The Greater Manchester Combined Authority

Annual Statement of Accounts
With Audit Opinion

Year ended 31 March 2017

Annual Statement of Accounts 2016/17

Contents

Narrative Report by the Treasurer

Welcome to the Greater Manchester Combined Authority's (GMCA) audited Annual Statement of Accounts for 2016/17. The statements have been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA).

It aims to provide information so that members of the public, Council Members, partners, stakeholders and other interested parties are able to have:

- A full and understandable explanation of the overarching financial position of the Authority and the outturn for 2016/17.
- Confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner.
- Assurance that the financial position of the Authority is sound and secure.

This narrative report provides information about the Authority, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2017 and is structured as below:

- An Introduction to the Greater Manchester Combined Authority
- How the Authority performed
- Revenue Outturn 2016/17
- Capital Outturn 2016/17
- Investments 2016/17

An Introduction to the Greater Manchester Combined Authority

Greater Manchester (GM) is one of the country's most successful city-regions. Home to more than 2.7 million people and with an economy bigger than that of Wales or Northern Ireland, our vision is to make it one of the best in the world. We're getting there through a combination of economic growth, and the reform of public services.

The GMCA is made up of the ten Greater Manchester councils and Mayor (from 8 May 2017 an elected Mayor), who work with other local services, businesses, communities and other partners to improve the city-region.

The ten councils (Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan) have worked together voluntarily for many years on issues that affect everyone in the region, like transport, regeneration, and attracting investment.

GMCA's vision is for the region to be more prosperous, better connected, and greener. By 2020 Greater Manchester should be self-reliant: closing the gap between the tax that is generated and the cost of delivering public services.

Local people will have more job opportunities, and new skills to contribute to, and benefit from, a stronger economy. They'll enjoy better health and a higher quality of life.

The goal will be realised through a combination of growth and reform.

Growth

We are removing the barriers that stifle economic growth, and making Greater Manchester an attractive place for investors. We're exploiting the region's business and academic expertise and becoming more outward-looking and international.

Reform

We are making public services more efficient, and helping people become more self-reliant so there will be less demand for those services. New skills and better education, training and employment opportunities will help people enjoy the benefits of the region's economic growth.

GMCA's Group of Companies

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

Ownership of the Commission for the New Economy Ltd (CNE), Manchester Investment and Development Agency Service Ltd (MIDAS), Greater Manchester Accessible Transport Ltd (GMATL) and NW Evergreen Holdings (GP) Ltd also reside with GMCA.

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

How the Authority Performed in 2016/17

Creating Conditions for Growth

Greater Manchester is a city region of 2.7 million people and the fastest growing in the UK outside London. Our location, in the heart of the Northern Powerhouse, provides us with the platform to drive economic growth within the city region, the North and nationally.

Greater Manchester's vision is to establish itself as one of the world's leading regions, driving sustainable growth across a thriving North of England. Over the past year, GMCA and its partners have worked to be ever more connected, productive, innovative and creative, known for the excellent quality of life enjoyed by residents who were able to contribute to and benefit from the prosperity that economic growth brings. Inclusivity and opportunities for all being at the heart of GM's strategic approach helped drive up productivity and economic growth across the region.

Investment

Regeneration and job creation was supported in the Greater Manchester area through targeted investment that reflects the strengths and opportunities in the local economy.

The GM Investment Fund is focussed on the existing strategic priorities in business, housing and commercial property. The investment strategy is based on sustainably generating returns that can be recycled and reinvested – as existing loans are repaid they can be reinvested in new projects.

The Combined Authority contributed to the GM Investment Fund by way of Regional Growth Fund, Growing Places Fund and Growth Deal resources with the clear objective to safeguard or create jobs.

As part of this overarching programme, the Core Investment Fund offered investments at commercial rates to businesses and organisations to fund schemes that boost local employment, improve people's skills and contribute to the region's economic growth. This fund has invested over £100m to more than 80 companies across Greater Manchester who are contracted to create and safeguard over 6,500 jobs.

The investment strategy also strengthened the drive to see Greater Manchester at the leading edge of science and technology. The Life Sciences Fund was established in 2016 in partnership with Cheshire East to further develop Alderley Park and support life sciences businesses across the city region.

Commercial property funds have supported the development of 160,725 square feet of commercial floor space and the redevelopment of nearly 18 hectares of Brownfield land.

Planning and Housing

The delivery of our investment strategy is complemented by our approach to planning and the need to craft a plan for growth and infrastructure.

There has been an increase in the number of new homes being built across GM in the past year and it is anticipated that this upward trend will continue. However, the headline indicators show that Greater Manchester remains behind target and GMCA and its partners must continue to focus on working at a local level to deliver new homes.

There has therefore been a range of work on delivering new homes, which will be reflected in future years' delivery outcomes.

GMCA approved a Memorandum of Understanding (MoU) with the GM Housing Providers Group in May 2017. The group includes 27 housing associations and ALMOs (arms-length management organisations running Council-owned housing stock) across GM, and manages 258,000 homes (or 1 in 5) in Greater Manchester. The MoU sets out areas where GMCA and the Housing Providers will work together. This covers a wide range of issues including housing providers' contributions to place-based service integration, employment & skills, health and social care, tackling fuel poverty and reducing carbon emissions and public protection issues, as well as a commitment to work together to drive delivery of additional housing.

Housing Providers collectively, with support from the GMCA and districts, have secured allocations totalling over £125 million to deliver over 4,000 new homes across the city region through the Homes and Communities Agency's Shared Ownership and Affordable Homes Programme. These were announced in January for projects to complete by March 2021.

Following the submission of a coordinated Greater Manchester Expression of Interest in May, Government confirmed in January that Greater Manchester was a partner in bringing forward brownfield housing land through the Starter Homes Land Fund. As a result six sites totalling 1,118 units are being de-risked for development either directly by HCA or by a district funded by HCA.

Greater Manchester submitted an Expression of Interest for Government's Accelerated Construction programme in February 2017 also intended to help bring brownfield sites forward for new housing, and is working with HCA to identify suitable sites for early action if funding is confirmed.

Transport

Improving transport connectivity is crucial in helping secure Greater Manchester's wider economic, social and environmental objectives. Over the past 12 months Transport for Greater Manchester (TfGM), working closely with Greater Manchester's ten district authorities, has made good progress across a number of areas to improve connectivity within, across and beyond the city region. However, there remain significant challenges to overcome, most notably around highway congestion, CO_2 and air quality.

The GM Transport Strategy 2040 was formally agreed and published in February 2017. As Greater Manchester's Local Transport Plan, it sets out a comprehensive and long term strategic framework for how transport can best support Greater Manchester's economic, social and environmental ambitions. It was developed in the light of extensive engagement with districts, operators and a range of key stakeholders, and informed by two rounds of widespread public consultation.

Alongside this the GM Low Emission Strategy and Air Quality Plan was published which set out the measures being undertaken to address emissions from road transport in order to improve air quality and to contribute to a reduction in CO_2 emissions through a balanced package of intervention which not only discourage the use of more polluting vehicles to also assist people in shifting to more sustainable modes.

TfGM has also worked with Government to secure the Bus Services Act legislation which will equip Greater Manchester with a wider set of powers to deliver much needed improvements to bus services as part of GM's wider devolution agenda.

This strategic approach builds on the progress made in the construction and operation of new, modern transport infrastructure and the ongoing delivery of a wide array of transport services: ranging from concessionary fares to travel advice; supported bus services to promotion of cycling and walking; TravelSafe Partnership initiatives to reduce crime and anti-social behaviour to the delivery of Travel Choices support to help unemployed people and apprentices with their travel costs.

This work has seen the proportion of trips to work by non-car modes continue to increase, from 27 to 29% over the past two years, helping reduce the pressure on highways at peak commuting periods. However, further work continues to meet the ongoing challenge of congestion.

CASE STUDY: LEIGH GUIDED BUSWAY

Opened in spring 2016, the award-winning 4.5 mile Leigh to Ellenbrook guided busway is the flagship scheme in the £122m Bus Priority Package. Services on the guided busway – the first in the northwest – link customers through Salford to Manchester city centre on new and existing bus lanes, reducing bus journey times on a route that includes the busy East Lancs Road.

The busway offers smooth, rapid connections thanks to a unique concrete track, with three new park and rides along the route. High-specification, low-emission hybrid buses offer customers free Wi-Fi and USB charging points, plush seating, audio and visual stop announcements and climate control.

Thousands of local horse riders, walkers and cyclists have enjoyed a shared-pathway – which runs alongside the route – in its first year. Around 50,000 people a week are now using the 'Vantage' service – and a recent survey found that a fifth of passengers have switched from their cars – the equivalent of 460,000 fewer cars on the roads over a year

As part of the programme of capital improvement, a number of key transport capital schemes were completed over the past year. Some key examples include:

- Cross City Bus Package - The Oxford Road scheme was brought into full operational use in Spring 2017. It prioritises space for cyclists, pedestrians and public transport users and effectively supports the growth of this key employment, education and health corridor. Cyclists have benefited from the introduction of segregated cycle lanes, which help reduce the potential conflict between buses and cyclists and encourage new and less confident cyclists. As a consequence, initial surveys indicate cycling levels have approximately doubled along key sections of Wilmslow Road. Pedestrians also benefit from significantly wider footways, cleaner air as a result of the removal of general traffic from a mile long section of the corridor and enhanced crossing facilities. The infrastructure has also facilitated a number of new, cross city bus services allowing easier access to this key destination from across the city region.

- Bolton Interchange - Substantial progress has been made on the delivery of Bolton's new, state of the art transport interchange, where it has been necessary to overcome a series of challenges. The new Interchange, which is due to be completed in late summer 2017, will create a transformational key gateway into the town centre and provide much improved transport facilities for passengers. The Skylink Bridge will provide a seamless link connecting the railway station with the interchange. The whole project enhances Bolton's transport links and provides a fitting gateway into the town centre.

- Trafford Park Line - Work commenced on the new Metrolink line which will run from the existing Pomona Metrolink stop right through the heart of the Trafford Park business area to the Trafford Centre providing improved access to employment opportunities in Europe's largest trading estate. It will also offer sustainable links to popular visitor destinations, including the Imperial War Museum North, Old Trafford football stadium and EventCity.

CASE STUDY: METROLINK SECOND CITY CROSSING

In February 2017 the transformational 'Second City Crossing' tram line running through the heart of Manchester city centre opened to customers. The 1.3km stretch of track is the final connection in a £1.5bn expansion programme that has seen Metrolink grow to three times its original size.

The new line is allowing trams to run through the city centre more often, as well as improving service reliability and offering greater operational flexibility across the tram network. The Second City Crossing package of work also included the complete transformation of major city centre tram stops at Deansgate-Castlefield, Victoria and St Peter's Square.

Thanks to European Regional Development Funding a new stop was also built at Exchange Square.

A record-breaking 37 million passenger journeys were made on Metrolink in 2016

Science

A Science and Innovation audit was undertaken in 2016 which was published in November. The audit identified two 'areas' of focus:

1. ‘Core Strengths’ in Health Innovation and Advanced Materials, where GM has existing, internationally-recognised excellence; and

2. ‘Fast Growth Opportunities’ focused on the future potential of Digital, Energy, and Industrial Biotechnology, where our assets and capabilities offer real scope for future development.

The audit was produced in collaboration with key public and private sector partners including leading industry figures and has led to the formation of lasting partnerships. For example, Local Enterprise Partnerships across the North are collaborating more closely on joint actions to understand and drive innovation.

This reflects the findings of the audit which demonstrated that Greater Manchester is characterised by an exceptional level of partnership and connectivity. There are close strategic and operational collaborations between the universities, the business community, local government and public sector partners, health and social care providers, and charities.

This partnership approach is demonstrated by a series of strategic alliances across the city region and beyond. This includes the €1 billion Graphene Flagship, the £20 million Connected Health Cities project and the UK’s only Internet of Things demonstrator (CityVerve).

CASE STUDY: EUROSCIENCE OPEN FORUM (ESOF) 2016

Euroscience Open Forum (ESOF) was the largest science conference in Europe. 3,600 delegates from 80 countries came to the city worth an estimated £3.5 million to the local economy. The Science in the City Festival was attended by 40,000 people. 500 journalists attended, 4 Nobel Laureate’s spoke and there was over 2,000 international online and print media pieces of coverage.

There are already strong international partnerships in each of the areas of strengths identified and rapidly growing interest from global companies to have a footprint in GM.

The audit has provided a rich analysis, endorsed by Government, of how Greater Manchester’s assets can drive growth locally, nationally and internationally with great potential for future development along with a solid platform for future collaboration and investment.

Global Brand

In 2016/17 Marketing Manchester (partly funded by GMCA) took a lead in promoting Greater Manchester as a destination to visit, invest, meet and study.

The latest data showed the visitor economy was worth £7.9 billion to GM in 2015 and supported 93,900 jobs. The city region attracted 118.5m visitors (10.5 million staying visitors and 107.9 million day visits). 25% of visitors were international and 75% domestic and GM remained the third most visited destination in the UK after London and Edinburgh.

Greater Manchester’s online presence was strengthened with 2.5 million visits to the refreshed ‘visit’, ‘invest’ and ‘meet’ websites with over 12 million page views and a 40% increase in US traffic along with substantial growth in our social media reach.

Attracting inward investment remained a priority with a focus on the city region's key growth sectors (Manufacturing, Life Sciences, Creative, Digital and Tech and Financial and Professional services). There were over 60,000 unique visits to the investinmanchester.com website and over 1,000 business engagements to help support 4,800 jobs created/safeguarded with an economic impact of £290.4 million.

Manchester improved its ranking in the liveability index (53rd in the world and above London) and Manchester was also cited as being the most competitive city in Europe according to a KPMG report.

The report also highlighted Manchester as a top 10 global destination for Foreign Direct Investment, the 3rd most influential city in Europe and a top 20 digital city. As of 2015, Manchester is positioned 27th in the Anholt City Rankings (up from 32 in 2013).

A revamped "M" Brand was developed showcasing Manchester to both international and domestic audiences including destination guides in Mandarin and Arabic for their growing markets.

CASE STUDY: MIPIM

MIPIM, the world's leading property market is a perfect platform to promote Manchester as a leading global business and investment destination. This year Marketing Manchester moved to a larger Pavilion venue to accommodate 115 organisations, 250 delegates and coordinated 23 events and 51 speakers. Over 10,000 people visited the Manchester Pavilion, 11,000 web views, 20 media interviews resulting in at least 200 pieces of coverage and 3 million twitter impressions.

Greater Manchester saw record airport numbers (23 million passengers per year) helped by international marketing campaigns exploiting the new opportunities of direct routes from Manchester to Beijing, Muscat, San Francisco and Boston.

Manchester's business tourism continued to grow with 14,700 conference delegates coming to the city this year with an economic impact of £810 million.

Supporting Businesses

Greater Manchester has an economy worth almost £60 billion with over 110,000 businesses and 1.4 million workers.

There are a number of assets to build on including world-leading industries – from health innovation and digital industries, to engineering and financial services along with the largest cultural and creative cluster outside London

To maintain and grow this business base, it is essential Greater Manchester's business support infrastructure continues to be fit for purpose – providing an integrated service to bring trade, investment and growth to Greater Manchester.

During 2016/17, GMCA supported the Business Growth Hub (part of the Manchester Growth Company) and its partners to deliver a broad portfolio of existing and new services to companies across Greater Manchester including support, advice, access to finance and new export markets.

Headline indicators provide a mixed picture with the number of business births in 2016/17 seeing a significant increase on the previous year and exceeding target whereas later business survival rates continue to lag behind national performance.

The Growth Hub therefore continued to work closely with SMEs and start-ups ensuring they have the right support at the right time to help them succeed. The Hub sought to access ERDF funding for a Greater Manchester wide start up programme which will promote and support new start-ups, regardless of growth potential, across the city region, with an emphasis on target groups and places where enterprise culture is historically low, and will provide post-start support to increase survival rates.

Headline indicators also suggest that whilst the Greater Manchester median salary has improved since the previous year, it continues to lag behind the national average. Specific Sector Support programmes have been introduced which focused on helping SMEs within Greater Manchester's priority, high value sectors to grow and create higher value jobs. This programme focuses on the key growth sectors of digital, creative, technology; life sciences; manufacturing; low carbon and environmental goods and is anticipated to create new jobs in future years which are at salary levels above the current Greater Manchester average.

More broadly, businesses were helped to get the skills they need through schemes such as the newly developed Workforce Development Programme, together with the existing Executive Development Programme. The Growth Hub also worked with colleges to raise awareness and promote take up of apprenticeships amongst the city region's businesses

In manufacturing a small grants programmes was established for businesses seeking to reduce their carbon footprint by becoming more energy efficient as well as continued the dedicated Textiles Programme to support business growth.

Greater Manchester has also responded to the dynamic and fast changing economic environment by launching a programme of action to gauge the effects of the EU referendum on business confidence and intentions with specific, tailored advice and support where requested.

Similarly, "Better Business for All" was developed – Greater Manchester's approach to raise awareness of regulations affecting businesses and to provide specific support to help businesses ensure compliance

Greater Manchester now also chairs the Network of Northern Business Growth Hubs helping to drive growth across the Northern Powerhouse

Overall, the Business Growth Hub, together with Greater Manchester partners, delivered a programme of work which resulted in over 3,500 businesses supported in 2016/17 along with £14 million of grant or loan invested into existing businesses; £3.3 million of loan finance provided to support business start- ups and over 70 inward investment projects secured. We have also seen over 5,000 new jobs created and over 300 new business start-ups.

CASE STUDY: MANCHESTER GROWTH HUB SUPPORT FOR MADISON MEDICAL

Founded in 2009, Stockport-based Madison Medical Professionals specialise in recruitment for general practices, hospitals, prisons, and other specialist medical services.

The Growth Hub's Workforce Development Service developed a package of 'wrap around' services including business planning, marketing and performance management processes.

"The support has proved absolutely invaluable," explains Vicki Lord the company's new quality manager "It's given the whole business a boost and has ensured that we're in an excellent position to push on with our growth plans, and keep developing the level of service we can offer to clients and individual candidates."

Turnover is now expected to rise from £3.28 million to £4 million in 2017, while the company also hopes to take on at least two new members of staff.

International Competitiveness

MIDAS is Greater Manchester's inward investment agency, with a strategic aim to secure significant levels of new investment and employment for the city region. This is achieved through the global business marketing of Manchester, targeting key markets and sectors, and the provision of an extensive, free and confidential package of advice and assistance for location consultants and potential investors.

MIDAS achieved over 70 successful projects in 2016/17 including investment from firms such as Vodafone(UK), Swinton Insurance (France), Lidl (Germany), Datwyler (NL) and Sanabil Digital (Israel). The total investment attracted will create or safeguard almost 5,000 jobs.

The latest data shows that the US remains the largest single foreign country for investment into GM, while on a regional basis Europe dominates with 15 projects from the EU.

MIDAS continues to target these high value investment opportunities along with high growth markets in India and China.

The India investment pipeline has increased significantly over the past 12 months to 40 projects and almost 1,000 jobs. Indian investment into GM continues to grow such as the opening of a UK innovation centre by HERO Group focused on development of high-end bikes.

The Manchester China Forum refreshed its strategy to focus on key investment opportunities, these include Nuclear, Rail/Transport, Education and property/infrastructure.

CASE STUDY: Deloitte India Fast 50

MIDAS was a lead sponsor of this annual award programme targeted at India's fastest growth technology businesses. MIDAS offered a 'Manchester Prize' to two winners worth £25,000 each, containing a mixture of start-up support ranging from office space to professional services support. The two Manchester winners: 42 Gears and Edge Networks are in the process of setting-up Manchester operations

For instance, the Far East Consortia International Limited (FECIL) announced a £200 million investment in Angel Meadows as part of the NOMA development in Manchester along with a significant investment in the £1billion Northern Gateway regeneration project.

Worklessness and Skills

Working age adults who are out of work or who have low levels of skills must have access to the skills and wider support needed to enter and sustain employment, and there must be an offer for all adults to up-skill and progress their careers.

Greater Manchester's Work and Skills strategy has been developed to create the integrated skills and employment system needed to achieve Greater Manchester's aims. The strategy brought together employers, skills providers, local authorities and others to build a work and skills system which is responsive to the needs of local employers and which gives our residents the skills they need for work and for life. Building on that vision and on local and national priorities, a work and skills strategy has been developed for Greater Manchester for the next three years which will drive forward our inclusive growth and reform agenda.

This will follow on from the improvement seen in the headline indicators where Greater Manchester has outperformed its targets for NVQ4+ qualifications and improved its NVQ2+ performance although a gap remained between GM and national performance.

Similarly, the city region is moving closer to where it needs to be on out of work benefit claimants and the number of full-time equivalent jobs but are slightly behind the target at this stage

During the past year Greater Manchester and its partners have been working more closely with employers to understand more about the skills they need for their business and the role they can play in developing their own workforce.

Apprenticeships remained a key pathway into work and skills improvement for our residents and an Apprenticeship Strategy was developed supported by the Greater Manchester Apprenticeship Hub which, since 2013 has commissioned more than £6 million worth of activity aimed at increasing and widening apprenticeship participation.

Public sector partners have implemented a distinctive local approach to apprenticeships across Greater Manchester's local authorities, health trusts and blue light services, reflecting the local public sector's collective opportunity to demonstrate leadership as an exemplar of apprentice employment. This approach will create a mobile, flexible apprentice workforce across the public sector, with clear progression and development opportunities.

GMCA has used the tools provided as part of the devolution agreements to support employers in offering apprenticeships. The GM Apprenticeship Grant for Employers (AGE) has seen over 5,000 grants for employers agreed to the end of January 2017 and additional funding has been received to support GM AGE for starts through to July 2017.

