

# The Greater Manchester Combined Authority

## Annual Statement of Accounts Year ended 31<sup>st</sup> March 2012

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# Explanatory Foreword by the Treasurer

## Introduction

Welcome to the Greater Manchester Combined Authority's unaudited draft Annual Statement of Accounts for 2011/12. The statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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.

This Authority was established as a body corporate for the combined area (the area of the 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. This followed the decision of the district councils on 29 March 2010 that the establishment of a Greater Manchester Combined Authority would be likely to improve the exercise of statutory functions relating to transport and economic development and regeneration in the area, as well as improve economic conditions and the efficiency and effectiveness of transport in the area. This order dissolved the Greater Manchester Integrated Transport Authority and transferred its functions and its property rights and liabilities to the GMCA. It set out those transport functions which it has been agreed would be delegated statutorily to the GMCA by the constituent councils (traffic light signals and reports on road levels). It designated the Greater Manchester Passenger Transport Executive as the GMCA's executive body in relation to transport and renamed it Transport for Greater Manchester (TfGM). It transferred ownership of the Commission for the New Economy Ltd. (CNE) and Manchester Investment and Development Agency Service Ltd. (MIDAS) to the GMCA.

As these are the inaugural accounts of the GMCA, there are no comparative figures in either the financial statements or the notes to the accounts for 2010/11. However, in order to aid comparability with 2010/11, I have included the applicable GMITA figures in this explanatory foreword. Both the Property, Plant and Equipment in the Balance Sheet, and the Capital Adjustment Account in the Movement in Reserves Statement have been restated as at 1 April 2011 to reflect the transfer on that date of the traffic signals from the ten district councils of Greater Manchester to the GMCA. The impact of the transfer of the traffic signals has been to increase Non Current Assets and Unusable Reserves by £23.297m.

Following the dissolution of the GMITA on 31 March 2011, the GMCA and the districts entered into joint arrangements for the discharge of specified transport functions which included the establishment of a Joint Committee called the Transport for Greater Manchester Committee (TfGMC). TfGMC is supported by an operating agreement entered into by all eleven authorities (the ten districts and the GMCA) and is a Joint Committee of the GMCA. TfGMC has the same membership and composition as the previous GMITA as well as the ability to appoint its Chair and Vice Chair, establish sub committees and vote on the same basis as the previous GMITA.

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' (ie 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. Authorities raise 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, ie 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 (ie borrowing) to the Authority.

## **Group Accounts**

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

## **Notes to the Financial Statements**

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

## **Changes in Accounting Policies**

The way that accounts are presented is governed by the accounting policies that the Authority has to follow. The accounting practice governing local authority accounts which will include GMCA, has undergone major changes over the last few years in order to bring public sector accounting in line with that of the private sector. There have been no further changes to accounting policies that affect the GMCA in 2011/12.

## **How the Authority Performed in 2011/12**

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

The Accounts of the Authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 other schemes approved by the Department. GMCA does not directly provide bus, train or Metrolink services.

The Authority also provided funding to Marketing Manchester Ltd., CNE and MIDAS which were funded by contributions from the ten district councils. The Authority received capital and revenue grants from the Department for Works and Pensions, Business Innovation and Skills, the Home office and Communities and Local Government in support of its' economic development and regeneration functions. These grants for Growing Places, Fit for Work and LEP purposes amounted to £37.556m of which £37.357m remained unspent as at 31 March 2012. These unspent grants are therefore included within Capital and Revenue Grants Receipts in Advance as at 31 March 2012.

## **The Authority, together with the TfGM is responsible for:**

- I. Paying for bus services which are not provided commercially by bus operators.
- II. Owning bus stations, shelters and stops in Greater Manchester and working to ensure all the information passengers see there is correct.
- III. 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.
- IV. Ensuring that local rail services meet local travel needs.
- V. Owning Metrolink.
- VI. Campaigning to promote public transport in Greater Manchester, to improve the environment and cut congestion.
- VII. The installation, maintenance and management of traffic signals.
- VIII. Maintaining highway databases, surveys, modelling, analysis, appraisals and advice.

- IX. Highways route performance, incident response and event management via a traffic control centre.
- X. Partnership working to promote a shared strategic road safety analysis and recommendations on interventions
- XI. Preparing the Local Transport Plan.

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

### **Activities in the year**

On 1 April 2011, TfGM's responsibilities expanded to include:

- activities connected with the highway network;
- road safety issues;
- strategic planning;
- data collection.

In the past year, several major projects have been completed and the organisation continues to deliver the Metrolink extensions and other public transport schemes, including those within the Greater Manchester Transport Fund.

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

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

Also :

- Development of the Leigh-Salford-Manchester busway;
- Improved interchange facilities at Bolton & Altrincham;
- A number of park & ride schemes.

The investments are being funded from a combination of central government funding; 'top slicing' existing Local Transport Plan funding contributions from local partners; and borrowings, supported by agreed increases in contributions from the levy and from net revenues generated from the public transport schemes being delivered as part of the GMTF. During 2011/12 the Department for Transport (DfT) confirmed that previous applications for government funding for a scheme to provide the infrastructure to enable a link across the regional centre (the cross city bus package); and for the delivery of a new transport interchange at Rochdale had been successful. These schemes will be funded from a combination of central government and local funding.



In the year under review:

- the extension of the Metrolink system to Chorlton in South Manchester was completed; and opened in July 2011;
- a new depot facility was opened during the year at Trafford which will support the enlarged Metrolink network;
- work on the other Metrolink lines has continued during the year;
- extensions to Droylsden in Tameside and to Oldham Mumps are due to open in the next financial year.
- A number of other projects to upgrade the existing Metrolink network have been completed during the year including:
  - the investments to upgrade stops on the existing network;
  - The commissioning of a new sub-station at Bowker Vale on the Bury line;

51 new trams have now been delivered in the last two years and a further 15 trams are scheduled to be delivered by the end of the next financial year.

In September 2011, GMCA approved the purchase of a further 12 new trams to replace an equivalent number of existing vehicles purchased when the network opened in 1992. This is part of a strategy to upgrade the fleet and will enable enhanced service provision for customers by increasing the reliability and performance of the fleet.

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

In the last two years TfGM has procured 88 low carbon buses which are now all in service across Greater Manchester. These were partly funded by successful bids, totalling £5.2million, to the Department for Transport's 'Green Bus fund'. The vehicles have been introduced on various services including on the Metroshuttle service in Manchester City Centre; the Salford Quays Link service, which operates a shuttle to MediaCity; in providing 39 vehicles into the Yellow School Bus fleet; and on subsidised services across Greater Manchester. During 2011/12 a further bid was submitted which resulted in £1.0million of additional funding being secured from a further Green Bus funding round. This will be used by operators to fund the purchase of an additional 11 low carbon vehicles for use on subsidised bus services across Greater Manchester.

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

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

TfGM also submitted a 'Large Project' bid for LSTF funding of £34.3 million, and was notified in June 2012 that £32.5 million of funding has been awarded. This, together with £21 million of local funding contributions, focuses on 4 key areas:

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

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

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

TfGM has continued to work on the delivery of a smartcard ticketing system. The delivery of integrated fares and smart ticketing is a major priority for TfGM. They are already using new ways to help customers with their journeys and to become more 'Customer Smart'. They launched a new Metrolink app and began using Twitter for the first time during 2011.

TfGM has continued to support initiatives to deliver improvements in rail infrastructure and have helped secure a £200 million plus commitment for the Northern Hub so far, which includes funding for the Ordsall Chord, together with funding for extra rolling stock and electrification upgrades in the North West. The need to increase capacity and improve the quality of rail services for Greater Manchester also underpins the support for high speed rail and they will continue to make the case for the investment required in the next financial year.

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

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

#### **Activities in the year**

- To ensure a more collaborative approach to Policy making on behalf of GMCA, the Association of Greater Manchester Authorities (AGMA) Housing, Planning and Environment and public protection research function began co-locating within the New Economy.
- The formal launch of the Employment and Skills Partnership has seen this function within New Economy grow.
- During 2011/12, 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 include:
  - Supporting the successful negotiation of the Greater Manchester City Deal and agreeing new powers with Government in order to drive forward local growth.



- The deal allows Greater Manchester to create and protect 6,000 jobs and 'earn back' up to £30 million per year in tax for growth it creates;
- Working closely with the University of Manchester to assist in securing a national capital investment of £38 million to build the National Graphene Institute in Manchester, which was announced on 2<sup>nd</sup> February 2012;
- Supporting the Independent Economic Advisory Panel to drive forward the Greater Manchester Growth Plan launched on 12<sup>th</sup> March 2012.

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

#### **Activities in the year**

- MIDAS has directly assisted in the creation and safeguarding of 3,500 jobs through 70 projects across Greater Manchester.
- Following the signing of a Memorandum of Understanding during the year between MIDAS and United Kingdom Trade and Investment, there have been some good examples of positive collaboration with Aegis' investment in to Manchester City Centre being the most prominent joint project, creating 600 jobs alone.
- New initiatives to come online during 2011/12 included the Airport City Enterprise Zone, the bringing to market of key sites such as Cutacre (Bolton), Foxdenton (Oldham), Port Salford and Carrington (Trafford); and the further promotion and development of MediaCity. MIDAS is integrally involved in maximising the market impact of these initiatives.
- MIDAS has been putting increasing focus in long-term markets such as China, India and Brazil, to add future capacity to a pipeline that is currently heavily dominated by the strong existing markets of North America (primarily USA) and Europe.
- In order to improve communications, MIDAS has overhauled its website to be much more interactive and is also developing a Manchester/MIDAS "app" which will add a cutting edge promotional tool to their armoury.
- MIDAS will continue to play a vital part in helping Greater Manchester drive forward the growth agenda.

#### **Financial Summary 2011/12**

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 2011/12 the Authority's Comprehensive Income and Expenditure Statement shows a deficit for the year of £204.766m (2010/11 GMITA deficit of £137.089m).

In 2011/12 the Authority's General Fund shows a surplus for the year of (£0.151m) (2010/11 GMITA surplus of (£0.130m)) almost entirely due to efficiencies against corporate budgets. The additional interest receivable and reduced Capital Charges amount in total to £15.283m of which £15.268m this has been transferred to an earmarked Capital Programme Reserve. The reduction in the Government Grants relates to the reclassification of the Special Rail Grant as a direct grant to TfGM in 2011/12 following discussions with the Audit Commission. This reclassification also resulted in a corresponding reduction in Running Expenses.

The Authority's grant to TfGM in 2011/12 was budgeted at £133,675,752 (2010/11 GMITA £132,913,457), which enabled the Authority to restrict the increase in the district levy to 6% of the 2010/11 levy, including the 3% to fund the Greater Manchester Transport Fund.

## Revenue Expenditure

The actual income and expenditure against budget is summarised below :

	Budget £m	Actual £m	Variance £m
Running Expenses	220.611	142.016	78.595
Capital Charges	41.923	35.436	6.487
Contribution to / (from) Finance Costs Reserve	8.382	15.268	(6.886)
<b>Expenditure Total</b>	<b>270.916</b>	<b>192.720</b>	<b>78.196</b>
Government Grants	78.300	0.312	(77.988)
Interest	0.015	0.429	0.414
Contributions to Economic Development and Regeneration	2.578	2.578	0
Contributions to GMCA Costs	0.155	0.155	0
Transport Levy	184.355	184.355	0
Contributions to Transport Functions and Traffic Signals Repairs	5.513	5.042	(0.471)
<b>Income Total</b>	<b>270.916</b>	<b>192.871</b>	<b>(78.045)</b>
<b>Contribution to General Fund Reserve</b>	<b>0</b>	<b>0.151</b>	<b>0.151</b>
<b>Transport Related</b>	<b>0</b>	<b>0.144</b>	<b>0.144</b>
<b>Economic Development and Regeneration Related</b>	<b>0</b>	<b>0.007</b>	<b>0.007</b>

## Capital Expenditure

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

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

- Borrowing either supported or unsupported by the Government.
- 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 £337.776m. in 2011/12, which is summarised below:

	2010/11 £m (GMITA)	2011/12 £m
Capital Grants to the TfGM (Revenue Expenditure funded from Capital under Statute)	315.970	332.036
Non-current Assets (Property, Plant and Equipment)	0	5.740
<b>Total</b>	<b>315.970</b>	<b>337.776</b>

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

This Capital Expenditure was spent on the following schemes :

	2010/11 £m (GMITA)	2011/12 £m
Metrolink Phase 3/Sunk Costs	0.186	3.626
Metrolink Service Enhancement & Fleet Replacement	3.188	6.216
Metrolink Phase 3a	151.000	88.108
Metrolink Phase 3b	50.099	31.506
Metrolink Phase 3 – Combined Schemes	0	47.486
Manchester Airport link	55.880	104.346
Green Bus Fund	8.004	7.164
SEMMMS Quality Bus Corridors	0.156	1.553
Other Transport Fund Schemes	39.823	36.058
Access for All – Small Schemes Funding	0.121	0.246
Smart Ticketing Scheme	1.111	0
Minor Works	6.402	5.727
Traffic Signals	0	5.740
<b>Total</b>	<b>315.970</b>	<b>337.776</b>

The financing of this expenditure was by the following methods:

	2010/11 £m (GMITA)	2011/12 £m
Borrowing	158.368	226.930
Reserves	2.930	2.828
Government Grants	154.672	104.977
External Contributions	0	3.041
<b>Total</b>	<b>315.970</b>	<b>337.776</b>

## Borrowing Limits

In 2011/12 the Authority had an authorised limit for external debt of £893m which compares to the actual level of debt outstanding at 31<sup>st</sup> March 2012 of £579.102m. This is made up of the following figures :

	2010/11 £m (GMITA)	2011/12 £m
Long-term Borrowing – PWLB/Market	355.618	540.618
Short-term Borrowing – Interbank	30.540	38.484
<b>Total Borrowings</b>	<b>386.158</b>	<b>579.102</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 £185m. This was used to pay capital grants to TfGM for funding Metrolink Phase 3a, 3b and other schemes within the Greater Manchester Transport Fund.

