Transport for Greater Manchester

Statement of accounts for the year ended 31 March 2019

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Organisational overview and operational environment

Greater Manchester Combined Authority

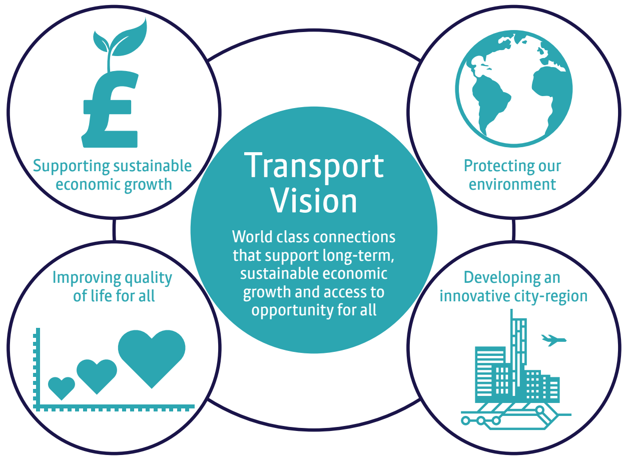
The Greater Manchester Combined Authority (GMCA) is responsible for a range of functions across Greater Mancheser including transport, economic development and regeneration functions.

Transport for Greater Manchester (TfGM) is responsible for delivery of the transport-related functions on behalf of GMCA.

The Transport for Greater Manchester Committee (TfGMC) is currently made up of 33 councillors from across the ten local authorities in Greater Manchester. It advises GMCA on transport policy and funding and scrutinises the work of TfGM and the operators who provide public transport services.

The Greater Manchester Mayor is the GMCA portfolio lead for transport.

The transport vision for GMCA is:



Andy Burnham
Greater Manchester Mayor

Andy Burnham was elected as Mayor of Greater Manchester on 5 May 2017, and is accountable to the people of all ten local authorities in Greater Manchester.

The Mayor is the Chair and eleventh member of the GMCA. The leaders of the ten councils form the Mayor's cabinet. The Mayor is supported by a Deputy Mayor for Policing and Crime, and a Deputy Mayor for Economic Growth and Business.

The Mayor is able to make some decisions independently, but others involve consultation with, and approval of, all 11 members of the GMCA. Some decisions need unanimous support, others need a majority.

Organisational overview and operational environment

TfGM responsibilities, vision and mission

TfGM is responsible for carrying out the transport-related functions and policies of the Combined Authority and the Transport for Greater Manchester Committee, and those functions of the Mayor which may be delegated to it, including the functions set out below. It is not a statutory highway authority.

TfGM's responsibilities include:

- Investing in improving transport services and facilities, to support the regional economy.
- Working closely with bus, tram (Metrolink) and train operators to help improve the full journey experience.
- Owning Metrolink – the UK's largest light rail network – and planning for its future, including delivering the new Trafford Park line.
- Promoting and investing in walking and cycling as safe, healthy and sustainable ways to travel.
- Paying for bus services at times and in areas where no commercial bus services are provided.
- Keeping traffic flowing on some of Greater Manchester's busiest roads by managing a 360 mile 'Key Route Network'.
- Owning and operating Greater Manchester's bus stations, stops and shelters and investing in new, modern transport interchanges.
- Subsidising more affordable fares to help older people, children and disabled people get around.
- Developing easier, smarter ways to travel and plan journeys by using data and technology.
- Playing a leading role in coordinating Greater Manchester's plans to reduce transport-related air pollution.

TfGM is also acting on behalf of the GMCA to coordinate with the GMCA and the ten Local Authorities to develop a strategy that ensures the legal requirements for clean air are met across the city-region.

TfGM's vision encapsulates and expresses its aspirations and responsibilities:

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

TfGM's Mission sets out what TfGM is here to do every day:

"Making travel easier in Greater Manchester".

Operating environment

TfGM's operating environment has a significant impact on the success of delivering the organisation's objectives.

Most of TfGM's operational activities are funded from the Transport Levy which is provided by the GMCA from funding received from the ten Greater Manchester Local Authorities. The Transport Levy is set annually by the GMCA which approves the transport budget and the amount provided to TfGM.

From 2018/19 the costs of certain activities which have previously been funded from the Transport Levy became a Mayoral function and are being funded from the Mayoral Budget. This includes the costs associated with developing, updating and delivering the Local Transport Plan.

In addition to the policies and activities which are directed by the GMCA transport vision, a number of TfGM activities are determined by government policy or legislation, including the English National Concessionary Travel Scheme.

Greater manchester transport strategy 2040

Greater Manchester published its 2040 Transport Strategy in February 2017, setting out its ambitions for the next 25 years. The 2040 Strategy identified seven key principles that will be applied consistently across the transport network over the next 25 years.

The 2040 Strategy also identifies our key stakeholders, which include:

- Its travelling customers, including residents, businesses and visitors to Greater Manchester;
- Its Local Authority colleagues and the 10 GMCA leaders;
- The Greater Manchester Mayor; and
- The Greater Manchester Local Enterprise Partnership (GMLEP), reflecting the voice of local businesses.

The 2040 Strategy is supported by strategies and delivery plans; including:

- The 2040 Strategy Delivery Plan
- Greater Manchester Spatial Framework
- 2040 Modal and Geographic Sub-strategies
- Congestion Deal
- Clean Air Plan
- Made to Move
- HS2 and Northern Powerhouse Rail Growth Strategies
- Transport for the North's Strategic Transport Plan

Governance

Members of TfGM

The Directors of TfGM who held offices of statutory members during the year, in accordance with Section 9 (2) of the Transport Act 1968, are set out below:

Dr J Lamonte
Chief Executive Officer (Resigned on 25 November 2018)

EJ Boylan
Chief Executive (Appointed as Interim on 25 November 2018, made permanent in March 2019)

RM Morris
Chief Operating Officer

SG Warrener
Finance & Corporate Services Director

R Paver
Non Executive Director (Appointed on 30 November 2018)

E Pysden
Non Executive Director

L Mosco
Non Executive Director

EJ Boylan
Non Executive Director (Appointed on 29 March 2018 and resigned on 25 November 2018)

The Annual Governance Statement included on pages 28 to 56 provides further details regarding the Directors of TfGM; information on TfGM's governance systems and processes; and how TfGM complies with the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. TfGM is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Each year the governance systems and processes are reviewed and in 2018/19 it was concluded that TfGM had in place satisfactory systems of internal control which facilitate the effective exercise of the organisation's functions. The Annual Governance Statement sets out any key changes in TfGM's governance procedures in 2018/19. These include the updates which are as a result of the usual cycle of review and improvement. Procedures have been reviewed again during the year and some developments have been introduced.

Business model

The 2018-21 Business Plan (BP) published in April 2018 sets out TfGM's Strategic Objectives and the corresponding supporting commitments for the next three years.

The business plan is structured around TfGM's seven strategic objectives:

- **Our focus on customers:** Improving the customer experience;
- **Our commitment to health and sustainability:** Making healthy, sustainable travel options the first choice;
- **Integrating the operations:** Continuing to strengthen the overall network
- **Our Assets:** Getting the best out of our diverse assets;
- **Our Greater manchester family:** Leading an integrated, innovative and customer-focused approach to strategic planning;
- **Our people:** Delivering a sustainable, high performance organisation; and
- **Our funding and finance:** Developing and delivering a commercially focused financial strategy.

The 2018-21 Business Plan is included on TfGM's website:

https://www.tfgm.com/corporate/statement-of-accounts

Business Plan Delivery Performance is monitored monthly through the internal Boards. Performance is formally reported to the Executive Board on a quarterly basis, with a progress status against all commitments.

An Annual Review of the 2018-21 Business Plan has been undertaken to review key progress against commitments in 2018/19 against the three year plan and focus on key deliverables for delivery in 2019/20.

Business model

The table below summarises some of the key achievements supporting delivery of TfGM's strategic objectives. The subsequent section provides an overview of some of these achievements.

Our Focus on Customers: Improving the customer experience	
Free bus launched	Oct-18
Metrolink Zonal Ticketing launch	Jan-19
Relaunch of the TfGM website / launch of customer platform improvements	Feb-19
Strengthened TravelSafe Partnership (TSP) enforcement, engagement and educational activities and initiatives.	Ongoing
Our Commitment to Health and Sustainability: Making healthy, sustainable travel options for the first choice	
Greater Manchester Walking Festival	May-18
Clean Air Day Events	Jun-18
Launch of Bee Network	Jun-18
Integrating our Operations: Continuing to strengthen the overall network	
"Smart" traffic light network expansion	Jul-18
New Farnworth Bus Station open to public	Jul-18
New Wigan Bus Station open to public	Nov-18
Stockport Interchange Mixed Use Development Planning Permission approved	Mar-19
Metrolink Trafford Park Line progress	Ongoing
Our Assets: Getting the best out of our assets	
Asset Management Information System procurement concluded	Mar-19
Our Greater Manchester Family: Leading an integrated, innovative and customer focused approach to strategic planning.	
Taxi and Private Hire Vehicle consultation commenced	Jul-18
Draft Greater Manchester 2020-2025 Delivery Plan launched, alongside GMSF consultation	Jan-19
Our People: Delivery a sustainable, high-performing organisation	
TfGM Awarded Stage 2 Investor in Diversity Organisation	Dec-18
Continuing to Invest in Apprenticeships	Ongoing
Our Funding and Finance: Developing and delivering a commercially focused financial strategy	
Procurement of additional Trams	Jul-18

Our Focus On Customers

Free bus launched

In October 2018 we revamped our Metroshuttle service, introducing later running times, extending the city centre routes to Salford Central during the peak, and rebranding the service as free bus.

Metrolink Zonal Ticketing Launch

In January we made one of the largest ever public facing changes to Metrolink by introducing fare zones onto the tram network. Replacing stop-to-stop ticketing the new system brings Greater Manchester into line with other cities around the world. It offers passengers greater flexibility, better value for money and enables future integration with other modes of transport.

In Summer 2019 we will be introducing contactless payment on Metrolink, which will enable people to touch-in and touch-out the system with their credit and debit cards, with automatic daily price capping.

Relaunch of the TfGM website / launch of customer platform improvements

Since April 2018 there have been nearly 13 million visits to our website and our pages have been viewed 32 million times. Our website is one of the main channels people use to get in touch with us and to get travel information, plan their journeys or learn more about TfGM. In 2018 we continued to enhance the website, based on feedback, to make it more accessible, easier to update and navigate, better for mobile viewing and able to host more photography and videos.

Alongside our website our customers also get in contact with us via social media, email, telephone and by post. Last year we dealt with over 18,000 written customer enquiries on a range of subjects including bus services, Metrolink, passes and general travel information. In 2019 we introduced a new customer platform that automatically categorises incoming enquiries to ensure they are dealt with in the most efficient way. We are also trialling new ways of responding to our customers, including a Chatbot and WhatsApp groups.

Strengthening our TravelSafe Partnership

Our TravelSafe Partnership (TSP) works to keep the public safe through enforcement, engagement and education.

Led by TfGM and Greater Manchester Police, and with support from contributing operators KeolisAmey Metrolink, Stagecoach and First Manchester, visible patrols and dedicated, intelligence-led operations offer reassurance and help prevent and deal with incidents of crime, antisocial behaviour and fare evasion on our networks.

This work is complemented by an extensive youth engagement and education programme, which has seen TSP officers speak; first hand, to more than 26,000 children and young adults (between May 2018 and February 2019) about the importance of behaving on public transport.

Our Commitment to Health and Sustainability

Greater Manchester Walking Festival

In 2018, to encourage more people to try walking, we delivered the fourth Greater Manchester Walking Festival. Running throughout May the festival offered 369 walks across all ten local authorities in the city-region. More than 5,000 participants took part in the festival.

Clean Air Day

In June 2018 we helped coordinate the second Greater Manchester Clean Air Day. Targeting the general public, schools and businesses the event raised awareness of air pollution and got people to consider how they could change their day-to-day lives to make a difference.

At Exchange Square in Manchester city centre we hosted a hub of activities. We asked people to make a Clean Air pledge, such as leaving their car at home one day a week, car sharing or walking or cycling for short trips. In total we received more than 10,000 pledges and our social media campaign promoting the event reached over 2 million people.

Launch of Bee Network

In June last year we launched our ambitious plans for a city-region wide walking and cycling scheme: The Bee Network. Made up of 1,000 miles of routes, including 75 miles of Dutch-style segregated bike lanes the proposed network would connect every community across Greater Manchester and make walking and cycling a real alternative to the car. The plans also include 1,400 safer road crossings and 25 filtered neighbourhoods.

Increasing walking and cycling will help tackle congestion in the city-region, while also improving air quality and boosting people's health and fitness.

Andy Burnham, the Mayor of Greater Manchester, and Chris Boardman, Greater Manchester's Cycling and Walking Commissioner, launched the scheme with the announcement that £160 million from the Transforming Cities Fund would be used to fund the first phase.

Integrating the Operations

'Smart' traffic light network

Poorly timed and inefficient traffic lights can slow traffic flow and contributed to congestion. In July 2018 we announced we would be investing £5.6m of Local Growth Deal funding in expanding Greater Manchester's smart traffic light system.

The money to be invested will mean Greater Manchester will have the largest smart traffic light network in the country outside London.

Farnworth Bus Station

In July 2018, Farnworth's new bus station opened for its first services. Delivered by TfGM in partnership with Bolton Council, the improved facility includes improved shelters, seating, street lighting, cycle parking and journey information.

The bus station improvements were funded through the Greater Manchester Local Growth Deal as part of the Salford Bolton Network Improvement (SBNI) programme.

Wigan Bus Station

In October last year we opened our latest transport interchange, Wigan Bus Station. Delivered in partnership with Wigan Council the new £15.7 million facility was opened two months ahead of schedule.

Wigan Bus Station is the latest transport interchange to be built across Greater Manchester, joining Bolton, Rochdale, Wythenshawe and Altrincham. Modern and convenient it is designed to increase the use of sustainable transport and boost the local economy by providing an attractive gateway to the town centre.

Wigan Bus Station was funded by Local Growth Deal Funding.

Stockport Mixed Use Development Planning Permission

In March 2019 Stockport Council approved planning permission for the Stockport Mixed Use Development, which will transform the town's bus station into a modern, attractive and accessible interchange.

Along with funding also being secured for a new cycling and walking bridge, which would link the interchange with Stockport rail station, the project will form a key part of a wider £1 billion regeneration of the town centre.

The other main element of the development will be a residential building off Daw Bank with up to 200 apartments and associated car parking, offering further attractive high-quality living space in the town centre.

Located alongside the A6 and Mersey Square, the multi-million pound development will be funded by Transport for Greater Manchester, Stockport Council and the Greater Manchester Combined Authority (GMCA), with support from central government through the Greater Manchester Local Growth Deal programme.

Metrolink Trafford Park Line Progress

Metrolink is one of Greater Manchester's public transport success stories, with more than 43 million passenger journeys being taking on the network every year.

This year we continued construction of the Trafford Park Line, the latest extension of the Metrolink network. When it is completed in 2020 it will add 5.5km and six stops to the system and connect Metrolink to the intu Trafford Centre and Trafford Park, Europe's largest industrial park.

So far, we have completed significant infrastructure including laying over 65% of the track, a new bridge over the Bridgewater Canal, a new viaduct at Pomona and all platforms are now in place. The new line will run from the intu Trafford Centre to Crumpsall, increasing frequency from the stop to the city centre to every six minutes.

Our Assets

Asset Management Information System

TfGM owns and manages a diverse and complex range of assets that are vital to keep Greater Manchester moving.

Over the past 12 months we have been continuing to develop an increasingly strategic approach to maintain and renew our assets. This approach will ensure we continue to make the best use of our capital investment, and that operating budgets are efficiently applied to extend asset life and sustain long-term performance.

Work has been undertaken to define requirements for a new Asset Management Information System (AMIS) and the procurement of a new system was concluded in April 2019 with implementation scheduled in early 2020.

The implementation of AMIS will help to improve service and financial performance, operational efficiencies, and risk management.

Our Greater Manchester Family

Taxi and Private Hire Vehicle Consultation

Around 32 million trips are made in taxis and private hire vehicles (PHVs) in Greater Manchester each year.

We know it's an important way for many people to travel around the city-region. That's why we are working with the ten district council local licensing authorities to make sure every journey meets the same high standard.

In summer 2018 we ran a survey to ask for the general public's experiences of using taxis and private hire vehicles in Greater Manchester.

TfGM is now working with the Greater Manchester councils to develop a set of common, minimum set of standards for the taxis and private hire services they license.

Draft Greater Manchester Delivery Plan

In January this year we published our draft five-year Delivery Plan, which sets out our vision for all the transport projects we want to complete or explore in the next five years so we can make Greater Manchester's transport network more accessible, integrated, greener and efficient.

It's a bold and ambitious plan which we estimate would cost around £3bn to deliver everything in the first 5 years of the Plan, but getting our transport right is essential, both for our city-region's continued economic growth and so that our residents and visitors can lead productive, healthy and fulfilling lives.

Our People

Investor in Diversity Organisation

Transport for Greater Manchester is committed to equality, diversity and inclusion – not only so that we can ensure the city-region's public transport meets the needs of Greater Manchester's diverse communities, but also so that we can be the best organisation possible for our employees.

In January 2019 we were awarded Transport Organisation of the Year at the National Centre for Diversity's awards. This followed being accredited by them as a Stage 2 Investor in Diversity Organisation, following a comprehensive assessment.

Apprenticeships

Our staff at TfGM are our most valuable resource and apprenticeships are just one way we ensure we have the right skills and knowledge to tackle the city-region's greatest transport challenges and take advantage of upcoming opportunities. Since 2017 we have employed 20 apprentices across a range of areas, including highways, rail, HR and design.

Not just for young people, apprenticeships offer new and existing employees the chance to gain professional qualifications alongside their job. They help us bring new skills into the organisation, build our resilience, respond to changing industry needs and enable staff to progress with their careers.

Our Funding and Finance

Procurement of additional Trams

In July 2018 TfGM signed a contract that will see 27 new Metrolink trams bolster the UK's largest tram network. The Trams are being funded by the Transforming Cities Fund and are part of a range of measures to help reduce traffic in the city-region as set out in the Mayor's 'Congestion Deal'.

The first tram is expected to arrive in Spring 2020, with other units following on a monthly basis through to the summer of 2021. The new trams will be the same M5000 model as the existing fleet.

Look ahead to key deliverables in 2019/20

TfGM are keenly aware of some of the key challenges facing Greater Manchester, including congestion, air pollution and the lack of integration and oversight between the different modes of public transport. These are complex, long-term and interrelated issues. It is only by having this clear Plan that we can seek to tackle them in a strategic and, ultimately, effective way.

The table below outlines some of the key deliverables in our Business Plan for Delivery in 2019/20.