There was also work directly with young people and skills providers to ensure they get the best start in their careers. A key focus was improving the quality and consistency of the Careers Information, Advice and Guidance (CEIAG) offer with a GM wide CEIAG conference held in July 2016. The event was attended by over 140 GM Schools and saw the launch of the GM Careers and Enterprise Company Enterprise Adviser Network. This is a strategic employer-led approach to improving careers and employer engagement in schools and colleges, which pairs senior business volunteers who are leaders and innovators in their field with local schools and colleges.

Similarly, the GM NuTraxx programme provided participants aged 18-24 with one-to-one tailored support from a personal mentor. By December 2016 approximately over 2,500 young people had entered the programme, with half having already secured employment and no longer claiming benefits. In addition, 677 young people sustained employment for at least 26 weeks. This is set to rise to over 1000 by the end of the programme.

The GM Talent Match Programme supported individuals aged 18-24 who have not been in employment, education or training for at least twelve months in their pathway to work. As of March 2017 the programme had engaged with 1,285 young people, of which 234 have entered employment.

CASE STUDY: GM TALENT MATCH

Little more than 18 months ago, Tom Hibbs from Stockport was homeless and feeling at rock-bottom. Now he has a roof over his head, a job he loves and is the proud owner of Cycling UK's Volunteer of the Year and Young Achiever of the Year awards.

With support from a number of different organisations working together to achieve what was best for him, Tom moved into a shared tenancy and received training in not only his chosen field of bike mechanics but life skills too. He also started an Apprenticeship at CERAcycloan - a social enterprise in Stockport and last month he became an award-winner.

Research has also been carried out to better understand the barriers faced by residents trying to access skills and employment and to develop solutions to these issues. The Greater Manchester Skills for Employment Pilot Programme explored improved integration of employment and skills services with local residents and engaged over 3,500 customers over 12 months. Of these, 270 have achieved an accredited qualification, 350 learners have started a work experience placement and over 300 have entered employment.

Conclusion

The vision of GMCA is to make GM one of the best city-regions in the world. The Greater Manchester Strategy Stronger Together: Greater Manchester Strategy, sets out GMCA's vision that by 2020 the city region will have pioneered a new model for sustainable economic growth based around a more connected, talented and greener city region, where all our residents are able to contribute to and benefit from sustained prosperity and a good quality of life. The strategy fuses together strong plans for reforming public services with a continued drive for growth and prosperity. Whilst GMCA has met many of its strategy's priorities, ultimately, success will mean eliminating the gap between resources spent on public services and taxes raised, so that GM is self-reliant and contributing to national wealth.

GMCA has driven devolution and negotiated the transfer of powers, budgets, and responsibilities from government to the city region. As a result, decision-making on crucial public services in GM like transport, planning, health and skills has moved closer to GM people. With more decisions being made locally, the needs and aspirations of local people can be better met. With a raft of new devolved powers, GMCA has begun to develop plans for the future. Throughout 2016-17, GMCA consulted with local people, businesses and others to develop 'Greater Manchester 2040: Strong People, Strong Place'. This new strategy will set out the vision of how Greater Manchester should grow, change and develop over the years up to 2040.

The new GMS will be built around a robust outcomes framework which identifies the key economic and social outcomes relevant throughout people's lives. The GMS will demonstrate how the activities of the GMCA and public, private and third sector partners will support these outcomes and the key metrics we will use to monitor and evidence our progress.

We will provide a greater level of accountability through regularly publishing a dashboard of indicators and review our activities and priorities for investment and reform to ensure our plans for delivering the GMS can have the maximum positive impact for Greater Manchester.

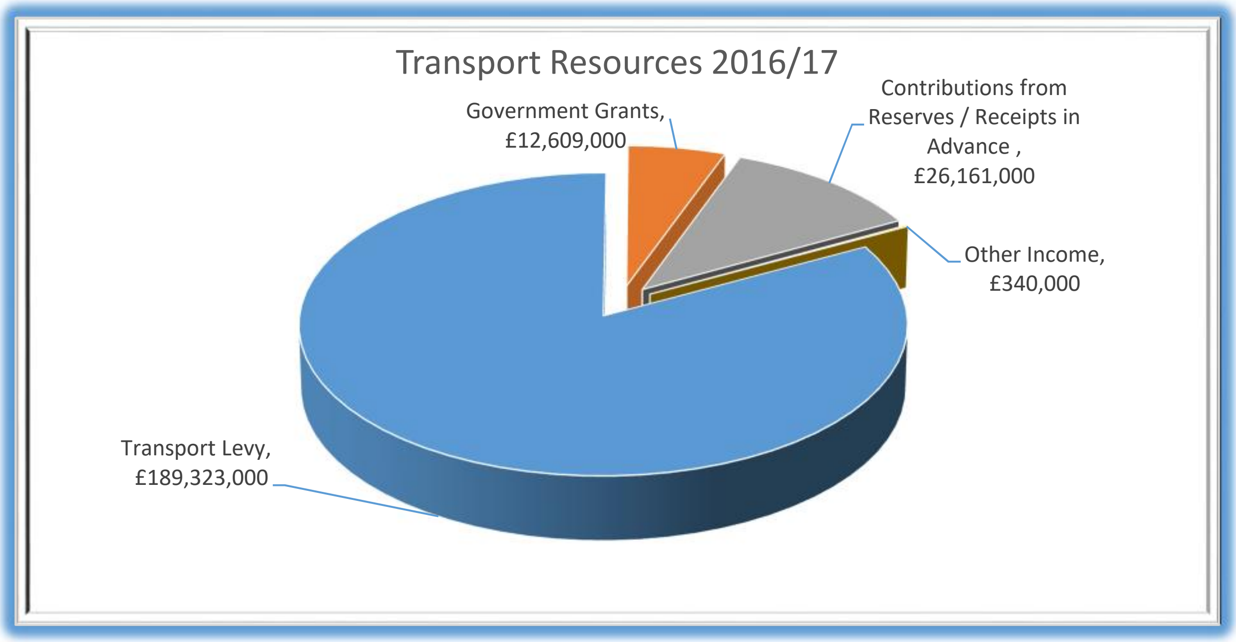
Revenue Income and Expenditure 2016/17

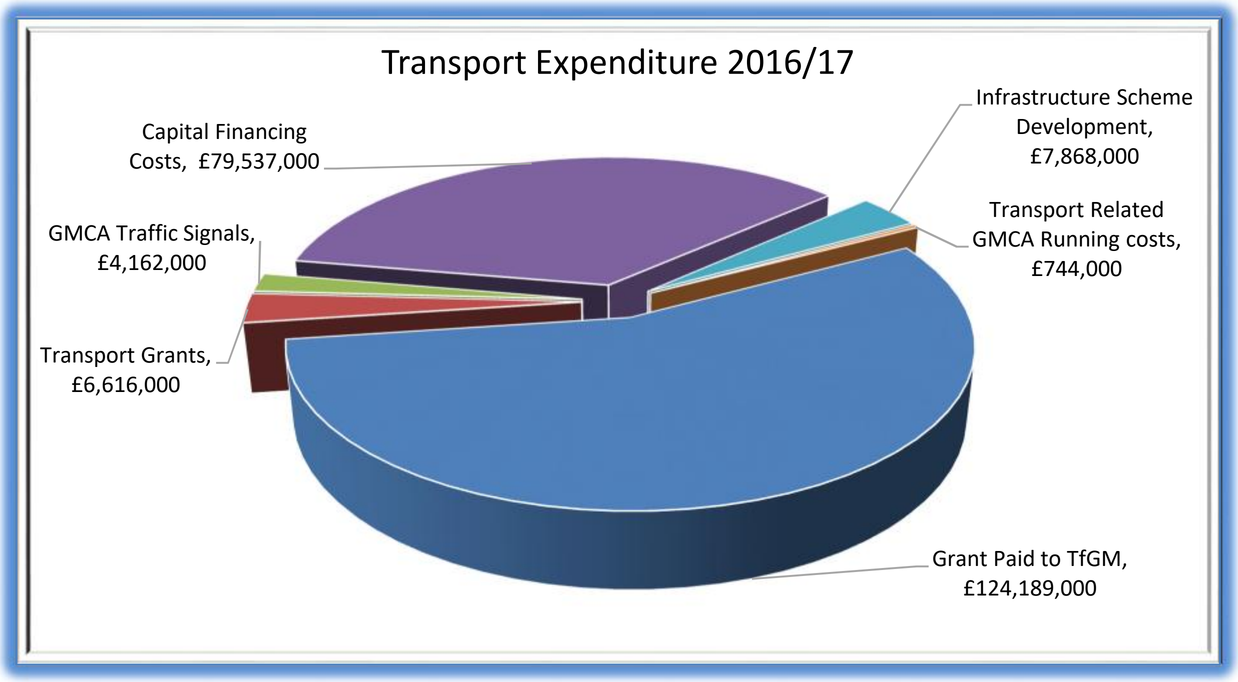
Transport

The charts below detail how the transport budget was funded and spent within 2016/17. Almost 83% of the resources are funded from the Transport Levy collected from each of the 10 Greater Manchester Councils and in terms of expenditure over 56% goes to Transport for Greater Manchester and 36% is spent on capital financing costs. In terms of the outturn position after transfers to ear-marked reserves of £5.317 million, the budget was balanced.

Further information on transport expenditure can be found in TfGM's annual accounts at the following address:

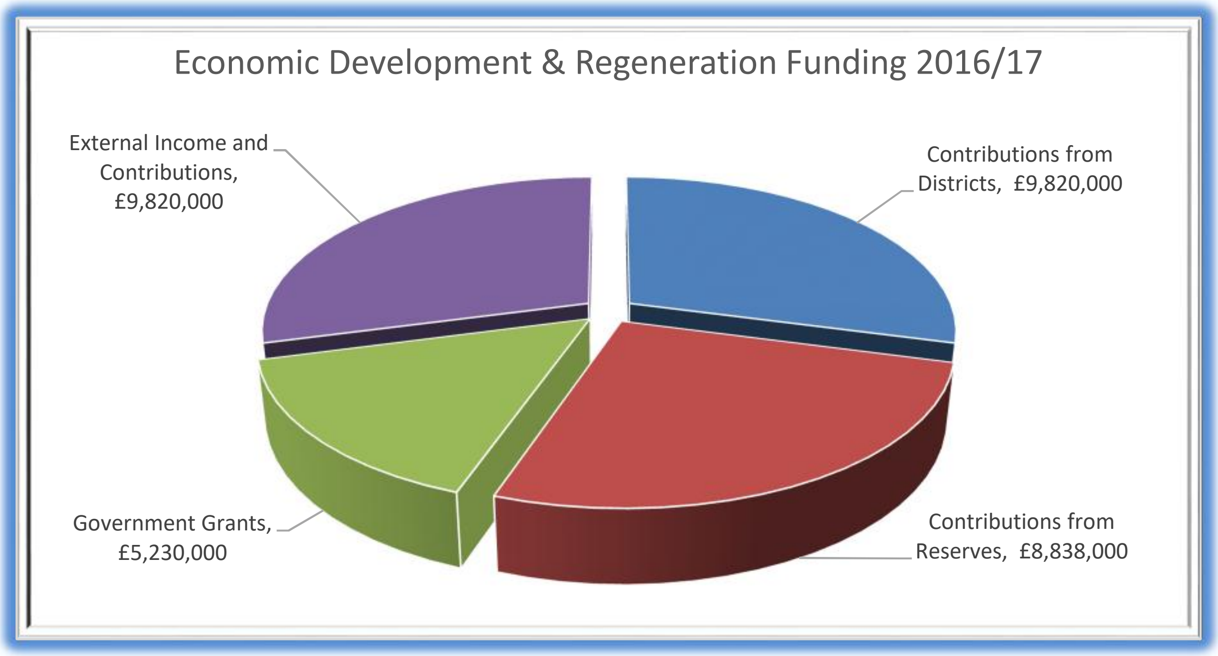
http://www.tfgm.com/Corporate/Pages/CorporateLibrary/Statement-of-Accounts.aspx

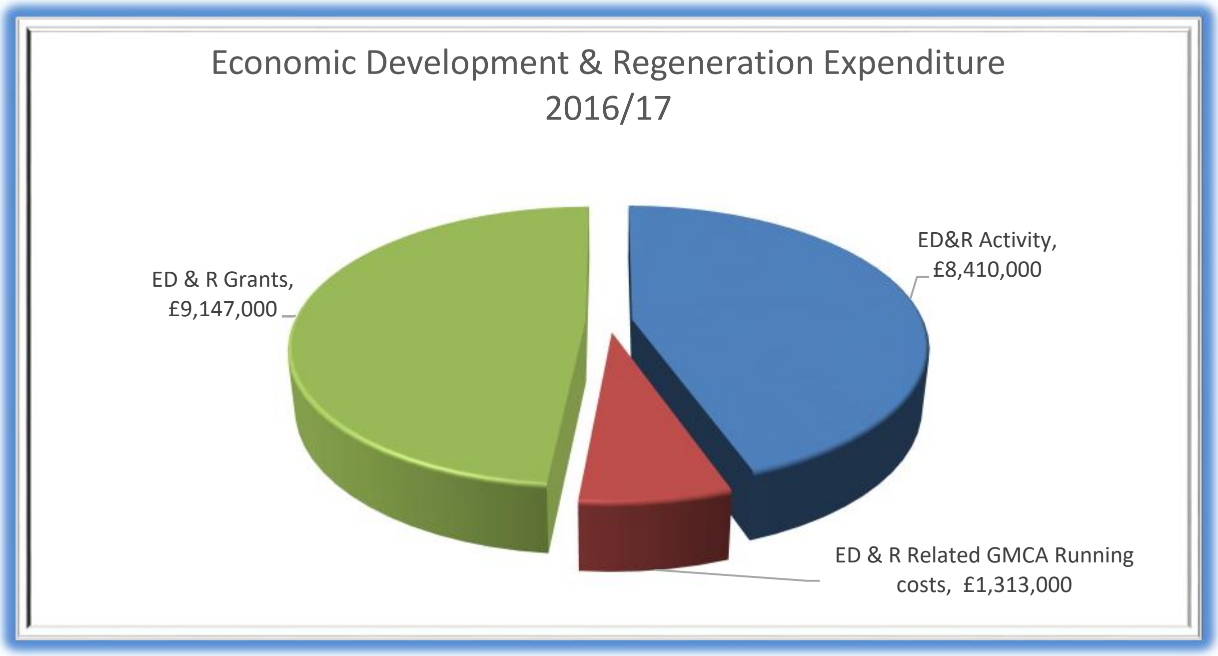




Economic Development and Regeneration

For 2016/17 the majority of funding came from contributions from the 10 Greater Manchester Councils and external income and contributions. The expenditure was in the main spent on Economic Development and Regeneration activity and administering the variety of grants that have been awarded to the Authority. In terms of the outturn position after transfers to ear-marked reserves of £13.873 million, a surplus of £0.965 million was available for transfer to general reserves.





Capital Expenditure 2016/17

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

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

- Borrowing, for example from Government (PWLB) or the European Investment Bank (EIB).
- Grants or contributions from the Government, the European Union or another third party.
- Proceeds from the sale of capital assets or the repayment of advances.
- Revenue Contributions.

The Authority spent £215.732 million in 2016/17, which is summarised below:

	2015/16 £m	2016/17 £m
Capital Grants to TfGM/Districts and other recipients (Revenue Expenditure Funded from Capital Under Statute)	253.847	195.263
Non-current Assets (Property, Plant and Equipment)	3.976	3.099
Long / Short Term Loans and Investments (Economic Development and Regeneration schemes)	35.210	17.370
Total	**293.033**	**215.732**

Revenue Expenditure funded from Capital under Statute (REFCUS) relates to capital expenditure incurred on non-Authority owned assets, primarily assets owned and accounted for by TfGM. The tables below also include income and expenditure directly received and incurred by TfGM and Districts.

The Capital Expenditure was spent on the following schemes:

	2015/16 £m	2016/17 £m
Greater Manchester Transport Fund	108.716	63.501
Road Schemes – A6 MARR	38.363	51.149
Other Metrolink Schemes	19.595	39.255
Wythenshawe Interchange	2.043	0.036
Better Bus Area Fund	0.360	-
Clean Bus Technology Fund	-	0.121
Cycle City Ambition Grant	14.802	0.434
Cycle City Ambition Grant 2	0.881	1.829
Local Sustainable Transport Fund	7.968	1.373
Other Transport Schemes and ITB funded Minor Works	6.273	4.119
Growth Deal – Transport Schemes	61.170	34.176
Traffic Signals	2.586	3.099
Affordable Homes Programme	0.141	0.736
RGF / GPF Loans/Grants (Including Recycled)	37.941	17.370
Growth Deal – Economic Development & Regeneration Schemes	1.281	5.091
Total	**302.120**	**222.289**

The financing of this expenditure was by the following methods:

	2015/16 £m	2016/17 £m
Borrowing	41.739	21.209
Capital Grants	244.330	184.730
Capital Receipts	5.910	6.619
Revenue Contribution to Capital Outlay (RCCO)	-	0.671
External Contributions	10.141	9.060
Total	**302.120**	**222.289**

Borrowing Limits

In 2016/17 the Authority had an authorised limit for external debt of £1,249.9 million which compares to the actual level of debt outstanding at 31 March 2017 of £962.273 million. This is made up of the following figures:

	2015/16 £m	2016/17 £m
Long-term Borrowing – PWLB/Market	944.906	937.893
Short-term Borrowing – PWLB/Market	11.040	22.978
Short-term Borrowing – Interbank	21.795	1.402
Total Borrowings	**977.741**	**962.273**

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, however for 2016/17 there was no balances held by TfGM.

Total borrowings showed a decrease during the year of £15 million and whilst £21.209 million of the capital programme was funded from borrowings the Authority did not need to increase external borrowings to fund the expenditure due to the level of short term deposits it had available.

Investments for Treasury Management Purposes

Short term money market deposits of cash balances in excess of current requirements as at 31 March 2017 were £117.832 million. This is made up of the following figures:

	2015/16 £m	2016/17 £m
Bank Deposits	11.496	0.169
UK Government Backed Deposits	143.469	117.663
Total Investments	**154.965**	**117.832**

Total investments showed a decrease in the year of £37.133 million. The main reasons for this decrease relates to the repayment of debt within the year and the funding of the capital programme.

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:

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

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

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

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local levies) and other unusable reserves. The Deficit / (Surplus) 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.

- **Balance Sheet**

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

Cash Flow Statement

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

Group Accounts

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

Notes to the Financial Statements

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

Changes in Accounting Policies

The way that accounts are presented are governed by the accounting policies that the Authority has to follow. The accounting practice governing local authority accounts which include the GMCA, have undergone major changes over the last few years in order to bring public sector accounting in line with that of the private sector.

Presentation Changes to the Accounting Statements

In July 2015 CIPFA undertook a consultation on improving the presentation of local authority financial statements known as 'Telling the Story'. As a result of that consultation changes to the presentation of the financial statements have been made for 2016/17.

The analysis within the Comprehensive Income and Expenditure Statement (CIES) is now shown by service definitions rather than by the standard service classifications previously required by the Service Reporting Code of Practice (SERCOP). This format aims to be more meaningful for users of the financial statements as it follows that of the budget and financial monitoring reports produced by the Authority.

The Movement in Reserves Statement has been simplified. The items included in the CIES but removed in the MIRS and those included in the MIRS but not included in the CIES have been combined into one line. The unusable reserves have also been combined into one column.

There is an additional note called the Expenditure and Funding Analysis which brings together the Authority's performance as reported against the budget with the performance reported in the CIES.

The Expenditure and Funding Analysis shows, for each of the Authority's service areas a comparison of the net expenditure as per the revenue outturn report and the net expenditure in the CIES and explains the differences between the two. This note has replaced the Segmental Reporting Analysis note previously required.

Further Information

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

Greater Manchester Combined Authority,
The Finance Department
1st Floor, Churchgate House
56 Oxford Street
Manchester
M1 6EU

The Annual Statement of Accounts can also be viewed on the Greater Manchester Combined Authority's website, www.greatermanchester-ca.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 on the Greater Manchester Combined Authority's website on 30 June 2017. Information is available to all council tax payers in Greater Manchester which explains how TfGM will spend the transport levy which the GMCA collects from the district councils and describes its efforts to improve the services it provides on behalf of the residents of Greater Manchester. This publication entitled 'Investing in Greater Manchester Transport 2016/17' can be viewed on the Transport for Greater Manchester Committee's website, www.tfgmc.com.

Richard Paver

Treasurer

Greater Manchester Combined Authority

29 September 2017

The Statement of Responsibilities for the Annual Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

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

The Treasurer's Responsibilities

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

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that the Statement of Accounts give a true and fair view of the financial position of the Authority as at 31 March 2017 and of its income and expenditure for the year ended 31 March 2017.

....

Richard Paver
Treasurer
Greater Manchester Combined Authority
20 September 2017

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee on 20 September 2017

....

Chair of the meeting approving the accounts
20 September 2017

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.