## Investments

Short term money market deposits of cash balances in excess of current requirements as at 31 March 2012 were £132.984m. This is made up of the following figures:

	2010/11 £m (GMITA)	2011/12 £m
Bank Deposits	14.540	15.484
Local Authorities – other	6.500	63.500
UK Government Backed Deposits	30.000	54.000
<b>Total Investments</b>	<b>51.040</b>	<b>132.984</b>

Excluding the movement in the Interbank investments, total investments showed an increase in the year of £74m. The main reason for this increase relates to the additional borrowings of £185m being in excess of the capital grants required by TfGM for funding Metrolink Phase 3a, 3b and other schemes within the Greater Manchester Transport Fund.

## Current Economic Climate

The reductions made to public sector funding, which have significantly impacted the ten districts of Greater Manchester who provide the transport levy (the main source of revenue funding), has also impacted on TfGM in terms of a reduction in the level of core funding for 2012/13. To align costs with income and to meet the challenges of lower funding, TfGM has

implemented a number of cost saving initiatives for 2012/13. These are in addition to the efficiencies which have already been delivered in recent years.

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

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

### **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  
Room 609  
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 9 July 2012. Information is provided to all council tax payers in Greater Manchester which explains how TfGM will spend the transport levy which the GMCA collects from the district councils and describes its' efforts to improve the services it provides on behalf of the residents of Greater Manchester. This publication entitled ' Investing in Greater Manchester Transport 2012/2013' 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

## 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 2012 and of its income and expenditure for the year ended 31st March 2012.



R. Paver

Treasurer

10 September 2012

### Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at the meeting held on 21 September 2012.



Councillor P. Williams

Chair of meeting approving the accounts.  
21 September 2012

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

Further details of the Usable Reserves can be found in Note 8.

		£000's	Note	General Fund Balance Transport	General Fund Balance ED & R	Capital Programme Reserve	Capital Grants Unapplied Reserve	Metrolink Reserve	Infrastructure Fund Reserve	Total Usable Reserves	Capital Adjustment Account	Financial Instruments Adjustment Account	Total Unusable Reserves	Total Authority Reserves
	Balance as at 1 April 2011			4,584	0	10,675	9,072	34,496	3,240	62,067	(439,861)	(262)	(440,123)	(378,056)
	Surplus or (deficit) on the provision of services			(204,773)	7	0	0	0	0	(204,766)	0	0	0	(204,766)
	Other Comprehensive Income and Expenditure			0	0	0	0	0	0	0	0	0	0	0
	Total Comprehensive Income and Expenditure			(204,773)	7	0	0	0	0	(204,766)	0	0	0	(204,766)
	Adjustments between accounting basis & funding basis under regulations		7	217,357	0	0	0	0	0	217,357	(217,359)	2	(217,357)	0
	Net Increase/(decrease) before Transfers to Earmarked Reserves			12,584	7	0	0	0	0	12,591	(217,359)	2	(217,357)	(204,766)
	Transfers (to)/from Earmarked Reserves		8	(12,440)	0	15,268	0	0	(2,828)	0	0	0	0	0
	Increase/(decrease) in year			144	7	15,268	0	0	(2,828)	12,591	(217,359)	2	(217,357)	(204,766)
	Balance as at 31 March 2012			4,728	7	25,943	9,072	34,496	412	74,658	(657,220)	(260)	(657,480)	(582,822)



# 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.

	Note	£000's Gross Expenditure	£000's Gross Income	2011/12 £000's Net Expenditure
<u>Highways and Transport Services</u>				
Running Costs	15 & 13	142,812	(5,155)	137,657
Revenue Expenditure Payable to TfGM	16 & 13	332,036	(102,502)	229,534
Funded from Capital under Statute/Capital Grants Receivable		474,848	(107,657)	367,191
<u>Planning Services</u>				
Running Costs	15 & 13	2,780	(2,777)	3
<u>Corporate and Democratic Core</u>				
Cost of Services	13	506	(155)	351
		478,134	(110,589)	367,545
<u>Other Operating Expenditure:</u>				
Losses on the disposal of non current assets	18	1,856	0	1,856
<u>Financing and Investment Income and Expenditure</u>				
Taxation and Non Specific Grant Income	9 & 10	25,665	(429)	25,236
Deficit on Provision of Services	11	0	(189,871)	(189,871)
		505,655	(300,889)	204,766
<b>Total Comprehensive (Income) and Expenditure</b>				<b>204,766</b>



Richard Paver

Treasurer

10 September 2012

# 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.

01 Apr 2011			31 Mar 2012
£000's		Note	£000's
<b>Non-Current Assets</b>			
23,297	Property, Plant and Equipment	18	23,097
23,297	<b>Total Non-Current Assets</b>		23,097
<b>Current Assets</b>			
28,269	Short Term Debtors	22	8,194
52,510	Cash and Cash Equivalents	23	135,117
80,779	<b>Total Current Assets</b>		143,311
<b>Current Liabilities</b>			
(34,450)	Short Term Borrowing	26	(44,751)
(61,772)	Short Term Creditors	24	(90,310)
0	Revenue Grants Receipts in Advance	13	(1,000)
0	Capital Grants Receipts in Advance	13	(14,377)
(2,051)	Deferred Liability	25	(2,160)
(98,273)	<b>Total Current Liabilities</b>		(152,598)
5,803	<b>Total Assets less Current Liabilities</b>		13,810
<b>Long Term Liabilities</b>			
(27,979)	Deferred Liability	25	(25,800)
(355,880)	Long Term Borrowing	26	(540,878)
0	Revenue Grants Receipts in Advance	13	(1,828)
0	Capital Grants Receipts in Advance	13	(28,126)
(383,859)			(596,632)
(378,056)	<b>Net (Liabilities)</b>		(582,822)
<b>Financed by :</b>			
<u>Usable Reserves :</u>			
4,584	General Fund Balance	28	4,735
10,675	Capital Programme Reserve	28	25,943
9,072	Capital Grants Unapplied Reserve	28	9,072
34,496	Metrolink Reserve	28	34,496
3,240	Transport Infrastructure Fund Reserve (mini TIF)	28	412
62,067			74,658
<u>Unusable Reserves :</u>			
(439,861)	Capital Adjustment Account	29(a)	(657,220)
(262)	Financial Instruments Adjustment Account	29(b)	(260)
(440,123)			(657,480)
(378,056)	<b>Total Reserves</b>		(582,822)



Richard Paver

Treasurer

10 September 2012

## Greater Manchester Combined Authority - Cash Flow Statement

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

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

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

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

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year end 31 March 2012. 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 2011/12 (The Code) and the Service Reporting Code of Practice 2011/12 (SERCOP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance under Section 21(2) of the Local Government Act 2003.

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

The accounting convention adopted in these accounts is historical cost.

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

### **1.1 Relevance**

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

### **1.2 Reliability**

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

### **1.3 Comparability**

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

### **1.4 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.

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

### **2. Underlying Assumptions**

#### **2.1 Accruals Basis**

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

#### **2.2 Going Concern**

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

#### **2.3 Primacy of Legislative Requirements**

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (The Code) issued by CIPFA.

## **3. Accounting Policies**

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

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

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. The majority of this capital expenditure is then recovered either from (a) the Department for Transport (b) the relevant district council (c) Transport for Greater Manchester or (d) the relevant private sector organisation. Expenditure on repairs is charged to revenue as it is incurred and the costs recovered from the relevant district council. Expenditure on maintenance is funded through the transport levy.

Capital expenditure is added to the value of an asset.

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

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

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

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

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

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

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

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

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

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

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

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

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



## 1. Accounting Concepts and Policies (continued)

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

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

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

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

For all capital expenditure incurred before 1 April 2008, and all capital expenditure incurred on non-Metrolink and non-Greater Manchester Transport Fund schemes, the Authority's policy is to adopt existing practice, the regulatory method (4% of capital financing requirements). For capital expenditure incurred on the Metrolink and Greater Manchester Transport Fund schemes, MRP will be deferred until the year after the asset has been commissioned into use, and will be on an annuity basis over the estimated asset life. Total MRP relating to borrowing for capital expenditure in 2011/12 was £7,701k. (2010/11 GMITA £7,588k)

Tameside MBC manages the former Greater Manchester Council Inherited Debt of the Authority and repayments are made annually on an annuity basis. The repayment in 2011/12 was £2,070k. (2010/11 GMITA £1,861k)

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

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

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

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

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

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

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

Supplies are recorded as expenditure when they are consumed.

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

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

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

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

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

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

All revenue grants and contributions to the GMCA relate to a specific service. Where conditions have been met revenue grants and contributions are credited to the relevant service line within Cost of Services.

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

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

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

Where conditions have been met grants and contributions that are attributable to assets not owned by the Authority (Revenue Expenditure Funded by Capital Under Statute) are credited to the Capital Grants Receivable from the DfT 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 REFCUS 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 Capital Grants Receipts in Advance Account. When a grant and contribution is paid to the relevant district council the Capital Grants Receipts in Advance Account is reduced accordingly.

#### **(j) VAT**

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

#### **(k) Reserves**

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

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

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

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

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

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

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

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

#### **Financial Instruments**

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

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

In 2011/12 the average rate of interest receivable on investments was 0.40% (2010/11 GMITA 0.43%)

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

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

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

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

In 2011/12 the average rate of interest payable on borrowings was 4.98% (2010/11 GMITA 5.04%).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **2. Critical Accounting Judgements**

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

### **3. Key Sources of Estimation Uncertainty**

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

The items in the Authority's Balance Sheet as at 31 March 2012 for which there is a risk of adjustment in the following financial year are :

#### **1 April 2011 Opening Values of Property, Plant and Equipment**

The opening values of traffic signals as at 1 April 2011 have been calculated using a sample of costs of constructing new traffic signals in 2011/12. These values have then been indexed back to provide an estimated cost at the date of installation of each signal and depreciation has been applied based on estimated useful lives.

#### **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 £409k for each year that useful assets lives are reduced.

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

There have been none which apply to the GMCA.

**5. Post Balance Sheet Events**

If information has been received providing confirmation of conditions existing as at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

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

The unaudited 2011/12 Statement of Accounts which were authorised for issue by the Treasurer on 29 June 2012 have now been audited and have been authorised for issue by the Treasurer on 10 September 2012.



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

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

2011/12

Usable Reserves General Fund Balance	Unusable Reserves
£000's	£000's

**Adjustments involving the  
Capital Adjustment Account :**

**Reversal of items debited or credited to  
the Comprehensive Income and Expenditure  
Statement**

Revenue Expenditure Payable to TfGM funded from Capital Under Statute	332,036	(332,036)
Annual Depreciation Charge	4,084	(4,084)
Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	1,856	(1,856)
Capital Grants Receivable from the DfT - REFCUS	(102,502)	102,502
Capital Grants Receivable from the DfT - Traffic Signals	(2,475)	2,475
External Capital Contributions Receivable - Traffic Signals	(3,041)	3,041

**Insertion of items not debited or credited to  
the Comprehensive Income and Expenditure  
Statement**

Minimum Revenue Provision for capital financing	(7,701)	7,701
Inherited Debt Principal Payment	(2,070)	2,070
Transport Infrastructure Reserve - Wigan and Bolton	(2,828)	2,828

**Adjustments involving the  
Financial Instruments Adjustment Account :**

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
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<b>Total Adjustments</b>	<b>217,357</b>	<b>(217,357)</b>
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## Notes to the GMCA's Core Financial Statements (continued)

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

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

	Balance as at 1 April 2011 £000's	Transfers Out 2011/12 £000's	Transfers In 2011/12 £000's	Balance as at 31 March 2012 £000's
<b>Reserves held for Revenue Purposes</b>				
Capital Programme Reserve (a)	10,675	0	15,268	25,943
<b>Reserves held for Capital Purposes</b>				
Capital Grants Unapplied - LTP Topslice (b)	9,072	0	0	9,072
Metrolink Reserve (c)	34,496	0	0	34,496
Transport Infrastructure (d) Reserve (W & B mini TIF)	3,240	(2,828)	0	412
<b>Total</b>	<b>57,483</b>	<b>(2,828)</b>	<b>15,268</b>	<b>69,923</b>
<b>Transfer (to)/from General Fund</b>			<b>12,440</b>	

#### **Purpose of the Reserve :**

- (a) Surpluses of capital financing costs which have been set aside to fund future capital programme related expenditure.
- (b) Grants received from DfT for spending on Local Transport Plan capital programme related expenditure.
- (c) Reserve set aside for spending on Metrolink Service Enhancement Programme related expenditure.
- (d) Grants received from DfT and levy contributions for spending on Wigan and Bolton transport infrastructure related expenditure.

