The Greater Manchester Combined Authority

Annual Statement of Accounts
Year ended 31st March 2016

GMCA GREATER MANCHESTER COMBINED AUTHORITY

Annual Statement of Accounts 2015/16

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Narrative Report by the Treasurer

Introduction

Welcome to the Greater Manchester Combined Authority's Annual Statement of Accounts for 2015/16. The statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

The purpose of this report is to provide a guide to the Authority's accounts as well as setting out the Authority's financial position.

Background to the Greater Manchester Combined Authority

The Authority was established as a unique statutory body for the combined area (the area of the ten constituent authorities) on 1 April 2011, following the enactment on 22 March 2011 of the Greater Manchester Combined Authority Order 2011, Statutory Instrument No. 908.

The Greater Manchester Combined Authority (GMCA) was the first model of governance for a city region, provided for by the Local Democracy, Economic Development and Construction Act 2009. The functions of the GMCA are set out in legislation and include all the transport functions previously overseen by Greater Manchester Integrated Transport Authority, plus a new set of transport functions, notably those adopting responsibility for traffic light signals and reports on road traffic levels have also been delegated by the constituent councils to the GMCA. The GMCA is also responsible for a range of economic development and regeneration functions across the Greater Manchester County.

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

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

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

The following paragraphs give a brief explanation of the purpose and relationship between each of the main statements that make up the Authority's Annual Statement of Accounts.

Statement of Responsibilities for the Statement of Accounts

The statement confirms the responsibilities of the Authority and the Treasurer for the production and content of the Annual Statement of Accounts.

The Core Financial Statements are:

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

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local levies) and other unusable reserves. The Deficit / (Surplus) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for levy setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers (to) or from earmarked reserves undertaken by the Authority.

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

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

- **Balance Sheet**

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

- **Cash Flow Statement**

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

Group Accounts

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

Notes to the Financial Statements

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

Changes in Accounting Policies

The way that accounts are presented is governed by the accounting policies that the Authority has to follow. The accounting practice governing local authority accounts which include the GMCA, have undergone major changes over the last few years in order to bring public sector accounting in line with that of the private sector. There have been no further changes to accounting policies that affect the GMCA in 2015/16.

How the Authority Performed in 2015/16

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

The Accounts of the Authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Greater Manchester signed the first English devolution deal in November 2014 and this has been followed up with further deals in March and July 2015 and March 2016 and a Memorandum of Understanding between local authorities and health partners signed in February 2015.

Transport Functions

The Authority provided a revenue grant to TfGM which is the executive body responsible for implementing the Authority's transport policies. The Authority also received from the Department for Transport revenue grants to fund expenditure on transport schemes approved by the Department. These included funding for Local Sustainable Transport Fund and Smarter Cities. GMCA does not directly provide bus, train or Metrolink services.

The Authority, together with the TfGM is responsible for:

- Paying for bus services which are not provided commercially by bus operators.
- Owning bus stations, shelters and stops in Greater Manchester and working to ensure all the information passengers see there is correct.
- Subsidising concessionary fares and free travel facilities on buses throughout the region, including paying to keep non-profitable services running where passengers need them most.
- Carrying out the policies of an elected authority to ensure that local rail services meet local travel needs.
- Owning Metrolink.
- Campaigning to promote public transport in Greater Manchester, to improve the environment and cut congestion.
- The installation, maintenance and management of traffic signals.
- Maintaining highway databases, surveys, modelling, analysis, appraisals and advice.
- Highways route performance, incident response and event management via a traffic control centre.
- Partnership working to promote a shared strategic road safety analysis and recommendations on interventions.
- Preparing the Local Transport Plan.

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

Activities in the year

Devolution Agreement

In November 2014 the Government and GMCA signed the Greater Manchester Devolution

Agreement. The Agreement represents a significant devolution of powers and responsibilities to Greater Manchester. These are designed to drive economic growth and reform public services for the benefit of people who live and work in Greater Manchester. The Devolution Agreement also includes a requirement to appoint an elected Mayor. The arrangements are designed to improve the effectiveness and efficiency of transport and economic development functions and include a number of transport proposals which included the confirmation of funding for the Metrolink extension to Trafford. Under the agreement the new, directly elected Mayor of Greater Manchester will receive the following powers with respect to transport matters:

- Responsibility for a devolved and consolidated transport budget, with a multi-year settlement to be agreed at the next Spending Review;
- Responsibility for franchised bus services (subject to public consultation); for integrating smart ticketing across all modes of transport; and exploring the opportunities for devolving rail stations across the Greater Manchester area.

As part of the Devolution plans, GMCA has also approved proposals for the establishment of a 'key route network' – the most economically important roads (excluding motorways) in Greater Manchester. The key route network model has seen TfGM taking strategic management responsibility for these roads across all ten Greater Manchester districts from 1 April 2015.
During the year work has continued on the preparation of business cases for the transport related elements of the Devolution agreement. These include Bus Franchising; Rail Station Devolution; and Highways activities including Highways Shared Services.

Transport for the North

Following the establishment of Transport for the North (TfN) last year TfGM has continued to work with TfN on developing its proposals and its Business Plan. In March 2016 the Northern Transport Strategy Spring 2016 was launched by TfN and the Department for Transport, and gives an update on their joint work.

The report outlines transformative projects such as Northern Powerhouse Rail and Smart North – a smart ticketing system to allow passengers to switch easily between transport modes across the region while ensuring value for money. It also gives updates on some of the key improvements already made in the North over the past year, and the billions of pounds already guaranteed to deliver better journeys and support the region's economic growth.

In the March 2016 Budget, the Chancellor of the Exchequer underlined the government's support for the vision set out by TfN in the Northern Transport Strategy, and also accepted recommendations from the National Infrastructure Commission on northern connectivity. High Speed 3 – a high-speed rail link between Leeds and Manchester – was also given the green light.

2040 Strategy

During the year under review TfGM consulted on a new publication, 'Greater Manchester Transport Strategy 2040: Our Vision' – the starting point in the development of a new long-term transport strategy for Greater Manchester.

This set out a vision for the transport network to deliver "World class connections that support long-term sustainable economic growth and access to opportunities for all". The document provides a vision of what a successful transport system might look like in 2040, to support Greater Manchester's wider economic, social and environmental ambitions.

Comments received during the consultation are being taken into consideration as we develop the new Strategy for 2040. This is due to be published in 2016 and together with subsequent more detailed 5-year Transport Delivery Plans, will form our new statutory Greater Manchester

Local Transport Plan. These documents will provide more detail on how we will deliver our Vision over the coming years.

Delivery of new transport facilities

In the past year, TfGM has continued to deliver a number of major projects including further Metrolink extensions and other public transport schemes, including those within the Greater Manchester Transport Fund (GMTF) and the Local Growth Fund.

The GMTF was established in 2009 and includes prioritised schemes based on delivering the maximum economic benefit, as measured by growth in Gross Value Added, to Greater Manchester, consistent with positive social and environmental outcomes. The GMTF includes a number of public transport schemes, including a package of works to further extend the Metrolink network, including new links to East Didsbury, Ashton, Oldham and Rochdale town centres and Manchester Airport; and a second city centre crossing; development of the Leigh-Salford-Manchester busway; improved interchange facilities at Altrincham and Bolton; and a number of park and ride schemes.

The investments are being funded from a combination of central Government funding; 'top slicing' existing Local Transport Plan funding; contributions from local partners; and borrowings, supported by agreed increases in contributions from the levy and from net revenues generated from the public transport schemes being delivered as part of the GMTF.

In the year under review the extension of the Metrolink system to Exchange Square in Manchester was opened. In addition the upgraded Metrolink stop at Deansgate- Castlefield was opened. A project to upgrade Manchester Victoria station incorporated the expansion of the Metrolink network, boosting the number of tracks from two to three and the number of platforms from two to four to provide additional capacity. The improvements at Exchange Square, Deansgate-Castlefield and Victoria have been made possible by grants from the European Regional Development Fund (ERDF). As part of supporting the expansion of the system further new Light Rail Vehicles were introduced onto the network. Work on the Second City Crossing scheme, which will provide a second route across Manchester City Centre, continued during the year.

During the year work continued on the proposals to build a new Metrolink line to Trafford Park, which will be funded as part of the Devolution Agreement. The proposals will see the line being built through Trafford Park, one of the region's largest centres of employment, to the intu Trafford Centre. A Public Inquiry into the scheme commenced in July 2015 and closed in December 2015. Plans are now being refined and TfGM will continue to engage with stakeholders along the route as the design develops.

The new interchange facility at Wythenshawe opened during the year, improving connections between bus, train and tram services and providing a modern gateway to the town. Work is also ongoing on the construction of a new interchange at Bolton which is due to open during Spring 2017.

Just after the year end the Leigh-Salford-Manchester Busway opened and work has continued in the year on a number of other bus priority schemes.

TfGM has won a number awards during the year for various projects and activities. These included:

- TfGM's Disability Design Reference Group (DDRG) secured the 'Putting Passengers First' award at the 2015 National Rail Awards event.
- the Manchester Airport Metrolink line won four national awards including the award for 'Transport Policy, Planning & Implementation' at The Chartered Institute of Logistics and Transport's (CILT) Annual Awards for Excellence;
- the Metrolink Wi-Fi programme, which provides free Wi-Fi on all trams across the

network, won the Best Customer Initiative award at the Light Rail Awards;

- at the same awards ceremony the transformation of the Deansgate-Castlefield Metrolink stop in Manchester city centre saw TfGM highly commended in the projects under €50m category;
- the Rochdale underpass project which won the Small Project category at the annual Institute of Civil Engineers (ICE) North West Civil Engineering Awards; and

Local Growth Fund

In July 2014 Government confirmed the award of more than £350 million for Greater Manchester's transport network over the next six years as part of the Local Growth Fund following a successful bid by TfGM on behalf of GMCA and the Districts. This will deliver a further 12 major transport schemes in the period up to 2020/21, including new transport interchanges, roads, bus priority measures and more trams for Metrolink. TfGM will continue with the delivery of its element of these schemes during 2016/17 as well as its general oversight role for the programme as a whole. The schemes which TfGM is responsible for delivering are the development of new transport interchanges at Tameside (which gained full planning permission during the year), Stockport and Wigan; 16 new trams and associated infrastructure improvements for Metrolink; development of a package of network improvements between Bolton and Manchester; and an investment in improved passenger facilities at Salford Central Rail Station. The remaining Local Growth Fund schemes are road schemes which are being delivered by the relevant Local Authorities.

In January 2015 Government confirmed the award of a further £56 million to Greater Manchester for investment in a further package of schemes to be funded from the Local Growth Fund. This includes a range of transport interventions and a number of further schemes that TfGM will be delivering including investments in Rail and improvements for Metrolink passengers.

In addition to the 12 schemes above GMCA has also received funding of £15.2 million to deliver a minor works programme in the period to 2016/17.

Smart Ticketing

TfGM has continued to work on the delivery of a smartcard ticketing system. Metrolink passengers can now pay for their travel using a mobile ticketing app. This allows for the purchase of a range of Metrolink tickets, including single and return stop-to-stop tickets, and a 28-day stop-to-stop travelcard – with no photo ID required – providing customers with a flexible digital travel option covering 99 per cent of ticket sales. Passengers can also buy 7- day travelcards and network-wide day and weekend passes. More than 115,000 tickets have been sold through the get me there app since it was launched in November last year.

In addition, bus passengers are now able to top up their get me there bus multi operator travelcards at more than 1,000 PayPoint outlets – making travel easier and more convenient. More than 27,000 get me there smart cards have been issued since November 2015, and over 90% of Greater Manchester buses are now equipped to accept smart cards as part of the scheme.

TfGM is continuing to work with operators to extend the number of get me there bus travelcards available, and is committed to providing Greater Manchester with an integrated smart ticketing system which works seamlessly across all modes.

Other Activities

TfGM has continued to deliver a number of schemes funded by DfT's Local Sustainable Transport Fund (LSTF). GMCA, through TfGM and Local Authority partners, previously secured £37.4 million of LSTF funding from DfT, and in 2015/16 secured a further £5 million, which, together with local contributions, was used to fund various schemes to link communities with employment opportunities and encourage sustainable commuting and business travel.

TfGM has previously secured further Cycle City Ambition Grant funding worth £22.1 million through to 2018. This will see the development of key routes and cycle friendly district centres as part of Greater Manchester's Cycle City Programme. The funding will result in over 45km of new or improved cycle routes being developed. The funding will also be used to introduce five new Cycle Friendly District Centres across Greater Manchester, which will include improvements to cycle parking and local routes. The proposed centres are Manchester, Cheadle Hulme, Radcliffe, Oldham and Wigan. There are also plans to increase the number of cycle and ride stations at key transport interchanges to encourage cycling as part of longer journeys.

Schools and colleges across Greater Manchester will also benefit as the money will go towards developing TfGM's Better By Cycle Schools programme, which sees cycling improvements made in and around a number of educational establishments. Funding will also be awarded to businesses and registered social landlords in Greater Manchester who can apply for grants to provide cycle parking facilities for staff and residents.

The funding will allow TfGM to continue its implementation of schemes to support our Cycle City vision, including our target of 10% of all trips by bike in Greater Manchester by 2025. It is in addition to the £20 million of funding which was secured previously. This funding has been used to develop seven cycleway schemes providing high quality cycle links, principally into Manchester City Centre; Cycle and Ride facilities at 9 train stations and tram stops; and deliver improved cycle facilities at a number of partner schools.

TfGM has continued to support initiatives to deliver improvements in rail infrastructure. Rail North, representing local authorities, including Passenger Transport Executives, across the North of England, has entered into a partnership with the Department for Transport. Through its role in Rail North, TfGM, has continued to work alongside northern partners to develop proposals for local decision-making to play a central role in defining future rail services in the North. In April 2016 the Department for Transport launched the new franchises for Northern and TransPennine Express. Both of these included significantly higher specifications than the expiring franchises which will lead to enhanced customer benefits across the period of the new franchises, including enhanced rolling stock.

During the year TfGM, on behalf of GMCA, also launched a consultation on a wide range of proposals set out as part of the draft Greater Manchester Low-Emission Strategy and Air Quality Action Plan. The consultation, which was launched by the Interim Mayor Tony Lloyd, included the Low-Emission Strategy and Air Quality Action Plan which proposed a range of measures to improve air quality and reduce emissions across Greater Manchester, focusing on 'key priority areas' in urban centres and near major roads which currently fail to meet UK Government and EU air quality objectives.

TfGM has shortlisted four companies who have successfully pre-qualified to bid to operate and maintain Metrolink from 2017, when the current contracts end. The new 7-year contract comes at an exciting time: 2017 marks Metrolink's silver jubilee and will welcome the completion of the Second City Crossing (2CC), the final piece of a transformational expansion that has trebled the size of the original network.

During the year TfGM launched a new 'early bird' service on the Metrolink line to Manchester Airport. The service, which improves accessibility to one of the region's biggest employers, began operating from Firswood from 3am on 21 March 2016.

Economic Development and Regeneration Related Functions

The Authority provided funding for various Economic Development and Regeneration functions which were funded by contributions from the 10 district councils. The Authority also received capital and revenue grants from Central Government departments in support of these functions. These included funding for Local Growth Fund, City Deal, AGE Grant, Affordable Homes, Local Enterprise Partnership funding and EU Funding.

The Manchester Family / Centres of Excellence

The Manchester Family structures are responsible for delivering a number of key functions which underpin GM's growth agenda. The functions which these organisations undertake include economic analysis and policy development; skills and employment programmes; trade, investment and business growth, and marketing and promotion.

New Economy Ltd

Business Review

Following on from the November 2014 Devolution Deal, the 2015/16 year focused on the design and implementation of a range of activities and programmes to support the delivery of the Devolution Deal, along with activity which continued to drive the GM agenda and contribute to GMCA priorities.

Key achievements during the year included:

- Supported submission of GM’s input into the Spending Review.
- The GM evaluation framework being developed and implemented through the Devolution Deal, Growth Deal and PSR evaluation. Work continues on this to expand the coverage of the framework.
- Supported the work on the Greater Manchester Spatial Framework including two consultation phases and a GM wide call for sites.
- Began the implementation of the re-configuration of the Post 19 Skills system in GM, via our Devolution Deal. This including progressing the Area Based Review and moving to influencing skills commissioning in 2016/17.
- Integrated the work of GM’s work and skills teams into one team approach
- Hosted OECD LEED Forum, and launched Leadership report.
- ERDF programme has started to be commissioned and Intermediate Body and Co-Financing Status secured for GMCA. ERDF programme has been commissioned and contracted. ESF calls for Skills & Employment support were developed and commissioned.
- Administered applications and awarded funding for the GM AGE grant.
- Developed and launched a Manufacturing Champions Network, being led by nine of the top manufacturers in GM.
- Sector deep dives completed to provide a detailed understanding of the spatial implications of, and barriers to, growth at a local level and aims to identify how all parts of GM can play a full role in meeting growth ambitions.
- Developed new partnership with the LGA to work with them to inform the development of their devolution support to local authorities.
- A digital skills analysis has been developed, working with industry to ensure that future skills provision better meets the needs of the whole economy, especially this important

sector.

- Establishment of the GM Victims Services Hub.
- Delivered significant national contracts working with the What Works Centre for Local Economic Growth, Core Cities, and the Public Sector Transformation Network.
- An updated Climate Change Implementation Plan has been developed, consulted upon and approved.

Key changes during the year:

- Throughout the year a significant shift towards much closer and integrated working with the GMCA has taken place, including the co-location of some of the PSR team to create a single Work and Skills team for GM.
- A significant change within the year was the appointment of a new Managing Director for the company.

Principal risks and uncertainties

- Failure to deliver all aspects of devolution deals being implemented by New Economy leading to loss of reputation – this has been mitigated through the development of a clear action plan being put in place for each element of the deal, and ensuring effective delivery of that plan.
- Processes needed to manage ESIF are not implemented appropriately especially in light of IB – this has been mitigated through the development of an action plan; bi-weekly progress meetings and any issues or slippage being reported to Chief Executives Investment Group.
- As the GMCA structure develops the role and function of NE will need to change, with the potential for NE, currently a wholly owned subsidiary of the GMCA, to become fully part of the GMCA. This is being managed by ensuring early and continued involvement in the development of the CA transition plan, regular contact with GMCA colleagues, especially PSR and GMIST, and continuous monitoring of impact on day to day work/morale of the organisation and future structures.

Future developments Key

priorities for 2016/17:

- Provide a research service that supports and challenges the GMCA economic growth and public service reform policy, including sustainable data sharing arrangements
- Lead GM cost benefit analysis and evaluation activity to support the delivery of GM's growth and reform strategy and the devolution deal
- Deliver role in Victims Services Hub and ensure that it aligns with broader GMCA priorities
- Secure commercial research, evaluation and cost benefit analysis activity, both within and outside of GM, where it provides added value to the GMCA
- Contributing to overall development of GM strategy, linking and driving appropriate initiatives and networks
- Provide a proactive function to the GMCA , working with GMIST and PSR teams to identify opportunities, including potential funding bids to support and drive the GMCA agenda
- Develop further devolution asks, particularly fiscal devolution
- Act as thought leaders for GM to drive future GMCA priorities, supporting the LEP and GMCA appropriately drawing on research and all policy areas
- Ensure the successful delivery of the Greater Manchester Societal Review
- Ensure the implementation of the skills elements of the devolution deals to deliver the employability and high level skills the GM economy needs, including implementation of the Area Based Review and development of Work & Skills outcomes framework
- Preparation for the roll out of the Apprenticeship Levy and Apprenticeship reform across GM, particularly in relation to the public sector through the ongoing development and implementation of a GM Apprenticeship Strategy
- Implement the European Social Fund programme and Co-financing Organisation status
- Lead the redesign of services towards Working Well expansion and co-design with DWP the new work and health programme contributing to the implementation of the devolution deal
- Implement the Raising Participation Age Strategy with particular focus on improving GCSE attainment and careers education, information, advice and guidance in schools
- Continue to develop science and innovation thinking, informed by and emerging from the Science & Innovation Audits, including capitalising on opportunities arising from Euro Science Open Forum
- Develop policy and strategy to drive productivity via shaping GM's business growth offer (including innovation, finance, business support and implementation of Devolution)
- Continue to support the development of GM's key sectors, with a particular focus on manufacturing and GM's digital ambition, via appropriate evidence, policy and strategy
- Develop an Internationalisation Strategy to support GM to realise its potential internationally to support economic growth
- Support the development of GMSF as part of the Devolution Deal
- Deliver Low Carbon Implementation Plan including supporting the development of GM Energy as part of the Devolution Deal
- Support the implementation of housing elements of Devolution Deal to increase house building and develop new models of social housing

- Continue critical infrastructure mapping and planning, including joint working to develop Utility Providers investment plan
- Manage European Structural and Investment Fund and implement Intermediate Body status
- Influence key policy developments in Europe, helping GM partners access European funding, and maximising non-ESIF opportunities for GM

Manchester Investment and Development Agency Service Ltd (MIDAS)

Principal activities

The main aim of Manchester Investment and Development Agency Service Limited ("MIDAS") is to attract inward investment in to Greater Manchester that ultimately creates and safeguards jobs. This is done through the promotion of Manchester as a business location in key sectors and geographic markets.

The financial statements show a deficit for the year after taxation of £311,617 (2015: deficit of £137,147) resulting in reserves carried forward of £357,663 (2014: £669,280).

Business Model

Although the ownership of MIDAS remains with the Greater Manchester Combined Authority (GMCA), the company is part of a wider group management structure within the Manchester Growth Company (MGC). MGC brings together a number of companies with different market foci, from skills delivery to business support, all areas which support MIDAS' activity and therefore provide significant value in being part of the same organisational structure.

In terms of Governance, MIDAS retains a Company Board, however, there are also reporting lines in to an Advisory Board for Internationalisation and Marketing; and an Advisory Board for Business Support and Business Finance, both of which have delegated responsibilities for those areas of focus from Greater Manchester Local Enterprise Partnership (LEP).

During the financial year 15-16, MIDAS undertook measures to supplement and sustain income due to impending reductions in funding from the GMCA (10%), which were a result of wider national cuts. Firstly, MIDAS successfully applied for ERDF funding as part of a wider MGC bid, which accounted for £157,309 of income in the 15-16 budget and will account for £335,431 of income in the 16-17 budget. MGC continued to contribute to MIDAS income, investing £94,103 in 15-16, with the commitment to invest a further £50,000 in 16-17. MIDAS also assessed the opportunity to develop the business model further in terms of raising income from the private sector, as opposed to the traditional fully public sector funded model. There has been a positive response from the private sector in supporting MIDAS and the initial target to raise £300,000 in additional revenue will be finalised in the subsequent financial year. Further sources of income are also being investigated through national bodies such as UKTI and related funds, to supplement both resource and programme budget.

In terms of financial position, MIDAS had been approved by Board to run a deficit budget of £323,555 in 2015-16, as in previous years, in order to maintain expenditure levels which would sustain and increase performance. The final deficit budget of £311,617 was therefore less than originally planned, as additional revenue was gained from private sector sponsorship of activity.

MIDAS also underwent an independent evaluation of the business, undertaken by New Economy. Findings of the evaluation were generally very positive, with independent research supporting MIDAS' results in terms of job creation over the previous 3 years and calculating a return on investment of £30 for every £1 spent overall. Customer satisfaction was also very high, with 93% rating MIDAS' services/support as good or very good.

Staff turnover has been modest, with 3 members of staff leaving the business during the financial year and a replacement being sought for two of these roles at year end.

Business Review

Performance at the year-end of 15/16 has been very strong, with the major targets around job creation and investment projects met and the emphasis on FDI coming through particularly strong in terms of the percentage of project successes. The pipeline is also looking strong with over 15,000 jobs added during the year, related to 326 new projects.

Headline figures are as follows:

- 4,650 jobs created and safeguarded in Greater Manchester
- Financial, professional and business services -1,923 jobs, 47%; and ICT -1,211 jobs, 30%; are the leading sectors for job creation
- 90 successful investment projects landed in Greater Manchester
- 63% of successful projects came from foreign direct investment (FDI)
- 53% of projects were "new" investments, 47% reinvestments with the latter contributing 55% of jobs
- Economic impact of £290.1 million.

