Transport for Greater Manchester

Statement of accounts for the year ended 31 March 2018

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Greater manchester combined authority

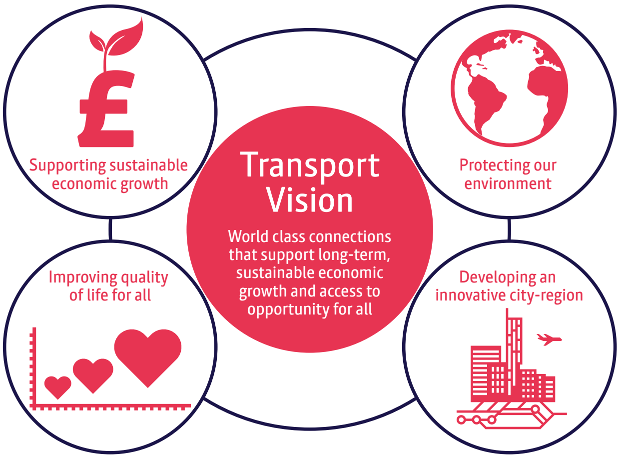
The Greater Manchester Combined Authority (GMCA) is responsible for a range of transport, economic development and regeneration functions across Greater Manchester.

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 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.

In relation to transport the Mayor/GMCA is responsible for the transport budget Greater Manchester receives from government, as well as the future of the city-region's bus services.

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 of the Combined Authority and the Transport for Greater Manchester Committee, including the functions set out below. It is not a statutory highway authority.

We deliver the transport policies set by the Greater Manchester Mayor and the Greater Manchester Combined 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 undertake a feasibility study and to develop a plan to meet the air quality challenge and reduce to NO2 to legal levels.

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 reviews, challenges and 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 are now a Mayoral function and will need to be funded by a Mayoral Precept. This includes, in particular, 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 is experiencing a period of tremendous growth, with opportunities for businesses and residents to flourish and prosper. The population is rapidly rising and is expected to reach three million people by 2040, meaning more than 200,000 new homes will need to be built. Major employment growth is also expected, with a further 2.4 million square metres of office space to support an estimated 200,000 new jobs by 2035.

Targeted and continued investment in the transport network is therefore essential if the city-region is to grow in a sustainable way. By seeking to ease congestion and improve our air quality, TfGM aims to improve the residents' quality of life and protect the environment. TfGM is also committed to working with its partners to offer a safe and secure travel network.

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:

- Our travelling customers, including residents, businesses and visitors to Greater Manchester;
- Our 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.

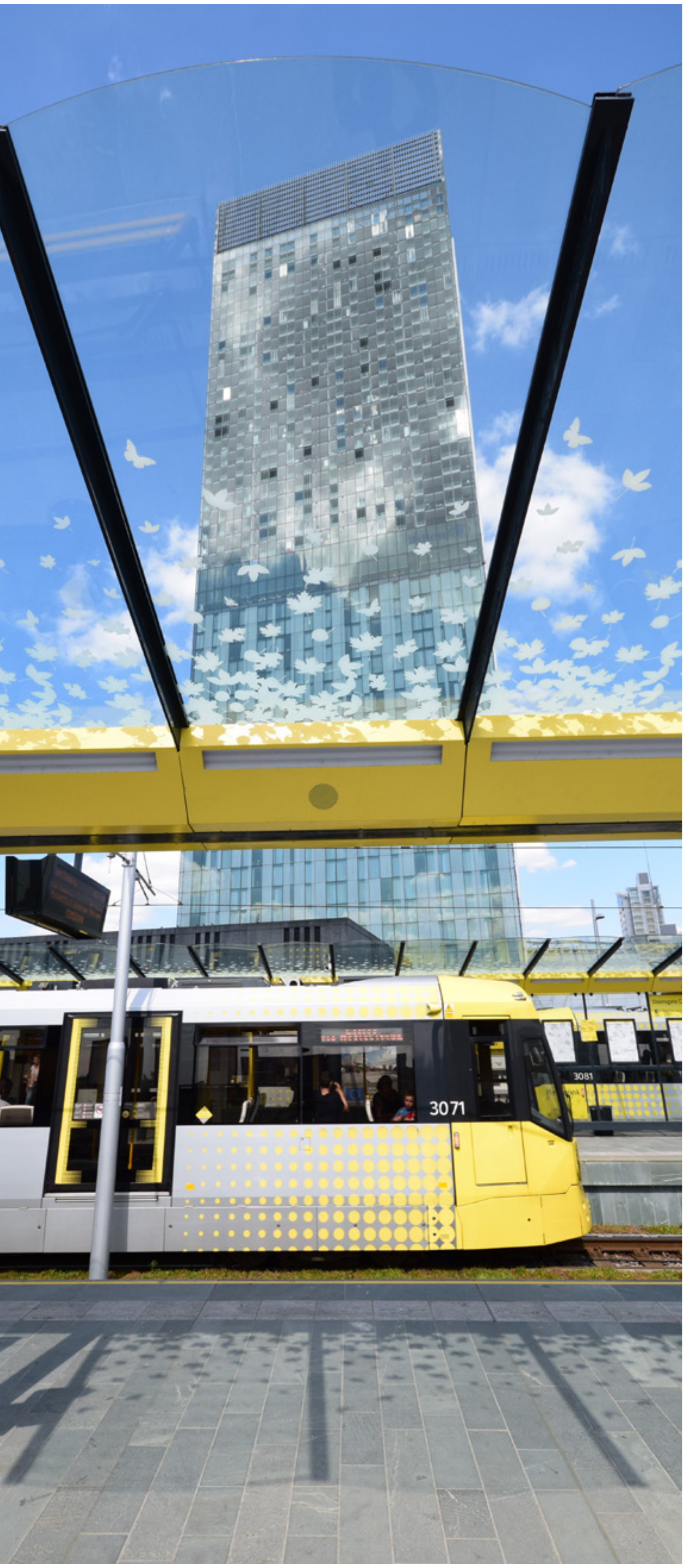
The 2040 Strategy is supported by the following strategies and delivery plans:

- **The 2040 strategy delivery plan**
  This rolling five-year plan sets out our priorities over the period. It is currently being review and refreshed and will be re-published later in 2018.
- **Greater manchester spatial framework**
  The framework to ensure that the right land is available in the right places across Greater Manchester to deliver the homes and jobs, and the connected transport links and infrastructure, Greater Manchester needs up to 2035. It is due be published in 2018.
- **2040 modal and geographic sub-strategies**
  Developed in partnership with the local authorities these integrated and collaborative strategies will focus on interventions in specific areas.
- **Congestion deal**
  Launched in spring 2018 this will tackle the issue of increased road traffic across the city-region.
- **Clean air plan**
  TfGM is currently developing a strategy to ensure the legal requirements for clean air are met across the city-region. This will extend the actions that are already ongoing through our Low Emissions Strategy and Air Quality Action Plan.
- **Made to move**
  Greater Manchester's Cycling and Walking Commissioner's report that details the steps needed to encourage more people to walk and cycle.
- **HS2 and northern powerhouse rail growth strategies**
  Covering Piccadilly, the Airport, Stockport and Wigan these strategies ensure Greater Manchester can maximise the economic opportunities of the upcoming rail infrastructure projects and connectivity across the North.
- **Transport for the north's strategic transport plan**
  The North's vision for an integrated regional transport network to drive growth across the Northern Powerhouse.

To support the financing of the above priorities TfGM is working to develop an investment strategy to support the delivery of the ambitions laid out in the Greater Manchester Transport Strategy 2040.

By having this strategic framework in place TfGM can clearly identify its priorities and work towards achieving them effectively. It also enables TfGM to develop funding mechanisms which are better linked to the benefits of improved connectivity and the creation of a local skills base that encourages more Greater Manchester residents to benefit from employment in the transport sector.

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, were as follows:

Dr J Lamonte
Chief Executive Officer

RM Morris
Chief Operating Officer

SG Warrener
Finance & Corporate Services Director

R Paver
Non Executive Director

E Pysden
Non Executive Director

L Mosco
Non Executive Director

The Annual Governance Statement included on pages 38 to 54 provides 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 2017/18 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 2017/18. 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. the environment. TfGM is also committed to working with its partners to offer a safe and secure travel network.

Business model

The 2017-20 Business Plan (BP), published in April 2017 set out TfGM's seven Strategic Objectives and the corresponding supporting commitments for the next three years; the Business Plan is updated annually, and the 2018-21 Business Plan has now also been published which looks forward for the following three years. The Business Plan is included on TfGM's website:

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

The following section provides an overview of some of the key achievements and progress made in 2017/18 and sets out future milestones planned in order to achieve the three year rolling business plan.

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.

Our focus on customers

More than six million journeys are made in Greater Manchester every day, on foot, by bike and on roads, buses, trains and trams. Greater Manchester is also a popular destination for international travellers and regularly hosts major cultural and sporting events. TfGM is working to make every stage of travellers' journeys as easy as possible by placing them at the heart of everything it does by analysing travel data, working with our partners and listening to our customers. In doing so we are constantly working to make everyone's journeys as seamless, safe, accessible and reliable as we can.

Fares and ticketing, including smart ticketing

At TfGM we work to ensure public transport is accessible to as many communities as possible. We subsidise some bus journeys, so people can access vital services or work. We also provide funding for young and old, and disabled people to travel at reduced fares or for free.

Last year we launched the get me there smartcard, this complemented the app launched in 2016. Usable on trams and many of the city-region's buses, they make travelling faster and more flexible as customers can avoid queues at ticket machines and don't have to worry about having the correct change. Using get me there, 16 to 18-year-olds can now also benefit from half-price travel on buses and on Metrolink.

In 2017/18 TfGM launched the Women's Concessionary Travel Pass which entitles thousands of women affected by the change in the state pension age to free off-peak travel on bus, train and tram.

In addition, TfGM is in the process of developing a smart ticketing system to offer contactless payment on Metrolink; this is now in delivery mode and planned to go fully live in 2019.

Communications

We know that planned and unplanned disruption causes frustration to passengers and when it happens they need clear and reliable information on how to complete their journeys. We are working to ensure our communications across all modes of transport across Greater Manchester are timely, relevant, consistent and up-to-date.

Clear and accurate information is critical for travellers so that they can make informed and sustainable travel choices. We are constantly developing our suite of digital tools for our customers so that they have the right information at the right time.

We've recently launched a new TfGM website **www.tfgm.com** which is the first point of contact for many of our customers. It provides a responsive and central online source of real-time travel and transport information. The website's new journey planner, My TfGM, is also available as an app, offering real-time and scheduled bus, train and Metrolink information. This is being continually enhanced and will offer more real-time information on services as it becomes available from operators.

Accessibility, safety & security

TfGM and its partners are are working to ensure the transport network is accessible to everyone. Through the pioneering Disability Design Reference Group TfGM receives and considers feedback at every stage of new projects, as well as measuring the customer experience, to ensure barriers are removed and different needs are factored into the design of infrastructure and services.

Safety and security is also a key customer priority and one that TfGM takes very seriously. Through the TravelSafe Partnership TfGM is continuing to tackle incidents of crime and antisocial behaviour, encouraging incident reporting, and improving perceptions of personal safety on public transport. In 2017/18 the Mayor announced additional frontline support in the form of 50 Police Community Support Officers and 23 TravelSafe Officers to be deployed on the bus and tram networks. Alongside this initiative there is an ongoing TravelSafe Awareness Campaign, comprising a mix of marketing collateral, high profile policing deployments and supporting communications activity.

Future milestones

On Metrolink we acknowledge that we need to continue to improve how we communicate with customers during disruption. We are listening and learning. From April 2018, TfGM is publishing a monthly report on Metrolink service levels to ensure transparency. We will also be working with the operator Keolis-Amey (KAM) to ensure we are getting the right information, to the right people at the right time. As a part of this KAM has introduced regular Meet the Manager and Tweet the Manager Sessions, where the public can share their thoughts and raise issues with the service.

In 2019 we will also look to simplify Metrolink's fare structure and introduce zonal charging.

> We are working to make every stage of the journey experience as easy as possible and placing the travelling customer at the heart of everything we do.

Our commitment to health and sustainability

Currently 83% of trips within Greater Manchester are 8km or less and just over half of these are made by car. Cycling and walking provide huge potential to reduce these short car journeys: improving public health, reducing congestion and making our towns and neighbourhoods more attractive places to live in, work and visit. There is a strong emphasis in the 2040 Transport Strategy on enabling people to travel more easily and safely on foot and by bicycle.

TfGM supports the introduction of cycling and walking infrastructure, alongside an engagement programme, aimed at getting more people active. To do this, we work in partnership with the local authorities and other key delivery organisations, ensuring that cycling and walking are considered and embedded in the wider health, air quality and congestion agendas.

In the past year, we have supported our partners, to deliver the second phase of the Cycle City Ambition Grant (CCAG2) programme, funded by DfT. This will create more than 45km of new or improved cycle routes, adding to the 65km of cycle routes built as part of the first phase of the grant (CCAG1). The programme also introduces five new 'cycle-friendly' district centres, which include cycle routes, 'quiet street' schemes, 20mph zones and cycle parking facilities. In order to improve the integration with other modes of transport, CCAG2 will also provide cycle storage facilities, and associated cycle infrastructure, on our highways and at five rail and Metrolink stops.

Our Business Travel Advice Service supports organisations so that they can promote cycling, walking, public transport, flexible working and car sharing to employees. We currently have 620 sites in our Business Travel Network and we have developed 320 action plans and distributed over £500,000 in travel grants. Our Access to Employment scheme helps jobseekers and apprentices travel to work, offering discounted public transport tickets for interviews and in the first four months of employment.

We have also continued to provide a comprehensive engagement and support programme, partly funded through the DfT, which includes cycle training and maintenance courses. We have run successful Walking Festivals and Walking Weeks, with the number of groups joining in the latter increasing year-on-year over the past three years. In 2017, over 4,700 participants took part.