2015/16 Gross Expenditure Restated £000s	2015/16 Gross Income Restated £000s	2015/16 Net Expenditure Restated £000s		Note	2016/17 Gross Expenditure £000s	2016/17 Gross Income £000s	2016/17 Net Expenditure £000s
			Highways and Transport Services				
131,704	(4,037)	127,667	Running Costs	15&17	147,188	(5,948)	141,240
249,695	(86,539)	163,156	Revenue Expenditure Payable to TfGM & Districts Funded from Capital under Statute / Capital Grants Receivable	15&17	189,437	(76,774)	112,663
381,399	(90,576)	290,823			336,625	(82,722)	253,903
			Economic Development and Regeneration				
20,095	(15,600)	4,495	Running Costs	15&17	21,784	(23,816)	(2,032)
4,152	0	4,152	Revenue Expenditure Payable to ED & R Funded from Capital under Statute / Capital Grants Receivable	15&17	5,826	(736)	5,090
24,247	(15,600)	8,647			27,610	(24,552)	3,058
405,646	(106,176)	299,470	Cost of Services		364,235	(107,274)	256,961
			Other Operating Expenditure				
232	0	232	Losses on the disposal of non current assets	19	176	0	176
45,145	(4,022)	41,123	Financing and Investment Income and Expenditure	11&12	44,564	(4,924)	39,640
0	(314,408)	(314,406)	Taxation and Non Specific Grant Income	13	0	(297,281)	(297,281)
451,023	(424,604)	26,419	(Surplus) / Deficit on Provision of Services		408,975	(409,479)	(504)
			Items that will not be subsequently classified in deficit on provision of services				
		(4)	Re-measurement of the net defined benefit liability				75
			Items that will be subsequently classified in deficit on provision of services				
		(750)	(Surplus) / Deficit on revaluation of available for sale financial assets				0
		25,665	Total Comprehensive (Income) and Expenditure				(429)

Note: To reflect how management accounts are presented, Housing services has now been included within Economic Development and Regeneration; Corporate and Democratic Core has been split proportionately over Highways and Transport Services and Economic Development and Regeneration. The figures for 2015/16 have been restated to reflect this.

Richard Paver

Treasurer

29 September 2017

Greater Manchester Combined Authority - Movement in Reserves Statement

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

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

	Note	General Fund Reserves £000s	Capital Grants Unapplied Reserve £000s	Capital Receipts Reserve £000s	**Total Usable Reserves** £000s	**Total Unusable Reserves** £000s	**Total Authority Reserves** £000s
Balance as at 1 April 2015		**168,406**	**39,973**	**5,571**	**213,950**	**(1,091,342)**	**(877,392)**
Movement in Reserves during 2015/16							
Surplus or (deficit) on the provision of services	CIES	(26,419)	0	0	**(26,419)**	**0**	**(26,419)**
Total Comprehensive Income and Expenditure	CIES	0	0	0	**0**	**754**	**754**
Total Adjustments between accounting basis & funding basis under regulations	8	10,173	(17,420)	7,122	**(125)**	**125**	**0**
Increase / (decrease) in year		**(16,246)**	**(17,420)**	**7,122**	**(26,544)**	**879**	**(25,665)**
Balance as at 31 March 2016		**152,160**	**22,553**	**12,693**	**187,406**	**(1,090,463)**	**(903,057)**
Movement in Reserves during 2016/17							
Surplus or (deficit) on the provision of services	CIES	504	0	0	**504**	**0**	**504**
Total Comprehensive Income and Expenditure	CIES	0	0	0	**0**	**(75)**	**(75)**
Total Adjustments between accounting basis & funding basis under regulations	8	1,712	(10,751)	11,328	**2,289**	**(2,289)**	**0**
Increase / (decrease) in year		**2,216**	**(10,751)**	**11,328**	**2,793**	**(2,364)**	**429**
Balance as at 31 March 2017		**154,376**	**11,802**	**24,021**	**190,200**	**(1,092,828)**	**(902,628)**

Greater Manchester Combined Authority - Balance Sheet

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

31 March 2016 £000s		Note	31 March 2017 £000s
	Non Current Assets		
24,870	Property, Plant and Equipment	19	23,486
177	Investments	23	1,163
33,700	Long Term Debtors	24	29,557
58,747	**Total Non Current Assets**		**54,206**
	Current Assets		
1,250	Assets Held for Sale	23	0
22,675	Short Term Debtors	24	28,199
154,965	Cash and Cash Equivalents	25	119,234
178,890	**Total Current Assets**		**147,433**
	Current Liabilities		
(32,835)	Short Term Borrowing	28	(24,380)
(112,638)	Short Term Creditors	26	(94,038)
(28,304)	Capital Grants Receipts in Advance	15	(23,863)
(3,432)	Revenue Grants Receipts in Advance	15	(8,119)
(2,717)	Deferred Liability	27	(2,869)
(179,926)	**Total Current Liabilities**		**(153,269)**
57,711	**Total Assets less Current Liabilities**		**48,370**
	Long Term Liabilities		
(15,826)	Deferred Liability	27	(12,954)
(944,906)	Long Term Borrowing	28	(937,892)
(36)	Pensions liability	36	(152)
(960,768)			**(950,998)**
(903,057)	**Net (Liabilities)**		**(902,628)**
	Financed by:		
	Usable Reserves:		
187,406	Usable Reserves	9	**190,200**
(1,090,463)	Unusable Reserves	30	**(1,092,828)**
(903,057)	**Total Reserves**		**(902,628)**

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Richard Paver - Treasurer
29 September 2017

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 (i.e. borrowing) to the Authority.

2015/16 £000s		Note	2016/17 £000s
26,419	Net (surplus) / deficit on the provision of services		(504)
(6,468)	Adjustments to net surplus on the provision of services for non cash movements	32	14,281
3,840	Adjust for items included in the net surplus on the provision of services that are investing and financing activities	32	4,235
23,791	**Net Cash Flows from Operating Activities**		**18,012**
24,386	Investing Activities	33	(170)
(42,294)	Financing Activities	34	17,889
5,883	**(Increase) / Decrease in Cash and Cash Equivalents**		**35,731**
160,848	Cash and cash equivalents at the beginning of the reporting period	25	154,965
154,965	Cash and cash equivalents at the end of the reporting period	25	119,234

Notes to the GMCA's Core Financial Statements Index

Notes to the GMCA's Core Financial Statements

1. Accounting Concepts and Policies

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at 31 March 2017. The Authority is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, 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 2016/17 (The Code) 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, modified by the revaluation of certain categories of non-current assets and financial instruments.

Underlying Assumptions

1.1 **Going Concern**

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

1.2 **Primacy of Legislation Requirements**

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

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

Accounting Policies

1.3 **Property, Plant and Equipment (PPE)**

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

Expenditure on the acquisition, creation and enhancement of property, plant and equipment has been capitalised on an accruals basis provided that it yields benefit

Notes to the GMCA's Core Financial Statements

to the Authority and the services it provides are for more than one financial year. This capital expenditure is financed from either (a) the Department for Transport (b) the relevant district Authority (c) Transport for Greater Manchester (d) the relevant private sector organisation or (e) borrowings. Expenditure on repairs is primarily funded through the transport levy and expenditure on maintenance is funded entirely through the transport levy.

Capital expenditure is added to the value of an asset.

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.

1.4 **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 asset has been determined by reference to the records kept by the Greater Manchester Urban Traffic Control unit within TfGM. Each component of Property, Plant and Equipment that is considered to be significant in relation to the total cost of the asset is depreciated separately. Depreciation is charged to the service with a corresponding reduction in the value of the asset. The depreciation charge is reversed in the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account. Residual values, useful lives and depreciation methods are reviewed at each financial year end.

1.5 **Derecognition of Property, Plant and Equipment**

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

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

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

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

1.6 **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, District Councils and other organisations carrying out economic development and regeneration functions on behalf of the GMCA. Expenditure is charged to the Deficit / (Surplus) on the Provision of Services as the expenditure is incurred. This is reversed out through the Movement in

Notes to the GMCA's Core Financial Statements

Reserves Statement and a transfer made to the Capital Adjustment Account.

Details of the accounting policy relating to grants and funding of REFCUS expenditure is shown in policy 1.11.

1.7 Borrowing Costs

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

1.8 Provision for Redemption of Debt

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

For all capital expenditure incurred before 1 April 2008, and all capital expenditure incurred on non-Metrolink and non-Greater Manchester Transport Fund schemes, the Authority's policy is to adopt existing practice, the regulatory method (4% of capital financing requirements). For capital expenditure incurred on the Metrolink and Greater Manchester Transport Fund schemes, MRP will be deferred until the year after the asset has been commissioned into use, and will be on an annuity basis over the estimated asset life. Total MRP relating to borrowing for capital expenditure in 2016/17 was £23,327k (2015/16 £21,287k).

Tameside MBC manages the former Greater Manchester Authority Inherited Debt of the Authority and repayments are made annually on an annuity basis. The repayment in 2016/17 was £2,720k (2015/16 £2,573k).

1.9 Cash and Cash Equivalents

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

1.10 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.

Notes to the GMCA's Core Financial Statements

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

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

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

Provision is made for debts that are not considered to be collectable – referred to as impairment of financial assets. This provision is calculated based on a risk assessment of each debt. The balance of debtors on the Balance Sheet is reduced by the amount of provision made.

1.11 **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.

a. Revenue Grants and Contributions

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

b. 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.

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

Where conditions have been met, these grants and contributions that are attributable to assets not owned by the Authority (Revenue Expenditure Funded

Notes to the GMCA's Core Financial Statements

by Capital Under Statute) are credited to the Capital Grants Receivable line within the Cost of Services. They are then transferred to the Capital Adjustment Account when the related expenditure has been incurred via the Movement in Reserves Statement. If the grant is not spent it goes to the Capital Grants Unapplied reserve via the Movement in Reserves Statement. When spent, it is transferred from the Capital Grants Unapplied reserve to the Capital Adjustment Account.

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

1.12 VAT

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

1.13 Reserves

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

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

1.14 Revenue Recognition

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

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

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

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

1.15 Post-Employment Benefits – Local Government Pension Scheme

The Authority pays an employer's contribution into the Greater Manchester Pension Fund, which is a fully funded defined benefits scheme administered by Tameside Metropolitan Borough Council from whom an Annual Report is

Notes to the GMCA's Core Financial Statements

available.

The liabilities of the Greater Manchester Pension Fund attributable to the Authority 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 and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a basket of high quality corporate bonds, government gilts and other factors.

The assets of the Greater Manchester Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pension liability is analysed into the following components:

- The current service cost (the increase in the liability as a result of pension earned by Authority employees in the year) is charged to the net cost of services.
- Past services costs (the increase in the liability arising from current year decisions whose effect relate to years of service earned in earlier years) are shown as non- distributed costs (costs that are not attributable to a particular service) within the net cost of services. An example of when past service costs would occur is where there was a change in the basis of up-rating annual pensions.
- Gains and losses on settlements and curtailments (the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees) are also shown as non-distributed costs.
- The net interest on the net defined benefit liability, i.e. net interest expenses for the period that arises from the passage of time, is shown within the Financing and Investment Income and Expenditure line.

Re-measurements comprising:

- The return on plan assets excluding amounts included in net interest on the defined benefit liability and
- actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions are shown within Other Comprehensive Income and Expenditure.

Notes to the GMCA's Core Financial Statements

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

Financial Instruments

1.16 **Financial Assets – Loans and Receivables**

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

In 2016/17 the average rate of interest receivable on investments was 0.34% (2015/16 0.42%).

1.17 **Financial Liabilities**

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

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

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

Notes to the GMCA's Core Financial Statements

actual interest payable to the General Fund.

In 2016/17 the average rate of interest payable on borrowings was 4.62% (2015/16 4.62%).

1.18 Unquoted Equity Investments at Cost less Impairment

Unquoted Equity Investments at Cost less Impairment are recognised on the trade date, i.e. the date the Authority becomes committed to the purchase and would not be able to avoid acquiring it without breaking the contract, rather than the date the settlement takes place (if this is a later date).

If there is no quoted market price for the asset, then a reliable valuation technique should be applied. This could be a discounted cash flow analysis of dividends received or a valuation of the Authority's share of the company. The inputs to the measurement techniques are categorised into three levels –

- Level 1 inputs – quoted price in an active market for identical assets that the Authority can access at the balance sheet date.
- Level 2 inputs – inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

If the application of all relevant valuation techniques produces a significant range of reasonable fair value estimates such that no valuation would be reliable, the instrument is exempted from fair value measurement and is carried at cost less impairment.

1.19 Contingent Assets and Liabilities

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

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

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. 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 disclosed in a note to the accounts.

1.20 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in estimation techniques are accounted for prospectively (i.e. in the current and future years affected by the change and do

Notes to the GMCA's Core Financial Statements

not give rise to a prior period adjustment).

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

1.21 **Events after the Balance Sheet Date**

Events after the balance sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Where these provide evidence of conditions in existence at the balance sheet date, the amounts recognised in the accounts are adjusted. Where these are indicative of conditions that arose after the balance sheet date the amounts in the accounts are not adjusted. This is known as a non-adjusting event and is disclosed as a note to the accounts.

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

1.22 **Interests in Companies and Other Entities - Group Accounts**

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

Inclusion in the Authority group is dependent upon the extent of the Authority's interest and power to influence an entity. The Authority is considered to control an entity if it has power over the entity, exposure or rights to variable returns from its interest with the entity and the ability to use its power to affect the level of returns. The determining factor for assessing the extent of interest and power to influence is either through ownership of an entity, or representation on an entity's board of directors/trustees.

An assessment of all the Authority's interests has been carried out during the year, in accordance with the Code of Practice, to determine the relationships that exist and whether they should be included within the Authority's group accounts. As such, Group accounts have been prepared for the Authority to include Transport for Greater Manchester group (TfGM), Greater Manchester Accessible Transport Ltd (GMATL), Commission for the New Economy Ltd. (CNE), and Manchester Investment and Development Agency Service Ltd. (MIDAS) all as subsidiaries, using merger accounting. Inclusion of these organisations within the Authority group boundary is required due to the GMCA exercising ultimate control.

Notes to the GMCA's Core Financial Statements

2. Critical Accounting Judgements

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

3. Key Sources of Estimation and Uncertainty

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

The items in the Authority's Balance Sheet as at 31 March 2017 for which there is a risk of adjustment in the following financial year are:

3.1 Depreciation of Property, Plant and Equipment

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

It is estimated that the annual depreciation charge would increase by £392k for each year that useful asset lives are reduced.

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

3.2 Impairment of Debt

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

3.3 Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. A firm of actuaries is engaged by the Pension Fund to provide expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £39k and a 0.5% increase in the assumed pension rate increase would result in a £38k increase in the pension liability. A one year increase in member life expectancy

Notes to the GMCA's Core Financial Statements

would approximately increase the pension liability by 3-5% (the action cost of a one year increase in life expectancy will depend on the structure of the revised assumption).

4. Impact of Accounting Changes Issued But Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the Authority to disclose information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 2016/17 Code.

The Code has introduced changes in accounting policies which will be required from 1 April 2017 and will therefore be valid for the 2017/18 Code are:

- A new disclosure relating to pension fund scheme transactions costs and
- Clarification to the reporting of pension fund investment concentration.

These changes relate to Pension Fund Accounts and do not have any implications for the Authority.

5. Post Balance Sheet Events

Events after the balance sheet date are those that occur between the end of the reporting period (i.e. 31 March) and the date when the Statement of Accounts is authorised for issue. The Authority is required to disclose any material events as a note to the accounts. The following event has therefore been included:

Inclusion of Greater Manchester Fire and Rescue and Greater Manchester Office for Police and Crime Commissioner into the Authority from the 8th May 2017.

In November 2016 the authority established Greater Manchester FoF Limited Partnership to act as a recipient of ERDF funding. No transactions were recorded in the period to 31/3/17. In May 2017, the fund received £15m funding from ERDF and £0.5m from GMCA. The fund of funds will invest in sub funds that seek to support the shift towards a low carbon economy and for research and innovation. The fund has secured an additional £45m ERDF funding which can be drawn down as the first tranche of funding is disbursed. It is anticipated that the fund will be consolidated as a subsidiary into the group accounts next year.

Further details of the post balance sheet event are shown in Note 63 to the financial statements.

Notes to the GMCA's Core Financial Statements

6. Authorisation for Issue of the Statement of Accounts

The 2016/17 Statement of Accounts was authorised for issue by the Treasurer on 30 June 2017.

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

7 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by local authorities in comparison to those resources consumed or earned by local authorities in accordance with generally accepted accounting practices. It also shows how the expenditure is allocated between Directorates. Income and expenditure accounted for under generally accepted accounting practice is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16				2016/17		
Net expenditure chargeable to the General Fund balance	**Adjustments between Funding and Accounting Basis**	**Net expenditure in the Comprehensive Income and Expenditure Statement**		**Net expenditure chargeable to the General Fund balance**	**Adjustments between Funding and Accounting Basis**	**Net expenditure in the Comprehensive Income and Expenditure Statement**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
			Highways and Transport Services			
147,529	(19,862)	127,667	Running Costs	163,651	(22,411)	141,240
0	163,156	163,156	Revenue Expenditure Payable to TfGM & Districts Funded from Capital under Statute / Capital Grants Receivable	0	112,663	112,663
147,529	**143,294**	**290,823**		**163,651**	**90,252**	**253,903**
			Economic Development and Regeneration			
4,596	(101)	4,495	Running Costs	(2,308)	276	(2,032)
0	4,152	4,152	Revenue Expenditure Payable to ED & R Funded from Capital under Statute / Capital Grants Receivable	0	5,090	5,090
4,596	**4,051**	**8,647**		**(2,308)**	**5,366**	**3,058**
152,125	**147,345**	**299,470**	**Cost of Services**	**161,343**	**95,618**	**256,961**
(135,879)	(137,172)	(273,051)	Other Income and Expenditure	(163,559)	(93,906)	(257,465)
16,246	**10,173**	**26,419**	**(Surplus) / Deficit**	**(2,216)**	**1,712**	**(504)**
168,406			Opening General Fund Balance	**152,160**		
(16,246)			(Surplus) / Deficit on General Fund Balance in year	**2,216**		
152,160			Closing General Fund Balance at 31 March	**154,376**		

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

7 Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting basis 2015/16

	Adjustments for Capital Purposes (a) £000s	Pension adjustments (b) £000s	Other Adjustments (c) £000s	Total Adjustments £000s
Highways and Transport Services				
Running Costs	(19,862)	0	0	(19,862)
Revenue Expenditure Payable to TfGM & Districts Funded from Capital under Statute / Capital Grants Receivable	163,156	0	0	163,156
Economic Development and Regeneration				
Running Costs	(141)	40	0	(101)
Revenue Expenditure Payable to ED & R Funded from Capital under Statute / Capital Grants Receivable	4,152	0	0	4,152
Net Cost of Services	**147,305**	**40**	**0**	**147,345**
Other Income and Expenditure	**(141,611)**	**0**	**4,439**	**(137,172)**
Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	**5,694**	**40**	**4,439**	**10,173**

Adjustments between Funding and Accounting basis 2016/17

	Adjustments for Capital Purposes (a) £000s	Pension adjustments (b) £000s	Other Adjustments (c) £000s	Total Adjustments £000s
Highways and Transport Services				
Running Costs	(22,411)	0	0	(22,411)
Revenue Expenditure Payable to TfGM & Districts Funded from Capital under Statute / Capital Grants Receivable	112,663	0	0	112,663
Economic Development and Regeneration				
Running Costs	235	41	0	276
Revenue Expenditure Payable to ED & R Funded from Capital under Statute / Capital Grants Receivable	5,090	0	0	5,090
Net Cost of Services	**95,577**	**41**	**0**	**95,618**
Other Income and Expenditure	(98,032)	0	4,126	**(93,906)**
Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	**(2,455)**	**41**	**4,126**	**1,712**

(a) Adjustments for capital purposes includes revenue expenditure funded from capital under statute, depreciation and impairment, gain/loss on disposal of non current assets, capital grants and contributions, minimum revenue provision and revenue contribution to capital outlay.

(b) Pension adjustments include employer's contribution to the pension scheme and retirement benefits per IAS 19.

(c) Other adjustments include contributions to capital bad debt provision and available for sale financial instruments.

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

8 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.

	2015/16		2016/17	
	Usable Reserves £000s Restated	Unusable Reserves £000s Restated	Usable Reserves £000s	Unusable Reserves £000s
Revenue Expenditure Payable to TfGM and District Councils funded from Capital Under Statute	249,695	(249,695)	189,437	(189,437)
Annual Depreciation Charge	3,998	(3,998)	4,307	(4,307)
Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	232	(232)	176	(176)
Capital Grants Receivable - REFCUS	(203,236)	203,236	(172,633)	172,633
Contributions Receivable - Traffic Signals	(2,586)	2,586	(3,099)	3,099
Revenue Expenditure Payable to ED & R Funded from Capital Under Statute	4,152	(4,152)	5,826	(5,826)
Capital Grants Receivable from CLG - REFCUS	(141)	141	(736)	736
Impairment of Loans and Investments	287	(287)	235	(235)
Transfer to / (from) Capital Grants Unapplied	(7,402)	7,402	0	0
Contribution to Capital Bad Debt provision	4,441	(4,441)	4,131	(4,131)
Employer's Contribution to pension scheme	(68)	68	(81)	81
Minimum Revenue Provision for capital financing	(21,287)	21,287	(23,327)	23,327
Inherited Debt Principal Payment	(2,573)	2,573	(2,720)	2,720
Long and Short Term Debtor financed from Capital Receipts	(5,120)	5,120	(6,619)	6,619
Write Down of Long Term Debtor	12,242	(12,242)	17,945	(17,945)
Short / Long Term Debtor financed from Capital Grants	(10,019)	10,019	(10,751)	10,751
Revenue Contributions to Fund Capital - RCCO	0	0	(671)	671
Revenue Contributions to Finance Capital	(22,846)	22,846	0	0
Retirement Benefits per IAS19	108	(108)	122	(122)
Available for sale financial instruments	0	0	750	(750)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(2)	2	(3)	3
Total Adjustments	**(125)**	**125**	**2,289**	**(2,289)**

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

9 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 2016/17.