As the above figures illustrate, job creation has been centred around financial and business services and ICT, with other sectors such as advanced manufacturing contributing less than anticipated. In fact, 84% of new enquiries were for office space, showing the relative strength of the services economy against a slight stagnation in manufacturing. Although the high activity in service industries is positive, this does present certain challenges around availability of office space, which post-recession is limited in terms of new build grade A space, but as importantly reasonably priced grade B or refurbished space.

Likewise, another impact of the increased capital investment that we have seen come in to Greater Manchester, particularly in the conurbation core, has pushed property prices up significantly, especially related to refurbished space, meaning that Manchester is becoming less competitive on a regional city basis in terms of both cost and availability which could become challenging in future years.

In terms of international markets, the US has been the most prolific in terms of job creation, accounting for 67% of FDI jobs, with Europe second at 19%. Asia-Pacific has seen an increase in projects to 30% of the overall FDI projects secured, overtaking the US and Europe which both contributed 28% each, Asia-Pacific does cover a number of markets however, and includes a combination of China, Japan, India and other East Asian countries such as Taiwan and Thailand. Asia-Pacific is still only accounting for 7% of jobs, meaning that these projects are relatively small in job numbers and have been more oriented towards capital investment projects or research projects, particularly in the case of China.
In terms of the source/market channel that investment comes through, direct contact from MIDAS is still the dominant source at 56%, with UKTI making up 26%, intermediaries 11% and MGC/GM "family" making up 7%.

In conclusion therefore, a positive year, which has been positively impacted by elements such as the Northern Powerhouse initiative and Chinese Presidential visit, all of which has led to greater focus, profile and attention for Greater Manchester. Next year will be about further building on this platform although the EU referendum is already starting to impact on momentum, which will likely be compounded in 16/17 as the date and result become closer.

Other Economic Development and Regeneration functions / Projects

There are other functions which contribute to Economic Development and Regeneration activities within Greater Manchester and the details of the functions are listed below as follows:

Core Investment Team – The team develop a pipeline of investable projects to support economic development within Greater Manchester. Funding is predominantly from the RGF / GPF grants which the team administers on behalf of the GMCA as well as leveraging in external funding to support the GM Growth Strategy. The Core Investment Team also receives funding from the GPF Revenue Grant and income that it generates such as arrangement fees.

Low Carbon Investment Team –The team are involved in developing a pipeline of low carbon projects across Greater Manchester. They have been successful in attracting European Local Energy Assistance (ELENA) funding which is part of the European Investment Bank's broader effort to support the EU's climate and energy policy objectives. For Greater Manchester the funding will be used for the creation and development of a Low Carbon Development Unit which will support the development of two street lighting investment projects and six district heating network investment projects including a Heat Network Procurement Framework.

Land and Property Programme – A small delivery unit will be responsible for;

- Support localities in the development and delivery of investment in Health and Social Care transformation projects through a dedicated Project Management Office
- Generate common standards and practice to ensure effective delivery
- Incorporate the GM Place team (HCA funded)
- Manage relationships with external agencies such as the Government Property Unit, NHS Property Services and Government Departments
- Provide co-ordinated support to local delivery activity in respect of land and assets
- The team will be managed by a GM Director of Land and Property who will take overall responsibility for the direction of the Delivery Unit and for the development of strategic programmes on behalf of the Land Board and the GMCA.

Estimated costs include £0.3 million for 2016/17 which it is proposed will be resourced from existing funding streams including the LEP Grant. In 2015/16 spend of £0.138 million has taken place, mainly on staffing costs.

Manchester Growth Company - The Business Growth Hub sits within the Manchester Growth Company (MGC) and is Greater Manchester's vehicle for delivery of integrated business support. It brings together business start-up and growth, international trade, business finance services and MIDAS and makes a key contribution to creating new businesses and improving productivity in Greater Manchester. Following government funding streams coming to an end within 2015/16, resources have been found with the Combined Authority to continue supporting this function. With funding totalling £5.8 million being secured over a two year period.

Other GM budgets linked to New Economy include the Planning and Housing Team which are based with New Economy and Manchester Family secondments (which are staff members that work within New Economy but are on secondments from Districts).

Revenue Grant Funded Schemes

Local Enterprise Partnership (LEP) – Core Capacity Funding 2015/16

The joint working between the Authority and the LEP is essential to continue to support the growth and development of Greater Manchester. The GM LEP and the GMCA will work together to deliver the aspirations of the Greater Manchester Strategy (GMS). The GMS priorities will form the foundation of, and focus for, the LEP.

All LEP's have been granted 'capacity funding', paid as Section 31 unringfenced grant to give LEP areas the resource to deliver specific tasks required by government, specifically:

Funding Description	Funding Period 2015 - 2016 £ million
Continued implementation of a 'Growth Plan' (Capacity Funding)	0.250
LEP Core Funding	0.250
	0.500

The LEP's remit continues to include a general oversight of GM's growth agenda, and have chosen to invest LEP 'Capacity' funding in areas where they feel they can add particular value. These are priorities where the LEP is well-placed to add value alongside the GM Combined Authority. They are all key to the Greater Manchester Strategy and support Greater Manchester's Growth aspirations.

Spend on LEP priorities was £0.300 million in 2015/16 and there is an earmarked reserve of £0.53 million as at 31 March 2016.

City Deal – Skills Apprenticeship Hub

The Greater Manchester (GM) City Deal will engender greater ownership of skills by employers, and particularly SMEs, and a more effective alignment of the skills system with economic opportunities. It will create a new Apprenticeship Hub and trial, with the Skills Funding Agency, mechanisms through which its skills funding can better support providers to respond to the City's skills priorities.

The City Deal funding will support the Hub to increase the level of engagement in Apprenticeships among GM residents, particularly among young unemployed people and will support providers to develop new Apprenticeship Frameworks at Advanced and Higher Level through:

- Activities to stimulate demand for Apprenticeships from young unemployed people including through work in schools and sixth forms;
- Enhanced IAG and mentoring support for young unemployed people;
- Work to develop clear pre-Apprenticeship routes (within the current system);
- Offering incentives to employers to recruit unemployed young people as Apprentices;

- Events and promotional activities to engage employers and jobseekers such as fairs and milk rounds, including during Apprenticeship Week;
- Briefing events and materials for frontline workers such as NCS and Jobcentre Plus to support promotion of Apprenticeships.

Funding for this element of the City Deal will be administered via the Skills Funding Agency and totals £8.8m. Actual spend within 2015/16 was £3.7m.

Youth Unemployment Contract

In September 2013, Greater Manchester submitted a proposal to Cabinet Office for investment in measures to tackle long term youth unemployment (for 18-24 year olds) as part of a competitive process alongside twenty seven other cities. As a result of this process, Greater Manchester was offered £5.80 million from the nationally available £50 million allocation that was ring fenced from the underspend on the youth contract wage incentive fund.

The investment, which was confirmed in an offer letter from the Minister for Cities on the 14th November, is to deliver what Cabinet Office has described as their 'flagship programme' to support 2,500 young people.

The grant, which has been paid under Section 31 of the Local Government Finance Act 2003, was received via a single £5.80 million payment. As at 31 March 2016 £1.76 million has been defrayed with the remaining £4.05 million being held in reserves for future years commitments.

Apprenticeship Grant for Employers (AGE)

From April 2015, the Combined Authority received control of the Apprenticeship Grant for Employers (AGE Grant). The £5.1 million grant is aimed at those businesses that would not necessarily be in a position to take on an apprentice. As at 31 March 2016 £3.83 million has been defrayed with the remaining £1.27 million being held in reserves for futures years commitments.

Local Growth Fund

As part of the Growth Deal the GMCA has been awarded £0.625 million of revenue funding to support the establishment or further development of growth hubs in a way which is aligned to Government's ambition for business support.

ELENA Funding

The European Investment Bank has awarded a total of €2.687 million to support the development of the Greater Manchester low carbon investment programme and focuses exclusively on the development of district heating projects using combined heat and power plants fuelled by natural gas, biomass or using geothermal sources with district heating network components, and of energy efficient street lighting projects.

The project is over three year with staged payments taking place over the duration, these payments will be made in Euro's, therefore the actual amounts received each year will be subject to currency fluctuations. £0.101 million was drawn down within 2015/16.

GM Skills & Employment Grant

Funding of £0.5 million has been made available from the Skills Funding Agency (SFA) to support the evaluation of the Skills for the Unemployed Scheme. Whilst £0.06 million was received within 2015/16, no activity / expenditure has as yet taken place, therefore the balance will be taken to ear-marked reserves.

One Public Estate

The Authority has been awarded £250,000 as part of One Public Estate Phase 3 which will focus on delivering large scale transformation in local areas. Whilst the funding will be received in 2015/16, activity will not occur until 2016/17; it is therefore proposed that the unspent grant is transferred into an earmarked reserve and carried forward to 2016/17.

GM Technical Assistance – European Social Fund & European Regional Development Fund (ESF & ERDF)

Following the award of both ESF & ERDF Technical Assistance grants the grant has been expended to the various partners within the scheme, this has been fully off-set by the income received of 0.185 million.

Capital Grant Funded Schemes

Growing Places Fund and Regional Growth Fund

The Growing Places Fund and the Regional Growth Fund are funding streams available to support investment opportunities. There are a number of projects in the pipeline and the original Regional Growth Fund grant funding has been spent in full by March 2016. Whilst grants can be made from RGF, the majority of payments are loans and the loan repayments which will be recycled as future borrowing available for enterprises across Greater Manchester.

Growing Places Fund (GPF)

In 2012/13 the GMCA received a total funding allocation of £37.358 million of which £2.828 million is revenue and £34.53 million is to support capital expenditure.

The Growing Places Fund has three overriding objectives:

- to generate economic activity in the short term by addressing immediate constraints;
- to allow Local Enterprise Partnerships (LEPs) to prioritise infrastructure needs, empowering them to deliver their economic priorities; and
- to establish sustainable recycled funds so that funding can be reinvested.

The majority of the GPF will be used to provide up front capital investment to help stimulate economic development. Funding can be recycled as developments are completed and the investments repaid.

The revenue grant is being used to support the administration of investment activities and £0.259 million has been utilised from the grant in 2015/16.
From the capital grant funding £21.05 million (£0.35 million 2012/13, £1.97 million 2013/14, £8.71 million in 2014/15 and £10.02 million in 2015/16) has been paid to projects with at least a further £9.9 million anticipated to be drawn down in 2016/17. This funding is for large capital investments. Drawdown of funding will only occur once schemes have met certain criteria such as receiving planning permission. Projects are now moving through the pipeline, including meeting due diligence requirements, and the loans from GPF have been steadily increasing.

Regional Growth Fund (RGF)

The GM RGF programme is part of the Greater Manchester Investment Framework and is designed to replace in the private sector some of the estimated 22,000 public sector jobs we will lose by 2015. In doing so, it will address weaknesses that will stop GM playing a full part in leading the North's economy towards sustained, private sector growth and address our own over-reliance on public sector employment.

To date GMCA has been successful in round 2 (RGF2) and round 3 (RGF 3). The programme rounds have a number employment targets to meet relating to creating and safeguarding both direct and indirect jobs.

- RGF2 was awarded £30m funding in November 2012 with a direct jobs target of 2,000.
- RGF3 was awarded £35m funding in April 2013 with a jobs target of 1,724 which is mixture of direct and indirect jobs.

The Combined Authority originally received £65 million in relation to Rounds 2 and 3 of the Regional Growth Fund (RGF). The funding is being used to meet the objectives of RGF including supporting the creation of new, sustainable, private sector jobs in areas vulnerable to public sector job losses. The repayments from loan funding provided to projects will be recycled into future schemes.

The Projects are forecast to create / safeguard over 6,783 jobs with 5,979 achieved to date. RGF3 funds of £6.110 million were expended by May 2015 and the remaining RGF2 funds of £15.902 million were spent by March 2016, ensuring compliance with the conditions of the grant regarding defrayment deadlines.

Recycled RGF / GPF

A number of loans provided either through the Regional Growth Fund or Growing Places Fund's have now started to be repaid, with the strategy being that a perpetual fund is created to support businesses and enable growth. Between 2015/16 and 2017/18 it is currently forecast that £34.2 million will be recycled back out to businesses. As of 31 March 2016 £5.9 million has been recycled.

Empty Homes Programme 2015-18

Following a new bid to the Homes and Communities Agency earlier in the year, confirmation has been received that a further £3.542 million is available for 2015 – 2018 to deliver 232 units. Actual spend within 2015/16 was £0.14 million.

Growth Deal – Economic Development and Regeneration Projects

Skills Capital – Following the decision to carry out an Area Based Review on Further Education provisions, the majority of grants will now be awarded in 2016/17 once the review has concluded and business cases reassessed. A total of £29.3 million is expected to be invested in projects between 2015/16 and 2018/19.

Life Sciences Fund– The fund has been set up to secure Greater Manchester and the North West's place as a major centre for Life Sciences. The fund is now operational with a fund manager in place. £0.973 million was invested within the fund in 2015/16 and it is anticipated that the remaining £9.03 million will be invested within 2016/17.

Business Support Digital Capital – Further to the successful Growth Deal 2 bid, £1 million has been included within the programme for new investment in digital IT to enhance the support given to businesses.

Graphene Engineering Innovation centre (GEIC) – following approval at both the LEP Board and GMCA, £5 million has been set aside from the Growth Deal grant to provide match funding for the GEIC project.

Financial Summary 2015/16

The accounting practice governing local authority accounts has undergone significant changes over the last few years. One of the main aims of these changes has been to harmonise the accounting requirements of the public sector with those of the private sector. The Comprehensive Income and Expenditure Statement shows the Authority's financial position for the year before taking into account any statutory adjustments to standard accounting practice required in local government accounts. The Movement in Reserves Statement reflects these statutory over-rides and shows how the financial performance for the year has impacted on the Authority's general reserves.

For 2015/16 the Authority's Comprehensive Income and Expenditure Statement shows a deficit the year of £25.665 million (2014/15 surplus of £3.316 million).

In 2015/16 the Authority's General Fund shows a surplus for the year of (£0.933 million) (2014/15 surplus of £0.196 million). This is after a contribution of £29.509 million to earmarked reserves. The surplus is predominantly due to efficiencies against corporate budgets and interest earned on economic development and regeneration deposits. The contribution to earmarked reserves of £29.509 million made up as follows:

- RGF Deposit Interest £ 0.037 million
- GPF Interest £ 0.124 million
- RGF / GPF Arrangement Fees £ 0.335 million
- GM Skills and Employment £ 0.060 million
- One Public Estate £ 0.250 million
- Brownfield Register Pilot Grant £ 0.080 million
- Careers and Enterprise Grant £ 0.050 million
- City Deal £ 3.547 million
- Youth Contract £ 3.016 million
- AGE Grant £ 1.274 million
- LEP Funding £ 0.338 million
- Local Sustainable Transport Fund £ 1.877 million
- Smarter Cities £ 0.649 million
- SEMMM's Study £ 0.350 million
- Cycle City Ambition Grant Study £ 0.028 million
- Total Transport Grant £ 0.081 million
- Metrolink Reserve £ 3.479 million
- Integrated Ticketing Reserve £ 12.500 million
- Capital Programme Reserve £ 1.434 million

Revenue Expenditure 2015/16

The actual income and expenditure against budget for 2015/16 is summarised below:

GMCA Revenue Outturn 2015/16	Revised Budget 2015/16	Outturn 2015/16	Forecast Variance 2015/16
Resources Available:	**£000's**	**£000's**	**£000's**
Transport Functions			
Transport Levy	(195,123)	(195,123)	-
Government Grants - Transferred from Reserves	(34,059)	(34,059)	-
Government Grants - Received In-Year	(6,720)	(3,788)	2,932
Other Income	-	(249)	(249)
Economic Devt & Regeneration Functions			
Charges to Districts	(4,019)	(4,019)	-
Government Grants	(10,472)	(10,453)	19
Contributions from Reserves - Earmarked	(30,506)	(30,506)	-
Contributions from Reserves - General	(205)	(205)	-
External Income and Contributions	(794)	(1,277)	(483)
Total Resources	**(281,898)**	**(279,679)**	**2,219**
Calls on Resources:			
Transport Functions			
Gross Grant to TfGM	134,953	118,974	(15,979)
less TfGM Funded Finance Costs	(3,736)	(3,736)	-
Net grant paid to TfGM	131,217	115,238	(15,979)
Other Grants	13,597	7,680	(5,917)
GMCA Traffic Signals	3,822	4,071	249
Capital Financing			
Levy Funded	55,604	54,170	(1,434)
GMCA Funded from Reserves	27,182	27,182	-
TfGM Funded from Reserves/Revenues	500	500	-
TfGM Funded from Efficiencies	3,236	3,236	-
Other Levy Funded Activity			
Marketing Manchester	27	27	-
GMCA Running Costs	717	717	-
Economic Devt & Regeneration Functions			
New Economy	707	707	-
MIDAS	1,144	1,144	-
Marketing Manchester	356	356	-
Growth Deal - Business Support Hub	625	625	-
Manchester Growth Company	1,900	1,900	-
Core Investment Team	1,649	1,188	(461)
Low Carbon Investment Team	856	420	(436)
Housing Investment Fund - (Top-Co)	500	138	(362)
Planning & Housing Team	304	344	40
Manchester Family Secondments	183	175	(8)
Regional Growth Fund - RCCO	22,077	22,077	-
LEP Grant	428	300	(128)
GM Skills & Employment	190	-	(190)
One Public Estate	250	-	(250)
GM Technical Assistance - ESF & ERDF	-	185	185
City Deal	5,435	1,888	(3,547)
Youth Contract	3,758	742	(3,016)
AGE Grant	5,112	3,838	(1,274)
GMCA Running Costs	522	387	(135)
Interim Mayor Travel and Expenses	-	2	2
Total Call on Resources	**281,898**	**249,237**	**(32,661)**
Contribution to Earmarked Reserves			**29,509**
Net			**(933)**

Capital Expenditure 2015/16

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

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

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

The Authority spent £293.033million in 2015/16, which is summarised below:

	2014/15 £m	2015/16 £m
Capital Grants to TfGM/Districts and other recipients (Revenue Expenditure Funded from Capital Under Statute)	204.747	253.847
Non-current Assets (Property, Plant and Equipment)	4.533	3.976
Long / Short Term Loans and Investments (Economic Development and Regeneration schemes)	30.772	35.210
Total	**240.052**	**293.033**

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

The Capital Expenditure was spent on the following schemes:

	2014/15 £m	2015/16 £m
Greater Manchester Transport Fund	167.135	147.079
Other Metrolink Schemes	22.952	19.595
Wythenshawe Interchange	-	2.043
Better Bus Area Fund	1.278	0.360
Local Sustainable Transport Fund	7.207	7.968
Cycle City Ambition Grant	4.164	14.802
Cycle City Ambition Grant 2	-	0.881
Green Bus Fund	2.360	-
Office for Low Emission Vehicles Plug In Places/Electric Vehicles	0.317	-
Smart Ticketing	0.362	-
Other Transport Schemes and ITB funded Minor Works	8.351	6.273
Growth Deal – Transport Schemes	-	61.170
Wifi on Trams	1.711	-

	2014/15 £m	2015/16 £m
Information Systems Hardware	0.315	-
Traffic Signals	2.195	2.586
Affordable Homes Programme	6.460	0.141
RGF / GPF Loans/Grants (Including Recycled)	34.910	37.941
Growth Deal – Economic Development & Regeneration Schemes	-	1.281
Total	**259.717**	**302.120**

The financing of this expenditure was by the following methods:

	2014/15 £m	2015/16 £m
Borrowing	66.880	41.739
Capital Grants	187.175	244.330
Capital Receipts	-	5.910
External Contributions	5.662	10.141
Total	**259.717**	**302.120**

Borrowing Limits

In 2015/16 the Authority had an authorised limit for external debt of £1,199.9 million which compares to the actual level of debt outstanding at 31st March 2016 of £971.701 million. This is made up of the following figures:

	2014/15 £m	2015/16 £m
Long-term Borrowing – PWLB/Market	910.706	949.906
Short-term Borrowing – Interbank	16.159	21.795
Total Borrowings	**926.865**	**971.701**

The Short-term Borrowing – Interbank represents funds deposited in the name of the GMCA, but which are managed on a daily basis by TfGM. At each year end the GMCA brings the value of these deposits into Cash and Cash Equivalents, with a compensating value of Short-term Borrowing to TfGM.

In order to align with the accounting treatment of the Interbank balances by TfGM, the Authority is reporting these balances in the Borrowings figures. These Interbank balances are not included in the calculation of the authorised limit for external debt.

Excluding the movement in the Interbank borrowings, total borrowings showed an increase during the year of £39.200 million. This was used to pay capital grants to TfGM and Districts for funding Greater Manchester Transport schemes.

Investments

Short term money market deposits of cash balances in excess of current requirements as at 31 March 2016 were £154.965 million. This is made up of the following figures:

	2014/15 £m	2015/16 £m
Bank Deposits	23.235	11.496
UK Government Backed Deposits	142.584	143.469
Total Investments	**165.819**	**154.965**

Excluding the movement in the Interbank investments, total investments showed a decrease in the year of £10.86 million. The main reason for this decrease relates to the repayment of debt within the year.

Current Economic Climate

In line with the previous financial year, the fiscal context in which public services are operating remains challenging. While the overall national economic outlook continued to improve during 2015/16, at a rate broadly in line with last year, greater global uncertainties – including the slowdown and rebalancing of China's economy, the general decline of commodity prices, a decrease in global trade and investment, and declining capital flows to developing economies – have resulted in more subdued growth than previously anticipated.

Nevertheless, the UK's broadly optimistic outlook is evident in Greater Manchester, with the 2015 GM Business Survey showing more companies reporting increases in jobs and turnover over the last 12 months than in previous surveys. In addition, more GM firms expected to see growth over the next year. However unemployment remains above the national average, with GM experiencing a slight year-on-year increase in the proportion of its working age population out of work. The fact that companies are more confident about the future does suggest though that there could be more opportunities created for people to participate in the labour market.

The past year has been a hugely significant one for Greater Manchester. We are on track to tackle GM's biggest challenges using the powers and flexibilities gained in our devolution agreements. We are also well underway in our preparations to put in place the new governance arrangements that devolution requires, including the election of a mayor for Greater Manchester.

There have been many noteworthy achievements made in the last year. We have put in place the necessary governance and plans to enable health devolution to go live on April 1 2016. Both our Housing Investment and Life Sciences Funds have made their first investments. We continue to improve GM's bus, tram, and cycling infrastructure making it easier to get around the conurbation. And we have convinced government that our approach to delivering support for long term unemployed residents with a health condition is the right one for us, and so will be mainstreamed in GM from October 2017.

In order to deliver GM's growth and reform ambitions, seventeen priorities have been chosen. These headline indicators provide a useful barometer, which allows us to gauge how GM is performing across a range of policy areas. Pleasingly GM's economy continues to perform above target as measured by GVA and the one year business survival rate; while our transport, early years measures indicate we are well on track to deliver our 2020 targets. However, a number of these measures are flagged as amber. An amber rating indicates that we are slightly behind where we would like to be in order to hit our 2020 target. That said, in every case performance is improving. There are, however, two indicators which are flagged red: net new houses built and all age all cause mortality.

Like last year, the numbers of new homes simply don't match our growth aspirations. This isn't a problem unique to GM, but we want to do as much as we can to accelerate the delivery of new housing. Alongside our new Housing Investment Fund, GM is going to establish a Land Commission whose focus will be to make best use of publicly owned land. Much more needs to be done if we are to respond to this challenge at the scale needed. We need to increase the numbers of new homes built from just over five thousand homes a year now to at least ten thousand. We know this is an enormous challenge. We are not complacent and will continue to press government on this issue to work jointly to explore ways to address this challenge.

Although GM has one of the fastest growing economies in the UK, GM residents die younger than people in other parts of England. We also know that many GM residents become ill at a younger age and live with their illness longer than in other parts of the country. GM spends millions of pounds dealing with illnesses caused by poverty, stress, and leading unhealthy lifestyles. One of the key reasons we have committed to health devolution is to transform GM's poor health outcomes, including GM's all age all cause mortality rate. We are confident that over time the improved services that will be put in place as a result of health devolution will impact on GM's mortality rate.

These are exciting times for Greater Manchester. In 2013 we announced in our new strategy that we wanted to broaden;

> *'the range of devolved accountabilities…..to secure greater influence over delivery of public services and to enable radical long-term reform'*

Who would have predicted that just 15 months later we would be embarking on a journey that would fundamentally change the face of local government in England. It is now up to everyone – businesses, residents, politicians and those delivering public services - that we live up to our promise to deliver the best possible outcomes for all.

