Transport for Greater Manchester

Statement of Accounts

For the year ended 31 March 2017

Contents


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Director's Report And Narrative Report

The following activities have been completed over the financial year:

April 2016

Opening of Leigh to Ellenbrook Guided busway

May 2016

Annual walking festival

June 2016

New cycle hub at Stockport

July 2016

Air quality plans given green light

August 2016

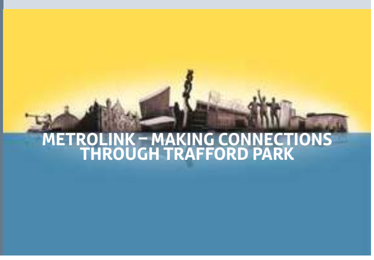
St Peter's Square opening

September 2016

Bus stop of the future

October 2016

Legal powers awarded for Trafford Park Line



November 2016

£10k raised by TfGM for Kidscan and Samaritans

December 2016

Transport award wins

January 2017

Appointment of new Metrolink operator

February 2017

Opening of the Metrolink second city crossing

March 2017

Guided busway celebrates two million passengers

Organisational overview and external environment

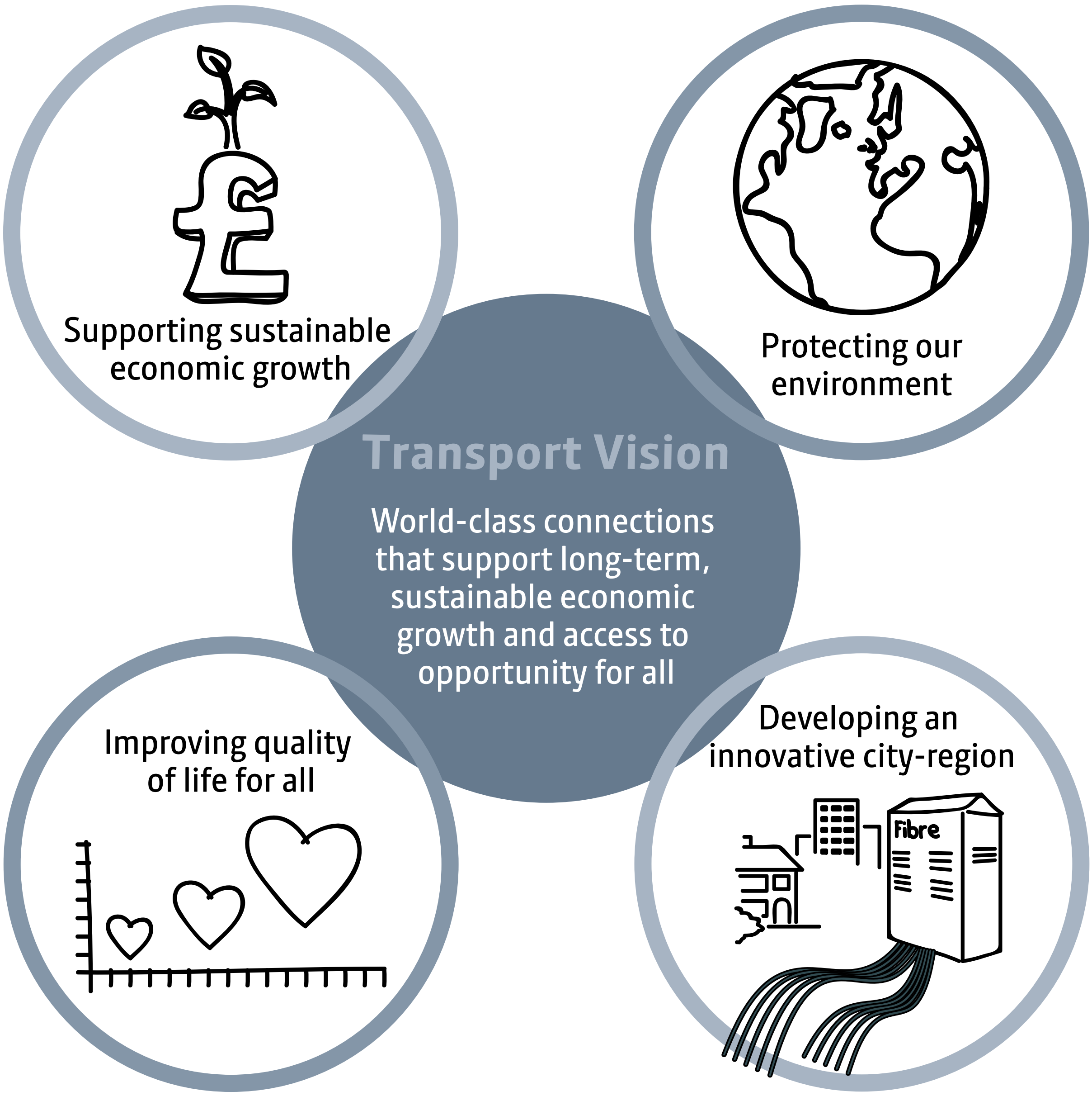
Greater Manchester Combined Authority

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) acts as an officer of the GMCA for the purpose of undertaking the transport related activities of the 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 transport vision for GMCA is:



Greater Manchester Mayor

Andy Burnham was elected as Mayor of Greater Manchester on 5 May 2017. Accountable to and representing the people of all ten boroughs in Greater Manchester, the Mayor of Greater Manchester oversees an economy larger than that of Wales and has one of the largest electoral mandates in the UK. As Chair of GMCA the Mayor will steer key agendas, leading on issues such as the economy, transport, police and fire services.

Responsible for transforming public services and shaping the future of the Greater Manchester region, the Mayor will represent Greater Manchester people, making the case for the region at the heart of government and on the world stage. In partnership with districts, The Mayor will build on Greater Manchester's existing reputation to speak as one, demanding a fairer deal and better quality of life for the people who live here.

The Mayor will join Greater Manchester's Combined Authority as its chair and eleventh member. The Leaders of the 10 councils which make up the GMCA will form the Mayor's Cabinet. The Mayor will also be supported by a Deputy Mayor for Policing and Crime, and a Deputy Mayor for Economic Growth and Business.

The job of the Mayor will range from setting budgets and priorities for Greater Manchester's public services to acting as an ambassador for the region. In relation to Transport the Mayor / GMCA is responsible for the transport budget Greater Manchester receives from Government, as well as the future of bus services in Greater Manchester.

The Mayor will be able to make some decisions independently, but others will involve consultation and approval of the Mayor's Cabinet and Combined Authority. Some decisions will need unanimous support, others will need a majority.

TfGM responsibilities

TfGM is responsible for carrying out the transport-related functions of the Combined Authority and the Transport for Greater Manchester Committee, including highways, network management, walking and cycling and road safety. However, it is not a statutory highway authority.

TfGM's vision encapsulates and expresses its aspirations and responsibilities. The vision is noted below.

> “Driving the growth of a healthy and sustainable Greater Manchester through the delivery of a reliable, integrated transport network”

TfGM's Mission reminds TfGM, and its customers, what TfGM is here to do every day:

> “Making travel easier in Greater Manchester”

External environment

The external environment which TfGM operates in has a significant impact on the success of delivering the objectives set out.

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

In addition to the policies and activities which flow from the GMCA transport vision a number of TfGM activities are determined by government policy such as 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 over 11,000 new homes a year are likely to be needed. 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 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.

To help achieve this, Greater Manchester published its 2040 Transport Strategy in February 2017, setting out its ambitions for the next 25 years. The 2040 Transport Strategy has been developed on behalf of the GMCA to help create a cleaner, greener, more prosperous city-region through better connections and simpler travel. An initial five-year delivery plan will start GMCA on the road to achieving its vision of 'World class connections that support long-term, sustainable economic growth and access to opportunity for all'. For further information on the 2040 Transport Strategy see page 21.

The key TfGM stakeholders include:

- Our travelling customers, including residents, businesses and visitors to Greater Manchester;
- Our local authority colleagues and the 10 leaders on GMCA;
- The newly elected Greater Manchester Mayor, Andy Burnham, who will have significant powers over transport; and
- The Greater Manchester Local Enterprise Partnership, reflecting the voice of local businesses.

People – from residents and businesses to visitors – are at the heart of the TfGM 2040 Transport Strategy.

By allowing goods to reach customers, and businesses to access skills and talent, transport will play its role in supporting a strong and growing economy.

It will also contribute to people's health and wellbeing by encouraging more active travel, tackling traffic pollution and making it easier for people to get around and meet up with friends and family. The 2040 strategy identified seven key principles that will be applied consistently across the transport network over the next 25 years.

More than six million journeys are made in Greater Manchester every day, on foot, by bike and on roads, buses, trains and trams.

In 2015/16 1.35 million Greater Manchester residents made a journey on some form of public transport at least once during the year. Taking account that people use more than one mode; one million people used the bus, over 500,000 used Metrolink and 600,000 used the train at some point. An estimated 699,000 residents travelled solely by car.

Greater Manchester is a popular destination for international travellers and regularly hosts major cultural and sporting events. From regular Premier League football and international Test cricket matches to the high-profile Manchester International Festival and national events such as the Somme 100 commemorations and the Olympic Parade, the city-region's transport network is always busy.

TfGM is working hard to understand and meet these varied customer needs and wants to make sure that commuters, leisure travellers, businesses and visitors all experience a seamless journey experience. TfGM is doing this by listening to its customers and working with its partners to provide services that are safe, accessible, easy to use and understand, responsive, and reliable.

The following are the set of 'Customer principles' which help TfGM better serve its customers. It will:

- Continue to use customer insight to shape services;
- Seek to resolve queries at the first point of customer contact to improve satisfaction;
- Offer multiple channels so all customers can easily contact us;
- Provide a seamless experience across all travel modes with improved ticketing and timetables;
- Give better customer information; and
- Be more open and transparent in their communication with customers.

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

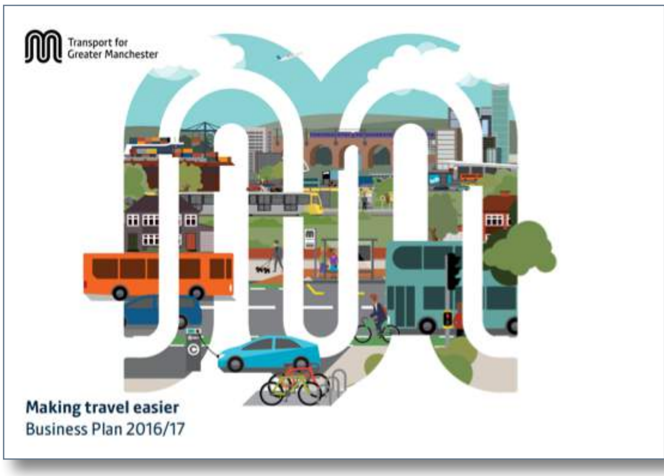
The Annual Governance Statement included on pages 32 to 46 provides information on TfGM's governance systems and processes and how TfGM complies with the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. TfGM is responsible for ensuring that its business is conducted in accordance 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 2016/17 it was concluded that TfGM had in place satisfactory systems of internal control which facilitate the effective exercise of the organisation's functions. There have been no significant changes to the governance procedures in 2016/17, although as part of the usual cycle of review and improvement, procedures have been reviewed again during the year and some developments have been introduced.

Business model

Achievement of the 2016/17 business plan

The 2016/17 business plan included a number of 'we will' statements to help TfGM meet its mission to make travel easier. The 'business plan' is included on TfGM's website: http://www.tfgm.com/Corporate/Pages/CorporateLibrary/Annual-Reports--Business-Performance-Plans.aspx.

Highlights of progress made and key achievements in the delivery of the 2016/17 Business Plan are included over the following pages.



Making travel easier by developing our infrastructure

Progress in the year has included the following activities:

- Obtaining powers for the Metrolink Trafford Park line after working closely with the GMCA, Trafford Metropolitan Borough Council and other local stakeholders. Clearance and utility works have started on site in 2017 and it is anticipated works will last approximately four years;
- Opening Metrolink's Second City Crossing to passengers in February 2017. More services than ever before will run through Manchester city centre while providing customers with a more reliable and flexible commute;
- Opening in April 2016, the North West's first guided busway between Leigh and Ellenbrook. The 4.5 mile busway is an integral part of the bus priority package which has seen improvements made to over 25 miles of Greater Manchester's bus network. More than two million passengers have used the service in 2016/17 since the service started and the busway has won numerous transport awards, see page 16 for further details;
- In April 2017 bringing the Oxford Road transformation into operation and completing its 'bus priority package';
- Through the DfT funded Cycle City Ambition Grant (CCAG) programme, supporting the delivery of more high-quality cycling routes along key corridors in Greater Manchester (GM). This included the launch of six new cycleways in September 2016. Work has now commenced on phase two of the CCAG programme which will include a further 45km of cycle routes, five cycle friendly district centres, more cycle parking and five new cycle & ride schemes;
- Preparing a two year Key Route Network (KRN) action plan designed to identify the KRN of Greater Manchester roads for unified management in the interest of the growth agenda ,which was approved by GMCA in April 2016 see: https://www.greatermanchester-ca.gov.uk/download/meetings/id/846/11_highways_reform_update; and
- A Highways Shared Service proposal which has developed into a wider reaching collaborative venture that now includes all ten Local Authorities and TfGM. A Memorandum of Understanding that underpins this partnership was presented to GMCA on 31 March 2017. This set out the intention to work collaboratively in areas such as procurement, training, sharing technical expertise and resources and delivering large projects.

