**

	<b>2012/13</b> £	<b>2013/14</b> £	<b>2014/15</b> £	<b>2015/16</b> £
Apprenticeship Hub	240,000	3,230,000	2,185,000	345,000
Tax Incentives Pilot	6,000	481,512	1,658,000	654,488
<b>Grand Total</b>	<b>246,000</b>	<b>3,711,512</b>	<b>3,843,000</b>	<b>999,488</b>

#### **Youth Unemployment Contract**

In September 2013, Greater Manchester submitted a proposal to Cabinet Office for investment in measures to tackle long term youth unemployment (for 18-24 year olds) as part of a competitive process alongside twenty seven other cities. As a result of this process, Greater Manchester was offered £5.8 million from the nationally available £50 million allocation that was ring fenced from the underspend on the youth contract wage incentive fund.

The investment, which was confirmed in an offer letter from the Minister for Cities on the 14<sup>th</sup> November 2013, is to deliver what Cabinet Office has described as their 'flagship programme' to support 2,500 young people.

The grant, which has been paid under Section 31 of the Local Government Finance Act 2003, was administered in advance via a single £5.8 million payment. It is anticipated that the grant will be defrayed over a three year period with £2.383 million expended within 2014/15.

#### **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. The Authority is 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 July 2013 inclusive. The funding has been used for 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. Whilst the project has now finalised the final audit was still underway as at 31<sup>st</sup> March 2014. Any final funding allocations and payments will be administered in 2014/15.

## **Financial Summary 2013/14**

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 2013/14 the Authority's Comprehensive Income and Expenditure Statement shows a deficit for the year of £135.926 million (2012/13 deficit of £161.960 million).

In 2013/14 the Authority's General Fund shows a surplus for the year of (£0.127 million) (2012/13 surplus of £0.226 million) almost entirely due to efficiencies against corporate budgets and interest earned on economic development and regeneration deposits. The additional transport interest receivable and reduced capital charges amount in total to £26.501 million this has been transferred to an earmarked Capital Programme Reserve.

The Authority's grant to TfGM in 2013/14 was budgeted at £116.183 million (2012/13 £122.140 million) which enabled the Authority to restrict the increase in the district levy to 3.60% of the 2012/13 levy, including 3.00% to fund the Greater Manchester Transport Fund.

## Revenue Expenditure 2013/14

The actual income and expenditure against budget for 2013/14 is summarised below:

<b>GMCA Revenue Outturn 2013/14</b>	<b>Approved Budget 2013/14</b>	<b>Outturn 2013/14</b>	<b>Variance</b>
<b>Resources Available:</b>			
<b>Transport Functions</b>			
Transport Levy	(198,094)	(198,094)	-
Government Grants	(2,567)	(2,664)	(97)
Other Income	-	(247)	(247)
<b>Economic Development and Regeneration Functions</b>			
Charges to Districts	(3,385)	(3,385)	-
Government Grants	(15,972)	(32,040)	(16,068)
Contribution from Reserves (Growing Places Fund)	(1,485)	(653)	832
Contribution from Reserves (Regional Growth Fund)	(7,237)	(2,234)	5,003
Transfer of District Contribution from AGMA	(336)	(336)	-
Short Term Deposit Interest	-	(174)	(174)
RGF/GPF - Interest / Arrangement Fees	-	(336)	(336)
<b>Total Resources</b>	<b>(229,076)</b>	<b>(240,163)</b>	<b>(11,087)</b>
<b>Calls on Resources:</b>			
<b>Transport Functions</b>			
Gross Grant to TfGM	146,618	146,618	-
TfGM Funded Finance Costs	(30,435)	(30,435)	-
Grant paid to TfGM	116,183	116,183	-
Other Grants	2,567	2,650	83
GMCA Traffic Signals	4,131	4,176	45
Section 278 Commuted Sum transferred to TfGM	-	202	202
<b>Capital Financing Costs</b>			
Levy Funded	46,601	43,409	(3,192)
TfGM Funded from Reserves/Revenues	28,680	28,680	-
TfGM Funded from Efficiencies	1,755	1,755	-
<b>Economic Development and Regeneration Functions</b>			
New Economy	807	807	-
MIDAS	1,306	1,306	-
Marketing Manchester	438	438	-
Contribution to GM Priorities (AGMA/CA)	134	150	16
Core Investment Team	1,336	784	(552)
Planning and Housing Commission	303	298	(5)
Manchester Family Secondments	183	183	-
14-19 Contributions	71	71	-
Low Carbon Investment Team	500	327	(173)
Regional Growth Fund – RCCO	18,754	13,691	(5,063)
City Deal	3,712	168	(3,544)
LEP Priorities	632	131	(501)
Other Grant Funded Schemes	111	6	(105)
GMCA Running Costs	872	871	(1)
<b>Total Call on Resources</b>	<b>229,076</b>	<b>216,286</b>	<b>(12,790)</b>
<b>Total (Surplus)</b>			<b>(23,877)</b>
<b>Contribution to Earmarked Reserve</b>			<b>23,750</b>
<b>Contribution to General Reserves</b>			<b>127</b>



### Capital Expenditure 2013/14

The Authority spends money on Transport and Economic Development and Regeneration capital projects including traffic signals. The expenditure is 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, for example 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 £254.968 million in 2013/14, which is summarised below:

	2012/13 £m	2013/14 £m
Capital Grants to TfGM/Districts and other recipients (Revenue Expenditure funded from Capital under Statute)	267.605	236.930
Non-current Assets (Property, Plant and Equipment)	5.439	5.838
Long Term Loans (Economic Development and Regeneration schemes)	0.626	12.200
<b>Total</b>	<b>273.670</b>	<b>254.968</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.

The Capital Expenditure was spent on the following schemes:

	2012/13 £m	2013/14 £m
Greater Manchester Transport Fund	196.832	199.859
Other Metrolink Schemes	52.947	12.974
Local Sustainable Transport Fund	1.593	1.612
Green Bus Fund	0.127	1.021
Better Bus Area Fund	0.133	0.241
Office for Low Emission Vehicles Plug In Places	0.389	1.378
Minor Works	3.025	6.553
Grant to Manchester City Council for SEMMMS scheme	10.065	3.531
Cycle City Ambition Grant	-	0.223
Empty Homes Grant	0.007	6.007
RGF Grants	2.487	3.531
Long Term Loans to Partners/Organisations (RGF / GPF)	0.626	12.200
Traffic Signals	5.439	5.838
<b>Total</b>	<b>273.670</b>	<b>254.968</b>

The financing of this expenditure was by the following methods:

	2012/13 £m	2013/14 £m
Borrowing	254.125	187.123
Revenue Contributions	3.175	13.691
Government Grants	14.010	38.373
Capital Programme Reserve	-	13.101
External Contributions	2.360	2.680
<b>Total</b>	<b>273.670</b>	<b>254.968</b>

### Borrowing Limits

In 2013/14 the Authority had an authorised limit for external debt of £1,132.400 million which compares to the actual level of debt outstanding at 31<sup>st</sup> March 2014 of £887.336 million. This is made up of the following figures:

	2012/13 £m	2013/14 £m
Long-term Borrowing – PWLB/Market	605.618	835.706
Short-term Borrowing – Interbank	22.740	51.630
<b>Total Borrowings</b>	<b>628.358</b>	<b>887.336</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 £230.088 million. 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 2014 were £136.993 million. This is made up of the following figures:

	2012/13 £m	2013/14 £m
Bank Deposits	19.740	27.763
UK Government Backed Deposits	22.000	109.230
<b>Total Investments</b>	<b>41.740</b>	<b>136.993</b>

Excluding the movement in the Interbank investments, total investments showed an increase in the year of £66.363 million. The main reason for this increase relates to the receipt of grants in advance and programme delays within the Greater Manchester Transport Fund schemes.

## **Current Economic Climate**

The fiscal context in which public services are operating continues to be challenging, however the overall economic outlook has improved nationally in the year 2013-14. For Greater Manchester this has been reflected in a trend of monthly falls in Job Seeker's Allowance claimants, and stronger economic performance and employment growth being reported by businesses responding to the 2013 GM Business Survey.

The LEP and the GMCA continue to work closely to jointly drive the strategic ambitions outlined in the refreshed Greater Manchester Strategy: Stronger Together (which was formally approved in September 2013). They have also jointly produced two key strategic documents which will further drive the delivery of the GMS:

- The Growth and Reform Plan which seeks to create a platform for fiscal self-reliance for GM, by not only bidding for resources from the Local Growth Fund but also through developing a new 'place-based' partnership with Government to drive public sector reform and further align local and central growth programmes.
- The European Structural and Investment Funds Plan which guides the investment of GM's allocation of European Structural funding in the 2014-20 programme.

### **Other notable milestones for the GMCA include:**

- the appointment of a new Chief Investment Officer to strengthen the delivery of the GM Investment framework. As at 31st March 2014 investments of £108m had been committed from the Greater Manchester Investment Fund to support job creation and unlock infrastructure developments in the region.
- securing significant investment in GM's low carbon infrastructure through the award of £20m Cycle City Ambition grant and further success in government funding of GM's low carbon buses
- the Manchester Growth Company producing a unified, three year business plan for the group which aligns activity with the GM Strategy's priorities.
- the continuation of preparatory work with partners to ensure the successful delivery of HS2.
- the submission of bids totalling £399.1m to the Government's Local Growth Fund which have been designed to support the transport and connectivity requirements of GM; further develop our business support and skills capacity to meet the needs of employers; and fill gaps in the region's Life Science offer and the eco-system associated with Graphene.
- Establishing a 'Working Well' programme which is co-funded and co-designed with Government to support 5000 residents into sustained employment.

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 2013/14. To align costs with income and to meet the challenges of lower funding, TfGM has implemented a number of cost saving initiatives for 2013/14. 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.

## **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 23 June 2014. Information is available 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 2014/2015' 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**

**19 September 2014**



## The Statement of Responsibilities for the Annual Statement of Accounts

### The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer.
- 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).

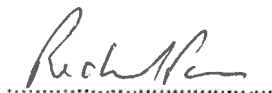
In preparing this Statement of Accounts, the Treasurer has:

- 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 2014 and of its income and expenditure for the year ended 31st March 2014.



**Richard Paver**

**Treasurer**

**Greater Manchester Combined Authority**

**19 September 2014**

### Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at the meeting held on 19 September 2014.



**Chair of the meeting approving the accounts,  
19 September 2014**

## 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" (i.e. 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 detail 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 the 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 useable reserves can be found in Note 8.

**2012/13**

	Note	General Fund Balance	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)	(280)	(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		0	0	0	0	0	0	0	0	0	0	0	0
Total Comprehensive Income and Expenditure		(162,031)	71	0	0	0	0	0	(161,960)	0	0	0	(161,960)
Adjustments between accounting basis and funding basis under regulations	7	208,105	0	0	0	34,179	0	0	242,284	(242,286)	2	(242,284)	0
Net Increase/(decrease) before Transfers to Earmarked Reserves		46,074	71	0	0	34,179	0	0	80,324	(242,286)	2	(242,284)	(161,960)
Transfers (to)/from Earmarked Reserves	8	(45,919)	0	23,709	22,622	0	0	(412)	0	0	0	0	0
Increase/(decrease) in year		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)	(899,754)	(744,762)

# 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" (i.e. 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 detail 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 the 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 useable reserves can be found in Note 8.

## 2013/14

	General Fund Balance	General Fund Balance	Revenue Grants Unapplied Reserve	Capital Programme Reserve	Capital Grants Unapplied Reserve	Metrolink Reserve	Capital Receipts Reserve	RGF / GPF Interest and Arrangement Fees Reserve	Total Usable Reserves	Capital Adjustment Account	Financial Instruments Adjustment Account	Total Unusable Reserves	Total Authority Reserves
<b>Balance as at 1 April 2013</b>	4,883	78	23,709	48,565	43,251	34,496	0	0	154,982	(899,506)	(256)	(899,764)	(744,782)
Surplus or (deficit) on the provision of services	(136,053)	127	0	0	0	0	0	0	(135,926)	0	0	0	(135,926)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Comprehensive Income and Expenditure</b>	(136,053)	127	0	0	0	0	0	0	(135,926)	0	0	0	(135,926)
Adjustments between accounting basis and funding basis under regulations	7	164,482	0	0	0	(1,975)	0	0	162,507	(162,509)	2	(162,507)	0
<b>Net Increase/(decrease) before Transfers to Earmarked Reserves</b>	28,429	127	0	0	(1,975)	0	0	0	26,581	(162,509)	2	(162,507)	(135,926)
Transfers (to)/from Earmarked Reserves	8	(28,429)	0	14,735	13,400	0	65	229	0	0	0	0	0
<b>Increase/(decrease) in year</b>	0	127	14,735	13,400	(1,975)	0	65	229	26,581	(162,509)	2	(162,507)	(135,926)
<b>Balance as at 31 March 2014</b>	4,883	205	38,444	61,965	41,276	34,496	65	229	181,563	(1,062,015)	(256)	(1,062,271)	(880,708)





# 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.

2012/13		2013/14	
£000's Gross Expenditure	£000's Gross Income	£000's Gross Expenditure	£000's Gross Income
132,229	(14,715)	127,932	(337)
265,111	(13,641)	227,392	(30,167)
397,340	(28,356)	355,324	(30,504)
			324,820
3,524	(16,266)	6,372	(32,053)
2,494	(34,537)	3,531	(3,531)
6,018	(50,803)	9,903	(35,584)
393	(155)	6,007	(6,007)
403,751	(79,314)	438	(289)
		371,672	(72,384)
301	0		
31,193	(388)	242	0
0	(193,583)	37,871	(477)
435,245	(273,285)	0	(200,998)
		409,785	(273,859)
			135,926

Total Comprehensive (Income) and Expenditure

161,960

*Richard Paver*

Richard Paver - Treasurer  
27 June 2014



## 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 2013 £000's		Note	31 Mar 2014 £000's
	<b><u>Non-Current Assets</u></b>		
24,058	Property, Plant and Equipment	18	25,213
626	Long Term Debtors	22	7,419
24,684	<b>Total Non-Current Assets</b>		32,632
	<b><u>Current Assets</u></b>		
1,464	Short Term Debtors	22	8,529
42,857	Cash and Cash Equivalents	23	137,165
44,321	<b>Total Current Assets</b>		145,694
	<b><u>Current Liabilities</u></b>		
(45,283)	Short Term Borrowing	26	(57,344)
(91,597)	Short Term Creditors	24	(77,675)
(44,072)	Capital Grants Receipts in Advance	13	(59,694)
(2,283)	Deferred Liability	25	(2,398)
(183,235)	<b>Total Current Liabilities</b>		(197,111)
(114,230)	<b>Total Assets less Current Liabilities</b>		(18,785)
	<b><u>Long Term Liabilities</u></b>		
(23,516)	Deferred Liability	25	(21,117)
(590,964)	Long Term Borrowing	26	(835,962)
(16,072)	Capital Grants Receipts in Advance	13	(4,844)
(630,552)			(861,923)
(744,782)	<b>Net (Liabilities)</b>		(880,708)
	<b>Financed by :</b>		
	<b><u>Usable Reserves :</u></b>		
4,961	General Fund Balance	28	5,088
23,709	Revenue Grants Unapplied Reserve	28	38,444
48,565	Capital Programme Reserve	28	61,965
43,251	Capital Grants Unapplied Reserve	28	41,276
0	Capital Receipt Reserve	28	65
34,496	Metrolink Reserve	28	34,496
0	RGF / GPF Interest and Arrangement Fees	28	229
154,982			181,563
	<b><u>Unusable Reserves :</u></b>		
(899,506)	Capital Adjustment Account	29(a)	(1,062,015)
(258)	Financial Instruments Adjustment Account	29(b)	(256)
(899,764)			(1,062,271)
(744,782)	<b>Total Reserves</b>		(880,708)

  
 .....  
**Richard Paver - Treasurer**  
 27 June 2014

## 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 amounts 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 (i.e. borrowing) to the Authority.