Greater Manchester Devolution

Greater Manchester has been at the forefront of the debate about fiscal and functional devolution recognising that without it the GMCA would not be able to fully meet its objectives. The ambition is to develop a new place based partnership with government to secure significant influence, if not control, over all public spending within Greater Manchester.

GMCA signed the Devolution Agreement with Government on 3rd November 2014. The agreement sets out the significant transfer of powers and responsibilities. Since that time further agreements have been reached.

As part of the Summer Budget 2015, the government announced further devolution of powers to Greater Manchester.

This included putting Fire Services under the control of the new directly-elected Mayor from 2017, establishing a Greater Manchester Land Commission, granting the Mayor more powers over planning, and inviting discussion on how central government and GM might collaborate further on children's services and employment programmes.

At the Autumn Statement/Spending Review 2015, the government agreed a further package of devolution to Greater Manchester. This included giving the Greater Manchester Mayor the power to implement a Community Infrastructure Levy to support development and regeneration, and supporting Greater Manchester to develop and implement an integrated approach to preventative services for children and young people by April 2017.

At Budget 2016, a fourth devolution agreement was signed with Greater Manchester. This included working with Greater Manchester to devolve criminal justice powers, devolving control over the adult education budget, and supporting the establishment of a Life Chances Investment Fund.

In summary some of the region's new powers include or will include:

- more control of local transport, with a long-term government budget to help GM plan a more modern, better-connected network
- new planning powers to encourage regeneration and development
- a new £300m fund for housing: enough for an extra 15,000 new homes over ten years
- extra funding to get up to 50,000 people back into work
- incentives to skills-providers to develop more work-related training
- extra budget to support and develop local businesses
- the role of the Police and Crime Commissioner being merged with the elected mayor
- control of investment through a new 'earn back' funding arrangement which gives GM extra money for the region's infrastructure if GM reaches certain levels of economic growth.
- the Fire Service under the control of the Elected Mayor from 2017;
- control of the adult education budget

GM is currently working to establish a Life Chances Fund which will consist of a number of funding streams.

Further Information

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

The Finance Department
Greater Manchester Combined Authority
P.O Box 532
Town Hall
Manchester
M60 2LA

The Annual Statement of Accounts can also be viewed on the Greater Manchester Combined Authority's website, www.greatermanchester-ca.gov.uk Please contact us at the above address if you have any comments on the presentation of the Annual Statement of Accounts.

Local electors and taxpayers have a statutory right to inspect the Authority's Annual Statement of Accounts before the annual accounts audit has been completed, giving them an opportunity to question the auditor. The availability of the unaudited Annual Statement of Accounts for inspection was advertised on the Greater Manchester Combined Authority's website on 30 June 2016. Information is available to all council tax payers in Greater Manchester which explains how TfGM will spend the transport levy which the GMCA collects from the district councils and describes its efforts to improve the services it provides on behalf of the residents of Greater Manchester. This publication entitled 'Investing in Greater Manchester Transport 2015/16' can be viewed on the Transport for Greater Manchester Committee's website, www.tfgmc.com.

Richard Paver

Treasurer

Greater Manchester Combined Authority

23 September 2016

The Statement of Responsibilities for the Annual Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

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

The Treasurer's Responsibilities

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

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that the Statement of Accounts give a true and fair view of the financial position of the Authority as at 31st March 2016 and of its income and expenditure for the year ended 31st March 2016.

....

Richard Paver Treasurer
Greater Manchester Combined Authority
23 September 2016

Approval of the Statement of Accounts

I confirm that these accounts were approved by the Audit Committee at the meeting held on 23 September 2016.

....

Chair of the meeting approving the accounts,
23 September 2016

Greater Manchester Combined Authority – Movement in Reserves Statement

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

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

2014/15

	Note	General Fund Balance Transport	General Fund Balance ED & R	Revenue Grants Unapplied Reserve	Capital Programme Reserve	Capital Grants Unapplied Reserve	Metrolink Reserve	Capital Receipts Reserve	RGF / GPF Interest and Arrangement Fees Reserve	**Total Usable Reserves**	Capital Adjustment Account	Financial Instruments Adjustment Account	**Total Unusable Reserves**	**Total Authority Reserves**
Balance as at 1 April 2014		**4,883**	**205**	**38,444**	**61,965**	**41,276**	**34,496**	**65**	**229**	**181,563**	**(1,062,015)**	**(256)**	**(1,062,271)**	**(880,708)**
Surplus or (deficit) on the provision of services		3,120	196	0	0	0	0	0	0	**3,316**	0	0	**0**	**3,316**
Other Comprehensive Income and Expenditure		0	0		0	0	0	0	0	**0**	0	0	**0**	**0**
Total Comprehensive Income and Expenditure		**3,120**	**196**	**0**	**0**	**0**	**0**	**0**	**0**	**3,316**	**0**	**0**	**0**	**3,316**
Adjustments between accounting basis & funding basis under regulations	7	24,868	0	0	0	(1,303)	0	0	0	**23,565**	(23,567)	2	**(23,565)**	**0**
Net Increase/(decrease) before Transfers to Earmarked Reserves		**27,988**	**196**	**0**	**0**	**(1,303)**	**0**	**0**	**0**	**26,881**	(23,567)	2	**(23,565)**	**3,316**
Transfers (to)/from Earmarked Reserves	8	(27,988)	0	1,280	25,540	0	0	5,506	1,168	**5,506**	(5,506)	0	**(5,506)**	**0**
Increase/(decrease) in year		**0**	**196**	**1,280**	**25,540**	**(1,303)**	**0**	**5,506**	**1,168**	**32,387**	**(29,073)**	**2**	**(29,071)**	**3,316**
Balance as at 31 March 2015		**4,883**	**401**	**39,724**	**87,505**	**39,973**	**34,496**	**5,571**	**1,397**	**213,950**	**(1,091,088)**	**(254)**	**(1,091,342)**	**(877,392)**

Greater Manchester Combined Authority – Movement in Reserves Statement

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

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

		2015/16									
	Note	General Fund Balance Transport	General Fund Balance ED & R	Revenue Grants Unapplied Reserve	Capital Programme Reserve	Capital Grants Unapplied Reserve	Metrolink Reserve	Capital Receipts Reserve	Integrated Ticketing Reserve	RGF / GPF Interest and Arrangement Fees Reserve	**Total Usable Reserves**
Balance as at 1 April 2015		**4,883**	**401**	**39,724**	**87,505**	**39,973**	**34,496**	**5,571**	**0**	**1,397**	**213,950**
Surplus or (deficit) on the provision of services		(27,352)	933	0	0	0	0	0	0	0	**(26,419)**
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	0	0	**0**
Total Comprehensive Income and Expenditure		(27,352)	**933**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(26,419)**
Adjustments between accounting basis & funding basis under regulations	7	10,173	0	0	0	(17,420)	0	0	0	0	**(7,247)**
Net Increase/(decrease) before Transfers to Earmarked Reserves		(17,179)	**933**	**0**	**0**	**(17,420)**	**0**	**0**	**0**	**0**	**(33,666)**
Transfers (to)/from Earmarked Reserves	8	17,179	(397)	(25,261)	18,121		(23,703)	7,122	12,500	1,561	**7,122**
Increase/(decrease) in year		(0)	**536**	**(25,261)**	**18,121**	**(17,420)**	**(23,703)**	**7,122**	**12,500**	**1,561**	**(26,544)**
Balance as at 31 March 2016		**4,883**	**937**	**14,463**	**105,626**	**22,553**	**10,793**	**12,693**	**12,500**	**2,958**	**187,406**

Greater Manchester Combined Authority – Movement in Reserves Statement

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

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

				2015/16			
	Note	Capital Adjustment Account	Financial Instruments Adjustment Account	Available for sale Financial Instruments	Pensions Reserve	**Total Unusable Reserves**	**Total Authority Reserves**
Balance as at 1 April 2015		**(1,091,088)**	**(254)**	**0**	**0**	**(1,091,342)**	**(877,392)**
Surplus or (deficit) on the provision of services		0	0	0	0	0	**(26,419)**
Other Comprehensive Income and Expenditure		0	0	750	4	754	**754**
Total Comprehensive Income and Expenditure		**0**	**0**	**750**	**4**	**754**	**(25,665)**
Adjustments between accounting basis & funding basis under regulations	7	7,285	2	0	(40)	7,247	**0**
Net Increase/(decrease) before Transfers to Earmarked Reserves		**7,285**	**2**	**750**	**(36)**	**8,001**	**(25,665)**
Transfers (to)/from Earmarked Reserves	8	(7,122)	0	0	0	(7,122)	**0**
Increase/(decrease) in year		**163**	**2**	**750**	**(36)**	**879**	**(25,665)**
Balance as at 31 March 2016		**(1,090,925)**	**(252)**	**750**	**(36)**	**(1,090,463)**	**(903,057)**

Greater Manchester Combined Authority - Comprehensive Income and Expenditure Statement

This statement summarises the resources that have been generated and consumed in providing services and managing the Authority during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of non-current assets actually consumed.

2014/15 £000's Gross Expenditure	2014/15 £000's Gross Income	2014/15 £000's Net Expenditure		Note	2015/16 £000's Gross Expenditure	2015/16 £000's Gross Income	2015/16 £000's Net Expenditure
			Highways and Transport Services				
119,641	(792)	118,849	Running Costs	15 & 13	131,313	(4,037)	127,276
194,146	(135,182)	58,964	Revenue Expenditure Payable to TfGM & Districts	16 & 13	249,695	(86,539)	163,156
			Funded from Capital under Statute/Capital Grants Receivable				
313,787	(135,974)	177,813			381,008	(90,576)	290,432
			Planning Services				
13,182	(34,577)	(21,395)	Running Costs	15 & 13	19,988	(15,342)	4,646
4,141	(4,141)	0	Revenue Expenditure Payable to ED & R	16 & 13	4,011	0	4,011
			Funded from Capital under Statute/Capital Grants Receivable				
17,323	(38,718)	(21,395)			23,999	(15,342)	8,657
			Housing Services				
6,460	(6,460)	0	Funded from Capital under Statute/Capital Grants Receivable - ED&R	16 & 13	141	(141)	0
317	(294)	23	Corporate and Democratic Core	13	498	(117)	381
337,887	**(181,446)**	**156,441**	**Cost of Services**		**405,646**	**(106,176)**	**299,470**
			Other Operating Expenditure :				
231	0	231	Losses on the disposal of non current assets	18	232	0	232
43,865	(1,740)	42,125	Financing and Investment Income and Expenditure	9 & 10	45,145	(4,022)	41,123
0	(202,113)	(202,113)	Taxation and Non Specific Grant Income	11	0	(314,406)	(314,406)
381,983	**(385,299)**	**(3,316)**	**(Surplus) / Deficit on Provision of Services**		**451,023**	**(424,604)**	**26,419**
			Items that will not be subsequently classified in deficit of provision of services				
		0	Re-measurement of the net defined benefit liability				**(4)**
			Items that will be subsequently classified in deficit of provision of services				
		0	(surplus) on revaluation of available financial assets				**(750)**
		(3,316)	**Total Comprehensive (Income) and Expenditure**				**25,665**

Richard Paver

Treasurer

23 September 2016

Greater Manchester Combined Authority - Balance Sheet

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

31 Mar 2015 £000's		Note	31 Mar 2016 £000's
	Non-Current Assets		
25,124	Property, Plant and Equipment	18	24,870
627	Investments	22	177
24,967	Long Term Debtors	23	33,700
50,718	**Total Non-Current Assets**		58,747
	Current Assets		
0	Assets Held for Sale	22a	1,250
15,476	Short Term Debtors	23	22,675
160,848	Cash and Cash Equivalents	24	154,965
176,324	**Total Current Assets**		178,890
	Current Liabilities		
(27,938)	Short Term Borrowing	27	(32,835)
(112,949)	Short Term Creditors	25	(112,638)
(37,525)	Capital Grants Receipts in Advance	13	(28,304)
0	Revenue Grants Receipts in Advance	13	(3,432)
(2,568)	Deferred Liability	26	(2,717)
(180,980)	**Total Current Liabilities**		(179,926)
46,062	**Total Assets less Current Liabilities**		**57,711**
	Long Term Liabilities		
(18,548)	Deferred Liability	26	(15,826)
(904,906)	Long Term Borrowing	27	(944,906)
0	Capital Grants Receipts in Advance	13	0
0	Pensions liability	36	(36)
(923,454)			(960,768)
(877,392)	**Net (Liabilities)**		**(903,057)**
	Financed by :		
	Usable Reserves :		
5,284	General Fund Balance	29	5,820
39,724	Revenue Grants Unapplied Reserve	29	14,463
87,505	Capital Programme Reserve	29	105,626
39,973	Capital Grants Unapplied Reserve	29	22,553
5,571	Capital Receipt Reserve	29	12,693
34,496	Metrolink Reserve	29	10,793
0	Integrated Ticketing Reserve	29	12,500
1,397	RGF / GPF Interest and Arrangement Fees	29	2,958
213,950			187,406
	Unusable Reserves :		
(1,091,088)	Capital Adjustment Account	30(a)	(1,090,925)
(254)	Financial Instruments Adjustment Account	30(b)	(252)
0	Available for Sale Financial Instruments	30(c)	750
0	Pension reserve	36	(36)
(1,091,342)			(1,090,463)
(877,392)	**Total Reserves**		**(903,057)**

Richard Paver - Treasurer
23 September 2016

Greater Manchester Combined Authority - Cash Flow Statement

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

2014/15 £000's		**Note**	**2015/16 £000's**
(3,316)	Net (surplus) / deficit on the provision of services		26,419
(15,574)	Adjustments to net surplus on the provision of services for non-cash movements	32	(6,468)
4,484	Adjust for items included in the net surplus on the provision of services that are investing and financing activities	32	3,840
(14,406)	**Net Cash Flows from Operating Activities**		**23,791**
26,026	Investing Activities	33	24,386
(35,303)	Financing Activities	34	(42,294)
(23,683)	**(Increase)/decrease in cash and cash equivalents**		**5,883**
137,165	Cash and cash equivalents at the beginning of the reporting period	24	160,848
160,848	Cash and cash equivalents at the end of the reporting period	24	154,965

Notes to the GMCA's Core Financial Statements Index

Notes to the GMCA's Core Financial Statements

1. Accounting Concepts and Policies

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year end 31 March 2016. The Authority is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code) and the Service Reporting Code of Practice 2015/16 (SERCOP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance under Section 21(2) of the Local Government Act 2003.

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

The accounting convention adopted in these accounts is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1. Underlying Assumptions

1.1 **Going Concern**

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

1.2 **Primacy of Legislation Requirements**

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

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

Accounting Policies

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

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

Expenditure on the acquisition, creation and enhancement of property, plant and equipment has been capitalised on an accruals basis provided that it yields benefit to the Authority and the services it provides are for more than one financial year. This

1. Accounting Concepts and Policies (continued)

capital expenditure is financed from either (a) the Department for Transport (b) the relevant district Authority (c) Transport for Greater Manchester (d) the relevant private sector organisation or (e) borrowings. Expenditure on repairs is primarily funded through the transport levy and expenditure on maintenance is funded entirely through the transport levy.

Capital expenditure is added to the value of an asset.

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

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

1.4 Depreciation on Property, Plant and Equipment

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

1.5 Derecognition of Property, Plant and Equipment

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

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

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

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

1.6 Revenue Expenditure Funded by Capital Under Statute

Revenue Expenditure Funded by Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. These comprise payments of Capital Grants to Transport for Greater Manchester, District Councils and other organisations carrying out economic development and regeneration functions on behalf of the GMCA. Expenditure is

1. Accounting Concepts and Policies (continued)

charged to the Deficit / (Surplus) on the Provision of Services as the expenditure is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

Details of the accounting policy relating to grants and funding of REFCUS expenditure is shown in policy 1.22

1.7 Borrowing Costs

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

1.8 Provision for Redemption of Debt

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

For all capital expenditure incurred before 1 April 2008, and all capital expenditure incurred on non-Metrolink and non-Greater Manchester Transport Fund schemes, the Authority's policy is to adopt existing practice, the regulatory method (4% of capital financing requirements). For capital expenditure incurred on the Metrolink and Greater Manchester Transport Fund schemes, MRP will be deferred until the year after the asset has been commissioned into use, and will be on an annuity basis over the estimated asset life. Total MRP relating to borrowing for capital expenditure in 2015/16 was £21,287k. (2014/15 £15,853k)

Tameside MBC manages the former Greater Manchester Authority Inherited Debt of the Authority and repayments are made annually on an annuity basis. The repayment in 2015/16 was £2,573k. (2014/15 £2,399k)

1.9 Cash and Cash Equivalents

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

1. Accounting Concepts and Policies (continued)

1.10 Accruals of Income and Expenditure

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

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

Supplies are recorded as expenditure when they are consumed.

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

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

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

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

1.11 Government Grants and Contributions

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

a. Revenue Grants and Contributions

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

1. Accounting Concepts and Policies (continued)

b. Capital Grants and Contributions

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

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

Where conditions have been met, these grants and contributions that are attributable to assets not owned by the Authority (Revenue Expenditure Funded by Capital Under Statute) are credited to the Capital Grants Receivable line within the Cost of Services. They are then transferred to the Capital Adjustment Account when the related expenditure has been incurred via the Movement in Reserves Statement. If the grant is not spent it goes to the Capital Grants Unapplied reserve via the Movement in Reserves Statement. When spent, it is transferred from the Capital Grants Unapplied reserve to the Capital Adjustment Account.

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

1.12 VAT

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

1.13 Reserves

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

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

1. Accounting Concepts and Policies (continued)

1.14 **Revenue Recognition**

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

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

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

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

1.15 **Post-Employment Benefits – Local Government Pension Scheme**

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

The liabilities of the Greater Manchester Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.

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

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

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

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

- The current service cost (the increase in the liability as a result of pension earned by Authority employees in the year) is charged to the net cost of services.

1. Accounting Concepts and Policies (continued)

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

Re-measurements comprising:

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

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

Financial Instruments

1.16 **Financial Assets – Loans and Receivables**

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

1. Accounting Concepts and Policies (continued)

In 2015/16 the average rate of interest receivable on investments was 0.42% (2014/15 0.36%)

1.17 **Financial Liabilities**

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

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

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

In 2015/16 the average rate of interest payable on borrowings was 4.61% (2014/15 4.59%).

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

1. Accounting Concepts and Policies (continued)

1.18 Unquoted Equity Investments at Cost less Impairment

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

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

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

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

1.19 Contingent Assets and Liabilities

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

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

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

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

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

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

1.21 Events after the Balance Sheet Date

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

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

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

1.22 Interests in Companies and Other Entities - Group Accounts

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

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

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

2. Critical Accounting Judgements

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

3. Key Sources of Estimation and Uncertainty

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

The items in the Authority's Balance Sheet as at 31 March 2016 for which there is a risk of adjustment in the following financial year are:

3.1 Depreciation of Property, Plant and Equipment

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

It is estimated that the annual depreciation charge would increase by £363k for each year that useful assets lives are reduced.

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

3.2 Impairment of Debt

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

3.3 Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. A firm of actuaries is engaged by the Pension Fund to provide expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £0.013m, a one year increase in member life expectancy would result in a £0.004m increase in the pension liability and a 0.5% increase in the assumed pension rate increase would result in a £0.013m increase in the pension liability.

4. Impact of Accounting Changes Issued But Not Yet Adopted

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

Within the 2015/16 accounts, infrastructure assets (Traffic Signals) are included within the Property, Plant and Equipment category on the Balance Sheet. In 2016/17 the Authority will need to recognise a new asset category on the Balance Sheet, the Highways Network Asset. This will be disclosed as a separate line on the Authority's Balance Sheet and separately in the notes to the accounts.

This is as a result of changes to the 2016/17 Code of Practice which will require the Authority to value its Highways Network Asset using a depreciated Replacement Cost basis rather than the current valuation basis of Depreciated Historical Cost. It is expected that this change in accounting policy will result in a significant increase in the value of these assets and would normally require retrospective restatement of the Authority's Balance Sheet from 1 April 2015. However, CIPFA/LASAAC has introduced transitional arrangements so that this will be applied from 1 April 2016 with no requirement to restate the information in the prior year.

IAS 1 – Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Authority's financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvements to IFRSs cycles, IFRS11 Joint Arrangements, IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Authority's Statement of Accounts.

5. Post Balance Sheet Events

If information has been received providing confirmation of conditions existing as at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

6. Authorisation for Issue of the Statement of Accounts

The 2015/16 Statement of Accounts was authorised for issue by the Treasurer on 30 June 2016.

7 Adjustments between accounting basis and funding basis under regulations

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

	2014/15		2015/16	
	Usable Reserves £000's	Unusable Reserves £000's	Usable Reserves £000's	Unusable Reserves £000's
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Revenue Expenditure Payable to TfGM and District Councils funded from Capital Under Statute	194,146	(194,146)	249,695	(249,695)
Annual Depreciation Charge	4,391	(4,391)	3,998	(3,998)
Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	231	(231)	232	(232)
Capital Grants Receivable for Transport - REFCUS	(135,182)	135,182	(203,236)	203,236
Capital Grants Receivable from the DfT - Traffic Signals	(2,338)	2,338	0	0
External Capital Contributions Receivable - Traffic Signals	(1,681)	1,681	(2,586)	2,586
Revenue Expenditure Payable to ED & R funded from capital Under Statute	10,601	(10,601)	4,152	(4,152)
Capital Grants Receivable from CLG - REFCUS	(6,460)	6,460	(141)	141
Impairment of Loans	91	(91)	287	(287)
Transfer to / (from) Capital Grants Unapplied	7,402	(7,402)	(7,402)	7,402
Contribution to Capital Bad Debt provision	5531	(5,531)	4,441	(4,441)
Retirement benefits per IAS19			(68)	68
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Minimum Revenue Provision for capital financing	(15,853)	15,853	(21,287)	21,287
Inherited Debt Principal Payment	(2,399)	2,399	(2,573)	2,573
Short / Long Term Debtor financed from Capital Grants	(8,705)	8,705	(10,019)	10,019
Revenue Contributions to Finance Capital	(26,208)	26,208	(22,846)	22,846
Employers Contribution to pension scheme			108	(108)
Adjustments involving the Financial Instruments Adjustments Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(2)	2	(2)	2
Total Adjustments	**23,565**	**(23,565)**	**(7,247)**	**7,247**

8 Transfers to/(from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

	Balance as at 1 April 2014 £000's	Transfers out 2014/15 £000's	Transfers in 2014/15 £000's	Balance as at 31 March 2015 £000's	Balance as at 1 April 2015 £000's	Transfers out 2015/16 £000's	Transfers in 2015/16 £000's	Balance as at 31 March 2016 £000's
Revenue Grants Unapplied Reserves:								
Growing Places Fund (LEP) (1)	**2,175**	(1,084)	722	**1,813**	**1,813**	(1,813)	0	**0**
Local Enterprise Partnership Capacity Building in Transport (LEP) (2)	**132**	(132)	0	**0**	**0**	0	0	**0**
Local Sustainable Transport Fund (3)	**10,814**	(4,088)	0	**6,726**	**6,726**	(6,726)	1,877	**1,877**
Better Bus Area Fund (4)	**116**	(116)	0	**0**	**0**	0	0	**0**
Regional Growth Fund 2 (LEP) (5)	**5,003**	0	10,964	**15,967**	**15,967**	(15,967)	0	**0**
Regional Growth Fund 3 (LEP) (6)	**10,406**	(4,296)	0	**6,110**	**6,110**	(6,110)	0	**0**
Regional Growth Fund Deposit Interest (7)	**46**	0	30	**76**	**76**	0	37	**113**
Smarter Cities (8)	**14**	0	56	**70**	**70**	(70)	650	**650**
Youth Contract (9)	**5,800**	(1,013)	0	**4,787**	**4,787**	(742)	0	**4,045**
Local Enterprise Partnership Core Funding (LEP) (10)	**145**	(145)	176	**176**	**176**	(176)	33	**33**
Local Enterprise Partnership Strategic Plans Funding (LEP) (11)	**250**	(250)	441	**441**	**441**	(252)	305	**494**
City Deal (12)	**3,543**	(66)	0	**3,477**	**3,477**	(1,946)	3,547	**5,078**
Total Transport Pilot Fund (13)	**0**	0	81	**81**	**81**	(81)	81	**81**
Careers & Enterprise Grant (14)	**0**	0	0	**0**	**0**	0	50	**50**
GM Skills for Employment pilot (15)	**0**	0	0	**0**	**0**	0	60	**60**
Brownfield Land Register Pilot (16)	**0**	0	0	**0**	**0**	0	80	**80**
One Public Estate (17)	**0**	0	0	**0**	**0**	0	250	**250**
SEMMMs Study (18)	**0**	0	0	**0**	**0**	0	350	**350**
CCAG Evaluation (19)	**0**	0	0	**0**	**0**	0	28	**28**
AGE Grant (20)	**0**	0	0	**0**	**0**	0	1,274	**1,274**
Total Revenue Grants Unapplied Reserves	**38,444**	**(11,190)**	**12,470**	**39,724**	**39,724**	**(33,883)**	**8,622**	**14,463**
Capital Programme Reserve (21)	**61,965**	0	25,540	**87,505**	**87,505**	0	18,121	**105,626**
Metrolink Reserve (22)	**34,496**	0	0	**34,496**	**34,496**	(27,182)	3,479	**10,793**
Regional Growth Fund / Growing Places Interest and Arrangement Fees (23)	**229**	(64)	1,232	**1,397**	**1,397**	(928)	2,489	**2,958**
Integrated Ticketing Reserve (24)	**0**	0	0	**0**	**0**	0	12,500	**12,500**
Total Reserves transferred (to)/from General Fund	**135,134**	**(11,254)**	**39,242**	**163,122**	**163,122**	**(61,993)**	**45,211**	**146,340**
Transfer (to)/from General Fund			**27,988**				**(16,782)**	
General Fund - Transport (25)	**4883**	0	0	**4,883**	**4,883**	0	0	**4,883**
General Fund - Economic Development and Regeneration (26)	**205**	0	196	**401**	**401**	(397)	933	**937**
Useable Capital Receipts Reserve (27)	**65**	0	5,506	**5,571**	**5,571**	(5,120)	12,242	**12,693**
Capital Grants Unapplied Reserve (28)	**41276**	(8,705)	7,402	**39,973**	**39,973**	(17,420)	0	**22,553**
Total Useable Reserves	**181,563**	**(19,959)**	**52,346**	**213,950**	**213,950**	**(84,930)**	**58,386**	**187,406**

Purpose of the Reserve:

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

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

9 Financing and Investment Expenditure

2014/15 £000's		2015/16 £000's
	Interest payable and similar charges on borrowings :	
21,146	PWLB	20,785
21,366	Others	23,241
5	Brokerage Fees	0
1,348	Interest payable on the former GMC debt	1,119
43,865		45,145

10 Financing and Investment Income

2014/15 £000's		2015/16 £000's
465	Interest receivable on deposits	877
1,275	Interest receivable on loans	3,145
1,740		4,022

11 Taxation and Non Specific Grant Income

2014/15 £000's		2015/16 £000's
198,094	Transport levy from the Greater Manchester districts	195,123
4,019	Capital Contributions Receivable for Traffic Signal Schemes	2,586
0	Growth Deal Grant (LEP)	86,697
0	Earnback Grant	30,000
202,113		314,406

12 Agency Activities

The Authority provides a service as an agent to the Department for Transport whereby it receives grants from them which are then paid over to other local authorities within Greater Manchester.