Making travel easier by working with our partners

Progress in the year has included the following activities:

- TfGM has supported regional growth and the Northern Powerhouse by continuing to work with Transport for the North (TfN).

  TfN has been created to bring together local transport authorities to develop and deliver the Northern Transport Strategy. The Northern Transport Strategy is to coordinate investment and work across the region to drive economic growth. With Greater Manchester at the heart of the Northern Powerhouse, TfGM will continue to play a leading role in the development of TfN as it becomes a statutory body and works on the six key programmes' in that strategy:

  – Northern Powerhouse Rail;
  – Integrated and smart travel;
  – Strategic road studies;
  – Rail franchising;
  – Freight and logistics; and
  – International connectivity.

  TfGM will help to shape and influence these programmes through its membership of the TfN Executive Board as well as programme working groups.

- TfGM has continued to work with Rail North to shape future rail franchise specifications and monitor franchisee performance. The aim is to ensure that strategic and local rail networks contribute to the future success of Greater Manchester and the north. Although, under the current franchise, TfGM has no direct contractual relationship with the train operators and Network Rail, the role as partners in Rail North gives TfGM influence over current and future Northern and TransPennine franchises. TfGM is accountable to GMCA members for influencing and monitoring the performance of operators and Network Rail in delivering passenger services.
- Network Rail remains an important national partner for TfGM, delivering the additional rail infrastructure and improvements that Greater Manchester needs to support its ambitions for growth. This includes construction of the Ordsall Chord, which is set to further improve rail travel throughout our region when complete in December 2017.
- Working at a local level alongside industry partners, the team monitors the performance of operators and Network Rail, resulting in joint initiatives targeting performance improvement in rail services. TfGM has also collaborated with operators and Network Rail in the proactive planning and delivery of events and reactive management of engineering works and disruption.
- The Memorandum of Understanding signed with Highways England continues to foster closer working as TfGM creates a long-term vision for motorways and key roads across Greater Manchester
- TfGM has been developing a 10 year rail plan which will be published in summer 2017. The development of this has included a series of regional workshops being held as part of the consultation and feedback being collated to incorporate into the strategy.
- TfGM successfully bid for funding under the Department for Transport's (DfT's) Total Transport Pilot Fund. The funding will be used to investigate new and better ways of delivering joined-up local transport in rural and isolated areas.

Making travel easier by making transport cleaner, greener, safer and more inclusive

Progress in the year has included the following activities:

- GMCA's Low-Emission Strategy and Air Quality Action Plan was approved by DEFRA and GMCA in July 2016. This can be found at https://www.greatermanchester-ca.gov.uk/airquality and concentrates on ways to tackle emissions from road transport to improve air quality and to help in reducing carbon dioxide emissions. A Clean Air Zone (CAZ) feasibility study commenced in Spring 2016 and is due to complete in Summer 2017. This study will assess the economic, social, environmental and health costs and benefits of the implementation of various CAZ options;

- The retrofitting of air pollution control equipment to all TfGM Yellow School Buses was completed during 2016. Verification testing has confirmed that retrofitted vehicles have achieved Euro 6 classification. More generally, the bus fleet profile within Greater Manchester has continued to improve, with an increased deployment of low emission vehicles on key service routes. Although the proportion of Hybrid Diesel Electric vehicles has fractionally declined between 2016/17 Q2 (17.8%) and 2015/16 (19.0%), the proportion of Euro 6 has continued to improve and now stands at 15.6% (2016/17 Q2);

- TfGM has worked with those returning to work by providing 375 free bikes and equipment as well as 23,328 free and discounted tickets to jobseekers. This includes 7,438 day bus tickets for interview attendance;

- Delivered over 3,000 cycle training sessions, including 1,800+ skills training and 850 maintenance places. Over 500 HGV drivers took part in the Safe Urban Driver training course, helping to make drivers aware of risks in relation to vulnerable road users and enabling them to assess emergency situations to help avoid accidents;

- The Travelsafe Partnership has embarked on an increased programme of community engagement activities, including visits to schools, colleges on road safety education. Police teams on patrol have carried out follow up visits to properties of young people involved in anti-social behaviour. Criminal Behaviour Orders (CBOs) have been granted by the courts against offenders convicted of racial abuse or causing criminal damage on the transport network;

- After successfully canvassing the Home Office Advisory Board for Anti-Social Behaviour (ASB), TfGM has now written to the Home Secretary requesting that they are granted the power to apply for Civil Injunctions against people causing significant or repeated issues around ASB; and

- A Walking Festival was hosted in May 2016 to encourage people to get active and healthier. 34 organisations submitted walks resulting in 209 free led walks across GM with over 2,700 participants on the led walks.

Making travel easier through smarter travel

Progress in the year has included the following activities:

- A new TfGM website was developed and launched in February 2017 which will enhance the information available to passengers;

- Real Time Journey Planning, in the MyTfGM App, was developed during the year and launched to the public in April 2017 which provides more comprehensive real-time travel information;

- TfGM has encouraged those who live and work in Greater Manchester to travel sustainably by expanding the GM Business Travel Network by over 130 businesses in 2016/17 to a total of over 600 businesses, employing approximately 287,000 people. In addition 21 sustainable travel grants have been approved for £150,000; more than 5,000 employees and over 4,000 jobseekers have received personal travel planning advice (PTP); and the delivery of PTP has been enhanced with electronic PTP and new starter processes. A support offer of advice and incentives for apprentices has also been launched;
- Usage of the 'get me there' app, which enables mobile purchase of Metrolink tickets has grown significantly. In the last year TfGM has seen ticket sales grow from 8,000 per week to 30,000 per week and the number of active customers grow from 9,000 to 28,000. There are currently 1,000 new registrations in the app every week, with app ticket sales now representing over 10% of all equivalent ticket sales through all retail channels; and
- Work has been undertaken in the year to build on the existing investment and infrastructure that is already in place with respect to smart ticketing. This will see an extension in summer 2017 of the current get me there smart card solution to support multi-operator bus travel. This development will enable customers to purchase a range of the current Metrolink stop to stop products and a number of Greater Manchester Travelcards Ltd (GMTL) owned tram/bus tickets. The solution will see the introduction of smart travel across a range of retail channels, enabling products to be loaded onto compatible smart cards which can be used for multi-operator and multi modal (bus / tram) travel.

Making travel easier by supporting reliable services

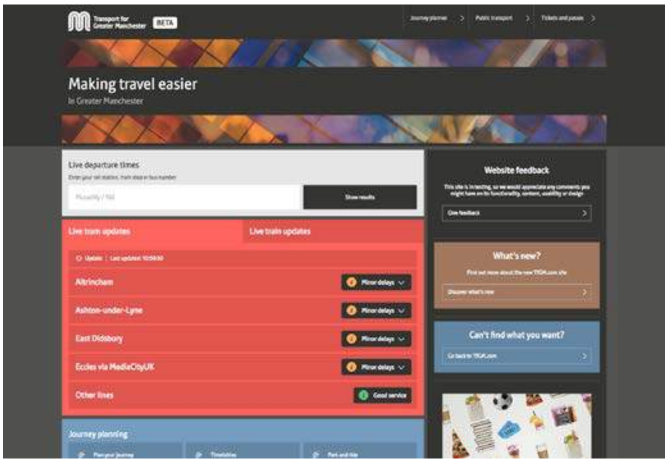
Progress in the year has included the following activities:

- Following a rigorous procurement process a new Metrolink operator, Keolis Amey has been appointed to take over from RATP Dev and MPT in July 2017 when the current contract ends;
- The Second City Crossing was opened in February 2017 through Manchester City Centre. The new line offers new links and more frequent trams through Manchester city centre, as well as improved service reliability and greater operational flexibility;
- The total number of Metrolink passenger journeys increased to 37.8 million in 2016/17;
- Working groups are being established with Rail North on rail service, performance and service quality improvements. Rail North is now a co-decision maker with DfT, and ensures principles of major programmes are properly sponsored and cliented. Northern Rail and DfT engagement on Northern programme delivery is frequent and on-going;
- The Leigh to Ellenbrook guided busway opened in April 2016 and in 2016/17 more than two million passengers have used the service. The busway offers smooth, rapid connections with three new park and rides along the route. High-specification, low-emission hybrid buses offer customers free Wi-Fi and USB charging points, plush seating, audio and visual stop announcements and climate control. Around 50,000 people a week are now using the 'Vantage' service – and a recent survey found that a fifth of passengers have switched from their cars; and
- Logistics forums for Greater Manchester were held in September 2016 and March 2017 with strong cross-sector industry representation. Work group sessions identified several distinct work packages which are currently being evaluated to determine projects for delivery in the short and medium term. The Greater Manchester Freight and Logistics strategy was signed off by the GMCA in July 2016.

Making travel easier by providing high-quality customer facilities

Progress in the year has included the following activities:

- As part of the Second City Crossing scheme a new look St. Peter's Square stop was re-opened and forms a key focal point in Manchester City Council's flagship redevelopment of the area as a major new civic space;
- TfGM has completed and opened a new cycle hub in Stockport and progressed work on Hubs in East Didsbury, Hollinwood, Irlam, Guide Bridge, Rochdale and Cheadle Hulme which are due to be open in 2017/18;
- Following a trial of overnight parking in June 2016 TfGMC approved the development of a permanent scheme to offer more than 2,500 overnight parking spaces for Friday and Saturday nights. This has been permanently introduced to 15 Metrolink car parks;
- Work has continued in the year to develop the new Bolton Interchange which is due to open in 2017. This will provide a far more attractive 'gateway' to the town centre and link bus services with the rail station via a new skylink. Customers at Bolton will also benefit from a Cycle Hub, better passenger information and ticketing facilities, and a more secure waiting environment;
- Grants have been awarded to fund the delivery of cycle parking spaces at various locations across GM including businesses and social housing;
- Commuters and visitors to Manchester can now charge their phones and access free Wi-Fi and live travel information at a cutting-edge pilot bus shelter in the city centre. TfGM, along with JCDecaux and RATP, have developed a 'super' shelter showcasing the latest in technology and urban design using funding from DfT. The state-of-the-art bus shelter in Piccadilly is in close proximity to Manchester Piccadilly Rail Station, features free charging points for phones and other mobile devices, free Wi-Fi, plus news, travel and city information via digital touchscreens, keeping passengers connected while they wait; and



- Increased the visual coverage of the Greater Manchester roads network to 43 Highway CCTV cameras which are accessible from TfGM's control room. The coverage was extended to 75 by 31 May 2017 and 175 by the end of 2017. This has enhanced TfGM's ability to predict delays and take appropriate and timely action when needed.

Making travel easier through high quality customer service

Progress in the year has included the following activities:

- In September 2016 TfGM launched a dedicated journey planner (My TfGM) for Greater Manchester and has continued to work closely with key stakeholders to further develop its customer information provision. Work was completed in April 2017 to develop this provision further including the introduction of increased real-time data to allow TfGM to provide accurate, real-time, multi-modal customer information at key interchanges across the network;

- TfGM has continued to work closely with transport operators to further develop cross ticket acceptance during key events and major incidents. This has now become a well-established process in respect of bus and Metrolink and work is on-going to develop this provision in respect of rail to ensure a multi-modal response wherever possible;

- TfGM provided travel demand management support across 79 events days over the year.

This included major events, such as Parklife, the Athlete Homecoming Parade and the National Commemoration of the Battle of the Somme, and major planned disruptive engineering activity, such as Ordsall Chord and the closure of the A34, Oxford Rd and Mancunian Way; and

- TfGM has continued to develop its social media presence and now provides customer support seven days a week. The @MCRMetrolink Twitter handle is one of the most used social media accounts in the transport sector. It provides customers with access to real time information to support the existing customer information provision across the Metrolink network.