2012/13 £000's		Note	2013/14 £000's
161,960	Net Deficit on the provision of services		135,926
(14,082)	Adjustments to net deficit on the provision of services for non cash movements	31	8,629
1,000	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	31	4,986
<b>148,878</b>	<b>Net Cash Flows from Operating Activities</b>		<b>149,541</b>
3,557	Investing Activities	32	15,088
(60,175)	Financing Activities	33	(258,937)
<b><u>92,260</u></b>	<b>(Increase)/decrease in cash and cash equivalents</b>		<b><u>(94,308)</u></b>
135,117	Cash and cash equivalents at the beginning of the reporting period	23	42,857
42,857	Cash and cash equivalents at the end of the reporting period	23	137,165



## Greater Manchester Combined Authority – Notes to the Authority's core Financial Statements

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## **1. Accounting Concepts and Policies**

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year end 31 March 2014. 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 2013/14 (The Code) and the Service Reporting Code of Practice 2013/14 (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.

### **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 Faithful Representation**

The financial information in the accounts is a faithful representation of the economic performance of the Authority as they have been prepared to reflect the reality or substance of the transaction, are free from deliberate or systematic bias, are free from material error and contain all the information necessary to aid understanding.

#### **1.4 Comparability**

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

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

### **1.6 Timeliness**

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

### **1.7 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.

## **Underlying Assumptions**

### **1.8 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.

### **1.9 Going Concern**

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

### **1.10 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.

## **Accounting Policies**

### **1.11 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 Authorities within Greater Manchester.

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 Authority (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.

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

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.

### **1.12 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.

### **1.13 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.

### **1.14 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. Expenditure is charged to the 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 1.22



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

### **1.15 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.

### **1.16 Provision for Redemption of Debt**

The Authority is required to make a provision for the repayment of an element of the accumulated 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 2013/14 was £10,521k. (2012/13 £8,090k)

Tameside MBC manages the former Greater Manchester Authority Inherited Debt of the Authority and repayments are made annually on an annuity basis. The repayment in 2013/14 was £2,284k. (2012/13 £2,161k)

### **1.17 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.

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

### **1.18 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 income 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.

### **1.19 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.

### **1.20 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.

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

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

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

Where conditions have been met, these 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 Authority the Creditors Account is reduced accordingly.

### **1.23 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.

### **1.24 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.

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.

### **1.25 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.

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.

## 1. Accounting Concepts and Policies (continued)

### Financial Instruments

#### 1.26 Financial Assets – Loans and Receivables

Loans and receivables (e.g. 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 2013/14 the average rate of interest receivable on investments was 0.34% (2012/13 0.33%)

#### 1.27 Financial Liabilities

Financial liabilities (e.g. 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 rate of interest for the instrument. For the majority of the borrowings that the Authority has, 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 2013/14 the average rate of interest payable on borrowings was 4.60% (2012/13 4.81%).

The Authority's treasury management activities are managed through 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.



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

### **1.28 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 possible receipt, which may result in a transfer of economic benefits.

Contingent liabilities are sums due to individuals or organisations that may arise in the 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.

### **1.29 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 (i.e. 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.

### **1.30 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.

### **1.31 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 Ltd, Commission for the New Economy Ltd. and Manchester Investment and Development Agency 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 Ltd (GMATL), 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 and 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 2014 for which there is a risk of adjustment in the following financial year are:

### **3.1 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 £444k for each year that useful assets lives are reduced.

However, due to capital regulations, there would be no impact on the reserve.

### **3.2 Bad Debt Provisions**

Provision is made for debts that are not considered to be collectable – referred to as a bad debt provision. This provision is calculated based on a risk profile for each company that has received loans via RGF / GPF funds. The balance of debtors on the Balance Sheet is reduced by the amount of provision made. If the actual risk was different from that assessed, the bad debt provision could be under or over stated.

#### **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 2013/14 Code.

The Code has introduced several changes in accounting policies which will be required from 1 April 2014 and will therefore be valid for the 2014/15 accounts. The standards introduced by the 2014/15 Code are:

- IFRS10 Consolidated Financial Statements
- IFRS11 Joint Arrangements
- IFRS12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS28 Investments in Associates and Joint Ventures
- IAS32 Financial Instruments Presentation
- Annual Improvements to IFRS 2009-2011 Cycle.

IAS 32 relates to financial instruments disclosures and is mainly relevant to entities that issue equity instruments (i.e. shares). The main relevance to local authorities concerns the offsetting of assets and liabilities on the balance sheet. These can only be shown in this way when the Authority is legally able to do this and intends to settle the items on a net basis. It is not expected that this will have a material effect on the Authority's accounts. It is not a change of accounting policy that will require the publication of a third balance sheet (i.e. a restated balance sheet at the beginning of the preceding year – in this case 1 April 2013) in the 2014/15 accounts.

The adoption of the other standards listed above represent a change in accounting policy that per International Accounting Standards require the publication of a third balance sheet in the Authority's single entity or group accounts if the changes brought about by the standards are material. A material effect is defined as one that if omitted or misstated could effect decisions that users of the accounts made on the basis of the information reported. It is the Authority's assessment that a third balance sheet will not be required for either the single entity or group accounts in 2014/15.

IFR10 identifies control as the basis for assessment of whether an entity should be in the group accounts. The Authority is considered to control an entity if it has power over the entity, has rights to returns (i.e. dividends) and the ability to use its power to affect the amount of return. It is not expected that this new standard will alter the make up of the Authority's group accounts.

IFRS11 concerns accounting for joint arrangements. Under this IFRS there are two classifications of joint arrangements – joint operations and joint ventures (rather than three current classifications of jointly controlled operations, jointly controlled assets and jointly controlled entities). It is not expected that this new standard will alter the make up of the Authority's group accounts, however the equity method of consolidation will be required rather than the line by line method currently adopted by TfGM.

IFRS12 is a new disclosure standard which requires the Authority to disclose the nature of, and risks associated with, its interests in other entities that are not controlled by the Authority (unconsolidated structured entities) and the effects of those interests on its financial position, financial performance and cash flows. It is not expected that this new standard will alter the make up of the Authority's group accounts.

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

IAS27 refers to when an entity must consolidate another entity in its group accounts. IAS28 refers to applying the equity method to investments in associates and joint ventures. By applying IFRS 10, 11 and 12 IAS27 and 28, as amended in May 2011, are also fulfilled.

The 2014/15 Code includes amendments to the section on the presentation of the financial statements to reflect the amendments to IAS 1 as required by the Annual Improvements to IFRS 2009-2011. The Code specifies the format of the statements, disclosures and terminology that are appropriate for local authorities. The minimum level of detail required is also specified whilst permitting additional detail to be included where appropriate. The amendment relates to clarification of the requirement for comparative information.

**5. Post Balance Sheet Events**

If information has been received providing confirmation of conditions existing as at 31 March 2014, 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 draft 2013/14 Statement of Accounts which were authorised for issue by the Treasurer on 27 June 2014 have now been audited and have been authorised for issue by the Treasurer on 19 September 2014.



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

### 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.

	2012/13		2013/14	
	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 Districts funded from Capital Under Statute	265,111	(265,111)	227,392	(227,392)
Annual Depreciation Charge	4,177	(4,177)	4,441	(4,441)
Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	301	(301)	242	(242)
Capital Grants Receivable from the DfT - REFCUS	(13,641)	13,641	(30,167)	30,167
Capital Grants Receivable from the DfT - Traffic Signals	(12)	12	(224)	224
External Capital Contributions Receivable - Traffic Signals	(2,360)	2,360	(2,680)	2,680
Revenue Expenditure Payable to ED & R funded from capital Under Statute	2,494	(2,494)	9,538	(9,538)
Capital Grants Receivable from CLG - REFCUS	(34,537)	34,537	(6,007)	6,007
Long Term Debtor - Loan Repayment	0	0	65	(65)
Contribution to Capital Bad Debt provision	0	0	1,481	(1,481)
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u></b>				
Minimum Revenue Provision for capital financing	(8,090)	8,090	(10,521)	10,521
Inherited Debt Principal Payment	(2,161)	2,161	(2,284)	2,284
Transfer to Growing Places Reserve	34,529	(34,529)	0	0
Short / Long Term Debtor financed from Capital Grants	(350)	350	(1,975)	1,975
RCCO	0	0	(13,101)	13,101
Revenue Contributions to Finance Capital	(3,175)	3,175	(13,691)	13,691
<b>Adjustments Involving the Financial Instruments Adjustments Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(2)	2	(2)	2
<b>Total Adjustments</b>	<b>242,284</b>	<b>(242,284)</b>	<b>162,507</b>	<b>(162,507)</b>



Revenue Grants Unapplied Reserves :

Growing Places Fund (1)	0	0	2,828	2,828	(653)	0	2,175
Local Enterprise Partnership Capacity Building in Transport (2)	0	0	132	132	0	0	132
Local Sustainable Transport Fund (3)	0	(389)	12,921	12,532	(1,718)	0	10,814
Better Bus Area Fund (4)	0	(505)	1,477	972	(856)	0	116
Regional Growth Fund (5)	0	(2,763)	10,000	7,237	(2,234)	0	5,003
Regional Growth Fund Deposit Interest (6)	0	0	8	8	0	38	46
Smarter Cities (7)	0	0	0	0	0	14	14
Youth Contract (8)	0	0	0	0	0	5,800	5,800
Local Enterprise Partnership Core Funding (9)	0	0	0	0	0	145	145
Regional Growth Fund 3 (10)	0	0	0	0	0	10,406	10,406
Local Enterprise Partnership Strategic Plans Funding (11)	0	0	0	0	0	250	250
City Deal (12)	0	0	0	0	0	3,543	3,543
<b>Total Revenue Grants Unapplied Reserves</b>	<b>0</b>	<b>(3,657)</b>	<b>27,366</b>	<b>23,709</b>	<b>(5,461)</b>	<b>20,196</b>	<b>38,444</b>
Capital Programme Reserve (13)	25,943	0	22,622	48,565	(13,101)	26,501	61,965
Metrolink Reserve (14)	34,496	0	0	34,496	0	0	34,496
Transport Infrastructure Reserve (Wigan & Bolton TIF) (15)	412	(412)	0	0	0	0	0
Useable Capital Receipts Reserve (16)	0	0	0	0	0	65	65
Regional Growth Fund/Growing Places Interest and Arrangement Fees (17)	0	0	0	0	0	229	229
<b>Total Reserves transferred (to)/from General Fund</b>	<b>60,851</b>	<b>(4,069)</b>	<b>49,988</b>	<b>106,770</b>	<b>(18,562)</b>	<b>46,991</b>	<b>135,199</b>
<b>Transfer (to)/from General Fund</b>			<b>45,919</b>			<b>28,429</b>	
<b>General Fund - Transport (18)</b>	<b>4728</b>	<b>0</b>	<b>155</b>	<b>4,883</b>	<b>0</b>	<b>0</b>	<b>4,883</b>
<b>General Fund - Economic Development and Regeneration (19)</b>	<b>7</b>	<b>0</b>	<b>71</b>	<b>78</b>	<b>0</b>	<b>127</b>	<b>205</b>
<b>Capital Grants Unapplied Reserve (20)</b>	<b>9072</b>	<b>0</b>	<b>34,179</b>	<b>43,251</b>	<b>(1,975)</b>	<b>0</b>	<b>41,276</b>
<b>Total Useable Reserves</b>	<b>74,658</b>	<b>(4,069)</b>	<b>84,393</b>	<b>154,982</b>	<b>(20,537)</b>	<b>47,118</b>	<b>181,563</b>
<b>40</b>							

## 8 Transfers to/(from) Earmarked Reserves (continued)

### 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 2: funding to create new, sustainable, private sector jobs in areas vulnerable to public sector job losses.
- (6) Regional Growth Fund Bank Interest : Interest earned on income received in advance will be re-invested within the fund as per grant conditions.
- (7) Smarter Cities: funding to assist with the smart ticketing project.
- (8) Youth Contract: funding to assist with job creation jobs for 16-24 yr olds
- (9) LEP Core Priorities: funding to assist LEP's to meet priorities.
- (10) Regional Growth Fund 3: latest wave of funding to create new, sustainable, private sector jobs in areas vulnerable to public sector job losses.
- (11) LEP Strategic Plans: funding to assist plans with the EU structural plans for 2014 -2020.
- (12) City Deal: funding from the Skills Funding Agency as part of the City Deal to assist with increased apprenticeship and training opportunities.
- (13) Capital Programme Reserve : surpluses of capital financing costs which have been set aside to fund future capital programme related expenditure.
- (14) Metrolink Reserve : funding for Metrolink Service Enhancement related expenditure.
- (15) Wigan and Bolton mini TIF : funding for Wigan and Bolton transport infrastructure related expenditure.
- (16) Useable Capital Receipts - these include the principal repayments of the RGF / GPF Loans.
- (17) Regional Growth Fund / Growing places Interest and Arrangement Fees : Interest earned on income received in advance will be re-invested within the fund as per grant conditions and arrangement fees may be off-set against specific costs associated with the making of the loans.
- (18) General Fund - Transport : Non specific reserve relating to transport related functions.
- (19) General Fund - Economic Development and Regeneration : Non specific reserve relating to Economic Development and Regeneration related functions.
- (20) Capital Grants Unapplied Reserve: Includes GPF funds and LTP Top-Slice grants.

## 9 Financing and Investment Expenditure

2012/13 £000's		2013/14 £000's
	Interest payable and similar charges on borrowings :	
21,091	PWLB	21,147
8,535	Others	15,280
0	Brokerage Fees	4
1,567	Interest payable on the former GMC debt	1,440
<u>31,193</u>		<u>37,871</u>

## 10 Financing and Investment Income

2012/13 £000's		2013/14 £000's
388	Interest receivable on deposits	314
0	Interest receivable on loans	163
<u>388</u>		<u>477</u>

## 11 Taxation and Non Specific Grant Income

2012/13 £000's		2013/14 £000's
191,211	Transport levy from the Greater Manchester districts	198,094
2,372	Capital Contributions Receivable for Traffic Signal Schemes	2,904
<u>193,583</u>		<u>200,998</u>

## 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 authority's within Greater Manchester.

2012/13 £000's		2013/14 £000's
26,153	LTP Highways Capital Maintenance Received from DfT	25,323
(26,153)	LTP Highways Capital Maintenance Paid to Districts	(25,323)
15,000	Greater Manchester Transport Fund - non GMCA road schemes received from DfT	7,500
(3,284)	Greater Manchester Transport Fund - non GMCA road schemes paid to Districts	(3,596)
<u>11,716</u>	Net Cash Receipts	<u>3,904</u>

# 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 :

2012/13 £000's		2013/14 £000's
	<u>Credited to Cost of Services</u>	
	<b>Highways and Transport Services</b>	
132	LEP Capacity in Transport - DfT	0
1,477	Better Bus Area Fund - DfT	0
12,921	Local Sustainable Transport Fund - DfT	0
0	Smarter Cities Grant - DfT	90
185	District & External Contributions to Traffic Signals Repairs/S278	247
13,641	Revenue Expenditure Funded by Capital under Statute - DfT	30,167
28,356		30,504
	<b>Planning Services</b>	
239	Fit for Work Grant - DWP	0
2,828	Growing Places Fund - CLG/Home Office	0
10,000	Regional Growth Fund 2 - CLG	7,681
0	Regional Growth Fund 3 - CLG	14,183
0	Regional Growth Fund / Growing Places Fund Arrangement fees	173
0	Regional Growth Fund / Growing Places Capital Receipts	65
12	Climate Change Risks - Defra	0
125	LEP Core Funding - CLG	250
0	LEP EU Strategic Plans - CLG	250
0	LEP Capacity Fund Round 2	26
0	Youth Contract	5,800
67	EU Social Enterprise Progress	6
41	GM Digital City Technical Assistance - ERDF/CLG	0
246	City Deal - Skills Funding Agency	3,712
2,658	District Contributions to the Manchester Family	2,524
0	District Contributions to ED&R functions	578
155	District Contributions to the GMCA Costs	289
50	AGMA Contribution to the GMCA Costs	336
34,537	Revenue Expenditure Funded by Capital under Statute - DCLG/HCA	0
50,958		35,873
	<b>Housing Services</b>	
0	Revenue Expenditure Funded by Capital under Statute - DCLG/HCA	6,007
79,314		72,384
	<u>Credited to Taxation and Non Specific Grant Income</u>	
12	DfT Grants to Traffic Signals Schemes	224
2,360	External Contributions to Traffic Signals schemes	2,680
2,372		2,904