The amounts received/paid over are detailed below.

2014/15 £000's		2015/16 £000's
23,542	LTP Highways Capital Maintenance Received from DfT	27,978
(23,542)	LTP Highways Capital Maintenance Paid to Districts	(27,978)
0	Greater Manchester Transport Fund - non GMCA Road Schemes Received from DfT	0
(10)	Greater Manchester Transport Fund - non GMCA Road Schemes Paid to Districts	(31)
(10)	Net Cash Receipts	(31)

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

13 Grants and Contributions Income

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

2014/15 £000's	Credited to Cost of Services	2015/16 £000's
	Highways and Transport Services	
410	Smarter Cities Grant - DFT	1,180
0	South East Manchester Multi-Modal Study Grant - DFT	350
0	Cycle City Ambition Evaluation Grant - DFT	28
0	Local Sustainable Transport Grant - DFT	2,230
81	Transport Pilot Fund - DFT	0
301	District & External Contributions to Traffic Signals Repairs/S278	249
135,182	Revenue Expenditure Funded by Capital under Statute -DFT	86,539
135,974		90,576
	Planning Services	
12,319	Regional Growth Fund 2 - CLG	0
20,817	Regional Growth Fund 3 - CLG	0
483	Regional Growth Fund / Growing Places Fund Arrangement fees	404
0	Growth Deal - Business Growth Hub - BIS	625
279	LEP Core Funding - CLG	250
250	LEP EU Strategic Plans - CLG	250
0	Elena Grant - EIB	102
0	AGE Grant - SFA	5,112
103	EU Social Enterprise Progress	0
5	GM Digital City Technical Assistance - ERDF/CLG	0
1,353	City Deal - Skills Funding Agency	3,489
0	One Public Estate - Cabinet Office	250
0	GM Skills & Employment Pilot - SFA	60
0	Brownfield Register Pilot - CLG	80
0	Careers & Enterprise Grant	50
0	GM Technical Assistance - ERDF	98
0	GM Technical Assistance - ESF	87
3,109	District Contributions to ED&R functions	3,902
294	District Contributions to Corporate and Democratic Core	117
0	External Contributions towards Planning Services	583
39,012		15,459
	Housing Services	
6,460	Revenue Expenditure Funded by Capital under Statute - DCLG/HCA	141
181,446		106,176

2014/15 £000's	Credited to Taxation and Non Specific Grant Income	2015/16 £000's
2,338	DfT Grants to Traffic Signal Schemes	0
1,280	District Contributions to Traffic Signal schemes	1,983
401	External Contributions to Traffic Signal schemes	603
0	Growth Deal	86,697
0	Earnback	30,000
4,019		119,283

13 Grant Income (continued)

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

Capital Grants Receipts in Advance

	Total 31 March 2015 £'000's	Total 31 March 2016 £'000's
Smarter Cities Grant	0	200
Clean Bus Technology Grant	0	162
Local Sustainable Transport Fund	8,730	762
Cross City Bus Package	12,078	12,077
Better Bus Area Fund	360	0
Cycle City Ambition Grant	15,236	434
Cycle City Ambition Grant 2	0	2,972
Guided Busway	1,121	0
South East Manchester Multi Modal Study	0	5,197
Stockport Town Centre Access	0	6,500
	37,525	28,304
Due to be recognised within 1 year	37,525	28,304
Due to be recognised over 1 year	0	0

Revenue Grants Receipts in Advance

	Total 31 March 2015 £'000's	Total 31 March 2016 £'000's
ELENA Grant	0	662
Local Sustainable Transport Fund	0	2,770
	0	3,432
Due within 1 year	0	3,432
Due over 1 year	0	0

14 External Audit Fees

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims provided by the Authority's external auditors :

The following amounts were payable to Grant Thornton :

	2014/15 £'000's	2015/16 £'000's
Fees receivable from the Audit Commission with regard to external audit services carried out by the appointed auditor for the year.	(3)	(5)
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year.	32	24
Fees payable to Grant Thornton for the certification of grant claims and returns for the year.	8	9
Fees payable to Grant Thornton in respect of any other services.	0	6
Total	**37**	**34**

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

15 Cost of Service - Running costs expenditure

	2014/15 £'000's	2015/16 £'000's
Highways and Transport Services		
Revenue Support Grant to TfGM	106,150	115,238
Government Grants	4,689	7,680
Payments to TfGM for Traffic Signals Maintenance/Repairs & S278	4,140	4,071
Annual Depreciation Charge on the Traffic Signals	4,391	3,998
Support Costs - Transport	271	326
	119,641	131,313
Planning Services		
Payments for other Economic Development and Regeneration Services	4,551	7,190
Contribution to Capital Bad Debt provision	5,531	4,441
Write Down of Long Term Debtors and Impairment	91	287
Government Grants	2,846	7,748
Support Costs - Economic Development and Regeneration Functions	163	322
	13,182	19,988
	132,823	**151,301**

16 Revenue Expenditure Funded from Capital under Statute

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

Full details of this expenditure can be found in the Foreword on pages 14 and 15.

	2014/15 £000's	2015/16 £000's
Transport related	194,146	249,695
Economic development and regeneration related	4,141	4,011
Housing Services	6,460	141
	204,747	253,847

17 Segmental Reporting Analysis

The table below is a reconciliation of the **2014-15** internal management reports (monitoring and outturn) used by the Authority to make decisions, and the 2014-15 Comprehensive Income and Expenditure Statement. The Segments identified in the subjective analysis are the same segments that are reported to the Authority during the year.

Subjective Analysis	**Economic Development & Regeneration £000s**	**Transport £000s**	**Total £000's**
Transport Levy		(198,094)	**(198,094)**
Contributions to the Traffic Functions		(190)	**(190)**
Interest/arrangement fees	(1,561)		**(1,561)**
Short term deposit interest	(169)		**(169)**
Contributions from reserves	(6,330)		**(6,330)**
Contributions to ED & R Functions	(3,477)		**(3,477)**
Government Grants	(35,123)	(4,695)	**(39,818)**
Total Income	**(46,660)**	**(202,979)**	**(249,639)**
Grants to Transport for Greater Manchester		110,698	**110,698**
Payments for Transport Functions		4,028	**4,028**
Payments for ED & R Functions	33,621		**33,621**
Capital Financing Costs	0	85,300	**85,300**
Running Costs	0	754	**754**
Total Operating Expenses	**33,621**	**200,780**	**234,401**
Transfers to Earmarked Reserves	12,843	2,199	**15,042**
Cost of Services - (Surplus)	**(196)**	**0**	**(196)**

Reconciliation to net cost of services in the Comprehensive Income and Expenditure Statement (CIES)

	£000s
Cost of services in service analysis - (surplus)	(196)
Add amounts not reported to management *	72,997
Remove amounts reported to management not included in NCS in CIES	83,640
Net cost of services in the Comprehensive Income and Expenditure Statement	**156,441**

17 Segmental Reporting Analysis

Reconciliation to subjective analysis.	Service Analysis £000s	Not Reported to Management* £000s	Not Included in CIES NCS £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income		(5,506)	0	(5,506)	0	(5,506)
Interest and investment income	0	0	0	0	(179)	(179)
Income from the Transport Levy	(198,094)	0	198,094	0	(198,094)	(198,094)
Transfers from reserves	(6,330)	0	10,533	4,203	0	4,203
Interest/arrangement fees	(1,561)	0	1,561	0	(1,561)	(1,561)
Short term deposit interest	(169)	0	0	(169)	0	(169)
Grants and contributions	(43,485)	(141,642)	0	(185,127)	(4,019)	(189,146)
Total Income	**(249,639)**	**(147,148)**	**210,188**	**(186,599)**	**(203,853)**	**(390,452)**
Grants to Transport for Greater Manchester	110,698	0	0	110,698	0	110,698
Payments for Transport Functions	4,028	0	0	4,028	0	4,028
Payments for ED & R Functions	33,621	0	(26,206)	7,415	0	7,415
Capital Financing Costs	85,300	0	(85,300)	0	0	0
Service Expenses	754	11,007	0	11,761	0	11,761
Depreciation	0	4,391	0	4,391	0	4,391
Interest payments	0	0	0	0	43,865	43,865
Revenue Expenditure Funded by Capital Under Statute	0	204,747	0	204,747	0	204,747
Precepts and levies	0	0	0	0	0	0
Payments to housing capital receipts pool	0	0	0	0	0	0
(Gain) or loss on disposal of non-current assets	0	0	0	0	231	231
Total Operating Expenses	**234,401**	**220,145**	**(111,506)**	**343,040**	**44,096**	**387,136**
Transfers to Earmarked Reserves	15,042	0	(15,042)	0	0	0
(Surplus) or deficit in the provision of services	**(196)**	**72,997**	**83,640**	**156,441**	**(159,757)**	**(3,316)**

*Items not reported to management include depreciation and Revenue Expenditure Funded by Capital Under Statute income and expenditure.

17 Segmental Reporting Analysis

The table below is a reconciliation of the **2015-16** internal management reports (monitoring and outturn) used by the Authority to make decisions, and the 2015-16 Comprehensive Income and Expenditure Statement. The Segments identified in the subjective analysis are the same segments that are reported to the Authority during the year.

Subjective Analysis	Economic Development & Regeneration £000s	Transport £000s	Total £000's
Transport Levy	0	(195,123)	**(195,123)**
Contributions to the Traffic Functions	0	(249)	**(249)**
Interest/arrangement fees	(913)	0	**(913)**
Short term deposit interest	(242)	0	**(242)**
Contributions from reserves	(30,711)	0	**(30,711)**
Contributions to ED & R Functions	(4,141)	0	**(4,141)**
Government Grants	(10,453)	(37,847)	**(48,300)**
Total Income	**(46,460)**	**(233,219)**	**(279,679)**
Grants to Transport for Greater Manchester	0	122,918	**122,918**
Payments for Transport Functions	0	4,071	**4,071**
Payments for ED & R Functions	36,416	0	**36,416**
Capital Financing Costs	0	85,088	**85,088**
Marketing Manchester	0	27	**27**
Running Costs	0	717	**717**
Total Operating Expenses	**36,416**	**212,821**	**249,237**
Transfers to Earmarked Reserves	9,111	20,398	**29,509**
Cost of Services - (Surplus)	**(933)**	**0**	**(933)**

Reconciliation to net cost of services in the Comprehensive Income and Expenditure Statement (CIES)

	£000s
Cost of services in service analysis - (surplus)	(933)
Add amounts not reported to management *	171,359
Remove amounts reported to management not included in NCS in CIES	129,044
Net cost of services in the Comprehensive Income and Expenditure Statement	**299,470**

17 Segmental Reporting Analysis

Reconciliation to subjective analysis.	Service Analysis £000s	Not Reported to Management* £000s	Not Included in CIES NCS £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	0	0	3,979	3,979	0	3,979
Interest and investment income	0	0	0	0	(4,022)	(4,022)
Income from the Transport Levy	(195,123)	0	195,123	0	(195,123)	(195,123)
Transfers from reserves	(30,711)	0	64,770	34,059	0	34,059
Interest/arrangement fees	(913)	0	913	0	0	0
Short term deposit interest	(242)	0	0	(242)	0	(242)
Grants and contributions	(52,690)	(91,282)	0	(143,972)	(119,283)	(263,255)
Total Income	**(279,679)**	**(91,282)**	**264,785**	**(106,176)**	**(318,428)**	**(424,604)**
Grants to Transport for Greater Manchester	122,918	(744)	0	122,174	0	122,174
Payments for Transport Functions	4,071	0	0	4,071	0	4,071
Payments for ED & R Functions	36,416	0	(21,144)	15,272	0	15,272
Capital Financing Costs	85,088	0	(85,088)	0	0	0
Marketing Manchester	27	0	0	27	0	27
Service Expenses	717	5,681	0	6,398	0	6,398
Depreciation	0	3,998	0	3,998	0	3,998
Interest payments	0	0	0	0	45,145	45,145
Revenue Expenditure Funded by Capital Under Statute	0	253,706	0	253,706	0	253,706
Precepts and levies	0	0	0	0	0	0
Payments to housing capital receipts pool	0	0	0	0	0	0
(Gain) or loss on disposal of non-current assets	0	0	0	0	232	232
Total Operating Expenses	**249,237**	**262,641**	**(106,232)**	**405,646**	**45,377**	**451,023**
Transfers to Earmarked Reserves	29,509	0	(29,509)	0	0	0
(Surplus) or deficit in the provision of services	**(933)**	**171,359**	**129,044**	**299,470**	**(273,051)**	**26,419**

*Items not reported to management include depreciation and Revenue Expenditure Funded by Capital Under Statute income and expenditure.

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

18 Property, Plant & Equipment including Disposals

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

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

The movement on property, plant and equipment during 2014/15 and 2015/16 was as follows :

	Infrastucture Assets TOTAL £'000
Gross Book Value :	
At 1 April 2014	65,092
Additions at cost	4,533
Disposals	(1,278)
At 31 March 2015	68,347
At 1 April 2015	68,347
Additions at cost	3,976
Disposals	(1,747)
At 31 March 2016	70,576
Accumulated Depreciation	
At 1 April 2014	39,879
Charge for year	4,391
Disposals	(1,047)
At 31 March 2015	43,223
At 1 April 2015	43,223
Charge for year	3,998
Disposals	(1,515)
At 31 March 2016	45,706
Net Book Value :	
At 1 April 2014	25,213
At 31 March 2015	25,124
At 31 March 2016	24,870

Losses on Disposal of Non Current Assets

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

2014/15 £000's	2015/16 £000's
231	232

19 Valuation of Property, Plant & Equipment

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

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

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

The estimated useful life of each asset in the 1 April 2011 opening balance had previously been determined by the Urban Traffic Control unit within TfGM. Asset lives of 10, 20 and 30 years had been assumed. Where these opening balance assets are still in the asset register at 31 March 2016, the historic asset lives of 10, 20 or 30 years have been used in the calculation of the depreciation charge.

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

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

20 Contracted Capital Commitments

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

	31 March 2015 £000's	31 March 2016 £000's
Traffic Signals	424	939
	424	939

21 Capital Expenditure and Capital Financing

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

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

	2014/15 £'000's	2015/16 £'000's
Capital Expenditure on Infrastructure assets	4,533	3,976
Capital Grants Payable to TfGM (REFCUS)	145,733	157,741
Capital Grants Payable for ED & R (REFCUS)	10,601	4,152
Capital Grants Payable to Districts (REFCUS)	48,413	91,954
Long/Short Term Debtors for ED & R	30,145	35,211
Investment in Share Capital	627	50
Total Capital Expenditure	240,052	293,084
Funded by:		
Central Government Grants	145,283	220,787
District Contributions	1,280	1,983
External Capital Contributions	401	603
Revenue Contributions	26,208	22,852
Capital Programme Reserve	0	0
Useable Capital Receipts	0	5,120
Borrowing	66,880	41,739
	240,052	293,084

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed below.

	2014/15 £'000's	2015/16 £'000's
Opening Capital Financing Requirement	1,098,508	1,147,136
Capital Investment		
Revenue Expenditure Funded from Capital Under Statute	204,747	253,847
Capital Expenditure on Property Plant and Equipment assets	4,533	3,976
Investments	627	50
Long Term Debtors	30,145	35,211
Sources of Finance		
Government Grants & Other Contributions	(138,259)	(213,365)
Short / Long Term Debtor financed from Capital Grants	(8,705)	(10,019)
Short / Long Term Debtor financed from Revenue Grants	(22,065)	(20,072)
Short / Long Term Debtor financed from Capital Receipts	0	(5,120)
Capital Programme Reserve - RCCO	0	0
Investements funded from RCCO	0	(50)
Revenue Contributions	(4,143)	(2,730)
Minimum Revenue Provision	(15,853)	(21,287)
Repayment of Inherited Debt	(2,399)	(2,573)
Closing Capital Financing Requirement	**1,147,136**	**1,165,004**
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	48,628	17,868
Increase in carrying value of non current assets	0	0
Increase in Capital Financing Requirement	**48,628**	**17,868**

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

22 Investments

The Authority has the following long-term investments:

	2014/15 £'000's	2015/16 £'000's
DataCentred Ltd	2	2
Intechnica Ltd	125	125
Sofaworks Ltd	500	1,250
UK Municipal Bonds Agency	0	50
Less Reclassification to Assets Held for Sale	0	(1,250)
Total Capital Expenditure	627	177

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

22a Assets Held for Sale

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

	2014/15 £'000's	2015/16 £'000's
Balance at 1 April	0	0
Transfer from Investments (Sofaworks Ltd) at cost	0	500
Revaluation of investment	0	750
Total Assets Held for Sale	0	1,250

23 Short and Long Term Debtors

Short Term Debtors

	2014/15 £'000's	2015/16 £'000's
Central Government Bodies		
HMR & C	1,085	1,058
Capital Grants REFCUS - DfT	5,000	1,250
Revenue Grants - Central Government	606	2,062
Other Local Authorities	615	1,532
Public Corporations		
Traffic Signal Contributions - TfGM	4	368
Transport Fund Grant - TfGM	1,976	0
Traffic Signal Contributions - GMF & R	0	0
Prepayments	320	160
Other entities and individuals	6,076	20,885
Bad Debt provision	(206)	(4,640)
Total	15,476	22,675

Within short term debtors an amount of £1,043k (31 March 2015 £623k) has been outstanding for over 30 days, of which £188k has been impaired.

Long Term Debtors

Other entities and individuals

	2014/15 £'000's	2015/16 £'000's
Gross Book Value	31,979	41,363
Impairment provision	(7,012)	(7,663)
Net Book Value	24,967	33,700

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

24 Cash and Cash Equivalents

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

	2014/15	2015/16
	£'000's	£'000's
Bank current accounts	(4,971)	287
Bank call accounts	23,235	11,209
Short term deposits with central government and other institutions	142,584	143,469
	160,848	154,965

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

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

The accrued interest receivable included within the cash equivalent figures as at 31 March 2016 is £78k (31 March 2015 £35k)

The average interest receivable on the short term deposits as at 31 March 2016 was 0.42% (31 March 2015 0.36%).

Cash equivalents includes amounts representing monies due to TfGM but not needed by them at that time, held within separate GMCA bank accounts managed by TfGM on behalf of the GMCA. As at 31 March 2016 these amount to £21.795 million (31 March 2015 £16.159 million). These are also shown within Short Term Borrowings as liabilities with TfGM.

25 Short Term Creditors

	2014/15 £'000's	2015/16 £'000's
Central Government Bodies		
HMRC	0	20
Non GMCA Road Schemes - DfT *	27,048	27,017
Homes and Communities Agency - HCA	52	0
Business Innovation and Skills - BIS	0	118
Other Local Authorities	33,436	32,218
Public Corporations		
TfGM	50,799	47,167
Other entities and individuals	1,614	6,098
Total	112,949	112,638

* The Authority provides a service as an agent to the Department for Transport whereby it receives grants from them which are then paid over to other local authorities within Greater Manchester.

26 Deferred Liability

Former Greater Manchester Council debt

	2014/15 £'000's	2015/16 £'000's
Balance as at 1st April	23,515	21,116
Repayment in the year	(2,399)	(2,573)
Balance as at 31st March	21,116	18,543
Due within 1 year	2,568	2,717
Due over 1 year	18,548	15,826

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

27 Financial Instruments

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

	Long Term 31 March 2015 £000's	Long Term 31 March 2016 £000's	Current 31 March 2015 £000's	Current 31 March 2016 £000's
Investments				
Equity investments	627	177	0	0
Available for Sale Financial Asset	0	0	0	1,250
Loans and receivables	0	0	165,819	154,678
Debtors				
Loans and receivables	24,967	33,700	14,071	21,457
Cash	0	0	(4,971)	287
Borrowings				
Financial liabilites at amortised cost	904,906	944,906	27,938	32,835
Creditors and Grants Received in Advance				
Financial liabilites at amortised cost	0	0	150,474	144,374

Income and Expense

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

	2014/15 Financial Liabilities measured at amortised cost £000's	2014/15 Financial assets: loans and receivables £000's	2014/15 Financial assets: available for sale £000's	2014/15 **Total** £000's	2015/16 Financial Liabilities measured at amortised cost cost £000's	2015/16 Financial assets: loans and receivables £000's	2015/16 Financial assets: available for sale £000's	2015/16 **Total** £000's
Interest expense	(42,512)	0		(42,512)	(44,026)			(44,026)
Fee expense	(5)	0		(5)	0			0
Impairment of Debtors	0	(5,516)		(5,516)	0	(4,441)		(4,441)
Interest Income		1,740		1,740		4,022		4,022
Gains / (Loss) on revaluation			0	0			750	750
Net gain/(loss) for the year	(42,517)	(3,776)	0	(46,293)	(44,026)	(419)	750	(43,695)

27 Financial Instruments (continued)

Fair Values of Assets and Liabilities

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

	31 March 2015		31 March 2016	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
Financial Assets at Amortised Cost				
Cash	(4,971)	(4,971)	287	287
Loans and Receivables	204,857	204,857	209,835	209,835
Equity investments	627	627	177	177
Total Financial Assets	200,513	200,513	210,299	210,299

	31 March 2015		31 March 2016	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
Financial Liabilities at Amortised Cost				
PWLB Debt using premature repayment rates	425,144	626,929	399,388	597,604
Non- PWLB debt	507,700	611,396	578,353	836,870
Total Borrowings	932,844	1,238,325	977,741	1,434,474
Creditors and Grants Received in Advance	150,474	150,474	144,374	144,374
Total Financial Liabilities	1,083,318	1,388,799	1,122,115	1,578,848

The 2015/16 code adopted IFRS 13 Fair Value Measurement which requires the Authority to measure any financial instruments in accordance with IFRS 13. Prior year restatement is not required. Fair value in IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In 2014/15 the fair values are included at the amount at which the instrument could be exchanged in a current transaction between willing parties.