	1 April 2015 £000s	Transfers in/out 2015/16 £000's	31 March 2016 £000s	1 April 2016 £000s	Transfers in/out 2016/17 £000's	31 March 2017 £000s
Revenue Grants Unapplied Reserves:						
Growing Places Fund (LEP) (1)	**1,813**	(1,813)	**0**	**0**	1,554	**1,554**
Local Sustainable Transport Fund (2)	**6,726**	(4,849)	**1,877**	**1,877**	(825)	**1,052**
Regional Growth Fund 2 (LEP) (3)	**15,967**	(15,967)	**0**	**0**	0	**0**
Regional Growth Fund 3 (LEP) (4)	**6,110**	(6,110)	**0**	**0**	0	**0**
Regional Growth Fund Deposit Interest (5)	**76**	37	**113**	**113**	0	**113**
Smarter Cities (6)	**70**	580	**650**	**650**	(580)	**70**
Youth Contract (7)	**4,787**	(742)	**4,045**	**4,045**	(1,362)	**2,683**
Local Enterprise Partnership Core Funding (LEP) (8)	**176**	(143)	**33**	**33**	(33)	**0**
Local Enterprise Partnership Strategic Plans Funding (LEP) (9)	**441**	53	**494**	**494**	119	**613**
City Deal (10)	**3,477**	1,601	**5,078**	**5,078**	(1,737)	**3,341**
Total Transport Pilot Fund (11)	**81**	0	**81**	**81**	(42)	**39**
Careers & Enterprise Grant (12)	**0**	50	**50**	**50**	38	**88**
GM Skills for Employment pilot (13)	**0**	60	**60**	**60**	(40)	**20**
Brownfield Land Register Pilot (14)	**0**	80	**80**	**80**	(80)	**0**
One Public Estate (15)	**0**	250	**250**	**250**	325	**575**
SEMMMs Study (16)	**0**	350	**350**	**350**	(294)	**56**
CCAG Evaluation (17)	**0**	28	**28**	**28**	(28)	**0**
AGE Grant (18)	**0**	1,274	**1,274**	**1,274**	(1,274)	**0**
Earn-back Revenue (19)	**0**	0	**0**	**0**	2,348	**2,348**
HS2 Growth Strategy (20)	**0**	0	**0**	**0**	1,431	**1,431**
Adult Education Budget Devolution (21)	**0**	0	**0**	**0**	45	**45**
Total Revenue Grants Unapplied Reserves	**39,724**	**(25,261)**	**14,463**	**14,463**	**(435)**	**14,028**
Capital Programme Reserve (22)	**87,505**	18,121	**105,626**	**105,626**	212	**105,838**
Metrolink Reserve (23)	**34,496**	(23,703)	**10,793**	**10,793**	(10,793)	**0**
Regional Growth Fund / Growing Places Interest and Arrangement Fees (24)	**1,397**	1,561	**2,958**	**2,958**	3,230	**6,188**
Integrated Ticketing Reserve (25)	**0**	12,500	**12,500**	**12,500**	0	**12,500**
Business Growth Hub (26)	**0**	0	**0**	**0**	1,950	**1,950**
Business Rates (27)	**0**	0	**0**	**0**	6,841	**6,841**
Total Reserves transferred (to) / from General Fund	**163,122**	**(16,782)**	**146,340**	**146,340**	**1,004**	**147,344**
Transfer (to) / from General Fund						
General Fund - Transport (28)	**4,883**	0	**4,883**	**4,883**	0	**4,883**
General Fund - Economic Development and Regeneration (29)	**401**	536	**937**	**937**	1,213	**2,150**
Usable Capital Receipts Reserve (30)	**5,571**	7,122	**12,693**	**12,693**	11,328	**24,021**
Capital Grants Unapplied Reserve (31)	**39,973**	(17,420)	**22,553**	**22,553**	(10,751)	**11,802**
Total Usable Reserves	**213,950**	**(26,544)**	**187,406**	**187,406**	**2,795**	**190,200**

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

9 Transfers to / (from) Earmarked Reserves (continued)

Purpose of the Reserve:

1 Growing Places Fund: funding to establish revolving investment funds, promoting a long term locally led solution to local infrastructure constraints.
2 Local Sustainable Transport Fund: funding to stimulate economic growth whilst reducing carbon emissions.
3 Regional Growth Fund 2: funding to create new, sustainable, private sector jobs in areas vulnerable to public sector job losses.
4 Regional Growth Fund 3: latest wave of funding to create new, sustainable, private sector jobs in areas vulnerable to public sector job losses.
5 Regional Growth Fund Bank Interest: Interest earned on income received in advance will be re-invested within the fund as per grant conditions.
6 Smarter Cities: funding to assist with the smart ticketing project.
7 Youth Contract: funding to assist with job creation jobs for 16-24 yr olds
8 LEP Core Priorities: funding to assist LEP's to meet priorities.
9 LEP Strategic Plans: funding to assist plans with the EU structural plans for 2014-2020
10 City Deal: funding from the Skills Funding Agency as part of the City Deal to assist with increased apprenticeship and training opportunities
11 Total Transport Pilot Fund: funding to support the delivery of supported public road passenger transport services
12 Careers & Enterprise Grant: funding to support the delivery of the enterprise advisor network
13 GM Skills & Employment pilot: funding to test the impact of locally led commissioning and performance management of adult skills funding
14 Brownfield Register Pilot: funding to research whether a Brownfield register can be developed for GM
15 One Public Estate: funding to assist with the One Public Estate initiative
16 SEMMMs Study: funding to evaluate the economical impact of the South East Manchester Multi-Modal Scheme
17 CCAG Evaluation: funding to evaluate the success of the Cycle City Ambition Grant
18 AGE Grant: funding to facilitate apprenticeships within GM
19 Earn-back Revenue: part of the devolution deal to be used for infrastrucure investment
20 HS2 Growth Strategy: funding to evaluate the HS2 Growth Strategy
21 Adult Education Budget Devolution: funding to evualute the Adult Eductaion Budgets to be devolved
22 Capital Programme Reserve: surpluses of capital financing costs which have been set aside to fund future capital programme related expenditure.
23 Metrolink Reserve: funding for Metrolink Service Enhancement related expenditure.
24 Regional Growth Fund / Growing places Interest and Arrangement Fees: Interest earned on income received in advance will be re-invested within the fund as per grant conditions and arrangement fees may be off-set against specific costs associated with the making of the loans
25 Integrated Ticketing Reserve: funding to support the integrated ticketing scheme
26 Business Growth Hub: funding to provide ERDF Match to the Business Growth Hub
27 Business Rates Income: funding to support the mayoral election and other transitional costs
28 General Fund - Transport: Non specific reserve relating to transport related functions
29 General Fund - Economic Development and Regeneration: Non specific reserve relating to Economic Development and regeneration related functions
30 Usable Capital Receipts - these include the principal repayments of the RGF / GPF Loans
31 Capital Grants Unapplied Reserve: Includes GPF funds and LTP Top-Slice grants

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

10 Income and Expenditure Analysis

The Authority's income and expenditure is analysed as follows:

	2015/16 £000s	2016/17 £000s
Expenditure		
Grants expenditure	137,856	154,359
Other Service Expenses	9,658	10,071
Capital Charges including Depreciation and impairment	4,285	4,542
Financing and Investment Expenditure	45,145	44,564
Revenue Expenditure Funded from Capital Under Statute	253,847	195,263
Loss on Disposal of Non-current Assets	232	176
Total Expenditure	451,023	408,975
Income		
Financing and Investment Income	(4,022)	(4,924)
Transport Levy Income	(195,123)	(189,323)
Government Grants and Contributions	(225,459)	(215,232)
Total Income	(424,604)	(409,479)
Deficit / (Surplus) on the Provision of Services	26,419	(504)

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

11 Financing and Investment Expenditure

2015/16 £000s		2016/17 £000s
	Interest payable and similar charges on borrowings:	
20,785	PWLB	20,192
23,241	Others	23,427
1,119	Former Greater Manchester Council debt	945
45,145		44,564

12 Financing and Investment Income

2015/16 £000s		2016/17 £000s
877	Interest receivable on deposits	916
3,145	Interest receivable on loans	4,008
4,022		4,924

13 Taxation and Non Specific Grant Income

2015/16 £000s		2016/17 £000s
195,123	Transport levy from the Greater Manchester districts	189,323
2,586	Capital Contributions Receivable for Traffic Signal Schemes	2,490
86,697	Growth Deal Grant (LEP)	75,468
30,000	Earnback Grant	30,000
314,406		297,281

14 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.

2015/16 £000s		2016/17 £000s
27,978	LTP Highways Capital Maintenance Received from DfT	27,217
(27,978)	LTP Highways Capital Maintenance Paid to Districts	(27,217)
(31)	Greater Manchester Transport Fund - non GMCA Road Schemes Paid to Districts	(184)
(31)	Net Cash Receipts	(184)

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

15 Grants and Contributions Income

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

2015/16 £000s	Credited to Cost of Services	2016/17 £000s
	Highways and Transport Services	
0	HS2 Growth Strategy - DfT	2,500
0	Sustainable Transport Transition Year Grant - DfT	1,109
1,180	Smarter Cities Grant - DFT	0
350	South East Manchester Multi-Modal Study Grant - DFT	0
28	Cycle City Ambition Evaluation Grant - DFT	0
2,230	Local Sustainable Transport Grant - DFT	1,998
0	Transport Pilot Fund - DFT	0
249	District & External Contributions to Traffic Signals Repairs / S278	341
86,539	Revenue Expenditure Funded by Capital under Statute -DFT	76,774
90,576		82,722
	Economic Development and Regeneration (ED&R)	
0	Regional Growth Fund 2 (LEP) - CLG	0
0	Regional Growth Fund 3 (LEP) - CLG	0
404	Regional Growth Fund / Growing Places Fund Arrangement fees	500
625	Growth Deal - Business Growth Hub (LEP) - CLG	513
250	Local Enterprise Partnership Core Funding (LEP) - CLG	250
250	Local Enterprise Partnership EU Strategic Plans (LEP) - CLG	250
102	Elena Grant - EIB	226
5,112	AGE Grant - SFA	3,201
0	Adult Education Budget Devolution - DfE	45
3,489	City Deal - Skills Funding Agency	(115)
250	One Public Estate - Cabinet Office	396
60	GM Skills & Employment Pilot - SFA	141
80	Brownfield Register Pilot - CLG	0
50	Careers & Enterprise Grant	95
98	GM Technical Assistance - ERDF	101
87	GM Technical Assistance - ESF	108
3,902	District Contributions to ED&R functions	9,883
583	External Contributions towards Planning Services	8,222
141	Revenue Expenditure Funded by Capital under Statute - DCLG / HCA	736
15,483		24,552
	Corporate and Democratic Core	
117	District Contributions to Corporate and Democratic Core	0
106,176		107,274

2015/16 £000s	Credited to Taxation and Non Specific Grant Income	2016/17 £000s
1,983	District Contributions to Traffic Signal schemes	2,084
603	External Contributions to Traffic Signal schemes	406
86,697	Growth Deal	75,468
30,000	Earnback	30,000
119,283		107,958

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

15 Grant Income (continued)

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

Capital Grants Receipts in Advance

	31 March 2016 £000s	31 March 2017 £000s
Smarter Cities Grant	200	0
Clean Bus Technology Grant	162	41
Local Sustainable Transport Fund	762	60
Cross City Bus Package	12,077	8,795
Cycle City Ambition Grant	434	0
Cycle City Ambition Grant 2	2,972	10,538
South East Manchester Multi Modal Study	5,197	0
Stockport Town Centre Access	6,500	4,429
	28,304	23,863
Due to be recognised within 1 year	28,304	23,863
Due to be recognised over 1 year	0	0

Revenue Grants Receipts in Advance

	31 March 2016 £000s	31 March 2017 £000s
ELENA Grant	662	437
Local Sustainable Transport Fund	2,770	101
AGE Grant	0	2,940
Metrolink Western Loop	0	1,750
Cycling & Walking to Work	0	1,500
Sustainable Transport Transition Year	0	1,391
	3,432	8,119
Due to be recognised within 1 year	3,432	8,119

16 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:

	2015/16 £000s	2016/17 £000s
Fees receivable from Public Sector Audit Appointments with regard to external audit services carried out by the appointed auditor for the year	(5)	(4)
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	24	24
Fees payable to Grant Thornton for the certification of grant claims and returns for the year	9	0
Fees payable to Grant Thornton in respect of any other services	6	6
Total	34	26

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

17 Cost of Service - Running costs expenditure

	2015/16 Restated £000s	2016/17 £000s
Highways and Transport Services		
Revenue Support Grant to TfGM	115,238	124,189
Government Grants	7,680	13,813
Payments to TfGM for Traffic Signals Maintenance / Repairs & S278	4,071	4,162
Annual Depreciation Charge on the Traffic Signals	3,998	4,307
Support Costs - Transport	717	717
	131,704	147,188
Economic Development and Regeneration (ED&R)		
Payments for other Economic Development and Regeneration Services	7,190	6,844
Contribution to Capital Bad Debt provision	4,441	4,131
Write Down of Long Term Debtors and Impairment	287	0
Write Down of Equity Investments	0	235
Government Grants	7,748	9,513
Support Costs - Economic Development and Regeneration Functions	429	1,061
	20,095	21,784
	151,799	168,972

18 Revenue Expenditure Funded from Capital under Statute

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

Full details of this expenditure can be found in the Narrative Report.

	2015/16 £000s	2016/17 £000s
Transport related	249,695	189,437
Economic development and regeneration related	4,152	5,826
	253,847	195,263

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

19 Property, Plant & Equipment including Disposals

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

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

The movement on property, plant and equipment during 2015/16 and 2016/17 was as follows:

	Infrastucture Assets Total £000s
Gross Book Value:	
At 1 April 2015	68,347
Additions at cost	3,976
Disposals	(1,747)
At 31 March 2016	70,576
At 1 April 2016	70,576
Additions at cost	3,099
Disposals	(1,784)
At 31 March 2017	71,891
Accumulated Depreciation	
At 1 April 2015	43,223
Charge for year	3,998
Disposals	(1,515)
At 31 March 2016	45,706
At 1 April 2016	45,706
Charge for year	4,307
Disposals	(1,608)
At 31 March 2017	48,405
Net Book Value:	
At 1 April 2015	25,124
At 31 March 2016	24,870
At 31 March 2017	23,486

Losses on Disposal of Non Current Assets

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

2015/16 £000s	2016/17 £000s
232	176

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

20 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 priniciples 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 (i.e. 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 2017, the historic asset lives of 10, 20 or 30 years have been used in the calculation of the depreciation charge.

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

These assets are not required to be revalued at this time.

21 Contracted Capital Commitments

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

	31 March 2016 £000s	31 March 2017 £000s
Traffic Signals	939	741
	939	741

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

22 Capital Expenditure and Capital Financing

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

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

	2015/16 £000s	2016/17 £000s
Capital Expenditure on Infrastructure assets	3,976	3,099
Capital Grants Payable to TfGM (REFCUS)	157,741	100,019
Capital Grants Payable for ED & R (REFCUS)	4,152	5,827
Capital Grants Payable to Districts (REFCUS)	91,954	89,418
Long/Short Term Debtors for ED & R	35,211	17,369
Investment in Share Capital	50	0
Total Capital Expenditure	293,084	215,732
Funded by:		
Central Government Grants	220,787	184,743
District Contributions	1,983	2,084
External Capital Contributions	603	406
Revenue Contributions	22,852	671
Useable Capital Receipts	5,120	6,619
Borrowing	41,739	21,209
	293,084	215,732

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.

	2015/16 £000s	2016/17 £000s
Opening Capital Financing Requirement	1,147,136	1,165,004
Capital Investment		
Revenue Expenditure Funded from Capital Under Statute	253,847	195,264
Capital Expenditure on Property Plant and Equipment assets	3,976	3,099
Investments	50	0
Long Term Debtors	35,211	17,369
Sources of Finance		
Government Grants & Other Contributions	(213,365)	(176,469)
Short / Long Term Debtor financed from Capital Grants	(10,019)	(10,751)
Short / Long Term Debtor financed from Revenue Grants	(20,072)	0
Short / Long Term Debtor financed from Capital Receipts	(5,120)	(6,619)
Investments funded from RCCO	(50)	0
Revenue Contributions	(2,730)	(671)
Minimum Revenue Provision	(21,287)	(23,327)
Repayment of Inherited Debt	(2,573)	(2,720)
Closing Capital Financing Requirement	**1,165,004**	**1,160,179**
Explanation of movements in year		
Increase / (decrease) in underlying need to borrow (unsupported by government financial assistance)	17,868	(4,825)
Increase in Capital Financing Requirement	**17,868**	**(4,825)**

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

23 Investments

The Authority has the following long term investments:

	31 March 2016 £000s	31 March 2017 £000s
DataCentred Ltd	2	2
Intechnica Ltd	125	125
Sofaworks Ltd	1,250	0
Less Reclassification to Assets Held for Sale	(1,250)	0
UK Municipal Bonds Agency	50	50
Clowdy Group Ltd*	0	240
Smartlife*	0	446
Optimise Hiring*	0	300
Total Capital Expenditure	177	1,163

Investments are shown at their market value or cost. Holding investments at cost does not make a material difference to the accounts.

* These investments were impaired during the 16/17 financial year

23a Assets Held for Sale

The assets held for sale are classified as current assets because they are expected to be realised within the next 12 months

	31 March 2016 £000s	31 March 2017 £000s
Balance at 1 April	0	1,250
Transfer from Investments (Sofaworks Ltd) at cost	500	0
Revaluation of investment	750	0
Disposal of investment	0	(1,250)
Total Assets Held for Sale	1,250	0

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

24 Short and Long Term Debtors

Short Term Debtors

	31 March 2016 £000s	31 March 2017 £000s
Central Government Bodies		
HMRC	1,058	1,100
Capital Grants REFCUS - DfT	1,250	625
Revenue Grants - Central Government	2,062	601
Other Local Authorities	1,532	8,740
Public Corporations		
Traffic Signal Contributions - TfGM	368	26
Transport Revenue Grant - TfGM	0	1,640
Prepayments	160	0
Other entities and individuals	20,885	18,661
Bad Debt provision	(4,640)	(3,194)
Total	22,675	28,199

Within short term debtors an amount of £1,363k (31 March 2016 £1,043k) has been outstanding for over 30 days.

Long Term Debtors

Other entities and individuals

	31 March 2016 £000s	31 March 2017 £000s
Gross Book Value	41,363	43,293
Impairment provision	(7,663)	(13,736)
Net Book Value	33,700	29,557

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

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

25 Cash and Cash Equivalents

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

	31 March 2016 £000s	31 March 2017 £000s
Bank current accounts	287	19
Bank call accounts	11,209	150
Short term deposits with central government and other institutions	143,469	119,065
	154,965	119,234

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 2017 is £163k (31 March 2016 £78k).

The average interest receivable on the short term deposits as at 31 March 2017 was 0.34% (31 March 2016 0.42%).

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 2017 these amount to £1.402 million (31 March 2016 £21.795 million).

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

26 Short Term Creditors

	31 March 2016 £000s	31 March 2017 £000s
Central Government Bodies		
HMRC	20	27
Non GMCA Road Schemes - DfT *	27,017	26,833
Business Innovation and Skills - BIS	118	0
Other Local Authorities	32,218	38,209
Public Corporations		
TfGM	47,167	27,355
Other entities and individuals	6,098	1,614
Total	112,638	94,038

*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.

27 Deferred Liability

Former Greater Manchester Council debt

	2015/16 £000s	2016/17 £000s
Balance as at 1 April	21,116	18,543
Repayment in the year	(2,573)	(2,720)
Balance as at 31 March	18,543	15,823
Due within 1 year	2,717	2,869
Due over 1 year	15,826	12,954

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)

28 Financial Instruments

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

	Long Term		Current	
	31 March 2016 £000s	31 March 2017 £000s	31 March 2016 £000s	31 March 2017 £000s
Investments				
Equity investments	177	1,163	0	0
Available for Sale Financial Asset	0	0	1,250	0
Loans and receivables	0	0	154,678	119,215
Debtors				
Loans and receivables	33,700	29,557	21,457	27,099
Cash	0	0	287	19
Borrowings				
Financial liabilities at amortised cost	944,906	937,892	32,835	24,380
Creditors and Grants Received in Advance				
Financial liabilities at amortised cost	0	0	144,374	126,020

Income and Expense

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2015/16				2016/17			
	Financial Liabilities measured at amortised cost £000s	Financial assets: loans and receivables £000s	Financial assets: available for sale £000s	Total £000s	Financial Liabilities measured at amortised cost £000s	Financial assets: loans and receivables £000s	Financial assets: available for sale £000s	Total £000s
Interest expense	(44,026)	0	0	(44,026)	(43,619)	0	0	(43,619)
Impairment of Debtors	0	(4,441)	0	(4,441)	0	(4,131)	0	(4,131)
Interest Income	0	4,022	0	4,022	0	4,924	0	4,924
Gains / (Loss) on revaluation	0	0	750	750	0	0	0	0
Net gain / (loss) for the year	(44,026)	(419)	750	(43,695)	(43,619)	793	0	(42,826)

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

28 Financial Instruments (continued)

Fair Values of Assets and Liabilities

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

	31 March 2016		31 March 2017	
	Carrying Amount £000s	**Fair Value £000s**	**Carrying Amount £000s**	**Fair Value £000s**
Financial Assets at Amortised Cost				
Cash	287	287	19	19
Loans and Receivables	209,835	209,835	175,871	175,871
Equity investments	177	177	1,163	1,163
Total Financial Assets	210,299	210,299	177,053	177,053

	31 March 2016		31 March 2017	
	Carrying Amount £000s	**Fair Value £000s**	**Carrying Amount £000s**	**Fair Value £000s**
Financial Liabilities at Amortised Cost				
PWLB Debt using premature repayment rates	399,388	597,604	394,282	628,097
Non- PWLB debt	578,353	836,870	567,991	899,018
Total Borrowings	977,741	1,434,474	962,273	1,527,115
Creditors and Grants Received in Advance	144,374	144,374	126,020	126,020
Total Financial Liabilities	1,122,115	1,578,848	1,088,293	1,653,135

The 2016/17 code adopted IFRS 13 Fair Value Measurement which requires the Authority to measure any financial instruments in accordance with IFRS 13. Prior year restatement is not required. Fair value in IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In 2016/17 the fair values are included at the amount at which the instrument could be exchanged in a current transaction between willing parties.