**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 attached that have not yet been met.

**Capital Grants Receipts in Advance**

	<b>Total 31 March 2013 £'000's</b>	<b>Total 31 March 2014 £'000's</b>
Green Bus Fund - DfT	1,002	0
Rochdale Interchange - DfT	5,346	0
Local Sustainable Transport Fund - DfT	17,946	15,746
Cross City Bus Package - DfT	30,626	26,633
Better Bus Area Fund - DfT	3,389	1,638
Clusters of Empty Homes - CLG	1,835	0
Cycle City Ambition Grant	0	19,400
Guided Busway	0	1,121
	<b>60,144</b>	<b>64,538</b>
Due within 1 year	44,072	59,694
Due over 1 year	16,072	4,844

**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 :

	<b>2012/13 £'000's</b>	<b>2013/14 £'000's</b>
Fees receivable from the Audit Commission with regard to external audit services carried out by the appointed auditor for the year.	(3)	(4)
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year.	32	32
Fees payable to Grant Thornton for the certification of grant claims and returns for the year.	1	1
Fees payable to Grant Thornton in respect of any other services.	0	6
<b>Total</b>	<b>30</b>	<b>35</b>



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

<b>15</b>	<b><u>Cost of Service - Running costs expenditure</u></b>	<b>2012/13</b>	<b>2013/14</b>
		<b>£'000's</b>	<b>£'000's</b>
	<b>Highways and Transport Services</b>		
	Revenue Support Grant to TfGM	122,140	116,184
	Local Sustainable Transport Fund Grant to TfGM	389	1,718
	Better Bus Area Fund Grant to TfGM	505	856
	Smarter Cities Grant to TfGM	0	76
	Payments to TfGM for Traffic Signals Maintenance/Repairs & S278	4,682	4,379
	Annual Depreciation Charge on the Traffic Signals	4,177	4,441
	Support Costs - Transport	336	278
		<u>132,229</u>	<u>127,932</u>
	<b>Planning Services</b>		
	Payments to the Manchester Family companies	2,658	2,551
	Payments for other Economic Development and Regeneration Services	0	1,870
	Contribution to Capital Bad Debt provision	0	1,481
	GM Digital City Technical Assistance Grant	41	0
	Fit for Work Grant	239	0
	Climate Change Risks Grant	12	(2)
	LEP Core Funding Grant	125	105
	LEP Capacity Round 2	0	26
	EU Social Enterprise Grant	67	6
	City Deal Grant	246	167
	Support Costs - Economic Development and Regeneration Functions	136	168
		<u>3,524</u>	<u>6,372</u>
		<u><b>135,753</b></u>	<u><b>134,304</b></u>

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

The capital grants payable to TfGM / Districts 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 17 and 18.

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000's</b>	<b>£000's</b>
Transport related	265,111	227,392
Economic development and regeneration related	2,494	3,531
Housing Services	0	6,007
	<u>267,605</u>	<u>236,930</u>

**Note 17 Segmental Reporting Analysis**

The table below is a reconciliation of the 2013-14 internal management reports (monitoring and outturn) used by the Authority to make decisions, and the 2013-14 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		(198,094)	(198,094)
Contributions to the Traffic Functions		(247)	(247)
Interest/arrangement fees	(336)		(336)
Short term deposit interest	(174)		(174)
Contributions from reserves	(2,887)		(2,887)
Contributions to ED & R Functions	(3,721)		(3,721)
Government Grants	(32,040)	(2,664)	(34,704)
<b>Total Income</b>	<b>(39,158)</b>	<b>(201,005)</b>	<b>(240,163)</b>
Grants to Transport for Greater Manchester		118,833	118,833
Payments for Transport Functions		4,378	4,378
Payments for ED & R Functions	18,360		18,360
Capital Financing Costs	0	73,844	73,844
Running Costs	127	744	871
<b>Total Operating Expenses</b>	<b>18,487</b>	<b>197,799</b>	<b>216,286</b>
Transfers to Earmarked Reserves	20,544	3,206	23,750
<b>Cost of Services - (Surplus)</b>	<b>(127)</b>	<b>0</b>	<b>(127)</b>

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

	£000s
Cost of services in service analysis - (surplus)	(127)
Add amounts not reported to management *	206,682
Remove amounts reported to management not included in NCS in CIES	92,733
<b>Net cost of services in the Comprehensive Income and Expenditure Statement</b>	<b>299,288</b>

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

**Note 17 Segmental Reporting Analysis (continued)**

Reconciliation to subjective analysis.							Total £000s
	Service Analysis £000s	Not Reported to Management* £000s	Not Included in CIES NCS £000s	Net Cost of Services £000s	Corporate Amounts £000s		
Fees, charges & other service income	0	(65)	0	(65)	0		(65)
Interest and investment income	(198,094)	0	0	0	(140)		(140)
Income from the Transport Levy	(2,887)	0	198,094	0	(198,094)		(198,094)
Transfers from reserves	(336)	0	5,588	2,701	0		2,701
Interest/arrangement fees	(174)	0	336	0	(336)		(336)
Short term deposit interest	(38,672)	0	0	(174)	0		(174)
Grants and contributions		(36,175)	0	(74,847)	(2,904)		(77,751)
<b>Total Income</b>	<b>(240,163)</b>	<b>(36,240)</b>	<b>204,018</b>	<b>(72,385)</b>	<b>(201,474)</b>		<b>(273,859)</b>
Grants to Transport for Greater Manchester	118,833	0	0	118,833	0		118,833
Payments for Transport Functions	4,378	0	0	4,378	0		4,378
Payments for ED & R Functions	18,360	0	(13,691)	4,669	0		4,669
Capital Financing Costs	73,844	0	(73,844)	0	0		0
Service Expenses	871	1,546	0	2,417	0		2,417
Depreciation	0	4,441	0	4,441	0		4,441
Interest payments	0	0	0	0	37,870		37,870
Revenue Expenditure Funded by Capital Under Statute (Gain) or loss on disposal of non-current assets	0	236,935	0	236,935	0		236,935
<b>Total Operating Expenses</b>	<b>216,286</b>	<b>242,922</b>	<b>(87,535)</b>	<b>371,673</b>	<b>242</b>		<b>409,785</b>
Transfers to Earmarked Reserves	23,750	0	(23,750)	0	0		0
<b>(Surplus) or deficit in the provision of services</b>	<b>(127)</b>	<b>206,682</b>	<b>92,733</b>	<b>299,288</b>	<b>(163,362)</b>		<b>135,926</b>

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

**Note 17 Segmental Reporting Analysis (continued)**

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		(185)	(185)
Contributions to ED & R Functions	(2,813)		(2,813)
Government Grants	(13,558)	(14,530)	(28,088)
<b>Total Income</b>	<b>(16,371)</b>	<b>(205,926)</b>	<b>(222,297)</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
Running 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>(155)</b>	<b>(226)</b>

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

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

**Note 17 Segmental Reporting Analysis (continued)**

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	(388)	(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, GM Broadband and Revenue Expenditure Funded by Capital Under Statute income and expenditure.



# **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 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 2012/13 and 2013/14 was as follows :

	<b>Infrastructure Assets £'000</b>
<b>Gross Book Value :</b>	
At 1 April 2012	57,779
Additions at cost	5,439
Disposals	(1,407)
At 31 March 2013	<u>61,811</u>
At 1 April 2013	61,811
Additions at cost	5,838
Disposals	(2,557)
At 31 March 2014	<u>65,092</u>
<b>Accumulated Depreciation</b>	
At 1 April 2012	34,682
Charge for year	4,177
Disposals	(1,106)
At 31 March 2013	<u>37,753</u>
At 1 April 2013	37,753
Charge for year	4,441
Disposals	(2,315)
At 31 March 2014	<u>39,879</u>
<b>Net Book Value :</b>	
At 1 April 2012	<u>23,097</u>
At 31 March 2013	<u>24,058</u>
At 31 March 2014	<u>25,213</u>

## **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 sale proceeds are received for these.

<b>2012/13 £000's</b>	<b>2013/14 £000's</b>
<u>301</u>	<u>242</u>

## 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 historic cost net of depreciation.

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 unless 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 2014, 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 at this time.

## 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 2013 (restated) £000's	31 March 2014 £000's
Traffic Signals	1,277	1,284
	<u>1,277</u>	<u>1,284</u>

**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.

	2012/13 £'000's	2013/14 £'000's
Capital Expenditure on Infrastructure assets	5,439	5,838
Capital Grants Payable to TfGM (REFCUS)	255,046	223,861
Capital Grants Payable for ED & R (REFCUS)	2,494	9,538
Capital Grants Payable to Districts (REFCUS)	10,065	3,531
Long/Short Term Debtors for ED & R	626	12,200
<b>Total Capital Expenditure</b>	<b>273,670</b>	<b>254,968</b>
<b>Funded by:</b>		
Central Government Grants	6,117	24,880
DfT LTP Settlement	7,893	13,493
External Capital Contributions	2,360	2,680
Revenue Contributions	3,175	13,691
Capital Programme Reserve	0	13,101
Borrowing	254,125	187,123
	<b>273,670</b>	<b>254,968</b>

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:

	2012/13 £'000's	2013/14 £'000's
<b>Opening Capital Financing Requirement</b>	<b>680,317</b>	<b>924,190</b>
<b>Capital Investment</b>		
Revenue Expenditure Funded from Capital Under Statute	267,605	236,930
Capital Expenditure on Property Plant and Equipment assets	5,439	5,838
Long Term Debtors	626	12,200
<b>Sources of Finance</b>		
Government Grants & Other Contributions	(16,021)	(39,078)
Short / Long Term Debtor financed from Capital Grants	(350)	(1,975)
Short / Long Term Debtor financed from Revenue Grants	0	(10,160)
Capital Programme Reserve - RCCO	0	(13,101)
Revenue Contributions	(3,175)	(3,531)
Minimum Revenue Provision	(8,090)	(10,521)
Repayment of Inherited Debt	(2,161)	(2,284)
<b>Closing Capital Financing Requirement</b>	<b>924,190</b>	<b>1,098,508</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing	242,286	174,318
Increase in carrying value of non current assets	1,587	0
<b>Increase in Capital Financing Requirement</b>	<b>243,873</b>	<b>174,318</b>

**22 Short Term Debtors**

<b>Total 31 March 2013 £'000's</b>		<b>Total 31 March 2014 £'000's</b>
	<b>Central Government Bodies</b>	
424	HMR & C	1,720
133	Capital Grants REFCUS - DfT	191
292	Revenue Grants - Central Government	1,634
392	<b>Other Local Authorities</b>	342
	<b>Public Corporations</b>	
79	Traffic Signal Contributions - TfGM	181
4	Traffic Signal Contributions - GMF & R	28
20	<b>Prepayments</b>	404
120	<b>Other entities and individuals</b>	4,029
<b>1,464</b>	<b>Total</b>	<b>8,529</b>

Within short term debtors an amount of £0.338 million (31 March 2013 £0.220 million) has been outstanding for over 30 days but has not been impaired.

**Long Term Debtors**

	<b>Other entities and individuals £'000's</b>
<b>Balance 01.04.2012</b>	0
Advances	626
Repaid	0
<b>Balance 31.03.2013</b>	626
<b>Balance 01.04.2013</b>	626
Advances	8,354
Repaid	(65)
<b>Sub-Total</b>	8,915
<b>Bad Debt Provision</b>	(1,496)
<b>Balance 31.03.2014</b>	<b>7,419</b>

These are amounts which are owed to the Authority which are being repaid over various periods longer than one year. The values reported are as a result of loans issued via the Regional Growth Fund / Growing Places Fund with an average payback period of 3-5 years.

## 23 Cash and Cash Equivalents

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

<b>Total 31 March 2013 £'000's</b>		<b>Total 31 March 2014 £'000's</b>
1,109	Bank current accounts	172
19,747	Bank call accounts	27,763
22,001	Short term deposits with central government	109,230
<u>42,857</u>	<b>Total</b>	<u>137,165</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 in excess of current requirements.

The accrued interest receivable included within the cash equivalent figures as at 31 March 2014 is £13k (31 March 2013 £8k)

The average interest receivable on the short term deposits as at 31 March 2014 was 0.34% (31 March 2013 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 2014 these amount to £51.630 million (31 March 2013 £22.740 million). These are also shown as short term borrowings as liabilities with TfGM.



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

**24 Short Term Creditors**

<b>Total 31 March 2013 £'000's</b>		<b>Total 31 March 2014 £'000's</b>
	<b>Central Government Bodies</b>	
23,154	Non GMCA Road Schemes - DfT *	27,058
11,734	<b>Other Local Authorities</b>	6,388
	<b>Public Corporations</b>	
56,371	TfGM	43,088
338	<b>Other entities and individuals</b>	1,141
<u>91,597</u>	<b>Total</b>	<u>77,675</u>

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

**25 Deferred Liability**

<b>2012/13 £'000's</b>	<b>former Greater Manchester Council debt</b>	<b>2013/14 £'000's</b>
27,960	Balance as at 1st April	25,799
(2,161)	Repayment in the year	(2,284)
<u>25,799</u>	Balance as at 31st March	<u>23,515</u>
2,283	Due within 1 year	2,398
23,516	Due over 1 year	21,117

This debt was created on 1 April 1986 at a value of £49,948,043 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 :

	<b>Long Term</b>		<b>Current</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Investments</b>				
Loans and receivables	0	0	41,748	136,993
<b>Debtors</b>				
Loans and receivables	626	7,419	1,040	6,405
<b>Cash</b>	0	0	1,109	172
<b>Borrowings</b>				
Financial liabilities at amortised cost	590,964	835,962	45,283	57,344
<b>Creditors and Grants Received In Advance</b>				
Financial liabilities at amortised cost	16,072	4,844	135,669	137,369

### Income and Expense

	<b>2012/13</b>			<b>2013/14</b>		
	<b>Financial Liabilities measured at amortised cost</b>	<b>Financial assets: loans and receivables</b>	<b>Total</b>	<b>Financial Liabilities measured at amortised cost</b>	<b>Financial assets: loans and receivables</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Interest expense	(29,626)		(29,626)	(36,427)		(36,427)
Fee expense	0		0	(4)		(4)
Impairment of debtors	0		0	0	(1,496)	(1,496)
<b>Total Expense In</b>	<b>(29,626)</b>	<b>0</b>	<b>(29,626)</b>	<b>(36,431)</b>	<b>(1,496)</b>	<b>(37,927)</b>
<b>Surplus or Deficit on the Provision of Services</b>						
Interest Income		388	388		477	477
<b>Total Income In</b>	<b>0</b>	<b>388</b>	<b>388</b>	<b>0</b>	<b>477</b>	<b>477</b>
<b>Surplus or Deficit on the Provision of Services</b>						
<b>Net gain/(loss) for the year</b>	<b>(29,626)</b>	<b>388</b>	<b>(29,238)</b>	<b>(36,431)</b>	<b>(1,019)</b>	<b>(37,450)</b>

**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 :

	<b>31 March 2013</b>		<b>31 March 2014</b>	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
<b>Financial Liabilities at Amortised Cost</b>				
PWLB Debt using premature repayment rates	425,476	574,917	425,149	536,152
Non- PWLB debt	210,771	214,430	468,157	455,995
Total Borrowings	636,247	789,347	893,306	992,147
Creditors and Grants Received in Advance	151,741	151,741	142,213	142,213
Total Financial Liabilities	787,988	941,088	1,035,519	1,134,360

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed 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.