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

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

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

Long term receivables have been evaluated based on collectability risk.

27 Financial Instruments (continued)

Loans and Borrowings

- In 2015/16 for non-PWLB loans payable, the fair value of the current and long term debt has been measured at £836.870 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 £702.640 million.

- The fair value of Public Works Loan Board (PWLB) loans of £597.604 million measures the economic effect of the terms agreed with the PWLB based on premature repayment rates. This is deemed to be the principle market for the PWLB loan debt. The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at premature repayment rates.

- However, the Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £394.906 million would be valued at £524.683 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 £198.335 million.

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

- In 2015/16 the fair value is determined by calculating the Net Present Value of future cash flows, thereby estimating the value of future payments in today's terms. This is a widely accepted and commonly used valuation technique. The discount rate used is equal to the current rate for a similar loan from a comparable lender. This will be the market rate applicable on the date of valuation for a loan with the same outstanding period to maturity.

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

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

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

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

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

27 Financial Instruments (continued)

Borrowings	Range of interest rates payable in 15/16 from %	to %	Average Interest % at 31/03/15	Average Interest % at 31/03/16	Total Outstanding 31 March 2015 £'000's	Total Outstanding 31 March 2016 £'000's
a) Analysis of loans by type :						
Public Works Loans Board	0.56%	11.375%	5.03%	5.15%	420,706	394,906
Other Loans	3.95%	4.50%	4.18%	4.21%	490,000	555,000
TfGM - Interbank					16,159	21,795
Accrued Interest Payable :						
PWLB					4,438	4,482
Others					1,541	1,558
Total as at 31st March			4.59%	4.62%	932,844	977,741
b) Analysis of loans by maturity						
Maturing:						
Due within 1 year : accrued interest payable						
PWLB					4,438	4,482
Others					1,541	1,558
Due within 1 year : principal						
PWLB					5,800	5,000
Others					0	0
Due within 1 year : TfGM - Interbank					16,159	21,795
Due within 1 year					27,938	32,835
In 1 to 2 years					5,000	7,014
In 2 to 5 years					32,604	42,287
In 5 to 10 years					97,130	97,419
In over 10 years					770,172	798,186
Due over 1 year					904,906	944,906
Total					932,844	977,741

28 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

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

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

These policies are implemented by a central treasury team. The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

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

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

- Term deposits – Other Local Authorities: Credit Criteria high security
- Term deposits – Banks and building societies; Credit Criteria Varied
- Debt Management Agency Deposit Facility & UK Nationalised Banks – UK Government Backed.
- Certificates of deposits issued by banks and building societies covered by UK Government guarantees – UK Government explicit guarantee
- Money Market Funds, credit criteria AAA
- Non-UK Banks / Building Societies – Domiciled in a country which has a minimum sovereign Long Term rating of AAA
- Treasury Bills – UK Government backed
- Covered Bonds – Credit Criteria AAA

Non-Specified Investments
Non- specified investments are any other type of investment not defined as specified above. Any proposals to use any non-specified investments will be reported to members for approval.

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

Banks and Building Societies

Fitch AA+ and above	£15 million
Fitch AA+/AA-	£10 million
Fitch A+/A	£8 million
Fitch A-	£4 million
Fitch BBB+	£0 million
Debt Management Office	£200 million
Manchester City Council	£50 million
GM Authorities	£35 million
Other Local Authorities	£20 million

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

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

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. All investments held as at 31 March 2016 were with the HM Treasury Debt Management Office, other local authorities or UK banks and building societies.

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Authority maintains strict credit criteria for investment counterparties.

The Authority has not used any non-credit rated institutions (for instance smaller building societies or bank subsidiaries where the parent has a satisfactory rating). In these circumstances these investments would have been classified as other counterparties.

The Authority's trade debtors relate primarily to claims on Central Government departments. Excluding HMRC and RGF / GPF Loans, £0.017 million of the balance of debtors of £3.210 million is past its due date for payment, therefore the estimated exposure to default is £nil.

RGF / GPF loans have had individual risk profiles assessed, resulting in an impairment of debt of £11.453 million being included within the accounts.

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

Credit Ratings Used:

Banks and Building Societies:

As a minimum must have the following Fitch (or equivalent) credit ratings (where rated):

Long Term – Fitch A-

Short Term – Fitch F1

Support – Fitch 3

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

Monitoring of credit ratings:

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

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

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

Liquidity Risk

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

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

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

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

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

The maturity analysis of financial liabilities is as follows:

	31 March 2015 £000's	31 March 2016 £000's
Less than one year	178,412	177,209
Between one and two years	5,000	7,014
Between two and five years	32,604	42,287
Between five and ten years	97,130	97,419
More than ten years	770,172	798,186
Total	**1,083,318**	**1,122,115**

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

	31 March 2015 £000's	31 March 2016 £000's
Less than one year	174,919	176,422
Between one and two years	4,947	8,918
Between two and five years	16,039	20,947
Between five and ten years	3,981	3,835
Total	**199,886**	**210,122**

More detail on the Financial Liabilities and Assets can be found in Note 27 – Financial Instruments.

Market Risk

Interest Rate Risk

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

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

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

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

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

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

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

- Short term investment risk (£154.678 million @ 1%) = £1.547 million gain.
- Short term borrowing risk (nil @ 1%) = £nil.
- LOBO risk (loans potentially subject to call over the remaining term of the loan)
  (£105 million @ 1%) = £1.050 million loss.

Impact on the Surplus or Deficit / (Surplus) on the Provision of Services = £0.497 million gain.

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

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

- Short term investment risk (£154.678 million @ 0.42%) = £0.650 million loss.
- Short term borrowing risk (nil @ 1%) = £nil.
- LOBO risk (loans potentially subject to call over the remaining term of the loan) (£105 million @ 1%) = £1.050 million gain.

Impact on the Surplus or Deficit / (Surplus) on the Provision of Services = £0.400 million gain.

Foreign Exchange risk

The Authority has received a grant of €1,074,843 from the European Union which was denominated in Euros. It therefore has a small exposure to loss arising from movements in exchange rates.

29 Usable Reserves

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

30 Unusable Reserves

	2014/15 £'000's	2015/16 £'000's
Capital Adjustment Account	(1,091,088)	(1,090,925)
Financial Instruments Adjustment Account	(254)	(252)
Available for sale: Financial Instruments	0	750
Pensions Reserve	0	(36)
Total Unusable Reserves	(1,091,342)	(1,090,463)

30(a) Capital Adjustment Account

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

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

	2014/15 £'000's	2015/16 £'000's
Balance as at 1st April	(1,062,015)	(1,091,088)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :		
Revenue expenditure funded from capital under statute	(204,747)	(253,847)
Annual depreciation charge of non-current assets	(4,391)	(3,998)
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(231)	(232)
Capital Financing Applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	138,259	213,365
Funded from Capital Programme Reserve - RCCO	0	0

Statutory provision for the financing of capital investment	15,853	21,287
Repayment of Inherited Debt charged against the General Fund	2,399	2,573
Long and Short Term Debtor financed from Capital Grants	8,705	10,019
Long and Short Term Debtor financed from RCCO	21,440	20,072
Long and Short Term Debtor financed from Capital Receipts	0	5,120
Investments funded from RCCO	627	50
Bad debt provision for RGF/GPF loans	(5,531)	(4,441)
Write Down of Long Term Debtor	(5,597)	(12,535)
Revenue Contributions to Finance Capital	4,141	2,730
Balance as at 31st March	(1,091,088)	(1,090,925)

30(b) Financial Instruments Adjustment Account

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

2014/15 £'000's		2015/16 £'000's
(256)	Balance as at 1st April	(254)
675	Interest incurred in the year and charged to the Comprehensive Income and Expenditure Statement	675
(673)	Proportion of interest incurred to be charged against the General Fund Balance in accordance with statutory requirements	(673)
2	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2
(254)	Balance as at 31st March	(252)

30(c) Available for Sale Financial Instruments

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

2014/15 £'000's		2015/16 £'000's
0	Balance as at 1st April	0
0	Increase in Financial Instruments Market Value	750
0	(Decrease) in Financial Instruments Market Value	0
0	Balance as at 31st March	750

30(d) Pension Reserve

This relates to the net pension asset as at 31 March 2016 in accordance with the actuary's report. Further details are shown in Note 36.

2014/15 £'000's		2015/16 £'000's
0	Balance as at 1st April	0
0	Actuarial gains and losses on pensions assets/liabilities	4
0	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.	68
0	Employer's pension contributions and direct payments to pensioners payable in the year	(108)
0	Balance as at 31st March	(36)

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

31 Related Party Transactions

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

Central Government - Department for Transport

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

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

	2014/15 £'000's	2015/16 £'000's
Income		
Dept for Transport - revenue grants	491	3,789
Dept for Transport - capital grants - REFCUS	135,182	86,539
Dept for Transport - capital grants - Traffic Signals Schemes	2,338	1,338
Debtors		
Dept for Transport - capital grants - REFCUS	5,000	1,250

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

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

	2014/15 £'000's	2015/16 £'000's
Income		
Cabinet Office - revenue grants	0	250
DCLG - revenue grants	33,670	683
Skills Funding Agency - revenue grants	1,353	8,641
DCLG - capital grants - REFCUS	6,460	86,697
DCLG (BIS) - capital grants	0	30,000
DCLG (BIS) - revenue grants	0	625
HCA - capital grants	0	141
Expenditure		
HCA	0	80
Debtors		
DCLG (BIS) - revenue grants	0	119
DCLG - revenue grants	0	98
Skills Funding Agency - revenue grant	0	1,955
HMRC - VAT	0	1,058
Creditors		
HMRC - VAT	0	20

31 Related Party Transactions (continued)

Greater Manchester Authorities

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

	2014/15 £'000's	2015/16 £'000's
Income		
The annual transport levy from the 10 district councils	198,094	195,123
The capital contributions to new traffic signals schemes from the 10 district councils	1,280	2,135
The annual contributions to ED&R functions from the 10 district councils	3,403	4,203
Expenditure		
General Expenditure	3,862	1,983
Capital Grants - REFCUS	47,704	120,585
Revenue Grants	2,854	3,713
Contribution to ED&R Functions	0	1,063
Interest Payable	0	1,111
Debtors		
Traffic Signal Scheme and Repair Invoices	540	694
Creditors		
General	32,856	32,716
Cash		
Cash on Deposit	0	3,000

31 Related Party Transactions (continued)

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

Transport for Greater Manchester

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

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

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

	2014/15 £'000's	2015/16 £'000's
Expenditure		
Revenue Support Grant	106,150	115,238
Revenue Grants	4,689	6,655
Traffic Signals Maintenance/Repairs and S278	4,140	4,224
General Expenditure	0	20
Capital Grants - REFCUS	145,733	154,777
Traffic Signals Schemes	4,533	3,822
Income		
Traffic Signals Schemes	169	427
Debtors		
Traffic Signals Schemes	4	368
Capital Grants	1,975	0
Creditors		
Revenue Grants	179	1,993
Capital Grants - REFCUS	35,530	29,823
General Expenditure	4	393
Traffic Signals Schemes/Repairs and S278	86	1,951
Temporary Cash	15,000	15,000
Borrowings		
Interbank Balance	16,159	21,795

31 Related Party Transactions (continued)

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

Members

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

No members allowances are payable.

During 2015/16 no works or services were commissioned from companies in which any members had an interest.

A grant of £4.657 million (2014/15 £5.160 million) was paid to the Greater Manchester Accessible Transport Ltd, a charitable company limited by guarantee, whose Board of Directors consist entirely of TfGMC members & TfGM directors - (Chief Executive Officer, Chief Operating Officer, Finance & Corporate Services Director), and whose Members are the Deputy Clerk to the TfGMC and the Information Systems Director of TfGM. In all instances the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to grants. Details of all these transactions are recorded in the Register of Members' Interests, open to the public at Manchester Town Hall during office hours.

Officers

There have been no pecuniary interests involving either the Head of Paid Service, the Treasurer or the Monitoring Officer to the Authority.

31 Related Party Transactions (continued)

Manchester City Council

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

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

	2014/15 £000's	2015/16 £000's
Income		
Transport Income	188	1,250
Levy Income	37,445	36,971
ED&R Income	534	1,128
General Income	0	20
Revenue Grants	0	2,053
Expenditure		
General Expenditure	2,712	724
Capital Grant - REFCUS	8,441	19,313
Revenue Grants	1,311	0
ED&R	0	1,107
Debtors		
Traffic Signals Schemes & Repairs	108	4
Traffic Signals Capex	0	157
Contribution to ED&R Costs	0	305
Creditors		
General Expenditure	366	762
Capital Grant - REFCUS	7,756	10,218
Revenue Grants	518	382

31 Related Party Transactions (continued)

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

Manchester Family Organisations

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

	2014/15 £'000's	2015/16 £'000's
Commission for the New Economy		
Expenditure		
General Expenditure	1,023	757
Revenue Grants	119	570
Creditors		
General Expenditure	500	500
Revenue Grants	4	419
Debtors/prepayments		
Revenue Grants	260	127

	2014/15 £'000's	2015/16 £'000's
MIDAS		
Expenditure		
General Expenditure	1,225	1,144
Revenue Grants	55	32
Creditors		
General Expenditure	360	360
Debtors/prepayments		
General Expenditure	65	33

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

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

2014/15 £'000's		2015/16 £'000's
2	Finance Costs calculated in accordance with the code	2
5,471	Increase / (Decrease) in Debtors	(1,665)
(10,409)	Decrease / (Increase) in Creditors	6,042
(5,724)	(Increase) in impairment of debt	(5,085)
(231)	Loss on sale of non-current assets	(232)
(4,391)	Annual depreciation charge	(3,998)
0	Pensions Liability	(40)
(484)	(Increase) / Decrease in Interest Debtors	(1,306)
19	Increase / (Decrease) in Interest Creditors	52
173	Other non-cash movements	(238)
(15,574)	Adjustments to net deficit on the provision of services for non-cash movements	(6,468)
43,846	Finance Costs Paid	45,093
(43,865)	Financing Expenditure	(45,145)
1,740	Financing Income	4,022
(1,256)	Interest Income Received	(2,716)
4,019	Capital grants and contributions receivable	2,586
4,484	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	3,840

33 Cash Flow Statement - Investing Activities

2014/15 £'000's		2015/16 £'000's
4,866	Purchase of Property, Plant and Equipment	4,002
30,770	Long and Short Term Loans paid out	35,212
(5,598)	Long Term Loans repaid / impaired	(12,242)
(4,012)	Capital grants and contributions received	(2,586)
26,026	**Net Cash Inflow/(Outflow) from Investing Activities**	24,386

34 Cash Flow Statement - Financing Activities

2014/15 £'000's		2015/16 £'000's
2,399	Repayment of former GMC Debt	2,573
1,827	Capital Grants Receipts in Advance relating to Agency Activities	(31)
35,471	Repayment of borrowing	25,800

(75,000)	Receipt of borrowing	(70,636)
(35,303)	**Net Cash Inflow/(Outflow) from Financing Activities**	(42,294)

35 Staff Costs

Senior Employees Remuneration

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

	Salary, Fees or Allowances		Expenses Allowance		Employers contribution to Pension	
	2014/15 £	2015/16 £	2014/15 £	2015/16 £	2014/15 £	2015/16 £
Chief Investment Officer	105,000	105,000	572	1,178	0	0
Low Carbon Investment Director	118,000	120,000	377	77	0	42,610
Strategic Director Public Service Reform	65,722	130,000	48	150	0	17,842

Staff Costs	**2014/15 £000**	**2015/16 £000**
Wages and Salaries	289	393
Social Security Costs	37	50
Pension Costs	0	68
Total	326	511
Average number of employees during the year	3	4

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

	Staff who have not received severance **2014/15**	Staff who have received severance **2014/15**	Total **2014/15**	Staff who have not received severance **2015/16**	Staff who have received severance **2015/16**	Total **2015/16**
Salary Range						
£60,000 to £64,999	0		0	2		2
£65,000 to £69,999	1		1	0		0
£105,000 to £109,999	1		1	1		1
£115,000 to £119,999	1		1	0		0
£120,000 to £124,999	0		0	1		1
£130,000 to £139,999	0		0	1		1
	3	**0**	**3**	**5**	**0**	**5**

36 Local Government Pension Schemes

Participation in Pension Schemes

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

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

Transactions Relating to Post-Employment Benefits

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

The following includes the values for 2014/15, however, no accounting entries were made within the year. Accounting entries have been made for the 2015/16 values, this being the first year these have been made.

	2014/15 £000s	2015/16 £000s
Comprehensive Income and Expenditure Statement		
Net Cost of Services:		
Current service cost	29	78
Financing and investment income and expenditure		
Net interest expense	0	1
Total post-employment benefits charged to the deficit on the provision of services	**29**	**79**
Remeasurment of the Net Defined Liability Comprising:		
Return on plan assets (excluding amounts included in net interest)	(1)	2
Actuarial gains and losses arising on changes in financial assumptions	3	(8)
Total remeasurement recognised in other comprehensive income	**2**	**(6)**
Movement in Reserves Statement		
Reversal of net charges made to the Deficit on Provision of Services	8	32
Actual amount charged against the General Fund Balance for the pensions in the year:		
Employer's contribution payable to scheme	21	47

36 Local Government Pension Schemes

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

Funded Liabilities: Local Government Pension Scheme:	2014/15	2015/16
	£000s	£000s
Balance at 1 April	0	46
Current service cost	29	78
Interest cost on defined benefit obligation	1	3
Contributions by scheme participants	13	28
Changes in financial assumptions	3	(8)
Balance at 31 March	46	147

Reconciliation of the Movements in Fair Value of Scheme Assets

Fair value of the scheme assets:	2014/15	2015/16
	£000s	£000s
Balance at 1 April	0	36
Interest income on plan assets	1	2
Return on assets (excluding amounts included in net interest)	1	(2)
Contributions in respect of unfunded benefits	0	0
Employer contributions	21	47
Contributions by scheme participants	13	28
Balance at 31 March	36	111

Net Liability Arising from Defined Benefit Obligation

Net Liability for Year:	2014/15	2015/16
	£000s	£000s
Present value of funded liabilities	(46)	(147)
Present value of unfunded liabilities		0
Fair value of assets	36	111
(Deficit) in the scheme	(10)	(36)

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

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

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

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

The main assumptions used in their calculations have been:

	2014/15	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	21.4 years	21.4 years
Women	24.0 years	24.0 years
Longevity at 65 for future pensioners		
Men	24.0 years	24.0 years
Women	26.6 years	26.6 years
Rate of increase in salaries	3.6%	3.4%
Rate of increase in pensions	2.4%	2.1%
Discount rate	3.2%	3.4%
Take-up of option to convert annual pension into retirement lump sum - pre April 2008	55.0%	55.0%
Take-up of option to convert annual pension into retirement lump sum - post April 2008	80.0%	80.0%

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

Changes in assumptions at 31 March 2015	% increase to Employer Liability	£000s
0.5% decrease in real discount rate	9%	13
1 year increase in member life expectancy	3%	4
0.5% increase in the salary increase rate	0%	0
0.5% increase in the pension increase rate	9%	13

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

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

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

	Year Ended 31 March 2016			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	
	£000s	£000s	£000s	%
Equity securities				
Consumer	9.8	0.0	9.8	9%
Manufacturing	8.0	0.0	8.0	7%
Energy and utilities	6.0	0.0	6.0	5%
Financial institutions	10.8	0.0	10.8	10%
Health and care	4.6	0.0	4.6	4%
Information technology	2.5	0.0	2.5	2%
Other	1.5	0.0	1.5	1%
Debt securities				
Corporate bonds (investment grade)	5.5	0.0	5.5	5%
UK government	0.9	0.0	0.9	1%
Other	3.5	0.0	3.5	3%
Private equity				
All	0.0	2.8	2.8	3%
Real estate				
UK property	0.0	3.5	3.5	3%
Investment funds and unit trusts				
Equities	30.8	0.0	30.8	28%
Bonds	8.6	0.0	8.6	8%
Infrastructure	0.0	1.5	1.5	1%
Other	2.2	5.4	7.6	7%
Derivatives				
All	0.3	0.0	0.3	0%
Cash and cash equivalents				
All	2.8	0.0	2.8	3%
	97.8	13.2	111.0	100%

Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

Group Accounts

The group accounts comprise the accounts of the Authority together with those of Transport for Greater Manchester, Greater Manchester Accessible Transport Limited and its subsidiary and associated undertakings, Commission for the New Economy Ltd. and Manchester Investment and Development Agency Service Ltd. all as at 31 March 2016.

The accounts of Transport for Greater Manchester are prepared in accordance with the Accounts and Audit (England) Regulations 2011.These require the accounts to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('The Code'). The consolidated accounts comprise the accounts of TfGM and all its subsidiary and associated undertakings drawn up to 31 March 2016.

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

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

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

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

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

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

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

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

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

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

Further information about MIDAS’s accounts is available from:

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

Basis of Dominant Influence

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

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

Basis of Preparation

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

Greater Manchester Combined Authority Group Accounts – including Group Accounting Policies

Statement of Compliance with IFRS

In accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, TfGM has adopted all aspects of the Code other than as follows:

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

- Investment properties: The Code provides that any surplus or deficit arising on the revaluation of investment properties should be transferred to a revaluation reserve. TfGM's policy is to charge or credit any surplus or deficit to the income and expenditure account in the year that it arises. This policy is in line with IAS and it is considered that this treatment is more appropriate to TfGM than the Code.

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

<u>Summary of Significant Accounting Policies</u>

Property, Plant and Equipment and Assets under Construction

Items of property, plant and equipment are stated at cost less accumulated depreciation, with the exception of investment properties and non-infrastructure operational assets which are measured at fair value. TfGM's policy is to write off the carrying values of all assets, other than freehold land, on a straight-line basis over its estimated remaining useful life.
Vehicles supplied to GMATT on a reversionary basis by TfGM are stated at the deemed cost to TFGM.
The range of estimated useful lives for each class of asset is as follows:

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

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

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

Depreciation of assets, and amortisation on any grant funding its acquisitions, commences with effect from the month following capitalisation. Capitalisation of assets is carried out as soon as practicable following its acquisition or completion, irrespective of whether the asset has been brought into full use.

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

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

For the ongoing measurement of property, plant and equipment, TfGM has adopted the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which requires the fair value method to be applied to non-infrastructure operational assets. Assets classified as infrastructure include all Metrolink assets, bus stations, interchanges, turning points, bus shelters and other route equipment and works.

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

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

Non-current assets held for sale

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

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

Investment properties

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

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

Capital and revenue grants and contributions

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

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

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

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

Inventories

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

Financial Assets

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

Subsequent measurement depends on their classification as follows:

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

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

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

Financial Liabilities

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

Subsequent measurement depends on their classification as follows:

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

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

Offsetting of Financial Instruments

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

Impairment of non-financial assets

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

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

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

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

Provisions, Contingent liabilities and Contingent assets - Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that we become aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent liabilities

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

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

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

Contingent assets

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

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

Rail Services – Funding

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

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

Passenger Transport Facilities

As part of its statutory duties, TfGM is responsible for meeting the costs of upgrading public passenger transport facilities in the Greater Manchester area, including railway and highways infrastructure. In addition, TfGM provides assets and grants to Greater Manchester Accessible Transport Limited (GMATL) and grants to bus operators in accordance with section 106 of the Transport Act 1985. The expenditure incurred is offset by equivalent grants received from GMCA.