Our Focus on Customers: Improving the customer experience	
Wayfinding pilot delivery completion	Summer 2019
Contactless launch	Summer 2019
Opportunity Pass 'go live'	Autumn 2019
Customer Digital Services enhancements	Ongoing through year
Our Commitment to Health and Sustainability: Making healthy, sustainable travel options for the first choice	
GM Clean Air Plan conversation	Spring 2019
Clean Air Week Events	Summer 2019
Greater Manchester Clean Air Plan Consultation	Autumn 2019
Greater Manchester Flexible working campaign	Ongoing through year
The Bee Network, scheme completion	Ongoing through year
Integrating our Operations: Continuing to strengthen the overall network	
Greater Manchester Rail Prospectus to be published	Autumn 2019
Potential Bus Reform Consultation	Autumn 2019
Self-driving car trial	Winter 2019
Delivery of the first of the new trams	Spring 2020
Opening of Ashton Interchange	Spring 2020
Trafford Park Line Opening	Spring 2020
Expanding Park and Ride	Ongoing through year
Our Assets: Getting the best out of our assets	
Complete Implementation of new Asset Management System	Spring 2020
Our Greater Manchester Family: Leading an integrated, innovative and customer focused approach to strategic planning.	
TfGM supporting GM family in the procurement and programme management of the Local Full Fibre Network.	Autumn 2019
City Centre Transport Strategy Consultation	Autumn 2019
Publish Final 2020-2025 Delivery Plan	Winter 2019
Streets for All Launch	Spring 2020
Our People: Delivery a sustainable, high-performing organisation	
TfGM Dynamic working rollout	Summer 2019

Awards

TfGM won a number of awards in 2018/19 which demonstrated achievements across a number of areas. These included:

- National Transport Awards – 11 October 2018
  - City-Region Authority of the Year
  - Excellence in Cycling and Walking (joint with Manchester City Council)
- European Mobility Week – 22 March 2019
  - Sustainable Urban Mobility Plan (SUMP)

Opportunities

The future of bus services

The Greater Manchester Transport Strategy 2040 sets out TfGM's ambition for bus services. Greater Manchester needs a joined-up transport network, with simple fares and ticketing, that puts the passenger first and guarantees the best value ticket for their journey. It should be modern, accessible, and everyone should be able to use it.

As part of the 2014 Greater Manchester Devolution Agreement, government committed to introducing new bus legislation. In April 2017, the Bus Services Act became law, giving Mayoral authorities like Greater Manchester powers to reform the current bus market. The options available include different types of partnerships and franchising – the system used in London and other cities globally.

It is thought that bus reform could bring significant benefits for residents and passengers, allowing for greater local control over routes, frequencies, timetables, fares and quality standards for all buses across the Greater Manchester network, and ensure integration with other modes of transport.

On behalf of GMCA – and in line with the Bus Services Act 2017 – TfGM is now preparing an assessment of a proposed franchising scheme for the whole of Greater Manchester, which will include consideration of any alternative options, including partnerships. As part of this assessment, we are also engaging with bus operators.

Once that assessment is completed an independent audit of the assessment will be completed and the GMCA will decide whether to proceed with a consultation, enabling the public to have their say. The Mayor will then be able to make a decision as to whether to use the powers made available to him under the Bus Services Act 2017 to reform Greater Manchester's bus market.

The future of rail stations

Following TfGM's previous work on the Rail Stations 'Case for Change' and in light of the feedback on those plans, including from the Department for Transport, TfGM has continued to work in partnership with the rail industry to develop alternative proposals for the ambition for better, more accessible stations and to test working in partnership with operators and other industry stakeholders.

The May 2018 Rail Station Partnership report to the GMCA set out the partnership/Alliance proposals working with the rail industry, underpinned by three workstreams:

- Station Improvement and Community Developments;
- Strategic Development and Regeneration; and
- Targeted Inclusivity and Accessibility Development.

Network Rail, TfGM, London Continental Railway (LCR) and the Train Operating Companies (Northern Rail and Transpennine Express) have worked together to develop a governance framework for a Rail Station Alliance to collaborate on the improvement of stations in Greater Manchester

The 2019/20 budget includes £0.5 million from Transport Reserves to progress proposals for the Rail Station Alliance.

Managing the highways

Greater Manchester's roads are the arteries of the region's economy. It is essential that the network functions effectively with minimum delays and congestion, to support the economic growth of the city region.

Greater Manchester's ten Local Authorities are responsible for the roads in their area but until recently, there has been no central, strategic oversight for management of roads across boundaries.

These roads have been brought together into a single Key Route Network (KRN), spanning all of the Greater Manchester Local Authority areas and totalling over 360 miles. TfGM and the ten local Highway Authorities work collaboratively to improve network resilience, technical capability and capacity and road safety across Greater Manchester.

The efficient movement of traffic on the KRN is essential for commuting and logistics. Greater coordination supports investment and growth across the whole of Greater Manchester. With strategic oversight of the KRN, the performance and investment in these vital roads can be maximised over the long term. Ultimately, this will help to reduce delays and congestion, to benefit all road users.

Smart ticketing

Following approval by GMCA in January 2017, TfGM has entered into a partnership with TfN, other transport authorities and other transport operators to develop a single back office system that can support smart ticketing across the North. Delivery of the solution will be via a phased approach. This is scheduled to be launched in Summer 2019.

In 2017/18, TfGM commenced the work on a scheme which will introduce a "Pay As You Go" (PAYG) scheme on Metrolink for contactless bank card holders.

The zonal fares scheme, introduced in January 2019 and described earlier in this report, allows the contactless scheme to offer a daily capping scheme on Metrolink, with charges capped at the best value fare that would have been available for the journeys that they have made that day, similar to the daily capping offered to contactless customers by TfL.

Air Quality strategy

Eight Greater Manchester authorities were identified by the Government as having roads which are expected to continue to exceed the maximum legal limits of NO2 in 2021. They were directed by Government to undertake feasibility studies to identify measures for reducing NO2 concentrations to compliant levels in the 'shortest possible time'. These studies must produce a series of business cases for assessing and implementing the relevant measures to address the problem.

As the main source of NO2 is road vehicles, the ten Greater Manchester Local Authorities are working to produce a single Clean Air Plan. The ten authorities, coordinated by TfGM, have now developed an Outline Business Case (OBC) which sets out a draft package of coordinated and robust measures that complies with the highly prescriptive Government guidance for tackling NO2 pollutants. The OBC represents a major milestone on the journey to developing a Full Business Case, which must be submitted to Government by the end of 2019.

Further detail on the proposals to tackle NO2 can be found at www.CleanAirGM.com.

Risk strategy

TfGM's risk policy statement is:

"Risk management shall be an integral part of day-to-day management at all levels of the organisation with a robust risk management process which will assist in safeguarding TfGM's reputation and delivering the Strategic Objectives and Business Plan Commitments."

Risk management in TfGM is about managing threats and opportunities to create an environment of 'no surprises' to ensure there is an effective risk management process. The policy aims are:

- To have a robust understanding of TfGM risk;
- To strengthen and protect TfGM's resilience in dealing with risks issues which would impact the image and reputation of TfGM; and
- To ensure clear responsibility for the management of risks between TfGM and its partners and give clear accountability for the execution of risk management activities.

The strategy sets out best practice drawing principally on guidance and standards in the "International Standard in Risk Management – ISO: 31000", "The Orange Book, Management of Risk" and "Management of Risk: Guidance for Practitioners" issued by HM Treasury.

The strategy is prepared in accordance with the Constitution of TfGM and is approved by the Executive Board. The approach provides assurance that appropriate controls are in place to deliver a securely run the organisation in line with recommendations of the updated version of the UK Corporate Governance Code. It is part of the delivery mechanism for TfGM Strategic Objectives and Business Plan Commitments. The strategy includes the management of strategic, operational, project and programme risks.

All TfGM staff, delivery partners, consultants and contractors must adhere to the requirements.

This risk management policy and strategy continues to play an important role in making TfGM an even more efficient and effective organisation.

Further details are included in the Annual Governance Statement.

Performance

Primary statements

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

Comprehensive Income and Expenditure Statement (CIES): This shows the accounting receivable income and the costs incurred in the year of providing services. TfGM's Comprehensive Income and Expenditure Statement for the year shows a net income of £55.6 million (2018: net income of £39.780 million). The net expenditure / income includes capital grants recognised in the year of £130.349million (2018: £106.301 million), which, under the requirements of the Code, are required to be recognised as income in the year they are received, unless there are conditions attached which TfGM has not met.

A reconciliation from the revenue surplus (2018: surplus) shown in the CIES, in accordance with the Code, to the surplus (2018: surplus) is shown below. This information is disclosed in the movement in reserves statement and is included here as an aid in interpreting the information within these financial statements.

2017/2018			**2018/2019**	
£000	**£000**		**£000**	**£000**
	39,780	**Total comprehensive income and expenditure**		55,563
		Add back: IAS19 Pension adjustments		
(7,132)		Remeasurement of the net defined benefit liability	(3,805)	
11,528		Current service cost and losses on curtailments and settlements	8,628	
116		Past service cost	6,071	
(6,179)		Employer contributions	(6,298)	
1,795		Finance costs of pension scheme	1,890	
	128			6,486
	39,908			62,049
		Add: Release of unapplied revenue contributions		
562		Less: Revaluation reserve adjustment	82	
(106,301)		Less: Capital grants and contributions	(130,349)	
	(105,739)	Add: Amounts released from the Deferred Capital Grants and Contributions Account		(130,267)
68,424		Amount to match depreciation of grant funded assets	69,465	
55		Amount released on disposal of grant funded assets	345	
	68,479			69,810
	2,648			1,592
	(1,392)	Less: Amount transferred to Deregulation Reserve		(1,392)
	1,256	**Revenue surplus for the year**		199

Grants

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

The grants receivable from GMCA were as follows:

	2019	**2018**
	£000	**£000**
Revenue grants	138,165	136,812
Passenger transport facilities grants	1,896	5,651
Capital grants	125,800	99,125
Total expenditure	**265,861**	**241,588**

Movement in Reserves Statement (MIRS): This shows the year on year movement on different reserves held by TfGM. These are analysed further in note 18 into 'Usable', being those reserves that TfGM may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, and 'Unusable'; where reserves are those that TfGM is not able to use to provide services.

As of 31 March 2019, TfGM Usable reserves were £39.2 million (2018: £39.2 million) and the Unusable reserves were £1,867.2 million (2018: £1,811.7 million). The Unusable reserves have increased in 2018/19, primarily due to the movement in capital grants.

The main Unusable Reserve is the Deferred Capital Receipts Account, which holds the capital grants received by TfGM to fund its capital programme. The Code requires TfGM to recognise capital grants when received in the CIES if these do not have conditions which may give rise to repayment. The majority of grants fall within this category and are held initially within the deferred capital receipts reserve. The reserve is used to fund the future costs of depreciation on the assets delivered by the programme. Each year the depreciation charged for assets that have been funded by the grants held in this reserve are transferred from the deferred capital receipts reserve to the general reserve to allow matching of capital costs and grants. This ensures the capital grants received are ring fenced to cover the future capital depreciation cost.

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. TfGM accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

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

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

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

Performance

The Corporate Capital Reserve primarily relates to the reserves of the entities from which TfGM (then GMPTE) was formed. On 1 April 2011 GMPTE was renamed Transport for Greater Manchester (TfGM).

Balance Sheet: This shows the value as at the balance sheet date of the assets and liabilities recognised by TfGM. The net assets are matched by reserves held, which are analysed into Usable and Unusable Reserves as described above. The net assets at 31 March 2019 were £1,906.4 million (31 March 2018: £1,850.8 million).

The key movements in the Balance Sheet are summarised below:

The increase in the value of assets held in Property, Plant and Equipment in the year is due to capital expenditure on a number of large capital schemes undertaken in the year. These include the following schemes in the year:

- Metrolink Trafford Park Line Extension – £83.8 million has been spent in the year on the extension of the Metrolink line to the Trafford Centre. The line is due to open in the Spring 2020.
- Metrolink Programme – £29.806 million of expenditure has been incurred on other Metrolink projects in the year, including the Metrolink Renewals and Enhancement Programme and the Phase 3 programme. The programme also includes include the purchase of 27 new trams.
- Growth Deal Majors schemes – The Growth Deal 1 Majors Programme consists of 12 major schemes that are being delivered by TfGM and the Local Authorities. Expenditure of £13.5 million in 2018/19 has been incurred on the 6 schemes being promoted by TfGM. These schemes include:
    - Wigan Bus Station which opened on 28 October, ahead of schedule and within budget.
    - Ashton Interchange which is due to open in spring 2020, the new interchange will provide a modern and accessible gateway to the town. Built on the site of the existing bus station on Wellington Road, it will allow passengers to interchange between different modes of transport, including bus, Metrolink, rail, walking and cycling.
    - Stockport Interchange, park and residential scheme. Planning approval was granted by Stockport Council in March 2019.

The increase in Intangible Assets in the year relates to further roll-out of smart ticketing including contactless and the new zonal ticketing.

The £2.0 million investment relates to a partnership that TfGM entered into in 2017/18 with Manchester City Council and London and Continental Railways Limited to form the Mayfield Partnership Limited Partnership. The partnership is seeking to regenerate the former Mayfield Depot site situated near to Piccadilly Station. Each party has pooled their existing land interests with a view to bringing forward significant development, employment and business opportunities.

There has been a small decrease in short term debtors primarily as a result of the timing profile of payments.

The Accounts reflect the outcome of the annual actuarial valuation for accounting purposes based on IAS19 of TfGM's pension fund assets and liabilities. A full actuarial valuation on a 'funding' basis was undertaken at 31 March 2016. A 'desktop' valuation was performed as at 31 March 2019 to roll forward the balances from the full valuation adjusting for changes in financial assumptions. The net pension liability increased in the year by £6.5 million. This is primarily due to the liabilities taking account of the recent court ruilings on the McCloud judgement and the Guaranteed Minimum Pension equalisation.

Cash flow statement

This shows the change in cash and cash equivalents of TfGM during the year. The statement shows how TfGM has generated and used cash and cash equivalents; and classifies cashflows into operating, investing and financing activities. The net decrease in cash and cash equivalents during the year was £10.2 million (2018: net increase of £15.3 million). The year on year change from cash outflow to cash inflow is due to the timing of receipts and payments on the capital programme. There have been no changes in the year in TfGM's borrowing facilities and capital borrowing.

The majority of funding received by TfGM is capital and revenue grants from GMCA which significantly reduces any risk over the recoverability of any future cash inflows. Capital and revenue budgets are strictly monitored to ensure spend is within the approved budget. Due to the on-going monitoring of the cashflow position and the security over the majority of income received there is deemed to be a low risk over the future cashflows.

Expenditure and funding analysis

This note aims to provide a clear link between the in-year monitoring of the revenue budget and the final outturn position in the audited financial statements. The Expenditure and funding analysis shows the net expenditure charged to revenue reserves as reported to management and reconciles this expenditure to the comprehensive income and expenditure statement.

The net expenditure in the year is summarised below:

	2018/19	2017/18	(Increase)/ Decrease
	£'000	£'000	£'000
Concessionary fare scheme	49,607	51,930	2,323
Supported bus services	24,920	26,236	1,316
Metrolink	1,688	5,005	3,317
Accessible transport	4,300	4,656	356
Highways activities	(690)	(1,089)	(399)
Road safety activities	945	932	(13)
Operational and other costs	52,716	46,993	(5,723)
	133,486	**134,663**	**1,177**

The key movements in the year have been reviewed below:

TfGM operate schemes of reimbursement for the carriage of concessionary passengers. The English National Concessionary Travel Scheme is mandated by government and provides for free off-peak bus travel for elderly and disabled passengers. In addition, TfGM also fulfils the GMCA provision of extensions to the concessions available in certain areas, for example travel by children and the elderly at a discount. The aim of these schemes is to ensure that the operators carrying concessionary passengers are no better or no worse off from the existence of the schemes. The reduction in expenditure is primarily due to the volume of concessionary passengers carried during the year which has reduced, including due to the continuing increase in the age at which the elderly can access the national scheme.

TfGM provides supported bus services, to ensure that areas and services which operators deem commercially unviable receive adequate public transport provision.

Metrolink net expenditure relates to the net operational cost of running the Metrolink service. The net expenditure reported in the EFA note is after removing internal recharges. There has been an decrease in net expenditure in the year of £3.3 million primarily due to an increase in Farebox revenue, due to a 6.1% increase in patronage and the full year impact of the January 2018 fare changes.

TfGM funds Ring and Ride, a door-to-door accessible transport service for people who find it difficult to use ordinary public transport. TfGM also provides travel vouchers for those not able to use ordinary buses, trains or Metrolink and who have serious walking difficulties or are registered blind. The vouchers can be used to pay for taxis, private hire vehicles and for travel on accessible bus services such as Ring and Ride and community transport. The net expenditure is £0.3 million lower than the prior year due to a reduction in the grant to GMATL who operate the Ring and Ride service.

Highways activities include the management of traffic signals including the design, installation and on-going maintenance of signals and the monitoring of the Key Route Network. There has been a small decrease in net income in the year of £0.4 million.

The road safety activity net income relates to the Greater Manchester Casualty Reduction Partnership. Income is received for speed awareness and other driver training courses and any surplus income, after the costs of providing the courses, is invested into improving road safety in Greater Manchester. There has been a small increase in net expenditure in the year due to the timing of expenditure on completed road safety projects and initiatives.

As part of its statutory duties TfGM is responsible for meeting the costs of upgrading passenger transport facilities, including railway and highways infrastructure. As these assets are not owned by TfGM the capital expenditure incurred on these assets is recognised in the comprehensive income and expenditure statement alongside any grant funding. The expenditure incurred in the year is offset by equivalent grants.

Operational costs include costs of bus stations operations, Travelshops, safety and security, bus shelters, passenger information, consultation, depreciation and amortisation and support costs. There has been an increase in expenditure (net of other income) in the year of £5.7 million due to an increase in employee and other costs primarily due to non-capitalisable project related work. This includes delivering the programme of capital investment and on-going work including preparing an assessment on a bus franchising scheme and the development of future transport schemes. Funding approval for both activities was granted by the GMCA from transport reserves and Earnback revenues.

Outlook

TfGM's plans for 2019/20

GMCA and TfGMC are committed to delivering further improvements to Greater Manchester's transport system and services. The key priority remains to provide world class connections that support long-term, sustainable economic growth and access to opportunity for all. This will help to support the economy and provide better access to employment, education, training and public services.

Revenue funding for 2019/20

Set out below is the income and expenditure transport budget approved by GMCA for 2019/20, with budgeted income and expenditure of £250.51 million, excluding capital investment. This covers the cost of 'revenue' expenses to run the day-to-day operations, including, in particular, the services provided to customers, subsidised bus services and concessionary travel. The analysis below includes the total GMCA transport budget, including TfGM income and expenditure.