	<b>31 March 2013</b>		<b>31 March 2014</b>	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
<b>Financial Assets at Amortised Cost</b>				
Cash	1,109	1,109	172	172
Loans and receivables	42,788	42,788	143,398	143,398
Total Loans and Receivables	43,897	43,897	143,570	143,570

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)

### Borrowings

	Range of Interest rates payable in 13/14		Average Interest	Average Interest	Total Outstanding 31 March 2013	Total Outstanding 31 March 2014
	from	to	% at 31/03/13	% at 31/03/14	£'000's	£'000's
	%	%				
<b>a) Analysis of loans by type :</b>						
Public Works Loans Board	0.56%	11.375%	5.03%	5.03%	420,706	420,706
Other Loans	3.95%	4.50%	4.32%	4.17%	185,170	415,000
TfGM - Interbank					22,740	51,630
Accrued Interest Payable :						
PWLB					4,770	4,443
Others					2,861	1,527
Total as at 31st March			4.81%	4.60%	636,247	893,306

### **b) Analysis of loans by maturity**

#### **Maturing:**

Due within 1 year : accrued interest payable		
PWLB	4,770	4,443
Others	2,861	1,271
Due within 1 year : principal		
PWLB	0	0
Others	14,912	0
Due within 1 year : TfGM - Interbank	22,740	51,630
Due within 1 year	45,283	57,344
In 1 to 2 years	0	5,800
In 2 to 5 years	17,341	23,309
In 5 to 10 years	47,703	80,301
In over 10 years	525,920	726,552
Due over 1 year	590,964	835,962
Total	636,247	893,306

## **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 and Building Societies**

Fitch AA+	£15 million
Fitch A+/A-	£8 million
Fitch A+/A	£8 million
Fitch A-	£4 million
Fitch BBB+	£0 million

Debt Management Office	£200 million
Manchester City Council	£50 million
Other Local Authorities	£20 million
District Councils	£5 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 2014 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. Excluding HMRC and RGF / GPF Loans, £0.001 million of the balance of debtors of £2.725 million is past its due date for payment, therefore the estimated exposure to default is £nil.

RGF / GPF loans have had individual risk profiles assessed, resulting in a bad debt provision of £1.496 million being included within the accounts.

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.

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

- 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.

**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 £105 million 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 2013 £000's</b>	<b>31 March 2014 £000's</b>
Less than one year	180,952	194,713
Between one and two years	16,072	10,644
Between two and five years	17,341	23,309
Between five and 10 years	47,703	80,301
More than 10 years	525,920	726,552
<b>Total</b>	<b>787,988</b>	<b>1,035,519</b>

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

	<b>31 March 2013 £000's</b>	<b>31 March 2014 £000's</b>
Less than one year	43,897	143,974
Between one and two years	626	8,915
<b>Total</b>	<b>44,523</b>	<b>152,889</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 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 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 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 Deficit on the Provision of Services and effect the General Fund Reserve.

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 1%. 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 (£136.993 million @ 1%) = £1.370 million gain.
- Short term borrowing risk (nil @ 1%) = £nil.
- LOBO risk (loans potentially subject to call over the remaining term of the loan)  
(£105 million @ 1%) = £1.050 million loss.

**Impact on the Surplus or Deficit on the Provision of Services = £0.320 million gain.**



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

The impact of a 1% fall in interest rates would be as follows:

- Short term investment risk (£136.993 million @ 0.34%) = £0.466 million loss.
- Short term borrowing risk (nil @ 1%) = £nil.
- LOBO risk (loans potentially subject to call over the remaining term of the loan) (£105 million @ 1%) = £1.050 million gain.

**Impact on the Surplus or Deficit on the Provision of Services = £0.584 million loss.**

**Foreign Exchange risk**

The Authority has received a grant of £6,000 from the European Union which was denominated in Euros. It therefore has a small exposure to loss arising from movements in exchange rates.

**28 Usable Reserves**

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

**29 Unusable Reserves**

Total 31 March 2013 £'000's		Total 31 March 2014 £'000's	
(899,506)	Capital Adjustment Account	(1,062,015)	
(258)	Financial Instruments Adjustment Account	(256)	
<u>(899,764)</u>	<b>Total Unusable Reserves</b>	<u>(1,062,271)</u>	

**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 / Districts and ED & R partners, and the annual depreciation charge and loss on disposals of traffic signals, and credited with both the capital grants and contributions receivable, and the amounts set aside by the Authority as finance for the cost of acquisition, construction and enhancement.

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

2012/13 £'000's		2013/14 £'000's
(657,220)	Balance as at 1st April	(899,506)
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(267,605)	Revenue expenditure funded from capital under statute	(236,930)
(4,177)	Annual depreciation charge of non current assets	(4,441)
(301)	Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(242)
	<b>Capital Financing Applied in the year :</b>	
16,021	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	39,078
0	Funded from Capital Programme Reserve - RCCO	13,101
8,090	Statutory provision for the financing of capital investment	10,521
2,161	Repayment of Inherited Debt charged against the General Fund	2,284
350	Long and Short Term Debtor financed from Capital Grants	1,975
0	Long and Short Term Debtor financed from RCCO	10,160
0	Bad debt provision for RGF/GPF loans	(1,481)
0	Write Down of Long Term Debtor	(65)
3,175	Revenue Contributions to Finance Capital	3,531
<u>(899,506)</u>	Balance as at 31st March	<u>(1,062,015)</u>

**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 benefitting 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.

2012/13 £'000's	2013/14 £'000's
(260)	(258)
Balance as at 1st April	
675	675
Interest incurred in the year and charged to the Comprehensive Income and Expenditure Statement	
(673)	(673)
Proportion of interest incurred to be charged against the General Fund Balance in accordance with statutory requirements	
<hr/> 2	<hr/> 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	
<hr/> (258)	<hr/> (256)
Balance as at 31st March	

**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:

	2012/13 £'000's	2013/14 £'000's
<b>Income</b>		
Dept for Transport - revenue grants	14,530	90
Dept for Transport - capital grants - REFCUS	13,641	30,167
Dept for Transport - capital grants - Traffic Signals Schemes	12	224
<b>Debtors</b>		
Dept for Transport - capital grants - REFCUS	133	191

**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:

	2012/13 £'000's	2013/14 £'000's
<b>Income</b>		
DWP - revenue grant	239	5,800
CLG - revenue grants	10,166	22,390
CLG/Home Office - revenue grants	2,828	0
Defra - revenue grant	12	0
Skills Funding Agency - revenue grant	246	3,712
CLG - capital grants - REFCUS	34,537	6,007
<b>Debtors</b>		
BIS - revenue grants	0	0
CLG - revenue grant	34	0
Defra - revenue grant	12	0
Skills Funding Agency - revenue grant	246	1,382

**30 Related Party Transactions (continued)****The Association of Greater Manchester Authorities**

The 10 district councils which comprise AGMA provide the 10 Leaders / Mayor's who serve as members of the GMCA, and the 33 councillors who serve as members of the TfGMC joint Committee.

	2012/13 £'000's	2013/14 £'000's
<b>Income</b>		
Annual transport levy	191,211	198,094
Capital contributions to new traffic signal schemes	1,542	1,335
Annual contributions to the Manchester Family	2,658	2,524
Annual contributions to ED & R functions	0	578
Annual contributions to the GMCA Running Costs	155	289
AGMA Contribution to the GMCA Costs	50	336
<b>Debtors</b>		
Traffic Signal Scheme and Repair Invoices	389	334

**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 as follows:

	2012/13 £'000's	2013/14 £'000's
<b>Expenditure</b>		
Revenue Support Grant	122,140	116,184
Revenue Grants	935	2,650
Traffic Signals Maintenance/Repairs and S278	4,682	4,379
General Expenditure	70	0
Capital Grants - REFCUS	255,046	223,861
Traffic Signals Schemes	5,410	5,838
<b>Income</b>		
Traffic Signals Schemes	593	775
<b>Debtors</b>		
Traffic Signals Schemes	79	181
<b>Creditors</b>		
Revenue Grants	819	1,050
Capital Grants - REFCUS	54,566	39,649
General Expenditure	20	0
Traffic Signals Schemes/Repairs and S278	966	2,389
<b>Borrowings</b>		
Interbank Balance	22,740	51,630



**30 Related Party Transactions (continued)**

**Members**

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

No members allowances are payable.

During 2013/14 no works or services were commissioned from companies in which any members had an interest.

A grant of £5.480 million (2012/13 £5.563 million) 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. 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 decisions relating to grants. Details of all these transactions are recorded in the Register of Member's Interests, open to the public at Manchester Town Hall during office hours.

**Officers**

There have been no pecuniary interests involving 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:

	2012/13 £000's	2013/14 £000's
<b>Income</b>		
Traffic Signals Repairs	26	3
Traffic Signals Schemes	215	207
<b>Expenditure</b>		
General Expenditure	670	2,734
Capital Grant - REFCUS	10,065	3,531
Revenue Grants	5	0
<b>Debtors</b>		
Traffic Signals Schemes & Repairs	93	26
General Expenditure	0	0
<b>Creditors</b>		
General Expenditure	127	438
Capital Grant - REFCUS	10065	3,531
Revenue Grants	5	111

### 30 Related Party Transactions (continued)

#### Manchester Family Organisations

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

<u>New Economy</u>	2012/13 £'000's	2013/14 £'000's
<b>Expenditure</b>		
General Expenditure	849	1,047
Revenue Grants	289	0
<b>Creditors</b>		
General Expenditure	0	0
Revenue Grants	241	0
<b>Debtors / Prepayments</b>		
General Expenditure	0	285
 <u>MIDAS</u>	 2012/13 £'000's	 2013/14 £'000's
<b>Expenditure</b>		
General Expenditure	1,375	1,356
<b>Debtors / Prepayments</b>		
General Expenditure	0	105

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

**31 Cash Flow Statement - Adjustments to Net Cash Flows from Operating Activities**

2012/13 £'000's		2013/14 £'000's
2	Finance Costs calculated in accordance with the SORP	2
(3,708)	Increase / (Decrease) in Debtors	3,253
(7,270)	Decrease / (Increase) in Creditors	13,620
0	Increase in bad debt provision	(1,481)
(301)	Loss on sale of non current assets	(242)
(4,177)	Annual depreciation charge	(4,441)
13	(Increase) / Decrease in Interest Debtors	(163)
1,359	Increase / (Decrease) in Interest Creditors	(1,919)
(14,082)	Adjustments to net deficit on the provision of services for non cash movements	8,629
29,834	Finance Costs Paid	39,790
(31,193)	Financing Expenditure	(37,871)
388	Financing Income	477
(401)	Interest Income Received	(314)
2,372	capital grants and contributions receivable- traffic signals	2,904
1,000	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	4,986

**32 Cash Flow Statement - Investing Activities**

2012/13 £'000's		2013/14 £'000's
8,313	Purchase of Property, Plant and Equipment	5,956
626	Long and Short Term Loans paid out	12,200
0	Long Term Loans repaid	(65)
(5,382)	Capital grants and contributions received	(3,003)
3,557	<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	15,088

**33 Cash Flow Statement - Financing Activities**

2012/13 £'000's		2013/14 £'000's
2,161	Repayment of former GMC Debt	2,284
(11,716)	Capital Grants Receipts in Advance relating to non GMCA road schemes	(3,904)
0	Repayment of borrowing	14,912
(50,620)	Receipt of borrowing	(272,229)
(60,175)	<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	(258,937)

## **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 Limited 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 2014.

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 2013/14 ('The Code'). The consolidated accounts comprise the accounts of TfGM and all its subsidiary and associated undertakings drawn up to 31 March 2014.

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 Limited are prepared in accordance with applicable accounting standards, the Companies Act 2006 and the Statement of Recommended Practice and Reporting by Charities issued in March 2005.

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

The Finance Department  
20<sup>th</sup> Floor  
Manchester One  
53 Portland Street  
Manchester  
M1 3LD

## **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 Greater Manchester Accessible Transport Limited (GMATL). TfGM and GMATL 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 Limited. TfGM and GMATL'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 2013/14, 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.

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 £114.026 million (2012/13 £112.670 million) representing the costs of acquiring the land required for the system to be constructed. In accordance with standard accounting practice this land is not being depreciated.

## **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 2013/14, 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 2014.

### **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.

## **Greater Manchester Combined Authority Group Accounts – Including Group Accounting Policies**

### **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 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.



## **Greater Manchester Combined Authority Group Accounts – Including Group Accounting Policies**

Subsequent measurement depends on their classification as follows:

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

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

### **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 2014 amounted to £19.872 million (2012/13: £5.871 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 4.1%
- 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.

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 20 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 Accounts are 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 2014 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**

GMATL's Unrestricted Fund comprises the undertaking's general fund, which consists of funds that the undertaking may use for its purposes at its discretion, and the designated funds, the main function of the fund is to address the effects of Social Exclusion in Transport, through funding operating and replacing vehicles and development and building refurbishment works.

In the Group consolidation, an Accumulated Absences accrual of (a) £45k (2012/13 £55k) has been brought into the 31 March 2014 GMATL Financial Statements, (b) £24k (2012/13 £16k) has been brought into the 31 March 2014 MIDAS Financial Statements, (c) £29k (2012/13 £30k) has been brought into the 31 March 2014 CNE Financial Statements. This is a requirement of the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.



## 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" (i.e. 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 detail 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 the 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	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 Reserve	Capital Adjustment Account GMCA	Deferred Capital Grants TfGM	Financial Instruments Adjustment Account GMCA	Pensions Reserve TfGM	Capital Reserve TfGM	Deregulation Reserve TfGM	Charitable Trust Reserve GMATL	Total Unusable Reserve	Total Group Reserves
Balance as at 1 April 2012		10,234	20,000	18,671	8,588	41,083	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	34	12,505	0	29,765	0	0	0	0	0	0	42,270	(6,752)	(18,720)	2	(16,800)	0	0	0	(42,270)	0
Net Increase/(decrease) before Transfers to Earmarked Reserves		42,000	0	29,765	0	0	0	0	0	0	71,765	(6,752)	(18,720)	2	(16,800)	0	0	0	(42,270)	29,495
Transfers to/(from) Earmarked Reserves	35	(41,659)	22,639	0	702	(3,310)	(412)	22,622	929	(1,887)	(376)	0	0	0	0	0	1,100	(724)	376	0
Increase/(decrease) in year		341	22,639	29,765	702	(3,310)	(412)	22,622	929	(1,887)	71,389	(6,752)	(18,720)	2	(16,800)	0	1,100	(724)	(41,894)	29,495
Balance as at 31 March 2013 carried forward - restated		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

## 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" (i.e. 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 detail 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 the 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:**

	2013/14	
Total Group Reserves	805,420	
Total Unusable Reserve	585,767	
Charitable Trust Reserve GMATL	2,040	(51,236)
Deregulation Reserve TfGM	4,013	2,600
Capital Reserve TfGM	2,600	(258)
Pensions Reserve TfGM	792,969	(164,361)
Financial Instruments Adjustment Account GMCA	219,653	16,494
Deferred Capital Grants TfGM	5,881	0
Capital Adjustment Account GMCA	0	48,565
Total Usable Reserve	219,653	0
Concessionary Fares Reserve	16,494	0
Joint Road Safety Group Reserve	5,881	0
Designated GMATL Funds	0	48,565
Capital Programme Reserve	0	0
Capital Receipts Reserve	0	0
RGF / GPF Interest and Arrangement Fees Reserve	0	0
MetroLink Reserve	37,783	0
Property Reserve	9,290	0
Capital Grants Unapplied Reserve	48,436	0
Revenue Grants Unapplied Reserve	42,639	0
General Fund Balance	10,575	0
Note		
Balance as at 1 April 2013		
Surplus or (deficit) on the provision of services	11,936	0
Other Comprehensive Expenditure and Income	(13,960)	0
Total Comprehensive Expenditure and Income	(2,024)	0
Income		
Adjustments between accounting basis & funding basis under regulations	21,148	0
Net Increase/(decrease) before Transfers to Earmarked Reserves	19,124	0
Transfers to/(from) Earmarked Reserves	11,533	0
Increase/(decrease) In year	1,221	0
Balance as at 31 March 2014	11,796	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.