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

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

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

Long term receivables have been evaluated based on collectability risk.

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

28 Financial Instruments (continued)

Loans and Borrowings

- In 2016/17 for non-PWLB loans payable, the fair value of the current and long term debt has been measured at £899.018 million using premature repayment rates. These are the rates that would apply if the loan was to be repaid early and is deemed to be the principle market for the current debt. A supplementary measure of the fair value using current market rates is £708.018 million.

- The fair value of Public Works Loan Board (PWLB) loans of £628.097 million measures the economic effect of the terms agreed with the PWLB based on premature repayment rates. This is deemed to be the principle market for the PWLB loan debt. The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at premature repayment rates.

- However, the Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £389.906 million would be valued at £550.568 million. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans would be £123.671 million.

- The valuation techniques used for PWLB and non PWLB debt are at level 2 – significant observable inputs. There have been no changes in valuation technique during the financial year.

- In 2016/17 the fair value is determined by calculating the Net Present Value of future cash flows, thereby estimating the value of future payments in today's terms. This is a widely accepted and commonly used valuation technique. The discount rate used is equal to the current rate for a similar loan from a comparable lender. This will be the market rate applicable on the date of valuation for a loan with the same outstanding period to maturity.

- However, it may be that the future cash flows of a loan do not fall in equal time periods from the date of valuation. Where this is the case, adjustments are made to each discount factor in order to account for the timing inequality.

- The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value, which includes accrued interest as at the balance sheet date. The Authority has therefore included accrued interest in the fair value calculation.

- The discount rates used for the evaluation were obtained by the Authority from Sector. Sector is a leading and independent provider of capital financing, treasury advisory and strategic advisory consulting services to the public sector.

- Assumptions used, which do not have a material effect on the fair value evaluation are: interest is calculated using a 365 day basis; interest is paid on the maturity date; no adjustment is made to the interest value and date where a relevant date occurs on a non-working day.

- The repayment profile of loans and borrowings is taken into account during the Authority's preparation and review of cash flow forecasts which are carried out on a regular basis.

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

28 Financial Instruments (continued)

Borrowings	**Range of interest rates payable in 16/17 from %**	**to %**	**Average Interest 31 March 2016 %**	**Average Interest 31 March 2017 %**	**Total Outstanding 31 March 2016 £000s**	**Total Outstanding 31 March 2017 £000s**
a) Analysis of loans by type:						
Public Works Loans Board	3.37%	9.75%	5.15%	5.18%	394,906	389,906
Other Loans	3.95%	4.581%	4.21%	4.22%	555,000	565,040
TfGM - Interbank					21,795	1,402
Accrued Interest Payable:						
PWLB					4,482	4,376
Others					1,558	1,549
Total as at 31 March			4.62%	4.62%	977,741	962,273
b) Analysis of loans by maturity						
Maturing:						
Due within 1 year: accrued interest payable						
PWLB					4,482	4,376
Others					1,558	1,549
Due within 1 year: principal						
PWLB					5,000	5,000
Others					0	12,053
Due within 1 year: TfGM - Interbank					21,795	1,402
Due within 1 year					32,835	24,380
In 1 to 2 years					7,014	11,295
In 2 to 5 years					42,287	42,659
In 5 to 10 years					97,419	115,122
In over 10 years					798,186	768,817
Due over 1 year					944,906	937,893
Total					977,741	962,273

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

29 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 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
- Money Market Funds, credit criteria AAA
- Non-UK Banks / Building Societies – Domiciled in a country which has a minimum sovereign Long Term rating of AAA
- Treasury Bills – UK Government backed
- Covered Bonds – Credit Criteria AAA

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.

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

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

Investment Limits

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

Banks and Building Societies

Fitch AA+ and above	£15 million
Fitch AA+/AA-	£10 million
Fitch A+/A	£8 million
Fitch A-	£4 million
Fitch BBB+	£0 million
Debt Management Office	£200 million
Manchester City Council	£50 million
Other GM Wide Authorities	Unlimited
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.

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 2017 were with the HM Treasury Debt Management Office, other local authorities or UK banks and 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 debtors relate primarily to claims on Central and Local Government departments. Excluding HMRC and RGF / GPF Loans, £0.035 million of the balance of debtors of £2.052 million is past its due date for payment, therefore the estimated exposure to default is £nil.

RGF / GPF loans have had individual risk profiles assessed, resulting in an impairment of debt of £16.930 million being included within the accounts.

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

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

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

Credit Ratings Used:

Banks and Building Societies:
As a minimum must have the following Fitch (or equivalent) credit ratings (where rated): Long Term – Fitch A-
Short Term – Fitch F1 Support – Fitch 3

Monitoring of credit ratings:

This Authority will not use the approach of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The Capita Asset Services creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preponderance to just one agency's ratings.

All credit ratings will be monitored daily and re-assessed weekly. The Authority is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services creditworthiness service.

- if a downgrade results in the counterparty/investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of Credit Ratings, the Authority will be advised of information in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Authority's lending list.
- Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of that government support.

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 £80 million lender option borrower option (LOBO) Loans. These have fixed rates of interest but the lender may seek to increase interest rates at which point the Authority has the option to repay the loan. As there is no certainty as to whether these loans will be repaid early, the Authority has treated them as fixed loans which will run to maturity. In forming this judgement the Authority has taken account of its ability to refinance through PWLB.

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

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

The maturity analysis of financial liabilities is as follows:

	31 March 2016 £000s	31 March 2017 £000s
Less than one year	177,209	150,400
Between one and two years	7,014	11,295
Between two and five years	42,287	42,659
Between five and ten years	97,419	115,122
More than ten years	798,186	768,817
Total	1,122,115	1,088,293

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

	31 March 2016 £000s	31 March 2017 £000s
Less than one year	176,422	146,333
Between one and two years	8,918	10,590
Between two and five years	20,947	16,936
Between five and ten years	3,835	2,031
Total	210,122	175,890

More detail on the Financial Liabilities and Assets can be found in
Note 28 - Financial Instruments

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

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

Market Risk

Interest Rate Risk

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

Borrowings at variable rates – The interest expense charged to the Deficit / (Surplus) on the Provision of Services will rise;

Borrowings at fixed rates - The fair value of the borrowing liability will fall;

Investments at variable rates - The interest income credited to the Deficit / (Surplus) on the Provision of Services will rise; and

Investments at fixed rates - The fair value of the assets will fall.

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

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

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

The maximum interest rate increase that could be expected in the current climate is assessed at 1%. This would only apply to our net short term investments. The Authority also has a number of LOBO loans that can be called at periods. There is the risk that these may have to be refinanced at a higher rate. The financial effect of these variable rate changes would be:

- Short term investment risk (£117.813 million @ 1%) = £1.178 million gain.
- Short term borrowing risk (nil @ 1%) = £nil.
- LOBO risk (loans potentially subject to call over the remaining term of the loan) (£80 million @ 1%) = £0.800 million loss.

Impact on the Surplus or Deficit / (Surplus) on the Provision of Services = £0.378 million gain.

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

- Short term investment risk (£117.813 million @ 0.34%) = £0.401 million loss.
- Short term borrowing risk (nil @ 1%) = £nil.
- LOBO risk (loans potentially subject to call over the remaining term of the loan) (£80 million @ 1%) = £0.800 million gain.

Impact on the Surplus or Deficit / (Surplus) on the Provision of Services = £0.399 million gain.

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

30 Unusable Reserves

	2015/16 £000s	2016/17 £000s
Capital Adjustment Account	(1,090,925)	(1,092,427)
Financial Instruments Adjustment Account	(252)	(249)
Available for sale: Financial Instruments	750	0
Pensions Reserve	(36)	(152)
Total Unusable Reserves	(1,090,463)	(1,092,828)

30(a) Capital Adjustment Account

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

Note 8 provides details of the source of all the transactions posted to the Account.

	2015/16 £000s	2016/17 £000s
Balance as at 1 April	(1,091,088)	(1,090,925)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Revenue expenditure funded from capital under statute	(253,847)	(195,264)
Annual depreciation charge of non current assets	(3,998)	(4,307)
Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(232)	(175)
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	213,365	176,469
Funded from Revenue Contributions - RCCO	0	671
Statutory provision for the financing of capital investment	21,287	23,327
Repayment of Inherited Debt charged against the General Fund	2,573	2,720
Long and Short Term Debtor financed from Capital Grants	10,019	10,751
Long and Short Term Debtor financed from RCCO	20,072	0
Long and Short Term Debtor financed from Capital Receipts	5,120	6,619
Investments funded from RCCO	50	0
Bad debt provision for RGF / GPF loans	(4,441)	(4,131)
Write Down of Long Term Debtor	(12,535)	(17,947)
Impairment of Investments	0	(235)
Revenue Contributions to Finance Capital	2,730	0
Balance as at 31 March	(1,090,925)	(1,092,427)

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

30(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 Rate (EIR) 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.

2015/16 £000s		2016/17 £000s
(254)	Balance as at 1 April	(252)
675	Interest incurred in the year and charged to the Comprehensive Income and Expenditure Statement	675
(673)	Proportion of interest incurred to be charged against the General Fund Balance in accordance with statutory requirements	(672)
2	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	3
(252)	**Balance as at 31 March**	(249)

30(c) Available for Sale Financial Instruments

Store of gains on revaluation of Investments not yet realised through sales.

2015/16 £000s		2016/17 £000s
0	Balance as at 1 April	750
750	Increase in Financial Instruments Market Value	0
0	(Decrease) in Financial Instruments Market Value	(750)
750	**Balance as at 31 March**	0

30(d) Pension Reserve

This relates to the net pension asset as at 31 March 2017 in accordance with the actuary's report. Further details are shown in Note 36.

2015/16 £000s		2016/17 £000s
0	Balance as at 1 April	(36)
4	Actuarial gains and losses on pensions assets / liabilities	(75)
68	Employer's pension contributions and direct payments to pensioners payable in the year	81
(108)	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.	(122)
(36)	**Balance as at 31 March**	(152)

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

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:

	2015/16 £000s	2016/17 £000s
Income		
DfT - revenue grants	3,789	5,607
DfT - capital grants - REFCUS	86,539	76,774
DfT - capital grants - Traffic Signals Schemes	1,338	287
Debtors		
DfT - capital grants - REFCUS	1,250	0
DfT - revenue grants	0	625

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

The CLG has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates.
The yearly transactions were as follows:

	2015/16 £000s	2016/17 £000s
Income		
Cabinet Office - revenue grants	250	396
Department for Education	0	45
DCLG - revenue grants	683	31,301
DCLG - capital grants - REFCUS	116,697	74,768
DCLG (BIS) - revenue grants	625	513
Department for Work and Pensions	0	108
HCA - capital grants	141	736
Skills Funding Agency - revenue grants	8,641	4,501
Expenditure		
HCA	80	0
Debtors		
Department for Work and Pensions	0	195
DCLG - revenue grants	98	199
DCLG (BIS) - revenue grants	119	0
HCA - capital grants	0	45
Skills Funding Agency - revenue grant	1,955	0
HMRC - VAT	1,058	1,100
Creditors		
HMRC - VAT	20	27

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

31 Related Party Transactions (continued)

Greater Manchester Authorities

The Leaders / City Mayor of the ten district councils also serve as members of the GMCA.

	2015/16 £000s	2016/17 £000s
Income		
The annual transport levy from the 10 district councils	195,123	189,323
The capital contributions to new traffic signals schemes from the 10 district councils	2,135	2,084
The annual contributions to ED&R & Corporate and Democratic Core functions from the 10 district councils	4,203	9,883
Expenditure		
General Expenditure	1,983	977
Capital Grants - REFCUS	120,585	89,418
Revenue Grants	3,713	3,813
Contribution to ED&R Functions	1,063	1,009
Interest Payable	1,111	945
Debtors		
Traffic Signal Scheme and Repair Invoices	694	26
Creditors		
General	32,716	48,250
Cash		
Cash on Deposit	3,000	5,000

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

31 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 form the GMCA's policy priorities, stakeholder consultation and its principal statutory obligations.

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

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

	2015/16 £000s	2016/17 £000s
Expenditure	284,736	245,071
Income	427	325
Debtors	368	2,662
Creditors	49,160	29,647
Borrowings	21,795	1,402

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

31 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 and Chief Officers

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

No members allowances are payable.

Details of member's interest, both pecuniary and non-financial are recorded in the register of members's interest (available for public inspection).

During 2016/17 there were no reported material transactions with related parties advised by members or officers.

A grant of £4.657 million (2015/16 £4.657 million) was paid to the Greater Manchester Accessible Transport Ltd, a charitable company limited by guarantee, whose Board of Directors consist entirely of TfGMC members & TfGM directors. 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.

Manchester City Council

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

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

	2015/16 £000s	2016/17 £000s
Income		
Transport Income	1,250	56
Levy Income	36,971	36,039
ED&R Income	1,128	1,885
General Income	20	7,021
Revenue Grants	2,053	0
Expenditure		
General Expenditure	724	909
Capital Grant - REFCUS	19,313	9,257
Revenue Grants	0	1,871
ED&R	1,107	788
Debtors		
Traffic Signals Schemes & Repairs	4	781
Traffic Signals Capex	157	72
Contribution to ED&R Costs	305	7,070
Creditors		
General Expenditure	762	619
Capital Grant - REFCUS	10,218	10,780
Revenue Grants	382	585
Borrowings	0	10,040

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

31 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.

Under the 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. The Head of Paid Service, Monitoring Officer and Treasurer of the Authority are also directors of the companies.

Commission for the New Economy	2015/16 £000s	2016/17 £000s
Expenditure		
General Expenditure	757	851
Revenue Grants	570	844
Creditors		
General Expenditure	500	0
Revenue Grants	419	127
Debtors / prepayments		
Revenue Grants	127	0

MIDAS	2015/16 £000s	2016/17 £000s
Expenditure		
General Expenditure	1,144	1,023
Revenue Grants	32	33
Creditors		
General Expenditure	360	0
Debtors / prepayments		
General Expenditure	33	0

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

32 Cash Flow Statement - Adjustments to Net Cash Flows from Operating Activities

2015/16 £000s		2016/17 £000s
2	Finance Costs calculated in accordance with the code	3
0	Impairment of Equity Investment	(235)
(1,665)	Increase / (Decrease) in Debtors	7,086
6,042	Decrease / (Increase) in Creditors	18,170
(5,085)	(Increase) in impairment of debt	(4,627)
(232)	Loss on sale of non current assets	(176)
(3,998)	Annual depreciation charge	(4,307)
(40)	Pensions Liability	(116)
(1,306)	(Increase) / Decrease in Interest Debtors	(1,640)
52	Increase / (Decrease) in Interest Creditors	(105)
(238)	Other non-cash movements	228
(6,468)	**Adjustments to net surplus / deficit on the provision of services for non cash movements**	14,281

2015/16 £000s		2016/17 £000s
45,093	Finance Costs Paid	44,669
(45,145)	Financing Expenditure	(44,564)
4,022	Financing Income	4,924
(2,716)	Interest Income Received	(3,284)
2,586	Capital grants and contributions receivable	2,490
3,840	**Adjust for items included in the net deficit on the provision of services that are investing and financing activities**	4,235

33 Cash Flow Statement - Investing Activities

2015/16 £000s		2016/17 £000s
4,002	Purchase of Property, Plant and Equipment	3,094
35,212	Long and Short Term Loans paid out	17,369
(12,242)	Long Term Loans repaid / impaired	(18,143)
(2,586)	Capital grants and contributions received	(2,490)
24,386	**Net Cash Inflow / (Outflow) from Investing Activities**	(170)

34 Cash Flow Statement - Financing Activities

2015/16 £000s		2016/17 £000s
2,573	Repayment of former GMC Debt	2,720
(31)	Capital Grants Receipts in Advance relating to Agency Activities	(184)
25,800	Repayment of borrowing	25,393
(70,636)	Receipt of borrowing	(10,040)
(42,294)	**Net Cash Inflow / (Outflow) from Financing Activities**	17,889

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

35 Staff Costs

Senior Employees Remuneration

The following employees are classed as senior employees as they received a salary in excess of £150,000 (disclosed by name) or received a salary in excess of £50,000 or report to the Head of Paid Service for the Authority (disclosed by job title).

	Salary, Fees or Allowances		Expenses Allowance		Employer's Contribution to Pension	
	2015/16 £	**2016/17 £**	**2015/16 £**	**2016/17 £**	**2015/16 £**	**2016/17 £**
Chief Investment Officer	105,000	105,000	1,178	678	0	0
Low Carbon Investment Director	120,000	120,000	77	75	42,610	43,524
Treasurer (Richard Paver) Start date 01.06.2016	0	130,386	0	1,167	0	0
Strategic Director Public Service Reform	130,000	130,000	150	0	17,842	24,830

Staff Costs	**2015/16 £000s**	**2016/17 £000s**
Wages and Salaries	393	660
Social Security Costs	50	84
Pension Costs	68	81
Total	511	825
Average number of employees during the year	4	6.75

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

Salary Range	Staff who have not received severance **2015/16**	Staff who have received severance **2015/16**	Total **2015/16**	Staff who have not received severance **2016/17**	Staff who have received severance **2016/17**	Total **2016/17**
£55,000 to £59,999	0	0	0	1	0	1
£60,000 to £64,999	2	0	2	2	0	2
£105,000 to £109,999	1	0	1	1	0	1
£120,000 to £124,999	1	0	1	1	0	1
£130,000 to £134,999	1	0	1	2	0	2
	5	**0**	**5**	**7**	**0**	**7**

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

36 Local Government Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme which is administered locally by Tameside Metropolitan Borough Council. This is a funded defined benefits scheme, meaning that the Authority and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Post-Employment Benefits

The costs of retirement benefits in the net cost of services are recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the District contributions is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

	2015/16 £000s	2016/17 £000s
Comprehensive Income and Expenditure Statement Net Cost of Services:		
Current service cost	78	120
Financing and investment income and expenditure		
Net interest expense	1	2
Total post employment benefits charged to the deficit on the provision of services	**79**	**122**
Remeasurement of the Net Defined Liability Comprising:		
Return on plan assets (excluding amounts included in net interest)	2	(17)
Actuarial gains and losses arising on changes in demographic assumptions	0	3
Actuarial gains and losses arising on changes in financial assumptions	(8)	78
Other experience re-measurements	0	11
Total remeasurement recognised in other comprehensive income	**(6)**	**75**
Movement in Reserves Statement		
Reversal of net charges made to the Deficit on Provision of Services	32	41
Actual amount charged against the General Fund Balance for the pensions in the year:		
Employer's contribution payable to scheme	47	81

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

36 Local Government Pension Schemes

Pension Assets and Liabilities Recognised in the Balance Sheet

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

Funded Liabilities: Local Government Pension Scheme:	2015/16 £000s	2016/17 £000s
Balance at 1 April	46	147
Current service cost	78	120
Interest cost on defined benefit obligation	3	8
Contributions by scheme participants	28	39
Changes in demographic assumptions	0	3
Changes in financial assumptions	(8)	78
Other experience re-measurements	0	11
Benefits paid	0	(2)
Balance at 31 March	147	404

Reconciliation of the Movements in Fair Value of Scheme Assets

Fair value of the scheme assets:	2015/16 £000s	2016/17 £000s
Balance at 1 April	36	111
Interest income on plan assets	2	6
Return on assets (excluding amounts included in net interest)	(2)	17
Employer contributions	47	81
Contributions by scheme participants	28	39
Balance at 31 March	111	254

Net Liability Arising from Defined Benefit Obligation

Net Liability for Year:	2015/16 £000s	2016/17 £000s
Present value of funded liabilities	(147)	(404)
Fair value of assets	111	254
Net interest	0	(2)
(Deficit) in the scheme	(36)	(152)

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

36 Local Government Pension Schemes

Pension Assets and Liabilities Recognised in the Balance Sheet (continued)

The liabilities show the underlying commitment that the Authority has in the long run to pay retirement benefits. Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The last triennial valuation was on 31 March 2016.

Assets and liabilities have been assessed on an actuarial basis by Hymans Robertson, an independent firm of actuaries.

The main assumptions used in their calculations have been:

	2015/16	**2016/17**
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	21.4 years	21.5 years
Women	24.0 years	24.1 years
Longevity at 65 for future pensioners		
Men	24.0 years	23.7 years
Women	26.6 years	26.2 years
Rate of increase in salaries	3.4%	3.2%
Rate of increase in pensions	2.1%	2.4%
Discount rate	3.4%	2.5%
Take-up of option to convert annual pension into retirement lump sum - pre April 2008	55.0%	55.0%
Take-up of option to convert annual pension into retirement lump sum - post April 2008	80.0%	80.0%

The estimate of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above.

Changes in assumptions at 31 March 2017	% increase to Employer Liability	£000s
0.5% decrease in real discount rate	10%	39
0.5% increase in the salary increase rate	0%	0
0.5% increase in the pension increase rate	10%	38

This is not a full list of the assumptions used. For example changes to the assumed level of withdrawals from the scheme and the number of ill health retirements will also have an effect. However the assumptions in the table above will have the most impact.

The table shows the effect of changes to each assumption in isolation. It is possible for the experience of the Fund to deviate from more than one of the assumptions simultaneously and so the precise effect on the valuation is more complex.