Business operations and development

Progress in the year has included the following activities:

Devolution:

- TfGM has continued to work on a detailed review of the options for bus reform for further information see page 17;
- A 'Case for Change' was submitted to DfT in March 2017 which recommends the wholesale transfer of station ownership and management from Network Rail and train operators to Greater Manchester as the best solution to help stations realise their full potential. It sets out plans for long-term investment to enable local stations to: act as community hubs; offer a seamless journey through better integration with the wider transport network; improve access to jobs and local facilities; and act as a catalyst for local regeneration and social enterprises. The case for change can be found at: http://www.tfgm.com/Corporate/Media_Centre/Documents/0.%20Exec%20Summary%20170317.pdf

Future operating model

- TfGM has continued to implement organisational changes and to introduce revised processes to ensure that the organisation can meet current and future business challenges and deliver greater efficiencies by:
  - Introducing organisational structures and processes at the board and sub-board levels which ensure the operating model can support the effective and efficient future development of the organisation;
  - The development and publication of a workforce plan that predicts future skills requirements over the long term and allows the organisation to meet them as effectively and efficiently as possible either through resourcing or skills development.
- The TfGM asset management policy and strategy are being developed and implemented across the organisation. Asset Management activities include centralising the holding of asset information and developing a common approach to the management of the assets across TfGM;

Transforming our service provision

- TfGM maintained the annual external accreditation with OHSAS 18001 in Health and Safety Management Systems;
- TfGM achieved Cyber Essentials accreditation in February 2017. Payment Card Industry Data Security Standard in-house compliance was re-certified in May 2017;
- A number of advertising campaigns were run in 2016/17 with the aim of improving the service on Metrolink along with increasing the level of revenue generated. These included the 'Leaving Lauren' campaign, the Christmas travel campaign and the pet hate collectable cards to discourage anti-social behaviour; and
- Additional revenue was generated in the year from new advertising agreements including on the Metroshuttle buses.

Awards

TfGM won a number of awards in 2016/17. These included:

- The Leigh to Ellenbrook guided busway and the busway's construction company, Balfour Beatty, collected the North of England Transport award for Construction and Engineering Project of the Year;
- TfGM, First Manchester and Wigan, Salford and Manchester City Councils also earned another North of England Transport award for Transport Project of the Year for the launch of the Vantage service, along the Busway, A580 and into the Regional Centre, serving communities in Leigh, Atherton, Tyldesley and Salford.
- At the Chartered Institute of Logistics and Transport North West Awards on 24 June 2016, TfGM was named best in Transport Policy, Planning and Implementation for its Leigh to Ellenbrook Guided Busway project;
- The Leigh to Ellenbrook Guided Busways environmental credentials were also recognised with an award for sustainability at the 10th annual North West Construction Awards. The award recognises organisations that have shown creative thinking to ensure that principles of sustainability are fully integrated in a project;
- At the Chartered Institute of Logistics and Transport National Awards on 27 October 2016, TfGM were awarded the Transport Policy and Planning Award for the Leigh to Ellenbrook Guided Busway. The category recognises outstanding achievement in transport planning for the benefit of passengers, businesses and the environment;
- At the North of England Transport Awards on 7 December 2016, TfGM was named "Combined Authority" of the Year in recognition of continued improvements to the region's transport network;
- TfGM was awarded 'Organisation of the Year' at the St John Ambulance Everyday Heroes awards in September 2016;
- Metrolink's Exchange Square stop was named 'Project of the Year under 50m Euros' at the Light Rail Awards on 5 October 2016; and
- At the National Air Quality Awards on 10 November 2016, TfGM won the Local Authority and Public Sector Air Quality Initiative of the Year title for its 'Clean Air for Schools' programme. The 'Clean Air for Schools' project aims to reduce harmful vehicle emissions in the areas around schools in Greater Manchester, by retro-fitting Yellow School Buses with innovative air pollution control equipment.

Transport Policy, Planning and Implementation award for the Leigh to Ellenbrook Guided Busway:

Air quality award

Risks and opportunities

Devolution

Devolution will enable the transfer of 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 involves the transfer of various powers from central government to Greater Manchester – specifically:

- Consideration of how local rail stations are managed;
- Partnership working with Highways England to enable a clear, strategic approach to the management of highways across the city-region;
- A devolved and consolidated transport budget for Greater Manchester;
- 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 will change the future of bus services in Greater Manchester.

The future of bus services

Buses are vital to Greater Manchester's economy and society. Of the 267 million public transport journeys (across bus, rail and tram) in Greater Manchester last year, 79 per cent were by bus.

But, despite significant ongoing subsidy and capital support for bus and more people travelling on public transport, bus patronage across Greater Manchester has broadly stayed flat. TfGM wants to deliver a better solution for customers and the city-region.

Through the introduction of the Bus Services Act 2017, which received Royal Assent in April 2017, mayoral combined authorities, such as Greater Manchester, will have the choice to franchise bus services or establish new partnerships with bus operators.

The current deregulated bus system is not joined up nor is it coordinated with each other, as well as with other modes of transport such as rail and Metrolink. The number and variety of tickets in Greater Manchester is unduly complicated and passengers have to pay more for a ticket that works across more than one bus operator's network.

TfGM is currently examining the benefits of different options for the reform of the bus market in Greater Manchester, including a franchise model and other options to ensure that the bus network fully achieves its potential at the heart of Greater Manchester's public transport system.

The future of rail stations

In March 2017 TfGM submitted its 'Case for Change' to the DfT, in a bid to secure a multi-million pound investment and regional accountability by bringing Greater Manchester's rail stations under local control.

The submission has been made on behalf of GMCA, in line with the 2014 devolution agreement and 2040 strategic vision for transport to drive economic growth and regeneration.

The detailed business case in support of the case for change recommends the wholesale transfer of station ownership and management from Network Rail and train operators to Greater Manchester as the best solution to help stations realise their full potential.

It sets out plans for long-term investment to enable local stations to: act as community hubs; offer a seamless journey through better integration with the wider transport network; improve access to jobs and local facilities; and act as a catalyst for local regeneration and social enterprises.

Subject to an 'in principle' Government agreement by summer this year, 94 local rail stations could transfer to Greater Manchester custodianship in the next two to three years, with city centre Manchester Piccadilly, Manchester Victoria and Oxford Road to follow thereafter.

The current model of station ownership does not allow for long term customer focus and planning and stations and their facilities have not evolved in line with customer expectations. This is due to the short term nature of current rail franchise contracts with funding mechanisms of up to no more than nine years.

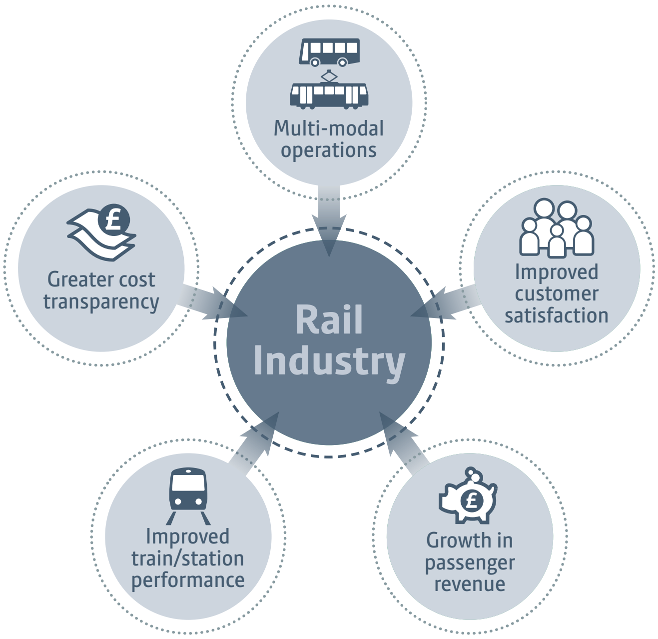
If approved, over £400 million – from existing funding streams and further Greater Manchester investment – would be invested in local stations over the next two decades, with potential to use related land assets for additional housing, commercial development and improved car parking.

Greater Manchester's plans would act as a catalyst for social business initiatives that could see stations support local health and well-being by offering community gyms, cafes and health centres.

Stations could also include art galleries, room for concerts, performing arts, festivals, and local weekend markets – and space for offices and meetings, conferences and training and development.

Rail station transfer will help stimulate significant economic investment in local communities and spread economic benefits more widely across the region.

The following is a summary of the high level benefits that would be delivered:



The Case for Change can be found at: http://www.tfgm.com/Corporate/Media_Centre/Documents/0.%20Exec%20Summary%20170317.pdf

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.

The busiest of Greater Manchester's roads make up just seven percent of the total length, but carry two-thirds of peak-time traffic. That equates to 6.6 million trips by people every day.

Greater Manchester's 10 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 600 kilometres. TfGM and the 10 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.

TfGM has strategic management responsibility for overseeing the KRN across all 10 Greater Manchester local authority districts, working in partnership with the Greater Manchester local authorities and Highways England. This will allow TfGM to monitor performance and report more consistently across the network and help to develop policies that support strategic traffic movements.

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

TfGM is developing a multi-modal, multi-operator smart integrated ticketing solution for Greater Manchester; TfN has a very similar approach for the whole of the North; both solutions will be delivered through contactless account-based ticketing where the complex processing logic is performed by an intelligent back office, which needs to be procured. TfGM has been working closely with TfN to assess how much common ground there is between the respective plans and have identified that the core requirements could be built to meet the needs of both organisations.

Collaboration with TfN will involve:

- Developing a single, agreed approach to design and deliver a back office capable of serving the whole of the North and even beyond;
- TfN providing/facilitating technical capability, with local pricing or ticketing acceptance agreement a separate matter for local transport authorities including TfGM to pursue bilaterally with operators/GMTL; and
- An agreed governance and decision-making approach for the design/development phase and, for operation, a Special Purpose Vehicle or other mechanism to ensure we retain control over how the back office is operated.

Following approval by GMCA in January 2017, TfGM has entered into a formal partnership with TfN and other transport authorities such as Nexus to develop a single back office for account-based ticketing that is capable of serving customers across the North. Delivery of the solution will be via a phased approach. TfGM and TfN are working towards starting this delivery in 2019 through to 2022 and beyond as the solution is extended to accommodate other modes and city regions.

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 Key Business Priorities."

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 Key Business Priorities. 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 on page 32.

Strategy and resource allocation

2040 strategy

Greater Manchester is evolving. With a growing population and economy, TfGM is also on a path towards significant devolution of powers and funding from central Government. Against this backdrop TfGM has developed its 2040 Transport Strategy.

The aim is to establish a fully integrated, high capacity transport network for Greater Manchester.

In practice, it is about making people's lives easier and enriching communities. That means fewer trips made by car, more journeys by bike and on foot, better public transport, and towns and neighbourhoods that are more accessible, safer and attractive.

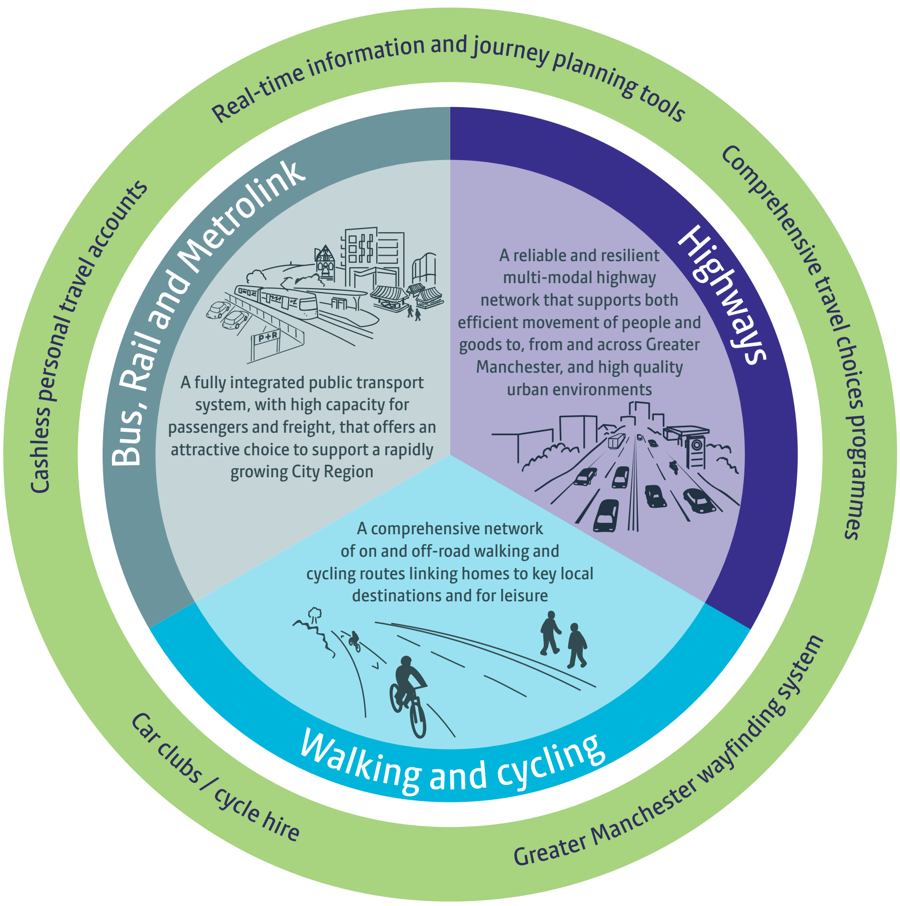
It's also about supporting growth, enhancing quality of life, boosting pride of place and generating a greater sense of happiness.