2012/13				2013/14			
£'000 Gross Expenditure	£'000 Gross Income	£'000 Net Expenditure		Note	£'000 Gross Expenditure	£'000 Gross Income	£'000 Net Expenditure
62,440	(64,025)	(1,585)	<u>Highways and Transport Services</u>				
56,553	0	56,553	Rail franchise		69,692	(71,281)	(1,589)
40,633	(5,310)	35,323	Concessionary fare scheme		56,254	0	56,254
65,558	(34,648)	30,910	Supported bus services		39,576	(5,489)	34,087
4,800	0	4,800	Metrolink		78,962	(42,106)	36,856
6,936	(882)	6,054	Exceptional accelerated depreciation charge		8,529	0	8,529
6,571	(2,383)	4,188	Accessible transport		6,014	(218)	5,796
6,295	(7,198)	(903)	Highways Activities		5,244	(2,826)	2,418
5,871	(5,871)	0	Road Safety Activities		7,072	(7,444)	(372)
52,346	(26,183)	26,163	Passenger transport facilities		19,872	(19,872)	0
			Running Costs		59,626	(11,397)	48,229
10,065	0	10,065	Revenue Expenditure Payable Funded from Capital under Statute / Capital Grants Receivable		3,531	0	3,531
318,068	(146,500)	171,568			354,372	(160,633)	193,739
5,919	(18,641)	(12,722)	<u>Planning Services</u>				
			Running Costs		9,651	(35,400)	(25,749)
2,494	(34,537)	(32,043)	Revenue Expenditure Payable Funded from Capital under Statute / Capital Grants Receivable		3,531	(3,531)	0
8,413	(53,178)	(44,765)			13,182	(38,931)	(25,749)
			<u>Housing Services</u>				
0	0	0	Revenue Expenditure Payable Funded from Capital under Statute / Capital Grants Receivable		6,007	(6,007)	0
6,304	(155)	6,149	<u>Corporate and Democratic Core</u>		6,248	(289)	5,959
43	0	43	<u>Non distributed costs</u>		390	0	390
332,828	(199,833)	132,995	<u>Cost of Services</u>		380,199	(205,860)	174,339
660	0	660	<u>Other Operating Expenditure</u>				
			Losses on the disposal of non current assets	44	1,860	0	1,860
37,557	(403)	37,154	<u>Financing and Investment Income and Expenditure</u>	36&37	41,860	(647)	41,213
0	(214,680)	(214,680)	<u>Taxation and Non Specific Grant Income</u>	38	0	(229,348)	(229,348)
371,045	(414,916)	(43,871)	<u>(Surplus) on Provision of Services</u>		423,919	(435,855)	(11,936)
371,045	(414,916)	(43,871)	<u>Group (Surplus)</u>		423,919	(435,855)	(11,936)
		0	Deficit on revaluation of investment properties				160
		14,376	Actuarial (gains)/losses on pension fund assets and liabilities				13,800
		14,376	<u>Other Comprehensive (Income) and Expenditure</u>				13,960
		(29,495)	<u>Total Comprehensive (Income) and Expenditure</u>				2,024

<b>Reconciliation of the Authority Comprehensive Income and Expenditure Statement to the Group Comprehensive Income and Expenditure Statement</b>
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2012/13		2013/14
£'000		£'000
161,960	Deficit for the year on the Authority Comprehensive Income and Expenditure Statement	135,926
	(Surplus)/deficit arising from other entities included in the group accounts analysed into the amounts attributable to:	
(192,265)	Subsidiary - TfGM	(134,052)
724	Subsidiary - GMATL	218
81	Subsidiary - CNE	(65)
5	Subsidiary - MIDAS	(3)
<u>(29,495)</u>	<b>(Income)/Expenditure for the year on the Group Comprehensive Income and Expenditure Account</b>	<u>2,024</u>



## 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 the Group's balances on Assets (non-current and current), Liabilities (long and short term) and Reserves.

31 Mar 2013 £'000		Note	31 Mar 2014 £'000
	<b>Non-Current Assets</b>		
	<b>Property, Plant &amp; Equipment</b>		
12,346	Land and Buildings	44	11,960
23,308	Vehicles, Plant, Furniture and Equipment	44	24,799
987,906	Infrastructure	44	1,301,084
558,576	<b>Assets Under Construction</b>	44	407,695
396	<b>Investment Property</b>	44	300
626	<b>Long Term Debtors</b>	41	7,526
2,602	<b>Net Pension Asset</b>	54	0
<b>1,585,760</b>	<b>Total Non-Current Assets</b>		<b>1,753,364</b>
	<b>Current Assets</b>		
235	Inventories	45	312
250	Short Term Investments	58	250
47,206	Short Term Debtors	41	34,527
46,932	Cash and Cash Equivalents	42	140,986
<b>94,623</b>	<b>Total Current Assets</b>		<b>176,075</b>
<b>1,680,383</b>	<b>Total Assets</b>		<b>1,929,439</b>
	<b>Current Liabilities</b>		
(23,797)	Short Term Borrowing	40	(6,954)
(101,311)	Short Term Creditors	43	(110,274)
(44,072)	Capital Grants Receipts in Advance	13	(59,694)
(1,516)	Provisions	47	(1,001)
(2,283)	Deferred Liability	25	(2,398)
<b>(172,979)</b>	<b>Total Current Liabilities</b>		<b>(180,321)</b>
<b>1,507,404</b>	<b>Total Assets less Current Liabilities</b>		<b>1,749,118</b>
	<b>Long Term Liabilities</b>		
(23,516)	Deferred Liability	25	(21,117)
(662,062)	Long Term Borrowing	40	(907,027)
(16,072)	Capital Grants Receipts in Advance	13	(4,844)
0	Net Pensions Liabilities	54	(12,400)
(130)	Deferred Income	48	(134)
(204)	Provisions	47	(200)
<b>(701,984)</b>			<b>(945,722)</b>
<b>805,420</b>	<b>Net Assets</b>		<b>803,396</b>
	<b>Financed By :</b>		
	<b>Usable Reserves - Authority :</b>		
4,961	General Fund Reserve	35	5,088
23,709	Revenue Grants Unapplied Reserve	35	38,444
48,565	Capital Programme Reserve	35	61,965
43,251	Capital Grants Unapplied Reserve	35	41,276
0	Capital Receipt Reserve	35	65
34,496	Metrolink Reserve	35	34,496
0	RGF / GPF Interest and Arrangement Fees	35	229
<b>154,982</b>			<b>181,563</b>
	<b>Usable Reserves - Executive and GMATL :</b>		
4,753	General Fund Reserve	35	5,780
9,290	Property Reserve	35	9,064
18,930	Revenue Grants Unapplied Reserve	35	15,728
5,185	Capital Grants Unapplied Reserve	35	4,326
3,287	Metrolink Reserve	35	(2,100)
5,881	Joint Road Safety Group Reserve	35	6,306
16,484	Concessionary Fares Reserve	35	14,084
0	GMATL designated fund	35	1,364
<b>63,810</b>			<b>54,552</b>
	<b>Usable Reserves - Manchester Family</b>		
79	General Fund Reserve - CNE	35	144
782	General Fund Reserve - MIDAS	35	784
<b>861</b>			<b>928</b>
	<b>Unusable Reserves - Authority, Executive and GMATL :</b>		
(164,361)	Capital Adjustment Account (GMCA)	49(a)	(153,252)
(258)	Financial Instruments Adjustment Account (GMCA)	29(b)	(256)
792,969	Deferred Capital Grants and Contributions Account	49(b)	778,544
2,600	Pensions Reserve (TfGM)	49(c)	(12,400)
4,013	Capital Reserves (TfGM)	49(d)	3,853
(51,236)	Deregulation Reserve (TfGM)	49(e)	(50,136)
2,040	Charitable Trust Income and Expenditure Reserve	49(f)	0
<b>585,767</b>			<b>566,353</b>
<b>805,420</b>	<b>Total Reserves</b>		<b>803,396</b>



## Group Cash Flow

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 (i.e. borrowing) to the Group.

2012/13			2013/14
£'000		Note	£'000
(43,871)	Net (Surplus) on the provision of services		(11,936)
(61,750)	Adjustments to net surplus or deficit on the provision of services for non cash movements		(70,908)
45,356	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		13,601
<b>(60,265)</b>	<b>Net Cash Flows from Operating Activities</b>	50	<b>(69,243)</b>
228,442	Investing Activities	51	205,199
(74,244)	Financing Activities	52	(230,010)
<b><u>93,933</u></b>	<b>(Increase)/decrease in cash and cash equivalents</b>		<b><u>(94,054)</u></b>
140,865	Cash and cash equivalents at the beginning of the reporting period	42	46,932
46,932	Cash and cash equivalents at the end of the reporting period	42	140,986

## Notes to the Group's Core Financial Statements

Note 34	Adjustments between Accounting Basis and Funding Basis under Regulations
Note 35	Transfers to/ (from) Earmarked Reserves
Note 36	Financing and Investment Expenditure
Note 37	Financing and Investment Income
Note 38	Taxation and Non Specific Grant Income
Note 39	Grant Income
Note 40	Financial Instruments
Note 41	Short and Long Term Debtors
Note 42	Cash and Cash Equivalents
Note 43	Short Term Creditors
Note 44	Property, Plant and Equipment incl. Disposals/Assets under Construction and Investment Property
Note 45	Inventories
Note 46	Deferred Income
Note 47	Provisions
Note 48	Usable Reserves
Note 49	Unusable Reserves
Note 50	Cash Flow Statement – Operating Activities
Note 51	Cash Flow Statement – Investing Activities
Note 52	Cash Flow Statement – Financing Activities
Note 53	External Audit Fees
Note 54	Pension Costs
Note 55	Contractual Commitments
Note 56	Staff Costs
Note 57	Related Party Transactions
Note 58	Short Term Investments
Note 59	Segmental Reporting Analysis

## Notes to the Group Accounts

### 34 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.

2012/13 £'000	<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>	2013/14 £'000
18,430	Revenue Expenditure Funded from Capital under Statute	32,921
4,177	Annual Depreciation Charge	4,441
301	Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	242
(53,432)	Capital Grants & Contributions Receivable	(45,803)
39,657	Capital grants released	52,400
(4,414)	Capital grants applied/(unapplied)	(859)
(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)
2,500	Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS19) are different from the contributions due under pension scheme regulations	1,200
14,300	Actuarial gains and losses on pension assets and liabilities	13,800
0	Long Term Debtor - Loan Repayment	65
0	Contribution to Capital Bad Debt provision	1,481
<b>21,517</b>		<b>59,886</b>
	<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>	
(8,090)	Minimum Revenue Provision for capital financing	(10,521)
(2,161)	Inherited Debt Principal Payment	(2,284)
34,529	Transfer to Growing Places Reserve	0
(350)	Long Term Debtor financed from Capital Grants	(1,975)
0	RCCO	(13,101)
(3,175)	Revenue Contributions to Finance Capital	(13,691)
<b>20,753</b>		<b>(41,572)</b>
<b>42,270</b>	<b>Total Adjustments</b>	<b>18,314</b>

## Notes to the Group Accounts (continued)

35

### 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 2013/14.

#### Revenue Grants Unapplied Reserves:

	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	Balance as at 1 April 2013 £000's	Transfers Out 2013/14 £000's	Transfers In 2013/14 £000's	Balance as at 31 March 2014 £000's
<b>Growing Places Fund (1)</b>	0	0	2,828	2,828	2,828	(853)	0	2,175
LEP Capacity Building in Transport (2)	0	0	132	132	132	0	0	132
Local Sustainable Transport Fund (3)	0	(389)	12,921	12,532	12,532	(1,718)	0	10,814
Better Bus Area Fund (4)	0	(505)	1,477	972	972	(956)	0	116
Regional Growth Fund (5)	0	(2,763)	10,000	7,237	7,237	(2,234)	0	5,003
Regional Growth Fund Bank Interest (6)	0	0	8	8	8	0	38	46
Smarter Cities (7)	0	0	0	0	0	0	14	14
Youth Contract (8)	0	0	0	0	0	0	5,800	5,800
Local Enterprise Partnership Core Funding (9)	0	0	0	0	0	0	145	145
Regional Growth Fund 3 (10)	0	0	0	0	0	0	10,406	10,406
Local Enterprise Partnership Strategic Plans Funding (11)	0	0	0	0	0	0	250	250
City Deal (12)	0	0	0	0	0	0	3,543	3,543
Revenue Grants Unapplied Reserve - TfGM - (13)	20,000	10,000	(11,070)	18,930	18,930	(13,202)	10,000	15,728

#### Property Reserve - TfGM (14)

#### Metrolink Reserves (15)

Metrolink Reserve - GMCA	34,496	6,597	(3,310)	0	34,496	3,287	0	34,496
Metrolink Reserve - TfGM	41,083	(3,310)	0	37,783	37,783	(5,387)	0	32,396

#### Transport Infrastructure Reserve (W & B mini TfE) (16)

#### Capital Programme Reserve (17)

#### Joint Road Safety Group Reserve - TfGM - (18)

#### Concessionary Fares Reserve - TfGM (19)

#### Regional Growth Fund / Growing Places Interest and Arrangement Fees (20)

#### Usable Capital Receipts Reserve (21)

#### GMATL designated fund (22)

#### Unusable Reserves:

#### Capital Reserves - TfGM (23)

#### Deregulation Reserve - TfGM (24)

#### Charitable Trust Reserve - GMATL (25)

Total

	(45,555)	0	376	(45,183)	(45,183)	(160)	(940)	(46,283)
	73,800	734	40,925	116,459	116,459	(39,937)	57,840	133,362

Transfer (to)/from General Fund

41,659

17,903

**35 Transfers to/ (from) Earmarked Reserves (continued)**

**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) Smarter Cities: funding to assist with the smart ticketing project.
- (8) Youth Contract: funding to assist with job creation jobs for 16-24 yr olds
- (9) LEP Core Priorities: funding to assist LEP's to meet priorities.
- (10) Regional Growth Fund 3: latest wave of funding to create new, sustainable, private sector jobs in areas vulnerable to public sector job losses.
- (11) LEP Strategic Plans: funding to assist plans with the EU structural plans for 2014 -2020
- (12) City Deal: funding from the Skills Funding Agency as part of the City Deal to assist with increased apprenticeship and training opportunities
- (13) Revenue Grants Unapplied Reserve - TfGM: Manchester Airport contributions to the Metrolink extension to the airport.
- (14) Property Reserve - TfGM: surpluses arising from 2 Piccadilly Place.
- (15) Metrolink Reserves: funding for Metrolink Service Enhancement related expenditure.
- (16) Wigan and Bolton mini TIF: funding for Wigan and Bolton transport infrastructure related expenditure.
- (17) Capital Programme Reserve: surpluses of capital financing costs which have been set aside to fund future capital programme related expenditure.
- (18) Joint Road Safety Group Reserve - TfGM: surpluses arising from the JRSG team.
- (19) Concessionary Fares Reserve - TfGM: surpluses of reimbursed income which will be spent in future years.
- (20) Regional Growth Fund / Growing places Interest and Arrangement Fess : Interest earned on income received in advance will be re-invested within the fund as per grant conditions and arrangement fees may be off-set against specific costs associated with the making of the loans
- (21) Useable Capital Receipts - these include the principal repayments of the RGF / GPF Loans
- (22) GMATL Designated Funds - funds to assist with preventing social exclusion in Transport – this is a new reserve following the transfer from unusable reserves – item (25)
- (23) Capital Reserves - TfGM: reserves from the entities from which the former GMPTE was formed.
- (24) 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.
- (25) Previous GMATT fund, now transferred to GMATL via designated funds (22)