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

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

Turnover

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

Lease Income

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

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

Lease Expenditure

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

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

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

Pensions

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

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

The Scheme is accounted for as a defined benefits scheme:

- The liabilities of the GMPF attributable to the Group are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.1%
- The assets of GMPF attributable to the Group are included in the Balance Sheet at their fair value based on the bid values of the assets.
- The change in the net pensions liability is analysed into seven components:
    - Current service cost- the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - Past service cost- the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and analysed separately in the Expenditure Statement as part of Non Distributed Costs;
    - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
    - Expected return on assets – the annual investment return on the fund assets attributable to the Group based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
    - Gains or losses on settlements and curtailments – the result of actions to relieve the Group of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
    - Actuarial gains and losses – changes in the net pensions liability that arise because the actuaries have updated their assumptions – credited or debited to the Pensions Reserve (for TfGM) ; and
    - Contributions paid to the GMPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

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

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

Accrual of Income and Expenditure

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

- Revenue from sale of goods is recognised when the significant risks and rewards of ownership are transferred to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Group;

- Revenue from the provision of services is recognised when we can reliably measure the completion of the transaction and where it is probable that economic benefits or service potential associated with the transaction will flow to the Group;

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received an their consumption they are carried as inventories on the Balance Sheet;

- Expenses relating to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

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

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance sheet. Where debts may not be settled, the balance of the debtors is written down and a charge made to revenue for the amount of income that might not be collected.

Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, capital grants, retirement and employee benefits and do not represent usable resources for the Group. These reserves are explained in Note 20 of TfGM'S Statement of Accounts.

Exceptional Items

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

Events after the balance sheet date

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

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

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

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

Value Added Tax (VAT)

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

Significant accounting judgements, estimates and assumptions

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

The items in the Group's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Pension benefits: the cost of defined benefit pension plans is determined using independent actuarial valuation, involving the use of assumptions about discount rates, return on assets, future salary increases, mortality rates and future pension increases. Such assumptions are reviewed at each period end, and determined jointly between the pension fund management and the actuaries.

Deregulation Reserve

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

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

Fund Accounting

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

Group Movement in Reserves Statement (2014/15)

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

The movements on the reserves are as follows :

		2014/15											
	Note	General Fund Balance Restated*	Revenue Grants Unapplied Reserve	Capital Grants Unapplied Reserve	Property Reserve	Metrolink Reserve	RGF / GPF Interest and Arrangement Fees Reserve	Capital Receipts Reserve	Capital Programme Reserve	Designated GMATL Funds	Joint Road Safety Group Reserve	Concessionary Fares Reserve	**Total Usable Reserve**
Balance as at 1 April 2014		**11,796**	**54,172**	**45,602**	**9,064**	**32,396**	**229**	**65**	**61,965**	**1,364**	**6,306**	**14,084**	**237,043**
Surplus or (deficit) on the provision of services		79,595	0	0	0	0	0	0	0	0	0	0	**79,595**
Other Comprehensive Expenditure and Income		0	0	0	0	0	0	0	0	0	0	0	**0**
Total Comprehensive Expenditure and Income		**79,595**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**79,595**
Adjustments between accounting basis & funding basis under regulations	37	(64,707)	0	(3,051)	0	0	0	0	0	0	0	0	**(67,758)**
Net Increase/(decrease) before Transfers to Earmarked Reserves		**14,888**	**0**	**(3,051)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**11,837**
Transfers to/(from) Earmarked Reserves	38	(13,647)	(2,994)	0	(257)	(9,039)	1,168	5,506	25,540	(18)	(138)	(1,715)	**4,406**
Increase/(decrease) in year		**1,241**	**(2,994)**	**(3,051)**	**(257)**	**(9,039)**	**1,168**	**5,506**	**25,540**	**(18)**	**(138)**	**(1,715)**	**16,243**
Balance as at 31 March 2015		**13,037**	**51,178**	**42,551**	**8,807**	**23,357**	**1,397**	**5,571**	**87,505**	**1,346**	**6,168**	**12,369**	**253,286**

* Restatement due to a presentational change. In 2014-15 statements, £21.600m was shown against the General Fund, this should have shown against the Pension Reserve

Group Movement in Reserves Statement (2014/15)

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

The movements on the reserves are as follows :

		2014/15								
	Note	Capital Adjustment Account GMCA	Deferred Capital Grants TfGM	Financial Instruments Adjustment Account GMCA	Pensions Reserve TfGM Restated*	Capital Reserve TfGM	Deregulation Reserve TfGM	Revaluation Reserve TfGM	**Total Unusable Reserve**	**Total Group Reserves**
Balance as at 1 April 2014		**(153,252)**	**778,544**	**(256)**	**(12,400)**	**3,853**	**(50,136)**	**0**	**566,353**	**803,396**
Surplus or (deficit) on the provision of services		0	0	0	0	0	0	0	**0**	**79,595**
Other Comprehensive Expenditure and Income		0	0	0	(21,600)	0	0	0	**(21,600)**	**(21,600)**
Total Comprehensive Expenditure and Income		**0**	**0**	**0**	**(21,600)**	**0**	**0**	**0**	**(21,600)**	**57,995**
Adjustments between accounting basis & funding basis under regulations	37	38,802	29,654	2	(700)	0	0	0	**67,758**	**0**
Net Increase/(decrease) before Transfers to Earmarked Reserves		**38,802**	**29,654**	**2**	**(22,300)**	**0**	**0**	**0**	**46,158**	**57,995**
Transfers to/(from) Earmarked Reserves	38	(5,506)	0	0	0	0	1,100	0	**(4,406)**	**0**
Increase/(decrease) in year		**33,296**	**29,654**	**2**	**(22,300)**	**0**	**1,100**	**0**	**41,752**	**57,995**
Balance as at 31 March 2015		**(119,956)**	**808,198**	**(254)**	**(34,700)**	**3,853**	**(49,036)**	**0**	**608,105**	**861,391**

* Restatement due to a presentational change. In 2014-15 statements, £21.600m was shown against the General Fund, this should have shown against the Pension Reserve

Group Movement in Reserves Statement (2015/16)

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

The movements on the reserves are as follows:

								2015/16						
	Note	General Fund Balance	Revenue Grants Unapplied Reserve	Capital Grants Unapplied Reserve	Property Reserve	Metrolink Reserve	RGF / GPF Interest and Arrangement Fees Reserve	Capital Receipts Reserve	Capital Programme Reserve	Intergrated Ticketing Reserve	Designated GMATL Funds	Joint Road Safety Group Reserve	Concessionary Fares Reserve	**Total Usable Reserve**
Balance as at 1 April 2015		**13,037**	**51,178**	**42,551**	**8,807**	**23,357**	**1,397**	**5,571**	**87,505**	**0**	**1,346**	**6,168**	**12,369**	**253,286**
Surplus or (deficit) on the provision of services		56,634	0	0	0	0	0	0	0	0	0	0	0	**56,634**
Other Comprehensive Expenditure and Income		0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Comprehensive Expenditure and Income		**56,634**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**56,634**
Adjustments between accounting basis & funding basis under regulations	37	(74,883)	0	(19,327)	0	0	0	0	0	0	0	0	0	**(94,210)**
Net Increase/(decrease) before Transfers to Earmarked Reserves		**(18,249)**	**0**	**(19,327)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(37,576)**
Transfers to/(from) Earmarked Reserves	38	18,349	(36,401)	0	(308)	(10,471)	1,561	7,122	18,121	12,500	11	(348)	(3,014)	**7,122**
Increase/(decrease) in year		**100**	**(36,401)**	**(19,327)**	**(308)**	**(10,471)**	**1,561**	**7,122**	**18,121**	**12,500**	**11**	**(348)**	**(3,014)**	**(30,454)**
Balance as at 31 March 2016		**13,137**	**14,777**	**23,224**	**8,499**	**12,886**	**2,958**	**12,693**	**105,626**	**12,500**	**1,357**	**5,820**	**9,355**	**222,832**

Group Movement in Reserves Statement (2015/16)

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

The movements on the reserves are as follows:

	Note	Capital Adjustment Account GMCA	Deferred Capital Grants TfGM	Financial Instruments Adjustment Account GMCA	Pensions Reserve	Capital Reserve TfGM	Deregulation Reserve TfGM	Revaluation Reserve TfGM	Available for Sale Financial Instruments	**Total Unusable Reserve**	**Total Group Reserves**
		2015/16									
Balance as at 1 April 2015		**(119,956)**	**808,198**	**(254)**	**(34,700)**	**3,853**	**(49,036)**	**0**	**0**	**608,105**	**861,391**
Surplus or (deficit) on the provision of services		0	0	0	0	0	0	0	0	**0**	**56,634**
Other Comprehensive Expenditure and Income		0	0	0	12,149	0	0	2,442	750	**15,341**	**15,341**
Total Comprehensive Expenditure and Income		**0**	**0**	**0**	**12,149**	**0**	**0**	**2,442**	**750**	**15,341**	**71,975**
Adjustments between accounting basis & funding basis under regulations	37	42,275	53,703	2	(1,685)	(1,392)	1,100	207	0	**94,210**	**0**
Net Increase/(decrease) before Transfers to Earmarked Reserves		**42,275**	**53,703**	**2**	**10,464**	**(1,392)**	**1,100**	**2,649**	**750**	**109,551**	**71,975**
Transfers to/(from) Earmarked Reserves	38	(7,122)	0	0	0	0	0	0	0	**(7,122)**	**0**
Increase/(decrease) in year		**35,153**	**53,703**	**2**	**10,464**	**(1,392)**	**1,100**	**2,649**	**750**	**102,429**	**71,975**
Balance as at 31 March 2016		**(84,803)**	**861,901**	**(252)**	**(24,236)**	**2,461**	**(47,936)**	**2,649**	**750**	**710,534**	**933,366**

Group Comprehensive Income and Expenditure Statement

This statement summarises the resources that have been generated and consumed in providing services and managing the Group during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of non-current assets actually consumed.

2014/15					2015/16		
£'000 Gross Expenditure	£'000 Gross Income	£'000 Net Expenditure		Note	£'000 Gross Expenditure	£'000 Gross Income	£'000 Net Expenditure
			Highways and Transport Services				
46,362	(48,192)	(1,830)	Rail franchise		47,696	(49,533)	(1,837)
56,649	0	56,649	Concessionary fare scheme		56,121	0	56,121
40,131	(8,232)	31,899	Supported bus services		35,968	(7,850)	28,118
90,042	(46,934)	43,108	Metrolink		106,154	(52,666)	53,488
589	0	589	Exceptional accelerated depreciation charge		0	0	0
5,859	(827)	5,032	Accessible transport		5,629	(976)	4,653
4,492	(2,961)	1,531	Highways Activities		4,968	(2,938)	2,030
8,852	(8,690)	162	Road Safety Activities		7,457	(7,140)	317
13,196	(3,527)	9,669	Passenger transport facilities		7,642	(945)	6,697
57,016	(12,369)	44,647	Running Costs		67,925	(30,543)	37,382
48,413	(47,943)	470	Revenue Expenditure Payable Funded from Capital under Statute / Capital Grants Receivable		91,954	(86,539)	5,415
371,601	(179,675)	191,926			431,514	(239,130)	192,384
			Planning Services				
16,630	(37,798)	(21,168)	Running Costs		23,336	(18,373)	4,963
4,141	(4,141)	0	Revenue Expenditure Payable Funded from Capital under Statute / Capital Grants Receivable		4,011	0	4,011
20,771	(41,939)	(21,168)			27,347	(18,373)	8,974
			Housing Services				
6,460	(6,460)	0	Revenue Expenditure Payable Funded from Capital under Statute / Capital Grants Receivable		141	(141)	0
5,973	(294)	5,679	Corporate and Democratic Core		6,120	(117)	6,003
301	0	301	Non distributed costs		5	0	5
405,106	**(228,368)**	**176,738**	**Cost of Services**		**465,127**	**(257,761)**	**207,366**
			Other Operating Expenditure				
3,568	0	3,568	Losses on the disposal of non current assets	47	5,201	0	5,201
48,340	(1,746)	46,594	Financing and Investment Income and Expenditure	39&40	50,339	(5,369)	44,970
0	(306,495)	(306,495)	Taxation and Non Specific Grant Income	41	0	(314,171)	(314,171)
457,014	**(536,609)**	**(79,595)**	**(Surplus) on Provision of Services**		**520,667**	**(577,301)**	**(56,634)**
457,014	**(536,609)**	**(79,595)**	**Group (Surplus)**		**520,667**	**(577,301)**	**(56,634)**
		0	Deficit on revaluation of investment properties				0
		21,600	Re-measurements in net defined benefit liability				(12,149)
		0	(Surplus) on revaluation of available non-current assets				(3,192)
		21,600	**Other Comprehensive (Income) and Expenditure**				**(15,341)**
		(57,995)	**Total Comprehensive (Income) and Expenditure**				**(71,975)**

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

2014/15		2015/16
£'000		£'000
(3,316)	Deficit for the year on the Authority Comprehensive Income and Expenditure Statement	25,665
	(Surplus)/deficit arising from other entities included in the group accounts analysed into the amounts attributable to:	
(54,806)	Subsidiary - TfGM	(98,022)
(100)	Subsidiary - GMATL	(90)
93	Subsidiary - CNE	161
134	Subsidiary - MIDAS	311
(57,995)	**(Income)/Expenditure for the year on the Group Comprehensive Income and Expenditure Account**	**(71,975)**

Group Balance Sheet

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

31 Mar 2015 £'000		Note	31 Mar 2016 £'000
	Non-Current Assets		
	Property, Plant & Equipment		
11,582	Land and Buildings	47	12,601
25,000	Vehicles, Plant, Furniture and Equipment	47	30,041
1,657,990	Infrastructure	47	1,699,902
153,806	**Assets Under Construction**	47	181,762
300	**Investment Property**	47	890
627	**Investments**	22	177
25,039	**Long Term Debtors**	44	35,039
1,874,344	**Total Non-Current Assets**		**1,960,412**
	Current Assets		
237	Inventories	48	206
0	Assets Held For Sale	63	1,965
45,132	Short Term Debtors	44	48,801
164,601	Cash and Cash Equivalents	45	157,166
209,970	**Total Current Assets**		208,138
2,084,314	**Total Assets**		**2,168,550**
	Current Liabilities		
(13,019)	Short Term Borrowing	43	(17,292)
(137,720)	Short Term Creditors	46	(129,776)
(37,525)	Capital Grants Receipts in Advance	13	(28,304)
0	Revenue Grants Receipts in Advance	13	(3,432)
(2,615)	Provisions	50	(2,292)
(2,568)	Deferred Liability	26	(2,717)
(193,447)	**Total Current Liabilities**		(183,813)
1,890,867	**Total Assets less Current Liabilities**		**1,984,737**
	Long Term Liabilities		
(18,548)	Deferred Liability	26	(15,826)
(975,950)	Long Term Borrowing	43	(1,010,927)
0	Capital Grants Receipts in Advance	13	0
(34,700)	Net Pensions Liabilities	59	(24,417)
(76)	Deferred Income	49	0
(202)	Provisions	50	(201)
(1,029,476)			(1,051,371)
861,391	**Net Assets**		**933,366**
	Financed By :		
	Usable Reserves - Authority :		
5,284	General Fund Reserve	MIRS	5,820
39,724	Revenue Grants Unapplied Reserve	38	14,463
87,505	Capital Programme Reserve	38	105,626
39,973	Capital Grants Unapplied Reserve	MIRS	22,553
5,571	Capital Receipt Reserve	MIRS	12,693
34,496	Metrolink Reserve	38	10,793
0	Integrated Ticketing Reserve	38	12,500
1,397	RGF / GPF Interest and Arrangement Fees	38	2,958
213,950			187,406
	Usable Reserves - Executive and GMATL :		
7,052	General Fund Reserve	MIRS	7,088
8,807	Property Reserve	38	8,499
11,454	Revenue Grants Unapplied Reserve	38	314
2,578	Capital Grants Unapplied Reserve	MIRS	671
(11,139)	Metrolink Reserve	38	2,093
6,168	Joint Road Safety Group Reserve	38	5,820
12,369	Concessionary Fares Reserve	38	9,355
1,346	GMATL designated fund	38	1,357
38,635			35,197
	Usable Reserves - Manchester Family		
51	General Fund Reserve - CNE	MIRS	(110)
650	General Fund Reserve - MIDAS	MIRS	339
701			229
	Unusable Reserves - Authority, Executive and GMATL :		
(119,956)	Capital Adjustment Account (GMCA)	53	(84,803)
(254)	Financial Instruments Adjustment Account (GMCA)	52	(252)
808,198	Deferred Capital Grants and Contributions Account (TfGM)	52	861,901
(34,700)	Pensions Reserve (TfGM & GMCA)	52	(24,236)
3,853	Capital Reserves (TfGM)	52	2,461
(49,036)	Deregulation Reserve (TfGM)	52	(47,936)
0	Charitable Trust Income and Expenditure Reserve (GMATL)	52	0
0	Revaluation Reserve (TfGM)	52	2,649
0	Available for Sale Financial Instruments (GMCA)	52	750
608,105			710,534
861,391	**Total Reserves**		**933,366**

Group Cash Flow Statement

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

2014/15 £'000		Note	2015/16 £'000
(79,595)	Net (Surplus) on the provision of services		(56,634)
(55,351)	Adjustments to net surplus or deficit on the provision of services for non cash movements	55	(63,225)
135,639	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	55	82,646
693	**Net Cash Flows from Operating Activities**	55	**(37,213)**
46,445	Investing Activities	56	81,284
(70,753)	Financing Activities	57	(36,636)
(23,615)	**(Increase)/decrease in cash and cash equivalents**		**7,435**
140,986	Cash and cash equivalents at the beginning of the reporting period	45	164,601
164,601	Cash and cash equivalents at the end of the reporting period	45	157,166

Notes to the Group Accounts Index

37 Adjustments between accounting basis and funding basis under regulations

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

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement	2014/15 £'000	2015/16 £'000
Revenue Expenditure Funded from Capital under Statute	62,541	103,191
Annual Depreciation Charge	4,391	3,998
Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	231	232
Capital Grants & Contributions Receivable	(145,661)	(205,963)
Capital grants released	51,931	63,870
Capital grants applied/(unapplied)	5,654	(9,308)
Amount by which finance costs charged to the Comprenhensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(2)	(2)
Amount by which pension costs calculated in accordance with the SORP (ie in accordance with IAS19) are different from the contributions due under pension scheme regulations	700	1,760
Impairment of Loans	91	287
Contribution to Capital Bad Debt provision	5,531	4,441
	(14,593)	**(37,494)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement		
Minimum Revenue Provision for capital financing	(15,853)	(21,287)
Inherited Debt Principal Payment	(2,399)	(2,573)
Long Term Debtor financed from Capital Grants	(8,705)	(10,019)
RCCO	0	0
Revenue Contributions to Finance Capital	(26,208)	(22,837)
	(53,165)	**(56,716)**
Adjustments involving the Financial Instruments Adjustments Account:		
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(2)	(2)
Total Adjustments	**(67,758)**	**(94,210)**

38 Transfers to/(from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

	Balance as at 1 April 2014 £000's	Transfers Out 2014/15 £000's	Transfers In 2014/15 £000's	Balance as at 31 March 2015 £000's	Balance as at 1 April 2015 £000's	Transfers Out 2015/16 £000's	Transfers In 2015/16 £000's	Balance as at 31 March 2016 £000's
Revenue Grants Unapplied Reserves :								
Growing Places Fund (1)	**2,175**	(1,084)	722	**1,813**	**1,813**	(1,813)	0	**0**
LEP Capacity Building in Transport (2)	**132**	(132)	0	**0**	**0**	0	0	**0**
Local Sustainable Transport Fund (3)	**10,814**	(4,088)	0	**6,726**	**6,726**	(6,726)	1,877	**1,877**
Better Bus Area Fund (4)	**116**	(116)	0	**0**	**0**	0	0	**0**
Regional Growth Fund 2 (5)	**5,003**	0	10,964	**15,967**	**15,967**	(15,967)	0	**0**
Regional Growth Fund 3 (6)	**10,406**	(4,296)	0	**6,110**	**6,110**	(6,110)	0	**0**
Regional Growth Fund Bank Interest (7)	**46**	0	30	**76**	**76**	0	37	**113**
Smarter Cities (8)	**14**	0	56	**70**	**70**	(70)	650	**650**
Youth Contract (9)	**5,800**	(1,013)	0	**4,787**	**4,787**	(742)	0	**4,045**
Local Enterprise Partnership Core Funding (10)	**145**	(145)	176	**176**	**176**	(176)	33	**33**
Local Enterprise Partnership Strategic Plans Funding (11)	**250**	(250)	441	**441**	**441**	(252)	305	**494**
City Deal (12)	**3,543**	(66)	0	**3,477**	**3,477**	(1,946)	3,547	**5,078**
Total Transport Pilot Fund (13)	**0**	0	81	**81**	**81**	(81)	81	**81**
Careers & Enterprise Grant (14)	**0**	0	0	**0**	**0**	0	50	**50**
GM Skills for Employment pilot (15)	**0**	0	0	**0**	**0**	0	60	**60**
Brownfield Land Register Pilot (16)	**0**	0	0	**0**	**0**	0	80	**80**
One Public Estate (17)	**0**	0	0	**0**	**0**	0	250	**250**
SEMMMs Study (18)	**0**	0	0	**0**	**0**	0	350	**350**
CCAG Evaluation (19)	**0**	0	0	**0**	**0**	0	28	**28**
AGE Grant (20)	**0**	0	0	**0**	**0**	0	1,274	**1,274**
Revenue Grants Unapplied Reserve - TfGM - (21)	**15,728**	(14,810)	10,536	**11,454**	**11,454**	(11,140)	0	**314**
Total Revenue Grants Unapplied Reserves	**54,172**	**(26,000)**	**23,006**	**51,178**	**51,178**	**(45,023)**	**8,622**	**14,777**
Property Reserve - TfGM (22)	**9,064**	(257)	0	**8,807**	**8,807**	(308)	0	**8,499**
Metrolink Reserves (23)								
Metrolink Reserve - GMCA	**34,496**	0	0	**34,496**	**34,496**	(27,182)	3,479	**10,793**
Metrolink Reserve - TfGM	**(2,100)**	(9,039)	0	**(11,139)**	**(11,139)**		13,232	**2,093**
	32,396	**(9,039)**	**0**	**23,357**	**23,357**	**(27,182)**	**16,711**	**12,886**
Capital Programme Reserve (24)	**61,965**	0	25,540	**87,505**	**87,505**	0	18,121	**105,626**
Joint Road Safety Group Reserve - TfGM - (25)	**6,306**	(138)	0	**6,168**	**6,168**	(348)	0	**5,820**
Concessionary Fares Reserve - TfGM (26)	**14,084**	(1,715)	0	**12,369**	**12,369**	(3,014)	0	**9,355**
Regional Growth Fund / Growing Places Interest and Arrangement Fees (27)	**229**	(64)	1,232	**1,397**	**1,397**	(928)	2,489	**2,958**
Integrated Ticketing Reserve (28)	**0**	0	0	**0**	**0**	0	12,500	**12,500**
GMATL designated fund (29)	**1,364**	(228)	210	**1,346**	**1,346**	(745)	756	**1,357**
Total Reserves transferred (to)/from General Fund	**179,580**	**(37,441)**	**49,988**	**192,127**	**192,127**	**(77,548)**	**59,199**	**173,778**
Transfer (to)/from General Fund			12,547				(18,349)	
General Fund (30)	**11,796**	0	1,241	**13,037**	**13,037**	0	100	**13,137**
Useable Capital Receipts Reserve (31)	**65**	0	5,506	**5,571**	**5,571**	0	7,122	**12,693**
Capital Grants Unapplied Reserve (32)	**45,602**	(3,051)	0	**42,551**	**42,551**	(19,327)	0	**23,224**
	57,463	**(3,051)**	**6,747**	**61,159**	**61,159**	**(19,327)**	**7,222**	**49,054**
Total	**237,043**	**(40,492)**	**56,735**	**253,286**	**253,286**	**(96,875)**	**66,421**	**222,832**

Purpose of the Reserve:

(1) Growing Places Fund: funding to establish revolving investment funds, promoting a long term locally led solution to local infrastructure constraints.

(2) LEP Capacity Building in Transport: funding to assist in the process of devolving of major schemes.

(3) Local Sustainable Transport Fund: funding to stimulate economic growth whilst reducing carbon emissions.

(4) Better Bus Area Fund: funding to deliver a package of measures which will make a significant contribution to improving the role of bus.