In November 2017, the millionth cycle journey was recorded on Wilmslow Road Cycleway since the cycle counters were installed in October 2016. The new university year has seen a surge in numbers using the cycleway. Figures in October 2017 were 87% higher than October 2016, indicating that the take up of cycling among new students has been significantly improved by the cycleway. Over 5,000 bike trips per day were regularly recorded on the 'totem' cycle counters during the autumn of 2017 following the start of the new university year.

Other achievements in the year include:

- Organisation of the Greater Manchester Walking Festival in May 2017 attended by 4,764 people and a Walking Week in October 2017 attended by 1,228 people;
- Over 3,445 people attended the TfGM cycling training programme;
- TfGM successfully facilitated the launch of Mobike in Manchester and Salford;
- Since April 2017, 21 businesses have enrolled onto the Bikes for Business Scheme which encourages staff to cycle to work and on business trips; and
- Launched the TfGM Cycling Facebook page.

The cycle infrastructure created through CCAG 1 & 2 have been recognised with Wilmslow Road Cycleway used as a best practice case study in the DfT's newly published Cycling and Walking Investment Strategy. Salford's Traffic Free Cycle Routes (part funded by TfGM) won the 'Excellence in Cycling and Walking' category at the National Transport Awards.

We are working closely with the Greater Manchester Cycling and Walking Commissioner, Chris Boardman. We will help to develop and deliver the 15 steps contained within his Made to Move report that we published in December 2017, in order to achieve a cultural change in how we travel. These include:

- Seeking to establish funding mechanisms for future investment in infrastructure improvements;
- Ensuring walking and cycling are integrated into the development stage of all upcoming public realm and infrastructure investment;
- Partnering with schools and local authorities to ensure cycling and walking are the first choice for the school run; and
- Work with local businesses to achieve a cultural shift on commuting.

Our ambition is to 'double and double again' the proportion of trips made by bicycle, with the aspiration that by 2025 10% of all trips will be made by bicycle. Ultimately, it is our aim to establish cycling and walking as recognised and attractive components of our future integrated transport offer.

Future milestones

A Streets For All strategy is being developed that sets out a new approach to our highways, with a focus on improving our streets for people and places, rather than focusing on vehicles. GMCA agreed, in March 2018, to allocate £10m in 2018/19 and £50m per year for the next three years to a Mayor's Challenge Fund to support the Made to Move agenda. This funding will come from the Transforming Cities Fund, announced in the 2017 Autumn Budget.

Air quality

Greenhouse gases cause significant, long-term damage to the environment. Transport is a significant contributor to this and reducing air pollution will be one of the biggest challenges faced by our city-region over the next decade.

Over recent years, Greater Manchester has improved its air quality thanks to concerted action at all levels. However, more investment and radical action is needed to protect our environment and the health of our residents, workforce and visitors. Poor air quality near schools, for example, can have a damaging impact on children for the rest of their lives.

The Greater Manchester Low-Emission Strategy and the Air Quality Action Plan were published by the GMCA in December 2016. They provide a framework for a long-term integrated approach to reduce carbon emissions and improve air quality. As a part of these plans we have identified the measures we believe will have the biggest impact on reducing emissions. Our five priority areas for investment are:

- Stimulating the uptake of Ultra-Low-Emission Vehicles, including investing in a network of charging points.
- Reducing emissions from heavy goods vehicles.
- Reducing emissions from buses.
- Changing travel behaviour in line with the objectives of the Transport Strategy 2040, the Congestion Deal and Made to Move.
- Boosting the information and resources available to businesses and the public.

Following the publication of the UK Air Quality Plan for tacking nitrogen dioxide, TfGM is now leading, on behalf of Greater Manchester's local authorities, with a detailed feasibility study to assess options and bring forward a robust Clean Air Plan to assist Greater Manchester in meeting air quality levels set by the EU. The Plan will set out a package of measures designed not only to achieve EU compliance but to address air pollution as a contributor to ill health and reduce transport-related carbon emissions – protecting both people and the environment.

The first national and Greater Manchester Clean Air Day was held on 15 June 2017. A movement championed and driven by TfGM, Clean Air Day incorporated a range of activities, events and awareness raising campaigns designed to encourage people to take action against air pollution. Clean Air Day 2018 was on 21 June.

Other achievements in the year include:

- TfGM has facilitated over 100,000 Greater Manchester Electric Vehicle charging sessions for car users, with over 4,000 charging sessions taking place monthly.
- Launched a campaign encouraging drivers to turn off their engines when parked, especially on the school run.
- Launch of Oxford Road and Wilmslow Road Cycleway has increased cycle journeys equal to a reduction of 1.9 tonnes of nitrogen dioxide and 873.5 tonnes of carbon dioxide.
- The Casualty Reduction Partnership raised over £6 million to be redeployed into Greater Manchester Road Safety initiatives.
- As of October 2017, there were 384 (15%) low-carbon emission vehicles in Greater Manchester's bus fleet, of which TfGM owns 150 (109 low-carbon emission and 41 exhaust retrofit vehicles).
- Secured £3m funding for clean bus technology retrofit work to 170 buses over two years.

Future milestones

In August 2017 TfGM, on behalf of the GMCA and the ten local authorities, began a clean air feasibility study and the development of a Greater Manchester Clean Air Plan. The Plan will be developed throughout 2018 for delivery in 2019 and beyond. The Plan will also be subject to consultation, which is likely to take place early in 2019.

Integrating our operations

TfGM is committed to making travel easier by delivering, co-ordinating and maintaining an integrated transport network for people and businesses across Greater Manchester. We work alongside our partners, and the bus, tram and train operators who run the services, to plan and integrate the network to best serve our customers.

From the day-to-day planning, running and development of the transport network, to providing the infrastructure for a multi-modal, integrated transport network, we put the customer first. A key component of this is collecting and analysing transport data in order to gain a clear insight into our customers' needs and behaviour so that we provide a responsive and resilient service.

We have significant experience in successfully developing and delivering complex and challenging transport schemes; and, alongside day-to-day operations, we are currently investing in transport improvements, working towards achieving the ambitious plans outlined in the Greater Manchester Transport Strategy 2040.

In 2017/18 the Mayor announced that he would establish a Greater Manchester Strategic Transport Board, supporting his key theme of enhancing governance. Comprising the ten local authorities and key transport providers, including TfGM, it will hold the entire transport network to account by monitoring performance, tracking the progress of improvements and ensuring joined up working.

Alongside this, in order to support the delivery of these integrated operations, we have extended the operating hours of our Control Centre to 24/7 from April 2018. This enables us to have a constant presence, proactively managing the transport network and monitoring, identifying and responding to emerging issues. This includes changing traffic signal timings in congested areas, advising road users via external live signage and media and allowing buses extra green light time so that they can stay on schedule. The 24/7 Control Centre will provide greater resilience for the network, providing a more reliable service that befits a growing, modern 24-hour region.

Bus

Greater Manchester's bus network plays a key role in keeping the city-region moving by helping to reduce car journeys and ease congestion on our roads. Three in every four public transport journeys are made by bus in Greater Manchester. That equates to around 200 million passenger journeys in 2017.

Along with the city-region's bus operators, local authorities and Highways England, we are committed to improving the passenger experience and encouraging even more people to use the bus network.

The majority of Greater Manchester's bus services are run by bus operators on a commercial basis. TfGM supports some essential bus journeys to ensure people can make vital journeys to local services, including work, shopping and healthcare. We also provide funding for young and old and disabled people to travel at reduced fares or for free.

Alongside this we are also responsible for ensuring the provision of safe, secure, clean and attractive passenger waiting facilities, so that all services are accessible to public transport users. This includes the need to produce, display and distribute information in accordance with the Transport Act.

TfGM has also delivered major bus transport projects, such as the £122 million Bus Priority Package. Completed in 2017 it was one of the largest investments in Greater Manchester's bus network for decades, creating or improving over 40km of the network on key routes. A key part of this was the transformation of Manchester city centre's Oxford Road, which now supports cross-city bus services, creating better access to healthcare, education, employment and retail. The scheme has improvements for all road users, including pedestrians and cyclists, with the region's first Dutch-style cycle lanes.

To support TfGM's commitment of providing an integrated transport network, we are currently delivering a major programme of new interchanges to offer state-of-the-art passenger facilities. New interchanges have been opened at Altrincham, Bolton, Rochdale, and Wythenshawe, and we have improved facilities at Farnworth and Radcliffe. We are also preparing to offer improved facilities at Tameside, Stockport and Wigan. All new interchanges will feature modern, attractive amenities and customers will benefit from better passenger information and ticketing facilities.

The Salford-Bolton Network Improvements (SBNI) programme is a further scheme that provides a comprehensive package of enhancements to roads and junctions across the two authorities, including in areas of high deprivation. Designed to improve safety, ease congestion and reduce journey times the first set of works in Pendleton and Walkden were completed in November 2017.

Throughout 2017/18 performance figures show that the network reliability of scheduled bus services (98.4%) has remained above the Code of Conduct minimum standard (97%). Start-point punctuality has remained stable at 89.4%, just under the Code of Conduct minimum standard (90%); and the mid-point punctuality of scheduled services has increased to 80.1% (from 78.6% in 2016/17).

In September 2017 the new Bolton Interchange opened, this is a multi-transport mode facility, with a 'Skylink' bridge to the nearby rail station offering easy transfer between bus and trains.

Supported bus services

TfGM funds Greater Manchester's private bus operators to run socially necessary bus services at times and in areas where the private sector does not consider it commercially viable. This accounts for around 20% of annual bus mileage. TfGM also provides school services, the cost of which is partly covered by fares. The supported bus services budget continues to incur additional costs as result of commercial service de-registrations. These cost increases are currently being managed within existing budgets through the continuing review of services as the contracts expire.

Concessionary travel

TfGM funds the cost of national and local concessionary fares schemes to provide free or reduced cost travel. This includes:

- Free off-peak bus, local rail and Metrolink travel for older people;
- Under 16s: half fare at all times on bus and Metrolink when using an igo pass;
- Over 16s still in full-time education: half fare on bus, rail and Metrolink between home and school/college;
- Free off-peak travel for disabled people on bus, rail and Metrolink and half fare on bus, rail and Metrolink before 9.30am; and
- Free travel for Concession Plus pass holders on bus, rail and Metrolink at all times.

Future milestones

From 2018/19 TfGM is supporting an additional category of concessionary traveller in relation to Women Affected by the 2011 Pensions Act. This will now allow women in Greater Manchester born between October 1953 and November 1954 to participate in the scheme. The total estimated cost of this is £2 million and will be funded by Earnback revenues which is a grant from GMCA.

Integrating our operations

Heavy rail

TfGM has an influential voice in developing the best possible rail services in Greater Manchester. Working alongside industry partners such as train operators, the Department for Transport, Transport for the North, and Network Rail, we help to drive major improvements to the rail network. The Greater Manchester rail network is now used by around 40 million passengers a year. This is an increase of 30% over the past decade. By securing improvements to capacity, connectivity and reliability we will help rail increase its role in making travel easier across the city-region.

Greater Manchester has a comprehensive network of rail services run by operators on the national network, which is owned and managed by Network Rail. As a key Transport for the North partner we work to ensure that both Arriva Rail North Limited (Northern) and TransPennine Express deliver their franchise commitments and meet customer expectations. These include new and longer trains, more travel options throughout the week, improved customer experience and integrated and smart ticketing. Where needed and when performance and service levels are not being met we represent Greater Manchester's expectations in the strongest possible terms through industry and political engagement and via Transport for the North who manage the contract in partnership with DfT through the Rail North Partnership.

We are also working closely with the Department for Transport and Network Rail to identify future improvements that align with Greater Manchester's growth ambitions. In March 2018 we launched, on behalf of our Greater Manchester partners, our HS2 and Northern Powerhouse Rail (NPR) Growth Strategy, 'The stops are just the start'. It sets how these two infrastructure projects can be maximised to provide the most jobs, investment and growth for the city-region.

Our collaborative approach enables rail to be an integrated part of our transport network during major events, periods of network improvement and during disruption. In partnership with Network Rail and train operators we intend to deliver improved customer information and detailed journey planning in 2018/19.

We are supporting a range of rail station improvements by securing more funding to complement work already planned by Network Rail and train operators. Our local knowledge enables us to recommend which facilities and improvements will offer the greatest benefit for local passengers and which rail station development can spur local regeneration and economic growth.

In 2017/18 work on stations has included: a week long community pop up event held at Stalybridge station; the Altrincham Interchange 'One Team' programme has been established; and the One Public Estate bid for Stockport was successful. TfGM also provided over £15,000 of community grants to improve stations across the city-region.

We are actively pursuing opportunities to use rail stations as more than boarding and alighting points, as we believe they have the potential to be important assets at the heart of local communities. We continue to work with communities and industry to make rail stations attractive, safe, appealing and accessible for all.

Working closely with the Greater Manchester Mayor and the GMCA we are developing the strategic Greater Manchester Rail Plan. This will outline our vision for the future of rail across the region, clearly setting out our policies and how they deliver the aspirations in the Greater Manchester Transport Strategy 2040.

Future milestones

TfGM is working to formalise partnership agreements with third parties including Train Operating Companies and Network Rail. Included in the partnership agreements will be a defined work programme for station improvements over the life of the business plan.

Highways

Greater Manchester's road network forms the arteries of the region's economy. In the city-region 90% of all journeys are made by road, with the travelling public making 1.6 billion individual trips on the highways every year. They are a critical asset on which public transport, freight, business, visitors and commuters rely. We are working with our partners to keep Greater Manchester's roads moving and ensure they have the capacity to support continued growth.