## Notes to the Group Accounts (continued)

### 36 Financing and Investment Expenditure

2012/13 £000's		2013/14 £000's
	Interest payable and similar charges on borrowings	
25,160	PWLB	25,136
8,535	Others	15,280
0	Brokerage Fees	4
1,567	Interest payable on the former GMC debt	1,440
2,295	Pensions interest costs and expected return on pensions assets	0
<u>37,557</u>		<u>41,860</u>

### 37 Financing and Investment Income

2012/13 £000's		2013/14 £000's
403	Interest receivable on deposits	647
<u>403</u>		<u>647</u>

### 38 Taxation and Non Specific Grant Income

2012/13 £000's		2013/14 £000's
191,211	Transport Levy	198,094
12	Capital Grants Receivable for Traffic Signal Schemes - DfT	224
	Capital Contributions Receivable for Traffic Signal Schemes -	
1,767	Others	1,902
7,770	Capital Grants Receivable for Transport Schemes - DfT	10,306
2,882	Capital Contributions Receivable for Transport Schemes - Others	6,725
11,038	Revenue Contributions Receivable for Transport Schemes - Others	12,097
<u>214,680</u>		<u>229,348</u>

## Notes to the Group Accounts (continued)

### 39 Grant Income

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

2012/13 £000's	<u>Credited to Cost of Services</u>	2013/14 £000's
132	LEP Capacity in Transport - DfT	0
1,477	Better Bus Area Fund - DfT	0
12,921	Local Sustainable Transport Fund - DfT	0
0	Smarter Cities Grant - DfT	90
64,025	Special Rail Grant - DfT	71,281
185	District Contributions to the Traffic Signals Repairs	247
0	Revenue Expenditure Funded by Capital under Statute - DfT	0
239	Fit for Work Grant - DWP	0
2,828	Growing Places Fund - CLG/Home Office	0
10,000	Regional Growth Fund 2 - CLG	7,681
0	Regional Growth Fund 3 - CLG	14,183
0	Regional Growth Fund / Growing Places Fund Arrangement fees	173
0	Regional Growth Fund / Growing Places Capital Receipts	65
12	Climate Change Risks - Defra	0
125	LEP Core Funding - CLG	250
0	LEP EU Strategic Plans - CLG	250
0	LEP Capacity Fund Round 2	26
0	Youth Contract	5,800
67	EU Social Enterprises Progress	6
41	GM Digital City Technical Assistance - ERDF/CLG	0
246	City Deal - Skills Funding Agency	3,712
2,658	District Contributions to the Manchester Family	2,524
0	District Contributions to the ED&R Functions	578
155	District Contributions to the GMCA Costs	289
50	AGMA Contribution to GMCA Costs	336
2,224	Grants and Contributions to Commission for the New Economy Ltd	2,559
151	Grants and Contributions to MIDAS Ltd.	788
34,537	Revenue Expenditure Funded by Capital under Statute - CLG	6,007
132,073		116,845
	<u>Credited to Taxation and Non Specific Grant Income</u>	
12	Capital Grants Receivable for Traffic Signal Schemes - DfT	224
1,767	Capital Contributions Receivable for Traffic Signal Schemes - Others	1,902
7,770	Capital Grants Receivable for Transport Schemes - DfT	10,306
2,882	Capital Contributions Receivable for Transport Schemes - Others	6,725
11,038	Revenue Contributions Receivable for Transport Schemes - Others	12,097
23,469		31,254

## Notes to the Group Accounts (continued)

### 40 Financial Instruments

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

	Long Term		Current	
	31 March 2013 £000's	31 March 2014 £000's	31 March 2013 £000's	31 March 2014 £000's
<b>Investments</b>				
Loans and receivables - due within 3 months	250	250	41,998	137,353
<b>Debtors</b>				
Loans and receivables	626	7,419	43,568	31,372
<b>Cash</b>	0	0	4,934	3,633
<b>Borrowings</b>				
Financial liabilities at amortised cost	662,062	907,027	23,797	6,954
<b>Creditors and Grants Received in Advance</b>				
Financial liabilities at amortised cost	16,072	4,844	144,552	169,158

	2012/13			2013/14		
	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	(33,695)		(33,695)	(40,416)		(40,416)
Fee expense	0		0	(4)		(4)
Impairment of debtors					(1,496)	(1,496)
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	(33,695)	0	(33,695)	(40,420)	(1,496)	(41,916)
Interest Income		403	403		647	647
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	0	403	403	0	647	647
<b>Net gain/(loss) for the year</b>	<b>(33,695)</b>	<b>403</b>	<b>(33,292)</b>	<b>(40,420)</b>	<b>(849)</b>	<b>(41,269)</b>

## Notes to the Group Accounts (continued)

### 40 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:

	31 March 2013		31 March 2014	
	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 - using premature repayment rates	443,161	598,823	442,835	558,044
Non- PWLB debt	242,698	255,026	470,889	464,090
Total Borrowings	685,859	853,849	913,724	1,022,134
Creditors	160,624	160,624	174,107	174,107
Total Financial Liabilities	846,483	1,014,473	1,087,831	1,196,241

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.

	31 March 2013		31 March 2014	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
<b>Financial Assets at Amortised Cost</b>				
Cash	4,934	4,934	3,633	3,633
Loans and receivables	85,566	85,566	176,394	176,394
Total Loans and Receivables	90,500	90,500	180,027	180,027

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 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)

## 40 Financial Instruments (continued)

	Range of interest rates payable in 13-14		Average Interest	Average Interest	Total Outstanding 31 March 2013	Total Outstanding 31 March 2014
	from	to	% at 31/03/13	% at 31/03/14	£'000	£'000
<b>a) Analysis of loans by type:</b>						
Public Works Loans Board	0.56%	11.38%	5.05%	5.05%	438,028	438,028
Other Loans	3.95%	10.50%	4.61%	4.33%	238,951	468,743
Accrued Interest Payable :						
PWLB					5,133	4,807
Others					3,747	2,403
Total as at 31st March			4.89%	4.89%	685,859	913,981

## b) Analysis of loans by maturity

### Maturing:

Due within 1 year : accrued interest payable		
PWLB	5,133	4,807
Others	3,747	2,146
Due within 1 year : principal		
PWLB	0	0
Others	14,917	1
Due within 1 year	<u>23,797</u>	<u>6,954</u>
In 1 to 2 years	0	0
In 2 to 5 years	22,342	28,309
In 5 to 10 years	67,205	99,801
In over 10 years	572,515	773,117
Due over 1 year	<u>662,062</u>	<u>907,027</u>
Total	<u>685,859</u>	<u>913,981</u>



## Notes to the Group Accounts (continued)

### 41 Short and Long Term Debtors

Total 31 March 2013 £'000's		Total 31 March 2014 £'000's
	<b>Central Government Bodies</b>	
3,638	HMRC	3,155
133	Capital Grants	191
807	Revenue Grants	1,862
15,482	<b>Other Local Authorities</b>	1,693
4	<b>Public Corporations</b>	131
7,311	<b>Prepayments</b>	4,654
19,831	<b>Other entitles and individuals</b>	22,841
<b>47,206</b>	<b>Short Term Debtors Total</b>	<b>34,527</b>

Within short term debtors an amount of £677k (2012/13 £2,447k) has been outstanding for over 30 days but has not been impaired.

Short term debtors at a nominal value of £1,878k (2012/13 £1,419k) were impaired.

### Long Term Debtors

	Other entitles and individuals £'000's	Other local authorities £'000's	Total £000's
<b>Balance 01.04.2012</b>	0	0	0
<b>Advances</b>	626	0	626
<b>Repaid</b>	0	0	0
<b>Balance 31.03.2013</b>	626	0	626
<b>Balance 01.04.2013</b>	626	0	626
<b>Advances</b>	8,354	107	8,461
<b>Repaid</b>	(65)	0	(65)
<b>Sub-Total</b>	8,915	107	9,022
<b>Bad Debt Provision</b>	(1,496)	0	(1,496)
<b>Balance 31.03.2014</b>	7,419	107	7,526

## Notes to the Group Accounts (continued)

### 42 Cash and Cash Equivalents

Total 31 March 2013 £'000's		Total 31 March 2014 £'000's
4,934	Bank current accounts	3,633
19,747	Bank call accounts	27,763
250	Short term deposits with banks	360
22,001	Short term deposits with central government	109,230
<u>46,932</u>	<b>Total</b>	<u>140,986</u>

### 43 Short Term Creditors

Total 31 March 2013 £'000's		Total 31 March 2014 £'000's
	<b>Central Government Bodies</b>	
831	HMR & C	810
942	Revenue Grants	914
23,154	DfT	27,058
13,233	<b>Other Local Authorities</b>	7,369
0	<b>Public Corporations</b>	71,696
63,151	<b>Other entities and individuals</b>	2,427
<u>101,311</u>	<b>Total</b>	<u>110,274</u>

## Notes to the Group Accounts (continued)

### 44 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 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
Disposals	0	(239)	(2,118)	0	(2,357)
Expenditure incurred/grant receivable	0	0	0	278,346	278,346
Transfer to fixed assets/deferred capital grants	0	0	0	(512,715)	(512,715)
Transferred to passenger transport facilities	0	0	0	(21,638)	(21,638)
At 31 March 2013	12,887	52,882	1,235,089	558,576	1,859,434
At 1 April 2013	12,887	52,882	1,235,089	558,576	1,859,434
Additions at cost	10	75	5,838	0	5,923
Transfers from assets under construction	0	5,461	362,407	0	367,868
Disposals	0	(174)	(11,057)	0	(11,231)
Expenditure incurred/grant receivable	0	0	0	254,962	254,962
Transfer to fixed assets	0	0	0	(367,868)	(367,868)
Transferred to passenger transport facilities	0	0	0	(37,975)	(37,975)
At 31 March 2014	12,897	58,244	1,592,277	407,695	2,071,113
<b>Accumulated Depreciation :</b>					
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	541	29,574	247,183	0	277,298
At 1 April 2013	541	29,574	247,183	0	277,298
Charge for year	396	4,037	53,070	0	57,503
Reclassification	0	0	0	0	0
Disposals	0	(166)	(9,060)	0	(9,226)
Revaluation	0	0	0	0	0
At 31 March 2014	937	33,445	291,193	0	325,575
<b>Net Book Value :</b>					
At 1 April 2012	12,693	23,968	515,962	814,583	1,367,206
At 31 March 2013	12,346	23,308	987,906	558,576	1,582,136
At 31 March 2014	11,960	24,799	1,301,084	407,695	1,745,538

## Notes to the Group Accounts (continued)

### 44 Property, Plant & Equipment / Assets under Construction and Investment Property (continued)

#### Investment Property

	Investment Property £'000
<b>Cost or Valuation :</b>	
At 1 April 2012	396
Revaluation	0
At 31 March 2013	<u>396</u>
At 1 April 2013	396
Revaluation	(96)
At 31 March 2014	<u>300</u>
<b>TOTAL PPE, Assets under Construction and Investment Property at 31 March 2013</b>	<u><u>1,582,532</u></u>
<b>TOTAL PPE, Assets under Construction and Investment Property at 31 March 2014</b>	<u><u>1,745,838</u></u>

#### Losses on Disposal of Non Current Assets

2012/13 £000's	2013/14 £000's
<u>660</u>	<u>1,860</u>

### 45 Inventories

	31 March 2013 £'000	31 March 2014 £'000
Material in relation to route service provision	49	230
Material in relation to traffic control equipment	186	82
	<u>235</u>	<u>312</u>

### 46 Deferred Income

	31 March 2013 £'000	31 March 2014 £'000
Income deferred against future expenditure	130	134
<b>All due in over 1 year</b>		

## Notes to the Group Accounts (continued)

### 47 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 2014 relate to (a) capital works, and (b) others, including insurance excesses, contractual obligations, contracted maintenance and an onerous lease.

	2012/13 £'000 Capital Works	2012/13 £'000 Others	2012/13 £'000 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	<u>0</u>	<u>1,720</u>	<u>1,720</u>
<b>Due within 1 year</b>	0	1,516	1,516
<b>Due in over 1 year</b>	0	204	204

	2013/14 £'000 Capital Works	2013/14 £'000 Others	2013/14 £'000 Total
Balance as at 1 April	0	1,720	1,720
Additional amounts set aside during the year	0	587	587
Utilised during the year	0	(1,106)	(1,106)
Released during the year	0	0	0
Balance as at 31 March	<u>0</u>	<u>1,201</u>	<u>1,201</u>
<b>Due within 1 year</b>	0	1,001	1,001
<b>Due in over 1 year</b>	0	200	200



## Notes to the Group Accounts (continued)

### 48 Usable Reserves

Movements in the Group's usable reserves are detailed in the Movement in Reserves Statement and Note 35.

### 49 Unusable Reserves

Total 31 March 2013 £'000		Total 31 March 2014 £'000
(164,361)	Capital Adjustment Account	(153,252)
(258)	Financial Instruments Adjustment Account	(256)
792,969	Deferred Capital Grants and Contributions	778,544
2,600	Pensions Reserve	(12,400)
4,013	Capital Reserve	3,853
(51,236)	Deregulation Reserve	(50,136)
2,040	Charitable Trust Income and Expenditure Reserve	0
585,767	<b>Total Unusable Reserves</b>	566,353

## Notes to the Group Accounts (continued)

### 49(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, Districts and ED & R Partners, and credited with amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

Note 34 provides details of the source of all the transactions posted to the Account.

2012/13 £'000		2013/14 £'000
(157,609)	Balance as at 1st April	(164,361)
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(18,430)	Revenue expenditure funded by capital under statute	(32,921)
(4,177)	Annual Depreciation Charge of non current assets	(4,441)
(301)	Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(242)
	<b>Capital Financing Applied in the year :</b>	
2,380	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,687
	Funded from Capital Programme Reserve - RCCO	13,101
8,090	Statutory provision for the financing of capital investment and Inherited Debt charged against the General Fund	10,521
2,161	Repayment of Inherited Debt charged against the General Fund	2,284
350	Long Term Debtor financed from Capital Grants	1,975
3,175	Revenue Contributions to Finance Capital	3,531
0	Long & Short Term Debtor financed from RCCO	10,160
0	Bad debt provision for RGF/GPF loans	(1,481)
	Write Down of Long Term Debtor	(65)
(164,361)	Balance as at 31st March	(153,252)

## Notes to the Group Accounts (continued)

### 49(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.

2012/13 £'000		2013/14 £'000
811,689	Balance as at 1st April	792,969
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(39,657)	Charges for capital grants released	(52,400)
	Capital Financing Applied in the year :	
20,937	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	37,975
792,969	Balance as at 31st March	778,544

### 49(c) Pensions Reserve

This relates to the net pension asset as at 31 March 2014 in accordance with the actuary's report.

Further details are shown in Note 55.

2012/13 £'000		2013/14 £'000
19,400	Balance as at 1st April	2,600
(14,300)	Actuarial gains and losses on pensions assets/liabilities	(13,800)
(5,600)	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.	(4,900)
3,100	Employer's pension contributions and direct payments to pensioners payable in the year	3,700
2,600	Balance as at 31st March	(12,400)

## Notes to the Group Accounts (continued)

### 49(d) Capital Reserve

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

2012/13 £'000		2013/14 £'000
4,013	Balance as at 1st April	4,013
0	Deficit on revaluation of investment properties	(160)
4,013	Balance as at 31st March	3,853

### 49(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.

2012/13 £'000		2013/14 £'000
(52,336)	Balance as at 1st April	(51,236)
1,100	Amortisation during the year	1,100
(51,236)	Balance as at 31st March	(50,136)

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

Following confirmation from TfGM that the funding gifted to acquire vehicles will no longer be required to be returned, the funds have been transferred into a designated useable fund, of which further details can be found within note 35.