TfGM are looking to the future. Not just predicting what that future might hold, but taking an active role in shaping it to create a successful, resilient and thriving region.

There will be challenges to face along the way, such as responding to the needs of a rapidly growing population; tackling and adapting to climate change; and reducing social inequality in our city region. By working together, with careful planning and innovation, TfGM can make way for new opportunities and improved health and wellbeing.

The ambition for 2040 is to deliver a transport system which makes it much easier for residents, businesses and visitors in Greater Manchester to travel to a wide range of different destinations and opportunities, and where sustainable transport can be a viable and attractive alternative to the car. TfGM's Greater Manchester-wide priorities and principles, which apply across the whole of the transport strategy, are summarised below:

The full 2040 strategy can be found at: www.tfgm.com/2040/Pages/strategy/index.html



Air Quality strategy

Greater Manchester has ambitious plans for environmental improvements as it strives to meet challenging UK-wide targets to reduce greenhouse gas emissions and improve air quality.

While Greater Manchester is making good progress, more investment and radical action is needed to meet these targets. TfGM has developed the Greater Manchester Low-Emission Strategy and Air Quality Action Plan, establishing a framework for a long-term integrated approach to reducing carbon emissions and improving air quality through to 2025.

The strategy sets out specific measures to meet targets for reducing emissions in line with new requirements and regulations, underpinned by a change implementation plan. It clearly demonstrates Greater Manchester's commitment to the UK government to meet EU thresholds for key pollutants as early as possible.

TfGM has identified the types of measures it believes will have the biggest impact on emissions. TfGM has also highlighted potential risks to achieving the ambitions, including uncertainty around investment, coupled with wider financial challenges facing public authorities.

The five priority areas for investment are:

- stimulating the uptake of Ultra-Low-Emission Vehicles;
- reducing emissions from Heavy Goods Vehicles;
- reducing emissions from buses on key urban corridors;
- changing travel behaviour; and
- investigating Clean Air Zones.

People strategy

Transport in Greater Manchester is changing – and that means TfGM needs to change too. Greater Manchester Transport Strategy 2040, the devolution agenda, increasing customer expectations for seamless integrated travel, and the impact of digital, are just some of the many factors influencing that change.

In support of this, TfGM is moving towards being a more customer-focused, service oriented organisation. TfGM intends to transform the customer experience by delivering a truly integrated transport network and ensuring seamless journeys across all transport modes and by working to ensure they are in the right shape, with the right organisational capability, the right culture and the right tools to meet TfGM's future ambitions.

The blueprint to achieve this is the 'People Strategy', which is built on four key principles that focus on:

- good leadership and demonstrable improvement;
- having the right capability;
- efficiency of people and costs; and
- instilling the right values.

The People Strategy is designed to mirror the phases of the TfGM change journey over the next few years.

The following progress was made in 2016/17:

- Launch of a leadership 360° and development programme;
- Establishment of a Transformation Programme;
- Establishment of a Resourcing function with improved time to hire timescales;
- Adoption of an organisational learning and development plan linked to the performance management process;
- Senior succession management planning established;
- Key Employment policies re-written; and
- Improvement in Best Companies to work for scores.

Best Companies Survey and Employee engagement

The annual independent national 'Best Companies' engagement survey is TfGM's people's opportunity to share their views and influence how they work together. The survey is about understanding what TfGM is doing well and what can be changed for the better.

The response rate and the overall engagement score have increased year-on-year for the three years TfGM has taken part. 81% of people took the opportunity to be heard in the third Best Companies staff engagement survey in 2016. TfGM were pleased to see an improvement in the overall engagement score to 626.4 from the previous survey 608.6 score. This is a great sign of the collective commitment to seeing the organisation continue to progress.

TfGM is using the valuable feedback provided by the survey to improve all of the day-to-day experiences of working for the organisation and directly addressing the key points raised by its staff through closely monitored action plans.

Health and Wellbeing

TfGM's people's physical and mental wellbeing is extremely important. The Health and Wellbeing strategy sets out a clear path to creating a culture that supports a healthy and highly engaged workforce. A range of wellbeing activities have already taken place, including engaging with staff through lunchtime seminars and events. TfGM has started working with a new Occupational Health provider and recently launched a new Employee Assistance Programme. This offers a 24/7 independent helpline for staff and family members to speak to someone in confidence about a range of issues.

Mental wellbeing is just as important as physical health. TfGM is also pledged to the Time to Change initiative, demonstrating it is serious about increasing awareness and reducing the stigma often associated with mental health. All TfGM line managers are receiving training to give them the skills to offer their teams the right support when it's needed.

Through a phased approach over the next five years it is TfGM's aim to be a 'best in class' employer.

Apprenticeships

The start date for the new apprenticeship levy funding system was 1 April 2017, requiring employers with payroll in excess of £3 million per annum to pay a levy of 0.5% of the total pay bill. The collected levy will be made available to employers to use on approved apprenticeship training schemes. As TfGM's payroll is in excess of £3m a plan is in place to maximise the use of the Apprenticeship Levy.

TfGM will engage with a number of organisations to contribute to developing a joint and strategic skills proposition across GM and to offer employment opportunities to a wide pool of candidates. This involves TfGM engaging with public sector partners, other employers and training providers.

Diversity and Inclusion

Equality and diversity is not just a legal obligation – it is a real organisational commitment. TfGM is committed to eradicating discrimination as it strives to be recognised as an equality and diversity champion and leader.

This commitment underpins the organisational vision, values and activities as an employer and as a provider and commissioner of services.

Through its Diversity and Inclusion Strategy TfGM aims to:

- Have a diverse workforce that fully represents the communities we serve; and
- Deliver and champion the provision of inclusive, high quality services and facilities for everyone living and working in Greater Manchester.

Ultimately, TfGM wants to be an employer of choice and recognised for the standard it sets for diversity and inclusion.

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): 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 expenditure of £23.122 million (2016: net income of £99.248 million). The net expenditure / income includes capital grants recognised in the year of £84.981 million (2016: £150.656 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 deficit (2016: surplus) shown in the CIES, in accordance with the Code, to the surplus (2016: 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.

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. GMCA makes a levy on the ten district councils 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 GMCA in respect of approved expenditure on capital schemes.

2015/16			2016/17	
£000	£000		£000	£000
	99,248	**Total comprehensive income and expenditure shown in the CIES**		**(23,122)**
		Add back: IAS19 Pension adjustments		
(12,300)		Remeasurement of the net defined benefit liability	43,435	
5,700		Current service cost and losses on curtailments and settlements	5,923	
–		Past service cost	54	
(5,000)		Employer contributions	(5,346)	
1,100		Finance costs of pension scheme	833	
	(10,500)			44,899
	88,748			21,777
	11,140	Add: Release of unapplied revenue contributions	–	
	(2,649)	Less: Revaluation reserve adjustment	(1,449)	
	(150,656)	Less: Capital grants and contributions	(84,981)	
		Add: Amounts released from the Deferred Capital Grants and Contributions Account		
58,915		Amount to match depreciation of grant funded assets	63,694	
4,955		Amount released on disposal of grant funded assets	6,716	
	63,870			70,410
	10,453			5,757
	(1,100)	Less: Amount transferred to Deregulation Reserve		(1,100)
	9,353	**Revenue (deficit) / surplus for the year**		**4,657**

The grants receivable from GMCA were as follows:

	2017	2016
	£000	**£000**
Revenue grants	139,861	123,473
Passenger transport facilities grants	13,084	7,642
Capital grants	84,844	144,534
Total grants receivable	**237,789**	**275,649**

Movement in Reserves Statement (MIRS): 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. 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. This reserve is used to fund the future costs of depreciation on the assets delivered by the programme. As at 31 March 2017, TfGM Usable reserves were £37.614 million (2016: £33.185 million) and the Unusable reserves were £1,773.446 million (2016: £1,800.997 million). The Unusable reserves have decreased in 2016/17 primarily as a result of the increase in the pension reserve, this is mainly due to a decrease in the discount rate used to value scheme liabilities. The Usable reserves increased in 2016/17 which was primarily due to the surplus generated in the year and the movement in capital grants.

Balance Sheet: 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 2017 were £1,811.060 million (31 March 2016: £1,834.182 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 Leigh to Ellenbrook Guided busway, Metrolink Second City Crossing, Metrolink Trafford Park Line and works on Bolton Interchange.

There have been new Intangible Assets in the year which relate to the design and development of the new website, new journey planning software and upgrades to the SAP software system.

There has been an increase in short term debtors primarily as a result of the timing profile of payments in the capital programme. In turn this has then reduced the cash held by TfGM at the year end.

Short term borrowings have decreased by £5 million as a loan was repaid in the year.

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 2017 to roll forward the balances from the full valuation adjusting for changes in financial assumptions. The pension liability increased in the year by £44.899 million primarily due to a decrease in the discount rate for scheme liabilities from 3.4% in 2015/16 to 2.5% in 2016/17.

Cash Flow Statement: shows the change in cash and cash equivalents of TfGM during the year. The statement shows how TfGM has generated and used cash and cash equivalents; and classifies cashflows into operating, investing and financing activities. The net decrease in cash and cash equivalents during the year was £20.251 million (2016: net increase of £5.483 million). The only change in the year in TfGM's borrowing facilities and capital borrowing was the repayment of a £5m loan, there have been no other changes.

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 is a new note introduced in 2016/17 which aims to provide a clear link between the in year monitoring of the revenue budget and the final outturn position in the audited financial statements. The Expenditure and funding analysis shows the net expenditure charged to revenue reserves as reported to management and reconciles this expenditure to the comprehensive income and expenditure statement.

The net expenditure in the year is summarised below:

	2016/17	2015/16	Movement
	£000	£000	£000
Rail franchise	(1,860)	(1,837)	(23)
Concessionary fare scheme	55,348	56,121	(773)
Supported bus services	26,821	26,596	225
Metrolink	(613)	7,090	(7,703)
Accessible transport	4,662	4,663	(1)
Highways activities	(824)	(1,237)	413
Road safety activities	183	317	(134)
Operational and other costs	46,793	28,485	18,308
	130,510	**120,198**	**10,312**

The key movements in the year have been reviewed below:

The Rail Franchise net expenditure is a grant awarded by DfT to fund TfGM expenditure on rail related activities. In previous years the amount due to Northern Rail under the franchise agreement was paid via TfGM. In 2016/17 this element of the grant was paid direct to Northern Rail and Arriva.

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 a decrease in net expenditure in the year of £7.703 million primarily due to an increase in revenue as a result of the opening of the new Second City Crossing line, maturity on recently opened lines and continued growth on existing lines.

TfGM funds Ring and Ride – a door-to-door accessible transport service for people who find it difficult to use ordinary public transport. TfGM also provides travel vouchers for those not able to use ordinary buses, trains or Metrolink and who have serious walking difficulties or are registered blind. They can be used to pay for taxis, private hire vehicles and for travel on accessible bus services such as Ring and Ride and community transport. The net expenditure is consistent with 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 a decrease in net income in the year of £0.413 million as a result of fewer 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 decrease 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 which include 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 was offset by equivalent grants in 2015/16 and 2016/17.

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 £18.308 million due to additional depreciation and amortisation primarily as a result of capitalisations of the Leigh to Ellenbrook guided busway and the Second City Crossing. 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 devolution related workstreams, funding approval for which was granted by GMCA.

Outlook

TfGM's plans for 2017/2018

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.