TfGM now has strategic oversight of a Key Route Network, making up nearly 650km of Greater Manchester's busiest roads. Although this is just 7% of the total length of the highways network, it carries two-thirds of peak-time traffic. We work with our local authority partners and Highways England to co-ordinate day-to-day operations and deal with incidents and events on Greater Manchester's roads and motorways. Our work is also essential in tackling congestion as we manage signals to improve traffic flow, control pedestrian crossings, conduct long-term planning and modelling and design, install and modify new signal junctions.

We're also working to ensure our roads are as safe as possible through the Joint Road Safety Group who are responsible for identifying and coordinating the implementation of road safety priorities in Greater Manchester. TfGM, Highways England and the highway authorities are also working collaboratively to reduce the number and severity of road casualties using the framework of the Department for Transport's Killed and Serious Injuries reduction forecast for 2020.

In 2017/18 46 additional CCTV cameras became operational across the road network connecting to the TfGM control room giving greater visibility of the wider regional highways. This enhanced capability allows TfGM to respond to incidents quickly and to see how the network is operating in real time.

Other achievements in 2017/18 were:

- The Casualty Reduction Partnership raised over £6 million to be redeployed into GM Road Safety initiatives.
- DriveSafe delivered over 70,380 speed awareness courses;
- Supported our local authority partners on the delivery of their highway improvement schemes, such as works on M62 J19 link road and the M58 link road.
- A Greater Manchester Highways Partnership Board established providing a collaborative approach to TfGM and local highways authorities working together.
- The Urban Traffic Control Team delivered circa 200 signal design and modelling packages to clients including local authorities, developers, Highways England and other parts of TfGM;
- The Highways Forecasting and Analysis Services (HFAS) team delivered circa 50 traffic modelling & analysis tasks to clients (generating £450,000 of income); and
- Greater Manchester Road Activity Permit Scheme processed over 85,000 permits which included 65,346 made by utility companies and 17,477 for GM local authorities.

Integrating our operations

Freight & logistics

The freight and logistics industry is essential to Greater Manchester's economy and touches the lives of all of its residents, businesses, workers and visitors. Supplying both goods for manufacturers and stock for retailers the industry generates 7% of the city-region's economy and provides employment to 60,400 people.

As our economy, population and urban infrastructure grows and the way we live our lives changes the demand on the freight and logistics network is rapidly evolving. We need to ensure that this change happens in a flexible and sustainable way so that our city-region can continue to attract jobs, businesses and investment, both within the sector and in the industries supported by it.

Underpinning the Greater Manchester Transport Strategy 2040, the 2016 Greater Manchester Freight and Logistics Strategy was developed by TfGM in consultation with a broad range of industry stakeholders from the public and private sectors. Its purpose is to consider the current freight and logistics industry, set out our ambitions, and balance the needs of freight and passenger demand on our transport network. It works alongside the Northern Freight Strategy currently under development by Transport for the North.

In 2017/18, the Greater Manchester Logistics Forum was fully established and acts as the main point of communication and consultation between GM public sector organisations and the freight and logistics sector. Forum meetings in 2017 covered air quality priorities, highways management, alternative fuel options and strategies, last mile logistics and many other topics relevant to the sustainable future of our city-region.

In 2017/18, TfGM incorporated the requirements of Construction Logistics and Community Safety Standard (CLOCS) into TfGM's procurement requirements. The aim is to ensure a minimum standard of vehicle types are used in the management and operation in the delivery of construction projects. TfGM will be working with other organisations to encourage them to do the same.

Metrolink

With 93 stops and over 97km of track Metrolink is the largest light rail network in the UK. In 2017/18 Metrolink patronage reached 40.8 million passenger journeys, a 10.3% increase on 2016. The growth was aided by the opening of the Second City Crossing in February 2017, a one mile stretch of track through Manchester city centre that has created greater resilience and flexibility across the network. The opening of the Crossing marked the end of the £1.5 billion Phase 3 expansion programme, which was the largest recent investment in public transport infrastructure in the UK outside of London.

A number of other initiatives in 2017/18 contributed to the increased patronage including the addition of extra double tram units on the Bury and Altrincham lines, the introduction of a six minute service on the Ashton Line; and other timetable changes. All of these changes contributed to improved reliability and resilience.

In July 2017 Keolis-Amey (KAM) was appointed as the operator for Metrolink, with a commitment to continuous improvement of the service, including a focus on reliability and customer service.

KAM's Business Plan, demonstrates how they are implementing a partnership strategy with TfGM. The full implementation of the customer focused performance regime was prepared in partnership in January 2018, with KAM being financially incentivised to achieve the performance targets included within the Agreement.

In January 2018, TfGM also opened additional platforms at Manchester Victoria, which enabled the extension of Manchester Airport services into the heart of Greater Manchester.

Following the start of construction in January 2017, work on the Trafford Park Line expansion has continued throughout 2017/18, with the first section of track laid in January 2018. When completed in 2020 this new line will connect Metrolink passengers with the work, retail and cultural opportunities along the route to Trafford Park and the Trafford Centre.

In addition to investment in expansion and growth, we are also implementing a renewals and enhancements programme to improve the resilience and reliability of the existing network.

In March 2018, GMCA approved the release of £80 million of funding from GM's allocation from the Transforming Cities Fund to procure additional trams to deliver the capacity required to meet the future passenger levels and to help address current peak period congestion.

Ultimately Metrolink must continue to grow capacity and promote further capital investment so that the Metrolink network can be at the heart of Greater Manchester's growing economy and achieve the revenue required to continue as a self-funding operation.

A number of targeted marketing campaigns have taken place in the year to encourage passengers to use the Metrolink service.

Metrolink 25

On 6 April 2017, Metrolink celebrated its 25th Anniversary. This special anniversary provided the opportunity for TfGM to undertake a range of customer and community initiatives throughout 2017 which celebrated the positive impact of Metrolink over the years.

In partnership with The Bridgewater Hall, a large scale creative music project 'Tram Tracks' was launched. It aimed to reflect the diverse communities across Greater Manchester and how those communities' lives have been changed by the tram. Over 1,200 adults and children participated by contributing to the creation of a unique track for each of the 93 stops on the Metrolink network. The project culminated in a gala concert at The Hall on 9 July 2017 attended by over 900 people.

A commemorative book was published in partnership with Capital Transport Publishing detailing the history of the network and written by renowned transport author Mark Ovenden.

A summary of the social media and digital impacts from this initiative are presented in a visual format below:

Social Media Results

This campaign saw the highest number of impressions and accounts reached by any TfGM/Metrolink campaign thus far. Leveraging the power of our partner relationships, the content shared by influencers (i.e. high profile accounts) lead to very high levels of engagement, the largest influencer being Manchester United Football Club with its worldwide reach.

2,132 tweets

23.3 million impressions

15,200,000 accounts reached

1,332 Twitter users engaged

1,346 retweets

Integrating our operations

Our assets

From bus stations and trams to staff offices and information systems, TfGM owns and manages a diverse and complex range of assets that are vital in our mission to keep Greater Manchester moving. As the demands on the transport network increase our infrastructure needs to grow and become more sophisticated. Consequently, these assets need to be maintained, replaced and adapted to help keep travel disruption to a minimum and safeguard the welfare of our customers, staff, contractors and the general public. Underlying this we need to ensure we are offering value to the public funding.

To address this, we are continuing to develop a strategic approach to maintaining and renewing all our assets. This will ensure that we are making the best use of capital investment, and that operating budgets are efficiently applied to extend asset life and sustain long-term performance.

The recently established Asset Management Office sets out and oversees the delivery of TfGM's asset management policy and strategy. It ensures TfGM's operational functions; such as Metrolink, are correctly directing and managing operations and that maintenance and renewals are delivering in line with our policy and strategy.

Our property assets are utilised to assist Greater Manchester and the GMCA in:

- delivering its residential growth agenda across Greater Manchester;
- optimising commercial opportunities arising from capital projects;
- improving passenger facilities across the networks; and
- optimising rental income and driving revenue to reduce the burden on the public purse.

Our GM Family - Integrated Approach to Transport Strategy

Greater Manchester, with its 10 distinct local authorities, has a long tradition of working in partnership. With further powers to be devolved to the new Greater Manchester Mayor and GMCA, TfGM are working to ensure they are prepared for their growing responsibilities.

Our most important stakeholders are:

- Our travelling customers, including residents, businesses and visitors to Greater Manchester;
- Our local authority colleagues and the ten GMCA leaders;
- The Greater Manchester Mayor, who has significant powers and responsibilities over transport; and
- The Greater Manchester Local Enterprise Partnership (LEP), reflecting the voice of local businesses and advising on local economic priorities to drive growth and job creation.

In addition, we work closely with the Greater Manchester Police, the Greater Manchester Health and Social Care Partnership, CityCo and The Growth Company.

The benefits of this partnership working can be seen across the breadth of our work. For example, our involvement in the development of GMCA's Greater Manchester Spatial Framework, which sets out the city-region's plan to provide the needed land for businesses and new homes, is essential in ensuring transport is included in the forecasting. We also worked closely with our partners, including the Police, the Fire and Rescue Service and Manchester City Council in the aftermath of the terrorist attack at Manchester Arena. It is only by working with our partners that we will be able to tackle some of the complex yet critical issues facing our region, including improving air quality and reducing congestion.

We also work on a regional basis with our partners such as Transport in the North to ensure Greater Manchester can maximise the opportunities of projects such as the Northern Powerhouse, HS2 and Northern Powerhouse Rail.

TfGM's innovation programme will ensure that Greater Manchester stays at the forefront of transport innovation, by securing funding for, and delivering, a continuing programme of pilots and complementary research. This includes coordinating the next phase of bike-sharing; expanding the electric vehicle rapid charging network and consolidating and expanding car clubs.

Ultimately our most important stakeholders are the residents of Greater Manchester. It is only by engaging with them that we can shape and implement successful transport policy and strategies. We are constantly consulting and listening to their views on our projects and initiatives. For example during last year's Congestion Conversation which attracted over 7,000 responses and which led to the publication of the GM Congestion Plan in March 2018.

TfGM will further develop HS2 and Northern Powerhouse Rail (NPR) growth strategies, embracing Wigan and Stockport, and further developing plans for Manchester Piccadilly and Manchester Airport. Work will also continue with TfGM's partners at Transport for the North to ensure that their Strategic Transport Plan takes full account of the priorities of Greater Manchester.

In 2017, GMCA/TfGM secured £243 million from DfT's Transforming Cities Fund, which will be invested in cycling infrastructure and additional tram capacity, as part of the recently approved GM Congestion Plan. TfGM will continue to work with government to explore options for the further future funding opportunities, including plans to develop a Greater Manchester Transport Fund 2.

TfGM will publish, in the first quarter of each financial year, an annual report on progress against the Greater Manchester Transport Strategy 2040, and an annual refresh of Greater Manchester's five year transport Delivery Plan.

Integrating our operations

Our people

Our people are at the heart of our organisation. The demands of the new Greater Manchester Strategy mean we must take on new and additional responsibilities and ensure that we have the skills and knowledge to deliver them. We have to do this while ensuring we are delivering value for money for Greater Manchester and fulfilling our obligations as a public sector employer within the GMCA.

Our People Strategy sets out our plan to ensure this while also committing our organisation to increase diversity and inclusion so that we provide opportunities to all of the communities of Greater Manchester, enabling rewarding and meaningful careers at TfGM.

The People Strategy is now entering its third year and significant progress has been made. Solid foundations have been laid in improving change capability, leadership development, increasing employee engagement, workforce planning and improving employee health and wellbeing.

The next phase of the People Strategy focuses on ensuring that TfGM has both the required capabilities and capacity to meet the challenges set by the evolving Mayoral agenda, including bus reform and the increased focus on Streets for All, congestion and improving air quality. Those capabilities and that capacity will be delivered through the organisation's Talent Management Strategy and through changed ways of working.

Our Talent Management Strategy will focus on the development of our current and future workforce to ensure we have the right skills and expertise to meet the organisation's short-, medium- and long-term requirements. Central to the Talent Management Strategy will be the commitment to provide high-quality apprenticeships for residents of Greater Manchester and to encourage under-represented groups to consider a career in transport and related areas.

To develop increased capacity cost effectively there will be a greater focus on leadership development, effective change management and continual improvement and collaboration both within the organisation and across the GMCA.

Alongside and underpinning the development of organisational capability and capacity is the organisation's absolute commitment to further improving the diversity and inclusion of its workforce. The Diversity and Inclusion Strategy commits TfGM to having a workforce that reflects the communities we serve. It further commits TfGM to ensuring all new staff undertake equality and diversity training soon after they start work with the organisation. TfGM is looking to achieve National Centre for Diversity, 'Leaders in Diversity' standard.

TfGM recently published its Gender Pay statistics which showed our median gender pay gap at 1.7% and the mean gender pay gap of 11.3%. Both of these are relatively low however we are committed to improve upon both gaps including by:

- Undertaking an external review of our job evaluation system;
- Actively encouraging women to apply for senior roles as part of our Resourcing Strategy;
- Providing additional support to female colleagues to achieve promotion; and
- Having a Diversity and Inclusion Strategy that commits TfGM to having a workforce that reflects the communities we serve at all levels.

Other achievements in 2017/18 were:

- Launched our new staff Code of Conduct in December 2017.
- Launched a new staff recognition scheme, 'Going the Extra Mile'.
- Employed five apprentices and graduate trainees.
- TfGM staff raised over £13,000 for charity.

Our people are at the heart of our organisation. The demands of the new Greater Manchester Strategy mean we must take on new and additional responsibilities and ensure that we have the skills and knowledge to deliver them.

Our funding and finance

Developing a new funding base for transport in Greater Manchester

Working with the GMCA, TfGM is developing a financial strategy that will allow us to make the required investments in the transport network which support the wider Greater Manchester Strategy, including, economic growth, while also ensuring we are as efficient and effective as possible.