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

### 9 Financing and Investment Expenditure

	2011/12 £000's
Interest payable and similar charges on borrowings :	
PWLB	18,589
Others	5,376
Brokerage Fees	77
Interest payable on the former GMC debt	1,623
	<u>25,665</u>

### 10 Financing and Investment Income

	2011/12 £000's
Interest receivable on deposits	429
	<u>429</u>

### 11 Taxation and Non Specific Grant Income

	2011/12 £000's
Transport levy from the Greater Manchester districts	184,355
Capital Contributions Receivable for Traffic Signal Schemes	5,516
	<u>189,871</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 authorities within Greater Manchester.

The amounts received/paid over are detailed below.

	2011/12 £000's
LTP Highways Capital Maintenance Received from DfT	27,434
LTP Highways Capital Maintenance Paid to Districts	(27,434)
Greater Manchester Transport Fund - non GMCA Road Schemes Received from DfT	15,000
Greater Manchester Transport Fund - non GMCA Road Schemes Paid to Districts	(10,155)
Net Cash Receipts	<u>4,845</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 :

	2011/12 £000's
<u>Credited to Cost of Services</u>	
Supporting Community Transport Grant - DfT	112
District Contributions to TfGM Transport Units	416
District Contributions to TfGM Traffic Signals Maintenance	3,948
District Contributions to the Traffic Signals Repairs	679
Revenue Expenditure Funded by Capital under Statute - DfT	102,502
Fit for Work Grant - DWP	174
Local Enterprise Partnership Grant - BIS	25
District Contributions to the Manchester Family	2,578
District Contributions to the GMCA Costs	155
	<u>110,589</u>
<u>Credited to Taxation and Non Specific Grant Income</u>	
DfT Grants to Traffic Signals Schemes	2,475
External Contributions to Traffic Signals schemes	3,041
	<u>5,516</u>

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

#### Capital Grants Receipts in Advance

	Total 01 April 2011 £'000's	Total 31 March 2012 £'000's
Green Bus Fund - DfT	0	1,002
Rochdale Interchange - DfT	0	6,972
Growing Places Fund - CLG/Home Office	0	34,529
	<u>0</u>	<u>42,503</u>
Due within 1 year	0	14,377
Due over 1 year	0	28,126

#### Revenue Grants Receipts in Advance

	Total 01 April 2011 £'000's	Total 31 March 2012 £'000's
Growing Places Fund - CLG/Home Office	0	2,828
	<u>0</u>	<u>2,828</u>
Due within 1 year	0	1,000
Due over 1 year	0	1,828

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

### 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 :

	2011/12 £'000's
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year.	50
Fees payable to the Audit Commission for the certification of grant claims and returns for the year.	14
<b>Total</b>	<b>64</b>

### 15 Cost of Service - Running costs expenditure

#### **Highways and Transport Services**

Revenue Support Grant to TfGM	133,250
Supporting Community Transport Grant to TfGM	112
Payments to TfGM for the Transport Units	416
Payments to TfGM for the Traffic Signals Maintenance	3,948
Annual Depreciation Charge on the Traffic Signals	4,084
Payments to TfGM for the Traffic Signals Repairs	679
Support Costs - Transport	323
	<u>142,812</u>

#### **Planning Services**

Payments to the Manchester Family companies	2,578
Revenue Grants for Economic Development and Regeneration Functions	199
Support Costs - Economic Development and Regeneration Functions	3
	<u>2,780</u>
	<b><u>145,592</u></b>

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

The capital grants payable to TfGM 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 page 10.

2011/12  
£000's

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332,036

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**17 Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice for Local Authorities (SeRCOP).

For this Authority, decisions about resource allocation are taken on the basis of budget reports using the same analysis.

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

### 18 Property, Plant & Equipment

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

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

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

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

### Loss on Disposal of Non Current Assets

2011/12  
£000's

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

1,856



## 19 Valuation of Property, Plant & Equipment

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

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

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

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

The estimated useful life of each asset in the 1 April 2011 opening balance had previously been determined by the Urban Traffic Control unit within TfGM. Asset lives of 10, 20 and 30 years had been assumed. Where these opening balance assets are still in the asset register at 31 March 2012, 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 during the year, a blended average of 11 years asset live has been calculated and used for depreciation purposes.

These assets are not required to be revalued.

## 20 Contracted Capital Commitments

Many traffic signal schemes take two or more years to complete. At the Balance Date the main estimated contractual commitments relating to ongoing schemes were as follows :

<b>1 April 2011 £000's</b>	<b>31 March 2012 £000's</b>
0	386

None of the government grants receivable for capital expenditure on economic development and regeneration schemes had been committed at the balance sheet date.

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

### 21 Capital Expenditure and Capital Financing

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

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

	2011/12 £'000's
Capital Expenditure on Infrastructure assets	5,740
Capital Grants Payable to TfGM (REFCUS)	332,036
<b>Total Capital Expenditure</b>	<b><u>337,776</u></b>
<b>Funded by:</b>	
DfT Grants	94,938
DfT LTP Settlement	10,039
External Capital Contributions	3,041
Reserves	2,828
Borrowing	226,930
	<b><u>337,776</u></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.

	2011/12 £'000's
<b>Opening Capital Financing Requirement</b>	463,158
<b>Capital Investment</b>	
Revenue Expenditure Funded from Capital Under Statute	332,036
Capital Expenditure on Property Plant and Equipment assets	5,740
<b>Sources of Finance</b>	
Government Grants & Other Contributions	(108,018)
W & B mini TIF Reserve	(2,828)
Minimum Revenue Provision	(7,701)
Repayment of Inherited Debt	(2,070)
<b>Closing Capital Financing Requirement</b>	<b><u>680,317</u></b>
<b>Explanation of movements in year</b>	
Increase in underlying need to borrowing (unsupported by government financial assistance)	217,359
Reduction in carrying value of non current assets	(200)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b><u>217,159</u></b>

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

### 22 Short Term Debtors

Total 1 April 2011 £'000's		Total 31 March 2012 £'000's
	<b>Central Government Bodies</b>	
46	HMR & C	286
28,185	Capital Grants REFCUS - DfT	3,504
0	Capital Grant Traffic Signals - DfT	1,763
0	Revenue Grants - BIS	25
18	<b>Other Local Authorities</b>	1,521
	<b>Public Corporations</b>	
0	Traffic Signal Contributions - TfGM	521
20	<b>Prepayments</b>	21
0	<b>Other entities and individuals</b>	553
<u>28,269</u>	<b>Total</b>	<u>8,194</u>

Within short term debtors an amount of £202k has been outstanding for over 30 days but has not been impaired.

### 23 Cash & Cash Equivalents

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

Total 1 April 2011 £'000's		Total 31 March 2012 £'000's
1,469	Bank current accounts	2,111
14,540	Bank call accounts	15,502
6,500	Short term deposits with other local authorities	63,503
30,001	Short term deposits with central government	54,001
<u>52,510</u>	<b>Total</b>	<u>135,117</u>

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

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

The accrued interest receivable included within the cash equivalent figures as at 31 March 2012 is £22k (N/A 31 March 2011)

The average interest receivable on the short term deposits as at 31 March 2012 was 0.39% (N/A 31 March 2011).

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 2012 these amount to £38,484k (N/A 31 March 2011). These are also shown within Short Term Borrowings as liabilities with TfGM.

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

### 24 Short Term Creditors

Total 1 April 2011 £'000's		Total 31 March 2012 £'000's
	<b>Central Government Bodies</b>	
56	Grants Deferred - DfT	0
8,348	<b>Other Local Authorities</b>	13,097
	<b>Public Corporations</b>	
53,335	TfGM	77,129
30	Audit Commission	32
3	<b>Other entities and individuals</b>	52
<u>61,772</u>	<b>Total</b>	<u>90,310</u>

### 25 Deferred Liability

#### former Greater Manchester Council debt

	2011/12 £'000's
Balance as at 1st April	30,030
Repayment in the year	(2,070)
Balance as at 31st March	<u>27,960</u>
 Due within 1 year	 2,160
Due over 1 year	25,800

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

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

### 26 Financial Instruments

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

	Long Term		Current	
	1 April 2011 £000's	31 March 2012 £000's	1 April 2011 £000's	31 March 2012 £000's
<b>Investments</b>				
Loans and receivables - due within 3 months	0	0	51,041	133,006
<b>Debtors</b>				
Loans and receivables	0	0	28,223	7,908
<b>Cash</b>	0	0	1,469	2,111
<b>Borrowings</b>				
Financial liabilities at amortised cost	355,880	540,878	34,450	44,751
<b>Creditors and Grants Received in Advance</b>				
Financial liabilities at amortised cost	0	29,954	61,772	105,687

### Income and Expense

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

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

### 26 Financial Instruments (continued)

#### Fair Values of Assets and Liabilities

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

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

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

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

The fair values are calculated as follows :

	1 April 2011		31 March 2012	
	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	238,191	243,812	425,533	478,680
Non- PWLB debt	152,139	164,328	160,096	159,320
Total Borrowings	390,330	408,140	585,629	638,000
Creditors and Grants Received in Advance	61,772	61,772	135,641	135,641
Total Financial Liabilities	452,102	469,912	721,270	773,641

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 (based on conditions at 31 March 2012) arising from a commitment to pay interest to lenders above current market rates.

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

	1 April 2011		31 March 2012	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
<b>Financial Assets at Amortised Cost</b>				
Cash	1,469	1,469	2,111	2,111
Loans and receivables	79,264	79,264	140,914	140,888
Total Loans and Receivables	80,733	80,733	143,025	142,999

The fair value of the assets is lower than the carrying amount 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 (based on conditions at 31 March 2012) attributable to the commitment to receive interest below current market rates.

Short term 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)

<u>Borrowings</u>	Range of interest rates payable in 11/12		Average Interest %	Total Outstanding	Total Outstanding
	from %	to %	at 31/03/12	1 April 2011 £'000's	31 March 2012 £'000's
<b>a) Analysis of loans by type :</b>					
Public Works Loans Board	0.59%	11.375%	5.03%	235,706	420,706
Other Loans	3.95%	6.22%	4.46%	120,174	120,172
TfGM - Interbank				30,540	38,484
Accrued Interest Payable :					
PWLB				2,485	4,827
Others				1,425	1,440
Total as at 31st March			<u>4.90%</u>	<u>390,330</u>	<u>585,629</u>
<b>b) Analysis of loans by maturity</b>					
<b>Maturing:</b>					
Due within 1 year : accrued interest payable					
PWLB				2,485	4,827
Others				1,425	1,440
Due within 1 year : principal					
PWLB				0	0
Others				0	0
Due within 1 year : TfGM - Interbank				30,540	38,484
Due within 1 year				<u>34,450</u>	<u>44,751</u>
In 1 to 2 years				0	14,912
In 2 to 5 years				20,712	10,800
In 5 to 10 years				45,000	40,000
In over 10 years				290,168	475,166
Due over 1 year				<u>355,880</u>	<u>540,878</u>
Total				<u>390,330</u>	<u>585,629</u>

During the year, loans totalling £450m were agreed and committed with the European Investment Bank (EIB) to support planned capital expenditure which will be incurred on the Greater Manchester Transport Fund over the next few years.

The interest rates on these loans range from 3.993% through to 4.581%.

These loans will be drawn down during the 2012/13 through to 2014/15 financial years, being repayable in the 2041/42 through to 2044/45 financial years.

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

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

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

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

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

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

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

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



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

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

**Specified Investments**

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

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

**Non-Specified Investments**

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

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

**Investment Limits**

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

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

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

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

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. All investments held as at 31 March 2012 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 capital grant claims on the Department for Transport. £202k of the balance of £7,909k is past its due date for payment.

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

**Credit Ratings Used:**

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

Banks – Moody's: Short Term P-1.

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

Building Societies – Moody's: Long term A3

**Monitoring of credit ratings:**

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

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

The current trade debtor amount is £7,909k and the estimated exposure to default is £nil.