	2019/20
	£million
Total levy	195.8
Special rail grant	1.9
Funding from/(to) reserves	11.5
Metrolink Funding from Revenue / Reserves	10.30
Mayoral General Budget	4.0
Earnback Revenue Grant/Reserves	13.1
Other grants	14.1
Total revenue funding	**250.7**

Transport Levy – £195.8 million

GMCA/TfGM receives funding from several areas. The largest part comes from a levy on the ten Greater Manchester local authorities via council tax. In total, this accounts for £195.8 million in 2019/20.

Rail grant – £1.9 million

The Department for Transport (DfT) provides a rail grant to TfGM which contributes towards the costs that TfGM incurs on rail activities. This is budgeted to be £1.9 million in 2019/20. There is a risk, on an ongoing basis, that this funding will be reduced. Should this grant reduce this would have a potentially significant impact on the rail related activities being delivered by TfGM. Discussions are ongoing with DfT regarding the continuation of this funding for beyond 2019/20.

Reserves – £21.8 million

Financial reserves will provide a further £21.8 million, including a contribution from Metrolink net revenues to financing costs of £10.3 million.

Within the amount above GMCA has approved the use of £5.0 million of reserves to support scheme development/feasibility work on known GMCA priorities, including the development of potential public transport solutions that will support the city region's growth agenda; the development of a second Transport Fund; and to support the development of the Greater Manchester Spatial Framework; the 2040 Delivery Plan; and £0.5 million to continue to develop the work around the Rail Stations Partnerships.

Mayoral general budget – £4.0 million

As in 2018/19 the Mayoral Budget will support certain costs (£4.0 million) which have previously been funded from the Transport Levy but which are now a Mayoral function and need to be funded by a Mayoral Precept or Statutory Charge. This includes, in particular, the costs associated with developing, updating and delivering the Local Transport Plan.

Earnback revenue grant/ Reserves – £13.1 million

Earnback funding is budgeted to be used to fund Trafford Metrolink Capital Financing Costs (£7.2 million); Bus Reform, including the 16-18 travel concession (£5.7 million); and the costs of the Cycling and Walking Commissioner (£0.03 million).

Other grants – £14.10 million

GMCA and TfGM have been successful in securing capital and revenue funding from a number of sources. A total of £14.1 million of this revenue funding is budgeted to be spent in 2019/20.

How the money will be spent in 2019/2020

	2019/20
	£million
Concessionary support	73.5
Supported services	27.6
Accessible transport	4.9
Operational costs	60.4
Financing	84.3
Total expenditure	**250.7**

Concessionary fares scheme – £73.5 million

TfGM funds the cost of concessionary fares including the English National Concessionary Travel Scheme and Local Concession schemes. GMCA, TfGM and the bus operators have been in discussions regarding the implementation of a pilot for a concessionary travel scheme for people aged 16-18. A report on the proposals was presented to GMCA in March 2019 and the estimated costs of the scheme in 2019/20 have been included in the Budget.

It has been agreed by GMCA that the existing balance on the Concessionary Travel Reserve, which is c. £9.4 million at 31 March 2019, is retained to fund the risks connected with the implementation of the 16-18 Concession pilot scheme.

Supported bus services – £27.6 million

Buses are vital to the region's economy and society. More people travel in Greater Manchester by bus than by all other means of public transport put together, with around 194.3 million passenger journeys taking place by bus last year (October 2017 - September 2018).

Under the current system, the majority of Greater Manchester's bus services are run by private companies. These operators are free to decide routes, timetables, and set fare levels.

TfGM financially supports around 20 per cent of Greater Manchester's bus services, which run at times of day and in areas where there is a social need. In 2019/20 £27.6 million is budgeted to pay for these services.

Accessible transport – £4.9 million

TfGM funds Ring and Ride – a door-to-door accessible transport service for people who find it difficult to use ordinary public transport.

TfGM also provides travel vouchers for those not able to use ordinary buses, trains or Metrolink and who have serious walking difficulties or are registered blind. They can be used to pay for taxis, private hire vehicles and for travel on accessible bus services such as Ring and Ride and community transport.

In 2019/20 the grant to GMATL, which represents the vast majority of this budget, is budgeted to increase by £0.3 million to £4.6 million to assist with the replacement of up to 31 fleet vehicles which will reach the end of their economic life over the next two years.

Operating costs – £60.4 million

For 2019/20 the amount of money spent on operations is budgeted to be £60.4 million – c. 24 per cent of total expenditure. This covers the costs of:

- Bus station operations;
- Travelshops;
- Safety and security;
- Bus shelters;
- Traffic signals, maintenance and operation;
- Passenger information;
- Consultation, diversity and social inclusion; and
- Other operational costs..

Also Included within these costs is the expenditure that TfGM is incurring on scheme development and feasibility work on known GMCA priorities.

Financing costs – £84.3 million

This includes repayments and interest on loans to deliver major transport capital programmes for Greater Manchester.

Outlook

Capital investment

TfGM is responsible for delivering the capital programme of public transport investment which will drive economic development and regeneration across Greater Manchester. The Greater Manchester capital programme continues to be significant with capital expenditure in 2019/20 budgeted to be £230.1million, of which £155.3 million relates to transport schemes being delivered directly by TfGM, as set out in the table below.

The capital programme is funded by a combination of grants and borrowings. Where expenditure is funded from borrowings through GMCA, the financing costs (interest and principal repayments) are funded from three main sources – the Levy, surpluses generated from Metrolink and third-party funding.

	2019/20
	£million
Metrolink Trafford Park Line	55.5
Other capital Schemes (includes Transforming Cities, Cycle City Ambition Grant and Smart Ticketing)	55.2
Greater Manchester Transport Fund (includes Bus Priority, Metrolink phase 3 Park & Ride)	20.4
Growth Deal TfGM Schemes	24.2
Total	**155.3**

Basis of preparation of statement of accounts

This Statement of Accounts includes the individual financial statements for TfGM only. Due to the size of its subsidiary entities, it is considered that they are not material in the context of TfGM and therefore group accounts have not been presented.

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

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

EJ BOYLAN

Director

23 July 2019

SG WARRENER

Director

23 July 2019

Statement of responsibilities for the statement of accounts

TfGM's responsibilities

TfGM is required to:

— make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Finance and Corporate Services Director;

— manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

— approve the Statement of Accounts.

The Finance and Corporate Services Director's Responsibilities

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

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

— selected suitable accounting policies and then applied them consistently;

— made judgements and estimates that were reasonable and prudent; and

— complied with The Code, so far as was appropriate for a Passenger Transport Executive.

The Finance and Corporate Services Director has also:

— kept proper accounting records which were up to date; and

— taken reasonable steps for the prevention and detection of fraud and other irregularities.

Responsible financial officer's certificate

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of TfGM as at 31 March 2019 and of its income and expenditure for the year ended 31 March 2019.

SG WARRENER

Finance and Corporate Services Director

23 July 2019

ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement forms part of TfGM's Governance Framework and results from the requirement to conduct a review at least once a year of the effectiveness of its system of internal control, and to prepare a statement which forms part of the Annual Accounts. This statement covers the period from 1 April 2018 to the date the accounts are signed.

TfGM follows the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* which defines governance as comprising 'the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.' It further states that 'To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.'

This Annual Governance Statement describes how effective TfGM's governance systems and processes are, and where further improvement activity is planned.

Scope of responsibility

TfGM is a body established by the South East Lancashire and North East Cheshire Passenger Transport Area (Designation) Order 1969 (SELNEC Order) that was made under the Transport Act 1968. It is:

- a Passenger Transport Executive under the Transport Act 1968;
- an executive body of the Greater Manchester Combined Authority (GMCA) for the purposes of the strategic functions referred to in Article 9(2) of the Greater Manchester Combined Authority Order 2011 (the GMCA Order); and
- to be treated as an officer of the GMCA for the discharge of functions delegated to the GMCA by other Local Authorities.

In discharging its functions, TfGM is responsible for putting in place proper arrangements for the governance of its affairs; and facilitating the effective exercise of its functions.

TfGM has followed the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government: Framework (2016) in preparing this statement. This Statement explains how TfGM has complied with the Framework and also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015, which require TfGM to publish a statement on internal control.

The Combined Authority and the Mayor

Greater Manchester Combined Authority (GMCA) and the GM Mayor are the public entities that are responsible for the co-ordination of transport, regeneration and economic development functions for the Greater Manchester region. The creation of the Combined Authority in April 2011 saw a transfer of powers from central government to Greater Manchester and the Authority works with Government to manage the devolved powers. In November 2014 the Government and GMCA agreed plans for the further devolution of specific powers to Greater Manchester, including on a number of transport matters, and work has been carried out since, and will continue through 2019/20 on implementing this Agreement. In May 2017 the Greater Manchester Mayor was elected pursuant to the GMCA (Election of Mayor with Police and Crime Commissioner Functions) Order 2016.

The following GMCA functions are reserved to the Mayor, provided that any exercise of the Mayor of these functions requires a vote in favour by at least eight members of the GMCA:

- developing policies for the promotion and encouragement of safe, integrated, efficient and economic transport to, from and within Greater Manchester under s108(1)(a) of the Transport Act 2000;
- the adoption, approval, amendment, modification, revision, variation, withdrawal or revocation of a local transport plan (LTP) under s108(3) of the Transport Act 2000; and
- the duty to keep the local transport plan under review and alter it if considered appropriate to do so including replacing the plan under s109(1) or (2) of the Transport Act 2000.

GMCA and the constituent councils are party to joint arrangements under Section 101(5) of the Local Government Act 1972, Section 20 of the Local Government Act 2000 and Regulations 4, 11 and 12 of the Local Authorities (Arrangements for Discharge of Functions) (England) Regulations 2000 for the discharge of specified transport functions. This includes through a joint committee, which until 4 April 2019 was the Transport for Greater Manchester Committee (TfGMC).

On 4 April 2019 the GMCA (Functions and Amendment) Order 2019 (Order 3) came into force. It dissolved TfGMC and made provision for the establishment of a joint committee of the GMCA, the constituent councils, and the Mayor. This committee is the Greater Manchester Transport Committee (GMTC). GMTC has had delegated to it the majority of the functions that were delegated to the TfGMC from the GMCA and the Mayor, although further delegations are anticipated as the high level Terms of Reference for the GMTC are further refined over the coming months.

Order 3 also provides for the transfer of certain functions from TfGM to the GMCA and the Mayor. These functions are primarily related to TfGM's duties to contract with and reimburse public transport operators to provide subsidised services and concessionary travel, and is intended to align with the Bus Services Act 2017. The GMCA and the Mayor have delegated back to TfGM those functions that TfGM previously exercised.

TfGM's Governance Framework

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

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

The internal control environment includes TfGM's policies, procedures and operations that are in place to:

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

The Governance Framework forms part of TfGM's Constitution, which undergoes a comprehensive annual review.

The leadership and decision making functions within TfGM are exercised by the Executive Board, which is the ultimate decision making body within TfGM and is responsible for determining strategic issues and policy on the exercise of its powers and the conduct of its business. The Executive Board consists of six Directors appointed in accordance with s9(2) Transport Act 1968, including the Chief Executive who is the Director General of the Executive. Three of the Directors are Non-Executive Directors, of which two are independent, including the Senior Non-Executive Director, reflecting best practice guidance for corporate governance, adapted for TfGM's specific circumstances, including the UK Corporate Governance Code published by the Financial Reporting Council (which is intended for limited companies).

The Executive Board as a whole is collectively responsible for the success of TfGM. The Board's role is to:

- contribute to strategic planning and structured decision-making;
- set challenging goals and objectives for the organisation;
- monitor the performance of the Executive in meeting its strategic objectives; and
- offer constructive criticism and challenge to the Executive Directors.

The Executive Board has delegated the day-to-day management of TfGM's operations to the Performance Board and the Investment Board. The responsibilities of these bodies are set out in TfGM's Governance Framework and Constitution. The Constitution specifies the particular functions of the Executive Board which may not be delegated.

A review of the effectiveness of the Executive Board is undertaken annually, with the most recent review having been undertaken with the assistance of an external facilitator.

During 2018/19, the GMCA concluded a review of TfGM's statutory status, including that TfGM should remain as a separate statutory body to the GMCA.

Whilst the GMCA review was ongoing, the Non-Executive Directors' terms of appointment had been extended for interim periods. The annual effectiveness review and subsequent workshop concluded that the only governance issue of any significance was the consequent impact of the uncertainty on succession planning and appointing to the Board.

Additionally, Dr Jon Lamonte announced his intention to resign as Chief Executive in September 2018, in order to accept a new role in Sydney, Australia. A number of changes in the membership of the Executive Board took place as a consequence:

- Mr Eamonn Boylan, Non-Executive Director and Chief Executive of the GMCA replaced Dr Jon Lamonte as Chief Executive Officer initially on an interim basis in November 2018, resigning his position as a Non-Executive Director. Subsequently, GMCA's Resources Committee agreed to recommend Mr Boylan as permanent joint Chief Executive of the GMCA and TfGM at its meeting of 29 March 2019, which was confirmed by the GMCA at its meeting on 31 May 2019.
- Mr Richard Paver, the GMCA Treasurer, replaced Mr Eamonn Boylan as a Non-Executive Director in November 2018. Mr Richard Paver had previously held a Non-Executive Director position on TfGM's Board.

Mr Boylan has significant experience working with TfGM as GMCA's Head of Paid Service. A number of senior management arrangements were put in place to ensure efficient and robust governance continued following his appointment , including appointing the Director of Finance and Corporate Services as Interim Deputy Chief Executive.

At its meeting of the 31 May 2019, the GMCA confirmed the future arrangements of TfGM's Non-Executive Directors, as set out below.

- the GMCA Treasurer will be a permanent ex-officio Non-Executive Director;
- the terms of the current Non-Executive Directors Mr Edward Pysden and Mr Les Mosco were extended by 1 year and 2 years respectively; and
- approval was given to recruit a further independent Non-Executive Director, the recruitment process for which is ongoing and is being undertaken using a search consultancy.

The CIPFA/SOLACE Framework

The overall aim of the CIPFA/SOLACE Framework ('the Framework') is to ensure that resources are directed in accordance with agreed policy and according to priorities; that there is sound and inclusive decision making; and that there is clear accountability for the use of resources in order to achieve desired outcomes for service users and communities. The Framework positions the attainment of sustainable economic, societal and environmental outcomes as a key focus of governance processes and structures.

Defining the Core Principles and Sub-Principles of Good Governance

The fundamental function of good governance in the public sector is to ensure that public bodies achieve their intended outcomes while acting in the public interest at all times. The CIPFA/SOLACE Framework defines seven core principles of good governance in the public sector and how they relate to each other.

Acting in the public interest requires a commitment to and effective arrangements for:

A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

B: Ensuring openness and comprehensive stakeholder engagement.

Achieving good governance in the public sector also requires effective arrangements for:

C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

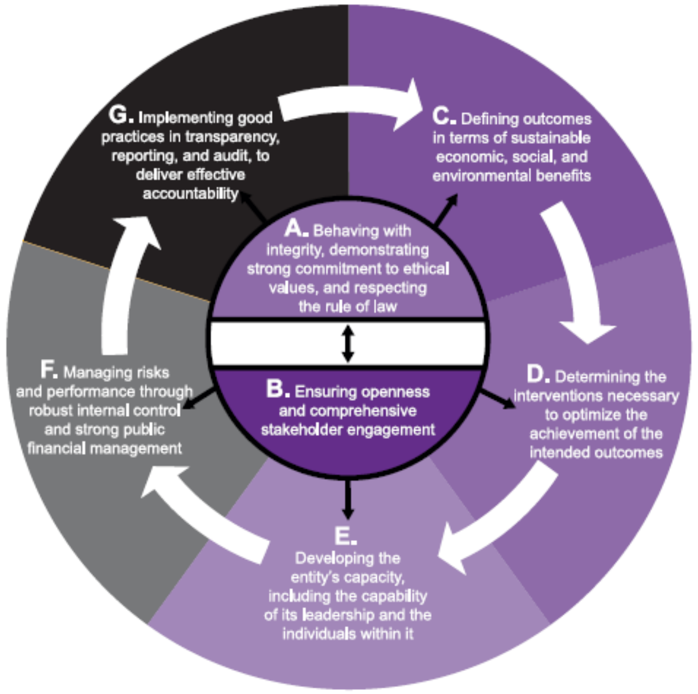
D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.

F: Managing risks and performance through robust internal control and strong public financial management.

G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

The Framework illustrates the principles using the diagram below, taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the 'International Framework').



The International Framework notes that 'Principles A and B permeate implementation of principles C to G'. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

TfGM's alignment with the CIPFA/Solace Principles

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

TfGM has the power to implement the decisions of the GMCA and the Transport Committee, and those decisions which may be delegated to it by the Mayor, and is particularly responsible for implementing the transport and traffic functions of the Combined Authority. TfGM's focus is to ensure that it continues to deliver for the benefit of its customers and stakeholder groups and this is encapsulated in its Vision. TfGM's Vision is ***'Driving the growth of a healthy and sustainable Greater Manchester through the delivery of a reliable, integrated transport system.'***

In fulfilling this role, TfGM is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Sub-Principle: Behaving with integrity

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

The delivery of the Vision is supported by TfGM's Values which are set out below:

- ***RELIABLE*** by doing what we say we will do, for our customers and each other, always working together as a team.
- ***HONEST*** in our communications and our feedback to customers and each other.
- ***RESPECTFUL*** in how we behave towards our customers and each other.
- ***REWARDING*** by working together to make TfGM a happy, high performing and challenging environment in which to work and by recognising colleagues for a job well done.
- ***EMPOWERING*** by allowing people to take responsibility in their areas of expertise and learning from our mistakes.

The last update of the Values involved a consultation with staff, who had a key role in the development of these Values. In order to maintain awareness, the Values are re-iterated in key corporate documents, and they underpin the performance management and business planning processes. The Values are an integral part of the induction process for all new staff. TfGM has implemented a Code of Conduct which consolidated a number of existing policies and procedures into a single Code and which underpins the Values.

TfGM has adopted the Guidance entitled "Openness and transparency on personal interests" as published by DCLG. All staff with responsibility for specification, evaluation or procurement, and those who attend and contribute to decision making at the Executive Board meetings, or any meetings of its delegated Boards or Committees, are required to declare their interests in a centrally held register, which is reviewed annually.

In addition, attendees at each meeting of a decision making Board or Committee are asked to confirm their registered declarations of interest and declare in addition any interest in any contract or matter to be discussed at the meeting.

TfGM takes fraud, corruption and maladministration very seriously and has an Anti-Bribery and Corruption Policy in place, which includes:

- a Whistleblowing Policy;
- an Anti-Fraud Policy Statement and a Recovery of Assets and Sanctions Policy;
- an Anti-Money Laundering Policy; and
- Theft Response and Fraud Response Procedures.