The Transport Strategy 2040 has set out the scale of transformation needed in our transport system to support Greater Manchester's growth over the next 20 years.

This will require a new long-term funding arrangement to provide for a step-change in spending on transport infrastructure, services and network maintenance. TfGM will continue to work with key government departments through 2018/19 to further develop this.

Transforming our commercial focus

TfGM has a requirement to grow our revenue, increase value and make efficiency savings to limit the cost of our services to the public purse. We have to do this while continuing to invest in the transport network.

We develop profitable partnerships and new and enhanced revenue streams through the development and expansion of commercial enterprises and generate income from property and other assets. We also exploit and leverage our intellectual capital and identify new business opportunities and innovative ways to generate profitable income, aligned to the principles of the Greater Manchester Transport Strategy 2040.

In 2018/19, we will continue to ensure we have the skills and expertise to successfully manage our third-party contracts. All parts of our organisation are dependent on third- party suppliers and in our restricted financial environment, obtaining maximum value from these contracts is of ever increasing importance.

Awards

TfGM won a number of awards in 2017/18 which demonstrated achievements across a number of areas. These included:

- Metrolink's new line through the heart of the city centre, the 'Second City Crossing (2CC), won Construction and Engineering Project of the Year at the National Transport Awards, while the Bus Priority Package – which includes the North West's first guided busway and the transformation of Manchester's Oxford Road corridor – won an award for Improvements to Bus Services.
- The Bus Priority Package also won Transport Project of the Year at the North of England Transport Awards and the Second City Crossing won Construction and Engineering Project of the Year.
- The Second City Crossing also won the award for Transport Policy, Planning and Implementation at the Chartered Institute of Logistic and Transport Awards 2017.
- Salford's Traffic Free Cycle Routes (part funded by TfGM) won the Excellence in Cycling and Walking category at the National Transport Awards.
- TfGM were awarded the Investor in Diversity status by the National Centre for Diversity.

Opportunities

Devolution

Devolution transfers certain powers and responsibilities from national government to different regions, including Greater Manchester. Decisions made locally can better meet the needs and aspirations of the people who live and work in the area and the concept of devolving powers is supported by all the local authorities in Greater Manchester.

In November 2014, Greater Manchester leaders and central government (represented by HM Treasury) signed the Greater Manchester Devolution Agreement. This devolution package – including the further deals agreed since then – represents the largest shift of power from Whitehall to a local area in a generation. It increases the resources available to Greater Manchester, both through additional funding and by providing greater influence over national and other programmes, with the aim of driving economic growth and reform to public services.

In terms of transport, devolution involved the transfer of various powers from central government to Greater Manchester – specifically:

- Partnership working with Highways England to enable a clear, strategic approach to the management of highways across the city-region;
- The development of pan-Northern organisations such as Rail North and Transport for the North;
- Transferring powers from a local authority level up to a city-region level – specifically, oversight and management of the Key Route Network (KRN) and increased collaboration on highways service delivery; and
- Regulatory reform – specifically, the introduction of the Bus Services Bill which could change the future of bus services in Greater Manchester.

The future of bus services

The Greater Manchester Transport Strategy 2040 sets out our 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.

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.

On behalf of GMCA – and in line with the Bus Services Act 2017 – TfGM is now preparing an assessment of the options, including partnership proposals or a franchising scheme for the whole of Greater Manchester. As part of this assessment, we are also engaging with bus operators.

Following an independent audit of the assessment 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.

Opportunities

The future of rail stations

Further to the GMCA devolution agreement in November 2014, TfGM submitted a 'Case for Change: GMCA Stations Transfer' proposal to DfT, DCLG and HMT in March 2017. The Case for Change recommended the full transfer of rail station responsibility to the GMCA over a long-term period (c.150 years) and set out the major benefits that could be delivered by a full transfer, including greater levels of investment in station assets; improvements in customer experience and facilities, including as a result of improved public transport integration; and local regeneration and development.

In parallel the Secretary of State for Transport (SoS) requested that GMCA prepare detailed plans for a range of stations to illustrate the type of investments and outcomes that could be achieved if a phased transfer was approved. On behalf of GMCA, TfGM prepared 12 plans to demonstrate the potential improvements that could deliver a step change in the short, medium and long-term.

Network Rail and Arriva Rail North, also, around the same time, submitted a proposal to government which suggested that the benefits delivered by the GMCA full transfer model could be delivered through a partnership or alliancing model. Network Rail has since established a Stations Alliance in the West Midlands and are seeking a similar arrangement with Liverpool.

In December 2017 the SoS wrote to the GM Mayor confirming that he had considered the proposal and although he shared our ambition for better, more accessible stations he had concerns that separating control of stations from the rail industry had potential to create difficulties and delay to enhancements. The SoS also stated that he considered that 'one team' would deliver better outcomes for customer and communities more quickly.

In light of the feedback, TfGM has developed alternative proposals to test working in partnership with operators and other industry stakeholders at a number of GM rail stations, including those stations in Town Centre Challenge Fund locations.

The GMCA Transport Revenue Budget 2018/19 Report granted TfGM approval for a drawdown of £0.5 million from Transport Reserves to progress proposals for the rail station partnership.

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 our 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.

As part of devolution, 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 have agreed a Memorandum of Understanding to collaborate in nine specific areas to seek improvements in resilience, succession planning, technical capability and capacity.

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 formal partnership with TfN, transport authorities such as Nexus 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.

While the single back office solution is being developed, 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.

In addition to contactless, a second phase product development started in 2017/18 to introduce a zonal scheme with single-leg price ticketing to Metrolink, which will allow the contactless scheme to offer a complex capping scheme on Metrolink, with charges capped at the best value fare that would have been available to customers for the journeys that they have made, similar to the daily capping offered to contactless customers by TfL. This will expand the appeal of the scheme to a greater number of customers.

Air quality strategy

Every year it is estimated that air pollution causes 3,500 premature deaths in Greater Manchester. Greenhouse gases also cause significant, long-term damage to the environment. Transport is a significant contributor to this and reducing air pollution will be one of the biggest challenges faced by our city-region over the next decade.

Over recent years, Greater Manchester has improved its air quality thanks to concerted action at all levels. However, more investment and radical action is needed to protect our environment and the health of residents, workforce and visitors. Poor air quality near schools, for example, can have an impact on children for the rest of their lives.

TfGM is now leading, on behalf of Greater Manchester's local authorities, with a detailed feasibility study to assess options and bring forward a robust Clean Air Plan to assist Greater Manchester in meeting air quality levels set by the EU.

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 organisation in line with recommendations of the updated version of the UK Turnbull 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 on the risk strategy and TfGM's current risks can be found 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 £39.780 million (2017: net expenditure of £23.122 million). The net expenditure / income includes capital grants recognised in the year of £106.301 million (2017: £84.981 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 (2017: deficit) shown in the CIES, in accordance with the Code, to the surplus (2017: 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.

2016/2017			2017/2018	
£000	**£000**		**£000**	**£000**
	(23,122)	**Total comprehensive income and expenditure**		39,780
		Add back: IAS19 Pension adjustments		
43,435		Remeasurement of the net defined benefit liability	(7,132)	
5,923		Current service cost and losses on curtailments and settlements	11,528	
54		Past service cost	116	
(5,346)		Employer contributions	(6,179)	
833		Finance costs of pension scheme	1,795	
	44,899			128
	21,777			39,908
		Add: Release of unapplied revenue contributions		
(1,449)		Less: Revaluation reserve adjustment	562	
(84,981)		Less: Capital grants and contributions	(106,301)	
		Add: Amounts released from the Deferred Capital Grants and Contributions Account		
63,694		Amount to match depreciation of grant funded assets	68,424	
6,716		Amount released on disposal of grant funded assets	55	
	70,410			68,479
	5,757			2,647
	(1,100)	Less: Amount transferred to Deregulation Reserve		(1,392)
	4,657	**Revenue surplus for the year**		1,256

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:

	2018	2017
	£000	£000
Revenue grants	139,428	139,861
Passenger transport facilities grants	5,651	13,084
Capital grants	99,125	84,844
Total expenditure	**244,204**	**237,789**

Movement in Reserves Statement (MIRS): This shows the year on year movement on different reserves held by TfGM. These are analysed further in note 17 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 2018, TfGM Usable reserves were £39.192 million (2017: £37.614 million) and the Unusable reserves were £1,811.648 million (2017: £1,773.446 million). The Unusable reserves have increased in 2017/18, primarily due to the movement in capital grants. The Usable reserves increased in 2017/18, primarily as a result of the gains on property disposals in the year.

The main Unusable Reserve is the Deferred Capital Grants and Contributions 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 grants 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 grants 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 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 the 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 2018 were £1,850.840 million (31 March 2017: £1,811.060 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 – £76m has been spent in the year on the extension of the Metrolink line to the Trafford Centre. In the year the first sections of the track were laid.
- Metrolink Programme – £14m of expenditure has been incurred on other Metrolink projects in the year that have included the Metrolink Renewals and Enhancement Programme, Phase 3 programme, Metrolink Second City Crossing and SEMMMS Interface works.
- Bus Priority Programme – £3m has been spent on the year on TfGM bus priority packages which mainly relates to the Leigh to Ellenbrook Guided Busway. Along with works undertaken by the Local Authorities on other programmes such as the Oxford Road Corridor.
- Bolton Town Centre Transport Strategy – the new Bolton Interchange opened on the 3 September 2017 and £4m of expenditure has been incurred in the year. The total forecasted cost of the Interchange (£48m) has been capitalised in the year.
- Other capital schemes and programmes – these include smart ticketing, Cycle City Ambition Grant 2 (CCAG) and Park and Ride schemes.
- 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 £10m in 2017/18 has been incurred on the 6 schemes being delivered by TfGM. These schemes are the new Tameside Interchange, Wigan Bus Station, Stockport Interchange, Salford Central Additional Platforms and the Metrolink Improvement Package. TfGM provide programme support on the Local Authority led schemes which include Highways schemes in Wigan, Rochdale, Salford, Manchester and Bolton.
- Growth Deal Minors schemes - The Minor Works Programme is a combination of schemes being delivered by the Local Authorities and TfGM. The expenditure incurred in the year by TfGM is £3m and has been spent on a number of interventions within Metrolink, Bus, Rail and Cycling.
- Traffic signals – Although GMCA own the traffic signals TfGM complete the capital and maintenance work on the traffic signal assets. Expenditure incurred on the traffic signals is not included on TfGM's balance sheet.

The increase in Intangible Assets in the year relates to development of the journey planning software and further roll-out of smart ticketing.

The new investment relates to a new partnership that TfGM has entered into in the year with Manchester City Council and London and Continental Railways 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 decrease in short term debtors primarily as a result of the timing profile of payments relating to the capital programme.

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 2018 to roll forward the balances from the full valuation adjusting for changes in financial assumptions. The pension liability had a small increase in the year of £0.128 million.

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 increase in cash and cash equivalents during the year was £15.263 million (2017: net decrease of £20.251 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.

Performance

The corporate capital reserve primarily relates to the reserves of the entities from which the 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 2018 were £1,850.840 million (31 March 2017: £1,811.060 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 – £76m has been spent in the year on the extension of the Metrolink line to the Trafford Centre. In the year the first sections of the track were laid.
- Metrolink Programme – £14m of expenditure has been incurred on other Metrolink projects in the year that have included the Metrolink Renewals and Enhancement Programme, Phase 3 programme, Metrolink Second City Crossing and SEMMMS Interface works.
- Bus Priority Programme – £3m has been spent on the year on TfGM bus priority packages which mainly relates to the Leigh to Ellenbrook Guided Busway. Along with works undertaken by the Local Authorities on other programmes such as the Oxford Road Corridor.
- Bolton Town Centre Transport Strategy – the new Bolton Interchange opened on the 3 September 2017 and £4m of expenditure has been incurred in the year. The total forecasted cost of the Interchange (£48m) has been capitalised in the year.
- Other capital schemes and programmes – these include smart ticketing, Cycle City Ambition Grant 2 (CCAG) and Park and Ride schemes.
- 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 £10m in 2017/18 has been incurred on the 6 schemes are being delivered by TfGM. These schemes are the new Tameside Interchange, Wigan Bus Station, Stockport Interchange, Salford Central Additional Platforms and the Metrolink Improvement Package. TfGM provide programme support on the Local Authority led schemes which include Highways schemes in Wigan, Rochdale, Salford, Manchester and Bolton.
- Growth Deal Minors schemes - The Minor Works Programme is a combination of schemes being delivered by the Local Authorities and TfGM. The expenditure incurred in the year by TfGM is £3m and has been spent on a number of interventions within Metrolink, Bus, Rail and Cycling.
- Traffic signals – Although GMCA own the traffic signals TfGM complete the capital and maintenance work on the traffic signal assets. Expenditure incurred on the traffic signals is not included on TfGM's balance sheet.

The increase in Intangible Assets in the year relates to development of the journey planning software and further roll-out of smart ticketing.

The new investment relates to a new partnership that TfGM has entered into in the year with Manchester City Council and London and Continental Railways 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 decrease in short term debtors primarily as a result of the timing profile of payments relating to the capital programme.

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 2018 to roll forward the balances from the full valuation adjusting for changes in financial assumptions. The pension liability had a small increase in the year of £0.128 million.

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The net expenditure in the year is summarised below:

	2017/18	2016/17	(Increase/ Decrease
	£'000	£'000	£'000
Concessionary fare scheme	51,930	55,348	3,418
Supported bus services	26,236	26,821	585
Metrolink	5,005	(613)	(5,618)
Accessible transport	4,656	4,662	6
Highways activities	(1,089)	(824)	265
Road safety activities	932	183	(749)
Operational and other costs	46,993	44,933	(2,060)
	134,663	**130,510**	**(4,153)**

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, no worse off from the existence of the schemes. The reduction in expenditure is primarily due to the profile of the payments on the fixed contract agreements with the major bus operators which represents the vast majority of payments under the schemes.