Further priorities include:

- Continuing to develop proposals for the devolution of transport powers that were agreed with the government, including consideration of options for Bus Reform and the management and operation of rail stations in Greater Manchester;
- A one-ticket smart solution for buses and trams across Greater Manchester – making travel easier for all – will become a reality in the year ahead;
- Work to extend the UK's largest light rail system, Metrolink, will continue with construction of a new line to Trafford Park now underway;
- The completion and opening of Bolton Interchange, and construction to begin on the new Tameside (Ashton-under-Lyne) Interchange and Wigan Bus Station. All will feature modern facilities, offering a far better passenger experience;
- Working to secure the best possible solution for Greater Manchester from major rail projects such as High Speed 2 and Northern Powerhouse Rail;
- Working collaboratively with Highways England, continue to deliver significant highway improvement schemes across the Key Route Network within Greater Manchester;

- Improving transport on the Bolton – Salford corridor; focus on connecting communities and towns by providing easy and reliable access to employment, health, education and leisure opportunities through sustainable transport modes; and
- Working with the ten Greater Manchester councils and other partners to implement the measures set out in the recently published Greater Manchester Low-Emission Strategy and Air Quality Action Plan, aiming to reduce emissions from transport, help protect the health and wellbeing of our communities and encourage sustainable travel including public transport, cycling and walking.

Revenue funding for 2017/18

TfGM receive annual revenue funding from GMCA, with a budgeted spend of £250.8 million for 2017/18, 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.

Transport levy – £103.8 million

The majority of the revenue funding comes from a levy on the ten Greater Manchester local authorities via council tax. For 2017/18 this will be £103.8 million, an average of £37.69 per resident.

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 2017/18 this is budgeted to be £1.9 million.

Reserves and third-party contributions – £134.6 million

GMCA and TfGM have funding reserves built up over time. For 2017/18 the budget includes the use of £91.3 million of reserve funding, largely through the reduction of the transport levy as a one-off refund of GMCA reserves to the ten district councils. The GMCA funding strategy is to rebuild reserves by increasing the transport levy in future years. £13.4 million of reserves in 2017/18 will fund devolution related activities on bus reform and rail stations. The balance of funding from reserves is supporting further investment in transport activities, including through the Greater Manchester Transport Fund.

Other grants – £10.5 million

TfGM also receive capital and revenue funding from a number of other grants. For 2017/18 this includes £10.5 million ofrevenue funding to be spent on the development and feasibility work on GMCA priority schemes, including the development of potential public transport, cycling and walking solutions to support the city region's growth agenda.

	2017/18
	£000
Total levy	103.8*
Special rail grant	1.9
Funding from reserves	134.6
Other grants	10.5
Total revenue funding	**250.8**

*Total Levy in 2017/18 is net of an adjustment of £91.3 million, largely in relation to the reduction of the transport levy as a one off refund of GMCA reserves to the ten district councils. (Please note all figures are rounded).

How the money will be spent in 2017/2018

Financing costs – £91.9 million

This includes repayments and interest on loans to deliver major transport capital programmes for Greater Manchester. This includes the costs of investing in historic infrastructure developments and schemes through the Greater Manchester Transport Fund, such as the Metrolink expansion.

Concessionary fares scheme – £65.7 million

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

- Free off-peak travel for disabled people on bus, rail and Metrolink and half fare on bus, rail and Metrolink before 9.30am;
- 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; and
- Free travel for Concession Plus pass holders on bus, rail and Metrolink at all times.

Supported bus services – £27.1 million

TfGM pay Greater Manchester's private bus operators 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 per cent of annual bus mileage. TfGM also provide school services, the cost of which is partly covered by fares.

Accessible transport – £4.9million

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 – £61.1 million

This covers the costs of providing the services delivered, such as: staff costs; operating and maintaining infrastructure such as bus stations, bus shelters and Travelshops; safety and security; the traffic signal network; and passenger information.

	2017/18
	£million
Concessionary support	65.7
Supported services	27.1
Accessible transport	4.9
Operational costs	61.1
Financing	91.9
Total expenditure	**250.7**

TfGM continues to face wider spending pressures, with ongoing reductions in local authority funding and the need to absorb additional costs within existing budget levels. TfGM is looking to make further savings through more efficient operations and a renewed commercial focus.

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 the largest transport capital programme outside London, with capital expenditure in 2017/18 budgeted to be £216 million.

The capital programme is funded by a combination of grants and borrowings. Where TfGM borrow monies, the financing costs (interest and principal repayments) are funded from three main sources – the levy, surpluses generated from Metrolink and third party funding.

Transforming our commercial focus

TfGM continues to explore opportunities to generate more income from our existing assets. The budget for 2017/18 includes challenging targets to obtain additional commercial income from the property estate and other assets.

Capital Investment	2017/18
	(£ million)
Greater Manchester Transport Fund (includes Bus Priority, Metrolink phase 3 Park & Ride, Bolton Interchange and A6MARRR	81.3
Other capital Schemes (includes Cycle City Ambition Grant, Metrolink Trafford Extension and Smart Ticketing)	67.3
Minor Works (includes Growth Deal 1 & 2 minor works)	18.5
Growth Deal Major schemes (includes highways schemes being delivered by Local Authorities)	49.1
Total	**216.3**

Basis of preparation of Statement of Accounts

This Statement of Accounts includes the individual financial statements for TfGM only. In previous years the financial statements have included the individual financial statements for TfGM, along with the group accounts for TfGM and its subsidiary undertakings ('the group'). Due to the size of its subsidiary entities, it is considered that they are no longer 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

SG Warrener
Director

17 July 2017

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 2017 and, of its income and expenditure for the year ended 31 March 2017.

SG WARRENER
Finance and Corporate Services Director

17 July 2017

ANNUAL GOVERNANCE STATEMENT

1 Introduction

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 2016 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.

2 Scope of responsibility

Greater Manchester Combined Authority (GMCA) is the body that is 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 in 2016/17 and will continue through 2017/18 on implementing this Agreement, including the appointment of an elected Greater Manchester Mayor in May 2017.

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, 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.

An important element of governance is the internal control environment that 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 Operations 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.

In 2015 TfGM commissioned Mazars LLP to conduct a review of its corporate governance arrangements. The review gave an opinion of significant assurance and concluded that TfGM had sound governance arrangements. As part of the review, a number of suggestions for alternative arrangements were made, which were considered by the Executive Board in 2016 and an action plan developed to implement improvements. This Annual Governance Statement includes details of the continued improvements to TfGM's governance, including those that have resulted from the Mazars review.

The Mazars review also recommended that, in line with best practice, the Executive Board should conduct a review of its own effectiveness on an annual basis. The recommendation was accepted and a review of the effectiveness of the Executive Board was undertaken in 2016. The review resulted in further improvements to TfGM's governance, which are detailed in this statement, where relevant.

3 The 2016 CIPFA/SOLACE Framework

The overall aim of the 2016 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.

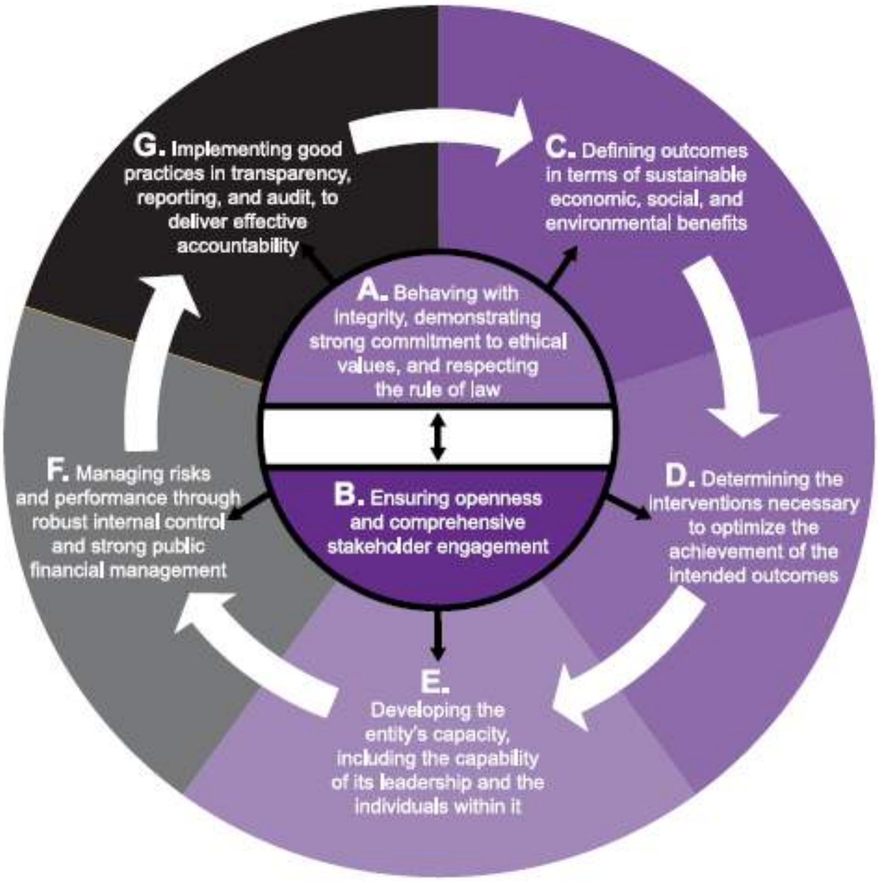
Acting in the public interest requires a commitment to and effective arrangements for:

- 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.

4 TfGM's alignment with the CIPFA/Solace Principles

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

TfGM has the power to implement the decisions of the GMCA and 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 2016/17 TfGM developed a Behaviour Framework to underpin the Values. Work is ongoing to embed the Behaviour Framework further.

TfGM has adopted the Guidance entitled "Openness and transparency on personal interests" published by the Department for Communities and Local Government in September 2013. 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 a Counter Fraud and Corruption Policy in place, which includes:

- a Fraud Response Plan;
- a Whistleblowing Policy;
- an Anti-Money Laundering Policy; and
- Theft Response Procedures.

An Anti-Bribery and Corruption Policy is in place. These are 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 have been identified, including making the policies and procedures more accessible to staff, and increasing the documentation of identified fraud risk in operation registers. These improvements are under development and will be implemented 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.

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, Operations Board and the Environment Committee 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.

As part of the expansion of the Metrolink system, the programme of stakeholder engagement and communications with the public and with stakeholder groups continued in 2016/17. This included attending stakeholder meetings and events; sending mailshots to residents and businesses along the lines being delivered; and dealing with stakeholder enquiries.

During the year TfGM carried out a major consultation with respect to the 2040 Strategy (Local Transport Plan); on a new, improved bus station for Farnworth; and also carried out a consultation on behalf of GMCA, which gave stakeholders the opportunity to comment on proposals aimed at improving air quality and reducing carbon emissions from transport across Greater Manchester.

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 ten local authorities and their leaders, [the Greater Manchester Mayor], 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.

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 becomes a statutory body in 2017. 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 team 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 is a high performing social media account, demonstrating a high level of engagement and quick response times. It 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.

Particular progress has been made during 2016 in respect of event and incident management. Work is on-going to develop this provision further including the introduction of increased real-time data to provide accurate, real-time, multi-modal customer information at key interchanges across the network.

Underpinning these and other passenger engagement developments is the 'Optimised Public Transport Information System' (OPTIS) which has been developed specifically for TfGM over the last two years and includes a real time view of the current status of the transport network across modes of transport. It is set to be launched during 2017/18.

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 the Customer Service Excellence accreditation obtained in January 2015.