#### **Liquidity Risk**

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

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

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

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

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

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

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

The maturity analysis of financial liabilities is as follows:

	<b>1 April 2011 £000's</b>	<b>31 March 2012 £000's</b>
Less than one year	96,222	150,438
Between one and two years	14,912	44,866
Between two and five years	5,800	10,800
Between five and 10 years	45,000	40,000
More than 10 years	290,168	475,166
<b>Total</b>	<b>452,102</b>	<b>721,270</b>

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

	<b>1 April 2011 £000's</b>	<b>31 March 2012 £000's</b>
Less than one year	80,733	143,025
<b>Total</b>	<b>80,733</b>	<b>143,025</b>

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

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

**Market Risk**

**Interest Rate Risk**

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

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

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

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

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

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

- Short term investment risk (£133.006m. @0.5%) = £0.6650m gain.
- Short term borrowing risk (nil @x%) = £nil.
- LOBO risk (loans potentially subject to call over the remaining term of the loan)  
(£60m. @0.5% ) = £0.300m loss.

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

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

**Impact on the Surplus or Deficit on the Provision of Services = £0.17m gain.**

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

- Short term investment risk (£133.006m. @0.39%) = £0.5187m loss.
- Short term borrowing risk (nil @x%) = £nil.
- LOBO risk (loans potentially subject to call over the remaining term of the loan)  
(£60m. @0.5% ) = £0.300m gain.
- Range LOBO risk where the interest rate payable is 3.45% whilst the 6 month LIBOR rate is within the range of 4% to 6%. If outside this range the interest rate payable is 4.10%.  
(£30m. @ 0.65%) = £0.195m loss.

**Impact on the Surplus or Deficit on the Provision of Services = £0.4137m loss.**

#### **Foreign Exchange risk**

The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

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

### 28 Usable Reserves

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

### 29 Unusable Reserves

Total 1 April 2011 £'000's	Total 31 March 2012 £'000's
(439,861) Capital Adjustment Account	(657,220)
(262) Financial Instruments Adjustment Account	(260)
<u>(440,123) Total Unusable Reserves</u>	<u>(657,480)</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 and the annual depreciation charge, and credited with both the capital grants and contributions receivable, and the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

Due to the transfer of the traffic signals to the GMCA from the district councils on 1 April 2011, the balance on the Capital Adjustment Account as at 1 April 2011 has been credited with the net book value of those assets amounting to £23,297,000.

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

	2011/12 £'000's
Balance as at 1st April	(439,861)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :	
Revenue expenditure funded from capital under statute	(332,036)
Annual depreciation charge of non current assets	(4,084)
Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(1,856)
Capital Financing Applied in the year :	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	108,018
Statutory provision for the financing of capital investment and Inherited Debt charged against the General Fund	7,701
Repayment of Inherited Debt charged against the General Fund	2,070
Capital expenditure financed from Reserves	2,828
Balance as at 31st March	<u>(657,220)</u>

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

### 29(b) Financial Instruments Adjustment Account

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

	2011/12 £'000's
Balance as at 1st April	(262)
Interest incurred in the year and charged to the Comprehensive Income and Expenditure Statement	675
Proportion of interest incurred to be charged against the General Fund Balance in accordance with statutory requirements	(673)
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/> 2
Balance as at 31st March	<hr/> <hr/> (260)



**30 Related Party Transactions**

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

**Central Government - Department for Transport**

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

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

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

**Central Government - Communities and Local Government/DWP and Business Innovation and Skills**

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

The yearly transactions were as follows :

	2011/12 £'000's
<b>Income</b>	
DWP - revenue grant	174
BIS - revenue grants	25
<b>Debtors</b>	
BIS - revenue grants	26

**The Association of Greater Manchester Authorities**

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

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

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

### 30 Related Party Transactions (continued)

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

#### Transport for Greater Manchester

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

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

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

	2011/12 £'000's
<b>Expenditure</b>	
Revenue Support Grant	133,250
Revenue Grant	112
Transport Units Grants	416
Traffic Signals Maintenance	3,948
Traffic Signals Repairs	679
General Expenditure	21
Capital Grants - REFCUS	332,036
Traffic Signals Schemes	5,740
<b>Income</b>	
Traffic Signals Schemes	521
<b>Debtors</b>	
Traffic Signals Schemes	521
<b>Creditors</b>	
Revenue Grant	56
Capital Grants - REFCUS	72,329
General Expenditure	0
Traffic Signals Schemes & Repairs Invoices	4,744
<b>Borrowings</b>	
Interbank Balance	38,484

#### The Greater Manchester Accessible Transport Trust

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

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

## 30 Related Party Transactions (continued)

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

### Members

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

No members allowances are payable.

During 2011/12 no works or services were commissioned from companies in which any members had an interest.

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

### Officers

There have been no pecuniary interests involving either the Clerk, the Treasurer or the Monitoring Officer to the Authority.

### Manchester City Council

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

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

	2011/12 £000's
<b>Income</b>	
Traffic Signals Repairs	354
Traffic Signals Schemes	251
<b>Expenditure</b>	
General Expenditure	577
<b>Debtors</b>	
Traffic Signals Schemes & Repairs	295
General Expenditure	14
<b>Creditors</b>	
General Expenditure	127

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

### 30 Related Party Transactions (continued)

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

#### Manchester Family Organisations

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

	2011/12 £'000's
<b><u>Commission for the New Economy</u></b>	
<b>Expenditure</b>	
General Expenditure	784
<b>Creditors</b>	
General Expenditure	18
	2011/12 £'000's
<b><u>MIDAS</u></b>	
<b>Expenditure</b>	
General Expenditure	1,375

**31 Cash Flow Statement - Operating Activities**

The cash flows for operating activities include the following items :

	2011/12 £'000's
Interest Received	408
Interest and similar charges paid	(23,285)
Capital grants paid to TfGM - REFCUS	(312,334)
Capital grants received from the DfT - to fund REFCUS	124,395
Capital grants received from CLG/Home Office for economic development and regeneration	34,530
Revenue grants received from CLG for economic development and regeneration	2,828

**32 Cash Flow Statement - Investing Activities**

	2011/12 £'000's
Purchase of Property, Plant and Equipment	(2,388)
Capital grants and contributions received	2,388
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<u>0</u>

**33 Cash Flow Statement - Financing Activities**

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

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

### Group Accounts

The group accounts comprise the accounts of the Authority together with those of Transport for Greater Manchester, Greater Manchester Accessible Transport Trust and its subsidiary and associated undertakings, Commission for the New Economy Ltd. and Manchester Investment and Development Agency Service Ltd. all as at 31 March 2012.

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 2011/12 ('The Code'). The consolidated accounts comprise the accounts of TfGM and all its subsidiary and associated undertakings drawn up to 31 March 2012.

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

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

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

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

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

The accounts of Greater Manchester Accessible Transport Trust are prepared in accordance with regulation 8 of the Charities (Accounts and Reports) Regulations 2008, the Charities Act 2011, and the Statement of Recommended Practice, "Accounting and Reporting by Charities" as revised in 2005. The consolidated accounts comprise the accounts of the Trust and its subsidiary undertaking Greater Manchester Accessible Transport Ltd (GMATL), drawn up to 31 March 2012.

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

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

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

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

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

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

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

Further information about MIDAS's accounts is available from:

C Dodgson  
Lee House  
90 Great Bridgewater St  
Manchester  
M1 5JW

### **Basis of Dominant Influence**

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

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

### **Basis of Preparation**

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

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

## Statement of Compliance with IFRS

In accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, TfGM has adopted all aspects of the Code other than as follows:

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

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

## Summary of Significant Accounting Policies

### **Property, Plant and Equipment and Assets under Construction**

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

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

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

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

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

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

\* The cost of Metrolink includes £111.931m (2011 £11.423m) 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 2011/12, 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 2012.

### **Investment properties**

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

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

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

Capital and revenue grants and contributions receivable are recognised immediately in the Comprehensive Income and Expenditure Statement except where the grant or contribution has a condition that has not yet been met. These amounts are recognised in the Balance Sheet within capital

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

and revenue grants received in advance until such time as the conditions are met whereupon they are transferred to the Comprehensive Income and Expenditure Statement.

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

With respect to revenue grants or contributions, if the expenditure has not been incurred at the balance sheet date, the grant or contribution is transferred to the revenue grants unapplied account via the Movement in Reserves statement.

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

### **Inventories**

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

### **Financial Assets**

Financial assets are classified at recognition as loans, deposits or receivables in accordance with IAS39, and recognised at cost. TfGM has not designated any financial assets as at fair value through the Comprehensive Income and Expenditure Statement. TfGM's financial assets include cash, short-term deposits, trade and other receivables.

Subsequent measurement depends on their classification as follows:

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

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

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

### **Financial Liabilities**

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

Subsequent measurement depends on their classification as follows:

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

Loans and borrowings: non –derivative financial liabilities with fixed or determinable payments not quoted in 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 PTEs 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 costs 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 2012 amounted to £6.295 million (2011: £8.134 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 4.8%
- 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 retirement benefits payable by 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 retirement benefits payable by both CNE and MIDAS, 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.

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

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

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

## **Accrual of Income and Expenditure**

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

- Revenue from sale of goods is recognised when the significant risks and rewards of ownership are transferred to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Group;
  - Revenue from the provision of services is recognised when we can reliably measure the completion of the transaction and where it is probable that economic benefits or service potential associated with the transaction will flow to the Group;
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet;
- Expenses relating to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than on the basis of the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance sheet. Where debts may not be settled, the balance of the debtors is written down and a charge made to revenue for the amount of income that might not be collected.

## **Reserves**

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

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

## **Exceptional Items**

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

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

### **Events after the balance sheet date**

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

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

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

### **Value Added Tax (VAT)**

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

### **Acquired operations**

The results, assets and liabilities of the units which transferred into TfGM have been recognised in these financial statements.

### **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 2012 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.
- Provisions: included in provisions is an amount in respect of works arising in the ordinary course of delivering the Group's capital programme.



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

### **Deregulation Reserve**

The reserve represents the costs relating to the transfer of TfGM's bus operations to Greater Manchester Buses Ltd. following the implementation of the Transport Act 1985. As required by the provisions of the Act and in accordance with the transfer scheme, which was approved by the Secretary of State for Transport, TfGM transferred its bus operation activities and certain of its assets and liabilities to this new company. The Deregulation Reserve represents payments and losses incurred by TfGM with respect to deregulation on 25 October 1986 and which were not charged to profit and loss.

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

### **Fund Accounting**

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

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

In the Group consolidation, an Accumulated Absences accrual of £55k has been brought into the 31 March 2012 GMATT Financial Statements. This is a requirement of the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

# Group movement in Reserves Statement

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

The movements on the reserves are as follows :

2011/12

	£'000	Grant Fund Balance	Revenue Grants Unapplied Reserve	Capital Grants Unapplied Reserve	Property Reserve	Metrolink Reserve	Transport Infrastructure Fund Reserve	Capital Programme Reserve	Road Safety Group Reserve	Concessionary Fares Reserve	Total Usable Reserves	Capital Adjustment Account GMCA	Deferred Capital Grants TIGM	Financial Instruments Adjustment Account - GMCA	Pensions Reserve TIGM	Capital Reserve TIGM	Derogation Reserve TIGM	Charitable Trust Reserve GMATT	Total Unusable Reserves	Total Group Reserve
Balance as at 1 April 2011		5,735	10,000	21,092	9,144	45,345	3,240	10,676	3,529	14,045	126,805	(183,488)	724,164	(263)	35,000	4,013	(53,436)	3,062	£49,052	676,857
Surplus or (deficit) on the provision of services		114,716	0	0	0	0	0	0	0	0	114,716	0	0	0	0	0	0	0	0	114,716
Other Comprehensive Income and Expenditure		(15,656)	0	0	0	0	0	0	0	0	(15,656)	0	0	0	0	0	0	0	0	(15,656)
Total Comprehensive Expenditure and Income		99,060	0	0	0	0	0	0	0	0	99,060	0	0	0	0	0	0	0	0	99,060
Adjustments between accounting basis & funding basis under regulations	34	(77,807)	0	0	0	0	0	0	0	0	(77,807)	364	93,041	2	(15,600)	0	0	0	77,807	0
Net Increase/(decrease) before Transfers to Earmarked Reserves		21,253	0	0	0	0	0	0	0	0	21,253	364	93,041	2	(15,600)	0	0	0	77,807	99,060
Transfers to/(from) Earmarked Reserves	35	(21,762)	10,000	(2,421)	(556)	(4,252)	(2,828)	15,288	1,423	4,326	(802)	0	0	0	0	0	1,100	(238)	802	0
Increase/(decrease) in year		(509)	10,000	(2,421)	(556)	(4,252)	(2,828)	15,288	1,423	4,326	20,451	364	93,041	2	(15,600)	0	1,100	(238)	78,609	99,060
Balance as at 31 March 2012		9,226	20,000	18,671	8,588	41,093	412	25,964	4,952	18,371	147,256	(183,125)	817,205	(260)	19,400	4,013	(52,336)	2,764	627,661	774,917
Authority Executive		4,735		9,072		34,436	412	26,943			74,659	(657,220)			0		0	0	(657,450)	(592,822)
Consolidation adjustment		4,552	20,000	9,599	8,588	6,697			4,952	18,371	72,659	494,665	1,311,300		19,400	4,013	(52,336)	0	1,382,377	1,985,056
GMATT													(494,665)						0	0
CNE		160									160							2,764	2,764	2,764
MIDAS		(221)									(221)								160	(221)