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 any internal recharges including for example in relation to carrying concessionary travellers. There has been an increase in net expenditure in the year of £5.619 million primarily due to new operations and maintenance contract. Although the costs have increased in the new contract there are additional benefits such as higher performance specifications, improved asset management and IS systems, full 2CC operational costs and increased numbers of Customer Service Representatives.

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 consistent with the prior year.

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 an increase in net income in the year of £0.265 million as a result of more traffic signal design and installation schemes completed in the year.

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 reinvested back into improving road safety in Greater Manchester. There has been a small increase in net expenditure in the year due 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 owed 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 net expenditure in the year of £2.060 million due to additional depreciation and amortisation primarily as a result of capitalisations of the Bolton Interchange. There has also been an increase in employee and other costs primarily due to project related work including delivering the programme of capital investment and on-going work on bus devolution, funding approval for which was granted by the GMCA from transport reserves and Earnback revenues.

Outlook

TfGM's plans for 2018/2019

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 2018/19

Set out below is the income and expenditure budget approved by GMCA for TfGM for 2018/19, with budgeted income and expenditure of £151.7 million, excluding capital investment. This covers the cost of 'revenue' expenses to run the day-to-day operations, such as 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.

Transport Levy – £121.2 million

The majority of the revenue funding comes from a Levy on the ten Greater Manchester local authorities via council tax. For 2018/19, TfGM's allocation of the Levy will be £121.2 million.

There is a reduction of £3.95 million in the Levy for 2018/19 in relation to costs now to be met from the Mayoral General budget.

Rail grant – £1.9 million

The DfT provides TfGM with a special rail grant to contribute to TfGM rail-related costs, including directly supporting local rail services. For 2018/19 this is budgeted to be £1.9 million.

Reserves

Financial reserves will provide £17.4 million of funding in 2018/19, including a contribution from Metrolink net revenues of £9.88 million.

Mayoral general budget – £3.9 million

In 2018/19 certain costs which have previously been funded from the Transport Levy are now funded from the Mayoral general budget. This includes, in particular, the costs and funding associated with developing, updating and delivering the Local Transport Plan. The costs, which are budgeted to be £3.9 million in 2018/19 will be offset by a corresponding reduction in the Transport Levy.

Earnback revenue grant/ Reserves – £13.5 million

In accordance with the Bus Services Act 2017, the GMCA has instructed TfGM to carry out an assessment of a proposed franchising scheme. The costs of these activities in 2018/19 are forecast to be c£11.5 million. These costs will be met from a combination of Earnback Revenue (a grant from GMCA) and the Mayoral Capacity Fund.

In addition in October 2017 GMCA approved the introduction of an extension to the Local Concessionary Scheme to allow women in Greater Manchester born between October 1953 and November 1954 to participate in the scheme. This will be introduced in April 2018 and the cost in 2018/19, which will be funded from Earnback Revenue, is estimated to be up to c£2.0 million, with overall estimated costs of £2.8 million

Other grants – £1.6 million

GMCA and TfGM have been successful in securing capital and revenue funding from a number of sources. A total of £1.06 million of this revenue funding is budgeted to be spent in 2018/19

	2018/19
	£'000
Total levy	3,418
Special rail grant	585
Funding from/(to) reserves	(5,618)
Mayoral General Budget	6
Earnback Revenue Grant/Reserves	265
Other grants	(749)
Total revenue funding	**159.4**

How the money will be spent in 2018/2019

	2018/19
	£million
Concessionary support	67.2
Supported services	27.1
Accessible transport	4.6
Operational costs	51.1
Financing	9.4
Total expenditure	**159.4**

Concessionary fares scheme – £67.2 million

TfGM funds the cost of national and local concessionary fares schemes to provide free or reduced cost travel for some people as described above. The budget includes an allowance for the forecast cost of the introduction of an extension to Local Concessionary Scheme to allow women in Greater Manchester born between October 1953 and November 1954 to participate in the Local Concessionary Scheme. This is planned to be introduced in April 2018 and the cost in 2018/19, which will be funded from Earnback Revenue in 2018/19, is estimated to be up to c. £2 million.

Supported bus services – £27.1 million

TfGM pays Greater Manchester's private bus operators to run socially necessary bus services at times and in areas where they do not consider it commercially viable to run a service. This accounts for around 20% of annual bus mileage. TfGM also provide school services, the cost of which is partly covered by fares.

Accessible transport – £4.6million

This is a grant to Greater Manchester Accessible Transport Ltd. to run the door-to-door accessible Ring and Ride service. TfGM also provide travel vouchers for people who cannot use ordinary transport to pay for taxis, private hire vehicles, or travel on accessible bus services such as Ring and Ride and community transport.

Operating costs – £51.1 million

For 2018/19 the amount of money spent on operations is budgeted to be £51.1 million. 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;
- Support costs.

Included within these costs is the expenditure that TfGM is incurring on Devolution related activities 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; and to support the development of the Greater Manchester Spatial Framework.

Financing costs – £9.4 million

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

Outlook

Budget pressures

During the budget setting process for 2018/19 a number of budget pressures were noted:

- The amount of funding available to continue the active travel and travel choices activities that have been supported by the 'Local Sustainable Transport Fund'; 'Sustainable Travel Transition Year' funding; and, in 2017/18 'Cycling and Walking Fund' monies of £2.5 million per annum is expected to reduce in future years. This DfT funding is currently limited to £0.640 million in 2018/19. This funding supports assistance to support access to work, including for job seekers, travel planning and cycling and walking. Should the level of funding from DfT not be increased beyond that which has currently been made available for 2018/19, further work will be required to assess alternative funding sources, and / or savings will need to be made in other costs to enable these activities;
- Costs of supporting the new and enhanced facilities provided in recent years, including the transport interchange delivered as part of the Bolton Town centre development;
- Costs of extending services in a number of areas including extending the operating hours of the TfGM Control Room to operate 24/7; operating and managing an enlarged asset base; operating and maintaining an increased traffic signal network; and increasing the provision of safety and security for passengers (including e.g. CCTV); and
- Costs of inflation on both staff, and other operating costs.

In total the matters referred to above added additional cost pressures of £5.9 million into the base budget for 2018/19 which, in the absence of additional funding, have had to be met through additional savings and efficiencies in operating costs, including the generation of additional commercial income, and the changes agreed by GMCA as set out below.

Taking into account the issues above GMCA agreed the following changes in the budget set for TfGM:

- Additional efficiency savings of £4.2 million be included in the TfGM budget for 2018/19;
- Increases to TfGM fares; the reduction in funding for the Manchester Metroshuttle service and for Ring and Ride services all to be agreed subject to, where applicable, consultation;
- Commence charging for use of Electric Vehicle charging points. To date the costs of this service, including electricity supplied, which are c. £0.2 million per annum, have been fully funded from TfGM's budget; and
- The remaining previouswly agreed increases for the Greater Manchester Transport Fund would be deferred again and would be reviewed in future years.

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 2018/19 budgeted to be £247.7million.

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.

	2018/19
	£million
Metrolink Trafford Park Line	70.5
Stockport Road Schemes (A6MARR and Town Centre Access Plan)	37.5
Greater Manchester Transport Fund (includes Bus Priority, Metrolink phase 3 Park & Ride, Bolton Interchange)	22.8
Growth Deal TfGM Schemes	19.9
Growth Deal Local Authority Schemes	22.7
Minor Works (includes Growth Deal 1 & 2 minor works)	19.1
Traffic Signals	2.5
Highways Maintenance	27.2
Total	**247.7**


Transport for
Greater Manchester
Stands B to E
Trains
Taxis
Stand A
Information
Newport Street
Way out

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.

Dr J LAMONTE

Director

22 June 2018

SG WARRENER

Director

22 June 2018

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 2018 and, of its income and expenditure for the year ended 31 March 2018.

SG WARRENER

Finance and Corporate Services Director

22 June 2018

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 2017 to the date the accounts were signed.

TfGM follow 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

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 2018/19 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 8 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 called the Transport for Greater Manchester Committee.

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:

- an executive body of the 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);
- to be treated as an officer of the GMCA for the discharge of functions delegated to the GMCA by other local authorities; and
- a passenger transport executive under the Transport Act 1968 charged with securing the provision of such public passenger transport services as the GMCA consider appropriate for meeting any public transport requirements in the area which in the GMCA view would not otherwise be met.

Whilst TfGM does not have a 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.

In discharging this overall responsibility, TfGM is responsible for putting in place proper arrangements for the governance of its affairs, 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.

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, and the Senior Non-Executive Director is an independent Non-Executive, 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.

The Executive Board maintains a rolling plan of governance improvement actions. This Annual Governance Statement includes details of the continued improvements to TfGM's governance.

A review of the effectiveness of the Executive Board was undertaken in 2017. The review resulted in further improvements to TfGM's governance, which are detailed in this statement, where relevant.

TfGM's Assurance Framework has been updated in 2017, following the establishment of a Portfolio Office in the previous year. This was reflected in the annual review of the Risk Management Strategy, which was approved by the Executive Board in May 2018.

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

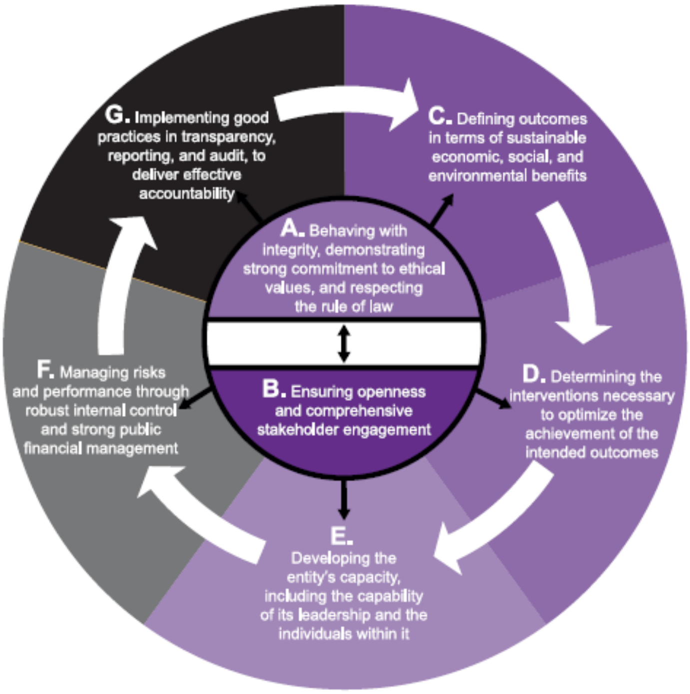
D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

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 GM Mayor, the GMCA and TfGMC, 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, including the Business Plan, and they underpin the performance management and business planning processes. The Values are an integral part of the induction process for all new staff. During 2017/18 TfGM 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 was completed in March 2017. The audit 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 during 2017/18.

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 during 2017/18, and will continue in 2018/19 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.

The Head of Legal Services carries out the statutory functions of the Monitoring Officer 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.

During 2017 TfGM launched, on behalf of the GM Mayor, a "Congestion Conversation", encouraging the public and other stakeholders to submit their views on congestion in Greater Manchester. As part of the Congestion Conversation the public were invited to complete an on-line survey. The survey closed on 3 November with over 6,000 responses. Structured sampling of public opinion was canvassed via on street interviews to ensure a representative sample of the GM population was also surveyed to help inform the development of the emerging Congestion Plan. This mitigated against the self-selection nature of the online public conversation exercise, and so ensured that the insights of public opinion is representative of GM population as a whole.

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. In addition, TfGM has been voluntarily publishing items of expenditure over £500 since 2011.

TfGM publish a substantial amount of information through the public committees of the GMCA and TfGMC. 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 TfGMC 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.

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 tax payers 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.

Transport for the North (TfN) has been created to bring together local transport authorities to develop and deliver a Northern Transport Strategy. TfGM has, and will continue to, play a leading role in the development of TfN as it 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 membership of the TfN Executive Board as well as programme working groups.

TfGM is a Rail North partner. Rail North bring together Local Transport Authorities across the North of England into one cohesive and proactive body for the purposes of managing the two existing rail franchises in the north of England. Through Rail North, TfGM is supporting Arriva Rail North and TransPennine Express in delivering their commitments in the new rail franchises, ensuring they provide the best possible benefits to rail users. TfGM is also working with the DfT to specify more services and better facilities, on trains and stations, in future franchises.

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.

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 transformation of TfGM's Customer Service offering has continued over the last 12 months resulting in customers being able to access an increased number of services across a range of channels.

TfGM has a proactive social media presence and provides customer support seven days a week. The @MCRMetrolink Twitter handle provides customers with access to real time information to support the existing customer information provision across the Metrolink network. TfGM intends to develop this provision further to provide customers with accurate, real-time, multi-modal information across a range of communication channels.

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 providing a service for its customers that is ‘best in class’. TfGM’s Customer Service team holds the Investors in People Gold award, which complements our existing Customer Service Excellence accreditation.

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

In 2015, GMCA agreed to review the Local Transport Plan (LTP3) 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 fourth LTP (LTP4) are:

- **Greater Manchester Transport Strategy 2040** - a document setting out a fuller strategy giving details of policies, interventions and schemes to support delivery of a vision for transport in 2040, but with more detail provided for the period to 2025; and
- **A single 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, to be updated on an annual basis.

These documents are supported by an Integrated Assessment (covering environmental, health and equalities issues) and a travel and transport Evidence Digest that will be 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.

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:

- supporting sustainable economic growth;
- improving quality of life for all;
- protecting our environment; and
- developing an innovative city-region.

Sub-Principle: Sustainable economic, social and environmental benefits

To support sustainable economic growth we need to: tackle congestion; improve access to skills and markets; make road journeys more reliable; ensure that transport networks are well maintained; and create the sort of efficient, seamless public transport system and attractive walking and cycling environments that are found in leading European cities.