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

36 Local Government Pension Schemes

The assets consist of the following categories, by proportion of the total assets held:

	Year Ended 31 March 2017			
	Quoted Prices in Active Markets £000s	Quoted Prices not in Active Markets £000s	Total £000s	%
Equity securities				
Consumer	20.5	0.0	20.5	8%
Manufacturing	21.0	0.0	21.0	8%
Energy and utilities	16.8	0.0	16.8	7%
Financial institutions	25.8	0.0	25.8	10%
Health and care	9.0	0.0	9.0	4%
Information technology	6.4	0.0	6.4	3%
Other	4.3	0.0	4.3	2%
Debt securities				
Corporate bonds (investment grade)	12.0	0.0	12.0	5%
UK government	3.3	0.0	3.3	1%
Other	8.0	0.0	8.0	3%
Private equity				
All	0.0	7.2	7.2	3%
Real estate				
UK property	0.0	6.9	6.9	3%
Investment funds and unit trusts				
Equities	63.0	0.0	63.0	23%
Bonds	18.0	0.0	18.0	7%
Infrastructure	0.0	5.8	5.8	3%
Other	4.5	12.5	17.0	7%
Derivatives				
All	0.0	0.0	0.0	0%
Cash and cash equivalents				
All	7.0	0.0	7.0	3%
	219.6	32.4	252.0	100%

Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

Group Accounts

The group accounts comprise the accounts of the Authority together with its subsidiaries: Transport for Greater Manchester (TfGM), Greater Manchester Accessible Transport Limited (GMATL), Commission for the New Economy Ltd (CNE), NW Evergreen Holdings (GP) Ltd (Evergreen) and Manchester Investment and Development Agency Service Ltd (MIDAS) all as at 31 March 2017.

During 2016/17 the Authority acquired 100% shares in NW Evergreen Holdings (GP) Ltd at nil cost. The company was set up to manage investment in the region and has been incorporated into the accounts as a subsidiary.

The accounts of TfGM 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 2016/17 ('The Code').

TfGM no longer produce group accounts so the prior year has been restated to reflect that.

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

The Finance Department
TfGM
3rd Floor
2 Piccadilly Place
Manchester
M1 3BG

The accounts of Greater Manchester Accessible Transport Limited, New Economy and Manchester Investment and Development Agency Service (MIDAS) are prepared in accordance with UK Generally Accepted Accounting Practices and the Companies Act 2006.

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

The Finance Department
20th Floor
Manchester One
53 Portland Street
Manchester
M1 3LD

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

Core Investment Team
Greater Manchester Combined Authority
56 Churchgate House
Oxford Street
Manchester
M1 6EU

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

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

Further information about MIDAS's accounts is available from:

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

Basis of Dominant Influence

The Greater Manchester Combined Authority is made up of the Leaders / City Mayor of the 10 district councils within Greater Manchester and the Interim Greater Manchester Mayor. 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 GMATL. TfGM and GMATL are responsible for implementing the policies of the GMCA. TfGM's net expenditure after taking into account all sources of income and expenditure is financed by way of a Revenue Grant from the GMCA. A proportion of the revenue grant paid to TfGM is subsequently granted over to Greater Manchester Accessible Transport Limited. TfGM and GMATL's corporate objectives are derived from the GMCA's policy priorities, stakeholder consultation and its principal statutory obligations. Strategic objectives and targets are set out in the GMCA/TfGM Business and Performance Plan.

CNE, Evergreen and MIDAS are 100% owned by the Greater Manchester Combined Authority by virtue of the GMCA being the sole member of these 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 2016/17, 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 GMATL 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

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 2016/17, 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.

Investment properties

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

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

Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

Capital and revenue grants and contributions

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

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

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

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

Inventories

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

Financial Assets

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

Subsequent measurement depends on their classification as follows:

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

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

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

Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

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:

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.

Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

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.

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

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

Contingent liabilities

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

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

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

Contingent assets

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

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

Rail Services – Funding

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

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

Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

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.

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

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.

Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

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 2.5%
- The assets of GMPF attributable to the Group are included in the Balance Sheet at their fair value based on the bid values of the assets.
- The change in the net pensions liability is analysed into seven components:
    - Current service cost- the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - Past service cost- the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and analysed separately in the Expenditure Statement as part of Non Distributed Costs;
    - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
    - Expected return on assets – the annual investment return on the fund assets attributable to the Group based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
    - Gains or losses on settlements and curtailments – the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
    - Actuarial gains and losses – changes in the net pensions liability that arise because the actuaries have updated their assumptions – credited or debited to the Pensions Reserve (for TfGM) ; and
    - Contributions paid to the GMPF – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to GMPF retirement benefits relating to TfGM, statutory provisions require the Revenue Reserve balance to be charged with the amount payable to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the

Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year end. The balance on the Pensions Reserve thereby reflects the beneficial impact on the Revenue Reserve of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

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

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

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

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 an 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.

Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

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 the notes to 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.

Events after the balance sheet date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the statement of Accounts is adjusted to reflect such events;

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

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

Value Added Tax (VAT)

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

Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

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 2017 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.

Deregulation Reserve

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

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

Fund Accounting

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

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.

2015/16 Gross Expenditure Restated £000s	2015/16 Gross Income Restated £000s	2015/16 Net Expenditure Restated** £000s		Note	2016/17 Gross Expenditure £000s	2016/17 Gross Income £000s	2016/17 Net Expenditure £000s
			Highways and Transport Services				
47,696	(49,533)	(1,837)	Rail franchise *		0	(1,860)	(1,860)
56,121	0	56,121	Concessionary fare scheme		55,348	0	55,348
35,968	(7,850)	28,118	Supported bus services		37,528	(7,817)	29,711
59,800	(52,666)	7,134	Metrolink		59,473	(60,055)	(582)
5,629	(976)	4,653	Accessible transport		5,548	(632)	4,916
5,684	(3,304)	2,380	Management of traffic signals		4,997	(2,363)	2,634
7,470	(7,140)	330	Road Safety Activities		6,169	(5,974)	195
7,642	(945)	6,697	Passenger transport facilities		13,084	(1,387)	11,697
124,217	(34,826)	89,391	Operational and other costs		131,776	(23,985)	107,791
91,954	(86,539)	5,415	Revenue Expenditure Payable Funded from Capital under Statute / Capital Grants Receivable		89,418	(76,774)	12,644
442,181	(243,779)	198,402			403,341	(180,847)	222,494
			Economic Development and Regeneration				
23,443	(18,490)	4,953	Running Costs		25,082	(27,149)	(2,067)
4,152	(141)	4,011	Revenue Expenditure Payable Funded from Capital under Statute / Capital Grants Receivable		5,826	(736)	5,090
27,595	(18,631)	8,964			30,908	(27,885)	3,023
469,776	**(262,410)**	**207,366**	**Cost of Services**		**434,249**	**(208,732)**	**225,517**
5,201	0	5,201	Other Operating Expenditure including losses on the disposal of non current assets	49	6,514	0	6,514
50,339	(5,369)	44,970	Financing and Investment Income and Expenditure	41&42	49,711	(5,394)	44,317
0	(314,171)	(314,171)	Taxation and Non Specific Grant Income	43	0	(359,018)	(359,018)
525,316	**(581,950)**	**(56,634)**	**(Surplus) on Provision of Services**		**490,474**	**(573,144)**	**(82,670)**
525,316	**(581,950)**	**(56,634)**	**Group (Surplus)**		**490,474**	**(573,144)**	**(82,670)**
		(12,149)	Re-measurements in net defined benefit liability				43,389
		(3,192)	(Surplus) on revaluation of available for sale non current assets				(2,163)
		(15,341)	**Other Comprehensive (Income) and Expenditure**				**41,226**
		(71,975)	**Total Comprehensive (Income) and Expenditure**				**(41,444)**

* Rail Franchise grant now paid directly to Franchisee by Department for Transport.

**To reflect how management accounts are presented, Housing services has now been included within Economic Development and Regeneration; Corporate and Democratic Code has been split proportionately over Highways and Transport Services and Economic Development and Regeneration. The figures for 2015/16 have been restated to reflect this.

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

2015/16 £000s		2016/17 £000s
25,665	Deficit for the year on the Authority Comprehensive Income and Expenditure Statement	(429)
	(Surplus) / deficit arising from other entities included in the group accounts analysed into the amounts attributable to:	
0	Subsidiary - Evergreen Holdings (GP) Ltd	(64,151)
(98,022)	Subsidiary - TfGM	23,122
(90)	Subsidiary - GMATL	174
161	Subsidiary - CNE	(206)
311	Subsidiary - MIDAS	46
(71,975)	**(Income) / Expenditure for the year on the Group Comprehensive Income and Expenditure Account**	**(41,444)**

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure) and other reserves. The surplus or (deficit) on the Provision of Services line shows the commercial cost of providing the Group's services, more 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 movements on the reserves are as follows:

	Note	Authority General Fund Reserves £000s	Authority Capital Grants Unapplied £000s	Authority Capital Receipts Reserve £000s	**Total Authority Usable Reserves** £000s	**Authority Share of Group Usable Reserves** £000s	**Total Usable Group Reserves** £000s	**Authority Unusable Reserves** £000s	**Authority Share of Group Unusable Reserves** £000s	**Total Unusable Group Reserves** £000s	**Total Group Reserves** £000s
Balance as at 1 April 2015		**168,406**	**39,973**	**5,571**	**213,950**	**39,336**	**253,286**	**(1,091,342)**	**1,699,447**	**608,105**	**861,391**
Movement in Reserves During 2015/16											
Surplus or (deficit) on the provision of services	CIES	(26,419)	0	0	**(26,419)**	83,053	**56,634**	**0**	0	**0**	**56,634**
Total Comprehensive Expenditure and Income	CIES	0	0	0	**0**	0	**0**	**754**	14,587	**15,341**	**15,341**
Adjustments between accounting basis & funding basis under regulations	38	10,173	(17,420)	7,122	**(125)**	(86,963)	**(87,088)**	**125**	86,963	**87,088**	**0**
Increase / (decrease) in year		**(16,246)**	**(17,420)**	**7,122**	**(26,544)**	**(3,910)**	**(30,454)**	**879**	**101,550**	**102,429**	**71,975**
Balance as at 31 March 2016		**152,160**	**22,553**	**12,693**	**187,406**	**35,426**	**222,832**	**(1,090,463)**	**1,800,997**	**710,534**	**933,366**
Movement in Reserves During 2016/17											
Surplus or (deficit) on the provision of services	CIES	504	0	0	**504**	82,166	**82,670**	**0**	0	**0**	**82,670**
Total Comprehensive Expenditure and Income	CIES	0	0	0	**0**	0	**0**	**(75)**	(41,151)	**(41,226)**	**(41,226)**
Adjustments between accounting basis & funding basis under regulations	38	1,712	(10,751)	11,328	**2,289**	(13,601)	**(11,311)**	**(2,289)**	13,601	**11,311**	**0**
Increase / (decrease) in year		**2,216**	**(10,751)**	**11,328**	**2,793**	**68,565**	**71,359**	**(2,364)**	**(27,550)**	**(29,915)**	**41,444**
Balance as at 31 March 2017		**154,376**	**11,802**	**24,021**	**190,200**	**103,990**	**294,192**	**(1,092,828)**	**1,773,447**	**680,618**	**974,810**

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.

31 March 2016 £000s		Note	31 March 2017 £000s
	Non Current Assets		
1,924,306	Property, Plant & Equipment	49	1,940,607
890	Investment Property	49	890
177	Investments	23	1,163
0	Intangible Assets		5,510
35,039	Long Term Debtors	46	90,256
1,960,412	**Total Non Current Assets**		**2,038,426**
	Current Assets		
206	Inventories	50	196
1,965	Assets Held For Sale	61	0
48,801	Short Term Debtors	46	87,221
157,166	Cash and Cash Equivalents	47	126,308
208,138	**Total Current Assets**		213,725
2,168,550	**Total Assets**		**2,252,151**
	Current Liabilities		
(17,292)	Short Term Borrowing	45	(24,215)
(129,776)	Short Term Creditors	48	(130,755)
(28,304)	Capital Grants Receipts in Advance	15	(23,863)
(3,432)	Revenue Grants Receipts in Advance	15	(8,119)
(2,292)	Short Term Provisions	51	(1,226)
(2,717)	Deferred Liability	27	(2,869)
(183,813)	**Total Current Liabilities**		(191,047)
1,984,737	**Total Assets less Current Liabilities**		**2,061,104**
	Long Term Liabilities		
(15,826)	Deferred Liability	27	(12,954)
(1,010,927)	Long Term Borrowing	45	(1,003,889)
(24,417)	Net Pensions Liabilities	57	(69,251)
(201)	Long Term Provisions	51	(200)
(1,051,371)			(1,086,294)
933,366	**Net Assets**		**974,810**
	Financed By:		
222,832	Usable Reserves	39	**294,192**
710,534	Unusable Reserves	52	**680,618**
933,366	**Total Reserves**		**974,810**

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 (i.e. borrowing) to the Group.

2015/16 £000s		Note	2016/17 £000s
(56,634)	Net (Surplus) on the provision of services		(82,670)
(63,225)	Adjustments to net surplus or deficit on the provision of services for non cash movements	53	(14,976)
82,646	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	53	65,532
(37,213)	**Net Cash Flows from Operating Activities**	53	**(32,114)**
81,284	Investing Activities	54	60,452
(36,636)	Financing Activities	55	2,520
7,435	**(Increase) / decrease in cash and cash equivalents**		**30,858**
164,601	Cash and cash equivalents at the beginning of the reporting period	47	157,166
157,166	Cash and cash equivalents at the end of the reporting period	47	126,308

Notes to the Group Accounts Index

Notes to the Group Accounts (continued)

37 Group Expenditure and Funding Analysis

The Group Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by local authorities in comparison to those resources consumed or earned by local authorities in accordance with generally accepted accounting practices. It also shows how the expenditure is allocated between Directorates. Income and expenditure accounted for under generally accepted accounting practice is presented more fully in the Group Comprehensive Income and Expenditure Statement.

2015/16				2016/17		
Net expenditure chargeable to the General Fund balance	**Adjustments between Funding and Accounting Basis**	**Net expenditure in the Comprehensive Income and Expenditure Statement**		**Net expenditure chargeable to the General Fund balance**	**Adjustments between Funding and Accounting Basis**	**Net expenditure in the Comprehensive Income and Expenditure Statement**
£000s	**£000s**	**£000s**		**£000s**	**£000s**	**£000s**
			Highways and Transport Services			
(1,837)	0	(1,837)	Rail franchise	(1,860)	0	(1,860)
56,121	0	56,121	Concessionary fare scheme	55,348	0	55,348
28,118	0	28,118	Supported bus services	29,711	0	29,711
7,090	44	7,134	Metrolink	(613)	31	(582)
4,653	0	4,653	Accessible transport	4,916	0	4,916
2,380	0	2,380	Management of traffic signals	2,634	0	2,634
317	13	330	Road Safety Activities	183	12	195
6,697	0	6,697	Passenger transport facilities	11,697	0	11,697
49,695	39,696	89,391	Operational and other costs	65,920	41,871	107,791
0	5,415	5,415	Revenue Expenditure Payable Funded from Capital under Statute / Capital Grants Receivable	0	12,644	12,644
153,234	**45,168**	**198,402**		**167,936**	**54,558**	**222,494**
			Economic Development and Regeneration			
4,913	40	4,953	Running Costs	(2,343)	276	(2,067)
0	4,011	4,011	Revenue Expenditure Payable Funded from Capital under Statute / Capital Grants Receivable	0	5,090	5,090
4,913	**4,051**	**8,964**		**(2,343)**	**5,366**	**3,023**
158,147	**49,219**	**207,366**	**Cost of Services**	**165,593**	**59,924**	**225,517**
(139,898)	(124,102)	(264,000)	Other Income and Expenditure	(236,602)	(71,585)	(308,187)
18,249	**(74,883)**	**(56,634)**	**Group (Surplus) / Deficit**	**(71,009)**	**(11,661)**	**(82,670)**
205,164			Opening General Fund Balance	**186,915**		
(18,249)			(Surplus) / Deficit on General Fund Balance in year	**71,009**		
186,915			Closing General Fund Balance at 31 March	**257,924**		

Notes to the Group Accounts (continued)

37 Note to the Group Expenditure and Funding Analysis

Adjustments between Funding and Accounting basis 2015/16

	Adjustments for Capital Purposes (a) £000s	Pension adjustments (b) £000s	Other Adjustments (c) £000s	Total Adjustments £000s
Highways and Transport Services				
Rail franchise	0	0	0	0
Concessionary fare scheme	0	0	0	0
Supported bus services	0	0	0	0
Metrolink	0	44	0	44
Accessible transport	0	0	0	0
Management of traffic signals	0	0	0	0
Road Safety Activities	0	13	0	13
Passenger transport facilities	0	0	0	0
Operational and other costs	39,053	643	0	39,696
Revenue Expenditure Payable to TfGM & Districts Funded from Capital under Statute / Capital Grants Receivable	5,415	0	0	5,415
Economic Development and Regeneration				
Running Costs	0	40	0	40
Revenue Expenditure Payable to ED & R Funded from Capital under Statute / Capital Grants Receivable	4,011	0	0	4,011
Net Cost of Services	**48,479**	**740**	**0**	**49,219**
Other Income and Expenditure	(129,570)	1,029	4,439	**(124,102)**
Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	**(81,091)**	**1,769**	**4,439**	**(74,883)**

Adjustments between Funding and Accounting basis 2016/17

	Adjustments for Capital Purposes (a) £000s	Pension adjustments (b) £000s	Other Adjustments (c) £000s	Total Adjustments £000s
Highways and Transport Services				
Rail franchise	0	0	0	0
Concessionary fare scheme	0	0	0	0
Supported bus services	0	0	0	0
Metrolink	0	31	0	31
Accessible transport	0	0	0	0
Management of traffic signals	0	0	0	0
Road Safety Activities	0	12	0	12
Passenger transport facilities	0	0	0	0
Operational and other costs	41,283	588	0	41,871
Revenue Expenditure Payable to TfGM & Districts Funded from Capital under Statute / Capital Grants Receivable	12,644	0	0	12,644
Economic Development and Regeneration				
Running Costs	235	41	0	276
Revenue Expenditure Payable to ED & R Funded from Capital under Statute / Capital Grants Receivable	5,090	0	0	5,090
Net Cost of Services	**59,252**	**672**	**0**	**59,924**
Other Income and Expenditure	(76,338)	625	4,128	**(71,585)**
Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	**(17,086)**	**1,297**	**4,128**	**(11,661)**

(a) Adjustments for capital purposes includes revenue expenditure funded from capital under statute, depreciation and impairment, gain/loss on disposal of non current assets, capital grants and contributions, minimum revenue provision and revenue contribution to capital outlay.

(b) Pension adjustments include employer's contribution to the pension scheme and retirement benefits per IAS 19.

(c) Other adjustments include contributions to capital bad debt provision and available for sale financial instruments.

Notes to the Group Accounts (continued)

38 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.

	2015/16 £000s	2016/17 £000s
Revenue Expenditure Funded from Capital under Statute	103,191	110,282
Annual Depreciation Charge	3,998	4,307
Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	232	176
Capital Grants & Contributions Receivable	(205,963)	(176,468)
Capital grants released	63,870	70,410
Transfer to / (from) Capital Grants Unapplied	(9,308)	(228)
Retirement Benefits per IAS19	1,769	1,297
Write Down of Long Term Debtor	12,242	17,945
Long and Short Term Debtor financed from Capital Receipts	(5,120)	(6,619)
Impairment of Loans	287	235
Contribution to Capital Bad Debt provision	4,441	4,131
Minimum Revenue Provision for capital financing	(21,287)	(23,327)
Inherited Debt Principal Payment	(2,573)	(2,720)
Long Term Debtor financed from Capital Grants	(10,019)	(10,751)
Revenue Contributions to Fund Capital - RCCO	0	(671)
Revenue Contributions to Finance Capital	(22,846)	0
Available for Sale Financial Instruments	0	750
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(2)	(3)
Other Group adjustments	0	(57)
Total Adjustments	**(87,088)**	**(11,311)**

Notes to the Group Accounts (continued)

39 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 2016/17.