## 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.

	2011/12		
	£'000 Gross Expenditure	£'000 Gross Income	£'000 Net Expenditure
<u>Highways and Transport Services</u>			
Rail franchise	82,531	(83,537)	(1,006)
Concessionary fare scheme	54,540	0	54,540
Supported bus services	39,308	(6,062)	33,246
Metrolink	43,056	(30,484)	12,572
Exceptional accelerated depreciation charge	12,944	0	12,944
Accessible transport	7,024	(1,168)	5,856
Highways Activities	5,726	(2,035)	3,691
Road Safety Activities	5,478	(6,900)	(1,422)
Passenger transport facilities	6,295	(6,295)	0
Running Costs	54,156	(16,180)	37,976
	311,058	(152,661)	158,397
<u>Planning Services</u>			
Running Costs	5,976	(6,024)	(48)
<u>Corporate and Democratic Core</u>	5,189	(155)	5,034
<u>Non distributed costs</u>	43	0	43
<b>Cost of Services</b>	<b>322,266</b>	<b>(158,840)</b>	<b>39 163,426</b>
<u>Other Operating Expenditure</u>			
Losses on the disposal of non current assets	1,846	0	53 1,846
<u>Financing and Investment Income and Expenditure</u>	30,268	(450)	36 & 37 29,818
<u>Taxation and Non Specific Grant Income</u>	0	(309,806)	38 (309,806)
<b>(Surplus) on Provision of Services</b>	<b>354,380</b>	<b>(469,096)</b>	<b>(114,716)</b>
<b>Group (Surplus)</b>	<b>354,380</b>	<b>(469,096)</b>	<b>(114,716)</b>
Actuarial (gains)/losses on pension fund assets and liabilities			15,656
<b>Other Comprehensive (Income) and Expenditure</b>			<b>15,656</b>
<b>Total Comprehensive (Income) and Expenditure</b>			<b>(99,060)</b>

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

	2011/12
	£'000
Deficit for the year on the Authority Comprehensive Income and Expenditure Statement	204,766
(Surplus)/deficit arising from other entities included in the group accounts analysed into the amounts attributable to :	
Subsidiary - TfGM	(304,813)
Subsidiary - GMATT	298
Subsidiary - CNE	55
Subsidiary - MIDAS	634
<b>(Income)/Expenditure for the year on the Group Comprehensive Income and Expenditure Account</b>	<b><u>(99,060)</u></b>

## Group Balance Sheet

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

01 Apr 2011			31 Mar 2012
£'000		Note	£'000
<b>Non-Current Assets</b>			
<b>Property, Plant &amp; Equipment</b>			
13,435	Land and Buildings	44	12,693
17,812	Vehicles, Plant, Furniture and Equipment	44	23,968
334,960	Infrastructure	44	515,962
693,107	Assets Under Construction	44	814,583
396	Investment Property	44	396
34,742	Net Pension Asset	55	18,459
<b>1,094,452</b>	<b>Total Non-Current Assets</b>		<b>1,386,061</b>
<b>Current Assets</b>			
771	Inventories	45	539
69,730	Short Term Debtors	41	50,447
58,149	Cash and Cash Equivalents	42	140,865
<b>128,650</b>	<b>Total Current Assets</b>		<b>191,851</b>
<b>1,223,102</b>	<b>Total Assets</b>		<b>1,577,912</b>
<b>Current Liabilities</b>			
(6,768)	Short Term Borrowing	40	(9,224)
(78,204)	Short Term Creditors	43	(103,493)
0	Revenue Grants Receipts in Advance	13	(1,000)
0	Capital Grants Receipts in Advance	13	(14,377)
(564)	Provisions	47	(1,455)
(2,051)	Deferred Liability	25	(2,160)
<b>(87,587)</b>	<b>Total Current Liabilities</b>		<b>(131,709)</b>
<b>1,135,515</b>	<b>Total Assets less Current Liabilities</b>		<b>1,446,203</b>
<b>Long Term Liabilities</b>			
(27,979)	Deferred Liability	25	(25,800)
(428,674)	Long Term Borrowing	40	(611,997)
0	Revenue Grants Receipts in Advance	13	(1,828)
0	Capital Grants Receipts in Advance	13	(28,126)
0	Deferred Income	46	(40)
(3,005)	Provisions	47	(3,495)
<b>(459,658)</b>			<b>(671,286)</b>
<b>675,857</b>	<b>Net Assets</b>		<b>774,917</b>
<b>Financed By :</b>			
<b>Usable Reserves - Authority :</b>			
4,584	General Fund Reserve	48	4,735
10,675	Capital Programme Reserve	48	25,943
9,072	Capital Grants Unapplied Reserve	48	9,072
34,496	Metrolink Reserve	48	34,496
3,240	Transport Infrastructure Fund Reserve (mini TIF)	48	412
<b>62,067</b>			<b>74,658</b>
<b>Usable Reserves - Executive :</b>			
4,523	General Fund Reserve	48	4,552
9,144	Property Reserve	48	8,588
10,000	Revenue Grants Unapplied Reserve	48	20,000
12,020	Capital Grants Unapplied Reserve	48	9,599
10,849	Metrolink Reserve	48	6,597
3,529	Joint Road Safety Group Reserve	48	4,952
14,045	Concessionary Fares Reserve	48	18,371
<b>64,110</b>			<b>72,659</b>
<b>Usable Reserves - Manchester Family</b>			
215	General Fund Reserve - CNE	48	160
413	General Fund Reserve - MIDAS	48	(221)
<b>628</b>			<b>(61)</b>
<b>Unusable Reserves - Authority, Executive and GMATT :</b>			
(163,489)	Capital Adjustment Account (GMCA)	49(a)	(163,125)
(262)	Financial Instruments Adjustment Account (GMCA)	29(b)	(260)
724,164	Deferred Capital Grants and Contributions Account (TfGM)	49(b)	817,205
35,000	Pensions Reserve (TfGM)	49(c)	19,400
4,013	Capital Reserves (TfGM)	49(d)	4,013
(53,436)	Deregulation Reserve (TfGM)	49(e)	(52,336)
3,062	Charitable Trust Income and Expenditure Reserve (GMATT)	49(f)	2,764
<b>549,052</b>			<b>627,661</b>
<b>675,857</b>	<b>Total Reserves</b>		<b>774,917</b>

## Group Cash Flow Statement

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

	2011/12
	Note      £'000
Net (Surplus) on the provision of services	(114,716)
Adjustments to net surplus or deficit on the provision of services for non cash movements	(115,479)
Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	154,208
<b>Net Cash Flows from Operating Activities</b>	50 <b>(75,987)</b>
Investing Activities	51      181,866
Financing Activities	52      (188,595)
<b>(Increase)/decrease in cash and cash equivalents</b>	<b>(82,716)</b>
Cash and cash equivalents at the beginning of the reporting period	42      58,149
Cash and cash equivalents at the end of the reporting period	42      140,865

## 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.

	2011/12
	£'000
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u></b>	
Revenue Expenditure Funded from Capital under Statute	6,295
Annual Depreciation Charge	4,084
Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	1,856
Capital Grants Receivable	(121,622)
Capital grants released	31,002
Capital grants applied/(unapplied)	(2,421)
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)
Amount by which pension costs calculated in accordance with the SORP (ie in accordance with IAS19) are different from the contributions due under pension scheme regulations	700
Actuarial gains and losses on pension assets and liabilities	14,900
	<u>(65,208)</u>
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u></b>	
Minimum Revenue Provision for capital financing	(7,701)
Inherited Debt Principal Payment	(2,070)
Transport Infrastructure Reserve - Wigan and Bolton	(2,828)
	<u>(12,599)</u>
<b>Total Adjustments</b>	<u><u>(77,807)</u></u>

## 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 2011/12.

	Balance as at 1 April 2011 £000's	Transfers Out 2011/12 £000's	Transfers In 2011/12 £000's	Balance as at 31 March 2012 £000's
<b>Reserves held for Revenue Purposes</b>				
Capital Programme Reserve - GMCA (a)	10,675	0	15,268	25,943
Property Reserve - TfGM (b)	9,144	(556)	0	8,588
Concessionary Fares Reserve - TfGM (c)	14,045	0	4,326	18,371
Joint Road Safety Group Reserve - TfGM (d)	3,529	0	1,423	4,952
Revenue Grants Unapplied Reserve - TfGM (e)	10,000	0	10,000	20,000
<b>Reserves held for Capital Purposes</b>				
Capital Grants Unapplied Reserves	21,092	(2,421)	0	18,671
LTP Topslice - GMCA (f)	9,072	0	0	9,072
Capital Grants - TfGM (g)	12,020	(2,421)	0	9,599
Metrolink Reserves	45,345	(4,252)	0	41,093
Metrolink Reserve - GMCA (h)	34,496	0	0	34,496
Metrolink Reserve - TfGM (h)	10,849	(4,252)	0	6,597
Capital Reserves - TfGM (i)	4,013	0	0	4,013
Transport Infrastructure (j) Reserve (W & B mini TIF)	3,240	(2,828)	0	412
Deregulation Reserve - TfGM (k)	(53,436)	0	1,100	(52,336)
Charitable Trust Reserve - GMATT (l)	3,062	0	(298)	2,764
<b>Total</b>	<b>70,709</b>	<b>(10,057)</b>	<b>31,819</b>	<b>92,471</b>

Transfer (to)/from General Fund

21,762

#### Purpose of the Reserve :

- (a) Surpluses of capital financing costs which have been set aside to fund future capital programme related expenditure.
- (b) Surpluses arising from 2 Piccadilly Place.
- (c) Surpluses of concessionary fare re-imbursement income which will be spent in future years.
- (d) Surpluses arising from the JRSG team.
- (e) Manchester Airport contributions to the Metrolink extension to the airport.
- (f) Grants received from DfT for spending on Local Transport Plan capital programme related expenditure.
- (g) Grants received for spending on capital programme related expenditure.
- (h) Reserve set aside for spending on Metrolink Service Enhancement Programme related expenditure.
- (i) Reserves from the entities from which the former GMPTE was formed.
- (j) Grants received from DfT and levy contributions for spending on Wigan and Bolton transport infrastructure related expenditure.
- (k) 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.
- (l) Reserve representing the general fund balance on the subsidiary undertaking the Greater Manchester Accessible Transport Trust.



## Notes to the Group Accounts (continued)

### 36 Financing and Investment Expenditure

	2011/12 £000's
Interest payable and similar charges on borrowings	
PWLB	22,798
Others	5,376
Brokerage Fees	77
Interest payable on the former GMC debt	1,623
Pensions interest costs and expected return on pensions assets	394
	<u>30,268</u>

### 37 Financing and Investment Income

	2011/12 £000's
Interest receivable on deposits	450
	<u>450</u>

### 38 Taxation and Non Specific Grant Income

	2011/12 £000's
Transport Levy	184,355
Capital Grants Receivable for Traffic Signal Schemes - DfT	2,475
Capital Contributions Receivable for Traffic Signal Schemes - Others	2,520
Capital Grants Receivable for Transport Schemes - DfT	98,624
Capital Contributions Receivable for Transport Schemes - Others	11,186
Revenue Contributions Receivable for Transport Schemes - Others	10,646
	<u>309,806</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 :

	2011/12 £000's
<u>Credited to Cost of Services</u>	
Supporting Community Transport Grant - DfT	112
Special Rail Grant - DfT	83,537
District Contributions to TfGM Transport Units	416
District Contributions to TfGM Traffic Signals Maintenance	3,948
District Contributions to the Traffic Signals Repairs	679
Fit for Work Grant - DWP	174
Local Enterprise Partnership Grant - BIS	25
District Contributions to the Manchester Family	2,578
District Contributions to the GMCA Costs	155
Grants and Contributions to Commission for the New Economy Ltd	2,999
Grants and Contributions to MIDAS Ltd.	248
	<hr/> 94,871 <hr/>
<u>Credited to Taxation and Non Specific Grant Income</u>	
Capital Grants Receivable for Traffic Signal Schemes - DfT	2,475
Capital Contributions Receivable for Traffic Signal Schemes - Others	2,520
Capital Grants Receivable for Transport Schemes - DfT	98,624
Capital Contributions Receivable for Transport Schemes - Others	11,186
Revenue Contributions Receivable for Transport Schemes - Others	10,646
	<hr/> 125,451 <hr/>

## Notes to the Group Accounts (continued)

### 40 Financial Instruments

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

	Long Term		Current	
	1 April 2011 £000's	31 March 2012 £000's	1 April 2011 £000's	31 March 2012 £000's
<b>Investments</b>				
Loans and receivables - due within 3 months	0	0	51,291	133,006
<b>Debtors</b>				
Loans and receivables	0	0	65,145	45,491
<b>Cash</b>	0	0	6,858	7,859
<b>Borrowings</b>				
Financial liabilities at amortised cost	428,674	611,997	6,768	9,224
<b>Creditors and Grants Received in Advance</b>				
Financial liabilities at amortised cost	0	29,954	77,376	118,080

### Income and Expense

	2011/12		
	Financial Liabilities measured at amortised cost £000's	Financial assets: loans and receivables £000's	Total £000's
Interest expense	(28,180)		(28,180)
Fee expense	(77)		(77)
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>(28,257)</b>	<b>0</b>	<b>(28,257)</b>
Interest Income		450	450
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>450</b>	<b>450</b>
<b>Net gain/(loss) for the year</b>	<b>(28,257)</b>	<b>450</b>	<b>(27,807)</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 :

	1 April 2011		31 March 2012	
	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	255,879	262,313	443,221	501,946
Non- PWLB debt	179,563	200,289	178,000	184,535
Total Borrowings	435,442	462,602	621,221	686,481
Creditors	77,376	77,376	148,034	148,034
Total Financial Liabilities	512,818	539,978	769,255	834,515

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 (based on conditions at 31 March 2012) arising from a commitment to pay interest to lenders above current market rates.