To improve the quality of life we need to: improve access to jobs, training, education, healthcare, shopping and recreation; improve health through more active travel; and improve safety and security on the network.

To protect the environment we need to: increase the use of sustainable transport, to reduce emissions; make the best use of existing infrastructure; and protect the natural and built environment.

To develop an innovative city region we need to: embrace the potential of technology to improve performance and wellbeing; reduce costs and resource consumption; and improve the customer experience.

All 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 wider economic 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, the first of which is in place, running from 2016–2021.

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. TfGM is also mindful of the different needs of passengers and freight as it plans and delivers the transport system. TfGM has therefore established seven core principles, set out below, together with the ambition for each, which will be applied across the transport network.

Every year, 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 includes 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 payable 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;

- approve the release of funding from 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 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 2017/18, 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, 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. Job 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 the "Best Companies to Work For" lists.

TfGM is developing 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.

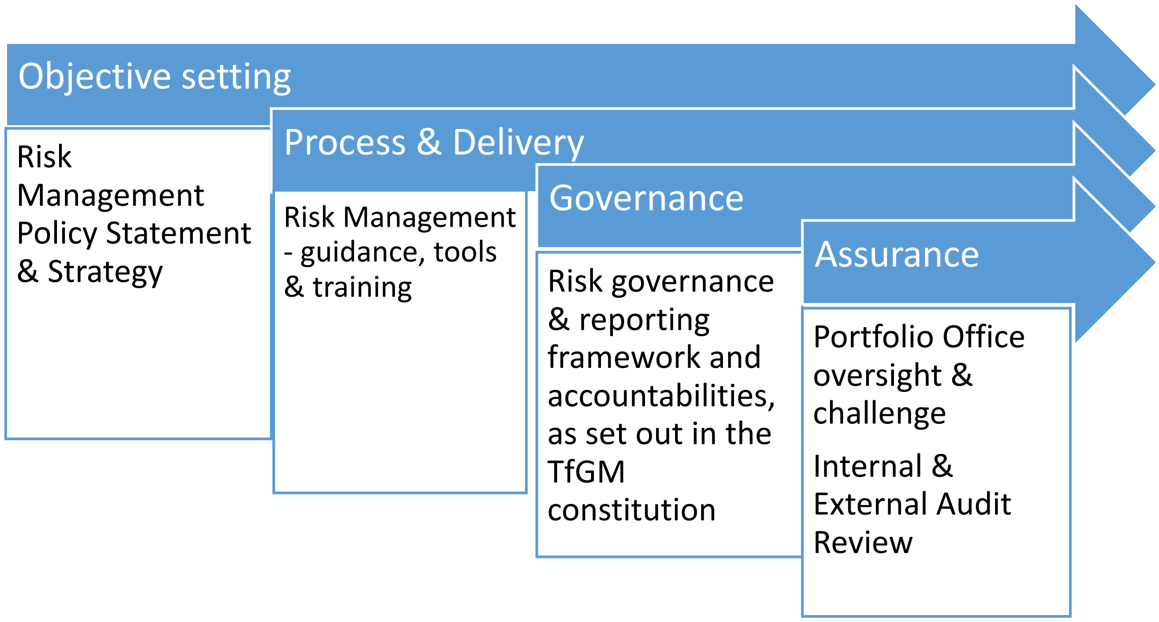
Principle F: Managing risks and performance through robust internal control and strong public financial management

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, 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 (2016), 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 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 framework ensures that risk at all levels of the organisation is appropriately and effectively managed.

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. The plans were utilised during the horrific terrorist attack which took place at Manchester Arena on Monday, 22 May 2017.

Due to the incident all services (train and tram) operating through Victoria Station were suspended with immediate effect. A full Incident Management Team was instigated immediately by TfGM officers, some of whom were deployed to Police Headquarters where the multi-agency command and control structures were established. TfGM led the establishment of a "Transport Cell" to co-ordinate the broader transport response, this comprised partners from Network Rail, Arriva Trains, Northern and British Transport Police (BTP). The objective of the transport cell was to support the broader multi-agency response and work towards the re-establishment of Victoria Station, a key priority for Manchester's recovery. Metrolink services suffered severe disruption and a significant programme of bus replacement arrangements were implemented. Bus services were also rerouted and TfGM staff were deployed to assist in the initial mobilisation of amended services. TfGM continues to work with GMP and Manchester City Council as they facilitate activities to support the families of the victims and other recovery work streams.

Formal Lessons learnt exercises have been undertaken with Greater Manchester partners, and assessments of the response indicate that TfGM's role was undertaken successfully. The Kerslake Report, an independent review into the preparedness for, and emergency response to, the Arena incident, considered TfGM's role and the establishment and operation of the Transport Cell. It identified a number of examples of good practice and concluded with the recommendation that the transport cell provided critical business continuity and recovery support and should be adopted as national good practice.

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 structure 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 implementation of all programmes and projects. The number and terms of reference of such Boards are determined by the Performance Board.

Leading the development of transport strategy for Greater Manchester is one of TfGM's key responsibilities. To ensure successful implementation, the Strategy Board oversees the progress of transport strategy delivery.

Performance updates are reported to the Executive Board monthly. Regular performance updates are also presented to the GMCA and TfGMC.

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 the Data Protection Act 2003. 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) was passed in April 2016 and 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, changes the UK data protection legislation.

TfGM has been working on GDPR preparations since mid-2016, alongside colleagues from other GM authorities, including the GMCA. An implementation plan for TfGM was developed during 2017 and work is ongoing to achieve the outcomes in the plan and ensure continued compliance with the Data Protection Act 2018.

TfGM's in-house card payment systems operate to the Payment Card Industry Data Security Standard (PCI DSS).

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 TfGMC 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 GM 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 GM Mayor, the GMCA or the TfGMC 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 TfGMC and its 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 scrutiny and political oversight of TfGM's activities.

During 2017/18 TfGM launched a modernised website to increase accessibility to its published information.

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 an 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 reflects 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 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 Interim Head of Audit and Assurance, with Executive Directors, and other Board Members and managers also attend, as required, at the invitation of the Chair.

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 2017. The review found that the Committee was functioning effectively and had fulfilled its role during the year. Some areas of development were identified, including refocusing the agendas and information supplied to the Committee on strategic matters and away from the detailed consideration of matters that should not concern the Committee. The improvements identified were added to the Executive Board's governance action plan and delivery is being tracked quarterly by the Board.

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 Interim Head of Audit and Assurance agrees a rolling 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 the Audit and Assurance also meets privately with the Audit and Risk Assurance Committee at least annually.

In line with good practice, an internal review of the effectiveness of the Internal Audit function, and an update to the Internal Audit Charter will be undertaken during 2018.

The Interim 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 2017/18, 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 a small number of 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 2017/18 financial year:

- Audit Findings Report;
- Auditor's report including a Value for Money conclusion;
- Annual Audit Letter;
- Audit Fee Letter; and
- Audit Plan.

Following a procurement process undertaken by the Public Sector Audit Appointments Limited, Mazars LLP were appointed as auditors for TfGM effective from the 2018/19 statement of accounts. Work is ongoing on the 'handover' process from Grant Thornton LLP, the auditors of the 2017/18 statements of accounts to Mazars LLP.

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 2018/19. The Audit and Risk Assurance Committee and TfGM Executive Board will closely monitor these improvements; in particular a status update on the delivery of the improvements identified throughout the governance reviews of 2017 is reported quarterly to the Executive Board.

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.

Dr J LAMONTE
Director

SG WARRENER
Director

22 June 2018

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 2018 which comprise the Comprehensive Income and Expenditure Statement, 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 2017-18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Transport for Greater Manchester as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017-18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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 for the audit of the financial statements 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, 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.

Who we are reporting to

This report is made solely to the Directors 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 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to Transport for Greater Manchester's Directors 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 Transport for Greater Manchester and Transport for Greater Manchester's Directors as a body, for our audit work, for this report, or for the opinions we have formed.

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 and 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 and 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 and Corporate Services Director is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Directors' Report and Narrative Report, and the Annual Governance Statement 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 of Transport for Greater Manchester obtained in the course of our work including that gained through work in relation to Transport for Greater Manchester's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources 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.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of Transport for Greater Manchester gained through our work in relation to the Transport for Greater Manchester's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Directors' Report and Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to Transport for Greater Manchester under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of Transport for Greater Manchester, the Finance and Corporate Services Director and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, Transport for Greater Manchester is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Transport for Greater Manchester, that officer is the Finance and Corporate Services Director. The Finance and 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 2017-18, which give a true and fair view, and for such internal control as the Finance and 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.

In preparing the financial statements, the Finance and Corporate Services Director is responsible for assessing Transport for Greater Manchester's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Transport for Greater Manchester lacks funding for its continued existence or when policy decisions have been made that affect the services provided by Transport for Greater Manchester.

The Audit and Risk Assurance Committee is Those Charged with Governance.

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.

Report on other legal and regulatory requirements - Conclusion on Transport for Greater Manchester’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion
On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that 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 2018.

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

Auditor’s responsibilities for the review of Transport for Greater Manchester arrangements for securing economy, efficiency and effectiveness in its use of resources
We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that Transport for Greater Manchester has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of Transport for Greater Manchester’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 under the Code of Audit Practice 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 2018.

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 be satisfied that Transport for Greater Manchester has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate
We certify that we have completed the audit of the financial statements 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 R Heap

Mark Heap
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
4 Hardman Square
Spinningfields
Manchester
M3 3EB
22 June 2018

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2018

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.

2016/17					2017/18		
Gross Expend-iture £000	Gross Income £000	Net Expend-iture £000		Notes	Gross Expend-iture £000	Gross Income £000	Net Expend-iture £000
(55,348)	-	(55,348)	Concessionary fare scheme		(51,930)	-	(51,930)
(37,528)	10,707	(26,821)	Supported bus services		(36,030)	9,794	(26,236)
-	-	-	Devolved bus funding		(6,740)	6,740	-
(59,473)	60,055	582	Metrolink		(70,069)	64,868	(5,201)
(4,662)	-	(4,662)	Accessible transport		(4,656)	-	(4,656)
(4,997)	5,821	824	Management of traffic signals		(4,881)	5,970	1,089
(6,169)	5,974	(195)	Road safety activities		(6,039)	5,017	(1,022)
(13,084)	13,084	-	Provision of third party passenger transport facilities	6	(5,651)	5,651	-
(126,832)	17,617	(109,215)	Operational and other costs	7	(138,701)	18,105	(120,596)
(308,093)	**113,258**	**(194,835)**	**Cost of services**		(324,697)	116,145	(208,552)
(6,338)	-	(6,338)	Other operating expenditure	9e	-	2,674	2,674
(4,797)	172	(4,625)	Financing and investment income and expenditure	8	(5,473)	304	(5,169)
-	223,948	223,948	Taxation and non-specific grant income and expenditure		-	243,695	243,695
(319,228)	337,378	18,150	**Surplus on provision of services**	5	(330,170)	362,818	32,648
		2,163	Surplus or deficit on revaluation of property plant and equipment assets				-
		(43,435)	Remeasurement of the net defined benefit liability	16			7,132
		(41,272)	**Other comprehensive income and expenditure**				7,132
		(23,122)	**Total comprehensive income and expenditure**				39,780

All amounts relate to continuing operations. The notes from page 62 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 2018

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 2016	**32,514**	**671**	**33,185**	**1,800,997**	**1,834,182**
Total comprehensive income and expenditure	18,150	-	18,150	(41,272)	(23,122)
Adjustments between accounting basis and funding basis under regulations	(13,107)	(228)	(13,335)	13,335	-
Transfer between reserves	(386)	-	(386)	386	-
Increase / (decrease) in 2016/17	4,657	(228)	4,429	(27,551)	(23,122)
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**

See note 17 for further analysis of the movement in reserves statement.

The notes from page 62 onwards form part of these accounts.

BALANCE SHEET at 31 March 2018

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 2018 £000	31 March 2017 £000
ASSETS			
Long term assets			
Property, plant & equipment	9	1,950,520	1,916,443
Investment property		890	890
Intangible assets	10	8,282	5,510
Long term investments		2,000	-
Long term debtors	11	-	1,230
		1,961,692	1,924,073
Current Assets			
Short term debtors	11	81,323	89,535
Inventories		182	196
Cash and cash equivalents	12	16,846	1,583
		98,351	91,314
TOTAL ASSETS		**2,060,043**	**2,015,387**
LIABILITIES			
Current Liabilities			
Short term creditors	13	(67,352)	(66,568)
Provisions	13, 14	(2,857)	(1,226)
Short term borrowing	15	(1,240)	(1,237)
		(71,449)	(69,031)
Long term liabilities			
Provisions	14	(2,556)	(200)
Net pension liabilities	16	(69,227)	(69,099)
Long term borrowings	15	(65,971)	(65,997)
		(137,754)	(135,296)
TOTAL LIABILITIES		**(209,203)**	**(204,327)**
NET ASSETS		**1,850,840**	**1,811,060**
FINANCED AS FOLLOWS:			
Reserves as follows:			
Usable reserves	17	39,192	37,614
Unusable reserves	17	1,811,648	1,773,446
		1,850,840	**1,811,060**

The notes from page 62 onwards form part of these accounts.