		1 April 2015 £000s	Transfers in/out 2015/16	31 March 2016 £000s	1 April 2016 £000s	Transfers in/out 2016/17	31 March 2017 £000s
	Revenue Grants Unapplied Reserves:						
1	Growing Places Fund	**1,813**	(1,813)	**0**	**0**	1,554	**1,554**
2	Local Sustainable Transport Fund	**6,726**	(4,849)	**1,877**	**1,877**	(825)	**1,052**
3	Regional Growth Fund 2	**15,967**	(15,967)	**0**	**0**	0	**0**
4	Regional Growth Fund 3	**6,110**	(6,110)	**0**	**0**	0	**0**
5	Regional Growth Fund Bank Interest	**76**	37	**113**	**113**	0	**113**
6	Smarter Cities	**70**	580	**650**	**650**	(580)	**70**
7	Youth Contract	**4,787**	(742)	**4,045**	**4,045**	(1,362)	**2,683**
8	Local Enterprise Partnership Core Funding	**176**	(143)	**33**	**33**	(33)	**0**
9	Local Enterprise Partnership Strategic Plans Funding	**441**	53	**494**	**494**	119	**613**
10	City Deal	**3,477**	1,601	**5,078**	**5,078**	(1,737)	**3,341**
11	Total Transport Pilot Fund	**81**	0	**81**	**81**	(42)	**39**
12	Careers & Enterprise Grant	**0**	50	**50**	**50**	38	**88**
13	GM Skills for Employment pilot	**0**	60	**60**	**60**	(40)	**20**
14	Brownfield Land Register Pilot	**0**	80	**80**	**80**	(80)	**0**
15	One Public Estate	**0**	250	**250**	**250**	325	**575**
16	SEMMMs Study	**0**	350	**350**	**350**	(294)	**56**
17	CCAG Evaluation	**0**	28	**28**	**28**	(28)	**0**
18	AGE Grant	**0**	1,274	**1,274**	**1,274**	(1,274)	**0**
19	Earn-back Revenue	**0**	0	**0**	**0**	2,348	**2,348**
20	HS2 Growth Strategy	**0**	0	**0**	**0**	1,431	**1,431**
21	Adult Education Budget Devolution	**0**	0	**0**	**0**	45	**45**
22	Revenue Grants Unapplied Reserve - TfGM	**11,454**	(11,140)	**314**	**314**	0	**314**
	Total Revenue Grants Unapplied Reserves	**51,178**	**(36,401)**	**14,777**	**14,777**	**(435)**	**14,342**
23	Property Reserve - TfGM	**8,807**	(308)	**8,499**	**8,499**	906	**9,405**
24	Metrolink Reserves						
	Metrolink Reserve - GMCA	**34,496**	(23,703)	**10,793**	**10,793**	(10,793)	**0**
	Metrolink Reserve - TfGM	**(11,139)**	13,232	**2,093**	**2,093**	0	**2,093**
		23,357	**(10,471)**	**12,886**	**12,886**	**(10,793)**	**2,093**
25	Capital Programme Reserve	**87,505**	18,121	**105,626**	**105,626**	212	**105,838**
26	Joint Road Safety Group Reserve - TfGM	**6,168**	(348)	**5,820**	**5,820**	(173)	**5,647**
27	Concessionary Fares Reserve - TfGM	**12,369**	(3,014)	**9,355**	**9,355**	(1,352)	**8,003**
28	Regional Growth Fund / Growing Places Interest and Arrangement Fees	**1,397**	1,561	**2,958**	**2,958**	3,230	**6,188**
29	Integrated Ticketing Reserve	**0**	12,500	**12,500**	**12,500**	0	**12,500**
30	Business Growth Hub	**0**	0	**0**	**0**	1,950	**1,950**
31	Business Rates	**0**	0	**0**	**0**	6,841	**6,841**
32	GMATL designated fund	**1,346**	11	**1,357**	**1,357**	(308)	**1,049**
	Total Reserves transferred (to) / from General Fund	**192,127**	**(18,349)**	**173,778**	**173,778**	**78**	**173,856**
	Transfer (to) / from General Fund						
33	General Fund	**13,037**	100	**13,137**	**13,137**	6,781	**19,918**
34	Usable Capital Receipts Reserve	**5,571**	7,122	**12,693**	**12,693**	11,328	**24,021**
35	Capital Grants Unapplied Reserve	**42,551**	(19,327)	**23,224**	**23,224**	(10,979)	**12,245**
36	Donated Asset Reserve - Evergreen Holdings LP	**0**	0	**0**	**0**	64,151	**64,151**
		61,159	**(12,105)**	**49,054**	**49,054**	**71,282**	**120,336**
	Total	**253,286**	**(30,454)**	**222,832**	**222,832**	**71,360**	**294,192**

Notes to the Group Accounts (continued)

39 Transfers to / (from) Earmarked Reserves (continued)

Purpose of the Reserve:

1 Growing Places Fund: funding to establish revolving investment funds, promoting a long term locally led solution to local infrastructure constraints.
2 Local Sustainable Transport Fund: funding to stimulate economic growth whilst reducing carbon emissions.
3 Regional Growth Fund 2: funding to create new, sustainable, private sector jobs in areas vulnerable to public sector job losses.
4 Regional Growth Fund 3: latest wave of funding to create new, sustainable, private sector jobs in areas vulnerable to public sector job losses.
5 Regional Growth Fund Bank Interest : funding to create new, sustainable, private sector jobs in areas vulnerable to public sector job losses.
6 Smarter Cities: funding to assist with the smart ticketing project.
7 Youth Contract: funding to assist with job creation jobs for 16-24 yr olds.
8 LEP Core Priorities: funding to assist LEP's to meet priorities.
9 LEP Strategic Plans: funding to assist plans with the EU structural plans for 2014 -2020.
10 City Deal: funding from the Skills Funding Agency as part of the City Deal to assist with increased apprenticeship and training opportunities.
11 Total Transport Pilot Fund: funding to support the delivery of supported public road passenger transport services.
12 Careers & Enterprise Grant: funding to support the delivery of the enterprise advisor network.
13 GM Skills & Employment pilot: funding to test the impact of locally led commissioning and performance management of adult skills funding.
14 Brownfield Register Pilot: funding to research whether a Brownfield register can be developed for GM.
15 One Public Estate: funding to assist with the One Public Estate initiative.
16 SEMMMs Study: funding to evaluate the economical impact of the South East Manchester Multi-Modal Scheme.
17 CCAG Evaluation: funding to evaluate the success of the Cycle City Ambition Grant.
18 AGE Grant: funding to facilitate apprenticeships within GM.
19 Earn-back Revenue: part of the devolution deal to be used for infrastrucure investment
20 HS2 Growth Strategy: funding to evaluate the HS2 Growth Strategy
21 Adult Education Budget Devolution: funding to evualute the Adult Eductaion Budgets to be devolved
22 Revenue Grants Unapplied Reserve - TfGM: Manchester Airport contributions to the Metrolink extension to the airport.
23 Property Reserve - TfGM: surpluses arising from 2 Piccadilly Place.
24 Metrolink Reserves: funding for Metrolink Service Enhancement related expenditure.
25 Capital Programme Reserve : surpluses of capital financing costs which have been set aside to fund future capital programme related expenditure.
26 Joint Road Safety Group Reserve - TfGM: surpluses arising from the JRSG team.
27 Concessionary Fares Reserve - TfGM: surpluses of reimbursed income which will be spent in future years.
28 Regional Growth Fund / Growing places Interest and Arrangement Fees : Interest earned on income received in advance will be re-invested within the fund as per grant conditions and arrangement fees may be off-set against specific costs associated with the making of the loans.
29 Integrated Ticketing Reserve: funding to support the integrated ticketing scheme.
30 Business Growth Hub: funding to provide ERDF Match to the Business Growth Hub
31 Business Rates Income: funding to support the mayoral election and other transitional costs
32 GMATL Designated Funds - funds to assist with preventing social exclusion in transport.
33 General Fund - General Useable reserves for the Group.
34 Useable Capital Receipts - these include the principal repayments of the RGF / GPF Loans.
35 Capital Grants Unapplied Reserve: Includes GPF funds and LTP Top-Slice grants.
36 Donated Asset Reserve - Evergreen: includes grant monies novated to Evergreen for investment in city areas.

Notes to the Group Accounts (continued)

40 Group Expenditure and Income Analysis

The Authority's income and expenditure is analysed as follows:

	2015/16 £000s	2016/17 £000s
Expenditure		
Grants expenditure	185,552	154,359
Other Service Expenses	123,187	114,861
Capital Charges including Depreciation and impairment	64,931	69,785
Financing and Investment Expenditure	50,339	49,711
Revenue Expenditure Funded from Capital Under Statute	96,106	95,244
Loss on Disposal of Non-current Assets	5,201	6,514
Total Expenditure	525,316	490,474
Income		
Financing and Investment Income	(5,369)	(5,394)
Transport Levy Income	(195,123)	(189,323)
Other Service Income	(103,670)	(98,450)
Government Grants and Donated Assets	(277,788)	(279,977)
Total Income	(581,950)	(573,144)
Deficit / (Surplus) on the Provision of Services	(56,634)	(82,670)

Notes to the Group Accounts (continued)

41 Financing and Investment Expenditure

2015/16 £000s		2016/17 £000s
	Interest payable and similar charges on borrowings	
24,769	PWLB	24,156
23,241	Others	23,777
0	Brokerage Fees	0
1,119	Interest payable on the former GMC debt	945
1,100	Pensions interest costs and expected return on pensions assets	833
110	Revaluation loss on non current assets	0
50,339		49,711

42 Financing and Investment Income

2015/16 £000s		2016/17 £000s
2,224	Interest receivable on investments and deposits	1,100
3,145	Interest receivable on loans	4,294
5,369		5,394

43 Taxation and Non Specific Grant Income

2015/16 £000s		2016/17 £000s
195,123	Transport Levy	189,323
1,983	Capital Grants Receivable for Traffic Signal Schemes - DfT	2,084
603	Capital Contributions Receivable for Traffic Signal Schemes - Others	406
115,882	Capital Grants Receivable for Transport Schemes	101,803
580	Revenue Contributions Receivable for Transport Schemes	1,194
0	Gain on acquisition of donated asset - NW Evergreen Holdings (GP) Ltd*	64,208
314,171		359,018

*The Authority acquired 100% shareholding in NW Evergreen Holdings (GP) Ltd in September 2016. The Authority has treated the grant money acquired as non-specific grant income.

Notes to the Group Accounts (continued)

44 Grants and Contributions Income

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

2015/16 £000s	Credited to Cost of Services	2016/17 £000s
0	HS2 Growth Strategy - DfT	2,500
0	Sustainable Transport Transition Year Grant - DfT	1,109
1,180	Smarter Cities Grant - DfT	0
350	South East Manchester Multi-Modal Study Grant - DFT	0
28	Cycle City Ambition Evaluation Grant - DFT	0
2,230	Local Sustainable Transport Grant - DFT	1,998
49,533	Special Rail Grant - DfT	1,860
249	District Contributions to the Traffic Signals Repairs	341
86,539	Revenue Expenditure Funded by Capital under Statute - DfT	76,774
404	Regional Growth Fund / Growing Places Fund Arrangement fees	500
625	Growth Deal - Business Growth Hub - BIS	513
250	LEP Core Funding - CLG	0
250	LEP EU Strategic Plans - CLG	250
102	Elena Grant - EIB	226
5,112	AGE Grant - SFA	3,180
0	EU Social Enterprises Progress	45
3,489	City Deal - Skills Funding Agency	(115)
250	One Public Estate - Cabinet Office	396
60	GM Skills & Employment Pilot - SFA	0
80	Brownfield Register Pilot - CLG	0
50	Careers & Enterprise Grant	39
98	GM Technical Assistance - ERDF	101
87	GM Technical Assistance - ESF	108
3,902	District Contributions to the ED&R Functions	8,166
117	District Contributions to the Corporate and Democratic Core	0
583	External Contributions towards Planning Services	8,222
7,850	Supported Bus Services	7,817
52,666	Metrolink	60,055
976	Accessible Transport	632
6,921	Management of Traffic Signals	5,821
7,140	Road Safety Activities	5,974
945	Passenger Transport Facilities	1,387
30,789	Other Operating Income	16,916
2,249	Grants and Contributions to Commission for the New Economy Ltd	2,402
782	Grants and Contributions to MIDAS Ltd.	931
141	Revenue Expenditure Funded by Capital under Statute - CLG	736
266,027		208,884
	Credited to Taxation and Non Specific Grant Income	
1,983	Capital Grants Receivable for Traffic Signal Schemes - DfT	2,084
603	Capital Contributions Receivable for Traffic Signal Schemes - Others	406
115,882	Capital Grants Receivable for Transport Schemes	101,803
580	Revenue Contributions Receivable for Transport Schemes - Others	1,194
119,048		105,487

Notes to the Group Accounts (continued)

45 Financial Instruments

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

	Long Term 31 March 2016 £000s	Long Term 31 March 2017 £000s	Current 31 March 2016 £000s	Current 31 March 2017 £000s
Investments				
Loans and receivables - due within 3 months	0	0	157,166	119,215
Equity investments	177	1,163	0	0
Available for sale financial asset	0	0	1,250	0
Debtors				
Loans and receivables	35,039	90,365	43,391	76,299
Cash	0	0	2,488	7,093
Borrowings				
Financial liabilites at amortised cost	1,010,927	1,003,890	17,292	24,215
Creditors and Grants Received in Advance				
Financial liabilites at amortised cost	0	0	160,627	161,663

Income and Expense

	2016 Financial Liabilities measured at amortised cost £000s	2016 Financial assets: loans and receivables £000s	2016 Financial assets: available for sale £000s	2016 Total £000s	2017 Financial Liabilities measured at amortised cost £000s	2017 Financial assets: loans and receivables £000s	2017 Financial assets: available for sale £000s	2017 Total £000s
Interest expense	(48,120)	0	0	(48,120)	(47,933)	0	0	(47,933)
Impairment of debtors	0	(4,728)	0	(4,728)	0	(4,366)	0	(4,366)
Total Expense in Surplus or Deficit on the Provision of Services	(48,120)	(4,728)	0	(52,848)	(47,933)	(4,366)	0	(52,299)
Interest Income	0	5,369	0	5,369	0	5,394		5,394
Gains / (Loss) on revaluation	0	0	750	750	0	0	0	0
Total Income in Surplus or Deficit on the Provision of Services	0	5,369	750	6,119	0	5,394	0	5,394
Net gain / (loss) for the year	(48,120)	641	750	(46,729)	(47,933)	1,028	0	(46,905)

Notes to the Group Accounts (continued)

45 Financial Instruments (continued)

Fair Values of Assets and Liabilities

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

- interest is calculated using the most common market convention, ACT/365 (366 years in a leap year with the exception of PWLB)
- interest is not paid / received on the start date of an instrument, but is paid / received on the maturity date
- we have not adjusted the interest value and date where a relevant date occurs on a non-working day

The fair values are calculated as follows:

	31 March 2016		31 March 2017	
	Carrying Amount £000s	Fair Value £000s Restated	Carrying Amount £000s	Fair Value £000s
Financial Liabilities at Amortised Cost				
PWLB Debt - using premature repayment rates	417,076	620,629	411,965	651,092
Non- PWLB debt	611,143	882,596	616,140	966,625
Total Borrowings	1,028,219	1,503,225	1,028,105	1,617,717
Creditors	160,627	160,627	161,663	161,663
Total Financial Liabilities	1,188,846	1,663,852	1,189,768	1,779,380

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

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

	31 March 2016		31 March 2017	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Financial Assets at Amortised Cost				
Cash	2,488	2,488	7,093	7,093
Loans and receivables	235,596	235,596	285,879	285,879
Unquoted equity investment at cost	177	177	1,163	1,163
Total Loans and Receivables	238,261	238,261	294,135	294,135

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

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

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

45 Financial Instruments (continued)

Loans and Borrowings

- In 2016/17 for non-PWLB loans payable, the fair value of the current and long term debt has been measured at £966.625 million using premature repayment rates. These are the rates that would apply if the loan was to be repaid early and is deemed to be the principle market for the current debt. A supplementary measure of the fair value using current market rates is £842.601 million.
- The fair value of Public Works Loan Board (PWLB) loans of £651.092 million measures the economic effect of the terms agreed with the PWLB based on premature repayment rates. This is deemed to be the principle market for the PWLB loan debt. The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at premature repayment rates.
- However, the Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £407.228 million would be valued at £572.259 million. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans would be £128.51 million.
- The valuation techniques used for PWLB and non PWLB debt are at level 2 – significant observable inputs. There have been no changes in valuation technique during the financial year.
- In 2016/17 the fair value is determined by calculating the Net Present Value of future cash flows, thereby estimating the value of future payments in today's terms. This is a widely accepted and commonly used valuation technique. The discount rate used is equal to the current rate for a similar loan from a comparable lender. This will be the market rate applicable on the date of valuation for a loan with the same outstanding period to maturity.
- However, it may be that the future cash flows of a loan do not fall in equal time periods from the date of valuation. Where this is the case, adjustments are made to each discount factor in order to account for the timing inequality.
- The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value, which includes accrued interest as at the balance sheet date. The Authority has therefore included accrued interest in the fair value calculation.
- The discount rates used for the evaluation were obtained by the Authority from Sector. Sector is a leading and independent provider of capital financing, treasury advisory and strategic advisory consulting services to the public sector.
- Assumptions used, which do not have a material effect on the fair value evaluation are: interest is calculated using a 365 day basis; interest is paid on the maturity date; no adjustment is made to the interest value and date where a relevant date occurs on a non-working day.
- The repayment profile of loans and borrowings is taken into account during the Authority's preparation and review of cash flow forecasts which are carried out on a regular basis.

Notes to the Group Accounts (Continued)

45 Financial Instruments (continued)

	Range of interest rates payable in 16/17 from	to	Average Interest 31 March 2016	Average Interest 31 March 2017	Total Outstanding 31 March 2016	Total Outstanding 31 March 2017
	%	%	%	%	£000s	£000s
a) Analysis of loans by type:						
Public Works Loans Board	3.37%	9.75%	5.15%	5.18%	412,228	407,228
Other Loans	3.95%	10.50%	4.22%	4.22%	608,699	613,715
Accrued Interest Payable:						
PWLB					4,848	4,737
Others					2,444	2,425
Total as at 31 March			4.63%	4.63%	1,028,219	1,028,105

b) Analysis of loans by maturity

Maturing:

	Total Outstanding 31 March 2016 £000s	Total Outstanding 31 March 2017 £000s
Due within 1 year: accrued interest payable		
PWLB	4,848	4,737
Others	2,444	2,425
Due within 1 year: principal		
PWLB	10,000	5,000
Others	0	12,053
Due within 1 year	17,292	24,215
In 1 to 2 years	7,014	11,295
In 2 to 5 years	42,287	50,159
In 5 to 10 years	134,241	144,444
In over 10 years	827,385	797,992
Due over 1 year	1,010,927	1,003,890
Total	1,028,219	1,028,105

Notes to the Group Accounts (continued)

46 Short & Long Term Debtors

Short Term Debtors

31 March 2016 £000s		31 March 2017 £000s
	Central Government Bodies	
5,410	HMRC	10,923
1,261	Capital Grants	625
2,062	Revenue Grants	601
3,820	Other Local Authorities	8,403
451	Public Corporations	1,741
13,515	Prepayments	41,463
28,834	Other entities and individuals	28,543
(6,552)	Bad Debt provision	(5,077)
48,801	Total	87,222

Within short term debtors an amount of £1,363k (2015/16 £1,309k) has been outstanding for over 30 days but has not been impaired.

Short term debtors at a nominal value of £1,883k (2015/16 £2,762k) were impaired.

Long Term Debtors

Other entities and individuals

31 March 2016 £000s		31 March 2017 £000s
41,363	Gross Book Value	43,293
(7,663)	Impairment provision	(13,736)
33,700	Net Book Value	29,557

Other Local Authorities

31 March 2016 £000s		31 March 2017 £000s
1,339	Gross Book Value	1,230
0	Impairment provision	0
1,339	Net Book Value	1,230

Notes to the Group Accounts (continued)

46 Short & Long Term Debtors (continued)

NW Evergreen Holdings (GP) Ltd*

31 March 2016 £000s		31 March 2017 £000s
0	Gross Book Value	59,469
0	Impairment provision	0
0		59,469

Total Long Term Debtors

31 March 2016 £000s		31 March 2017 £000s
42,702	Gross Book Value	103,992
(7,663)	Impairment provision	(13,736)
35,039	Net Book Value	90,256

*The Authority acquired 100% shareholding in NW Evergreen Holdings (GP) Ltd in September 2016. This donated asset has been treated as a long term debtor on the balance sheet.

47 Cash and Cash Equivalents

31 March 2016 £000s		31 March 2017 £000s
2,488	Bank current accounts	7,093
11,209	Bank call accounts	150
143,469	Short term deposits with central government and other institutions	119,065
157,166	Total	126,308

48 Short Term Creditors

31 March 2016 £000s		31 March 2017 £000s
	Central Government Bodies	
885	HMRC	1,074
366	Revenue Grants	378
27,017	DfT	26,833
118	Business Innovation and Skills - BIS	0
34,713	Other Local Authorities	41,137
58,074	Public Corporations	57,344
8,603	Other entities and individuals	3,989
129,776	Total	130,755

Notes to the Group Accounts (Continued)

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

	Land and Buildings £000s	Vehicles, Plant, Furniture and Equipment £000s	Infrastucture £000s	Assets under Construction £000s	TOTAL £000s
Cost or Valuation:					
At 1 April 2015	12,897	49,787	1,947,094	153,806	2,163,584
Additions at cost	0	484	3,976	0	4,460
Transfers from assets under contruction	0	8,215	106,105	0	114,320
Reclassification	289	0	(1,744)	0	(1,455)
Disposals	0	(678)	(13,218)	0	(13,896)
Revaluation	1,116	0	676	0	1,792
Expenditure incurred / grant receivable	0	0	0	175,545	175,545
Trf to fixed assets	0	0	0	(114,320)	(114,320)
Transferred to passenger transport facilities	0	0	0	(33,269)	(33,269)
At 31 March 2016	14,302	57,808	2,042,889	181,762	2,296,761
At 1 April 2016	14,302	57,808	2,042,889	181,762	2,296,761
Additions at cost	0	265	3,099	87,153	90,517
Transfers from assets under contruction	0	5,836	150,457	0	156,293
Disposals	0	(4,245)	(12,393)	0	(16,638)
Revaluation	750	0	0	0	750
Trf to fixed assets	0	0	0	(156,293)	(156,293)
At 31 March 2017	15,052	59,664	2,184,052	112,622	2,371,390
Accumulated Depreciation:					
At 1 April 2015	1,315	24,787	289,104	0	315,206
Charge for year	386	3,634	60,911	0	64,931
Reclassification	30	0	(30)	0	0
Disposals	0	(654)	(6,487)	0	(7,141)
Revaluation	(30)	0	(511)	0	(541)
At 31 March 2015	1,701	27,767	342,987	0	372,455
At 1 April 2016	1,701	27,767	342,987	0	372,455
Charge for year	536	4,399	64,850	0	69,785
Disposals	0	(4,225)	(5,441)	0	(9,666)
Revaluation	(1,791)	0	0	0	(1,791)
At 31 March 2017	446	27,941	402,396	0	430,783
Net Book Value:					
At 1 April 2015	11,582	25,000	1,657,990	153,806	1,848,378
At 31 March 2016	12,601	30,041	1,699,902	181,762	1,924,306
At 31 March 2017	14,606	31,723	1,781,656	112,622	1,940,607

Investment Property

	£000s
Cost or Valuation:	
At 1 April 2015	300
Revaluation	590
At 31 March 2016	890
At 1 April 2016	890
Revaluation	0
At 31 March 2017	890
TOTAL PPE, Assets under Construction and Investment Property at 31 March 2016	1,925,196
TOTAL PPE, Assets under Construction and Investment Property at 31 March 2017	1,941,497

Losses on Disposal of Non Current Assets

2015/16 £000s	2016/17 £000s
5,201	6,514

Notes to the Group Accounts (Continued)

50 Inventories

	31 March 2016 £000s	31 March 2017 £000s
Material in relation to route service provision	175	175
Material in relation to traffic control equipment	31	21
	206	196

51 Provisions

Provisions are establised 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 2016 relate to (a) capital works, and (b) others, including insurance excesses, contractual obligations, contracted maintenance and an onerous lease.