(5) Regional Growth Fund 2: funding to create new, sustainable, private sector jobs in areas vulnerable to public sector job losses.

(6) Regional Growth Fund 3: latest wave of funding to create new, sustainable, private sector jobs in areas vulnerable to public sector job losses.

(7) Regional Growth Fund Bank Interest: funding to create new, sustainable, private sector jobs in areas vulnerable to public sector job losses.

(8) Smarter Cities: funding to assist with the smart ticketing project.

(9) Youth Contract: funding to assist with job creation jobs for 16-24 yr olds

(10) LEP Core Priorities: funding to assist LEP's to meet priorities.

(11) LEP Strategic Plans: funding to assist plans with the EU structural plans for 2014 -2020

(12) City Deal: funding from the Skills Funding Agency as part of the City Deal to assist with increased apprenticeship and training opportunities

(13) Total Transport Pilot Fund: funding to support the delivery of supported public road passenger transport services

(14) Careers & Enterprise Grant: funding to support the delivery of the enterprise advisor network

(15) GM Skills & Employment pilot: funding to test the impact of locally led commissioning and performance management of adult skills funding

(16) Brownfield Register Pilot: funding to research whether a Brownfield register can be developed for GM

(17)One Public Estate: funding to assist with the One Public Estate initiative

(18) SEMMMs Study: funding to evaluate the economical impact of the South East Manchester Multi-Modal Scheme

(19) CCAG Evaluation: funding to evaluate the success of the Cycle City Ambition Grant

(20) AGE Grant: funding to facilitate apprenticeships within GM

(21) Revenue Grants Unapplied Reserve - TfGM: Manchester Airport contributions to the Metrolink extension to the airport.

(22) Property Reserve - TfGM: surpluses arising from 2 Piccadilly Place.

(23) Metrolink Reserves: funding for Metrolink Service Enhancement related expenditure.

(24) Capital Programme Reserve: surpluses of capital financing costs which have been set aside to fund future capital programme related expenditure.

(25) Joint Road Safety Group Reserve - TfGM: surpluses arising from the JRSG team.

(26) Concessionary Fares Reserve - TfGM: surpluses of reimbursed income which will be spent in future years.

(27) Regional Growth Fund / Growing places Interest and Arrangement Fees : Interest earned on income received in advance will be re-invested within the fund as per grant conditions and arrangement fees may be off-set against specific costs associated with the making of the loans

(28) Integrated Ticketing Reserve: funding to support the integrated ticketing scheme

(29) GMATL Designated Funds - funds to assist with preventing social exclusion in transport

(30) General Fund - General Useable reserves for the Group

(31) Useable Capital Receipts - these include the principal repayments of the RGF / GPF Loans

(32) Capital Grants Unapplied Reserve: Includes GPF funds and LTP Top-Slice grants

Notes to the Group Accounts (continued)

39 Financing and Investment Expenditure

2014/15 £000's		2015/16 £000's
	Interest payable and similar charges on borrowings	
25,121	PWLB	24,769
21,366	Others	23,241
5	Brokerage Fees	0
1,348	Interest payable on the former GMC debt	1,119
500	Pensions interest costs and expected return on pensions assets	1,100
0	Revaluation loss on non-current assets	110
48,340		50,339

40 Financing and Investment Income

2014/15 £000's		2015/16 £000's
1,746	Interest receivable on deposits	5,369
1,746		5,369

41 Taxation and Non Specific Grant Income

2014/15 £000's		2015/16 £000's
198,094	Transport Levy	195,123
2,338	Capital Grants Receivable for Traffic Signal Schemes - DfT	1,983
1,512	Capital Contributions Receivable for Traffic Signal Schemes - Others	603
92,516	Capital Grants Receivable for Transport Schemes	115,882
12,035	Revenue Contributions Receivable for Transport Schemes	580
306,495		314,171

Notes to the Group Accounts (continued)

42 Grant Income

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

2014/15 £000's	Credited to Cost of Services	2015/16 £000's
410	Smarter Cities Grant - DfT	1,180
0	South East Manchester Multi-Modal Study Grant - DFT	350
0	Cycle City Ambition Evaluation Grant - DFT	28
0	Local Sustainable Transport Grant - DFT	2,230
81	Transport Pilot Fund - DfT	0
48,192	Special Rail Grant - DfT	49,533
301	District Contributions to the Traffic Signals Repairs	249
47,943	Revenue Expenditure Funded by Capital under Statute - DfT	86,539
12,319	Regional Growth Fund 2 - CLG	0
20,817	Regional Growth Fund 3 - CLG	0
483	Regional Growth Fund / Growing Places Fund Arrangement fees	404
0	Growth Deal - Business Growth Hub - BIS	625
279	LEP Core Funding - CLG	250
250	LEP EU Strategic Plans - CLG	250
0	Elena Grant - EIB	102
0	AGE Grant - SFA	5,112
103	EU Social Enterprises Progress	0
5	GM Digital City Technical Assistance - ERDF/CLG	0
1,353	City Deal - Skills Funding Agency	3,489
0	One Public Estate - Cabinet Office	250
0	GM Skills & Employment Pilot - SFA	60
0	Brownfield Register Pilot - CLG	80
0	Careers & Enterprise Grant	50
0	GM Technical Assistance - ERDF	98
0	GM Technical Assistance - ESF	87
3,109	District Contributions to the ED&R Functions	3,902
294	District Contributions to the Corporate and Democratic Core	117
0	External Contributions towards Planning Services	583
2,423	Grants and Contributions to Commission for the New Economy Ltd	2,249
798	Grants and Contributions to MIDAS Ltd.	782
6,460	Revenue Expenditure Funded by Capital under Statute - CLG	141
145,620		158,740
	Credited to Taxation and Non Specific Grant Income	
2,338	Capital Grants Receivable for Traffic Signal Schemes - DfT	1,983
1,512	Capital Contributions Receivable for Traffic Signal Schemes - Others	603
92,516	Capital Grants Receivable for Transport Schemes	115,882
12,035	Revenue Contributions Receivable for Transport Schemes - Others	580
108,401		119,048

43 Financial Instruments

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

	Long Term		Current	
	31 March 2015 £000's	31 March 2016 £000's	31 March 2015 £000's	31 March 2016 £000's
Investments				
Loans and receivables - due within 3 months	0	0	169,527	157,166
Unquoted equity investment at cost	627	177	0	0
Available for sale financial asset	0	0	0	1,250
Debtors				
Loans and receivables	24,967	35,039	40,341	43,391
Cash	0	0	-1,218	2,488
Borrowings				
Financial liabilites at amortised cost	975,950	1,010,927	13,019	17,292
Creditors and Grants Received in Advance				
Financial liabilites at amortised cost	0	0	174,390	160,627

Income and Expense

	2015			2016			
	Financial Liabilities measured at amortised cost £000's	Financial assets: loans and receivables £000's	**Total £000's**	Financial Liabilities measured at amortised cost £000's	Financial assets: loans and receivables £000's	Financial assets: available for sale £000's	**Total £000's**
Interest expense	(46,487)		(46,487)	(48,120)			(48,120)
Fee expense	(5)		(5)	0			0
Impairment of debtors		(5,516)	(5,516)		(4,728)		(4,728)
Total Expense in Surplus or Deficit on the Provision of Services	(46,492)	(5,516)	(52,008)	(48,120)	(4,728)	0	(52,848)
Interest Income		1,746	1,746		5,369		5,369
Gains / (Loss) on revaluation			0			750	750
Total Income in Surplus or Deficit on the Provision of Services	0	1,746	1,746	0	5,369	750	6,119
Net gain/(loss) for the year	**(46,492)**	**(3,770)**	**(50,262)**	**(48,120)**	**641**	**750**	**(46,729)**

43 Financial Instruments (continued)

Fair Values of Assets and Liabilities

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

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

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

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

The fair values are calculated as follows :

	31 March 2015		31 March 2016	
	Carrying Amount £000's	Fair Value £000's *restated*	Carrying Amount £000's	Fair Value £000's
Financial Liabilities at Amortised Cost				
PWLB Debt - using premature repayment rates	442,830	650,442	417,076	620,629
Non- PWLB debt	546,139	663,674	611,143	882,596
Total Borrowings	988,969	1,314,116	1,028,219	1,503,225
Creditors	174,390	174,390	160,627	160,627
Total Financial Liabilities	1,163,359	1,488,506	1,188,846	1,663,852

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

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

	31 March 2015		31 March 2016	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
Financial Assets at Amortised Cost				
Cash	(1,218)	(1,218)	2,488	2,488
Loans and receivables	234,835	234,835	235,596	235,596
Unquoted equity investment at cost	627	627	177	177
Total Loans and Receivables	234,244	234,244	238,261	238,261

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

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

43 Financial Instruments (continued)

Loans and Borrowings

- In 2015/16 for non-PWLB loans payable, the fair value of the current and long term debt has been measured at £882.596 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 £769.335 million.

- The fair value of Public Works Loan Board (PWLB) loans of £620.629 million measures the economic effect of the terms agreed with the PWLB based on premature repayment rates. This is deemed to be the principle market for the PWLB loan debt. The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at premature repayment rates.

- However, the Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £412.228 million would be valued at £546.267 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 £203.336 million.

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

- In 2015/16 the fair value is determined by calculating the Net Present Value of future cash flows, thereby estimating the value of future payments in today's terms. This is a widely accepted and commonly used valuation technique. The discount rate used is equal to the current rate for a similar loan from a comparable lender. This will be the market rate applicable on the date of valuation for a loan with the same outstanding period to maturity.

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

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

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

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

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

43 Financial Instruments (continued)

	Range of interest rates payable in 15-16 from %	to %	Average Interest % at 31/03/15	Average Interest % at 31/03/16	Total Outstanding 31 March 2015 £'000	Total Outstanding 31 March 2016 £'000
a) Analysis of loans by type:						
Public Works Loans Board	0.56%	11.38%	5.05%	5.15%	438,028	412,228
Other Loans	3.95%	10.50%	4.33%	4.22%	543,722	608,699
Accrued Interest Payable :						
PWLB					4,802	4,848
Others					2,417	2,444
Total as at 31st March			4.61%	4.63%	988,969	1,028,219

b) Analysis of loans by maturity

Maturing:

	Total Outstanding 31 March 2015 £'000	Total Outstanding 31 March 2016 £'000
Due within 1 year : accrued interest payable		
PWLB	4,802	4,848
Others	2,417	2,444
Due within 1 year : principal		
PWLB	5,800	10,000
Others	0	0
Due within 1 year	13,019	17,292
In 1 to 2 years	10,000	7,014
In 2 to 5 years	32,604	42,287
In 5 to 10 years	133,952	134,241
In over 10 years	799,394	827,385
Due over 1 year	975,950	1,010,927
Total	988,969	1,028,219

44 Short & Long Term Debtors

Short Term Debtors

Total 31 March 2015 £'000's		Total 31 March 2016 £'000's
	Central Government Bodies	
4,791	HMRC	5,410
5,636	Capital Grants	1,261
606	Revenue Grants	2,062
3,077	**Other Local Authorities**	3,820
2,080	**Public Corporations**	451
9,977	**Prepayments**	13,515
21,072	**Other entities and individuals**	28,834
-2,107	**Bad Debt provision**	-6,552
45,132	Total	48,801

Within short term debtors an amount of £1,309k (2014/15 £748k) has been outstanding for over 30 days but has not been impaired.

Short term debtors at a nominal value of £2,762k (2014/15 £2,107k) were impaired.

Long Term Debtors

Other entities and individuals

£'000's 31.03.2015		£'000's 31.03.2016
31,979	Gross Book Value	41,363
(7,012)	Impairment provision	(7,663)
24,967	**Net Book Value**	**33,700**

Other Local Authorities

£'000's 31.03.2015		£'000's 31.03.2016
72	Gross Book Value	1,339
0	Impairment provision	0
72	**Net Book Value**	**1,339**

Total

£'000's 31.03.2015		£'000's 31.03.2016
32,051	Gross Book Value	42,702
(7,012)	Impairment provision	(7,663)
25,039	**Net Book Value**	**35,039**

Notes to the Group Accounts (continued)

45 Cash and Cash Equivalents

Total 31 March 2015 £'000's		Total 31 March 2016 £'000's
(1,218)	Bank current accounts	2,488
23,235	Bank call accounts	11,209
142,584	Short term deposits with central government and other institutions	143,469
164,601	Total	157,166

46 Short Term Creditors

Total 31 March 2015 £'000's		Total 31 March 2016 £'000's
	Central Government Bodies	
855	HMR & C	885
978	Revenue Grants	366
27,048	DfT	27,017
0	Business Innovation and Skills - BIS	118
35,823	**Other Local Authorities**	34,713
69,672	**Public Corporations**	58,074
3,344	**Other entities and individuals**	8,603
137,720	Total	129,776

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

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastucture £'000	Assets under Construction £'000	TOTAL £'000
Cost or Valuation :					
At 1 April 2014	12,897	58,244	1,592,277	407,695	2,071,113
Additions at cost	0	43	4,533	0	4,576
Transfers from assets under construction	0	5,771	405,083	0	410,854
Disposals	0	(14,271)	(54,799)	0	(69,070)
Revaluation	0	0	0	0	0
Expenditure incurred/grant receivable	0	0	0	188,003	188,003
Trf to fixed assets/deferred capital grants	0	0	0	(410,854)	(410,854)
Transferred to passenger transport facilities	0	0	0	(31,038)	(31,038)
At 31 March 2015	12,897	49,787	1,947,094	153,806	2,163,584
At 1 April 2015	12,897	49,787	1,947,094	153,806	2,163,584
Additions at cost	0	484	3,976	0	4,460
Transfers from assets under contruction	0	8,215	106,105	0	114,320
Reclassification	289	0	(1,744)	0	(1,455)
Disposals	0	(678)	(13,218)	0	(13,896)
Revaluation	1,116	0	676	0	1,792
Expenditure incurred/grant receivable	0	0	0	175,545	175,545
Trf to fixed assets	0	0	0	(114,320)	(114,320)
Transferred to passenger transport facilities	0	0	0	(33,269)	(33,269)
At 31 March 2016	14,302	57,808	2,042,889	181,762	2,296,761
Accumulated Depreciation :					
At 1 April 2014	937	33,445	291,193	0	325,575
Charge for year	378	3,831	50,811	0	55,020
Disposals	0	(12,489)	(52,900)	0	(65,389)
At 31 March 2015	1,315	24,787	289,104	0	315,206
At 1 April 2015	1,315	24,787	289,104	0	315,206
Charge for year	386	3,634	60,911	0	64,931
Reclassification	30	0	(30)	0	0
Disposals	0	(654)	(6,487)	0	(7,141)
Revaluation	(30)	0	(511)	0	(541)
At 31 March 2016	1,701	27,767	342,987	0	372,455
Net Book Value :					
At 1 April 2014	11,960	24,799	1,301,084	407,695	1,745,538
At 31 March 2015	11,582	25,000	1,657,990	153,806	1,848,378
At 31 March 2016	12,601	30,041	1,699,902	181,762	1,924,306

Investment Property	**Investment Property £'000**
Cost or Valuation :	
At 1 April 2014	300
Revaluation	0
At 31 March 2015	300
At 1 April 2015	300
Revaluation	590
At 31 March 2016	890
TOTAL PPE, Assets under Construction and Investment Property at 31 March 2015	1,848,678
TOTAL PPE, Assets under Construction and Investment Property at 31 March 2016	1,925,196

Losses on Disposal of Non Current Assets

2014/15 £000's	2015/16 £000's
3,568	5,201

48 Inventories

	31 March 2015 £'000	31 March 2016 £'000
Material in relation to route service provision	192	175
Material in relation to traffic control equipment	45	31
	237	206

49 Deferred Income

	31 March 2015 £'000	31 March 2016 £'000
Income deferred against future expenditure	76	0

All due in over 1 year

50 Provisions

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or timings are uncertain.

Provisions provided as at 31 March 2016 relate to (a) capital works, and (b) others, including insurance excesses, contractual obligations, contracted maintenance and an onerous lease.

	2014/15 £'000 Capital Works	2014/15 £'000 Others	2014/15 £'000 Total
Balance as at 1 April	0	1,201	1,201
Additional amounts set aside during the year	1,340	768	2,108
Utilised during the year	0	(492)	(492)
Released during the year	0	0	0
Balance as at 31 March	1,340	1,477	2,817
Due within 1 year	1,340	1,275	2,615
Due in over 1 year	0	202	202

	2015/16 £'000 Capital	2015/16 £'000 Others	2015/16 £'000 Total

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

51 Usable Reserves

Movements in the Group's usable reserves are detailed in the Movement in Reserves Statement and Note 38.

52 Unusable Reserves

Total 31 March 2015 £'000		Total 31 March 2016 £'000
(119,956)	Capital Adjustment Account	(84,803)
(254)	Financial Instruments Adjustment Account	(252)
808,198	Deferred Capital Grants and Contributions	861,901
(34,700)	Pensions Reserve	(24,236)
3,853	Capital Reserve	2,461
(49,036)	Deregulation Reserve	(47,936)
0	Revaluation Reserve (TfGM)	2,649
0	Available for Sale Financial Instruments (GMCA)	750
608,105	**Total Unusable Reserves**	710,534

53 Capital Adjustment Account

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

Note 37 provides details of the source of all the transactions posted to the Account.

2014/15 £'000		2015/16 £'000
(153,252)	Balance as at 1st April	(119,956)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :	
(62,541)	Revenue expenditure funded by capital under statute	(103,191)
(4,391)	Annual Depreciation Charge of non current assets	(3,998)
(231)	Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(232)
0	Removal of capital reserve for non-group entities	1,352
	Capital Financing Applied in the year :	
58,422	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	96,347
0	Funded from Capital Programme Reserve - RCCO	0
15,853	Statutory provision for the financing of capital investment and Inherited Debt charged against the General Fund	21,287
2,399	Repayment of Inherited Debt charged against the General Fund	2,573
8,705	Long Term Debtor financed from Capital Grants	10,019
4,141	Revenue Contributions to Finance Capital	2,730
21,440	Long &Short Term Debtor financed from Revenue Grants	20,072
0	Long and Short Term Debtor financed from Capital Receipts	5,120
627	Investments funded from RCCO	50
(5,531)	Bad debt provision for RGF/GPF loans	(4,441)
(5,597)	Write Down of Long Term Debtor	(12,535)
(119,956)	Balance as at 31st March	(84,803)

54a Deferred Capital Grants and Contributions

The Deferred Capital Grants and Contributions represents the value of capital grants received, which are not subject to conditions which may give rise to repayment thereof, less the write off equivalent depreciation on the value of assets that were supported by the grants.

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

2014/15 £'000		2015/16 £'000
778,544	Balance as at 1st April	808,198
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
0	Revenue expenditure funded by capital under statute	0
(51,931)	Charges for capital grants released	(63,870)
	Capital Financing Applied in the year :	
81,585	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	117,573
808,198	Balance as at 31st March	861,901

54b Pensions Reserve

This relates to the net pension asset as at 31 March 2016 in accordance with the actuary's report. Further details are shown in Note 59.

2014/15 £'000		2015/16 £'000
(12,400)	Balance as at 1st April	(34,700)
(21,600)	Actuarial gains and losses on pensions assets/liabilities	12,149
(5,100)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.	(6,577)
4,400	Employer's pension contributions and direct payments to pensioners payable in the year	4,892
(34,700)	Balance as at 31st March	(24,236)

Notes to the Group Accounts (continued)

54c Capital Reserve

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

2014/15 £'000		2015/16 £'000
3,853	Balance as at 1st April	3,853
0	Restatement of Bal c/f	(1,392)
3,853	Balance as at 31st March	2,461

54d Deregulation Reserve

The Deregulation Reserve represents payments and losses incurred by TfGM with respect to deregulation on 25 October 1986, which were not charged to profit and loss.

2014/15 £'000		2015/16 £'000
(50,136)	Balance as at 1st April	(49,036)
1,100	Amortisation during the year	1,100
(49,036)	Balance as at 31st March	(47,936)

55 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items :

2014/15 £'000's		2015/16 £'000's
2	Finance Costs calculated in accordance with the SORP	2
23,328	Increase / (Decrease) in Debtors	(3,250)
(75)	Increase / (Decrease) in Inventories	(31)
(13,476)	Decrease / (Increase) in Creditors	16,230
(5,724)	Increase in bad debt provision	(5,085)
(3,568)	Loss on sale of non current assets	(5,201)
0	Gain/(Loss) on disposal of short-term & long-term investments	1,155
(54,824)	Annual depreciation charge	(64,649)
(200)	IAS19 adjustments	(740)
(484)	(Increase) / Decrease in Interest Debtors	(1,306)
19	Increase / (Decrease) in Interest Creditors	52
(349)	Other non-cash movements	(402)
(55,351)	**Adjustments to net deficit on the provision of services for non cash movements**	(63,225)
47,821	Finance Costs Paid	49,064
(47,840)	Financing Expenditure	(49,128)
1,740	Financing Income	4,022
(1,256)	Interest Income Received	(2,716)
(500)	IAS 19 pension finance interest	(1,100)
135,674	Capital grants and contributions receivable	82,504
0	Revaluation loss on non-current assets	(110)
0	Revaluation release on transfer of investment property	0
135,639	**Adjust for items included in the net deficit on the provision of services that are investing and financing activities**	82,646

Notes to the Group Accounts (continued)

56 Cash Flow Statement - Investing Activities

2014/15 £'000's		2015/16 £'000's
161,394	Purchase of property, plant and equipment	151,415
30,770	Long Term Loans paid out	35,212
(5,598)	Long Term Loans repaid	(12,242)
(140,019)	Capital grants and contributions received	(87,657)
(102)	Proceeds from sale of property, land and equipment	(1,531)
0	Proceeds from short term and long term investments	(3,913)
46,445	**Net Cash Inflow/(Outflow) from Investing Activities**	81,284

57 Cash Flow Statement - Financing Activities

2014/15 £'000's		2015/16 £'000's
2,399	Repayment of former GMC Debt	2,573
1,827	Capital Grants Receipts in Advance relating to non GMCA road schemes	(31)
21	Repayment of borrowing	31,458
(75,000)	Receipt of borrowing	(70,636)
(70,753)	**Net Cash Inflow/(Outflow) from Financing Activities**	(36,636)

58 External Audit Fees

2014/15 £'000's		2015/16 £'000's
(3)	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year.	(5)
118	Fees payable to other external auditors with regard to external audit services carried out by the appointed auditor for the year.	99
9	Fees payable to other external auditors for the certification of grant claims and returns for the year.	9
5	Fees payable in respect of other services provided by other external auditors during the year.	10
129		113

59 Employee Benefits - Pension Costs

Participation in Pension Schemes

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

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

Transactions Relating to Post-Employment Benefits

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

	2014/15 £000s	2015/16 £000s
Comprehensive Income and Expenditure Statement		
Net Cost of Services:		
Current service cost	4,329	5,795
past service costs including curtailments	300	0
Financing and investment income and expenditure		
Net interest expense	500	1,109
Total post employment benefits charged to the deficit on the provision of services	**5,129**	**6,904**
Other post employment benefits charged to total comprehensive income and expenditure	0	0
Re-measurement of the Net Defined Benefit Liability comprising:	0	0
Remeasurment of the Net Defined Liability Comprising:		
Return on plan assets (excluding amounts included in net interest)	(1,901)	10,402
actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	26,903	(14,808)
Other experience re-measurements	(3,400)	(7,900)
Total remeasurement recognised in other comprehensive income	**21,602**	**(12,306)**
Movement in Reserves Statement		
Reversal of net charges made to the Deficit on Provision of Services	22,308	(10,468)
Actual amount charged against the General Fund Balance for the pensions in the year:		
Employer's contribution payable to scheme	(4,379)	(4,953)
Employer's contribution re: unfunded deficit	21,600	22,100

59 Employee Benefits - Pension Costs

Pension Assets and Liabilities Recognised in the Balance Sheet

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

Funded Liabilities: Local Government Pension Scheme:	2014/15	2015/16
	£000s	£000s
Balance at 1 April	361,000	384,023
Current service cost	4,329	5,798
Interest cost on defined benefit obligation	14,501	11,719
Contributions by scheme participants	1,513	1,735
Changes in demographic assumptions	0	0
Changes in financial assumptions	26,903	(14,700)
Other experience re-measurements	(3,400)	(7,900)
Unfunded benefits paid	0	0
Benefits paid	(21,600)	(22,100)
Past service cost including curtailments	300	0
Balance at 31 March	383,546	358,575

Reconciliation of the Movements in Fair Value of Scheme Assets

Fair value of the scheme assets:	2014/15	2015/16
	£000s	£000s
Balance at 1 April	348,600	349,267
Interest income on plan assets	14,001	10,584
Return on assets (excluding amounts included in net interest)	1,901	(10,387)
Contributions in respect of unfunded benefits	500	500
Employer contributions	3,921	4,559
Contributions by scheme participants	1,513	1,735
Benefits paid	-21,600	(22,100)
Unfunded benefits paid	0	0
Balance at 31 March	348,836	334,158

Net Liability Arising from Defined Benefit Obligation

Net Liability for Year:	2014/15	2015/16
	£000s	£000s
Present value of funded liabilities	(383,546)	(358,575)
Present value of unfunded liabilities	0	0
Fair value of assets	348,836	334,158
(Deficit) in the scheme	(34,710)	(24,417)

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

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

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

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

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

The main assumptions used in their calculations have been:

	2014/15	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	21.4 years	21.4 years
Women	24.0 years	24.0 years
Longevity at 65 for future pensioners		
Men	24.0 years	24.0 years
Women	26.6 years	26.6 years
Rate of increase in salaries	3.60%	3.40%
Rate of increase in pensions	2.40%	2.10%
Discount rate	3.20%	3.40%
Take-up of option to convert annual pension into retirement lump sum - pre April 2	55.00%	55%
Take-up of option to convert annual pension into retirement lump sum - post April	80.00%	80%

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

Changes in assumptions at 31 March 2015	% increase to Employer Liability	£000s
0.5% decrease in real discount rate	8%	27,455
1 year increase in member life expectancy	3%	10,738
0.5% increase in the salary increase rate	2%	6,567
0.5% increase in the pension increase rate	6%	20,608

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

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

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

	Year Ended 31 March 2016			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	
	£000s	£000s	£000s	%
Equity securities				
Consumer	12,758.7	0.0	12,758.7	4%
Manufacturing	10,499.6	0.0	10,499.6	3%
Energy and utilities	7,783.6	0.0	7,783.6	2%
Financial institutions	14,050.5	0.0	14,050.5	4%
Health and care	6,057.3	0.0	6,057.3	2%
Information technology	3,254.6	0.0	3,254.6	1%
Other	1,908.3	0.0	1,908.3	1%
Debt securities		0.0		
Corporate bonds (investment grade)	7,214.7	0.0	7,214.7	2%
UK government	124,638.4	0.0	124,638.4	37%
Other	4,520.7	0.0	4,520.7	1%
Private equity		0.0		
All	0.0	3,617.8	3,617.8	1%
Real estate		0.0		
UK property	0.0	4,559.3	4,559.3	1%
Investment funds and unit trusts		0.0		
Equities	40,356.9	0.0	40,356.9	12%
Bonds	11,249.2	1.5	11,250.7	3%
Infrastructure	2.2	1,945.9	1,948.1	1%
Other	2,845.1	7,042.2	9,887.3	3%
Derivatives		0.0		
All	381.0	0.0	381.0	0%
Cash and cash equivalents		0.0		
All	69,065.8	13.2	69,079.0	21%
	316,586.6	17,179.9	333,766.5	100%

In addition to the employees of the Authority and TfGM who participate in the Greater Manchester Pension Fund, as at 31 March 2016 there are 2 current employees of CNE who also participated.