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

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

The fair value of the assets is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on conditions at 31 March 2012) attributable to the commitment to receive interest above current market rates.

Short term 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 11-12		Average Interest %	Total Outstanding 1 April 2011 £'000	Total Outstanding 31 March 2012 £'000
	from %	to %	at 31/03/12		
<b>a) Analysis of loans by type :</b>					
Public Works Loans Board	0.59%	11.375%	5.05%	253,028	438,028
Other Loans	3.70%	10.50%	4.75%	177,161	175,628
Accrued Interest Payable :					
PWLB				2,851	5,193
Others				2,402	2,372
Total as at 31st March			<u>4.96%</u>	<u>435,442</u>	<u>621,221</u>
<b>b) Analysis of loans by maturity</b>					
<b>Maturing:</b>					
Due within 1 year : accrued interest payable					
PWLB				2,851	5,193
Others				2,402	2,372
Due within 1 year : principal					
PWLB				0	0
Others				1,515	1,659
Due within 1 year				<u>6,768</u>	<u>9,224</u>
In 1 to 2 years				1,655	14,912
In 2 to 5 years				20,714	10,801
In 5 to 10 years				50,002	45,001
In over 10 years				356,303	541,283
Due over 1 year				<u>428,674</u>	<u>611,997</u>
Total				<u>435,442</u>	<u>621,221</u>

## Notes to the Group Accounts (continued)

### 41 Short Term Debtors

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

Within short term debtors an amount of £1,197k has been outstanding for over 30 days but has not been impaired.

Short term debtors at a nominal value of £1,254k (2010/11 £587k) were impaired.

### 42 Cash and Cash Equivalents

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

### 43 Short Term Creditors

Total 1 April 2011 £'000's		Total 31 March 2012 £'000's
	<b>Central Government Bodies</b>	
717	HMR & C	790
1,701	Revenue Grants	1,677
9,097	<b>Other Local Authorities</b>	13,960
163	<b>NHS Bodies</b>	121
310	<b>Public Corporations</b>	150
66,216	<b>Other entities and individuals</b>	86,795
<u>78,204</u>	<b>Total</b>	<u>103,493</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 2011	15,019	39,968	507,743	693,107	1,255,837
Additions at cost	12	70	5,740	0	5,822
Transfers from assets under construction	0	10,796	210,473	0	221,269
Reclassification	0	(1,555)	1,555	0	0
Disposals	0	(121)	(2,653)	0	(2,774)
Revaluation	(2,191)	0	0	0	(2,191)
Expenditure incurred/grant receivable	0	0	0	355,486	355,486
Release of expenditure from prior year	0	0	0	3,924	3,924
Trf to fixed assets/deferred capital grants	0	0	0	(221,269)	(221,269)
Transferred to passenger transport facilities	0	0	0	(6,295)	(6,295)
Transferred to revenue account	0	0	0	(10,370)	(10,370)
At 31 March 2012	<u>12,840</u>	<u>49,158</u>	<u>722,858</u>	<u>814,583</u>	<u>1,599,439</u>
<b>Depreciation :</b>					
At 1 April 2011	1,584	22,156	172,783	0	196,523
Charge for year	754	4,515	33,550	0	38,819
Reclassification	0	(1,360)	1,360	0	0
Disposals	0	(121)	(797)	0	(918)
Revaluation	(2,191)	0	0	0	(2,191)
At 31 March 2012	<u>147</u>	<u>25,190</u>	<u>206,896</u>	<u>0</u>	<u>232,233</u>
<b>Net Book Value :</b>					
At 1 April 2011	<u>13,435</u>	<u>17,812</u>	<u>334,960</u>	<u>693,107</u>	<u>1,059,314</u>
At 31 March 2012	<u>12,693</u>	<u>23,968</u>	<u>515,962</u>	<u>814,583</u>	<u>1,367,206</u>
<b>Investment Property</b>					
				Investment Property £'000	
<b>Cost or Valuation :</b>					
At 1 April 2011					396
Revaluation					0
At 31 March 2012					<u>396</u>
<b>TOTAL PPE, Assets under Construction and Investment Property at 1 April 2011</b>					<u>1,059,710</u>
<b>TOTAL PPE, Assets under Construction and Investment Property at 31 March 2012</b>					<u>1,367,602</u>

## Notes to the Group Accounts (Continued)

### 45 Inventories

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

### 46 Deferred Income

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

**All due in over 1 year**

### 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 2012 relate to (a) capital works, and (b) others, including insurance excesses, contractual obligations, contracted maintenance and an onerous lease.

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



## 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 1 April 2011 £'000		Total 31 March 2012 £'000
(163,489)	Capital Adjustment Account	(163,125)
(262)	Financial Instruments Adjustment Account	(260)
724,164	Deferred Capital Grants and Contributions	817,205
35,000	Pensions Reserve	19,400
4,013	Capital Reserve	4,013
(53,436)	Deregulation Reserve	(52,336)
3,062	Charitable Trust Income and Expenditure Reserve	2,764
<u>549,052</u>	<b>Total Unusable Reserves</b>	<u>627,661</u>

### 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, and credited with the 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.

	2011/12 £'000
Balance as at 1st April	(163,489)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :	
Revenue expenditure funded by capital under statute	(6,295)
Annual Depreciation Charge of non current assets	(4,084)
Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(1,856)
Capital Financing Applied in the year :	
Statutory provision for the financing of capital investment and Inherited Debt charged against the General Fund	7,701
Repayment of Inherited Debt charged against the General Fund	2,070
Capital Expenditure financed from Reserves	2,828
Balance as at 31st March	<u>(163,125)</u>

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

	2011/12 £'000
Balance as at 1st April	724,164
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :	
Charges for capital grants released	(31,002)
Capital Financing Applied in the year :	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	124,043
Balance as at 31st March	<u>817,205</u>

### 49(c) Pensions Reserve

This relates to the net pension liability as at 31 March 2012 in accordance with the actuary's report. Further details are shown in Note 55.

	2011/12 £'000
Balance as at 1st April	35,000
Actuarial gains and losses on pensions assets/liabilities	(14,900)
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.	(3,700)
Employer's pension contributions and direct payments to pensioners payable in the year	3,000
Balance as at 31st March	<u>19,400</u>

## 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.

	2011/12 £'000
Balance as at 1st April	4,013
Balance as at 31st March	<u>4,013</u>

### 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.

	2011/12 £'000
Balance as at 1st April	(53,436)
Amortisation during the year	1,100
Balance as at 31st March	<u>(52,336)</u>

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

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

	2011/12 £'000
Balance as at 1st April	3,062
(Deficit) / Surplus in the year	(298)
Balance as at 31st March	<u>2,764</u>

## Notes to the Group Accounts (continued)

### 50 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items :

	2011/12 £'000's
Interest Received	430
Interest and similar charges Paid	(27,539)
Capital grants received from CLG/Home Office for economic development and regeneration	34,530
Revenue grants received from CLG for economic development and regeneration	2,828

### 51 Cash Flow Statement - Investing Activities

	2011/12 £'000's
Purchase of property, plant and equipment	(318,431)
Capital grants and contributions received	136,555
Proceeds from sale of property, land and equipment	10
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>	<b><u>(181,866)</u></b>

### 52 Cash Flow Statement - Financing Activities

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

## Notes to the Group Accounts (continued)

### 53 Other Operating Expenditure

	2011/12 £'000's
Losses on the disposal of non-current assets	1,846
	<hr/> 1,846 <hr/>

### 54 External Audit Fees

	2011/12 £'000's
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year.	165
Fees payable to other external auditors with regard to external audit services carried out by the appointed auditor for the year.	28
Fees payable to the Audit Commission for the certification of grant claims and returns for the year.	17
Fees payable in respect of other services provided by the Audit Commission during the year.	3
Fees payable in respect of other services provided by other external auditors during the year.	4
	<hr/> 217 <hr/>

## Notes to the Group Accounts (Continued)

### 55 Pension Costs

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

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

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

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

The next full actuarial valuation is scheduled to be undertaken at 31 March 2013.

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

Pension contributions paid by TfGM in the year amounted to £2.527 million (2011: £2.099 million), in respect of current employees. Per the IAS19 Report at 31 March 2012 it is estimated that contributions payable by TfGM for the year to 31 March 2013 will be approximately £3.300 million.

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

The following amounts at 31 March 2012 were measured in accordance with the requirements of IAS19, and represent TfGM's share of the scheme.

#### Assumptions

<u>Financial Assumptions as at:</u>	<b>31.03.2012</b>	<b>31.03.2011</b>	<b>31.03.2010</b>	<b>31.03.2009</b>	<b>31.03.2008</b>
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Salary increases	4.3%	4.3%	5.3%	4.6%	5.1%
Pension increases	2.5%	2.8%	3.8%	4.5%	3.6%
Discount rate	4.8%	5.5%	5.5%	6.9%	6.9%
<u>Expected return on assets</u>					
<u>by category as at:</u>	<b>31.03.2012</b>	<b>31.03.2011</b>	<b>31.03.2010</b>	<b>31.03.2009</b>	<b>31.03.2008</b>
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Equities	6.3%	7.5%	7.8%	7.0%	7.7%
Bonds	3.9%	4.9%	5.0%	5.4%	5.7%
Index linked gilts	3.3%	4.3%	4.5%	4.2%	4.4%
Property	4.4%	5.5%	5.8%	4.9%	5.7%
Cash	3.5%	4.6%	4.8%	4.0%	4.8%

## Notes to the Group Accounts (Continued)

### 55 Pension Costs (continued)

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period.

#### Mortality

Life expectancy is based on the PFA92 and PMA92 year of birth tables, with improvements in line with the medium cohort and a 1% per annum underpin from 2010. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

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

<u>Assets : Valuation - as at</u>	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
	£000	£000	£000	£000	£000
Equities	60,200	53,400	38,200	32,200	38,100
Bonds	13,800	12,000	9,600	6,100	9,200
Index linked gilts	200,600	264,400	232,500	252,700	278,200
Property	5,000	4,100	3,200	3,400	5,300
Cash	76,800	18,800	35,000	11,300	23,800
	<b>356,400</b>	<b>352,700</b>	<b>318,500</b>	<b>305,700</b>	<b>354,600</b>
 <u>Net Pension Asset - as at</u>	 31.03.2012	 31.03.2011	 31.03.2010	 31.03.2009	 31.03.2008
	£000	£000	£000	£000	£000
Fair value of employer assets	356,400	352,700	318,500	305,700	354,600
Present value of scheme liabilities	(337,000)	(317,700)	(358,200)	(264,200)	(279,600)
Net pension (liability)/asset	19,400	35,000	(39,700)	41,500	75,000
Experience gains/(losses) on assets	5,800	38,000	17,600	(47,600)	16,500
	1.6%	10.8%	5.5%	-15.6%	4.7%
Experience gains/(losses) on liabilities	20,700	11,600	(95,200)	16,300	52,300
	6.1%	3.7%	-26.6%	6.2%	18.7%

The figure of £356.4 million shown in the above table for "Fair value of Employer assets" is based on the Actuary's estimate of TfGM's share of the total value of the Fund as at 31 March 2012.

The net pension asset included unfunded liabilities which have been valued at £4.7million at 31 March 2012.