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 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

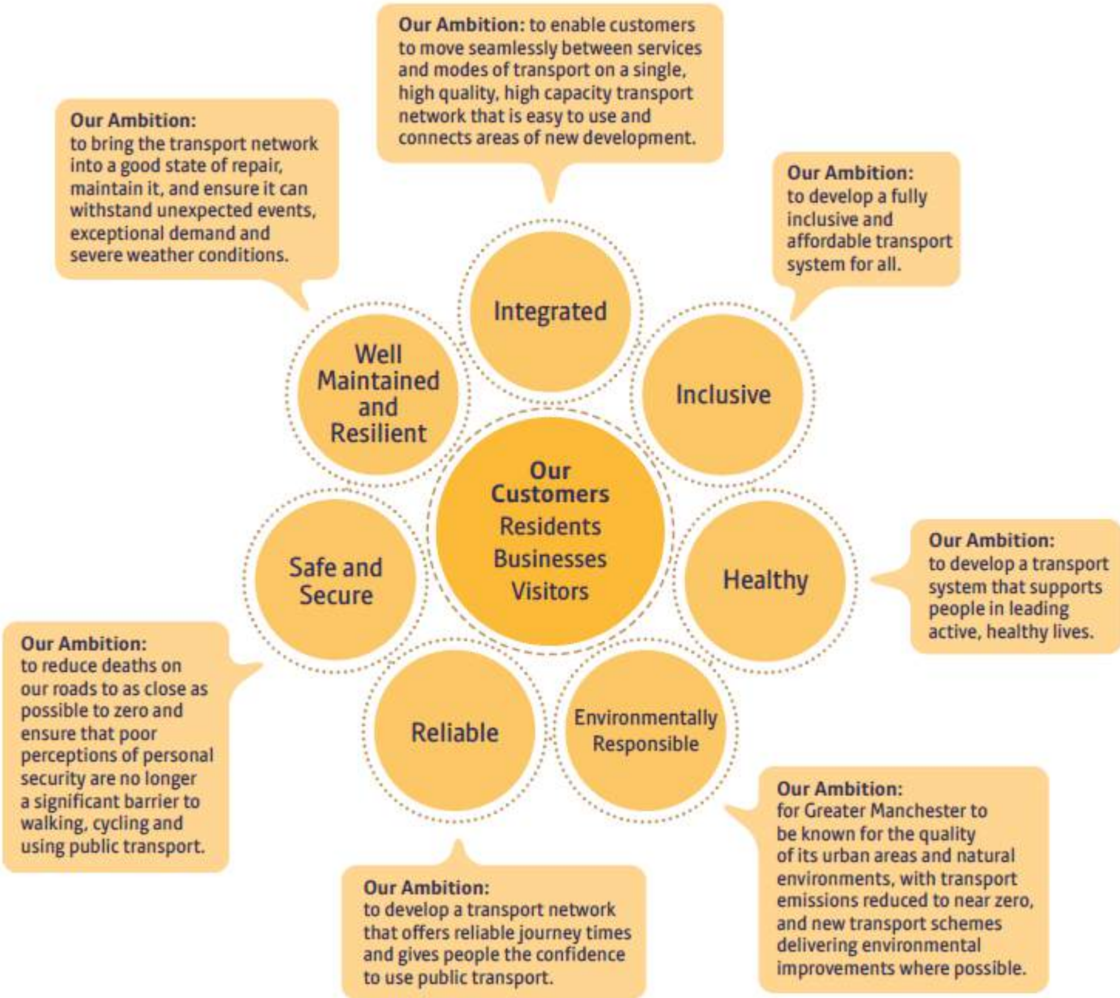
TfGM and Greater Manchester have a strong track record for delivery, built on a clear sense of direction and a strong system of governance that allows for development and refinement of priorities over time in support of the wider economic strategy. TfGM will ensure that there are robust delivery arrangements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

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 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 Operations 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;

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 2016/17, 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. Objectives have been identified for each of the priorities which will be implemented in 2017/18.

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

There is an induction programme to 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.

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 Directorate Risk Champions and senior management; and the Operations Board is actively involved in the management and ownership of risk, in accordance with TfGM's Risk Management Strategy.

A Risk Management Effectiveness Review was undertaken by Grant Thornton LLP in 2016, which concluded that TfGM's Risk Management Policy and Strategy are very thorough and clearly linked to the requirements of the organisation, setting out a clear approach to risk management at TfGM.

TfGM's risk management system continues to support the risk management process, acting as a central database for risk information and providing the functionality to run quantitative risk analysis. Robust and established risk processes are in place to ensure that risks at all levels (Strategic, Directorate, 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 Operations 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, Operations Board, Investment Board, Environment Committee and Functional Boards. Arrangements for the management of project and programme risks are also embedded in project and programme procedures.

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The Grant Thornton review identified some development areas, however none that they considered fundamental to the effectiveness of risk management at TfGM. The recommendations from the review, which included matters such as raising employee awareness of TfGM's stated risk appetite and reviewing the number of risks that are escalated to the strategic risk register, have been taken forward, and 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 in Manchester City Centre 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 who 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 was 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 are underway with Greater Manchester partners, however initial assessments of the response indicate that TfGM's role was undertaken successfully.

Sub-Principle: Managing performance

Co-ordination of TfGM's business planning and performance management processes is delegated to the Operations 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 Operations 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 Operations Board, Investment Board and Environment Committee, 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 Operations Board.

Performance updates are reported to the Executive Board monthly. Regular performance updates are also presented to the LEP, 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 Head of Audit and Assurance's annual report, and also by comments made by the external auditors and other assurance providers.

During the year a number of in depth reviews of TfGM's corporate governance have been undertaken, including a review of the effectiveness of the Executive Board, the Audit and Risk Assurance Committee and Risk Management arrangements. The reviews, facilitated by independent specialists have concluded that TfGM's arrangements are sound, and have provided suggestions for refinements which would further improve corporate governance. An action plan was agreed by TfGM's Executive Board in December 2016, and implementation is underway.

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.

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 and Operations 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

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.

TfGM is improving and modernising its 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.

TfGM's Audit Committee was initially constituted in 2005, and its terms of reference were reviewed and updated in November 2011 and again as part of the review of governance carried out in 2013/14. In line with best practice, an further external review of its effectiveness was undertaken during 2016. The review found that the Committee was functioning effectively and had fulfilled its role during 2016. Some areas of development were identified, including a refinement of its terms of reference to better reflect the depth of its responsibilities in providing assurance over the risk management framework. As a result, the name of the Committee was also amended to the Audit and Risk Assurance Committee.

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

The Audit and Risk Assurance Committee's membership comprises three Members, who are Non-Executive Members of the Directors of TfGM's Board, bringing many years of experience from both the public and private sector. The 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.

Assurance and internal audit

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

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

The Head of Audit and Assurance is required to provide an annual opinion, based upon and limited to the work performed, on the adequacy and effectiveness of TfGM's risk management, control and governance processes. 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 2016/17, 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 of a good standard. Notwithstanding this overall assessment the audit work identified a small number of areas where further improvements can be made, and action plans to address these are in place and are being delivered.

External audit

The external auditors will issue the following reports in respect of the 2016/17 financial year:

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

5 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 2017/18. 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 2016 is reported quarterly to the Executive Board

6 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

17 July 2017

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

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

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

Respective responsibilities of the Finance and Corporate Services Director and auditor

As explained more fully in the Statement of Responsibilities, 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 2016/17, which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to Transport for Greater Manchester's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Finance and Corporate Services Director; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report and Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

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

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the 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 audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

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

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

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

Respective responsibilities of Transport for Greater Manchester and auditor

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.

We are required under Section 20(1)(c) of the Act 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.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether 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 criteria 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 2017.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects 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 2017.

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 Act 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

17 July 2017

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2017

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.

2015/16					2016/17		
Gross Expend-iture £000	Gross Income £000	Net Expend-iture £000		Notes	Gross Expend-iture £000	Gross Income £000	Net Expend-iture £000
(47,696)	49,533	1,837	Rail franchise		-	1,860	1,860
(56,121)	-	(56,121)	Concessionary fare scheme		(55,348)	-	(55,348)
(35,968)	9,372	(26,596)	Supported bus services		(37,528)	10,707	(26,821)
(59,800)	52,666	(7,134)	Metrolink		(59,473)	60,055	582
(4,663)	-	(4,663)	Accessible transport		(4,662)	-	(4,662)
(5,684)	6,921	1,237	Management of traffic signals		(4,997)	5,821	824
(7,470)	7,140	(330)	Road safety activities		(6,169)	5,974	(195)
(7,642)	7,642	-	Provision of third party passenger transport facilities	6	(13,084)	13,084	-
(117,310)	29,267	(88,043)	Operational and other costs	7	(126,832)	15,757	(111,075)
(342,354)	**162,541**	**(179,813)**	**Cost of services**		(308,093)	113,258	(194,835)
(4,969)	-	(4,969)	Other operating expenditure	9e	(6,338)	-	(6,338)
(5,194)	1,347	(3,847)	Financing and investment income and expenditure	8	(4,797)	172	(4,625)
-	273,135	273,135	Taxation and non-specific grant income and expenditure		-	223,948	223,948
(352,517)	437,023	84,506	**Surplus on provision of services**	5	(319,228)	337,378	18,150
		2,442	Surplus or deficit on revaluation of property plant and equipment assets				2,163
		12,300	Remeasurement of the net defined benefit liability	16			(43,435)
		14,742	**Other comprehensive income and expenditure**				(41,272)
		99,248	**Total comprehensive income and expenditure**				(23,122)

All amounts relate to continuing operations. The notes from page 53 onwards form part of these accounts.

A statement is provided in the Directors' Report on page 4 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 2017

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 2015	**34,301**	**2,578**	**36,879**	**1,698,055**	**1,734,934**
Total comprehensive income and expenditure	84,506	-	84,506	14,742	99,248
Adjustments between accounting basis and funding basis under regulations	(84,986)	(1,907)	(86,893)	86,893	-
Transfer between reserves	(1,307)	-	(1,307)	1,307	-
Increase / (decrease) in 2015/16	(1,787)	(1,907)	(3,694)	102,942	99,248
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**

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

The notes from page 53 onwards form part of these accounts.

BALANCE SHEET at 31 March 2017

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 2017 £000	31 March 2016 £000
ASSETS			
Long term assets			
Property, plant & equipment	9	1,916,443	1,898,735
Investment property		890	890
Intangible assets	10	5,510	-
Long term debtors	11	1,230	1,339
		1,924,073	1,900,964
Current Assets			
Assets held for sale		-	715
Short term debtors	11	89,535	75,245
Inventories		196	206
Cash and cash equivalents	12	1,583	21,834
		91,314	98,000
TOTAL ASSETS		**2,015,387**	**1,998,964**
LIABILITIES			
Current Liabilities			
Short term creditors	13	(66,568)	(65,816)
Provisions	13, 14	(1,226)	(2,292)
Short term borrowing	15	(1,237)	(6,252)
		(69,031)	(74,360)
Long term liabilities			
Provisions	14	(200)	(201)
Net pension liabilities	16	(69,099)	(24,200)
Long term borrowings	15	(65,997)	(66,021)
		(135,296)	(90,422)
TOTAL LIABILITIES		**(204,327)**	**(164,782)**
NET ASSETS		**1,811,060**	**1,834,182**
FINANCED AS FOLLOWS:			
Reserves as follows:			
Usable reserves	17	37,614	33,185
Unusable reserves	17	1,773,446	1,800,997
		1,811,060	**1,834,182**

The notes from page 53 onwards form part of these accounts.

Dr J LAMONTE SG WARRENER
Director *Director*
17 July 2017

CASH FLOW STATEMENT for the year ended 31 March 2017

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	2017 £000	2016 £000
Net surplus on provision of services		18,150	84,506
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		(84,981)	(150,656)
Finance cost	8	3,964	3,983
Interest paid		(3,978)	(3,971)
IAS19 pension finance interest	16	833	1,100
Revaluation (gain) / loss on non-current assets		(379)	110
Adjustments for other non- cash movements			
Depreciation	9	65,266	60,651
(Gain) / loss on disposal of non-current assets	9	6,338	4,969
(Gain) / loss on disposal of short-term and long-term investments		-	(1,155)
IAS19 pension service costs	16	5,977	5,700
IAS19 employer contributions	16	(5,346)	(5,000)
(Increase) / decrease in debtors		15,428	(431)
(Increase) / decrease in inventories		10	31
Increase / (decrease) in creditors and provisions		869	(8,172)
Net cash flows from operating activities		**22,151**	**(8,335)**
Investing Activities			
Purchase of property, plant and equipment and intangible assets		(123,470)	(147,413)
Grants received for capital works		85,371	155,809
Proceeds from short-term and long-term investments		-	3,913
Proceeds from sale of property, land and equipment	9	721	1,531
Net cash flows from investing activities		**(37,378)**	**13,840**
Financing Activities			
Repayment of short and long term borrowings	15	(5,024)	(22)
Net cash flows from financing activities		**(5,024)**	**(22)**
Net increase/(decrease) in cash and cash equivalents		(20,251)	5,483
Cash and cash equivalents as at 1 April	12	21,834	16,351
Cash and cash equivalents as at 31 March	12	**1,583**	**21,834**

The notes from page 53 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 2016/17, 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:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

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 has been 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. The 2015/16 comparative information has been re-stated in line with the new guidance, this is a presentational change only and there was no impact on the overall outturn.

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 £121.594 million (*2016: £117.071 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.

CIPFA/LASAAC had previously confirmed that the 2016/17 edition of the Code will adopt the measurement requirements of the CIPFA Code of Practice on the Highways Network Asset, 2016 edition (or any subsequent amendments to that Code that may be issued) which will require infrastructure assets to be measured on a Depreciated Replacement Cost (DRC) basis. In March 2017 CIPFA issued a statement confirming they are no longer implementing the requirements of the Highways Network Asset code, this is because the benefits of implementation are outweighed by the costs.

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

In 2015/16 the Code adopted IFRS 13 Fair Value Measurement, restatement of prior year transactions are not required.

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.

One asset was classified as held for sale as at 31 March 2016 and was sold in 2016/17.

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 has not designated any financial assets as at fair value through the Comprehensive Income and Expenditure Statement. TfGM's financial assets include cash, short-term deposits, trade and other receivables.

Subsequent measurement depends on their classification as follows:

Cash and cash equivalents: funds placed with banks and other financial institutions by GMCA with 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 3.16 and 3.17.