2012/13 £'000		2013/14 £'000
2,764	Balance as at 1st April	2,040
(724)	(Deficit) / Surplus in the year	(2,040)
2,040	Balance as at 31st March	0

## Notes to the Group Accounts (continued)

### 50 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items :

2012/13 £'000's		2013/14 £'000's
(416)	Interest Received	(2)
33,952	Interest and similar charges Paid	43,789

### 51 Cash Flow Statement - Investing Activities

2012/13 £'000's		2013/14 £'000's
297,417	Purchase of property, plant and equipment	216,145
626	Long Term Loans paid out	12,200
0	Long Term Loans repaid	(65)
(69,601)	Capital grants and contributions received	(23,045)
0	Proceeds from sale of property, land and equipment	(36)
<u>228,442</u>	<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<u>205,199</u>

### 52 Cash Flow Statement - Financing Activities

2012/13 £'000's		2013/14 £'000's
2,161	Repayment of former GMC Debt	2,284
(11,716)	Capital Grants Receipts in Advance relating to non GMCA road schemes	(3,904)
1,675	Repayment of borrowing	14,949
(66,364)	Receipt of borrowing	(243,339)
<u>(74,244)</u>	<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<u>(230,010)</u>



# Notes to the Group Accounts (continued)

## 53 External Audit Fees

2012/13 £'000's		2013/14 £'000's
(3)	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year.	(4)
134	Fees payable to other external auditors with regard to the external audit services carried out by the appointed auditor for the year.	130
2	Fees payable to the Audit Commission for the certification of grant claims and returns for the year.	0
3	Fees payable to other external auditors for the certification of grant claims and returns for the year.	2
1	Fees payable in respect of other services provided by the Audit Commission during the year.	0
2	Fees payable in respect of other services provided by other external auditors during the year.	10
<hr/> 139		<hr/> 138

## Notes to the Group Accounts (continued)

### 54 Pension Costs

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

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

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

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

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

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

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

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

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

## Notes to the Group Accounts (continued)

### 54 Pension Costs (continued)

	<b>Local Government Pension Scheme</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
<b>Comprehensive Income and Expenditure statement</b>		
Cost of Services:		
Service cost comprising:		
Current Service cost	(4,600)	(3,300)
Past service costs	(400)	-
Financing and Investment Income and Expenditure		
Net interest expense	100	900
Total Post-employment Benefits charged to the Surplus on the provision of services	<b>(4,900)</b>	<b>(2,400)</b>
Remeasurement of the net defined liability / benefit comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(15,400)	9,000
Actuarial gains and losses arising on changes in demographic assumptions	100	-
Actuarial gains and losses arising on changes in financial assumptions	(6,300)	(27,200)
Other experience	7,800	700
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure statement	<b>(13,800)</b>	<b>(17,500)</b>
<b>Movement in reserves statement</b>		
Reversal of net charges made to the Surplus on the provision of services for post-employment benefits in accordance with the Code	(15,000)	(16,800)
Actual amount charged against the Usable Reserves Balance for pensions in the year:		
Employers' contributions payable to scheme	3,700	3,100
Retirement benefits payable to pensioners	(21,100)	(22,300)
<b>Pension assets and liabilities recognised in the Balance Sheet</b>		
The amount included in the Balance Sheet arising from TfGM's obligation in respect of its defined benefit plans is as follows:		
	<b>Local Government Pension Scheme</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Present value of the defined benefit obligation	(361,000)	(361,500)
Fair value of plan assets	348,600	364,100
Net liability arising from the defined benefit obligation	<b>(12,400)</b>	<b>2,600</b>
<b>Reconciliation of the Movements in the Fair Value of the Scheme</b>		

## Notes to the Group Accounts (continued)

### 54 Pension Costs (continued)

	<b>Local Government Pension Scheme</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Opening value of the scheme assets	364,100	356,400
Interest Income	16,000	16,700
Remeasurement loss:		
The return on plan assets, excluding the amount included in the net interest expense	(15,400)	9,000
Contributions from employer	3,200	2,700
Contributions from employees into the scheme	1,300	1,200
Contributions in respect of unfunded benefits	500	400
Benefits paid	(21,100)	(22,300)
Closing value of scheme assets	<b>348,600</b>	<b>364,100</b>

### **Reconciliation of Present Value of the Scheme Liabilities**

	<b>Funded liabilities: Local Government Pension Scheme</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Opening balance at 1 April	361,500	337,000
Current service cost*	4,600	3,300
Interest cost	15,900	15,800
Contributions from scheme participants	1,300	1,200
Remeasurement gains / (losses)		
Actuarial gains/losses arising from changes in demographic assumptions	(100)	-
Actuarial gains/losses arising from changes in financial assumptions	6,300	27,200
Other experience	(7,800)	(700)
Past service cost	400	-
Benefits paid	(21,100)	(22,300)
Closing balance at 31 March**	<b>361,000</b>	<b>361,500</b>

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

\*\* The closing liability includes £5.6 million of unfunded liabilities (2013: £4.7 million).

## Notes to the Group Accounts (continued)

### 54 Pension Costs (continued)

**Local Government Pension Scheme assets comprised:**

	<b>Local Government Pension Scheme</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Cash and cash equivalents	108,225	57,568
Equity instruments		
Consumer	12,750	12,000
Manufacturing	11,696	9,898
Energy and utilities	10,692	9,722
Financial institutions	14,778	11,863
Health and care	5,177	4,823
Information technology	2,354	2,042
Other	1,843	1,456
Sub-total equity	59,290	51,804
Bonds:		
By sector		
Corporate	7,194	8,394
Government	126,146	204,764
Other	4,195	3,724
Sub-total bonds	137,535	216,882
Property:		
UK property	3,565	3,164
Private equity	2,988	2,610
Investment funds and unit trusts		
Equities	23,209	21,333
Bonds	6,403	5,989
Infrastructure	855	654
Other	4,876	2,655
Sub-total other investment funds	35,343	30,631
Derivatives:		
Other	1,654	1,441
Total assets	<b>348,600</b>	<b>364,100</b>

### **Basis for Estimating Assets and Liabilities**

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

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



## Notes to the Group Accounts (continued)

### 54 Pension Costs (continued)

	2014 £000	2013 £000
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	21.4 years	20.1 years
Women	24.0 years	22.9 years
Longevity at 65 for future pensioners		
Men	24.0 years	22.5 years
Women	26.6 years	25.0 years
Rate of inflation		
Rate of increase in salaries	3.7%	4.6%*
Rate of increase in pensions	2.6%	2.8%
Rate for discounting scheme liabilities	4.1%	4.5%

\*Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long term assumption shown thereafter.

The return on the Employers' portion of the main fund assets for the year to 31 March 2014 is 7.1% (2013: 4.5%).

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

	<b>Impact on the Defined Benefit Obligation in the scheme</b>	
	<b>Approximate % increase to Employer</b>	<b>Approximate monetary amount £000</b>
Longevity (increase or decrease of 1 year)	3%	10,828
Rate of increase in salaries (increase of decrease by 0.5%)	2%	5,855
Rate of increase in pensions (increase of decrease by 0.5%)	5%	19,157
Rate for discounting scheme liabilities (increase of decrease by 0.5%)	7%	25,175

## Notes to the Group Accounts (continued)

### 54 Pension Costs (continued)

#### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. TfGM has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

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

TfGM anticipates paying £3,618,000 in expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 23.8 years. The following table shows the weighted average duration of the key assumptions for Greater Manchester Pension Fund liabilities:

	Weighted Average Duration			
	Short 31 March 2014 % p.a.	Medium 31 March 2014 % p.a.	Long 31 March 2014 % p.a.	31 March 2013 % p.a.
Pension increase rate	2.6%	2.8%	2.9%	2.8%
Salary increase rate	3.65%	3.85%	3.95%	4.6%*
Discount rate	4.1%	4.3%	4.3%	4.5%

In addition to the employees of TfGM who participate in the Greater Manchester Pension Fund, as at 31 March 2014 there are 2 current employees of CNE who also participated.

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 71.

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

	2012/13 £'000's	2013/14 £'000's
New Economy, MIDAS and GMATL Pension Costs in Year	257	339

## Notes to the Group Accounts (continued)

### 55 Contractual Commitments

	31 March 2013 (restated) £'000	31 March 2014 £'000
Capital Commitments	240,066	156,016

### **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 :

2012/13 £'000's		2013/14 £'000's
565	Highways and Transport Services	418
251	Planning Services	243
<b>816</b>		<b>661</b>

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

	31 March 2013 £'000	31 March 2014 £'000
<b>Land</b>		
Payments due within 1 year	52	24
Later than 1 year and not later than 5 years	39	35
Later than 5 years	302	309
	<b>393</b>	<b>368</b>
<b>Buildings</b>		
Payments due within 1 year	452	409
Later than 1 year and not later than 5 years	1,894	1,565
Later than 5 years	4,709	4,618
	<b>7,055</b>	<b>6,592</b>
<b>Other</b>		
Payments due within 1 year	12	12
Later than 1 year and not later than 5 years	33	19
Later than 5 years	0	0
	<b>45</b>	<b>31</b>

## Notes to the Group Accounts (continued)

### 56 Staff Costs

	2012/13 £000	2013/14 £000
Wages and Salaries	27,319	28,987
Social Security Costs	2,301	2,387
Pension Costs	3,022	3,607
Total	<u>32,642</u>	<u>34,981</u>
Average number of employees during the year	1,012	983

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

	Staff who have not received severance 2012/13 (restated)	Staff who have received severance 2012/13 (restated)	Total 2012/13 (restated)	Staff who have not received severance 2013/14	Staff who have received severance 2013/14	Total 2013/14
<b>Salary Range</b>						
£50,000 to £54,999	25		25	29		29
£55,000 to £59,999	12		12	13		13
£60,000 to £64,999	13		13	17		17
£65,000 to £69,999	2		2	3		3
£70,000 to £74,999	2		2	1	1	2
£75,000 to £79,999	6		6	6		6
£80,000 to £84,999	3		3	7	1	8
£85,000 to £89,999	1		1	5		5
£90,000 to £94,999	4		4	4		4
£95,000 to £99,999	1		1	0	1	1
£100,000 to £104,999	0		0	0		0
£105,000 to £109,999	0		0	1		1
£110,000 to £114,999	1		1	1		1
£115,000 to £119,999	0		0	0		0
£120,000 to £124,999	3		3	2		2
£125,000 to £129,999	1		1	0		0
£135,000 to £139,999	0		0	0		0
£150,000 to £154,999	0		0	2		2
£165,000 to £169,999	0		0	0		0
£215,000 to £219,999	0		0	0	1	1
£265,000 to £269,999	0		0	1		1
	<b>74</b>	<b>0</b>	<b>74</b>	<b>92</b>	<b>4</b>	<b>96</b>

# Notes to the Group Accounts (continued)

## Agreed Staff Exit Packages (including severance and pension costs)

<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>	
	<b>2012/13</b>	<b>2013/14</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>
£0 - £20,000	17	100	88	812
£20,001 - £40,000	0	37	0	1,039
£40,001 - £60,000	0	9	0	455
£60,001 - £80,000	0	4	0	274
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	0	2	0	248
	<b>17</b>	<b>152</b>	<b>88</b>	<b>2,828</b>



## Notes to the Group Accounts (continued)

### 57 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 22
Greater Manchester Accessible Transport Trust :	Disclosure Note 20
Commission for the New Economy Ltd. :	Disclosure Note 17
MIDAS Ltd. :	Disclosure Note 16

### 58 Short Term Investments

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

Total 31 March 2013 £'000's		Total 31 March 2014 £'000's
250	Bank deposit account	250
<u>250</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.

## Notes to the Group Accounts (continued)

### Note 59 Segmental Reporting Analysis

The table below is a reconciliation of the 2013-14 internal management reports (monitoring and outturn) used by the Authority to make decisions, and the 2013-14 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 the group entities are not reported to the Authority therefore the subjective analysis will not differ to that in the Authority's single entity statement.

Subjective Analysis - Authority only	Economic Development & Regeneration £000s	Transport £000s	Total £000's
Transport Levy	0	(198,094)	(198,094)
Contributions to the Traffic Functions	0	(247)	(247)
Interest/arrangement fees	(336)	0	(336)
Short term deposit interest	(174)	0	(174)
Contributions from reserves	(2,887)	0	(2,887)
Contributions to ED & R Functions	(3,721)	0	(3,721)
Government Grants	(32,040)	(2,664)	(34,704)
<b>Total Income</b>	<b>(39,158)</b>	<b>(201,005)</b>	<b>(240,163)</b>
Grants to Transport for Greater Manchester	0	118,833	118,833
Payments for Transport Functions	0	4,378	4,378
Payments for ED & R Functions	18,360	0	18,360
Capital Financing Costs	0	73,844	73,844
Running Costs	127	744	871
<b>Total Operating Expenses</b>	<b>18,487</b>	<b>197,799</b>	<b>216,286</b>
<b>Transfers to Earmarked Reserves</b>	<b>20,544</b>	<b>3,206</b>	<b>23,750</b>
<b>Cost of Services - (Surplus)</b>	<b>(127)</b>	<b>0</b>	<b>(127)</b>

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

	£000s
Cost of services in service analysis - (surplus)	(127)
Add subsidiaries & associates not included in analysis	206,784
Add amounts not reported to management *	13,049
Remove amounts reported to management not included in NCS in Group CIES	(45,367)
<b>Net cost of services in the Group Comprehensive Income and Expenditure Statement</b>	<b>174,339</b>

## Notes to the Group Accounts (continued)

**Note 59 Segmental Reporting Analysis (continued)**

Reconciliation to subjective analysis	Service Analysis £000s	Analysis of subsidiaries not included in service analysis £000's	Not Reported to Management* £000s	Not Included in Group CIES NCS £000s	Net Cost of Services £000s	Corporate Amounts £000s	Subsidiaries not in NCS £000's	Total £000s
Fees, charges & other service income	0	(95,962)	0	0	(95,962)	0	0	(95,962)
Interest and investment income	0	0	0	0	0	(140)	(170)	(310)
Income from the Transport Levy	(198,094)	0	0	198,094	0	(198,094)	0	(198,094)
Transfers from reserves	(2,887)	0	0	5,588	2,701	0	0	2,701
Interest/arrangement fees	(336)	0	0	336	0	(336)	0	(336)
Short term deposit interest	(174)	0	0	0	(174)	0	0	(174)
Grants and contributions	(38,672)	(67,746)	(6,007)	0	(112,425)	(2,904)	(28,351)	(143,680)
<b>Total Income</b>	<b>(240,163)</b>	<b>(163,708)</b>	<b>(6,007)</b>	<b>204,018</b>	<b>(205,860)</b>	<b>(201,474)</b>	<b>(28,521)</b>	<b>(435,855)</b>
Grants to Transport for Greater Manchester	118,833	0	0	(129,053)	(10,220)	0	0	(10,220)
Payments for Traffic Functions	4,378	0	0	(4,378)	0	0	0	0
Payments for ED & R Functions	18,360	0	0	(18,360)	0	0	0	0
Capital Financing Costs	73,844	0	0	(73,844)	0	0	0	0
Employee Expenses	0	34,695	0	0	34,695	0	0	34,695
Service Expenses	871	282,735	1,546	0	285,152	0	0	285,152
Depreciation	0	53,062	4,441	0	57,503	0	0	57,503
Interest payments	0	0	0	0	0	37,870	3,990	41,860
Revenue Expenditure Funded by Capital Under Statute	0	0	13,069	0	13,069	0	0	13,069
(Gain) or loss on disposal of non-current assets	0	0	0	0	0	242	1,618	1,860
<b>Total Operating Expenses</b>	<b>216,286</b>	<b>370,492</b>	<b>19,056</b>	<b>(225,635)</b>	<b>380,199</b>	<b>38,112</b>	<b>5,608</b>	<b>423,919</b>
Transfers to Earmarked Reserves	23,750	0	0	(23,750)	0	0	0	0
<b>(Surplus) or deficit in the provision of services</b>	<b>(127)</b>	<b>206,784</b>	<b>13,049</b>	<b>(45,367)</b>	<b>174,339</b>	<b>(163,362)</b>	<b>(22,913)</b>	<b>(11,936)</b>