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

	31.03.2012	31.03.2011	31.03.2010	31.03.2009	31.03.2008
	£000	£000	£000	£000	£000
Actuarial (losses)/gains	(14,900)	49,600	(77,600)	(31,300)	68,800
Cumulative actuarial (losses)/gains	15,200	30,100	(19,500)	58,100	89,400

The recognition requirements of IAS19 have been applied to the current accounting period. The following amounts have been recognised in the performance statements in the year to 31 March 2012 under the requirements of IAS19 :

## Notes to the Group Accounts (Continued)

### 55 Pension Costs (continued)

	2012 £000	2011 £000
<b>Operating Surplus :</b>		
Current service gain/ (cost)	(3,000)	(3,200)
Past service gain/ (cost)	0	28,300
Losses on Curtailments and settlements	(300)	(200)
Total operating income/ (charge)	<u>(3,300)</u>	<u>24,900</u>
<b>Other finance income :</b>		
Expected return on pension scheme assets	16,600	15,400
Interest on pension scheme liabilities	(17,000)	(17,700)
Net cost	<u>(400)</u>	<u>(2,300)</u>
<b>Net Revenue Account Return/ (Cost):</b>	<u>(3,700)</u>	<u>22,600</u>
Actual return on scheme assets	<u>14,400</u>	<u>17,100</u>
	<b>2012 £000</b>	<b>2011 £000</b>
<b>Reconciliation of defined benefit obligation</b>		
Opening defined benefit obligation	317,700	358,200
Current service cost	3,000	3,200
Interest on pension scheme liabilities	17,000	17,700
Contributions by members	1,200	1,100
Actuarial (gains)/losses	20,700	(11,600)
Past service (income)/ Cost	0	(28,300)
Losses on curtailments and settlements	300	200
Estimated unfunded benefits paid	(400)	(400)
Estimated benefits paid	<u>(22,500)</u>	<u>(22,400)</u>
Closing defined benefit obligation	<u>337,000</u>	<u>317,700</u>
<b>Reconciliation of fair value of employer assets</b>		
Opening fair value of employer assets	352,700	318,500
Expected return on assets	16,600	15,400
Contributions by members	1,200	1,100
Contributions by employer	2,600	2,100
Contributions in respect of unfunded benefits	400	400
Actuarial gains/ (losses)	5,800	38,000
Unfunded benefits paid	(400)	(400)
Benefits paid	<u>(22,500)</u>	<u>(22,400)</u>
Closing fair value of employer assets	<u>356,400</u>	<u>352,700</u>
Pension Scheme Asset/(Liability)	19,400	35,000

The IAS19 valuation at 31 March 2012 showed a reduction in the fund during the year of £15.6 million (2011: increase of £74.7 million), to end the year with a surplus of £19.4 million (2011: surplus of £35.0 million).



**55 Pension Costs (continued)**

In order to assess the employer's liabilities in the Fund at 31 March 2012 the actuary has rolled forward the value of employer's liabilities calculated as at the latest formal funding valuation, allowing for the different financial assumptions required under this year's IAS 19 valuation. In calculating the service cost, the actuary has allowed for changes in TfGM's pensionable payroll as estimated from contribution information provided. In calculating the asset share, the actuary has rolled forward the employer's share of the asset allocated at the latest formal funding valuation allowing for investment returns (estimated where necessary), the effect of contributions paid into, and estimated benefits paid from, the Fund by the employer and its employees. The actuary has also adjusted the employer's assets to take account of the IAS19 disclosure requirement to use the bid value of assets.

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

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the liabilities in the Pension Fund by £28.3 million and has been recognised in 2010/11 as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There was no impact upon the Revenue Reserve.

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

Changes in assumptions at year ended 31 March 2012	Approximate percentage increase in liabilities	Approximate monetary value £000
0.5% decrease in real discount rate	6%	21,600
1 year increase in member life expectancy	3%	10,100
0.5% increase in salary increase rate	1%	3,200
0.5% increase in pension increase rate	5%	18,400

In addition to the employees of TfGM who participate in the Greater Manchester Pension Fund, there are also 4 employees of MIDAS, and 1 employee of CNE who also participate.

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

Having said that, these differences are not material when considered against the significantly larger values of the TfGM pension scheme.

Full details of the MIDAS and CNE FRS17 pension figures can be found in the respective Directors' Report and Financial Statements which are available on request from the addresses shown on page 58.

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

	2012 £000	2011 £000
Pension Scheme Asset/(Liability) : MIDAS	-1,008	-374
Pension Scheme Asset : CNE	67	116

## Notes to the Group Accounts (Continued)

### 55 Pension Costs (continued)

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

**2011/12**  
**£'000's**

259

### 56 Contractual Commitments

**1 April**  
**2011**  
**£'000**

**31 March**  
**2012**  
**£'000**

Capital Commitments

481,173

285,721

#### **Lease Commitments**

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

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

**2011/12**  
**£'000's**

Highways and Transport Services  
Planning Services

697  
278

**975**

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

**1 April**  
**2011**  
**£'000**

**31 March**  
**2012**  
**£'000**

#### **Land**

Payments due within 1 year  
Later than 1 year and not later than 5 years  
Later than 5 years

309  
1027  
1558

346  
1263  
1576

**2,894**

**3,185**

#### **Buildings**

Payments due within 1 year  
Later than 1 year and not later than 5 years  
Later than 5 years

492  
1643  
5782

425  
1593  
5177

**7,917**

**7,195**

#### **Other**

Payments due within 1 year  
Later than 1 year and not later than 5 years  
Later than 5 years

19  
38  
0

18  
21  
0

**57**

**39**

## Notes to the Group Accounts (Continued)

### 57 Staff Costs

	2011/12 £000
Wages and Salaries	27,159
Social Security Costs	2,186
Pension Costs	2,854
Total	<u>32,199</u>

Average number of employees during the year	1,016
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The number of employees (including directors) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were as follows :

	2011/12
<b>Salary Range</b>	
£50,000 to £54,999	22
£55,000 to £59,999	11
£60,000 to £64,999	13
£65,000 to £69,999	3
£70,000 to £74,999	2
£75,000 to £79,999	4
£80,000 to £84,999	2
£85,000 to £89,999	1
£90,000 to £94,999	3
£95,000 to £99,999	1
£100,000 to £104,999	0
£105,000 to £109,999	0
£110,000 to £114,999	0
£115,000 to £119,999	0
£120,000 to £124,999	3
£125,000 to £129,999	1
	<b>66</b>

#### Staff Exit Packages

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

## Notes to the Group Accounts (Continued)

### 58 Contingent Liability and Contingent Asset

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

Piccadilly Triangle Developments LLP has noted within its accounts that a contingent asset exists under the terms of the 'Development Agreement' in respect of 'overage' on the office building at 4 Piccadilly Place. The value of the 'overage' (£1.8m) becomes payable to the landowners upon fulfilment of certain conditions. It is not envisaged that the conditions for repayment of 'overage' would be fulfilled within 12 months of the balance sheet date.

### 59 Related Party Transactions

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

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

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

Transport for Greater Manchester :	Disclosure Note 21
Greater Manchester Accessible Transport Trust :	Disclosure Note 20
Commission for the New Economy Ltd. :	Disclosure Note 18
MIDAS Ltd. :	Disclosure Note 17

## **GLOSSARY OF FINANCIAL TERMS**

### **Actuarial Gains and Losses**

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

### **Agency Services**

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

### **Amortisation**

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

### **Assets**

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

### **Balances**

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

### **Capital Expenditure**

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

### **Capital Receipts**

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

### **Contingent Assets**

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

**Contingent Liabilities**

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

**Corporate and Democratic Core**

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

**Creditors**

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

**Current Service Cost**

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

**Curtailments**

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

**Debtors**

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

**Defined Benefit Scheme**

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

**Defined Contribution Scheme**

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

**Depreciation**

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

**Exceptional Items**

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

**Expected Return on Pension Assets**

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

**Expenditure**

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

**Fair Value**

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

**Fees and Charges**

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

**Finance Lease**

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

**General Fund**

The total services of the Authority and Group.

**Impairment**

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

**Income**

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

**Infrastructure Assets**

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

**Interest Cost (Pensions)**

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

**International Financial Reporting Standards (IFRS)**

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

**Inventory**

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

**Investment Properties**

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

**Liabilities**

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

**Long-term Contracts**

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



**Minimum Revenue Provision (MRP)**

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

**Operating Lease**

A lease other than a finance lease.

**Past Service Cost**

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

**Past Service Credit**

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

**Provisions**

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

**Public Works Loan Board (PWLb)**

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

**Residual Value**

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

**Reserves**

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

**Revenue Contributions**

The method of financing capital expenditure directly from revenue.

## **Revenue Expenditure**

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

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

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

## **Settlement**

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

## **Greater Manchester Combined Authority**

### **Annual Governance Statement 2011 - 12**

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

- 1.1 The 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 The GMCA is in the process of developing a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government. This statement will explain how the GMCA is complying with the code and also how it meets the requirements of regulation 4(3) of the Accounts and Audit [England] Regulations 2011 in relation to the publication of an Annual Governance Statement that accompanies the Annual Report.
- 1.4 As the GMCA is a new statutory body, established in April 2011, this Annual Governance Statement is the first that has been prepared for the GMCA.

#### **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 at GMCA for the year ending 31 March 2012 and up to the date of approval of the GMCA Annual Report and Statement of Accounts. Some elements, for example the Centres of Excellence, referred to below, have undergone a process of reform and restructure within the past 12 months, with new reporting and progress arrangements having now been approved by the GMCA.

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

#### **Context**

- 3.1 As noted above, the GMCA is in its first year of operation. 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 GMCA is a unique model of governance for a city region, provided for by the Local Democracy, Economic Development and Construction Act 2009. Whilst it builds on the AGMA model of voluntary collaboration between local authorities through a Joint Committee, the GMCA is a statutory body with its functions set out in legislation. These functions, which cover the Greater Manchester area, include all the transport functions previously overseen by GMITA, plus some economic development and regeneration functions. A new set of transport functions, notably those adopting responsibility for traffic light signals and reports on road traffic levels have also been delegated by the constituent councils to the GMCA.

#### **Authority structure**

- 3.3 The Authority's constitution is set out in an Operating Agreement, which has been approved by all 10 constituent councils. This Agreement also sets 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. This Agreement also establishes and outlines the operation of Scrutiny arrangements.
- 3.4 As a body, the GMCA comprises the Leaders of the 10 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.
- 3.5 The GMCA constitution sets out the powers and functions of the GMCA, those powers and functions referred or delegated to TfGMC, Financial Procedures, Codes of Conduct for members and officers, and schemes of delegation to Chief Officers. These latter delegations provide for the day to day management, supervision and control of services provided for the GMCA, including the responsibilities of the Head of Paid Service, Treasurer, Monitoring Officer and Secretary.

- 3.6 Below the GMCA, and under-pinning the wider array of Greater Manchester organisations, a Wider Leadership Team of senior officers has been established and meets twice monthly. This consists of the Chief Executives from the ten GM district authorities plus similar level representation from GMP, GM Fire and Rescue Service, Health, TfGM and New Economy. It acts as a senior officer team for both AGMA and the GMCA, ensuring that GMCA business is well managed and effectively co-ordinated with all other activity with a Greater Manchester ambit. This level of officer involvement has proved to be important in providing leadership and helping to ensure that decisions are efficiently and effectively followed up with delivery.

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

- 3.7 This new Joint Committee has a significant workload, being responsible for the oversight of Transport for Greater Manchester (which is the executive transport body of the GMCA), scrutinising the performance 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 as a matter of course, on key issues such as approving budgets, 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.
- 3.8 In order to help manage this extensive workload, three sub committees of TfGMC have been established, namely Capital Projects and Policy, Bus Network and TfGM Services, and Metrolink and Rail Networks. By virtue of the composition of TfGMC being similar to the erstwhile Greater Manchester Integrated Transport Authority (GMITA) and as a result of the majority of TfGMC members having previously served on GMITA, familiarity has ensured that the new governance arrangements, working practices and general responsibilities have been well understood by Joint Committee members and hence the TfGMC has been able to undertake its work efficiently. In addition, the wider representation on the 33 member TfGMC (as opposed to the 10 member GMCA) has enabled full and more detailed oversight on key issues, for example with regard to the GM Rail Policy, concessionary fares or the extensive transport capital programme currently underway (for example, the Metrolink expansion).
- 3.9 The GMCA's executive body for transport is Transport for Greater Manchester (TfGM) formerly known as GMPTE.

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

- 3.10 To fulfil its economic development and regeneration functions, two Manchester Family limited companies, namely New Economy and Manchester Investment and Development Agency Services (MIDAS), have been transferred as wholly owned subsidiaries to the GMCA. The economic development and regeneration functions included in the GMCA budget for 2012/13 are the provision of core funding to New Economy and MIDAS, and to Marketing Manchester.