This is supported by e-learning programmes for counter-fraud; anti-money laundering; and anti-bribery. An internal audit on fraud and corruption awareness concluded that TfGM operates in a fraud aware environment and is compliant with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Some opportunities for further improvement were identified and incorporated into a refreshed suite of policies approved by the Executive Board.

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

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

Sub-Principle: Demonstrating strong commitment to ethical values

TfGM has robust policies and procedures for ensuring integrity and compliance with ethical standards, both by TfGM staff and external providers of goods and services.

TfGM's Constitution includes the Financial Regulations and Procurement Rules which are binding on all staff.

Major procurements require suppliers to submit information regarding their organisations (or where appropriate, their Directors'):

- confirming non-participation in: criminal organisations, corruption, fraud, terrorist or related activities, money laundering, child labour or trafficking in human beings;
- compliance with the Modern Slavery Act 2015;
- the health and safety performance of the organisation and their supply chain;
- compliance with equality legislation;
- compliance with environmental legislation; and
- where applicable, all contracts include a commitment to the economic and social regeneration of Greater Manchester as part of the Public Services (Social Value) Act in a reasonable and proportionate manner.

Work has been undertaken, and will continue, to strengthen TfGM's identification and mitigation of the risks of slavery and human trafficking in the supply chain, including contacting existing suppliers requesting a statement of compliance, and developing strengthened clauses and wording in all relevant documents.

Sub-Principle: Respecting the rule of law

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

Officers in exercise of delegated powers under the Scheme of Delegation must ensure decisions are taken in accordance with legal requirements; the provisions of the Constitution; capital and revenue budgets; and established policies, plans and procedures. These have been communicated to all staff.

TfGM is not subject to legislation requiring the discharge of the statutory duties of a Monitoring Officer, however, the Head of Legal Services carries out the equivalent duties, where appropriate, with overall responsibility for legal issues. All reports to the Executive Board, Investment Board, Performance Board and Strategy Board include details of any legal considerations or implications.

Principle B: Ensuring openness and comprehensive stakeholder engagement

The Executive Board is the ultimate decision-making body within TfGM and is responsible in particular for determining strategic issues consistent with GMCA policies.

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

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

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

In 2018/19 the ten Local Authorities, the GMCA and the Mayor produced a revised draft Greater Manchester Spatial Framework (GMSF), which underwent informal public consultation from January to March 2019. It is intended that this plan will be the first Spatial Development Strategy prepared outside of London.

A strong transport evidence base is needed to underpin the GMSF as it moves through the process of initial consultation, through to a second round of consultation (later in 2019) and finally to submission for examination in public (Spring/Summer 2020). The draft Delivery Plan (detailed under Principle C below) is one of the key supporting documents for the GMSF and has been published in parallel with the GMSF consultation.

Sub-Principle: Openness

TfGM is committed to open governance and to meeting its legal responsibilities under the Freedom of Information Act 2000.

The Local Government Transparency Code (2015) applies to all Local Authorities, including Integrated Transport Authorities and Combined Authorities, but does not apply to Passenger Transport Executives. However, TfGM is committed to transparency and as such voluntarily complies with the Transparency Code, publishing as much information as possible and practicable.

TfGM publishes a substantial amount of public information through the GMCA and the Transport Committee and their committees. This includes regular financial updates, the status of the capital programme delivery and the performance of the modes of transport. All decisions which require the approval of the GMCA or the Transport Committee are put before a public meeting prior to a resolution being reached, with the exception of those decisions that under section 100 (A) (4) of the Local Government Act 1972 would involve the likely disclosure of exempt information.

All decisions that TfGM request of the GMCA, the Transport Committee or the Mayor, which are considered to be a Key Decision under The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 are published on the GMCA's Key Decision Register a minimum of 30 days in advance of the decision being taken. This gives notice to the public and GMCA's Overview and Scrutiny Committees of forthcoming decisions which are over £500,000 in value, or that are significant in terms of its effects on persons living or working in an area comprising two or more wards or electoral divisions in the area of the combined authority.

During the year there has been a consultation on the draft delivery plan and further consultations are planned on the Clean Air Plan and Bus Reform.

Sub-Principle: Engaging comprehensively with institutional stakeholders

Greater Manchester has a long tradition of working in partnership to achieve its objectives. The partners in the 'GM Family' include the GM Mayor, ten Local Authorities and their Leaders, and the Greater Manchester Local Enterprise Partnership (LEP), reflecting the voice of local businesses. The GM Family work closely together to ensure the provision of joined-up, coordinated services that provide value for money for local residents and businesses and realise the shared vision for the area.

In March 2018, the GM Mayor established the Mayor's Transport Board which brings together decision makers from key agencies involved in the operation of, and strategic planning for, GM's transport network.

It has been established to drive continuous customer-focused improvement across the GM transport system; promote integrated and efficient service delivery; and establish a forum for integrated strategic planning for, and investment in, GM's transport network. TfGM continues to participate in the forum, providing regular transport performance reports.

Transport for the North (TfN) has been created to bring together local transport authorities to develop and deliver a Northern Transport Strategy. TfGM has played, and will continue to, play, a leading role in the development of TfN, which became a statutory body on 1 April 2018. TfN works on six key programmes: Northern Powerhouse Rail; integrated and smart travel; strategic road studies; rail franchising; freight and logistics; and international connectivity. TfGM will continue to input to these programmes through its representation on the TfN Executive Board as well as programme working groups.

The Memorandum of Understanding signed with Highways England continues to facilitate working in partnership towards a long-term vision for motorways and key roads across Greater Manchester.

The process of developing the draft transport Delivery Plan (described in detail under Principle D below) involved: district planning and transport officers; Highways England; TfGM and other partners. Collaborative workshops were undertaken to develop the interventions, and various iterations of the document were circulated to partners for comment and amendment.

Sub-Principle: Engaging with individual citizens and service users effectively

The functions of the Executive Board reflect TfGM's key responsibilities, which includes providing a high quality customer service to people using the Greater Manchester transport networks.

Responding to customer feedback about transport, and the services TfGM offer, quickly and efficiently is a key priority for TfGM. The improvement of TfGM's Customer Service offering has continued over the last 12 months resulting in customers being able to access services across an increased range of channels. In 2019 TfGM will be rolling out a case management system across the organisation, improving workflow management and resulting in more efficient handling of enquiries and quicker responses for customers.

TfGM has a proactive social media presence, in particular on Twitter, and provides customer support seven days a week via the Customer Contact Centre. TfGM's Twitter handle and website provide customers with access to real time, multi-modal information alongside traditional channels of customer travel information provision across the transport network.

TfGM is a member of the Institute of Customer Service. Membership of the Institute provides TfGM with opportunities to benchmark its performance against other high performing organisations and industries as well as giving the team opportunities to share best practice and work towards improving our service to customers. TfGM's Customer Service team holds the Investors in People Gold award, which complements our existing Customer Service Excellence accreditation.

Increasingly, in addition to formal and informal public consultations (detailed in Principle B above), TfGM has been facilitating public 'conversations', to increase engagement with the residents and businesses of Greater Manchester on matters that are undergoing review by TfGM or our partners. Recent examples of public conversations facilitated by TfGM include: the Congestion Conversation which helped inform the Congestion Deal; Taxi Minimum Standards; the City Centre Transport Strategy; and the GM Clean Air Conversation.

Principle C: Determining outcomes in terms of sustainable economic, social, and environmental benefits

In 2015, GMCA agreed to review the Local Transport Plan (LTP) to reflect future emerging transport priorities for Greater Manchester and the transport devolution and reform programmes underway.

It was agreed that an approach would be taken to develop a new Greater Manchester transport strategy, comprising two key statutory LTP documents, rather than a single LTP document. These will cover different priorities and time horizons in a more integrated, multi-modal way, enabling a greater degree of flexibility and focus, and allowing documents to be reviewed and updated on a more regular basis in response to significant changes in context.

The main statutory documents comprising Greater Manchester's current LTP are:

- **Greater Manchester Transport Strategy 2040** - a document setting out our strategy giving details of policies, interventions and schemes to support delivery of a vision for transport in 2040; and
- **A five-year Greater Manchester Transport Delivery Plan** – setting out more detailed delivery proposals, a spending plan and monitoring of the performance of transport delivery programmes for 2020-25.

These documents are supported by an Integrated Assessment (covering environmental, health and equalities issues) and a travel and transport Evidence Digest that is refreshed on a regular basis to provide an up-to-date evidence base and to support the ongoing development and review of the Transport Strategy.

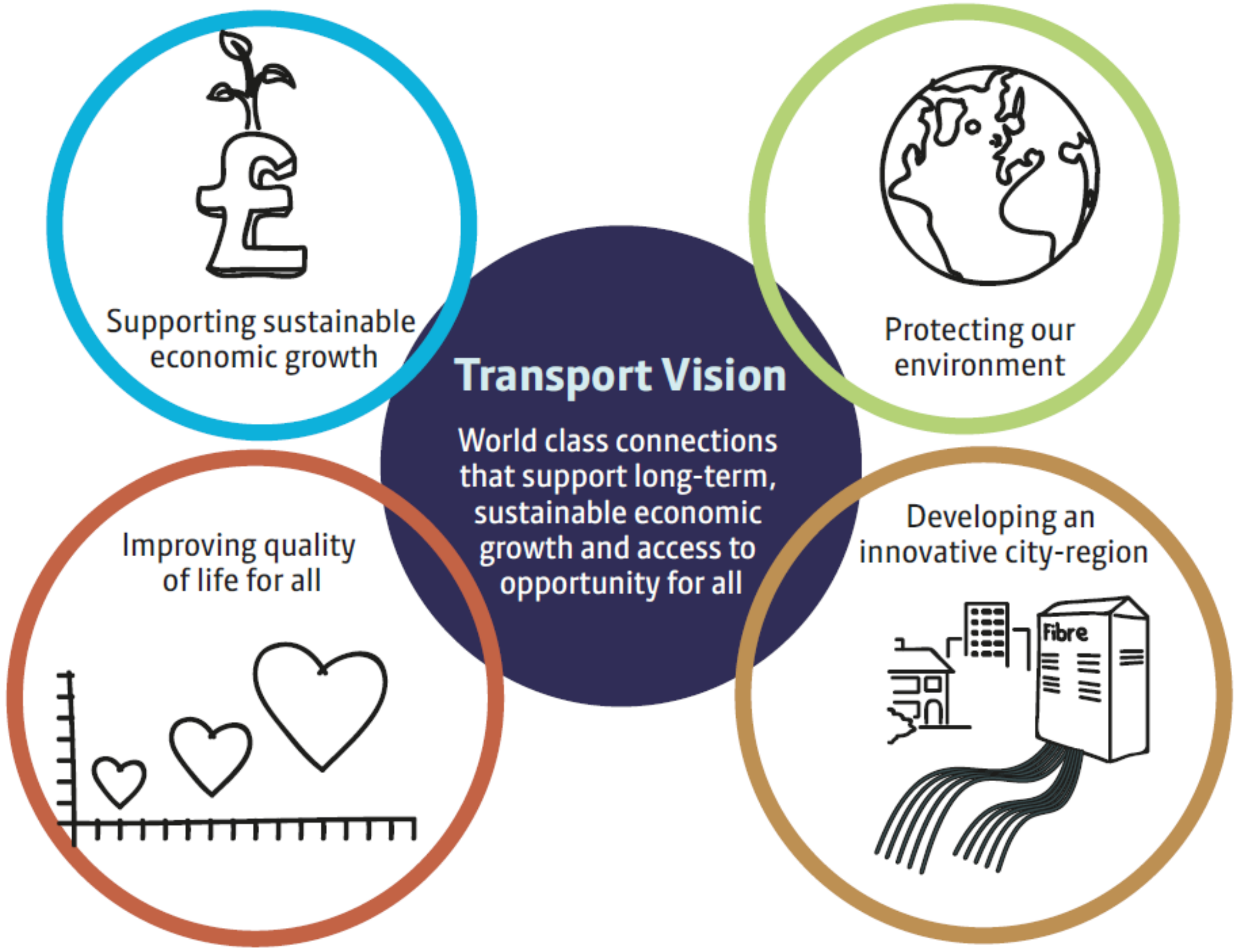
The 2020-2025 Transport Delivery Plan is currently in development. A draft was published for formal consultation alongside the Greater Manchester Spatial Framework in January 2019, and it is anticipated that the Plan will be finalised later in 2019/20.

Sub-Principle: Defining Outcomes

TfGM's Transport Strategy Vision is for Greater Manchester to have **"World class connections that support long-term, sustainable economic growth and access to opportunity for all"**.

Greater Manchester's transport system needs to help the local economy to prosper. It needs to allow residents to more fully contribute to and benefit from that prosperity. It also needs to play a part in creating better places and a better natural environment, and in improving people's quality of life. The role of technology and innovation will be even more important in the period up to 2040, enabling TfGM to improve transport performance and quality of life, to reduce costs and resource consumption, and to provide tailored information and pricing to transport users, providing a much better customer experience.

The four key elements of TfGM's Transport Strategy Vision are:



Sub-Principle: Sustainable economic, social and environmental benefits

To support sustainable economic growth and tackle congestion we need to: support the Greater Manchester Strategy, the GMSF Plan for Homes, Jobs and the Environment, and the forthcoming Local Industrial Strategy; develop an increasingly successful Northern Powerhouse economy, with Greater Manchester as a major player at its heart; tackle congestion and enable the efficient and effective movement of people and goods; and ensure transport contributes to high-quality, liveable and healthy neighbourhoods, town and city centres.

To improve quality of life we need to: create an inclusive and accessible transport network that enables access to opportunities; improve the connectivity, reliability and affordability of our networks for all; and encourage and support greater levels of walking and cycling.

To protect our environment and improve air quality we need to: reduce the impact of transport on the environment – particularly in terms of clean air and carbon reduction; and increase the use of sustainable transport to reduce the negative impacts of car use.

To capitalise on new technology and innovation we need to: embrace and champion innovation in the transport sector; and pilot new transport and travel technologies that support our 2040 priorities in line with the Local Industrial Strategy.

All appropriate schemes that are proposed, developed and delivered by TfGM are subject to an Equalities Impact Assessment to ensure fair access to services.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

TfGM and Greater Manchester have a strong track record for delivery, built on a clear sense of direction and a strong system of governance that allows for development and refinement of priorities over time in support of the Greater Manchester Strategy. TfGM will ensure that there are robust delivery arrangements for investment schemes and programmes as they are confirmed. This will include collaborative working between TfGM, local authorities, national transport agencies and private sector partners wherever required.

The specific schemes to be delivered will be set out in a series of five-year Delivery Plans. In January 2019 the Joint GMCA/AGMA Executive Board approved the latest draft Delivery Plan, running from 2020-2025.

The draft Delivery Plan (2020-2025) was prepared in parallel with the Greater Manchester Spatial Framework (GMSF) and it was published for informal public consultation alongside the GMSF formal consultation. Together, these documents demonstrate an integrated approach to transport and land use planning, which identify the strategic transport interventions required to deliver growth.

It sets out the practical actions planned to deliver the Greater Manchester Transport Strategy 2040 and the Greater Manchester Strategy, and to enable a coordinated approach to transport investment. It contains the schemes and interventions necessary to begin to address the existing reliability and capacity issues on our transport network, to deliver a more sustainable and integrated transport system, and to deliver housing and employment growth.

Sub-Principle: Determining interventions

TfGM's 2040 Transport Strategy focuses on creating an integrated, sustainable, and well co-ordinated transport system which supports a wide range of different travel needs. TfGM has identified some key principles that will be applied consistently across the networks over the period to 2040 to ensure that the entire transport system is more customer-focused and able to respond effectively to the challenges that lie ahead.

Customers are at the heart of the 2040 Transport Strategy, including residents, businesses and visitors to Greater Manchester. GM is also mindful of the different needs of passengers and freight as it plans and delivers the transport system. GM has therefore established seven core principles, set out below, together with the ambition for each, which will be applied across the transport network.

On an on-going basis TfGM assesses many areas and routes across Greater Manchester where improvements to transport provision may be required. This may be for many reasons. Typical examples are:

- an increase in population or growth in local economic activity leading to congestion and overcrowding on existing infrastructure, or a forecast that the capacity of existing infrastructure will soon be overwhelmed by the travel and transport needs of the people and businesses of an area;
- new housing, commercial or industrial developments requiring new infrastructure;
- a change to essential services, such as hospital provision, which can significantly change the direction in which many thousands of people need to travel, and goods and services need to be delivered;
- ageing infrastructure in need of replacement as it reaches the end of its economic life; or
- an increase in the understanding of the negative impacts of transport on local people, such as pollution, or conversely the impacts of isolation, requiring a reconsideration of transport policy nationally and transport provision locally.

When a need is identified, TfGM carries out studies, looking at local and strategic impacts, to investigate which mix of interventions is likely to provide the greatest benefits for customers and return best value for money for taxpayers, considering whole life cost.

TfGM aims to act as quickly as possible to improve services for its customers. Where major expenditure is needed, TfGM seeks to demonstrate a good balance of sustainable economic and social benefits at an appropriate cost. This facilitates the prioritisation of existing resources and bids for funding from government.

Sub-Principle: Planning interventions

The functions of the Executive Board reflect TfGM's key responsibilities, which include leading the development of transport strategy for Greater Manchester, shaping and influencing policy.

The Executive Board approves detailed revenue and capital budgets each year following determination by the GMCA of the Levy and other funding available to TfGM.

TfGM's budgeting and business planning processes are integrated, and aligned with the medium term financial strategy. The oversight of day-to-day performance against the budget and business plan is delegated to the Performance Board, which receives detailed monthly performance reports.

The Executive Board has delegated to the Investment Board the authority to:

- approve funding for capital and revenue schemes not already included within an approved budget, subject to appropriate approvals from GMCA;
- approve the release of funding from budgeted contingency allowances;
- scrutinise investment decisions which are not the responsibility of any other part of the organisation under the terms of the Constitution; and
- review proposals for new programmes and constituent projects where funding is not yet identified and subsequently recommend to the Executive Board / GMCA for approval.

During 2017 TfGM established a Strategy Board, which provides guidance on, and oversight of, the development of transport strategies. The Strategy Board ensures that a pipeline of future schemes and interventions are being developed; and that proposals are informed by wider GM policy.

Sub-Principle: Optimising achievement of intended outcomes

TfGM has a strong history of successfully securing funding and delivering major transport schemes, including the Metrolink expansion and the first guided busway in the North West. TfGM is fully committed to building on its successes to date and ensuring the delivery of the Greater Manchester Transport Strategy.

TfGM's has put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources and regularly reviews the adequacy and effectiveness of those arrangements. A medium term financial strategy is in place which ensures that expenditure and investment is directed towards achieving the Greater Manchester Transport Strategy.

Improvements to the Gateway Review Process have continued through 2018/19, which have been informed by lessons learned from experience to date in the delivery of projects and programmes. These processes have operated successfully during the year.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

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

Sub-Principle: Developing the entity's capacity

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

TfGM's People Strategy sets out the immediate strategic priorities which are Leadership and Performance, Building Capability, Productivity and Cost-Effectiveness and A Values-Driven Organisational Culture.