Dr J LAMONTE
Director
22 June 2018

SG WARRENER
Director

CASH FLOW STATEMENT for the year ended 31 March 2018

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	2018 £000	2017 £000
Net surplus on provision of services		32,648	18,150
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		(106,301)	(84,981)
Finance cost	8	3,678	3,964
Interest paid		(3,675)	(3,978)
IAS19 pension finance interest	16	1,795	833
Revaluation (gain) / loss on non-current assets		-	(379)
Adjustments for other non- cash movements			
Depreciation and amortisation	9, 10	70,766	65,266
(Gain) / loss on disposal of non-current assets	9	(2,674)	6,338
IAS19 pension service costs	16	11,644	5,977
IAS19 employer contributions	16	(6,179)	(5,346)
(Increase) / decrease in debtors		7,481	15,428
(Increase) / decrease in inventories		14	10
Increase / (decrease) in creditors and provisions		5,527	869
Net cash flows from operating activities		**14,724**	**22,151**
Investing Activities			
Purchase of property, plant and equipment and intangible assets		(104,514)	(123,470)
Grants received for capital works		103,827	85,371
Proceeds from short-term and long-term investments		-	-
Proceeds from sale of property, land and equipment		1,252	721
Net cash flows from investing activities		**565**	**(37,378)**
Financing Activities			
Repayment of short and long term borrowings	15	(26)	(5,024)
Net cash flows from financing activities		**(26)**	**(5,024)**
Net increase/(decrease) in cash and cash equivalents		15,263	(20,251)
Cash and cash equivalents as at 1 April	12	1,583	21,834
Cash and cash equivalents as at 31 March	12	**16,846**	**1,583**

The notes from page 62 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 2017/18, 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:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers;
- amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses; and
- amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

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 17 for further details.

2.5 Presentational changes to the Statement of Accounts

The 2016/17 Code of Practice issued revised guidance to the presentational requirements of the financial statements. This included re-presenting the Comprehensive Income and Expenditure statement to report the service lines as these are reported to management. A new Expenditure Funding and Analysis statement and accompanying notes was also introduced to replace the previous segmental reporting note. The new Expenditure and Funding Analysis note was introduced to reduce the complexity of the accounts and to provide a clear link to the financial information presented to management to the audited financial statements.

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, 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 cost of Metrolink includes £125.824 million (*2017: £121.594 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 2018 and 31 March 2017.

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 are classified at recognition as loans, deposits or receivables in accordance with IAS 39, and recognised at cost. 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 available for sale assets.

Available for sale assets are recognised on the Balance Sheet when TfGM becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority. Assets are maintained in the Balance Sheet at fair value.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available for Sale Reserve. See note 3.2 for the fair value measurement policy.

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 loans and borrowings in accordance with IAS 39, and recognised at cost. 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 2018 amounted to £5.651 million (2017: £13.084 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 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 2.6% (2017: 2.5%).
- 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 17.

3.20 Exceptional items

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

3.21 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.

3.22 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.

3.23 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 was one significant agency relationships in 2017/18 which was in relation to the services provided by TfGM to Transport for the North. See note 18.

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 2018 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.

5 Expenditure and Funding Analysis statement

2016/17				2017/18		
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**
(55,348)	-	(55,348)	Concessionary fare scheme	(51,930)	-	(51,930)
(26,821)	-	(26,821)	Supported bus services	(26,236)	-	(26,236)
-	-	-	Devolved bus funding	-	-	-
613	(31)	582	Metrolink	(5,005)	(196)	(5,201)
(4,662)	-	(4,662)	Accessible transport	(4,656)	-	(4,656)
824	-	824	Management of traffic signals	1,089	-	1,089
(183)	(12)	(195)	Road safety activities	(932)	(90)	(1,022)
-	-	-	Provision of passenger transport facilities	-	-	-
(44,933)	(64,282)	(109,215)	Operational and other costs	(46,993)	(73,603)	(120,596)
(130,510)	**(64,325)**	**(194,835)**	**Net cost of Services**	**(134,663)**	**(73,889)**	**(208,552)**
135,553	77,432	212,985	Other income and expenditure	136,749	104,451	241,200
5,043	**13,107**	**18,150**	Surplus or Deficit	**2,086**	**30,562**	**32,648**
32,514			Opening revenue reserves balance	37,171		
5,043			Less / Plus surplus or (deficit) on revenue balance in Year	2,086		
(386)			Transfer between reserves	(830)		
37,171			Closing revenue reserve at 31 March	**38,427**		

(a) Note to the expenditure and funding analysis

	Adjustments between Funding and Accounting Basis 2016/17		
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
Concessionary fare scheme	-	-	-
Supported bus services	-	-	-
Metrolink	-	(31)	(31)
Accessible transport	-	-	-
Management of traffic signals	-	-	-
Road safety activities	-	(12)	(12)
Provision of passenger transport facilities	-	-	-
Operational and other costs	(63,694)	(588)	(64,282)
Net cost of Services	**(63,694)**	**(631)**	**(64,325)**
Other income and expenditure	78,265	(833)	77,432
Difference between revenue reserve surplus and Comprehensive Income and Expenditure Statement surplus on the Provision of Services	14,571	(1,464)	13,107

Adjustments between the Funding and Accounting Basis	Adjustments between Funding and Accounting Basis 2017/18		
	Adjustments for capital purposes (Note 1)	Net change for the Pensions adjustment (Note 2)	Total Adjustments
	£'000	£'000	£'000
Concessionary fare scheme	-	-	-
Supported bus services	-	-	-
Devolved bus funding	-	-	-
Metrolink	-	(196)	(196)
Accessible transport	-	-	-
Management of traffic signals	-	-	-
Road safety activities	-	(90)	(90)
Provision of passenger transport facilities	-	-	-
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 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	2017/18 £'000	2016/17 £'000
Expenditure		
Employee benefits expenses*	37,581	30,849
Transport expenditure		
Concessionary fare scheme	51,930	55,348
Supported bus services	36,030	37,528
Devolved bus funding**	6,740	-
Metrolink	68,873	58,225
Accessible transport	4,656	4,662
Management of traffic signals	4,881	4,997
Road safety activities	5,365	5,521
Provision of passenger transport facilities	5,651	13,084
Other Transport Expenditure	32,224	32,171
Depreciation, amortisation, impairment	70,766	65,266
Financing costs:		
Interest payable and similar charges	3,703	3,988
Adjustment for the equalisation of interest on a loan	(25)	(24)
Pensions interest cost and expected return on pensions assets	1,795	833
Loss on the disposal of assets	-	6,780
Total expenditure	**330,170**	**319,228**

	2017/18 £'000	2016/17 £'000
Income		
Fees, charges and other service income		
Transport income		
Supported bus services	9,794	10,707
Devolved bus funding**	6,740	-
Metrolink	64,868	60,055
Management of traffic signals	5,970	5,821
Road safety activities	5,017	5,974
Provision of passenger transport facilities	5,651	13,084
Interest and investment income	304	172
Local government revenue grants and contributions	137,394	138,967
Local government capital grants and contributions	106,301	84,981
Bus station facility charges	2,982	3,148
Rail franchise	1,860	1,860
Rents and service charges	767	789
Advertising revenue	468	496
Contract settlement	-	-
Other highways income	4,208	4,089
Passenger information services, Travelshop, bus station ancillary charges, rail franchise, operators and local authorities' recoveries.	7,820	7,235
Profit on the disposal of assets	2,674	-
Total income	**362,818**	**337,378**
Surplus on the Provision of Services	**32,648**	**18,150**

*Note this includes the IAS19 employer cost adjustments and removes staff time capitalised.
**This relates to the Bus Services Operator Grant.

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 2018 amounted to £5.651 million (*2017: £13.084 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 have been charged/(credited):

	2018 £000	2017 £000
Remuneration of Statutory Directors (note 7b)	701	698
Non - executive directors fees (One of the non-executive directors receives no fees or remuneration)	58	49
Net (gain) / loss on disposal of non-current assets	(2,674)	6,716
Fees payable to external auditors for:		
- audit services	44	44
- other services	-	30
Rents (receivable)	(766)	(788)
Operating leases - minimum lease payments	508	319

(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	2017/18	290,729	-	290,729
Dr J Lamonte	2016/17	287,850	4,465	292,315
Chief Operating Officer	2017/18	173,545	32,601	206,146
RM Morris	2016/17	171,742	32,279	204,021
Finance & Corporate Services Director	2017/18	171,737	32,279	204,016
SG Warrener	2016/17	170,023	31,959	201,982

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

	2018 £000	2017 £000
Wages and salaries	28,985	26,506
Social security costs	3,071	2,786
Pension costs	5,150	4,675
	37,206	**33,968**
The average number of employees during the year	**812**	**773**

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	2018 Number	2017 Number
£50,000 to £54,999	42	42
£55,000 to £59,999	22	14
£60,000 to £64,999	17	12
£65,000 to £69,999	14	12
£70,000 to £74,999	12	8
£75,000 to £79,999	6	1
£80,000 to £84,999	7	6
£85,000 to £89,999	5	3
£90,000 to £94,999	2	2
£95,000 to £99,999	3	1
£100,000 to £104,999	1	1
£105,000 to £109,999	2	3
£110,000 to £114,999	2	1
£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, their costs have been treated in the financial statements on an agency basis. See note 18.

Note 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		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018	2017	2018	2017	2018	2017	2018 £000	2017 £000
£0 - £20,000	-	-	2	6	2	6	16	20
£20,001 - £40,000	-	1	2	1	2	2	56	65
£40,001 - £60,000	-	-	-	2	-	2	-	95
£60,001 - £80,000	1	-	1	-	2	-	137	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	1	-	-	-	1	-	111	-
	2	**1**	**5**	**9**	**7**	**10**	**320**	**180**

8 Financing and Investment Income and Expenditure

	2018 £000	2017 £000
Financing Costs		
Interest payable and similar charges	3,703	3,988
Adjustment on the equalisation of interest on a loan	(25)	(24)
Pensions interest cost and expected return on pensions assets	1,795	833
	5,473	**4,797**

	2018 £000	2017 £000
Investment Income		
Interest receivable and similar income	1	1
Received from Piccadilly Triangle Developments LLP – distribution of part of partnership profits	303	171
	304	**172**

9 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 2016	**2,222,239**	**1,972,313**	**13,399**	**31,342**	**22,618**	**805**	**181,762**
Expenditure during the year	87,153	-	-	-	-	-	87,153
Transfers from assets under construction	-	150,457	-	4,089	1,747	-	(156,293)
Reclassifications	-	-	-	-	-	-	-
Restatement of assets	750	-	750	-	-	-	-
Disposals	(14,205)	(10,609)	-	(3,596)	-	-	-
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)
Reclassifications	-	-	-	-	-	-	-
Restatement of assets	-	-	-	-	-	-	-
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**
Depreciation and impairment:							
At 31 March 2016	**323,504**	**297,281**	**1,633**	**17,584**	**7,006**	**-**	**-**
Depreciation provided during the period	65,210	60,543	536	2,662	1,469	-	-
Reclassifications	-	-	-	-	-	-	-
Restatement of assets	(1,791)	-	(1,791)	-	-	-	-
Disposals	(7,429)	(3,833)	-	(3,596)	-	-	-
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	-	-
Reclassifications	-	-	-	-	-	-	-
Elimination of depreciation on revaluation	-	-	-	-	-	-	-
Disposals	(59)	(52)	-	-	(7)		
At 31 March 2018	**448,937**	**418,544**	**827**	**19,522**	**10,044**	**-**	**-**
Net Book Value:							
At 31 March 2018	**1,950,520**	**1,754,535**	**12,872**	**13,708**	**14,428**	**755**	**154,222**
At 31 March 2017	**1,916,443**	**1,758,170**	**13,771**	**15,185**	**15,890**	**805**	**112,622**

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

	31 March 2018 £000	31 March 2017 £000
Freehold	218,454	179,623
Long Leasehold	70,829	74,418
Short Leasehold	1,998	2,438
	291,281	**256,479**

The transfer from assets under construction to infrastructure assets relates to a number of capital schemes that have been completed in the year. These include Bolton Interchange, Trafford Park Line land, Metrolink substations and CCTV cameras.

The disposals in the year mainly relate to the land at Baring Street and Fairfield Street which were part pf the land pooling agreement for the Mayfield development. See note19 for further details.

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 2017/18.

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 9a.

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 included: investment in design, land acquisition and construction of a new transport interchange at Bolton; investment in 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 2018 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 £0.765 million (£0.443 million at 31 March 2017).

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:

	2018 £000	2017 £000
Net proceeds from sale of assets	3,252	721
Disposal costs written off	-	(6)
De-recognition of carrying values of assets	(578)	(7,495)
Gain / (loss) on disposal of property, plant and equipment per Comprehensive Income and Expenditure Statement*	**2,674**	**(6,780)**
De-recognition of carrying values of associated grants	55	6,780
	2,729	**-**

*Note. There is a small difference to the amount referred to in the CIES in 2016/17. This relates to the reversal of a loss previously recognised in the CIES following revaluation of land and buildings in the year.

10 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 accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and internally generally 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 2016	-	-	-
Additions:			
Internal development	4,734	4,734	-
Purchases	832	-	832
Amortisation for the period	(56)	(56)	-
Net carrying amount as at 31 March 2018	**5,510**	**4,678**	**832**
Comprising:			
Gross carrying amounts	5,566	4,734	832
Accumulated amortisation	(56)	(56)	-
At 31 March 2017	**5,510**	**4,678**	**832**

	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**

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.