3.11 There are three Centres of Excellence, borne out of a significant restructuring of the Manchester Family of agencies in 2010/11. They are as follows:

- New Economy, specialising in research, strategy, evaluation and performance management, including employment and skills;
- MIDAS / Manchester Solutions, specialising in business growth, trade and inward investment;
- Marketing Manchester (Visit Manchester), specialising in marketing, communications and tourism.

Two strategic boards – Business Growth, Trade and Inward Investment and Marketing, Communications and tourism – have now been in operation for almost 12 months and continue to oversee the activity relevant to their respective Centres of Excellence. For the Research Centre of Excellence, strategic direction comes directly from the GM LEP who also take responsibility for performance management of the Centres of Excellence. Company Boards for the four component organisations of the Manchester Family – Marketing Manchester, MIDAS, New Economy and Manchester Solutions – are also in place. These Boards meet company law requirements and take responsibility for discharging company accounts and scrutinising budgets, alongside the GMCA which also receives a quarterly financial forecast from Marketing Manchester, MIDAS and the New Economy.

### **GM Commissions**

3.12 Under the AGMA Constitution, a number of strategic Commissions have been established, namely Environment, Planning and Housing, Improvement and Efficiency, Health, and Public Protection. The Greater Manchester Strategy and AGMA Leaders set the context for each Commission's rolling work programme. Each Commission is formed from a mix of elected members and representatives from the private sector, other public sector agencies and the third sector. Commission representatives do not represent specific geographical areas, political groups or sectoral interests, but perform a role for Greater Manchester as a whole; bringing a wider range of skills and experience to the work of the GMCA. Both the Planning and Housing Commission and the Environment Commission report jointly to the AGMA Executive Board and to the GMCA, by virtue of the GMCA's functions to consider housing conditions and to review air quality concurrently with constituent councils.

### **GM Local Enterprise Partnership**

3.13 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 Vice Chairs of the GMCA. It looks to add value to Greater Manchester partnerships between local government, businesses and other partners in further and higher education, and across the public, private and voluntary and community sectors.

## **Scrutiny Pool**

- 3.14 The Scrutiny Pool is in its third year of existence, having been formed in 2009 following changes to the AGMA Constitution. Following the establishment of the GMCA, its scrutiny remit widened to include the GMCA, TfGMC, TfGM and the Manchester Family in addition to the Executive Board and the AGMA Commissions.
- 3.15 The Pool is made up of 30 elected Councillors, three from each of the AGMA district authorities, reflecting their political balance and including representatives from both sexes. Members are nominated from their local authority on an annual basis but can serve for consecutive years.
- 3.16 Its 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 AGMA policies at a developmental stage. The Pool further 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. Their final key function is to undertake a performance monitoring role in relation to the Greater Manchester Strategy (GMS) to ensure that it is being delivered effectively.
- 3.17 During the past year the Scrutiny Pool has been co-chaired by two elected Councillors from different political groups. They were involved in the development of proposals for Combined Authority status and in shaping the processes within AGMA to ensure greater accountability through the scrutiny function. The Pool has undertaken performance reviews of the SMS and highlighted areas for further scrutiny, including the current housing offer, and sub-regional anti-social behaviour schemes. It has also reviewed the work programmes of each of the AGMA Commissions, and taken forward particular strategic reviews from their key areas of work, including reflections on the impact of national policy for Greater Manchester.
- 3.18 The Pool exercised its call-in function on one occasion, where it asked for further clarification on the details of the Metrolink Fleet Renewal Strategy at their meeting in October 2011. Following this meeting it was agreed not to refer the decision back to the Executive Board, and that in line with the Constitution, the decision would come into force from the date of the Scrutiny meeting.

## **Decision-making**

- 3.19 Agendas and reports for GMCA are issued to members and published online according to the standard 5 day period which is the norm in local government, and the same standards are maintained for TfGMC and Scrutiny Pool 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.

- 3.20 A Forward Plan identifying the major, strategic decisions that the GMCA will be required to make over a period of four months is updated and presented at each meeting. The GMCA also receive minutes and recommendations from the previous TfGMC meeting, which are scheduled to take place two weeks before the GMCA, and GMCA Audit Committee minutes are also received. The Scrutiny Pool then receives notice of all decisions made by GMCA and any major, strategic decisions made by TfGMC, within 2 days of the respective meeting. Members of the Scrutiny Pool then have 5 days to determine whether they wish to exercise their right to call-in (provided at least 5 members agree to call-in a specific decision), as outlined above.

### **Financial Management**

- 3.21 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.
- 3.22 In terms of the budget setting process, a comprehensive report was presented to the Authority for approval in January which detailed the proposed Greater Manchester Combined Authority budget for 2012/13, and indicative budgets for 2013/14 and 2014/15. It also included the forecast outturn position for 2011/12. Adopting the well established process of budget scrutiny for Greater Manchester Joint Authorities in previous years, the transport elements of the budget (which represent by far the most significant proportion) were subject to scrutiny by a GMCA Transport Budget Review Panel (consisting of the Leaders and Treasurers of Wigan, Trafford and Bury) and were also reported to TfGMC. Regular, detailed monitoring of both the transport revenue budget and the transport capital programme are also undertaken by TfGMC and its Capital Programme and Policy sub committee. Any significant issues or areas of concern can then be reported back as appropriate to the Authority.
- 3.23 In its first audit of the GMCA's financial systems, the Authority's Internal Audit function concluded that:

"We can provide **substantial** assurance over those aspects of the Authority's financial systems reviewed as part of this audit. We were satisfied Authority's bank account was managed effectively and that appropriate separation of duties, supervisory checks, authorisations and reconciliations were operating. The budget setting and approval process worked well and provided an appropriate level of oversight and scrutiny. We considered that treasury management was well managed and have made no recommendations."

### **Risk Management**

- 3.24 TfGM as an executive body of the GMCA and as a statutory body in its own right has a well defined set of risk management arrangements which cover its responsibilities with regard to the transport functions of the GMCA. In addition however, officers developed a Risk Register which covers the broader responsibilities of the GMCA. Internal Audit facilitated a risk management session



for key officers, including the Treasurer and the Deputy Clerk to the TfGM Committee to develop an initial view of potential risks to the Authority achieving its objectives. The risks identified have subsequently been written up into a first draft Authority Risk Register, which were presented to Audit Committee in April for discussion and agreement.

### **Performance Management**

- 3.25 The strategic priorities of the GMCA are defined and evidenced in the Greater Manchester Strategy (GMS), and this Strategy effectively provides the rationale and context for the work programmes of the GMCA and all its subsidiary bodies. With regard to its transport functions, TfGMC and its sub committees receive a wide range of monitoring reports, covering both TfGM performance and the performance of operators in delivering a diverse range of transport services. Further, a revised and unified set of Key Performance Indicators which relate both to the Local Transport Plan 3 and to GMS transport priorities have been presented to TfGMC. These bring together a set of measurements that monitor operational performance of TfGM as well as helping inform longer term strategy development. In terms of the Authority's economic development and regeneration functions undertaken by the Centres of Excellence, performance management of progress against the business plan is undertaken by the LEP and the Strategic Boards of the Centres of Excellence. The business plan covering 2012 – 2015 represents the start of a rolling three year business plan that will be reviewed and refreshed each year. This business plan aligns activity directly with the strategic priorities which form the focus of activity across Greater Manchester and they are rooted in the Greater Manchester Strategy.
- 3.26 As noted above, the governance framework also provides a role for the Scrutiny Pool of performance monitoring role in relation to the GMS. Toward the end of 2011, the Scrutiny Pool reviewed each of the GMS Strategic Priorities to offer challenge against the direction of travel for the high level indicators. In addition to this they examined the eleven delivery plans which break down the strategic priorities into deliverables and reviewed which were performing well and which were not so positive. From this exercise, the Scrutiny Pool made a series of recommendations for taking forward the performance monitoring of the GMS, including a revised programme for scrutiny in 2012/13 and selected specific areas for detailed review, for example, the current housing offer across Greater Manchester.

## **4. Review of effectiveness**

- 4.1 The GMCA has operated effectively in its first year, with reporting and decision-making processes working smoothly. The working practices adopted by the Authority have enabled it to make key strategic decisions, such as approving the Local Transport Plan, setting the transport levy/budget and overseeing the development of the Airport City Enterprise Zone, in an efficient, timely and transparent manner.
- 4.2 Plainly, the fact that the GMCA has been able to benefit from the well understood, consensual working practices of the AGMA Executive that preceded the GMCA

has helped ease the transition from Joint Committee to Statutory Authority. Plus the supporting senior officer structures, such as the Wider Leadership Team, which comprises of representatives from all constituent local authorities along with key Greater Manchester joint bodies such as GMP, TfGM and New Economy, ensures that a shared approach, informed by the agreed Greater Manchester Strategy, is adopted from the outset on any new initiatives.

- 4.3 Further, the establishment of a Greater Manchester Integrated Support Team, which provides support to the GMCA, AGMA Executive, TfGMC, the Scrutiny Pool and other GM structures has also helped ensure the administration of the Authority and its supporting bodies is conducted efficiently, seamlessly and 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 and its Scrutiny and subsidiary bodies.
- 4.4 As the executive body leading on transport delivery for the Authority, TfGM is responsible for a large proportion of the Authority's budget, both in terms of capital and revenue spending. In addition to the financial scrutiny and oversight provided by GMCA and TfGMC members, TfGM also benefits from its own internal Audit Committee of which the GMCA Treasurer is a member. Further, TfGM produce and publish Annual Accounts which are independently audited by the Audit Commission.
- 4.5 In their Report on Greater Manchester Combined Authority - Governance and Risk, the GMCA's Internal Auditors note that,

"Key governing documents, principally the Constitution and Operating Agreement were put in place at the Authority's establishment. These documents set out the nature of the Authority and describe its structure and committees, key roles and responsibilities, codes of conduct and certain procedures including financial regulations. Further work is in hand to develop and embed supporting governance structures including risk and performance management."

The report concludes that,

"There is still work to be done to ensure arrangements for effective governance and are developed and put into operation, and our moderate assurance opinion reflects this. However we are satisfied that progress is being made and we will continue to work with officers to provide advice and consultancy on developing arrangements. This will include early work in the new financial year on performance management arrangements."

- 4.6 At its meeting in January 2012, the GMCA's Audit Committee established its work programme for the forthcoming year. The work programme includes the key statutory requirements for an Audit Committee, for example, receiving and approving the audited GMCA Annual Accounts for 2011/12, as well as attending to key issues as they are raised by Internal and External Audit reports such as those identified above. The GMCA Audit Committee's full terms of reference can be found via the Authority's website ([www.agma.gov.uk](http://www.agma.gov.uk)).

- 4.7 An independent member of the GMCA Audit Committee has now been appointed, in line with the practice adopted by several district authorities and the former GMITA.
- 4.8 In their update report, the Audit Commission, the GMCA's interim External Auditor, noted,

“Our 2011/12 Value for Money audit work, which will consist of a review of the Authority's Annual Governance Statement and consideration of the arrangements the Authority has put in place to manage its performance and achieve its objectives, will take place between May and July 2012.”

- 4.9 Annual Review of the Chief Financial Officer - As part of its work on governance and financial management across public services, the Chartered Institute of Public Finance and Accountancy 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.

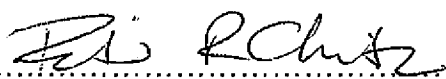
## **5. Programme of improvement**

- 5.1 As noted above, the process of developing a Code of Corporate Governance for the GMCA is underway and officers will bring to the GMCA Audit Committee a draft Code for discussion and endorsement. The Code will be a public statement setting out how the Authority will meet its commitment to have in place culture, values, systems and processes to ensure it operates effectively and achieves its objectives. It is intended to follow 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 will be undertaken to enhance existing performance management arrangements. Specifically, these will be developed such that they are sufficiently efficient and robust that they provide GMCA members, district authorities and the wider public with assurance that a clear focus is maintained on securing the strategic priorities set out in the GMS.
- 5.3 In addition, significant levels of funding in relation to economic development and housing functions (within the powers of the GMCA) are now beginning to be realised. These funding streams, and the opportunities provided by Greater Manchester City Deal, as reported to GMCA at its meeting on 30 March, will require development of appropriate and robust governance arrangements including the necessary financial and administrative processes. Work is currently underway to finalise procedures, roles and responsibilities including that of the GMCA which will be presented to the GMCA and its Audit Committee in due course.

## 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:  .....

Chair of the Authority

Signed:  .....

Head of Paid Service

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

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

I have audited the financial statements of Greater Manchester Combined Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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.

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

As explained more fully in the Statement of the Treasurer's Responsibilities, 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. My 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 me 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, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of Greater Manchester Combined Authority as at 31 March 2012 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 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

I report to you if:

- in my 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;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I 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
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

## **Other matters on which I am required to conclude**

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

I have undertaken my audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2011, I have considered the results of the following:

- my review of the annual governance statement; and
- my locally determined risk-based work on the Authority's performance management arrangements.

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

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

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



Mick Waite  
District Auditor

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24 September 2012