Sub-Principle: Developing the capability of the entity's leadership and other individuals

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

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

All staff have role profiles which clearly set out their roles and responsibilities. Role profiles are prepared in advance of the recruitment and selection process and assist TfGM in ensuring that all staff possess the necessary skills to undertake their roles. All staff have a scheduled performance review on a six monthly basis, and personal objectives are defined to ensure the delivery of the Business Plan.

TfGM has a Scheme of Delegation, as part of its Constitution, which is reviewed at least annually. TfGM's Scheme of Delegation sets out details on levels of authority to approve expenditure. These have been communicated to all staff. In determining a Scheme of Delegation, TfGM has reserved powers within its Constitution in respect of those matters reserved for collective decision making. The Scheme of Delegation sets out the authorities of individuals and the authorities delegated to the committees of the Board.

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

During the year TfGM again took part in the "Best Companies" staff survey. TfGM was again awarded the rating of "one to watch" by Best Companies Limited, an independent research organisation that compiles and publishes the Sunday Times' 'Top Employers to Work For'.

TfGM is implementing a "Ways of Working" programme, which includes a workstream examining how governance and cultural changes can improve delegation and empowerment, to increase the capacity of decision makers.

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

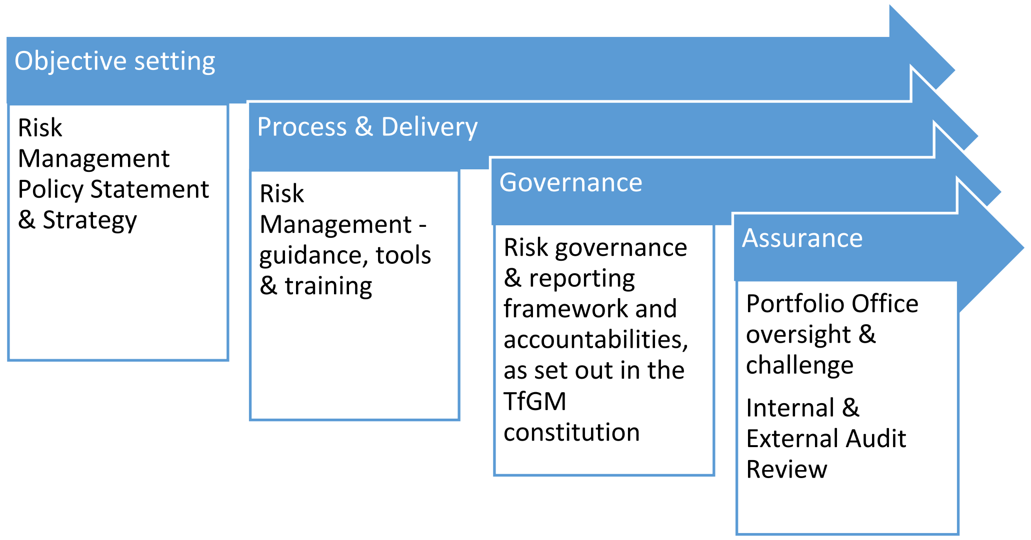
Principle F: Managing risks and performance through robust internal control and strong public financial management

Sub-Principle: Managing risk

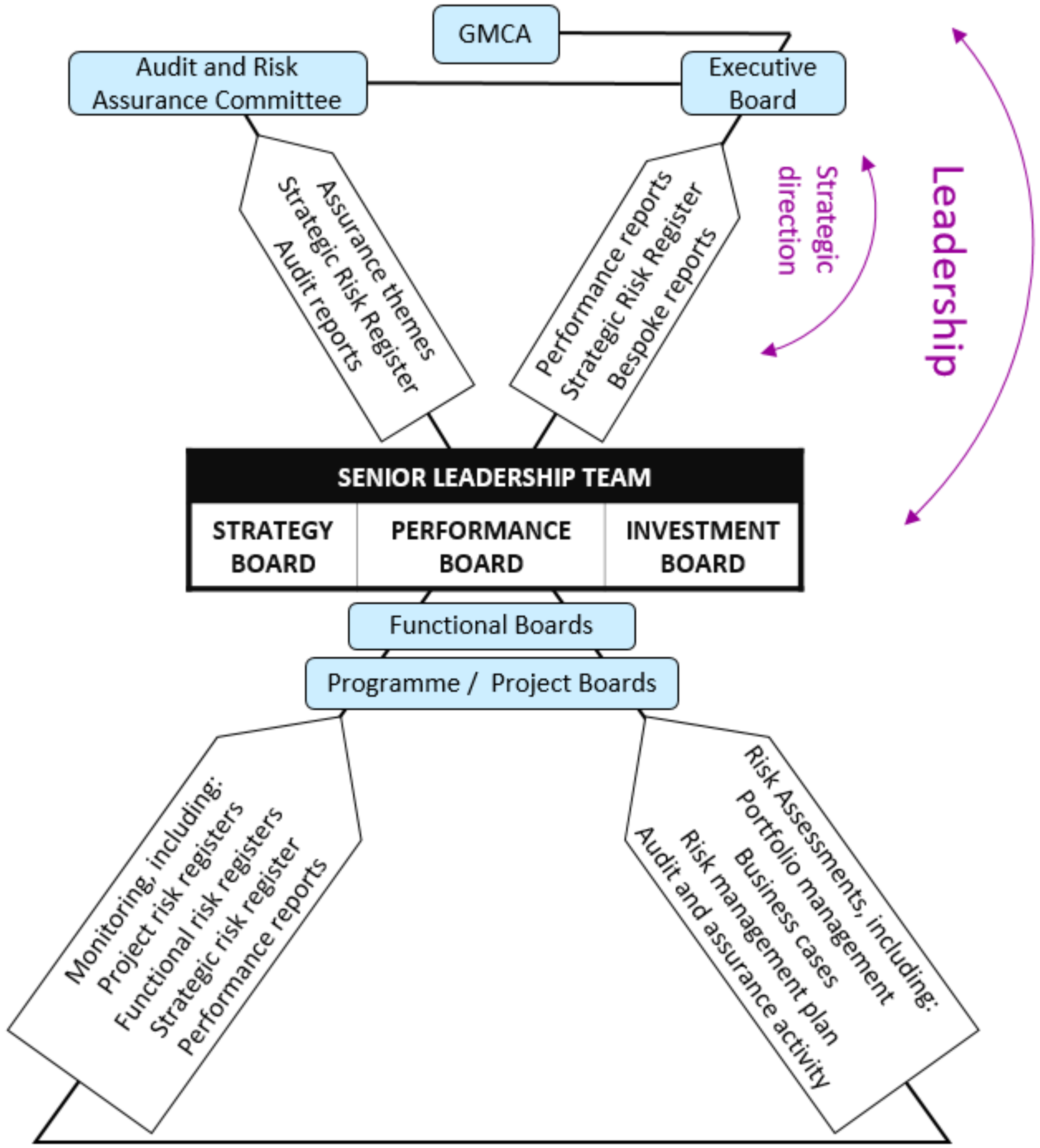
TfGM's Risk Management Strategy sets out best practice drawing principally on guidance and standards in the International Standard in Risk Management – ISO 31000: 2018, The Orange Book, Management of Risk, and Management of Risk: Guidance for Practitioners issued by HM Treasury. TfGM's risk management arrangements are compliant with the UK Corporate Governance Code (2018), as applicable for a non-listed organisation.

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

Continued overview and oversight of the risk management framework is also provided across the organisation by the Portfolio Office, working with Functional Risk Champions and senior management, as shown in the diagram below. The framework ensures that risk at all levels of the organisation are appropriately and effectively managed.



TfGM's risk management framework incorporates both a 'bottom up' and 'top down' approach, as set out in the diagram below.



The Functional Boards and Performance Board are actively involved in the management and ownership of risk, in accordance with TfGM's Risk Management Strategy, in line with their terms of reference.

TfGM has a project risk management system and a corporate SharePoint site where all risk information is held and maintained centrally. The risks management system also provides the functionality to run quantitative risk analysis.

Robust and established risk processes are in place to ensure that risks at all levels (Strategic, Functional, Project and Programme) are well managed. Each risk is assigned an owner and actions designed to mitigate each risk are also assigned owners. Risks are regularly reviewed and reported in line with the TfGM Risk Management Strategy. This includes monthly reporting to Functional Boards and the Performance and Executive Boards, and quarterly reporting to Audit and Risk Assurance Committee. In addition, risk is considered in all reports presented to the Executive Board, Performance Board, Investment Board, Functional Boards and Strategy Board. Arrangements for the management of project and programme risks are also embedded in project and programme procedures.

The Audit and Risk Assurance Committee, the Executive Board and the GMCA provide strategic direction and leadership, including determining TfGM's risk appetite.

During 2018 a thorough review of the strategic risk register was undertaken, with workshops held throughout the year, including significant input from Non-Executive Directors.

The continuous improvement work during 2018/19 year focussed on strategic risk, including a comprehensive review of the Risk Management Strategy and the strategic risk register, which was approved by the Executive Board in April 2019.

TfGM will continue to review and improve its risk management arrangements.

Business Continuity

TfGM's business continuity and resilience plans are regularly tested, including those where TfGM plays a role in Greater Manchester incident management and recovery. Formal lessons learnt exercises are undertaken internally and with Greater Manchester partners.

Brexit

During 2018/19 TfGM undertook a Brexit risk assessment, including a 'Deep Dive' review with the Senior Leadership team and regular reporting to the Executive Board. A 'No Deal' Brexit Plan was initiated during December 2018, with preparedness activities focussed on those staff directly impacted; seeking assurances from the supply chain and transport operators; contributing to work with the Local Resilience Forum; and the GM Strategic Steering Group.

TfGM continues to face uncertainty in the external environment with the outcome of Brexit, the impact of which continues to be reviewed.

Sub-Principle: Managing performance

Co-ordination of TfGM's business planning and performance management processes are delegated to the Performance Board, including:

- monitoring key performance indicators and the priority tasks being undertaken and reporting key performance indicators and the priority tasks to the Executive Board;
- monitoring the performance of transport networks and transport providers and ensuring the integration of activities, including events planning and incident management, across the modal networks;
- monitoring the progress of capital programmes and associated projects with respect to funding and schedule parameters and reviewing performance indicator data; and
- ensuring that projects and programmes are managed to budget, time and quality and are focused on the successful delivery of identified benefits;

Effective scrutiny of decisions and business performance is provided in a number of ways. Minutes of the business of the Performance Board and Investment Board are considered by the Executive Board. The Board membership includes Non-Executive Directors to provide independent challenge and scrutinise both proposed decisions and the performance of TfGM Directorates and functions.

In support of the activities of the Performance Board and Investment Board, a number of Functional Boards meet at least monthly to review the Functional performance and progress in relation to implementation of all programmes and projects. The number and terms of reference of such Boards are determined by the Performance Board.

Performance updates are reported to the Executive Board monthly. Regular performance updates are also presented to the GMCA, the Transport Committee and the Mayor's Transport Board.

Sub-Principle: Robust internal control

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

TfGM is compliant with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

Sub-Principle: Managing data

TfGM is committed to safeguarding the personal data it holds and complies with current Data Protection legislation. The Head of Legal Services holds the role of the Senior Information Risk Owner (SIRO), and quarterly SIRO reports are submitted to the Audit and Risk Assurance Committee.

The General Data Protection Regulation (GDPR) came into effect on 25 May 2018. This, along with the Data Protection Act 2018 which gives effect to the EU Law Enforcement Directive and derogations to the GDPR, changed the UK data protection legislation.

TfGM has been working on GDPR preparations since the Regulation was passed in 2016. An implementation plan for TfGM was developed and continues to be implemented. In particular, significant work has been undertaken to ensure that working practices meet the requirements regarding transparency and accountability under the Data Protection Act 2018.

Systems (internal or external) that are used to process card payments for TfGM operate to the Payment Card Industry Data Security Standard (PCI DSS). TfGM's PCI Accreditation is audited annually.

TfGM regularly reviews the quality and accuracy of the data it reports and uses in its decision making and performance management.

Sub-Principle: Strong public financial management

The functions of the Executive Board reflect TfGM's key responsibilities, which includes:

- stewardship of Greater Manchester's transport assets, including the maintenance and renewal of assets, and identifying and delivering enhancements; and
- ensuring effectiveness and efficiency in the discharge of TfGM business, securing value for money for the Greater Manchester public purse.

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

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

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

Principle G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

TfGM has a requirement under the Transport Act 1968 to seek the authorisation of the GMCA, or the Transport Committee where delegated, of specified decisions that TfGM may take in the course of discharging its duties or exercising its powers. Where TfGM is acting on behalf of the GM Mayor or the GMCA, decisions to be taken are made by the Mayor or the GMCA, as appropriate.

Pursuant to the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017, TfGM provides the GMCA with timely and suitable information regarding the decisions that TfGM will ask the Mayor, the GMCA or the Transport Committee to authorise or take. The information is provided at least 30 days in advance, and published on the GMCA's website within its 'Key Decisions Register'.

Sub-Principle: Implementing good practice in transparency

TfGM published the Greater Manchester Transport Vision and Strategy, and each year publishes its Business Plan and its Annual Accounts on its website. In addition, TfGM produces status reports, reports consulting on decisions, and performance reports to the GMCA and the LEP and also provides reports to meetings of the Transport Committee (previously the TfGMC and its current three sub-committees: the Capital Projects and Policy Sub-Committee; the Metrolink and Rail Networks Sub-Committee; and the Bus Networks and TfGM Services Sub-Committee), which are public Committees focused on providing political oversight of TfGM's activities.

TfGM also provides reports and information to the GMCA's Overview and Scrutiny Committees to support understanding of GMCA's policy development, decisions, and activities in relation to transport.

Sub-Principle: Implementing good practices in reporting

TfGM is committed to reporting on its activities in a manner which is accessible to the intended audience. Reports are prepared such that they are easily understood, and provide appropriate and timely information. TfGM's Annual Accounts are reported in compliance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Reporting to TfGM's Executive Board complies with the UK Corporate Governance Code.

Sub-Principle: Assurance and effective accountability

TfGM has an Audit and Risk Assurance Committee, which meets quarterly, chaired by the senior independent Non-Executive Director of the Executive Board, to support the Board in discharging its responsibilities with regard to risk, control and governance and associated assurance. In particular, the Audit and Risk Assurance Committee advises the TfGM Board on:

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

The governance arrangements for TfGM's Audit and Risk Assurance Committee reflect best practice guidance for corporate governance, adapted for TfGM's specific circumstances, including the CIPFA's Audit Committees: Practical Guidance for Local Authorities and Police (2013) and the Financial Reporting Council's Guidance on Audit Committees (which is intended for limited companies).

The Audit and Risk Assurance Committee's membership comprises two Members, who are independent Non-Executive Directors of TfGM's Board, and a third Member who is the Treasurer of the GMCA, bringing many years of experience from both the public and private sector. The Executive Directors, Head of Audit and Assurance and other managers also attend, as required, at the invitation of the Chair. Once recruited, the third independent Non-Executive Director may be appointed to the Committee.

The Audit and Risk Assurance Committee is responsible for reviewing the activity of internal and external audit in providing assurance over the effectiveness of internal controls. The Committee also meets at least annually in private with both the external auditors and the Head of Internal Audit, without the presence of executive management.

In line with best practice, a review of its effectiveness was undertaken during 2018. The review found that the Committee was functioning effectively and had fulfilled its role during the year. It further found that the improvements identified by the review undertaken in the previous year had been successfully implemented and had resulted in improvements in the qualitative measures of effectiveness. Further improvements were identified, and a review and update of the Committee's Terms of Reference has been undertaken to refresh the Committee's responsibilities.

Assurance and internal audit

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

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

Following a review of internal audit provision undertaken during 2018, TfGM and the GMCA agreed to form a joint internal audit team. This arrangement was considered by the Executive Board, and was approved by TfGM's Audit and Risk Assurance Committee and GMCA's Resources Committee, and commenced in April 2019. It will benefit TfGM by ensuring a larger pool of resource and expertise, thereby maximising resilience, audit quality and value for money. A new Head of Audit and Assurance was appointed in April 2019 and reports jointly to both TfGM and the GMCA and is responsible for managing the joint team.

The Head of Audit and Assurance is required to provide an annual opinion, based upon and limited to the work performed during the financial year. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit and Risk Assurance Committee, which provides a reasonable level of assurance.

On the basis of the audits undertaken and reported on by Audit and Assurance during this reporting period, and other sources of information available to Audit and Assurance, it is considered that in general the financial, operational, and strategic control environment within TfGM is effective. Notwithstanding this overall assessment the audit work identified some areas where further control improvements can be made, and action plans to address these are in place and are being delivered and monitored.

External audit

The external auditors will issue the following reports in respect of the 2018/19 financial year:

- Audit Strategy Memorandum;
- Audit Completion Report;
- Auditor's report including a Value for Money conclusion;
- Annual Audit Letter; and
- Audit Fee Letter.

Following a procurement process undertaken by the Public Sector Audit Appointments Limited, Mazars LLP were appointed as auditors for TfGM effective from the 1 April 2018. A 'handover' process from Grant Thornton LLP, the auditors of the 2017/18 statements of accounts, to Mazars LLP was developed and successfully implemented during 2018.

Review of Effectiveness

TfGM is committed to a culture of continuous improvement and ensuring value for money. The Annual Governance Statement identifies areas where improvements have been, and are continuing to be made. As part of the drive for continuous improvement and value for money TfGM will continue to focus its efforts on these and other areas during 2019/20. The Audit and Risk Assurance Committee and TfGM Executive Board will closely monitor these improvements.