11 Debtors

Long term debtors: amounts falling due after one year:

	31 March 2018 £000	31 March 2017 £000
Other debtors	-	1,230
	-	**1,230**

Analysed as the following class of debtor:		
Other local authorities	-	1,230
	-	**1,230**

Short term debtors: amounts falling due within one year:

	31 March 2018 £000	31 March 2017 £000
Trade debtors	4,951	3,542
Amounts receivable from GMCA	36,251	29,647
Amounts due from group undertakings	303	65
Other debtors	7,172	15,549
Prepayments and accrued income	32,646	40,732
	81,323	**89,535**

Analysed between the following classes of debtors:

Central government bodies	5,580	9,788
Other local authorities	37,751	31,568
Other entities and individuals	37,992	48,179
	81,323	**89,535**

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 2018, trade debtors at a nominal value of £1,738,000 (*2017: £1,883,000*) were impaired. Movements in the provision for impairment of receivables were as follows:

	31 March 2018 £000	**31 March 2017 £000**
Opening provision	1,883	1,912
Charge for the year	50	26
Amounts written off	(99)	-
Unused amounts reversed	(96)	(55)
Closing provision	**1,738**	**1,883**

As at 31 March 2018, the ageing analysis of trade debtors was as follows:

			Past due but not impaired				
	Total £000	**Neither overdue nor impaired £000**	**1-30 days £000**	**31-60 days £000**	**61-90 days £000**	**91-120 days £000**	**over 120 days £000**
31 March 2018	4,951	4,399	278	60	57	23	134
31 March 2017	3,542	2,016	613	230	14	35	634

12 Cash and cash equivalents

	31 March 2018 £000	**31 March 2017 £000**
Cash at bank and in hand	708	181
Short term deposits with GMCA	16,138	1,402
	16,846	**1,583**

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.

13 Current Liabilities

	31 March 2018 £000	31 March 2017 £000
Short term creditors		
Trade creditors	13,338	4,783
Taxation and social security	956	840
Accruals for expenditure recognised	40,256	48,229
Deferred income	3,865	3,161
Amounts due to GMCA	2,904	2,662
Other creditors	6,033	6,893
	67,352	66,568
Provisions (note 14)	2,857	1,226
Short term borrowings (note 15)	1,240	1,237
	71,449	**69,031**

Analysed between the following classes of creditors:

Central government bodies	1,319	1,218
Other local authorities	3,306	2,928
Other entities and individuals	66,824	64,885
	71,449	**69,031**

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 19.

14 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 2017	**1,426**	**439**	**786**	**201**	**-**
Arising during the year	7,488	122	7,210	-	156
Utilised during the year	(3,420)	(60)	(3,359)	(1)	-
Unused amounts reversed	(81)	-	(81)	-	-
At 31 March 2018	**5,413**	**501**	**4,556**	**200**	**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 2017			
Insurance Excess	439	439	-
Capital Works	786	786	-
Onerous Lease	201	1	200
	1,426	**1,226**	**200**

	Total	Less than 12 months	Greater than 12 months
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**

The amounts provided above at 31 March 2018 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.

15 Financial Instruments

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:

	Carrying Amount		Fair Value	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Financial Assets:				
Long term investments	2,000	-	2,000	-
Long term debtors	-	1,230	-	1,230
Current trade debtors	4,951	3,542	4,951	3,542
Amounts receivable from GMCA	36,251	29,647	36,251	29,647
Amounts due from group undertakings	303	65	303	65
Other debtors	1,684	5,761	1,684	5,761
Cash and cash equivalents	16,846	1,583	16,846	1,583
Financial Liabilities:				
Short term creditors	(62,531)	(62,567)	(62,531)	(62,567)
Loans and receivables: Interest bearing loans and borrowings:				
Fixed rate borrowings - due within one year				
Accrued Interest	(1,240)	(1,237)	(1,240)	(1,237)
Market debt	-	-	-	-
Fixed rate borrowings - due after one year				
PWLB debt	(17,322)	(17,322)	(21,685)	(22,995)
Market debt	(48,649)	(48,675)	(66,318)	(69,009)

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;
- Investments;
- Cash and short term deposits;
- Receivables from, and deposits with, GMCA; and
- Amounts due from group undertakings

Long term receivables have been evaluated based on collectability risk.

Loans and Borrowings

- For non-PWLB loans payable, the fair value of the current and long term debt has been measured at £66.318 million (2016/17: £69.009 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 £61.242 million (2016/17: £63.985 million).
- The fair value of Public Works Loan Board (PWLB) loans of £21.685 million (2016/17: £22.995 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 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 £20.652 million (2016/17: £21.691 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 £3.624 million (2016/17: £4.839 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	2018 £000	2017 £000
Current:				
Accrued interest on all loans			1,240	1,237
			1,240	1,237

	Effective Interest Rate %	Maturity	2018 £000	2017 £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	649	675
			65,971	65,997
Total Loans and borrowings			**67,211**	**67,234**
Instalments are payable as follows:				
Within 1 year or repayable on demand			1,240	1,237
Within 1 to 2 years			-	-
Within 2 to 5 years			19,500	7,500
Within 5 to 10 years			17,322	29,322
Longer than 10 years			29,149	29,175
			67,211	**67,234**

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 11.

TfGM bears almost no interest rate risk in relation to loans and borrowings, as all existing loans are at a fixed rate. 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.

16 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 2018 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	
	2018	**2017**
	£000	**£000**
Comprehensive Income and Expenditure statement		
Cost of Services:		
Service cost comprising:		
Current Service cost	(11,528)	(5,923)
Past service costs	(116)	(54)
Financing and Investment Income and Expenditure		
Net interest (expense) / income	(1,795)	(833)
Total Post-employment Benefits charged to the Surplus on the provision of services	**(13,439)**	**(6,810)**
Remeasurement of the net defined (liability) / benefit comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	956	31,865
Actuarial gains and losses arising on changes in demographic assumptions	-	(898)
Actuarial gains and losses arising on changes in financial assumptions	6,220	(61,143)
Other experience	(44)	(13,259)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure statement	**7,132**	**(43,435)**
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	(128)	(44,899)
Actual amount charged against the Usable Reserves Balance for pensions in the year:		
Employer's contributions payable to scheme	6,179	5,346
Retirement benefits payable to pensioners	(22,134)	(27,519)

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 2018 £000	2017 £000
Present value of the defined benefit obligation	(421,412)	(425,300)
Fair value of plan assets	352,185	356,201
Net liability arising from the defined benefit obligation	**(69,227)**	**(69,099)**

Reconciliation of the Movements in the Fair Value of the Scheme

	Local Government Pension Scheme 2018 £000	2017 £000
Opening value of the scheme assets	356,201	333,600
Interest Income	8,735	11,001
Remeasurement loss:		
The return on plan assets, excluding the amount included in the net interest expense	956	31,865
Contributions from employer	5,674	4,841
Contributions from employees into the scheme	2,248	1,908
Contributions in respect of unfunded benefits	505	505
Benefits paid	(22,134)	(27,519)
Closing value of scheme assets	**352,185**	**356,201**

Reconciliation of Present Value of the Scheme Liabilities

	Funded liabilities: Local Government Pension Scheme 2018 £000	2017 £000
Opening balance at 1 April	425,300	357,800
Current service cost*	11,528	5,923
Interest cost	10,530	11,834
Contributions from scheme participants	2,248	1,908
Remeasurement gains / (losses)		
Actuarial gains/losses arising from changes in demographic assumptions	-	898
Actuarial gains/losses arising from changes in financial assumptions	(6,220)	61,143
Other experience	44	13,259
Past service cost	116	54
Benefits paid	(22,134)	(27,519)
Closing balance at 31 March**	**421,412**	**425,300**

*The current service cost includes an allowance for administration expenses of 0.3% (2017: 0.2%) of payroll.

** The closing liability includes £5.093 million of unfunded liabilities (2017: £5.432 million).

Local Government Pension Scheme assets comprised:

	Local Government Pension Scheme			
	Quoted prices in active markets 2018 £000	**Quoted prices not in active markets 2018 £000**	**Quoted prices in active markets 2017 £000**	**Quoted prices not in active markets 2017 £000**
Cash and cash equivalents	6,589	-	17,088	
Equity instruments				
Consumer	11,460	-	15,214	
Manufacturing	13,748	-	15,578	
Energy and utilities	10,886	-	12,460	
Financial institutions	16,541	-	19,135	
Health and care	5,133	-	6,716	
Information technology	3,219	-	4,755	
Other	1,964	-	3,188	
Sub-total equity	62,951	-	77,046	
Bonds:				
By sector				
Corporate	7,444	-	8,880	
Government	125,656	-	129,939	
Other	5,589	-	5,913	
Sub-total bonds	138,689	-	144,732	
Property:				
UK property	-	6,876	-	5,133
Private equity	-	6,721	-	5,318
Investment funds and unit trusts				
Equities	54,344	-	46,862	
Bonds	26,040	-	13,360	
Infrastructure	-	5,200	-	4,316
Other	33,481	11,294	33,017	9,329
Sub-total other investment funds	113,865	16,494	93,239	13,645
Derivatives:				
Other	-	-	-	-
Total assets	**322,094**	**30,091**	**332,105**	**24,096**

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 2018	2017
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	3.15%	3.15%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	2.5%

The return on the Employers' portion of the main fund assets for the year to 31 March 2018 is 3% (2017: 24.1%).

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 2017/18		2016/17	
	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%	9,738	1%	4,611
Rate of increase in pensions (increase or decrease by 0.5%)	4%	16,076	6%	25,814
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	8%	35,646	7%	30,907

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% (2017: 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 on 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 £5,673,000 (2016/17: £4,841,000) in expected contributions to the scheme in 2018/19.

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

Weighted Average Duration

	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%

	Short 31 March 2017 % p.a.	Medium 31 March 2017 % p.a.	Long 31 March 2017 % p.a.
Pension increase rate	2.4%	2.4%	2.4%
Retail Price Inflation (RPI)	3.4%	3.4%	3.4%
Discount rate	2.5%	2.6%	2.7%

17 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 Grants and Contributions 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 2018 in accordance with the actuary's report. Further details are shown in Note 16.

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.

Deferred Capital Grants and Contributions Account

The Deferred Capital Grants and Contributions 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:

2016/17	**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**	**Revalua-tion Reserve £000**	**Pension Reserve £000**	**De-regulation Reserve £000**	**Deferred Capital Grants and Contributions Account £000**	**Total Unusable Reserves £000**	**£000**
At 31 March 2016	**32,200**	**314**	**671**	**33,185**	**2,461**	**2,649**	**(24,200)**	**(47,936)**	**1,868,023**	**1,800,997**	**1,834,182**
Surplus on provision of services	18,150	-	-	18,150	-	-	-	-	-	-	18,150
Other comprehensive income and expenditure	-	-	-	-	-	2,163	(43,435)	-	-	(41,272)	(41,272)
Comprehensive income and expenditure	18,150	-	-	18,150	-	2,163	(43,435)	-	-	(41,272)	(23,122)
Adjustments between accounting basis and funding basis under regulations											
Capital grants released (amortisation)	63,694	-	-	63,694	-	-	-	-	(63,694)	(63,694)	-
Capital grants released (disposals)	6,716	-	-	6,716	-	-	-	-	(6,716)	(6,716)	-
Capital grants applied	(84,981)	-	(228)	(85,209)	-	-	-	-	85,209	85,209	-
Revenue grants unapplied	-	-	-	-	-	-	-	-	-		-
Revenue grants (previously unapplied) released	-	-	-	-	-	-	-	-	-		-
Pension contributions by employer	(5,346)	-	-	(5,346)	-	-	5,346	-	-	5,346	-
Pension cost of service	5,977	-	-	5,977	-	-	(5,977)	-	-	(5,977)	-
Pension finance costs	833	-	-	833	-	-	(833)	-	-	(833)	-
	(13,107)	-	(228)	(13,335)	-	-	(1,464)	-	14,799	13,335	-
Net increase / (decrease) before transfers to earmarked reserves	5,043	-	(228)	4,815	-	2,163	(44,899)		14,799	(27,937)	(23,122)
Transfer from Revaluation Reserve	714	-	-	714	-	(714)	-	-	-	(714)	-
Transfer to Deregulation Reserve	(1,100)	-	-	(1,100)	-	-	-	1,100	-	1,100	-
Increase / (decrease) in 2016/17	4,657	-	(228)	4,429	-	1,449	(44,899)	1,100	14,799	(27,551)	(23,122)
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**

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	Revalua-tion Reserve £000	Pension Reserve £000	De-regulation Reserve £000	Deferred Capital Grants and Contributions 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	-
Revenue grants unapplied	-	-	-	-	-	-	-	-	-	-	-
Revenue grants (previously unapplied) released	-	-	-	-	-	-	-	-	-	-	-
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**

18 Agency Services

Transport for the North (TfN) has been 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 TfGM is 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 are providing some services to TfN. The table below shows the income and expenditure included within the comprehensive income and expenditure statement:

	2017/18	2016/17
	£000	£000
Non-incremental expenditure incurred in providing corporate services to TfN	756	677
Grant funding received	(756)	(677)
Net surplus / (deficit) arising on the agency arrangement	-	-

19 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 £550,000 (*2017: £400,000*).

TfGM, Manchester City Council and London and Continental Railways Limited have formed the Mayfield Partnership Limited Partnership. The partnership seeks 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.

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 2016/17 and 2017/18. From April 2018 the Chief Executive of GMCA has replaced the Treasurer of GMCA as a Non Executive Director of TfGM. 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 £000	Expenditure with £000	Receivable from £000	Payable to £000
GMCA – grant / sales related 2018 (page 27, notes 11 and 13)	257,882	245	36,251	2,904
GMCA – grant / sales related 2017 (page 27, notes 11 and 13)	245,071	305	29,647	2,662
GMCA - short term deposits 2018	-	-	16,138	-
GMCA - short term deposits 2017	-	-	1,402	-
Piccadilly Triangle Developments 2018	303	-	303	-
Piccadilly Triangle Developments 2017	171	-	65	-

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.

20 Commitments

	2018 £000	2017 £000
Capital commitments at balance sheet date	152,714	212,874

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.

	2018 £000	2017 £000
Land and buildings		
Payments due within 1 year	483	303
Payments due between 2 and 5 years	1,759	960
Total payments due thereafter	6,877	6,918
	9,119	**8,181**

21 Contingent assets and liabilities

There are no contingent assets or liabilities which require disclosure.

22 Post balance sheet events

As at 22 June 2018, there are no Post Balance Sheet Events which require disclosure.