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 3.16 and 3.17.

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 Rail Services - Funding

Local rail services are provided under the terms of the relevant Franchise Agreements. TfGM was a co-signatory to the Northern Rail franchise until the 2015/16 financial year end, with the DfT and the other Passenger Transport Executives into whose areas Northern Rail ran services. Under the terms of the Franchise Agreement, each of the funding parties was contracted to pay, direct to the Franchisee, annual sums in respect of their share of the services being provided. In addition, financial bonuses or penalties were applied according to how well the operator performed against certain specific benchmarks in terms of train service reliability and punctuality; and also in terms of a number of specific criteria against which the quality of service provision at stations and on trains was assessed.

The cost of the Franchise and of certain direct costs of rail support was funded by a Special Rail Grant, which was paid by the DfT direct to TfGM. In 2016/17 the annual sum due to each Franchisee was paid directly by DfT.

3.14 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 2017 amounted to £13.084 million (2016: £7.642 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.

3.15 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.

3.16 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.

3.17 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.

3.18 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 2.5% (2016: 3.4%).
- 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.

3.19 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.

3.20 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.

3.21 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.

3.22 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.

3.23 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.

3.24 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 2016/17 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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Pension benefits: the cost of defined benefit pension plans is determined using 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

2015/16				2016/17		
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**
1,837	-	1,837	Rail franchise	1,860	-	1,860
(56,121)	-	(56,121)	Concessionary fare scheme	(55,348)	-	(55,348)
(26,596)	-	(26,596)	Supported bus services	(26,821)	-	(26,821)
(7,090)	(44)	(7,134)	Metrolink	613	(31)	582
(4,663)	-	(4,663)	Accessible transport	(4,662)	-	(4,662)
1,237	-	1,237	Management of traffic signals	824	-	824
(317)	(13)	(330)	Road safety activities	(183)	(12)	(195)
-	-	-	Provision of passenger transport facilities	-	-	-
(28,485)	(59,558)	(88,043)	Operational and other costs	(46,793)	(64,282)	(111,075)
(120,198)	**(59,615)**	**(179,813)**	**Net cost of Services**	**(130,510)**	**(64,325)**	**(194,835)**
119,718	144,601	264,319	Other income and expenditure	135,553	77,432	212,985
(480)	**84,986**	**84,506**	Surplus or Deficit	**5,043**	**13,107**	**18,150**
34,301			Opening revenue reserves balance	32,514		
(480)			Less / Plus surplus or (deficit) on revenue balance in Year	5,043		
(1,307)			Transfer between reserves	(386)		
32,514			Closing revenue reserve at 31 March	**37,171**		

(a) Note to the expenditure and funding analysis

Adjustments between the Funding and Accounting Basis	**Adjustments for capital purposes (Note 1)**	**Net change for the Pensions adjustment (Note 2)**	**Total Adjustments**
	Adjustments between Funding and Accounting Basis 2015/16		
	£'000	£'000	£'000
Rail franchise	-	-	-
Concessionary fare scheme	-	-	-
Supported bus services	-	-	-
Metrolink	-	(44)	(44)
Accessible transport	-	-	-
Management of traffic signals	-	-	-
Road safety activities	-	(13)	(13)
Provision of passenger transport facilities	-	-	-
Operational and other costs	(58,915)	(643)	(59,558)
Net cost of Services	**(58,915)**	**(700)**	**(59,615)**
Other income and expenditure	145,701	(1,100)	144,601
Difference between revenue reserve surplus and Comprehensive Income and Expenditure Statement surplus on the Provision of Services	86,786	(1,800)	84,986

	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
Rail franchise	-	-	-
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 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	2016/17 £'000	2015/16 £'000
Expenditure		
Employee benefits expenses*	30,849	27,368
Transport expenditure		
Rail franchise	-	47,696
Concessionary fare scheme	55,348	56,121
Supported bus services	37,528	35,968
Metrolink	58,225	57,840
Accessible transport	4,662	4,663
Management of traffic signals	4,997	5,684
Road safety activities	5,521	6,854
Provision of passenger transport facilities	13,084	7,642
Other Transport Expenditure	32,171	31,866
Depreciation, amortisation, impairment	65,266	60,651
Financing costs:		
Interest payable and similar charges	3,988	4,007
Adjustment for the equalisation of interest on a loan	(24)	(23)
Pensions interest cost and expected return on pensions assets	833	1,100
Changes in the fair value of investment properties	-	111
Loss on the disposal of assets	6,780	4,969
Total expenditure	**319,228**	**352,517**

	2016/17 £'000	2015/16 £'000
Income		
Fees, charges and other service income		
Transport income		
Rail franchise	1,860	49,533
Supported bus services	10,707	9,372
Metrolink	60,055	52,666
Management of traffic signals	5,821	6,921
Road safety activities	5,974	7,140
Provision of passenger transport facilities	13,084	7,642
Interest and investment income	172	1,347
Local government revenue grants and contributions	138,967	122,479
Local government capital grants and contributions	84,981	150,656
Bus station facility charges	3,148	3,166
Rents and service charges	789	858
Advertising revenue	496	520
Contract settlement	-	15,000
Other highways income	4,089	4,283
Passenger information services, Travelshop, bus station ancillary charges, rail franchise, operators and local authorities' recoveries.	7,235	5,440
Total income	**337,378**	**437,023**
Surplus on the Provision of Services	**18,150**	**84,506**

*Note this includes the IAS19 employer cost adjustments and removes staff time capitalised.

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 railway and highways infrastructure. The expenditure incurred is offset by equivalent grants or funding, which for the year ended 31 March 2017 amounted to £13.084 million (*2016: £7.642 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):

	2017 £000	2016 £000
Remuneration of Statutory Directors (note 7b)	698	726
Non - executive directors fees (One of the non-executive directors receives no fees or remuneration)	49	55
Net (gain) / loss on disposal of non-current assets	6,716	4,969
Fees payable to external auditors for:		
- audit services	44	44
- other services	30	-
Rents (receivable)	(788)	(858)
Operating leases - minimum lease payments	319	214

(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	2016/17	287,850	4,465	292,315
Dr J Lamonte	2015/16	285,069	51,585	336,654
Chief Operating Officer	2016/17	171,742	32,279	204,021
RM Morris	2015/16	170,081	30,769	200,850
Finance & Corporate Services Director	2016/17	170,023	31,959	201,982
SG Warrener	2015/16	160,002	28,959	188,961

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

	2017 £000	2016 £000
Wages and salaries	26,506	24,023
Social security costs	2,786	1,985
Pension costs	4,675	4,073
	33,968	**30,081**
The average number of employees during the year	**773**	**707**

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	2017 Number	2016 Number
£50,000 to £54,999	42	26
£55,000 to £59,999	14	14
£60,000 to £64,999	12	13
£65,000 to £69,999	12	9
£70,000 to £74,999	8	4
£75,000 to £79,999	1	2
£80,000 to £84,999	6	5
£85,000 to £89,999	3	3
£90,000 to £94,999	2	1
£95,000 to £99,999	1	3
£100,000 to £104,999	1	-
£105,000 to £109,999	3	1
£110,000 to £114,999	1	1
£120,000 to £124,999	1	1

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

The table above includes five 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	
	2017	2016	2017	2016	2017	2016	2017 £000	2016 £000
£0 - £20,000	-	-	6	2	6	2	20	26
£20,001 - £40,000	1	-	1	-	2	-	65	-
£40,001 - £60,000	-	-	2	-	2	-	95	-
	1	**-**	**9**	**2**	**10**	**2**	**180**	**26**

8 Financing and Investment Income and Expenditure

	2017 £000	2016 £000
Financing Costs		
Interest payable and similar charges	3,988	4,007
Adjustment on the equalisation of interest on a loan	(24)	(23)
Pensions interest cost and expected return on pensions assets	833	1,100
Revaluation loss on non-current assets	-	110
	4,797	**5,194**

	2017 £000	2016 £000
Investment Income		
Interest receivable and similar income	1	5
Received from Charterplan Holidays Limited – distribution of subsidiary profits	-	1,154
Received from Piccadilly Triangle Developments LLP – distribution of part of partnership profits	171	188
	172	**1,347**

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 2015	**2,091,522**	**1,878,747**	**12,799**	**23,860**	**22,310**	-	**153,806**
Expenditure during the year	142,276	-	-	-	-	-	142,276
Transfers from assets under construction	-	106,105	-	7,765	450	-	(114,320)
Reclassifications	(1,455)	(1,744)	199	-	-	90	-
Restatement of assets	1,792	676	401	-	-	715	-
Disposals	(11,896)	(11,471)	-	(283)	(142)	-	-
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**
Depreciation and impairment:							
At 31 March 2015	**268,792**	**245,881**	**1,255**	**15,941**	**5,715**	**-**	**-**
Depreciation provided during the period	60,651	56,913	378	1,926	1,434	-	-
Reclassifications	-	(30)	30	-	-	-	-
Restatement of assets	(541)	(511)	(30)	-	-	-	-
Disposals	(5,398)	(4,972)	-	(283)	(143)	-	-
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	-	-	-	-	-	-	-
Elimination of depreciation on revaluation	(1,791)	-	(1,791)	-	-	-	-
Disposals	(7,429)	(3,833)	-	(3,596)	-	-	-
At 31 March 2017	**379,494**	**353,991**	**378**	**16,650**	**8,475**	**-**	**-**
Net Book Value:							
At 31 March 2017	**1,916,443**	**1,758,170**	**13,771**	**15,185**	**15,890**	**805**	**112,622**
At 31 March 2016	**1,898,735**	**1,675,032**	**11,766**	**13,758**	**15,612**	**805**	**181,762**

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

	31 March 2017 £000	31 March 2016 £000
Freehold	179,623	128,786
Long Leasehold	74,418	73,629
Short Leasehold	2,438	1,997
	256,479	**204,412**

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 the Leigh to Ellenbrook Guided Busway, Light Rail Vehicles and the Metrolink Second City Crossing.

The disposals in the year mainly relates to the Metrolink track at Eccles and the Oldham Mumps Park and Ride asset. The park and ride disposal was part of a land-swap agreement between TfGM and Oldham Council to unlock the former park and ride site as part of a mixed-use development in the area.

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 2016/17 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 2016/17.

All valuations were carried out by Leslie Roberts & Co Ltd, 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 extensions. This includes investment in the construction of the Second City Crossing and Trafford Park line. Other significant items of capital expenditure included: investment in design, land acquisition and construction of a new transport interchanges at Bolton; investment in upgrading the existing Metrolink network; Leigh to Ellenbrook Guided busway 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, Manchester City Council and various other organisations. None of the expenditure in the year was financed by finance leases.

At 31 March 2017 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 £0.443 million (£0.671 million at 31 March 2016).

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:

	2017 £000	2016 £000
Net proceeds from sale of assets	721	1,531
Disposal costs written off	(6)	-
De-recognition of carrying values of assets	(7,495)	(6,500)
Gain / (loss) on disposal of property, plant and equipment per Comprehensive Income and Expenditure Statement*	**(6,780)**	**(4,969)**
De-recognition of carrying values of associated grants	6,780	4,955
	-	**(14)**

*Note. There is a small difference to the amount referred to in the CIES. 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 2017	**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**

The internally generated assets include the development of the new TfGM website, the costs of the journey planner and other assets compromise the SAP system software upgrade and licenses.