	2015/16 Capital Works £000s	2015/16 Others £000s	2015/16 Total £000s
Balance as at 1 April	1,340	1,477	2,817
Additional amounts set aside during the year	200	149	349
Utilised during the year	0	(275)	(275)
Released during the year	0	(398)	(398)
Balance as at 31 March	1,540	953	2,493
Due within 1 year	1,540	752	2,292
Due in over 1 year	0	201	201

	2016/17 Capital Works £000s	2016/17 Others £000s	2016/17 Total £000s
Balance as at 1 April	1,540	953	2,493
Additional amounts set aside during the year	586	46	632
Utilised during the year	(1,340)	(130)	(1,470)
Released during the year		(229)	(229)
Balance as at 31 March	786	640	1,426
Due within 1 year	786	440	1,226
Due in over 1 year	0	200	200

Notes to the Group Accounts (continued)

52 Unusable Reserves

31 March 2016 £000s		31 March 2017 £000s
(84,803)	Capital Adjustment Account	(86,318)
(252)	Financial Instruments Adjustment Account	(249)
861,901	Deferred Capital Grants and Contributions	876,700
(24,236)	Pensions Reserve	(69,238)
2,461	Capital Reserve	2,461
(47,936)	Deregulation Reserve	(46,836)
2,649	Revaluation Reserve	4,098
750	Available for Sale Financial Instruments (GMCA)	0
710,534	**Total Unusable Reserves**	680,618

Notes to the Group Accounts (continued)

52(a) Capital Adjustment Account

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

Note 38 provides details of the source of all the transactions posted to the Account.

2015/16 £000s		2016/17 £000s
(119,956)	Balance as at 1 April	(84,803)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(103,191)	Revenue expenditure funded by capital under statute	(110,283)
(3,998)	Annual Depreciation Charge of non current assets	(4,307)
(232)	Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(175)
1,352	Removal of capital reserve for non-group entities	0
	Capital Financing Applied in the year:	
96,347	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	91,240
0	Funded from Capital Programme Reserve - RCCO	671
21,287	Statutory provision for the financing of capital investment and Inherited Debt charged against the General Fund	23,327
2,573	Repayment of Inherited Debt charged against the General Fund	2,720
10,019	Long Term Debtor financed from Capital Grants	10,751
2,730	Revenue Contributions to Finance Capital	0
20,072	Long &Short Term Debtor financed from Revenue Grants	0
5,120	Long and Short Term Debtor financed from Capital Receipts	6,619
50	Investments funded from RCCO	0
(4,441)	Bad debt provision for RGF / GPF loans	(4,131)
(12,535)	Write Down of Long Term Debtor	(17,947)
(84,803)	Balance as at 31 March	(86,318)
(35,153)	Movement	1,515

Notes to the Group Accounts (continued)

52b 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 38 provides details of the source of all the transactions posted to the Account.

2015/16 £000s		**2016/17 £000s**
808,198	Balance as at 1 April	861,901
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
0	Revenue expenditure funded by capital under statute	0
(63,870)	Charges for capital grants released	(70,410)
	Capital Financing Applied in the year:	
117,573	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	85,209
861,901	Balance as at 31 March	876,700

52c Pensions Reserve

This relates to the net pension asset as at 31 March 2017 in accordance with the actuary's report. Further details are shown in Note 57.

2015/16 £000s		**2016/17 £000s**
(34,700)	Balance as at 1 April	(24,236)
12,149	Actuarial gains and losses on pensions assets / liabilities	(43,625)
(6,577)	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.	(6,608)
4,892	Employer's pension contributions and direct payments to pensioners payable in the year	5,231
(24,236)	Balance as at 31 March	(69,238)

Notes to the Group Accounts (continued)

52d Capital Reserve

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

2015/16 £000s		2016/17 £000s
3,853	Balance as at 1 April	2,461
(1,392)	Restatement of Balance carried forward	0
2,461	Balance as at 31 March	2,461

52e 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.

2015/16 £000s		2016/17 £000s
(49,036)	Balance as at 1 April	(47,936)
1,100	Amortisation during the year	1,100
(47,936)	Balance as at 31 March	(46,836)

Notes to the Group Accounts (continued)

53 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2015/16 £000s		2016/17 £000s
2	Finance Costs calculated in accordance with the SORP	3
0	Impairment of investments	(235)
(3,250)	Increase / (Decrease) in Debtors	11,478
(31)	Increase / (Decrease) in Inventories	(10)
16,230	Decrease / (Increase) in Creditors	(2,519)
(5,085)	Increase in bad debt provision	(4,627)
(5,201)	Loss on sale of non current assets	(6,514)
1,155	Gain / (Loss) on disposal of short term & long term investments	0
(64,649)	Annual depreciation charge	(69,573)
(740)	IAS19 adjustments	(747)
(1,306)	(Increase) / Decrease in Interest Debtors	(1,640)
52	Increase / (Decrease) in Interest Creditors	(105)
0	Gain on acquisition of donated asset	59,418
(402)	Other non-cash movements	95
(63,225)	**Adjustments to net deficit on the provision of services for non cash movements**	**(14,976)**
49,064	Finance Costs Paid	48,647
(49,128)	Financing Expenditure	(48,528)
4,022	Financing Income	4,924
(2,716)	Interest Income Received	(3,284)
(1,100)	IAS 19 pension finance interest	(833)
82,504	Capital grants and contributions receivable	64,227
(110)	Revaluation loss on non current assets	379
0	Revaluation release on transfer of investment property	0
82,646	**Adjust for items included in the net deficit on the provision of services that are investing and financing activities**	**65,532**

Notes to the Group Accounts (continued)

54 Cash Flow Statement - Investing Activities

2015/16 £000s		2016/17 £000s
151,415	Purchase of property, plant and equipment	126,564
35,212	Long Term Loans paid out	17,369
(12,242)	Long Term Loans repaid	(18,143)
(87,657)	Capital grants and contributions received	(64,617)
(1,531)	Proceeds from sale of property, land and equipment	(721)
(3,913)	Proceeds from short term and long term investments	0
81,284	**Net Cash Inflow / (Outflow) from Investing Activities**	**60,452**

55 Cash Flow Statement - Financing Activities

2015/16 £000s		2016/17 £000s
2,573	Repayment of former GMC Debt	2,720
(31)	Capital Grants Receipts in Advance relating to non GMCA road schemes	(184)
31,458	Repayment of borrowing	10,024
(70,636)	Receipt of borrowing	(10,040)
(36,636)	**Net Cash Inflow / (Outflow) from Financing Activities**	**2,520**

Notes to the Group Accounts (continued)

56 External Audit Fees

2015/16 £000s		2016/17 £000s
(5)	Fees receivable from Public Sector Audit Appointments with regard to external audit services carried out by the appointed auditor for the year	(4)
99	Fees payable to other external auditors with regard to external audit services carried out by the appointed auditor for the year.	91
9	Fees payable to other external auditors for the certification of grant claims and returns for the year.	0
10	Fees payable in respect of other services provided by other external auditors during the year.	37
113		124

Notes to the Group Accounts (Continued)

57 Employee Benefits - Pension Costs

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme which is administered locally by Tameside Metropolitan Borough Council. This is a funded defined benefits scheme, meaning that the Authority and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Post-Employment Benefits

The costs of retirement benefits in the net cost of services are recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the District contributions is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

	2015/16 £000s	**2016/17 £000s**
Comprehensive Income and Expenditure Statement Net Cost of Services:		
Current service cost	5,795	6,055
past service costs including curtailments	0	54
Financing and investment income and expenditure		
Net interest expense	1,109	840
Total post employment benefits charged to the deficit on the provision of services	**6,904**	**6,949**
Other post employment benefits charged to total comprehensive income and expenditure	0	0
Re-measurement of the Net Defined Benefit Liability comprising:	0	0
Re-measurement of the Net Defined Liability Comprising:		
Return on plan assets (excluding amounts included in net interest)	10,402	(31,882)
actuarial gains and losses arising on changes in demographic assumptions	0	901
Actuarial gains and losses arising on changes in financial assumptions	(14,808)	61,221
Other experience re-measurements	(7,900)	13,270
Total remeasurement recognised in other comprehensive income	**(12,306)**	**43,510**
Movement in Reserves Statement		
Reversal of net charges made to the Deficit on Provision of Services	(10,468)	44,940
Actual amount charged against the General Fund Balance for the pensions in the		
Employer's contribution payable to scheme	(4,953)	(5,265)
Employer's contribution re: unfunded deficit	22,100	27,519

Notes to the Group Accounts (Continued)

57 Employee Benefits - Pension Costs

Pension Assets and Liabilities Recognised in the Balance Sheet

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

Funded Liabilities: Local Government Pension Scheme:	Restated 2015/16 £000s	2016/17 £000s
Balance at 1 April	384,023	358,278
Current service cost	5,798	6,055
Interest cost on defined benefit obligation	11,719	11,858
Contributions by scheme participants	1,735	1,954
Changes in demographic assumptions	0	901
Changes in financial assumptions	(14,997)	61,701
Other experience re-measurements	(7,900)	13,270
Unfunded benefits paid	0	54
Benefits paid	(22,100)	(27,521)
Balance at 31 March	358,278	426,550

Reconciliation of the Movements in Fair Value of Scheme Assets

Fair value of the scheme assets:	2015/16 £000s	2016/17 £000s
Balance at 1 April	349,267	334,158
Interest income on plan assets	10,584	11,028
Return on assets (excluding amounts included in net interest)	(10,387)	31,882
Actuarial gains / losses	0	645
Contributions in respect of unfunded benefits	500	505
Employer contributions	4,559	4,942
Contributions by scheme participants	1,735	1,947
Benefits paid	(22,100)	(27,519)
Balance at 31 March	334,158	357,588

Net Liability Arising from Defined Benefit Obligation

Net Liability for Year:	2015/16 £000s	2016/17 £000s
Present value of funded liabilities	(358,575)	(426,836)
Fair value of assets	334,158	357,587
Net interest	0	(2)
(Deficit) in the scheme	(24,417)	(69,251)

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

57 Employee Benefits - Pension Costs (continued)

The liabilities show the underlying commitment that the Authority has in the long run to pay retirement benefits. Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The last triennial valuation was the 31 March 2016.

Assets and liabilities have been assessed on an actuarial basis by Hymans Robertson, an independent firm of actuaries.

The main assumptions used in their calculations have been:

	2015/16	2016/17
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	21.4 years	21.5 years
Women	24.0 years	24.1 years
Longevity at 65 for future pensioners		
Men	24.0 years	23.7 years
Women	26.6 years	26.2 years
Rate of increase in salaries	3.40%	3.20%
Rate of increase in pensions	2.10%	2.40%
Discount rate	3.40%	2.50%
Take-up of option to convert annual pension into retirement lump sum - pre April 2008	55%	55%
Take-up of option to convert annual pension into retirement lump sum - post April 2008	80%	80%

The estimate of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above.

Changes in assumptions at 31 March 2016	% increase to Employer Liability	£000s
0.5% decrease in real discount rate	7%	30,946
0.5% increase in the salary increase rate	1%	4,611
0.5% increase in the pension increase rate	6%	25,852

This is not a full list of the assumptions used. For example changes to the assumed level of withdrawals from the scheme and the number of ill health retirements will also have an effect. However the assumptions in the table above will have the most impact.

The table shows the effect of changes to each assumption in isolation. It is possible for the experience of the Fund to deviate from more than one of the assumptions simultaneously and so the precise effect on the valuation is more complex.

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

57 Employee Benefits - Pension Costs (continued)

The assets consist of the following categories, by proportion of the total assets held:

	Year Ended 31 March 2017			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	
	£000s	£000s	£000s	%
Equity securities				
Consumer	15,234.1	0.0	15,234.1	4%
Manufacturing	15,599.1	0.0	15,599.1	4%
Energy and utilities	12,477.0	0.0	12,477.0	4%
Financial institutions	19,160.9	0.0	19,160.9	5%
Health and care	6,724.6	0.0	6,724.6	2%
Information technology	4,761.7	0.0	4,761.7	1%
Other	3,192.7	0.0	3,192.7	1%
Debt securities		0.0		
Corporate bonds (investment grade)	8,891.8	0.0	8,891.8	2%
UK government	129,942.6	0.0	129,942.6	37%
Other	5,921.2	0.0	5,921.2	2%
Private equity		0.0		
All	0.0	5,325.4	5,325.4	1%
Real estate		0.0		
UK property	0.0	5,139.8	5,139.8	1%
Investment funds and unit trusts		0.0		
Equities	46,924.9	0.0	46,924.9	13%
Bonds	13,378.3	0.0	13,378.3	4%
Infrastructure	0.0	4,321.3	4,321.3	1%
Other	33,020.8	9,341.7	42,362.5	13%
Derivatives		0.0		
All	0.0	0.0	0.0	0%
Cash and cash equivalents		0.0		
All	17,095.0	0.0	17,095.0	5%
	332,324.7	**24,128.2**	**356,452.9**	**100%**

In addition to the employees of the Authority and TfGM who participate in the Greater Manchester Pension Fund, as at 31 March 2017 there was 1 current employee of CNE who also participated.

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

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

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

	2015/16	2016/17
	£000s	**£000s**
	395	480

Notes to the Group Accounts (Continued)

58 Contractual Commitments

	31 March 2016 £000s	31 March 2017 £000s
Capital Commitments	60,236	213,615

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:

	2015/16 £000s	2016/17 £000s
Highways and Transport Services	376	420
Planning Services	2	2
	378	**422**

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

	31 March 2016 £000s	31 March 2017 £000s
Land and Buildings		
Payments due within 1 year	315	353
Later than 1 year and not later than 5 years	754	1,028
Later than 5 years	6,960	6,918
	8,029	**8,299**
Other		
Payments due within 1 year	0	6
Later than 1 year and not later than 5 years	54	0
Later than 5 years	0	0
	54	**6**

Notes to the Group Accounts (Continued)

59 Staff Costs

	2015/16 £000s	2016/17 £000s
Wages and Salaries	30,572	33,551
Social Security Costs	2,522	3,401
Pension Costs	4,521	5,237
Total	37,615	42,189

	2015/16	2016/17
Average number of employees during the year	953	1,024

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

	Staff who have not received severance 2015/16	Staff who have received severance 2015/16	Total 2015/16	Staff who have not received severance 2016/17	Staff who have received severance 2016/17	Total 2016/17
Salary Range						
£50,000 to £54,999	27		27	44		44
£55,000 to £59,999	17		17	16		16
£60,000 to £64,999	17		17	18		18
£65,000 to £69,999	10		10	14		14
£70,000 to £74,999	5		5	10		10
£75,000 to £79,999	2		2	1		1
£80,000 to £84,999	5		5	6		6
£85,000 to £89,999	3		3	3		3
£90,000 to £94,999	2		2	2		2
£95,000 to £99,999	3		3	1		1
£100,000 to £104,999	1		1	2		2
£105,000 to £109,999	3		3	4		4
£110,000 to £114,999	1		1	3		3
£120,000 to £124,999	2		2	3		3
£130,000 to £134,999	0		0	2		2
£135,000 to £139,999	1		1	0		0
£160,000 to £164,999	2		2	0		0
£165,000 to £169,999	0		0	1		1
£170,000 to £174,999	1		1	2		2
£285,000 to £289,999	1		1	1		1
	102	**0**	**102**	**133**	**0**	**133**

Agreed Staff Exit Packages (including severance and pension costs)

Exit Package Cost Band	**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2015/16	**2016/17**	**2015/16 £000s**	**2016/17 £000s**
£0 - £20,000	8	11	38	46
£20,001 - £40,000	0	2	0	65
£40,001 - £60,000	0	2	0	95
	8	**15**	**38**	**206**

Notes to the Group Accounts (Continued)

60 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 31.

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

61 Assets Held for Sale

The assets held for sale are classified as current assets because they are expected to be realised within the next 12 months.

	2015/16 £000s	2016/17 £000s
Balance at 1 April	0	1,965
Transfer from Investments (Sofaworks Ltd) at cost	500	0
Revaluation of investment	750	0
TfGM Asset	715	0
Disposal	0	(1,965)
Balance at 31 March	1,965	0

62 Contingent Liabilities

The GMCA acquired NW Evergreen Holdings (GP) Ltd in September 2016, increasing the group balance sheet by £59m. Of that £59m, c£29m is ERDF money which comes with a risk of clawback. The Evergreen Fund has been through annual audits since its inception and a full European Commission audit in February 2017, all of which have passed without any compliance issues being raised which may represent clawback risk. Given this, the clawback risk related to historic issues is considered very low.

In relation to future risk, this would predominantly relate to the risk of making an ineligible investment. In such circumstances, any penalty would depend on the severity of the non-compliant issue, ranging from 0.5% to 100%. Given that Evergreen will continue to invest in similar schemes, utilising the same fund manager, the risk of making a severely non-compliant investment is extremely low. In any event, under the fund management agreement, the clawback risk associated with ineligible investments is passed on to the fund manager.

63 Events after the Balance Sheet Date

Greater Manchester Fire & Rescue and Greater Manchester Office for Police & Crime

Following the election of the Greater Manchester Mayor on 8 May 2017 the functions of the Greater Manchester Fire and Rescue Service and the Office of the Police and Crime Commissioner will transfer to the GMCA.

The Greater Manchester Combined Authority (GMCA) (Fire and Rescue Functions) Order 2017 provides that on 8 May 2017 fire and rescue functions transfer to the GMCA and that they are exercisable by the elected Mayor. The Order provides for the abolition of the Greater Manchester Fire and Rescue Authority on 7 May 2017 and for the property, rights and liabilities of the Authority to be transferred to the GMCA.

The Greater Manchester Combined Authority (Election of Mayor with Police and Crime Commissioner Functions) Order 2017 transferred the functions of the Police and Crime Commissioner (PCC) to the GMCA on 8 May 2017. The transfer of the PCC functions means that the legal entity known as the Police and Crime Commissioner's Office cease to exist as of 7 May 2017 and all staff, properties, rights and liabilities will transfer to the GMCA.

The financial effect of the above transfers will be in line with the balance sheet figures as at 7th May 2017 as follows:

	7 May 2017 £000s
Greater Manchester Fire and Rescue Service	1,599,722
Police and Crime Commissioner for Greater Manchester	149,691
	1,749,413

Greater Manchester FoF (GP) Limited

In November 2016 the authority acquired a 100% shareholding in Greater Manchester FoF (GP) Ltd. The company was dormant as at 31/3/17. In May 2017, the company received £15.5m funding from ERDF to be used to support a shift towards a low carbon economy and for research and innovation. The fund has secured an additional £45m ERDF funding for the financial year 2017/18, therefore it is anticipated that the company will be consolidated as a subsidiary into the group accounts next year.

Glossary of Financial Terms

Actuarial Gains and Losses

This Re-measurement of the net defined benefit liability comprises actuarial gains and losses, the return on plan assets and any change in the effect of the asset ceiling. Actuarial gains and losses are changes in the present value of the defined benefit obligation arising from the effects of differences between the previous actuarial assumptions and what has occurred and the effects of changes in the actuarial assumptions

Agency Services

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

Amortisation

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

Assets

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

Balances

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

Capital Expenditure

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

Capital Receipts

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

Contingent Assets

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

Contingent Liabilities

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

Corporate and Democratic Core

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

Creditors

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

Current Service Cost

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

Curtailments

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

Debtors

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

Defined Benefit Scheme

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

Defined Contribution Scheme

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

Depreciation

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

Exceptional Items

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

Expected Return on Pension Assets

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

Expenditure

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

Fair Value

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

Fees and Charges

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

Finance Lease

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

General Fund

The total services of the Authority and Group.

Impairment

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

Income

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

Infrastructure Assets

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

Interest Cost (Pensions)

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

International Financial Reporting Standards (IFRS)

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

Inventory

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

Investment Properties

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

Liabilities

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

Long-term Contracts

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

Minimum Revenue Provision (MRP)

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

Operating Lease

A lease other than a finance lease.

Past Service Cost

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

Past Service Credit

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

Provisions

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

Public Works Loan Board (PWLB)

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

Residual Value

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

Reserves

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

Revenue Contributions

The method of financing capital expenditure directly from revenue.

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Settlement

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

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

We have audited the financial statements of Greater Manchester Combined Authority (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

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

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities, 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 2016-17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority and Group as at 31 March 2017 and of the Authority's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report by the Treasurer and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in ‘Delivering Good Governance in Local Government: Framework (2016)’ published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

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

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

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Mark R Heap

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

4 Hardman Square
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Manchester
M3 3EB

29 September 2017