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

## Notes to the Group Accounts (continued)

### Note 59 Segmental Reporting Analysis (continued)

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 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 £000's
Transport Levy		(191,211)	(191,211)
Contributions to the Traffic Functions		(185)	(185)
Contributions to ED & R Functions	(2,813)		(2,813)
Government Grants	(13,558)	(14,530)	(28,088)
<b>Total Income</b>	<b>(16,371)</b>	<b>(205,926)</b>	<b>(222,297)</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
Running Costs	225	589	814
<b>Total Operating Expenses</b>	<b>6,227</b>	<b>188,868</b>	<b>195,095</b>
<b>Transfers to Earmarked Reserves</b>	<b>10,073</b>	<b>16,903</b>	<b>26,976</b>
<b>Cost of Services - (Surplus)</b>	<b>(71)</b>	<b>(155)</b>	<b>(226)</b>

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

	£000s
Cost of services in service analysis - (surplus)	(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)
<b>Net cost of services in the Group Comprehensive Income and Expenditure Statement</b>	<b>132,995</b>

Reconciliation to subjective analysis	Service Analysis £000s	Analysis of subsidiaries not included in service analysis £000's	Not Reported to Management* £000s	Not Included in Group CIES NCS £000s	Net Cost of Services £000s	Corporate Amounts £000s	Subsidiaries not in NCS £000's	Total £000s
Fees, charges & other service income	0	(66,769)	0	0	(66,769)	0	0	(66,769)
Interest and investment income	0	0	0	0	0	(388)	(15)	(403)
Income from the Transport Levy	(191,211)	0	0	191,211	0	(191,211)	0	(191,211)
Grants and contributions	(31,086)	(67,441)	(34,537)	0	(133,064)	(2,372)	(21,097)	(156,533)
<b>Total Income</b>	<b>(222,297)</b>	<b>(134,210)</b>	<b>(34,537)</b>	<b>191,211</b>	<b>(199,833)</b>	<b>(193,971)</b>	<b>(21,112)</b>	<b>(414,916)</b>
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	0	34,625	0	0	34,625	0	0	34,625
Service Expenses	814	238,026	50	0	238,890	0	0	238,890
Depreciation	0	42,577	4,177	0	46,754	0	0	46,754
Interest payments	0	0	0	0	0	31,193	6,364	37,557
Revenue Expenditure Funded by Capital Under Statute (Gain) or loss on disposal of non-current assets	0	0	12,559	0	12,559	0	0	12,559
<b>Total Operating Expenses</b>	<b>195,095</b>	<b>315,228</b>	<b>16,786</b>	<b>(194,281)</b>	<b>332,828</b>	<b>31,494</b>	<b>6,723</b>	<b>371,045</b>
Transfers to Earmarked Reserves	26,976	0	0	(26,976)	0	0	0	0
<b>(Surplus) or deficit in the provision of services</b>	<b>(226)</b>	<b>181,018</b>	<b>(17,751)</b>	<b>(30,046)</b>	<b>132,995</b>	<b>(162,477)</b>	<b>(14,389)</b>	<b>(43,871)</b>

\*Items not reported to management include depreciation, GM 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 (i.e. inventory). Non current assets are assets that yield benefit to the Authority and Group for a period of more than one year (i.e. 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 2013 - 14**

#### **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 Code of Corporate Governance for the GMCA (approved in April 2013) 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 Accounts.

#### **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 2014 and up to the date of approval of the GMCA Annual 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 The period 2013–14 saw the GMCA in its third year of operation. Developed from the AGMA model of long term voluntary collaboration between its constituent local authorities, the GMCA was established in 2011 as a unique 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 proposals set out in the GM Growth and Reform Plan are likely to provide Greater Manchester with greater autonomy to develop and implement effective, pro-growth policies and to reform the way that public services are delivered, leading to further devolution of resource and functions to the city region. These changes may have implications for the GMCA's future 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. The system of Leaders' portfolios, agreed in 2012, continues to provide effective leadership of Greater Manchester's priorities. Each GMCA member oversees a key policy area, a portfolio, which relates to the Board or Commission that they Chair.
- 3.7 Below the formal structure of the GMCA and under-pinning the wider array of Greater Manchester organisations, the Wider Leadership Team (WLT) acts as the senior officer team for 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. WLT consists of the Chief Executives from the ten district authorities plus similar level representation from GM Police, GM Fire and Rescue Service, TfGM, Health, the Manchester Growth Company, New Economy and from other bodies as appropriate. This level of officer involvement has proved to be important in providing leadership and strategic direction 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. A Local Transport Body, an informal partnership required by the Department of Transport to manage the allocation of devolved major scheme transport funding, has been established and met twice during 2013-14 to fulfil this role.
- 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 The Manchester Family structures are responsible for delivering a number of key functions which underpin GM's growth agenda. The functions which these organisations undertake include economic analysis and policy development; skills and employment programmes; trade, investment and business growth, and marketing and promotion.
- 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 and Economic Solutions (formerly Manchester Solutions) specialises in business growth, trade and inward investment;
  - Marketing Manchester (Visit Manchester) specialises in marketing, communications and tourism.
- 3.13 The GMCA has recognised the importance of providing strengthened democratic oversight of the Family structures to ensure the resources invested in these organisations support the delivery of the Greater Manchester Strategy's priorities. Reports taken to the GMCA in July and September 2013, set out proposals for the group's structures and principles to inform a review and restructuring of those components of the Manchester Family which the CA partly funds.

- 3.14 The review's objectives were focused on maximising the opportunities for the greater integration of operations between the Family's component organisations and achieving further financial savings. The implementation of the review is almost complete and a new group of companies, collectively known as the Manchester Growth Company, has been established. The Group comprises Economic Solutions Ltd, Marketing Manchester and for operational purposes only MIDAS and New Economy (these two companies are not legally owned by the Group).
- 3.15 The new Group structure is overseen by a Group Board (which first met in September 2013) which is a public-private partnership between the CA and LEP. The Board comprises five nominees from the Association of Greater Manchester Authority (AGMA), five nominees from the Local Enterprise Partnership (two of which are agreed with the Chamber of Commerce) and an independent Chair. The Group Board (which has met five times in the year 2013-14) has agreed to the establishment of two sub-committees for the purposes of Audit and Remuneration as well as three Advisory Boards, each with thematic responsibility for the Group's main functions. The three advisory boards are workforce development, business support and business finance, internationalisation and marketing.
- 3.16 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 2013, and updates on performance have been 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.
- 3.17 Until September 2013 (when the new Group Board was established) the detailed performance management of Marketing Manchester was overseen by the Strategic Board for Marketing, Communication and Tourism and MIDAS was overseen by the Strategic Board Business Growth Trade and Investment. New Economy was accountable directly to the LEP and the GMCA.
- 3.18 During the year 2013-14 a Joint Audit Committee which consists of the Treasurers of GMCA, Salford City Council and the Manchester Family Chief Operating Officer considered all internal and external audit reports and financial statements for the Manchester Family.
- 3.19 In February 2014 a new three year Business Plan for the Manchester Growth Company was considered at the GMCA's meeting, prior to it being finalised and being brought to the Manchester Growth Company's Group Board in March 2014. This will form the basis of performance management for the Family in the next financial year. From the financial year 2014-15 these organisations will be referred to as the Manchester Growth Company rather than the Family.

### **Scrutiny Pool**

- 3.20 The Greater Manchester Scrutiny Pool is now in its fifth 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.
- 3.21 It comprises 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.
- 3.22 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 undertakes 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**

- 3.23 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.
- 3.24 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 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 and the GM Waste Disposal Authority). AGMA also looks to oversee the policy areas of health, and improvement and efficiency.
- 3.25 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.
- 3.26 The reforms of GM's Commission structures in 2012-13 which responded to national policy changes have now bedded-in:
- the Police and Crime Panel has taken on the functions and responsibilities as laid out in the Police Reform Act;
  - the new Greater Manchester Interim Health and Wellbeing Board is a formal partnership made up of senior representatives from Greater Manchester's Councils and health partnerships. The Board has met quarterly, and provides a forum for oversight of the moves towards the integration of health and social care in Greater Manchester;
  - the Low Carbon Hub, which has met quarterly, is the key body responsible for the oversight and development and implementation of low carbon projects and initiatives, ensures their integration into the city region's work programmes and forges links between GM and government agencies and departments.

### **GM Health Scrutiny Panel**

- 3.27 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 the current re-organisation of primary and secondary health services 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 2013-14 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**

- 3.28 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 three further representatives of the GMCA. The LEP adds 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 policy advice and strategic direction to GM and the LEP also fulfils a performance review and management role to New Economy. The GMCA works closely with the LEP, a process which is helped by the inclusion of four GMCA members as Board members and the LEP's minutes being submitted to the GMCA.

## **Decision-making**

- 3.29 Agendas and reports for GMCA are issued to members and published online ([www.gma.gov.uk](http://www.gma.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.
- 3.30 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 receives 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**

- 3.31 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.
- 3.32 In terms of the budget setting process, a comprehensive report was presented to the Authority for approval in January 2014 which detailed the forecast outturn position for 2013/14 and provided a proposed GMCA budget for 2014/15. It also included indicative budgets for 2015/16. 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 received a presentation from the GMCA Treasurer on the proposed GMCA Budget in February.
- 3.33 Quarterly updates covering both transport and economic development & regeneration functions are presented to the authority during the financial year for both Revenue and Capital budgets
- 3.34 In addition 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.



- 3.35 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**

- 3.36 The GMCA's Audit Committee is responsible for overseeing the Authority's risk management strategy and corporate risk register. The Strategy and Risk Register are formally reviewed and refreshed annually by the Risk Management Group of officers to ensure they continue to address potential risks to the Authority achieving its objectives. The Group comprises the Authority's Treasurer, Head of Finance, Head of Audit and Risk Management and Head of the Greater Manchester Integrated Support Team and its roles and responsibilities are set out in terms of reference. The revised Strategy and Risk Register are submitted to Audit Committee for discussion and agreement and to Combined Authority for approval. Audit Committee also review the risk register at every meeting.
- 3.37 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**

- 3.38 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, TfGM 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 TfGM 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.
- 3.39 The Manchester Family Group operates 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.
- 3.40 Until September 2013 (when the new Group Board was established) performance management of progress against the business plan was undertaken by the LEP and the Strategic Boards of the Centres of Excellence. As noted in paragraph 3.17-3.19 the integrated business plan for the new Manchester Growth Company covering the period 2014 – 2017 will form the basis for performance management of the Group's component companies over the next three years.

## **4. Review of effectiveness**

- 4.1 Now in its third 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. Examples of decisions made include: overseeing a twelve week consultation and the final approval of an updated Greater Manchester Strategy; agreeing to the formation of a new GM Local Management Committee to provide detailed oversight and implementation of the development of a European Structural and Investment Funds Strategy (ESIF) for GM; setting the transport levy/budget.
- 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 GMPCC, TfGM, Manchester 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 newly refreshed 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 Payments to TfGM are 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 GMCA Treasurer is a member of the TfGM Board and also attends TfGM's Audit Committee, thus providing further oversight and assurance in relation to GMCA's transport-related financial responsibilities. Furthermore, 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. The Committee's work programme is agreed at the start of the year and includes consideration of Internal and External Audit activity and assurances, financial management (including scrutiny of the annual accounts and Annual Governance Statement) and risk management arrangements.
- 4.6 During the 2013–14 municipal year, the Scrutiny Pool has had an active role in scrutinising the draft Greater Manchester Strategy, the plans for the new Manchester Growth Company and has highlighted areas for further development. The Pool has continued to develop a varied and focused monthly work programme on specific policy areas, including housing investment in GM, Low Carbon and the Green Deal and the impact of welfare reform in the sub region.
- 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 Audit and Risk Management – Annual Assurance Opinion 2013/14**

- 4.8 The Head of 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 this Annual Assurance Opinion.
- 4.9 Overall the Head of Audit and Risk Management can provide **substantial** assurance that the Authority's governance, risk and control framework is generally sound and operated reasonably consistently. No significant control issues were identified. This opinion is based on audit and risk management activity carried out between April 2013 and March 2014 and is informed by other assurances provided in the period, including External Audit. This opinion includes an improvement of the 2012/13 opinion on the nature and operation of key governance systems from **moderate** to **substantial**. This reflects progress to develop the governance framework including implementation of improvement actions identified in the 2012/13 Annual Governance Statement.

- 4.10 Internal Audit provided **substantial** assurance over the Greater Manchester Investment Fund project appraisal, selection and monitoring process. The audit also assessed capacity to improve as 'High' based on the positive management responses to recommendations... The audit established that overall the process provided effective evaluation, approval and allocation of grants and loans in compliance with the Fund application process and with conditions applying to specific funding streams.
- 4.11 Certification work completed gave **substantial** assurance that grants received by the Authority were used in accordance with funding conditions, based on the good level of compliance seen and action taken in response to audit findings.
- 4.12 Internal Audit administer the Authority's policies on anti-fraud and corruption, whistleblowing, anti-bribery and anti-money laundering. These are communicated through the Authority's website including a whistleblowing web-page and hot-line. To date there have been no whistle-blowing allegations or fraud allegations with respect to the Authority.

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

- 4.13 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 2013/14 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 2013/14 including assurance over the core financial systems activity and have agreed the approach taken in the 2014/15 audit plan.

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

- 4.14 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 GMCA's Code of Corporate Governance was approved at Audit Committee in April 2013. The Code is a public statement which sets 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 follows the CIPFA / SOLACE 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. Significant funding, particularly relating to the economic development functions of the GMCA have been, and will continue to be received from a variety of sources, including for example from the Regional Growth Fund, the Growing Places Fund and the Local Growth Fund.
- 5.3 In addition, the GMCA agreed in February 2014 for a governance review to be undertaken to examine GM governance arrangements, including TfGMC and other GM bodies, to ensure that they remain fit for purpose and have the appropriate representation. In summary, the key task for the review was to identify potential improvements that could be made to further modernise governance arrangements and ensure that they are effective, efficient and accountable within the existing legal and constitutional context. The outcomes of the review are expected to be implemented in the 2014 – 15 municipal year.
- 5.4 Significant levels of funding, particularly relating to the economic development functions of the GMCA continue to flow from a variety of sources, including for example from the Regional Growth Fund and the Growing Places Fund. The governance arrangements with respect to the management of the various funding streams have continued to strengthen in the year with the appointment of a Chief Investment Officer. A Low Carbon Director has also been appointed to lead the Low Carbon funding strategy. These funding streams, and the opportunities provided by the Greater Manchester City Deal have required appropriate and robust governance arrangements where GMCA is the accountable body, to be put into place. Systems and processes are continually reviewed in conjunction with both internal and external audit to ensure that risks are mitigated, compliance is achieved and governance arrangements are adhered to.
- 5.5 The Audit Committee's work on assurance mapping identified performance management as an area of the GMCA's work which needs strengthening. Progress has been made in this area in the past year. The publication of the Integrated Greater Manchester Assessment in April 2013 provides an agreed GM wide evidence base across the Greater Manchester Strategy's (GMS) key policy areas. The refreshed Greater Manchester Strategy uses this evidence to set out a suite of primary and secondary measures which will enable the GMCA to monitor progress in delivering its priorities. Additionally, the European Structural and Investment Funds Strategy and the GM's Growth and Reform Plan both map out more detailed plans for the implementation of the GMS. Work programmes for the organisations (and associated governance groups and delivery teams) leading on the implementation of the GMS priorities are focusing their resources on the delivery of these priorities. This will ensure that the GMCA's resources are effectively deployed to deliver GM's agreed strategic ambitions.

**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





## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREATER MANCHESTER COMBINED AUTHORITY**

### **Opinion on the financial statements**

We have audited the financial statements of Greater Manchester Combined Authority for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

### **Respective responsibilities of the Treasurer and auditor**

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

### **Scope of the audit of the financial statements**

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

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Greater Manchester Combined Authority as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

## **Opinion on other matters**

In our opinion, the information given in the Explanatory Foreword by the Treasurer for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

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

We have nothing to report in these respects.

## **Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

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

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2013, we have considered the results of the following:

- our review of the annual governance statement.

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

**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Mick Waite, Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

26 September 2014