Conclusion

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

EJ BOYLAN	SG WARRENER
Director	*Director*

23 July 2019

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

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Transport for Greater Manchester for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Transport for Greater Manchester as at 31st March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of Transport for Greater Manchester in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Finance & Corporate Services Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Finance & Corporate Services Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Transport for Greater Manchester's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Finance & Corporate Services Director is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Finance & Corporate Services Director for the financial statements
As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Finance & Corporate Services Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Finance & Corporate Services Director is also responsible for such internal control as the Finance & Corporate Services Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Finance & Corporate Services Director is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless Transport for Greater Manchester is informed of the intention for dissolution without transfer of services or function to another entity. The Finance & Corporate Services Director is responsible for assessing each year whether or not it is appropriate for Transport for Greater Manchester to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice
We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Transport for Greater Manchester's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion
On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Transport for Greater Manchester has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion
We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether Transport for Greater Manchester had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether Transport for Greater Manchester put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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, Transport for Greater Manchester had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that Transport for Greater Manchester has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of Transport for Greater Manchester's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report
This report is made solely to the members of Transport for Greater Manchester, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 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 members of Transport for Greater Manchester those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of Transport for Greater Manchester, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Transport for Greater Manchester in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Kirkham
For and on behalf of Mazars LLP

One St Peter's Square
Manchester
M3 3EB

23 July 2019

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2019

The Comprehensive Income and Expenditure 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 revenue grants (or other income). TfGM receives funding from the ten local authorities in Greater Manchester to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The cost of providing these services is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2017/18					2018/19		
Gross Expend-iture £000	Gross Income £000	Net Expend-iture £000		Notes	Gross Expend-iture £000	Gross Income £000	Net Expend-iture £000
(51,930)	-	(51,930)	Concessionary fare schemes		(49,607)	-	(49,607)
(36,030)	9,794	(26,236)	Supported bus services		(34,583)	9,663	(24,920)
(6,740)	6,740	-	Devolved bus funding		-	-	-
(70,069)	64,868	(5,201)	Metrolink		(74,809)	72,850	(1,959)
(4,656)	-	(4,656)	Accessible transport		(4,300)	-	(4,300)
(4,881)	5,970	1,089	Management of traffic signals		(6,585)	7,275	690
(6,039)	5,017	(1,022)	Road safety activities		(7,016)	5,943	(1,073)
(5,651)	5,651	-	Provision of third party passenger transport facilities	6	(1,896)	1,896	-
(138,701)	18,105	(120,596)	Operational and other costs	7	(150,544)	20,361	(130,183)
(324,697)	116,145	(208,552)	**Cost of services**		(329,340)	117,988	(211,352)
-	2,674	2,674	Other operating expenditure	10e	(442)	-	(442)
(5,473)	304	(5,169)	Financing and investment income and expenditure	8	(5,544)	445	(5,099)
-	243,695	243,695	Taxation and non-specific grant income and expenditure	9	-	268,651	268,651
(330,170)	362,818	32,648	**Surplus on provision of services**	5	(335,326)	387,084	51,758
		7,132	Remeasurement of the net defined benefit liability	17			3,805
		7,132	**Other comprehensive income and expenditure**				55,563
		39,780	**Total comprehensive income and expenditure**				55,563

All amounts relate to continuing operations. The notes from page 64 onwards form part of these accounts.

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

MOVEMENT IN RESERVES STATEMENT for the year ended 31 March 2019

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

	Revenue Reserves £000	**Unapplied Capital Grants and Contributions Account £000**	**Total Usable Reserves £000**	**Total Unusable Reserves £000**	**Total Reserves £000**
At 31 March 2017	**37,171**	**443**	**37,614**	**1,773,446**	**1,811,060**
Total comprehensive income and expenditure	32,648	-	32,648	7,132	39,780
Adjustments between accounting basis and funding basis under regulations	(30,562)	322	(30,240)	30,240	-
Transfer between reserves	(830)	-	(830)	830	-
Increase / (decrease) in 2017/18	1,256	322	1,578	38,202	39,780
At 31 March 2018	**38,427**	**765**	**39,192**	**1,811,648**	**1,850,840**
Total comprehensive income and expenditure	51,758	-	51,758	3,805	55,563
Adjustments between accounting basis and funding basis under regulations	(50,248)	(196)	(50,444)	50,444	-
Transfer between reserves	(1,311)	-	(1,311)	1,311	-
Increase / (decrease) in 2018/19	199	(196)	3	55,560	55,563
At 31 March 2019	**38,626**	**569**	**39,195**	**1,867,208**	**1,906,403**

See note 18 for further analysis of the movement in reserves statement.

The notes from page 64 onwards form part of these accounts.

BALANCE SHEET at 31 March 2019

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by TfGM. The net assets of TfGM (assets less liabilities) are matched by the reserves held by TfGM. Reserves are reported in two categories – usable and unusable. Usable are those reserves that TfGM may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that TfGM is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	31 March 2019 £000	31 March 2018 £000
ASSETS			
Long term assets			
Property, plant & equipment	10	2,007,732	1,950,520
Investment property		1,470	890
Intangible assets	11	11,711	8,282
Long term investments		2,000	2,000
		2,022,913	1,961,692
Current Assets			
Short term debtors	12	86,889	81,323
Inventories		221	182
Cash and cash equivalents	13	6,691	16,846
		93,801	98,351
TOTAL ASSETS		**2,116,714**	**2,060,043**
LIABILITIES			
Current Liabilities			
Short term creditors	14	(59,221)	(67,352)
Provisions	14, 15	(3,545)	(2,857)
Short term borrowing	16	(1,239)	(1,240)
		(64,005)	(71,449)
Long term liabilities			
Provisions	15	(4,648)	(2,556)
Net pension liabilities	17	(75,713)	(69,227)
Long term borrowings	16	(65,945)	(65,971)
		(146,306)	(137,754)
TOTAL LIABILITIES		**(210,311)**	**(209,203)**
NET ASSETS		**1,906,403**	**1,850,840**
FINANCED AS FOLLOWS:			
Reserves as follows:			
Usable reserves	18	39,195	39,192
Unusable reserves	18	1,867,208	1,811,648
		1,906,403	**1,850,840**

The notes from page 64 onwards form part of these accounts.

E BOYLAN
Director
23 July 2019

SG WARRENER
Director

CASH FLOW STATEMENT for the year ended 31 March 2019

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

	Note	2019 £000	2018 £000
Net surplus on provision of services		51,758	32,648
Adjustments to reconcile income to net cash flows:			
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities			
Grants received for capital works		(130,349)	(106,301)
Finance cost	8	3,654	3,678
Interest paid		(3,655)	(3,675)
IAS19 pension finance interest	17	1,890	1,795
Adjustments for other non- cash movements			
Depreciation and amortisation	10, 11	71,519	70,766
Loss / (gain) on disposal of non-current assets	10	442	(2,674)
IAS19 pension service costs	17	14,699	11,644
IAS19 employer contributions	17	(6,298)	(6,179)
Decrease in debtors		1,854	7,481
(Increase) / decrease in inventories		(39)	14
(Decrease) / increase in creditors and provisions		(394)	5,527
Net cash flows from operating activities		**5,081**	**14,724**
Investing Activities			
Purchase of property, plant and equipment and intangible assets		(129,815)	(104,514)
Grants received for capital works		114,524	103,827
Proceeds from sale of property, land and equipment		80	1,252
Net cash flows from investing activities		**(15,211)**	**565**
Financing Activities			
Repayment of short and long term borrowings	16	(26)	(26)
Net cash flows from financing activities		**(26)**	**(26)**
Net increase/(decrease) in cash and cash equivalents		(10,156)	15,263
Cash and cash equivalents as at 1 April	13	16,846	1,583
Cash and cash equivalents as at 31 March	13	**6,690**	**16,846**

The notes from page 64 onwards form part of these accounts.

NOTES TO THE ACCOUNTS

1 Introduction

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

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

2 Basis of Preparation

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

Statement of Compliance with IFRS

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

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

None of the amendments above are expected to have a material impact to TfGM.

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

- Deregulation Reserve: IFRS 5 would treat the deregulation of bus services in 1986 as a discontinued operation, leading to the write off of any costs connected with deregulation. However, the Transport Act of 1985 allowed any costs incurred on deregulation to be transferred to a specific reserve, called the 'Deregulation Reserve'. TfGM has adopted a policy of amortising the Deregulation Reserve over 30 years. Refer to note 18 for further details.

3 Summary of Significant Accounting Policies

3.1 Property, Plant and Equipment and Assets Under Construction

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

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

Freehold and long leasehold buildings	40 to 50 years
Short leasehold buildings	over the lease term
Infrastructure assets (see note * below)	20 to 50 years
Plant and equipment (including software)	3 to 10 years
Vehicles: Motor vehicles	3 to 5 years
Vehicles: Buses	Up to 15 years

* Infrastructure assets includes a number of categories of assets relating to the Metrolink network, Interchanges and Bus Stations, the Leigh to Ellenbrook Guided busway and cycle hubs.

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

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

The de minims level for capitalising assets is £25,000 unless these form part of a larger asset when there is no de minims level.

The cost of Metrolink includes £130.550 million (2018: £125.824 million) representing the costs of acquiring the land required for the system to be constructed. In accordance with standard accounting practice this land is not being depreciated.

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

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

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

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

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

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

3.2 Fair Value measurement

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

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

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

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

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

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

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

3.3 Non-current assets held for sale

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

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

No assets were classified as held for sale as at 31 March 2019 and 31 March 2018.

3.4 Investment properties

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

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

3.5 Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by TfGM as a result of past events (e.g. software development costs and software licences) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to TfGM.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and TfGM will be able to generate future economic benefits or deliver service potential by being able to use or sell the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise TfGM's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by TfGM can be determined by reference to an active market. In practice, no intangible asset held by TfGM meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to operational costs in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the operating expenditure line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

3.6 Capital and revenue grants and contributions

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

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

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

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

3.7 Inventories

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

3.8 Financial Assets

Financial assets have the following categories: financial assets measured at fair value through profit or loss, financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, in accordance with IFRS 9. Note IFRS 9 replaced IAS 39 in 2018/19. Assets held at amortised cost are initially recognised at cost and remain at cost whereas assets held at fair value are revalued in accordance with fair value measurement set out in paragraph 3.2. TfGM's financial assets include the long term investment, cash, short-term deposits, trade and other receivables.

Subsequent measurement depends on their classification as follows:

Long term investments: investments are reviewed to determine which category they should be classified as. The current investment has been deemed to fall within the fair value through other comprehensive income category.

Fair value through other comprehensive income assets are initially measured and carried at fair value in line with fair value measurement set out in paragraph 3.2. Assets are held in this category when the amounts received relating to them are solely principal and interest but they are held to collect case and sell the assets. There are two key criteria for election as a fair value through other comprehensive income asset, these are the asset must be an equity instrument and the asset must not be held for trading.

Comprehensive Income and Expenditure Statement treatment: movements in amortised cost debited/credited to the Surplus or Deficit on the Provision of Services, but movements in fair value debited/credited to Other Comprehensive Income and Expenditure:

- Interest credited to Surplus or Deficit on the Provision of Services using the effective interest rate method.
- Movements in impairment loss allowances debited/ credited to Surplus or Deficit on the Provision of Services (with a compensating credit/debit not against the carrying amount of the asset but to Other Comprehensive Income and Expenditure to offset movements against gains/losses on fair value).

- Changes in fair value posted to Other Comprehensive Income and Expenditure.
- Cumulative gains/losses on fair value are posted to the Surplus or Deficit on the Provision of Services on derecognition.

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

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

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

Finance leases: refer to notes 3.15 and 3.16.

3.9 Financial Liabilities

Financial liabilities are classified at recognition as financial liabilities measured at fair value through profit or loss or financial liabilities at amortised costs in accordance with IFRS 9. As stated above this accounting standard replaced IAS 39 in 2018/19. TfGM has not designated any financial liabilities or assets as at fair value through the Comprehensive Income and Expenditure Statement. TfGM's financial liabilities include bank overdraft, trade creditors, loans and other payables.

Subsequent measurement depends on their classification as follows:

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

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

Finance leases: refer to notes 3.15 and 3.16.

3.10 Offsetting of Financial Instruments

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

3.11 Impairment of non-financial assets

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

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

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

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

3.12 Provisions, Contingent liabilities and Contingent assets

Provisions

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

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

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

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

Contingent liabilities

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

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

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

Contingent assets

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

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

3.13 Passenger Transport Facilities

As part of its statutory duties, TfGM is responsible for meeting the costs of upgrading public passenger transport facilities in the Greater Manchester area, including railway and highways infrastructure. The expenditure incurred is offset by equivalent grants received from GMCA and other parties, which for the year ended 31 March 2019 amounted to £1.9 million (2018: £5.7 million).

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

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

3.14 Turnover

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

3.15 Lease Income

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

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

3.16 Lease expenditure

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

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

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

3.17 Pensions

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

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

The Scheme is accounted for as a defined benefits scheme:

- The liabilities of the GMPF attributable to TfGM are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (2018: 2.6%).
- The assets of GMPF attributable to TfGM are included in the Balance Sheet at their fair value based on the bid values of the assets.
- The change in the net pensions liability is analysed into seven components:
    - Current service cost – the increase in liabilities as a result of years of service earned this year are allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;
    - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
    - Expected return on assets – the annual investment return on the fund assets attributable to TfGM, based on an average of the expected long-term return - is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
    - Gains or losses on settlements and curtailments – the result of actions to relieve TfGM of liabilities or events that reduce the expected future service or accrual of benefits of employees – are debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;
    - Remeasurement of the net defined benefit liability – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – are credited or debited to the Pensions Reserve; and
    - Contributions paid to the GMPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; are not accounted for as an expense.

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

3.18 Accrual of income and expenditure

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

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

3.19 Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, capital grants, retirement and employee benefits and do not represent usable resources for TfGM. These reserves are explained in note 18.

3.20 Events after the balance sheet date

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

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

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

3.21 Value Added Tax (VAT)

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

3.22 Agency Services

Transactions are excluded from TfGM's financial statements for all agency relationships. As stipulated by the Code TfGM is acting as an agent in situations when TfGM do not have exposure to the significant risks and rewards in providing the goods or services. TfGM review all services provided to determine who has exposure to the significant risks and rewards and when this is not deemed to be TfGM the transactions have been excluded from the financial statements. There are two significant agency relationships; the first is in relation to Transport for the North (TfN), in 2017/18 and part of 2018/19 services were provided by TfGM to TfN with no risks or rewards. From June 2018 TfGM no longer provided this service. The second agency service is new in 2018/19 and is in relation to the payments of the Bus Services Operator Grant to bus operators on behalf of GMCA. See note 19.

4 Significant accounting judgements, estimates and assumptions

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

The items in TfGM's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Pension benefits: the cost of defined benefit pension plans is determined using an independent actuarial valuation, involving the use of assumptions about discount rates, returns on assets, future salary increases, mortality rates and future pension increases. Such assumptions are reviewed at each period end, and determined jointly between the pension fund management and the actuaries.
- Carrying value of property, plant and equipment: for assets held at historical cost the carrying value is the initial cost of the asset less accumulated depreciation. Depreciation is calculated using the expected useful life for each component of an asset. The useful life is a best estimate of the life of the asset and is provided by an expert in the relevant area. Each year end an annual review is performed to ensure the remaining useful life and carrying value of the asset are appropriate. For assets held at valuation, a full valuation is performed as a minimum every 5 years by an independent external valuer; an impairment review is undertaken by management for all other years. If the useful life is incorrect by one year, this would result in an estimated impact of £6.1 million (2017/18: £6.0 million).

5 Expenditure and Funding Analysis statement

2017/18				**2018/19**		
Net expenditure chargeable to the revenue reserve	**Adjustments between the Funding and Accounting Basis**	**Net expenditure in the Comprehensive Income and Expenditure Statement**		**Net expenditure chargeable to the revenue reserve**	**Adjustments between the Funding and Accounting Basis**	**Net expenditure in the Comprehensive Income and Expenditure Statement**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
(51,930)	-	(51,930)	Concessionary fare scheme	(49,607)	-	(49,607)
(26,236)	-	(26,236)	Supported bus services	(24,920)	-	(24,920)
(5,005)	(196)	(5,201)	Metrolink	(1,689)	(270)	(1,959)
(4,656)	-	(4,656)	Accessible transport	(4,300)	-	(4,300)
1,089	-	1,089	Management of traffic signals	690	-	690
(932)	(90)	(1,022)	Road safety activities	(945)	(128)	(1,073)
(46,993)	(73,603)	(120,596)	Operational and other costs	(52,715)	(77,468)	(130,183)
(134,663)	**(73,889)**	**(208,552)**	**Net cost of Services**	(133,486)	(77,866)	(211,352)
136,749	104,451	241,200	Other income and expenditure	134,996	128,114	263,110
2,086	**30,562**	**32,648**	Surplus or Deficit	**1,510**	**50,248**	**51,758**
37,171			Opening revenue reserves balance	38,427		
2,086			Less / Plus surplus or (deficit) on revenue balance in Year	1,510		
(830)			Transfer between reserves	(1,311)		
38,427			Closing revenue reserve at 31 March	**38,626**		

(a) Note to the expenditure and funding analysis

	Adjustments between Funding and Accounting Basis 2017/18		
Adjustments between the Funding and Accounting Basis	**Adjustments for capital purposes (Note 1)**	**Net change for the Pensions adjustment (Note 2)**	**Total Adjustments**
	£'000	£'000	£'000
Metrolink	-	(196)	(196)
Road safety activities	-	(90)	(90)
Operational and other costs	(68,424)	(5,179)	(73,603)
Net cost of Services	**(68,424)**	**(5,465)**	**(73,889)**
Other income and expenditure	106,246	(1,795)	104,451
Difference between revenue reserve surplus and Comprehensive Income and Expenditure Statement surplus on the Provision of Services	37,822	(7,260)	30,562

Adjustments between the Funding and Accounting Basis	Adjustments for capital purposes (Note 1)	Net change for the Pensions adjustment (Note 2)	Total Adjustments
	Adjustments between Funding and Accounting Basis 2018/19		
	£'000	£'000	£'000
Metrolink	-	(270)	(270)
Road safety activities	-	(128)	(128)
Operational and other costs	(69,465)	(8,003)	(77,468)
Net cost of Services	**(69,465)**	**(8,401)**	**(77,866)**
Other income and expenditure	130,004	(1,890)	128,114
Difference between revenue reserve surplus and Comprehensive Income and Expenditure Statement surplus on the Provision of Services	60,539	(10,291)	50,248

Adjustments for capital purposes

1) Adjustments for capital purposes – this column adds in Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year. For internal reporting purposes the capital grants received are recognised in line with the expenditure i.e. depreciation charge. This also includes the adjustment for any capital grants remaining on disposal of assets."

Net Change for the Pensions Adjustments

2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

(b) Note to the expenditure and funding analysis

Expenditure/Income	2018/19 £'000	2017/18 £'000
Expenditure		
Employee benefits expenses*	42,700	37,581
Transport expenditure		
Concessionary fare scheme	49,607	51,930
Supported bus services	34,583	36,030
Devolved bus funding**	-	6,740
Metrolink	72,907	68,873
Accessible transport	4,300	4,656
Management of traffic signals	6,585	4,881
Road safety activities	6,294	5,365
Provision of passenger transport facilities	1,896	5,651
Other Transport Expenditure	38,950	32,224
Depreciation, amortisation, impairment	71,519	70,766
Financing costs:		
Interest payable and similar charges	3,680	3,703
Adjustment for the equalisation of interest on a loan	(27)	(25)
Pensions interest cost and expected return on pensions assets	1,890	1,795
Loss on the disposal of assets	442	-
Total expenditure	**335,326**	**330,170**

	2018/19 £'000	2017/18 £'000
Income		
Fees, charges and other service income		
Transport income		
Supported bus services	9,663	9,794
Devolved bus funding**	-	6,740
Metrolink	72,850	64,868
Management of traffic signals	7,275	5,970
Road safety activities	5,943	5,017
Provision of passenger transport facilities	1,896	5,651
Interest and investment income	445	304
Local government revenue grants and contributions	138,302	137,394
Local government capital grants and contributions	130,349	106,301
Bus station facility charges	2,944	2,982
Rail franchise	1,818	1,860
Rents and service charges	883	767
Advertising revenue	474	468
Other highways income	4,246	4,208
Passenger information services, Travelshop, bus station ancillary charges, rail franchise, operators and local authorities' recoveries.	9,996	7,820
Profit on the disposal of assets	-	2,674
Total income	**387,084**	**362,818**
Surplus on the Provision of Services	**51,758**	**32,648**

*Note this includes the IAS19 employer cost adjustments and removes staff time capitalised.
**This relates to the Bus Services Operator Grant in 2017/18. In 2018/19 this is treated as an agency service, see note 19.