11 Debtors

Long term debtors: amounts falling due after one year:

	31 March 2017 £000	31 March 2016 £000
Other debtors	1,230	1,339
	1,230	**1,339**

Analysed as the following class of debtor:

Other local authorities	1,230	1,339
	1,230	**1,339**

Short term debtors: amounts falling due within one year:

	31 March 2017 £000	31 March 2016 £000
Trade debtors	3,542	6,232
Amounts receivable from GMCA	29,647	48,685
Amounts due from group undertakings	65	88
Other debtors	15,549	7,601
Prepayments and accrued income	40,732	12,639
	89,535	**75,245**

Analysed between the following classes of debtors:

Central government bodies	9,788	4,327
Other local authorities	31,568	52,385
Other entities and individuals	48,179	18,533
	89,535	**75,245**

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 2017, trade debtors at a nominal value of £1,883,000 (*2016: £1,912,000*) were impaired. Movements in the provision for impairment of receivables were as follows:

	31 March 2017 £000	31 March 2016 £000
Opening provision	1,912	1,901
Charge for the year	26	57
Amounts written off	-	-
Unused amounts reversed	(55)	(46)
Closing provision	**1,883**	**1,912**

As at 31 March 2017, the ageing analysis of trade debtors was as follows:

	Total £000	Neither overdue nor impaired £000	Past due but not impaired 1-30 days £000	31-60 days £000	61-90 days £000	91-120 days £000	over 120 days £000
31 March 2017	3,542	2,016	613	230	14	35	634
31 March 2016	6,232	5,130	836	61	18	13	174

12 Cash and cash equivalents

	31 March 2017 £000	31 March 2016 £000
Cash at bank and in hand	181	39
Short term deposits with GMCA	1,402	21,795
	1,583	**21,834**

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 2017 £000	31 March 2016 £000
Short term creditors		
Trade creditors	4,783	5,979
Taxation and social security	840	630
Accruals for expenditure recognised	48,229	45,973
Deferred income	3,161	3,294
Amounts due to GMCA	2,662	1,879
Other creditors	6,893	8,061
	66,568	65,816
Provisions (note 14)	1,226	2,292
Short term borrowings (note 15)	1,237	6,252
	69,031	**74,360**

Analysed between the following classes of creditors:

Central government bodies	1,218	996
Other local authorities	2,928	2,495
Other entities and individuals	64,885	70,869
	69,031	**74,360**

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	Contractual Obligations	Capital Works	Onerous Leases
	£000	**£000**	**£000**	**£000**	**£000**
At 1 April 2016	**2,493**	**438**	**313**	**1,540**	**202**
Arising during the year	632	46	-	586	-
Utilised during the year	(1,470)	(45)	(84)	(1,340)	(1)
Unused amounts reversed	(229)	-	(229)	-	-
At 31 March 2017	**1,426**	**439**	**-**	**786**	**201**

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 2016			
Insurance Excess	438	438	-
Contractual Obligations	313	313	-
Capital Works	1,540	1,540	-
Onerous Lease	202	1	201
	2,493	**2,292**	**201**
At 31 March 2017			
Insurance Excess	439	439	-
Capital Works	786	786	-
Onerous Lease	201	1	200
	1,426	**1,226**	**200**

The amounts provided above at 31 March 2017 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.

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 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Financial Assets:				
Long term debtors	1,230	1,339	1,230	1,339
Current trade debtors	3,542	6,232	3,542	6,232
Amounts receivable from GMCA	29,647	48,684	29,647	48,684
Amounts due from group undertakings	65	88	65	88
Other debtors	5,761	3,285	5,761	3,285
Cash and cash equivalents	1,583	21,834	1,583	21,834
Financial Liabilities:				
Short term creditors	(62,567)	(61,892)	(62,567)	(61,892)
Loans and receivables: Interest bearing loans and borrowings:				
Fixed rate borrowings - due within one year				
Accrued Interest	(1,237)	(1,252)	(1,237)	(1,252)
Market debt	-	(5,000)	-	(5,286)
Fixed rate borrowings - due after one year				
PWLB debt	(17,322)	(17,322)	(22,995)	(23,025)
Market debt	(48,675)	(48,699)	(69,009)	(67,521)

Fair Values

Fair value in IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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 £69.009 million (2015/16: £72.807 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 £63.985 million (2015/16: £66.695 million). A loan of £5 million was repaid in 2016/17.
- The fair value of Public Works Loan Board (PWLB) loans of £22.995 million (2015/16: £23.025 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 £21.691 million (2015/16: £21.584 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 £4.839 million (2015/16: £5.001 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 Capita. Capita 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 2017 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	2017 £000	2016 £000
Current:				
Loan capital from Greater Manchester Local Authorities	7.3 – 10.5%	2016-17	-	1
Accrued interest on all loans			1,237	1,251
DePfa ACS Bank - a	5.97%	Mar 2017	-	5,000
			1,237	6,252

	Effective Interest Rate %	Maturity	2017 £000	2016 £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	675	699
			65,997	66,021
Total Loans and borrowings			**67,234**	**72,273**

	2017	2016
Instalments are payable as follows:		
Within 1 year or repayable on demand	1,237	6,252
Within 1 to 2 years	-	-
Within 2 to 5 years	7,500	-
Within 5 to 10 years	29,322	36,822
Longer than 10 years	29,175	29,199
	67,234	**72,273**

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 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 2017 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 2017 £000	2016 £000
Comprehensive Income and Expenditure statement		
Cost of Services:		
Service cost comprising:		
Current Service cost	(5,923)	(5,700)
Past service costs	(54)	-
Financing and Investment Income and Expenditure		
Net interest (expense) / income	(833)	(1,100)
Total Post-employment Benefits charged to the Surplus on the provision of services	**(6,810)**	**(6,800)**
Remeasurement of the net defined (liability) / benefit comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	31,865	(10,400)
Actuarial gains and losses arising on changes in demographic assumptions	(898)	-
Actuarial gains and losses arising on changes in financial assumptions	(61,143)	14,800
Other experience	(13,259)	7,900
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure statement	**(43,435)**	**12,300**
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	(44,899)	10,500
Actual amount charged against the Usable Reserves Balance for pensions in the year:		
Employer's contributions payable to scheme	5,346	5,000
Retirement benefits payable to pensioners	(27,519)	(22,100)

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 2017 £000	2016 £000
Present value of the defined benefit obligation	(425,300)	(357,800)
Fair value of plan assets	356,201	333,600
Net liability arising from the defined benefit obligation	**(69,099)**	**(24,200)**

Reconciliation of the Movements in the Fair Value of the Scheme

	Local Government Pension Scheme	
	2017	**2016**
	£000	**£000**
Opening value of the scheme assets	333,600	348,800
Interest Income	11,001	10,600
Remeasurement loss:		
The return on plan assets, excluding the amount included in the net interest expense	31,865	(10,400)
Contributions from employer	4,841	4,500
Contributions from employees into the scheme	1,908	1,700
Contributions in respect of unfunded benefits	505	500
Benefits paid	(27,519)	(22,100)
Closing value of scheme assets	**356,201**	**333,600**

Reconciliation of Present Value of the Scheme Liabilities

	Funded liabilities: Local Government Pension Scheme	
	2017	**2016**
	£000	**£000**
Opening balance at 1 April	357,800	383,500
Current service cost*	5,923	5,700
Interest cost	11,834	11,700
Contributions from scheme participants	1,908	1,700
Remeasurement gains / (losses)		
Actuarial gains/losses arising from changes in demographic assumptions	898	-
Actuarial gains/losses arising from changes in financial assumptions	61,143	(14,800)
Other experience	13,259	(7,900)
Past service cost	54	-
Benefits paid	(27,519)	(22,100)
Closing balance at 31 March**	**425,300**	**357,800**

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

** The closing liability includes £5.432million of unfunded liabilities (2016: £5.1 million).

Local Government Pension Scheme assets comprised:

	Local Government Pension Scheme	
	2017	**2016**
	£000	**£000**
Cash and cash equivalents	17,088	68,968
Equity instruments		
Consumer	15,214	12,751
Manufacturing	15,578	10,494
Energy and utilities	12,460	7,773
Financial institutions	19,135	14,046
Health and care	6,716	6,055
Information technology	4,755	3,253
Other	3,188	1,908
Sub-total equity	77,046	56,280
Bonds:		
By sector		
Corporate	8,880	7,214
Government	129,939	124,634
Other	5,913	4,521
Sub-total bonds	144,732	136,369
Property:		
UK property	5,133	4,559
Private equity	5,318	3,618
Investment funds and unit trusts		
Equities	46,862	40,348
Bonds	13,360	11,249
Infrastructure	4,316	1,941
Other	42,346	9,887
Sub-total other investment funds	106,884	63,425
Derivatives:		
Other	-	381
Total assets	**356,201**	**333,600**

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 2017	2016
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	21.5 years	21.4 years
Women	24.1 years	24.0 years
Longevity at 65 for future pensioners		
Men	23.7 years	24.0 years
Women	26.2 years	26.0 years
Rate of inflation		
Rate of increase in salaries	3.15%	3.35%
Rate of increase in pensions	2.4%	2.10%
Rate for discounting scheme liabilities	2.5%	3.40%

The return on the Employers' portion of the main fund assets for the year to 31 March 2017 is 24.1% (2016: (0.6)%).

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 2016/17		2015/16	
	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%)	1%	4,611	2%	6,567
Rate of increase in pensions (increase or decrease by 0.5%)	6%	25,814	6%	20,595
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	7%	30,907	8%	27,442

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% (2016: 3%). 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 £4,841,000 (2016/17: £4,078,000) in expected contributions to the scheme in 2017/18.

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

Weighted Average Duration

	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%

	Short 31 March 2016 % p.a.	**Medium 31 March 2016 % p.a.**	**Long 31 March 2016 % p.a.**
Pension increase rate	2.1%	2.2%	2.2%
Retail Price Inflation (RPI)	3.1%	3.2%	3.2%
Discount rate	3.4%	3.5%	3.6%

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 2017 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:

2015/16	**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 2015	**22,847**	**11,454**	**2,578**	**36,879**	**2,461**	**-**	**(34,700)**	**(49,036)**	**1,779,330**	**1,698,055**	**1,734,934**
Surplus on provision of services	84,506	-	-	84,506	-	-	-	-	-	-	84,506
Other comprehensive income and expenditure	-	-	-	-	-	2,442	12,300	-	-	14,742	14,742
Comprehensive income and expenditure	84,506	-	-	84,506	-	2,442	12,300	-	-	14,742	99,248
Adjustments between accounting basis and funding basis under regulations											
Capital grants released (amortisation)	58,915	-	-	58,915	-	-	-	-	(58,915)	(58,915)	-
Capital grants released (disposals)	4,955	-	-	4,955	-	-	-	-	(4,955)	(4,955)	-
Capital grants applied	(150,656)	-	(1,907)	(152,563)	-	-	-	-	152,563	152,563	-
Revenue grants unapplied	-	-	-	-	-	-	-	-	-	-	-
Revenue grants (previously unapplied) released	11,140	(11,140)	-	-	-	-	-	-	-	-	-
Pension contributions by employer	(5,000)	-	-	(5,000)	-	-	5,000	-	-	5,000	-
Pension cost of service	5,700	-	-	5,700	-	-	(5,700)	-	-	(5,700)	-
Pension finance costs	1,100	-	-	1,100	-	-	(1,100)	-	-	(1,100)	-
Reallocation of revaluation reserve	(207)	-	-	(207)	-	207	-	-	-	207	
	(74,053)	(11,140)	(1,907)	(87,100)	-	207	(1,800)	-	88,693	87,100	-
Net increase / (decrease) before transfers to earmarked reserves	10,453	(11,140)	(1,907)	(2,594)	-	2,649	10,500	-	88,693	101,842	99,248
Transfer to Deregulation Reserve	(1,100)	-	-	(1,100)	-	-	-	1,100	-	1,100	-
Increase / (decrease) in 2015/16	9,353	(11,140)	(1,907)	(3,694)	-	2,649	10,500	1,100	88,693	102,942	99,248
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**

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**

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. Until TfN is a statutory body TfGM are incurring 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:

	2016/17	**2015/16**
	£000	**£000**
Non-incremental expenditure incurred in providing corporate services to TfN	677	9
Grant funding received	(677)	(9)
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
Greater Manchester Public Transport Information Limited	51%	Public transport information
Transport for Greater Manchester Limited	100%	Non-trading dormant company

* indirectly owned

An application to strike off Greater Manchester Public Transport Information Limited will be submitted in early 2017/18 and will be struck off by the end of 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 £400,000 (*2016: £280,000*).

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 is also 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 2017 (page 25, notes 11 and 13)	245,071	305	29,647	2,662
GMCA – grant / sales related 2016 (page 25, notes 11 and 13)	283,714	425	48,684	1,879
GMCA - short term deposits 2017	-	-	1,402	-
GMCA - short term deposits 2016	-	-	21,795	-
Piccadilly Triangle Developments 2017	171	-	65	-
Piccadilly Triangle Developments 2016	188	-	-	-

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

	2017 £000	2016 £000
Capital commitments at balance sheet date	212,874	59,297

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.

	2017 £000	2016 £000
Land and buildings		
Payments due within 1 year	303	214
Payments due between 2 and 5 years	960	602
Total payments due thereafter	6,918	6,960
	8,181	**7,776**

21 Contingent assets and liabilities

A contingent liability exists in relation to potential third party property costs claimed pursuant to Part 1 of the Land Compensation Act 1973 which may be incurred in connection with the running of the Metrolink extensions. Based on the current information available the final amount payable in relation to these costs is uncertain. Currently all claims are being considered and assessed. There have been no payments made in relation to this matter to date.

A contingent liability also exists in relation to a draft claim received from a third party as part of the Metrolink extension scheme. Due to this, the final amount payable in relation to an element of the capital programme is uncertain. The Directors consider that the provision of additional information could be prejudicial to its position in resolving this matter.

22 Post balance sheet events

As at 17 July 2017, there are no Post Balance Sheet Events which require disclosure.

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