6 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 certain railway and highways infrastructure. The expenditure incurred is offset by equivalent grants or funding, which for the year ended 31 March 2019 amounted to £1.9 million (*2018: £5.7 million*). The ownership of these assets normally vests in either Network Rail; rail operating companies; GMCA; or the appropriate Local Authority. In certain circumstances, title in these assets may ultimately revert to TfGM. Costs and grants are written off as incurred / received.

7 Surplus on provision of services for the year

(a) The operating surplus for the year has been stated after the following payments made to the external auditors:

	2019 £000	2018 £000
Fees payable to external auditors for:		
- audit services	34	44
- other services	-	-

(b) Statutory Directors' remuneration

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

		Salary £	Employer pension contributions £	Total £
Chief Executive Officer (to 25 November 2018)	2018/19	232,249	-	232,249
Dr J Lamonte	2017/18	290,729	-	290,729
Chief Operating Officer	2018/19	176,931	33,253	210,184
RM Morris	2017/18	173,545	32,601	206,146
Finance & Corporate Services Director	2018/19	175,129	32,924	208,053
SG Warrener	2017/18	171,737	32,279	204,016
Contribution to the salary of the Chief Executive				
Chief Executive Officer (from 25 November 2018)*	2018/19	38,194	-	38,194
EJ Boylan	2017/18	-	-	-

* The costs for EJ Boylan relate to a recharge of 50% of the salary costs between December 2018 and March 2019. The full salary costs are paid by GMCA and are disclosed in their financial statements.

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

	2019 £000	2018 £000
Wages and salaries*	31,505	28,985
Social security costs	3,334	3,071
Pension costs	5,647	5,150
	40,486	**37,206**
The average number of employees during the year	**860**	**812**

* This does not include staff time that has been subsequently capitalised.

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

Remuneration range	2019 Number	2018 Number
£50,000 to £54,999	52	42
£55,000 to £59,999	21	22
£60,000 to £64,999	20	17
£65,000 to £69,999	11	14
£70,000 to £74,999	6	12
£75,000 to £79,999	11	6
£80,000 to £84,999	11	7
£85,000 to £89,999	6	5
£90,000 to £94,999	3	2
£95,000 to £99,999	2	3
£100,000 to £104,999	2	1
£105,000 to £109,999	1	2
£110,000 to £114,999	1	2
£120,000 to £124,999	1	1
£130,000 to £134,999	-	2

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

The table above includes 23 employees working for TfN in 2017/18, whose costs have been treated in the financial statements on an agency basis. In June 2018 TfN employees were TUPE transferred to TfN when they became a statutory body and therefore there are no TfN employees in the 2018/19 figures. See note 19.

Note that the numbers above do not include the Directors salaries. See note 7b) above for the Directors remuneration.

(d) Staff exit packages

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

Exit package cost band	Number of redundancies 2019	2018	Number of other departures agreed 2019	2018	Total number of exit packages by cost band 2019	2018	Total cost of exit packages in each band 2019 £000	2018 £000
£0 - £20,000	3	-	-	2	3	2	38	16
£20,001 - £40,000	1	-	-	2	1	2	21	56
£40,001 - £60,000	2	-	1	-	3	-	152	-
£60,001 - £80,000	1	1	-	1	1	2	62	137
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	1	-	-	-	1	-	111
£150,001 - £200,000	1	-	-	-	1	-	194	-
	8	**2**	**1**	**5**	**9**	**7**	**467**	**320**

8 Financing and Investment Income and Expenditure

	2019 £000	2018 £000
Financing Costs		
Interest payable and similar charges	3,680	3,703
Adjustment on the equalisation of interest on a loan	(26)	(25)
Pensions interest cost and expected return on pensions assets	1,890	1,795
	5,544	**5,473**

	2019 £000	2018 £000
Investment Income		
Interest receivable and similar income	-	1
Received from Piccadilly Triangle Developments LLP – distribution of part of partnership profits	445	303
	445	**304**

9 Taxation and non-specific grant income

	2019 £000	2018 £000
Revenue Grant income		
GMCA – Levy	121,619	122,418
GMCA – Other	16,546	14,394
Other	137	582
Total Revenue Grants	**138,302**	**137,394**
Capital grant income		
GMCA capital grants*	125,800	99,125
Trafford MBC	5,000	7,000
Other	(451)	176
Total Capital Grants	**130,349**	**106,301**
Total grant income	**268,651**	**243,695**

* Note the capital grants received from GMCA fund a number of capital schemes. In 2019 these included the Metrolink Trafford Park Line, the additional 27 trams, Wigan Bus Station and Tameside Interchange.

In 2018 the schemes included the Metrolink Trafford Park Line, Wigan Bus Station and the Metrolink Improvement Programme.

10 Property, Plant and Equipment

a) Capitalised assets available for use and assets under construction

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

	Total £000	Infra-structure £000	Land & Building £000	Plant & Equipment £000	Vehicles £000	Surplus assets £000	Assets Under Construction £000
Cost or valuation:							
At 31 March 2017	**2,295,937**	**2,112,161**	**14,149**	**31,835**	**24,365**	**805**	**112,622**
Expenditure during the year	104,157	-	-	-	-	-	104,157
Transfers from assets under construction	-	61,048	-	1,395	114	-	(62,557)
Disposals	(637)	(130)	(450)	-	(7)	(50)	-
At 31 March 2018	**2,399,457**	**2,173,079**	**13,699**	**33,230**	**24,472**	**755**	**154,222**
Expenditure during the year	127,616	-	-	-	-	-	127,616
Transfers from assets under construction	-	20,538	-	1,093	21	-	(21,652)
Disposals	(3,943)	(3,943)	-	-	-	-	-
At 31 March 2019	**2,523,130**	**2,189,674**	**13,699**	**34,323**	**24,493**	**755**	**260,186**
Depreciation and impairment:							
At 31 March 2017	**379,494**	**353,991**	**378**	**16,650**	**8,475**	**-**	**-**
Depreciation provided during the period	69,502	64,605	449	2,872	1,576	-	-
Disposals	(59)	(52)	-	-	(7)		
At 31 March 2018	**448,937**	**418,544**	**827**	**19,522**	**10,044**	**-**	**-**
Depreciation provided during the period	69,880	64,954	449	2,892	1,585	-	-
Disposals	(3,419)	(3,419)	-	-	-	-	-
At 31 March 2019	**515,398**	**480,079**	**1,276**	**22,414**	**11,629**	**-**	**-**
Net Book Value:							
At 31 March 2019	**2,007,732**	**1,709,595**	**12,423**	**11,909**	**12,864**	**755**	**260,186**
At 31 March 2018	**1,950,520**	**1,754,535**	**12,872**	**13,708**	**14,428**	**755**	**154,222**

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

	31 March 2019 £000	31 March 2018 £000
Freehold	220,506	218,454
Long Leasehold	79,768	70,829
Short Leasehold	1,661	1,998
	301,935	**291,281**

The transfer from assets under construction to infrastructure assets relates to a number of capital schemes or transactions that have been completed in the year. These include the new Wigan Bus Station and Trafford Park Line land.

The disposals in the year mainly relate to the old Wigan Bus Station.

b) Assets held under finance leases

TfGM do not have any assets held under a finance lease.

c) Revaluation of property, plant and equipment

TfGM carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The current values for these properties have been based on existing use values and these were re-valued as at 31 March 2017.

A number of surplus properties were identified in 2015/16 and in accordance with the code were revalued at fair value. The fair value for the properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

In estimating the fair value of TfGM's surplus properties, the highest and best use of the properties is their current use. Due to the value of the properties and the changes in mark conditions these have not been re-valued in 2018/19.

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

d) Assets under Construction

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

The main items of capital expenditure in the year related to amounts invested in the Metrolink Trafford Park line extension. Other significant items of capital expenditure related to the design, land acquisition and construction of a new transport bus station at Wigan; upgrading the existing Metrolink network; and a number of other schemes including rail station improvements.

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

At 31 March 2019 the amount of grants received in advance of payments made in respect of expenditure on capital projects and held within the Unapplied Grants Account was £0.57 million (£0.8) million at 31 March 2018).

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

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

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

	2019 £000	2018 £000
Net proceeds from sale of assets	80	3,252
De-recognition of carrying values of assets	(522)	(578)
Gain / (loss) on disposal of property, plant and equipment per Comprehensive Income and Expenditure Statement	**(442)**	**2,674**
De-recognition of carrying values of associated grants	345	55
	(97)	**2,729**

11 Intangible Assets

TfGM accounts for certain items of software as intangible assets, to the extent that the software is not an integral part of a particular IT system and is therefore accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the authority. The useful lives assigned to the major software suites used by the authority range between 4 and 5 years.

The movement on intangible asset balances during the year is as follows:

	Total £000	Internally Generated Assets £000	Other Assets £000
Balance as at 31 March 2017	**5,510**	**4,678**	**832**
Additions:			
Internal development	4,036	4,036	-
Amortisation for the period	(1,264)	(1,098)	(166)
Net carrying amount as at 31 March 2018	**8,282**	**7,616**	**666**
Comprising:			
Gross carrying amounts	9,602	8,770	832
Accumulated amortisation	(1,320)	(1,154)	(166)
At 31 March 2018	**8,282**	**7,616**	**666**

	Total £000	Internally Generated Assets £000	Other Assets £000
Balance as at 31 March 2018	**8,282**	**7,616**	**666**
Additions:			
Internal development	5,068	5,068	-
Amortisation for the period	(1,639)	(1,472)	(167)
Net carrying amount as at 31 March 2019	**11,711**	**11,212**	**499**
Comprising:			
Gross carrying amounts	14,670	13,838	832
Accumulated amortisation	(2,959)	(2,626)	(333)
At 31 March 2019	**11,711**	**11,212**	**499**

The internally generated assets include the development of the new TfGM website, the costs of the journey planner and the further roll-out of smart ticketing. Other assets compromise the SAP system software upgrade and licenses.

12 Debtors

Short term debtors: amounts falling due within one year:

	31 March 2019 £000	31 March 2018 £000
Trade debtors	3,454	4,951
Amounts receivable from GMCA	52,719	36,251
Amounts due from group undertakings	93	303
Other debtors	4,456	7,172
Prepayments and accrued income	26,167	32,646
	86,889	**81,323**

Analysed between the following classes of debtors:

Central government bodies	2,898	5,580
Other local authorities	53,764	37,751
Other entities and individuals	30,227	37,992
	86,889	**81,323**

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

At 31 March 2019, trade debtors at a nominal value of £2,060,000 (*2018: £1,738,000*) were impaired. Movements in the provision for impairment of receivables were as follows:

	31 March 2019 £000	31 March 2018 £000
Opening provision	1,738	1,883
Charge for the year	365	50
Amounts written off	(11)	(99)
Unused amounts reversed	(32)	(96)
Closing provision	**2,060**	**1,738**

As at 31 March 2019, the ageing analysis of trade debtors net of the provision was as follows:

	Total £000	Neither overdue nor impaired £000	Past due but not impaired: 1-30 days £000	31-60 days £000	61-90 days £000	91-120 days £000	over 120 days £000
31 March 2019	3,454	1,897	984	203	133	45	192
31 March 2018	4,951	4,399	278	60	57	23	134

13 Cash and cash equivalents

	31 March 2019 £000	31 March 2018 £000
Cash at bank and in hand	899	708
Short term deposits with GMCA	5,792	16,138
	6,691	**16,846**

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

14 Current Liabilities

	31 March 2019 £000	31 March 2018 £000
Short term creditors		
Trade creditors	4,987	13,338
Taxation and social security	870	956
Accruals for expenditure recognised	42,448	40,256
Deferred income	4,298	3,865
Amounts due to GMCA	1,924	2,904
Other creditors	4,694	6,033
	59,221	67,352
Provisions (note 15)	3,545	2,857
Short term borrowings (note 16)	1,239	1,240
	64,005	**71,449**

Analysed between the following classes of creditors:

Central government bodies	1,233	1,319
Other local authorities	2,140	3,306
Other entities and individuals	60,632	66,824
	64,005	**71,449**

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

For terms and conditions pertaining to related parties, refer to note 20.

15 Provisions

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

	Total	Insurance Excess	Capital Works	Onerous Leases	Other
	£000	**£000**	**£000**	**£000**	**£000**
At 1 April 2018	**5,413**	**501**	**4,556**	**200**	**156**
Arising during the year	3,166	-	3,166	-	-
Utilised during the year	(386)	(55)	(330)	(1)	-
Unused amounts reversed	-	-	-	-	-
At 31 March 2019	**8,193**	**446**	**7,392**	**199**	**156**

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

	Total	Less than 12 months	Greater than 12 months
	£000	**£000**	**£000**
At 31 March 2018			
Insurance Excess	501	205	296
Capital Works	4,556	2,651	1,905
Onerous Lease	200	1	199
Other	156	-	156
	5,413	**2,857**	**2,556**
At 31 March 2019			
Insurance Excess	446	-	446
Capital Works	7,392	3,388	4,004
Onerous Lease	199	1	198
Other	156	156	-
	8,193	**3,545**	**4,648**

The amounts provided above at 31 March 2019 are described below:

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

16 Financial Instruments

Reclassification of Financial Instruments at 1 April 2018

The following table shows the effect of the reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the CIPFA 2018/19 Code of Practice on Local Authority Accounting, there have been no amendments to the valuations following the change in accounting standards.

	New classification		
	1 April 2018	**Amortised Cost**	**Fair Value through Other Comprehensive Income**
	£000	**£000**	**£000**
Previous classifications			
Financial Assets:			
Long term investments	2,000	-	2,000
Trade receivables	4,951	4,951	-
Amounts receivable from GMCA	36,251	36,251	-
Amounts due from group undertakings	303	303	-
Other debtors	1,684	1,684	-
Cash and cash equivalents	16,846	16,846	-
			-
			-
			-
Financial Liabilities:			-
Trade creditors	(62,531)	(62,531)	-
Loans and receivables: Interest bearing loans and borrowings:			-
Fixed rate borrowings - due within one year			-
Accrued Interest	(1,240)	(1,240)	-
Fixed rate borrowings - due after one year			-
PWLB debt	(17,322)	(17,322)	-
Market debt	(48,649)	(48,649)	-

Set out below is a comparison by class of the carrying amounts of TfGM's financial assets and financial liabilities that are carried in the financial statements in line with the new IFR 9 accounting standard:

	Carrying Amount		Fair Value	
	31 March 2019	**31 March 2018**	**31 March 2019**	**31 March 2018**
	£000	**£000**	**£000**	**£000**
Financial Assets:				
Held at fair value through Other Comprehensive Income				
Long term investments	2,000	2,000	2,000	2,000
Held at amortised cost				
Trade receivables	3,454	4,951	3,454	4,951
Amounts receivable from GMCA	52,719	36,251	52,719	36,251
Amounts due from group undertakings	93	303	93	303
Other debtors	6,861	1,684	6,861	1,684
Cash and cash equivalents	6,691	16,846	6,691	16,846

Financial Liabilities:				
Held at amortised cost				
Trade creditors	(54,052)	(62,531)	(54,052)	(62,531)
Loans and receivables: Interest bearing loans and borrowings:				
Fixed rate borrowings - due within one year				
Accrued Interest	(1,239)	(1,240)	(1,239)	(1,240)
Fixed rate borrowings - due after one year				
PWLB debt	(17,322)	(17,322)	(21,273)	(21,685)
Market debt	(48,623)	(48,649)	(66,257)	(66,318)

Fair Values

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.

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

The valuation technique for long term investments is level 2 – significant observable inputs. There have been no changes in valuation technique during the financial year.

Long term receivables have been evaluated based on collectability risk.

Loans and Borrowings

- For non-PWLB loans payable, the fair value of the current and long term debt has been measured at £66.257 million (2017/18: £66.318 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 £61.395 million (2017/18: £61.242 million).
- The fair value of Public Works Loan Board (PWLB) loans of £21.273 million (2017/18: £21.685 million) measures the economic effect of the terms agreed with the PWLB based on premature repayment rates. This is deemed to be the principle market for the PWLB loan debt. The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at premature repayment rates.
- However, TfGM has a continuing ability to borrow at concessionary rates from the PWLB via the GMCA rather than from the markets. A supplementary measure of the additional interest that TfGM will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £17.322 million would be valued at £20.426 million (2017/18: £20.652 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 £3.128 million (2017/18: £3.624 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.

- The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value, which includes accrued interest as at the balance sheet date. TfGM has therefore included accrued interest in the fair value calculation.
- The discount rates used for the evaluation were obtained by GMCA from Link Asset Services (formally Capita). Link Asset Group is a leading and independent provider of capital financing, treasury advisory and strategic advisory consulting services to the public sector.
- Assumptions used, which do not have a material effect on the fair value evaluation are: interest is calculated using a 365 day basis; interest is paid on the maturity date; no adjustment is made to the interest value and date where a relevant date occurs on a non-working day.
- The repayment profile of loans and borrowings is taken into account during the TfGM's preparation and review of cash flow forecasts which are carried out on a regular basis.
- Public Works Loan Board loans were taken out to assist with the completion of Metrolink phase 2. The loans were taken out from 1997 to 2000 for a period of approximately 25 years and are repayable in full during 2023 and 2024. They are secured by Statute on all revenues.
- DePfa ACS Bank loans were taken out in 2002 for 15 and 20 years and are repayable in full by 2018 and 2022. They are secured by Statute on all revenues. In December 2011 DePfa transferred the loans to FMS Wertmanagement AöR. However, DePfa ACS Bank will continue to be the contact in relation to matters arising out of or in connection with the loans.
- Dexia Credit loans were taken out in 2004 for 28-31 years and are repayable in full by 2032-2035 and are secured by Statute on all revenues

	Effective Interest Rate %	Maturity	2019 £000	2018 £000
Current:				
Accrued interest on all loans			1,239	1,240
			1,239	1,240

	Effective Interest Rate %	Maturity	2019 £000	2018 £000
Non-current:				
Public Works Loan Board re Metrolink phase 2 - a	6.63%	May 2023	6,997	6,997
Public Works Loan Board re Metrolink phase 2 - b	4.75%	May 2024	1,208	1,208
Public Works Loan Board re Metrolink phase 2 - c	4.75%	May 2024	6,237	6,237
Public Works Loan Board re Metrolink phase 2 - d	5.00%	Nov 2024	2,880	2,880
DePfa ACS Bank - b	5.92%	Mar 2022	7,500	7,500
DePfa ACS Bank - c	6.42%	Apr 2022	12,000	12,000
Dexia Credit Local - London Branch - a	4.75%	May 2032	7,000	7,000
Dexia Credit Local - London Branch - b	4.80%	May 2033	6,500	6,500
Dexia Credit Local - London Branch - c	4.80%	May 2034	7,000	7,000
Dexia Credit Local - London Branch - d	5.95%	May 2035	8,000	8,000
Accrued interest for stepped LOBO loan - Dexia d	5.95%	2013-35	623	649
			65,945	65,971
Total Loans and borrowings			**67,184**	**67,211**
Instalments are payable as follows:				
Within 1 year or repayable on demand			1,239	1,240
Within 1 to 2 years			-	-
Within 2 to 5 years			26,497	19,500
Within 5 to 10 years			10,325	17,322
Longer than 10 years			29,123	29,149
			67,184	**67,211**

Risk Factors

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

A prudent view is taken in respect of impairment of trade debtors as referred to in note 12.

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

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

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

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

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

Hedging Instruments

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

17 Employee Benefits - Pension Costs

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

The market value of the Fund's assets at 31 March 2016 amounted to £17,325 million. The funding level of the Fund as measured using the actuarial method of valuation was 93% as at 31 March 2016.

A full actuarial valuation was carried out at 31 March 2016 by a qualified independent actuary. The principal long term assumptions used by the actuary at that date were:

Rate of increase in salaries	2.2% to 2.9% per annum
Discount rate	4.2% per annum
Inflation assumption	2.1% per annum

TfGM's share of pension fund assets is rolled forward, by the actuary, from the latest formal valuation date. The roll forward amount is then adjusted for investment returns, the effective contributions paid into and estimated benefits paid from the fund by TfGM and its employees. As such this estimate may differ significantly from the actual assets held by the Pension Fund at 31 March.

The valuation has projected the valuation results of the full valuation undertaken as at 31 March 2016 forward to 31 March 2019 using approximate methods. The roll-forward allows for changes in financial assumptions, additional benefit accrual and estimated cash flows over the period.

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

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

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

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

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

	Local Government Pension Scheme 2019 £000	2018 £000
Comprehensive Income and Expenditure statement		
Cost of Services:		
Service cost comprising:		
Current Service cost	(11,370)	(11,528)
Past service costs	(6,071)	(116)
Financing and Investment Income and Expenditure		
Net interest (expense) / income	(1,890)	(1,795)
Total Post-employment Benefits charged to the Surplus on the provision of services	**(19,331)**	**(13,439)**
Remeasurement of the net defined (liability) / benefit comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	23,698	956
Actuarial gains and losses arising on changes in demographic assumptions	-	-
Actuarial gains and losses arising on changes in financial assumptions	(19,746)	6,220
Other experience	(147)	(44)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure statement	**3,805**	**7,132**
Movement in reserves statement		
Reversal of net charges made to the Surplus on the provision of services for post-employment benefits in accordance with the Code	(6,486)	(128)
Actual amount charged against the Usable Reserves Balance for pensions in the year:		
Employer's contributions payable to scheme	6,298	6,179
Retirement benefits payable to pensioners	(20,453)	(22,134)

Pension assets and liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme 2019 £000	2018 £000
Present value of the defined benefit obligation	(445,379)	(421,412)
Fair value of plan assets	369,666	352,185
Net liability arising from the defined benefit obligation	**(75,713)**	**(69,227)**

Reconciliation of the Movements in the Fair Value of the Scheme

	Local Government Pension Scheme 2019 £000	2018 £000
Opening value of the scheme assets	352,185	356,201
Effect of settlements	(3,313)	-
Interest Income	8,940	8,735
Remeasurement loss:		
The return on plan assets, excluding the amount included in the net interest expense	23,698	956
Contributions from employer	5,793	5,674
Contributions from employees into the scheme	2,311	2,248
Contributions in respect of unfunded benefits	505	505
Benefits paid	(20,453)	(22,134)
Closing value of scheme assets	**369,666**	**352,185**

Reconciliation of Present Value of the Scheme Liabilities

	Funded liabilities: Local Government Pension Scheme 2019 £000	2018 £000
Opening balance at 1 April	421,412	425,300
Effect of settlements	(6,055)	-
Current service cost*	11,370	11,528
Interest cost	10,830	10,530
Contributions from scheme participants	2,311	2,248
Remeasurement gains / (losses)		
Actuarial gains/losses arising from changes in financial assumptions	19,746	(6,220)
Other experience	147	44
Past service cost	6,071	116
Benefits paid	(20,453)	(22,134)
Closing balance at 31 March**	**445,379**	**421,412**

*The current service cost includes an allowance for administration expenses of 0.3% (2018: 0.3%) of payroll.

** The closing liability includes £4.9 million of unfunded liabilities (2018: £5.1 million).

Local Government Pension Scheme assets comprised:

	Local Government Pension Scheme			
	Quoted prices in active markets 2019 £000	Quoted prices not in active markets 2019 £000	Quoted prices in active markets 2018 £000	Quoted prices not in active markets 2018 £000
Cash and cash equivalents	(69)	-	6,589	-
Equity instruments				
Consumer	6,912	-	11,460	-
Manufacturing	7,232	-	13,748	-
Energy and utilities	7,033	-	10,886	-
Financial institutions	9,904	-	16,541	-
Health and care	3,696	-	5,133	-
Information technology	2,234	-	3,219	-
Other	1,371		1,964	-
Sub-total equity	38,382	-	62,951	-
Bonds:				
By sector				
Corporate	222,402	-	7,444	-
Government	824	-	125,656	-
Other	3,174	-	5,589	-
Sub-total bonds	226,400	-	138,689	-
Property:				
UK property	-	5,861	-	6,876
Private equity	-	5,944	-	6,721
Investment funds and unit trusts				
Equities	28,291	-	54,344	-
Bonds	15,567	-	26,040	-
Infrastructure	-	6,000	-	5,200
Other	32,432	10,795	33,481	11,294
Sub-total other investment funds	76,290	28,600	113,865	16,494
Derivatives:				
Other	63	-	-	-
Total assets	**341,066**	**28,600**	**322,094**	**30,091**

Basis for Estimating Assets and Liabilities

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

The Local Government Pension Scheme liability has been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Greater Manchester Pension Fund being based on the latest full valuation of the scheme as at 1 April 2016. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2019	**2018**
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	21.5 years	21.5 years
Women	24.1 years	24.1 years
Longevity at 65 for future pensioners		
Men	23.7 years	23.7 years
Women	26.2 years	26.2 years
Rate of inflation		
Rate of increase in salaries	3.25%	3.15%
Rate of increase in pensions	2.5%	2.4%
Rate for discounting scheme liabilities	2.4%	2.6%

The return on the Employers' portion of the main fund assets for the year to 31 March 2019 is 7.4% (2018: 3%).

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

	Impact on the Defined Benefit Obligation in the scheme			
	2018/19		2017/18	
	Approximate % increase to Employer	Approximate monetary amount £000	Approximate % increase to Employer	Approximate monetary amount £000
Rate of increase in salaries (increase or decrease by 0.5%)	2%	10,000	2%	9,738
Rate of increase in pensions (increase or decrease by 0.5%)	2%	8,724	4%	16,076
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	8%	37,482	8%	35,646

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, it is estimated that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5% (2018: 3-5%). In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply to younger or older ages).

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. TfGM has agreed a strategy with the scheme's actuary to achieve a funding level of 100%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019.

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

TfGM anticipates paying £5,793,000 (2018/19: £5,673,000) in expected contributions to the scheme in 2019/20.

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

Weighted Average Duration

	Short 31 March 2019 % p.a.	Medium 31 March 2019 % p.a.	Long 31 March 2019 % p.a.
Pension increase rate	2.5%	2.5%	2.4%
Retail Price Inflation (RPI)	3.5%	3.5%	3.4%
Discount rate	2.4%	2.4%	2.5%

	Short 31 March 2018 % p.a.	Medium 31 March 2018 % p.a.	Long 31 March 2018 % p.a.
Pension increase rate	2.4%	2.4%	2.3%
Retail Price Inflation (RPI)	3.4%	3.4%	3.3%
Discount rate	2.6%	2.7%	2.7%

18 Reserves

Usable Reserves

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

Unusable Reserves

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

Corporate Capital Reserve

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

Revaluation Reserve

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

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

Pension Reserve

This relates to the net pension liability at 31 March 2019 in accordance with the actuary's report. Further details are shown in Note 17.

Deregulation Reserve

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

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

Capital Adjustment Account

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

Analysis of Movement in reserves:

2017/18	**Usable Reserves**				**Unusable Reserves**						**Total Reserves**
	Revenue Reserves £000	**Unapplied Revenue Grants and Contributions Account £000**	**Unapplied Capital Grants and Contributions Account £000**	**Total Usable Reserves £000**	**Corporate Capital £000**	**Revaluation Reserve £000**	**Pension Reserve £000**	**De-regulation Reserve £000**	**Capital Adjustment Account £000**	**Total Unusable Reserves £000**	**£000**
At 31 March 2017	**36,857**	**314**	**443**	**37,614**	**2,461**	**4,098**	**(69,099)**	**(46,836)**	**1,882,822**	**1,773,446**	**1,811,060**
Surplus on provision of services	32,648	-	-	32,648	-	-	-	-	-	-	32,648
Other comprehensive income and expenditure	-	-	-	-	-	-	7,132	-	-	7,132	7,132
Comprehensive income and expenditure	32,648	-	-	32,648	-	-	7,132	-	-	7,132	39,780
Adjustments between accounting basis and funding basis under regulations											
Capital grants released (amortisation)	68,424	-	-	68,424	-	-	-	-	(68,424)	(68,424)	-
Capital grants released (disposals)	55	-	-	55	-	-	-	-	(55)	(55)	-
Capital grants applied	(106,301)	-	322	(105,979)	-	-	-	-	105,979	105,979	-
Pension contributions by employer	(6,179)	-	-	(6,179)	-	-	6,179	-	-	6,179	-
Pension cost of service	11,644	-	-	11,644	-	-	(11,644)	-	-	(11,644)	-
Pension finance costs	1,795	-	-	1,795	-	-	(1,795)	-	-	(1,795)	-
	(30,562)	-	322	(30,240)	-	-	(7,260)	-	37,500	30,240	-
Net increase / (decrease) before transfers to earmarked reserves	2,086	-	322	2,408	-	-	(128)	-	37,500	37,372	39,780
Transfer from Revaluation Reserve	562	-	-	562	-	(562)	-	-	-	(562)	-
Transfer to Deregulation Reserve	(1,392)	-	-	(1,392)	-	-	-	1,392	-	1,392	-
Increase / (decrease) in 2017/18	1,256	-	322	1,578	-	(562)	(128)	1,392	37,500	38,202	39,780
At 31 March 2018	**38,113**	**314**	**765**	**39,192**	**2,461**	**3,536**	**(69,227)**	**(45,444)**	**1,920,322**	**1,811,648**	**1,850,840**

2018/19	Usable Reserves				Unusable Reserves						Total Reserves
	Revenue Reserves £000	Unapplied Revenue Grants and Contributions Account £000	Unapplied Capital Grants and Contributions Account £000	Total Usable Reserves £000	Corporate Capital £000	Revaluation Reserve £000	Pension Reserve £000	Deregulation Reserve £000	Capital Adjustment Account £000	Total Unusable Reserves £000	£000
At 31 March 2018	**38,113**	**314**	**765**	**39,192**	**2,461**	**3,536**	**(69,227)**	**(45,444)**	**1,920,322**	**1,811,648**	**1,850,840**
Surplus on provision of services	51,758	-	-	51,758	-	-	-	-	-	-	51,758
Other comprehensive income and expenditure	-	-	-	-	-	-	3,805	-	-	3,805	3,805
Comprehensive income and expenditure	51,758	-	-	51,758	-	-	3,805	-	-	3,805	55,563
Adjustments between accounting basis and funding basis under regulations											
Capital grants released (amortisation)	69,465	-	-	69,465	-	-	-	-	(69,465)	(69,465)	-
Capital grants released (disposals)	345	-	-	345	-	-	-	-	(345)	(345)	-
Capital grants applied	(130,349)	-	(196)	(130,545)	-	-	-	-	130,545	130,545	-
Revenue grants unapplied	-	-	-	-	-	-	-	-	-	-	-
Revenue grants (previously unapplied) released	-	-	-	-	-	-	-	-	-	-	-
Pension contributions by employer	(6,298)	-	-	(6,298)	-	-	6,298	-	-	6,298	-
Pension cost of service	14,699	-	-	14,699	-	-	(14,699)	-	-	(14,699)	-
Pension finance costs	1,890	-	-	1,890	-	-	(1,890)	-	-	(1,890)	-
	(50,248)	-	(196)	(50,444)	-	-	(10,291)	-	60,735	50,444	-
Net increase / (decrease) before transfers to earmarked reserves	1,510	-	(196)	1,314	-	-	(6,486)	-	60,735	54,249	55,563
Transfer from Revaluation Reserve	82	-	-	82	-	(82)	-	-	-	(82)	-
Transfer to Deregulation Reserve	(1,393)	-	-	(1,393)	-	-	-	1,393	-	1,393	-
Increase / (decrease) in 2018/19	199	-	(196)	3	-	(82)	(6,486)	1,393	60,735	55,560	55,563
At 31 March 2019	**38,312**	**314**	**569**	**39,195**	**2,461**	**3,454**	**(75,713)**	**(44,051)**	**1,981,057**	**1,867,208**	**1,906,403**

19 Agency Services

Transport for the North

Transport for the North (TfN) was formed as part of the strategic response to the changing transport and infrastructure needs of the whole of the North of England. It incorporates 11 Local Enterprise Partnerships and all Combined Authorities across the North, including the following city regions of Leeds, Liverpool, Manchester, Newcastle and Sheffield connecting these cities and the wider regional towns and cities across the North of England, to drive better connectivity, economic growth and better opportunity for all. The summer 2015 Budget committed the Government to establishing TfN as a statutory body, with statutory powers and duties. TfN was established as a statutory body on the 1 April 2018 and up until this date TfGM incurred the income and expenditure on behalf of TfN.

It has been determined that, for the period that TfGM was incurring costs and receiving expenditure on behalf of TfN, it was acting as an agent for all incremental costs incurred as the risks and rewards are mitigated through a funding agreement to recover the costs from third parties, for example employees appointed for TfN specific roles. For non-incremental costs, these are not deemed to be agency costs and have been included in the comprehensive income and expenditure statement. For example corporate service functions such as HR, finance and payroll where TfGM staff were providing some services to TfN. The table below shows the income and expenditure included within the comprehensive income and expenditure statement:

	2018/19	2017/18
	£000	£000
Non-incremental expenditure incurred in providing corporate services to TfN	33	756
Grant funding received	(33)	(756)
Net surplus / (deficit) arising on the agency arrangement	-	-

Bus Services Operator Grant

The Bus Services Operator Grant (BSOG) is a grant paid to operators of eligible bus services and community transport organisations to help them recover some fuel costs. The amount each bus operator receives is based on their annual fuel consumption. In 2017/18 the funding was devolved to TfGM via GMCA to reimburse Greater Manchester bus operators in line with the national scheme.

20 Related party disclosures

a) Group companies

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

Name of Company	Equity Interest	Nature of business
Transport for Greater Manchester Limited	100%	Non-trading dormant company

An application to strike off Greater Manchester Public Transport Information Limited was approved in 2017/18.

TfGM and Manchester City Council are partners in Piccadilly Triangle Developments LLP (PTD LLP). TfGM has a 50% share of PTD LLP. This partnership is for the development of an area of land in Manchester, which commenced in May 2005. PTD LLP made a profit during the year of £750,000 (*2018: £550,000*).

TfGM, Manchester City Council and London and Continental Railways Limited have formed the Mayfield Partnership Limited Partnership. The partnership is seeking to regenerate the former Mayfield Depot site situated opposite Piccadilly Station. Each party has pooled their existing land interests with a view to bringing forward significant development, employment and business opportunities. Each party has contributed their existing land interests as set out in a Land Pooling Agreement dated 22 January 2015 which also sets out the equity participation, this is currently 10% for TfGM. This Partnership has then entered into a Limited Partnership, the Mayfield Development Partnership LP with the private sector development partner U And I Group Plc. TfGM's interest is represented by a £2.0 million investment which relates to TfGM's land contribution.

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

b) Greater Manchester Combined Authority

Greater Manchester Combined Authority (GMCA) is the ultimate controlling party, by virtue of its ability to direct the financial and operating policies of TfGM. Additionally the Treasurer of GMCA was a Non Executive Director of TfGM during 2017/18 and 2018/19. From April 2018 the Chief Executive of GMCA has replaced the Treasurer of GMCA as a Non Executive Director of TfGM and from 25 November the Chief Executive of GMCA assumed the same position for TfGM, initially on an interim basis. A summary of the transactions with GMCA has been provided below.

c) General

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

	Transactions during year		Balances at 31 March	
	Income from	Expenditure with	Receivable from	Payable to
	£000	£000	£000	£000
GMCA – grant / sales related 2019 (notes 12 and 14)	277,996	347	52,719	1,925
GMCA – grant / sales related 2018 (notes 12 and 14)	257,882	245	36,251	2,904
GMCA - short term deposits 2019	-	-	5,792	-
GMCA - short term deposits 2018	-	-	16,138	-
Piccadilly Triangle Developments 2019	379	-	379	-
Piccadilly Triangle Developments 2018	303	-	303	-

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

21 Commitments

	2019 £000	2018 £000
Capital commitments at balance sheet date	151,586	152,714

The key commitments for 2018/19 are in relation to the following projects:

- Metrolink Trafford Extension £82.9 million (2017/18 £139.6 million) - the majority of this commitment relates to the main contractor works. Construction of the Metrolink Trafford Extension is ongoing with opening expected in the first half of 2020.
- Metrolink Capacity Improvement Programme (MCIP) £49.6 million (2017/18 nil) - this project is for the purchase of 27 additional trams and associated infrastructure.
- Ashton Interchange £8.6 million (2017/18 £0.2 million) – this project is for construction of the new Interchange and the commitment is with the main contractor.

Lease commitments

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

	2019 £000	2018 £000
Land and buildings		
Payments due within 1 year	875	483
Payments due between 2 and 5 years	3,163	1,759
Total payments due thereafter	14,086	6,877
	18,124	**9,119**

22 Contingent assets and liabilities

There are no contingent assets or liabilities which require disclosure.

23 Post balance sheet events

As at 23 July 2019, there are no Post Balance Sheet Events which require disclosure.