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

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

Full details of the CNE FRS17 pension figures can be found in the Directors' Report and Financial Statements which are available on request from the address shown on page 21

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

2014/15	**2015/16**
£'000's	**£'000's**
362	395

60 Contractual Commitments

	31 March 2015 £'000	31 March 2016 £'000
Capital Commitments	120,965	60,236

Lease Commitments

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

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

	2014/15 £'000's	2015/16 £'000's
Highways and Transport Services	357	376
Planning Services	265	2
	622	**378**

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

	31 March 2015 £'000	31 March 2016 £'000
Land		
Payments due within 1 year	9	8
Later than 1 year and not later than 5 years	35	30
Later than 5 years	305	294
	349	**332**
Buildings		
Payments due within 1 year	216	307
Later than 1 year and not later than 5 years	773	724
Later than 5 years	4,471	6,666
	5,460	**7,697**
Other		
Payments due within 1 year	2	0
Later than 1 year and not later than 5 years	9	54
Later than 5 years	0	0
	11	**54**

61 Staff Costs

	2014/15 £000	2015/16 £000
Wages and Salaries	27,426	30,572
Social Security Costs	2,322	2,522
Pension Costs	3,831	4,521
Total	33,579	37,615
Average number of employees during the year	900	953

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

	Staff who have not received severance 2014/15	Staff who have received severance 2014/15	Total 2014/15	Staff who have not received severance 2015/16	Staff who have received severance 2015/16	Total 2015/16
Salary Range						
£50,000 to £54,999	30		30	27		27
£55,000 to £59,999	13		13	17		17
£60,000 to £64,999	15		15	17		17
£65,000 to £69,999	6		6	10		10
£70,000 to £74,999	2		2	5		5
£75,000 to £79,999	4		4	2		2
£80,000 to £84,999	5	0	5	5	0	5
£85,000 to £89,999	6		6	3		3
£90,000 to £94,999	4		4	2		2
£95,000 to £99,999	1		1	3		3
£100,000 to £104,999	0		0	1		1
£105,000 to £109,999	2		2	3		3
£110,000 to £114,999	1		1	1		1
£115,000 to £119,999	0		0	0		0
£120,000 to £124,999	3		3	2		2
£125,000 to £129,999	0		0	0		0
£135,000 to £139,999	0		0	1		1
£150,000 to £154,999	1		1	0		0
£160,000 to £164,999	1		1	2		2
£165,000 to £169,999	1		1	0		0
£170,000 to £174,999	0		0	1		1
£215,000 to £219,999	0	0	0	0	0	0
£265,000 to £269,999	0		0	0		0
£275,000 to £279,999	1		1	0		0
£280,000 to £284,999	0		0	0		0
£285,000 to £289,999	0		0	1		1
	96	**0**	**96**	**102**	**0**	**102**

Agreed Staff Exit Packages (including severance and pension costs)

Exit Package Cost Band	**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2014/15	**2015/16**	**2014/15 £000**	**2015/16 £000**
£0 - £20,000	7	8	23	38
£20,001 - £40,000	0	0	0	0
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	0	0	0	0
	7	**8**	**23**	**38**

Notes to the Group Accounts (Continued)

62 Related Party Transactions

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

Transactions and balances between the Authority and its related parties are disclosed in Note 31.

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

Transport for Greater Manchester :	Disclosure Note 22
Greater Manchester Accessible Transport Ltd :	Disclosure Note 17
Commission for the New Economy Ltd. :	Disclosure Note 19
MIDAS Ltd. :	Disclosure Note 18

63 Assets Held for Sale

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

	2014/15 £000	2015/16 £000
Balance at 1 April	0	0
Transfer from Investments (Sofaworks Ltd) at cost	0	500
Revaluation of investment	0	750
TfGM Asset	0	715
	0	1,965

Note 64 Segmental Reporting Analysis

The table below is a reconciliation of the 2014-15 internal management reports (monitoring and outturn) used by the Authority to make decisions, and the 2014-15 Group Comprehensive Income and Expenditure Statement. The segments identified in the subjective analysis are the same segments that are reported to the Authority during the year. The management reports of group entities are not reported to the Authority therefore the subjective analysis will not differ to that in the Authority's single entity statements.

Subjective Analysis - Authority only	Economic Development & Regeneration £000s	Transport £000s	Total £000's
Transport Levy		(198,094)	**(198,094)**
Contributions to the Traffic Functions		(190)	**(190)**
Interest/arrangement fees	(1,561)		**(1,561)**
Short term deposit interest	(169)		**(169)**
Contributions from reserves	(6,330)		**(6,330)**
Contributions to ED & R Functions	(3,477)		**(3,477)**
Government Grants	(35,123)	(4,695)	**(39,818)**
Total Income	**(46,660)**	**(202,979)**	**(249,639)**
Grants to Transport for Greater Manchester		110,698	**110,698**
Payments for Transport Functions		4,028	**4,028**
Payments for ED & R Functions	33,621		**33,621**
Capital Financing Costs	0	85,300	**85,300**
Running Costs	0	754	**754**
Total Operating Expenses	**33,621**	**200,780**	**234,401**
Transfers to Earmarked Reserves	12,843	2,199	**15,042**
Cost of Services - (Surplus)	**(196)**	**0**	**(196)**

Reconciliation to net cost of services in the Group Comprehensive Income and Expenditure Statement (CIES)

	£000s
Cost of services in service analysis - (surplus)	(196)
Add subsidiaries & associates not included in analysis	191,165
Add amounts not reported to management *	67,952
Remove amounts reported to management not included in NCS in Group CIES	(43,909)
Net cost of services in the Group Comprehensive Income and Expenditure Statement	**215,012**

Note 64 Segmental Reporting Analysis

Reconciliation to subjective analysis	Service Analysis £000s	Analysis of subsidiaries not included in service analysis £000's	Not Reported to Management* £000s	Not Included in Group CIES NCS £000s	Net Cost of Services £000s	Corporate Amounts £000s	Subsidiaries not in NCS £000's	Total £000s
Fees, charges & other service income	0	(104,832)	0	0	(104,832)	0	0	(104,832)
Interest and investment income	0	0	0	0	0	(179)	(6)	(185)
Income from the Transport Levy	(198,094)	0	0	198,094	0	(198,094)	0	(198,094)
Transfers from reserves	(6,330)			10,533	4,203			4,203
Interest/arrangement fees	(1,561)			1,561	0	(1,561)		(1,561)
Short term deposit interest	(169)				(169)			(169)
Grants and contributions	(43,485)	(44,857)	(6,460)	0	(94,802)	(4,019)	(142,656)	(241,477)
Total Income	**(249,639)**	**(149,689)**	**(6,460)**	**210,188**	**(195,600)**	**(203,853)**	**(142,662)**	**(542,115)**
Grants to Transport for Greater Manchester	110,698	0	0	(116,106)	(5,408)	0	0	(5,408)
Payments for Traffic Functions	4,028	0	0	(4,028)	0	0	0	0
Payments for ED & R Functions	33,621	0	0	(33,621)	0	0	0	0
Capital Financing Costs	85,300	0	0	(85,300)	0	0	0	0
Employee Expenses	0	36,562	0	0	36,562	0	0	36,562
Service Expenses	754	253,663	11,007	0	265,424	0	0	265,424
Depreciation	0	50,629	4,391	0	55,020	0	0	55,020
Interest payments	0	0	0	0	0	43,865	3,969	47,834
Revenue Expenditure Funded by Capital Under Statute	0	0	59,014	0	59,014	0	0	59,014
(Gain) or loss on disposal of non-current assets	0	0	0	0	0	231	3,843	4,074
Total Operating Expenses	**234,401**	**340,854**	**74,412**	**(239,055)**	**410,612**	**44,096**	**7,812**	**462,520**
Transfers to Earmarked Reserves	15,042	0	0	(15,042)	0	0	0	0
(Surplus) or deficit in the provision of services	**(196)**	**191,165**	**67,952**	**(43,909)**	**215,012**	**(159,757)**	**(134,850)**	**(79,595)**

*Items not reported to management include depreciation, GM Broadband and Revenue Expenditure Funded by Capital Under Statute income and expenditure for ED & R schemes

Notes to the Group Accounts (continued)

Note 64 Segmental Reporting Analysis

The table below is a reconciliation of the **2015-16** internal management reports (monitoring and outturn) used by the Authority to make decisions, and the 2015-16 Group Comprehensive Income and Expenditure Statement. The segments identified in the subjective analysis are the same segments that are reported to the Authority during the year. The management reports of group entities are not reported to the Authority therefore the subjective analysis will not differ to that in the Authority's single entity statements.

Subjective Analysis - Authority only	**Economic Development & Regeneration £000s**	**Transport £000s**	**Total £000's**
Transport Levy	0	(195,123)	**(195,123)**
Contributions to the Traffic Functions	0	(249)	**(249)**
Interest/arrangement fees	(913)	0	**(913)**
Short term deposit interest	(242)	0	**(242)**
Contributions from reserves	(30,711)	0	**(30,711)**
Contributions to ED & R Functions	(4,141)	0	**(4,141)**
Government Grants	(10,453)	(37,847)	**(48,300)**
Total Income	**(46,460)**	**(233,219)**	**(279,679)**
Grants to Transport for Greater Manchester	0	122,918	**122,918**
Payments for Transport Functions	0	4,071	**4,071**
Payments for ED & R Functions	36,416	0	**36,416**
Capital Financing Costs	0	85,088	**85,088**
Marketing Manchester	0	27	**27**
Running Costs	0	717	**717**
Total Operating Expenses	**36,416**	**212,821**	**249,237**
Transfers to Earmarked Reserves	9,111	20,398	**29,509**
Cost of Services - (Surplus)	**(933)**	**0**	**(933)**

Reconciliation to net cost of services in the Group Comprehensive Income and Expenditure Statement (CIES)

	£000s
Cost of services in service analysis - (surplus)	(933)
Add subsidiaries & associates not included in analysis	(97,988)
Add amounts not reported to management *	171,359
Remove amounts reported to management not included in NCS in Group CIES	129,044
Net cost of services in the Group Comprehensive Income and Expenditure Statement	**201,482**

Note 64 Segmental Reporting Analysis

Reconciliation to subjective analysis	Service Analysis £000s	Analysis of subsidiaries not included in service analysis £000's	Not Reported to Management* £000s	Not Included in Group CIES NCS £000s	Net Cost of Services £000s	Corporate Amounts £000s	Subsidiaries not in NCS £000's	Total £000s
Fees, charges & other service income	0	(103,995)	0	3,979	(100,016)	0	0	(100,016)
Interest and investment income	0	0	0	0	0	(4,022)	0	(4,022)
Income from the Transport Levy	(195,123)	0	0	195,123	0	(195,123)	(1,347)	(196,470)
Transfers from reserves	(30,711)	0	0	64,770	34,059	0	0	34,059
Interest/arrangement fees	(913)	0	0	913	0	0	0	0
Short term deposit interest	(242)	0	0	0	(242)	0	0	(242)
Grants and contributions	(52,690)	(53,474)	(91,282)	0	(197,446)	(119,283)	6,119	(310,610)
Total Income	**(279,679)**	**(157,469)**	**(91,282)**	**264,785**	**(263,645)**	**(318,428)**	**4,772**	**(577,301)**
Grants to Transport for Greater Manchester	122,918	0	(744)	0	122,174	0	0	122,174
Payments for Traffic Functions	4,071	0	0	0	4,071	0	0	4,071
Payments for ED & R Functions	36,416	0	0	(21,144)	15,272	0	0	15,272
Capital Financing Costs	85,088	0	0	(85,088)	0	0	0	0
Employee Expenses	27	37,104	0	0	37,131	0	0	37,131
Service Expenses	717	(38,556)	5,681	0	(32,158)	0	2,351	(29,807)
Depreciation	0	60,933	3,998	0	64,931	0	0	64,931
Interest payments	0	0	0	0	0	45,145	3,969	49,114
Revenue Expenditure Funded by Capital Under Statute	0	0	253,706	0	253,706	0	0	253,706
(Gain) or loss on disposal of non-current assets	0	0	0	0	0	232	3,843	4,075
Total Operating Expenses	**249,237**	**59,481**	**262,641**	**(106,232)**	**465,127**	**45,377**	**10,163**	**520,667**
Transfers to Earmarked Reserves	29,509	0	0	(29,509)	0	0	0	0
(Surplus) or deficit in the provision of services	**(933)**	**(97,988)**	**171,359**	**129,044**	**201,482**	**(273,051)**	**14,935**	**(56,634)**

*Items not reported to management include depreciation, GM Broadband and Revenue Expenditure Funded by Capital Under Statute income and expenditure for ED & R schemes

Glossary of Financial Terms

Actuarial Gains and Losses

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

Agency Services

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

Amortisation

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

Assets

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

Balances

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

Capital Expenditure

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

Capital Receipts

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

Contingent Assets

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

Contingent Liabilities

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

Corporate and Democratic Core

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

Creditors

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

Current Service Cost

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

Curtailments

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

Debtors

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

Defined Benefit Scheme

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

Defined Contribution Scheme

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

Depreciation

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

Exceptional Items

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

Expected Return on Pension Assets

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

Expenditure

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

Fair Value

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

Fees and Charges

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

Finance Lease

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

General Fund

The total services of the Authority and Group.

Impairment

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

Income

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

Infrastructure Assets

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

Interest Cost (Pensions)

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

International Financial Reporting Standards (IFRS)

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

Inventory

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

Investment Properties

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

Liabilities

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

Long-term Contracts

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

Minimum Revenue Provision (MRP)

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

Operating Lease

A lease other than a finance lease.

Past Service Cost

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

Past Service Credit

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

Provisions

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

Public Works Loan Board (PWLB)

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

Residual Value

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

Reserves

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

Revenue Contributions

The method of financing capital expenditure directly from revenue.

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Settlement

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

Greater Manchester Combined Authority Annual Governance Statement

2015 - 16

1. Scope of Responsibility

1.1 The Greater Manchester Combined Authority (GMCA) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and that its usage represents value for money (i.e. used economically, efficiently and effectively). The GMCA also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to achieving value for money.

1.2 In discharging this overall responsibility, the GMCA is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. This includes arrangements for the management of risk.

1.3 The Code of Corporate Governance for the GMCA (approved in September 2015) is consistent with the principles of the CIPFA / SOLACE Framework for Delivering Good Governance in Local Government. This Annual Governance Statement explains how the GMCA is complying with the principles which underpin the Code and also how it meets the requirements of regulation 6(1)(b) of the Accounts and Audit [England] Regulations 2015 in relation to the publication of an Annual Governance Statement that accompanies the Annual Accounts.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems, processes, culture and values, by which the GMCA is directed and controlled and how it engages with and leads the community in those activities for which it is accountable. The framework enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost- effective services.

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

2.3 The governance framework described below has been in place within the GMCA for the year ending 31 March 2016 and up to the date of approval of the GMCA Annual Statement of Accounts.

3. The Governance

Framework Context

3.1 This section describes the key elements of the governance systems and processes that comprise the Authority's governance framework, and provides a commentary on how these arrangements have worked in practice.

3.2 The period 2015–16 saw the GMCA in its fifth year of operation. Developed from the Association of Greater Manchester Authorities' (AGMA) model of long term voluntary collaboration between its constituent local authorities, the GMCA was established in 2011 as a unique statutory body with its functions, powers and responsibilities set out in legislation. These functions include all the transport functions previously undertaken and overseen by the former GM Integrated Transport Authority, plus a series of economic development and regeneration functions. In addition, a number of transport functions, including those adopting responsibility for traffic light signals and reports on road traffic levels, have been delegated by the constituent councils to the GMCA.

3.3 The GMCA has made good progress in realising its ambition to secure the greater devolution of powers from central government to the Combined Authority. This will give GM greater autonomy to develop and implement effective, pro-growth policies and to reform the way that public services are delivered in the city region. The initial Devolution Agreement in November 2014 was swiftly followed by the Health Memorandum of Understanding in February 2015, and three further devolution agreements (following the July 2015 Budget, the Comprehensive Spending Review in December 2015 and the March 2016 Budget).

3.4 Following the passing of the Cities and Local Government Devolution Act in early 2016 the GMCA has embarked on the statutory process necessary to ensure that the additional powers set out in GM's Devolution Agreements are formally conferred to the GMCA. These proposed new powers are outlined in detail in a report which was agreed by the GMCA on March 18 2016 (prior to the start of the required formal consultation which runs for six weeks from 21 March 2016). In summary they focus on the following areas:

- **Planning, housing and regeneration** – including Mayoral strategic planning powers, and powers relating to a GM Land Commission;
- **Bus Franchising** – giving GM an early opportunity to engage with operators of the commercial bus network in GM;
- **Highways** - giving GM a greater role in the management and investment in trunk roads and highways;
- **Health** – giving GM commissioner status (to be exercised concurrently with GM local authorities) to enable the effective integration of health and social care provision across GM;
- **Skills and Training** – giving central government and local authority

training and skills functions to the GMCA alongside districts and central government to give the GMCA the power to reshape and restructure skills provision across GM;

- **Culture** – enabling the GMCA a functional power of culture to be exercised concurrently with GM local authorities. This will make it clear that the GMCA can promote cultural events and entertainment within GM;
- **Blue light services** – transferring responsibilities of the Police and Crime Commissioner role and the GM Fire and Rescue Authority to the Elected Mayor;
- **Finance** – including borrowing powers for the GMCA and the introduction of a Mayoral precept to support Mayoral functions and a GMCA levy to support CA functions;
- **Data sharing** – the GMCA to be considered a local authority to enable government departments to share data with it; and
- **Constitutional and Governance Issues –** including the provision for the Mayor to appoint a political advisor and allowing the Mayor to exercise functions jointly with other authorities.

3.5 Obviously the devolution of powers to GM has significant implications for the GMCA's governance arrangements going forward. Given this major transition, a planning team has been established to ensure that the GMCA is able to provide the support needed by the Mayor and his or her Cabinet after the elections in May 2017. There are four elements to the transition planning work: scrutiny and governance; finance and resourcing; legal; and the development of an integrated officer structure. A Leaders' Task and Finish Group are overseeing the development of options for each of the work streams and are reporting back to the GMCA in June 2016.

3.6 This work will ensure that the powers of the GMCA and the exercise of its functions continue to provide stable, effective and efficient governance across Greater Manchester.

Greater Manchester Combined Authority structure

3.7 From June 2015 the GMCA's membership has changed from ten to eleven. The Interim Mayor is now a member (and the chair) of the Authority along with the ten Leaders or Elected Mayors of Greater Manchester's constituent councils. This new membership was reflected in an updated GMCA constitution approved at the Authority's AGM in June 2015.

3.8 The GMCA meets on the last Friday of every month, following the convention established by Joint GMCA/AGMA Executive Board which continues to meet immediately after the GMCA meeting, to discuss and provide strategic direction on a wide ranging agenda beyond the formal responsibilities of the GMCA.

3.9 The GMCA's Constitution and the Operating Agreement set out the terms of reference and rules of procedure for the Transport for Greater Manchester Committee (TfGMC), the Joint Committee that oversees many of the transport functions of the GMCA either under delegated authority or through recommendation. The Constitution also establishes and outlines the operation of Scrutiny arrangements, Audit Committee and the Transport for Greater Manchester Committee.

3.10 The Constitution and Operating Agreement sets out the powers and functions of the GMCA, those powers and functions referred or delegated to TfGMC, Financial Procedures, Codes of Conduct for members and officers, and schemes of delegation to Chief Officers. These latter delegations provide for the day to day management, supervision and control of services provided for the GMCA, including the responsibilities of the Head of Paid Service, Treasurer, Monitoring Officer and Secretary. The system of Leaders' portfolios, first agreed in 2012, continues to provide effective leadership of Greater Manchester's priorities. Each GMCA member oversees a key policy area, a portfolio, which relates to the Board or Commission that they Chair. Leader portfolios are updated following the GMCA's AGM.

3.11 Below the formal structure of the GMCA and under-pinning the wider array of Greater Manchester organisations, the Wider Leadership Team (WLT) acts as the senior officer team for the GMCA and the AGMA Executive Board, ensuring that conurbation-wide business is well managed and effectively coordinated with all other activity with a Greater Manchester ambit. WLT consists of the Chief Executives from the ten district authorities plus similar level representation from GM Police, GM Fire and Rescue Service, TfGM, Health, the Manchester Growth Company, New Economy and from other bodies as appropriate. The GMCA's Treasurer and Monitoring Officer are also members of WLT. This level of officer involvement has proved to be important in providing leadership and strategic direction on key priorities and in helping to ensure that decisions are efficiently and effectively followed up with delivery.

Transport for Greater Manchester Committee (TfGMC)

3.12 TfGMC is a joint committee of the GMCA and the ten district authorities. Its significant and growing workload is matched by the broad representation provided by this 33 member body, which is responsible for the oversight of Transport for Greater Manchester (the executive transport body of the GMCA), scrutinising the performance and service delivery of a wide range of public transport operators, monitoring the delivery of one of the largest transport capital programmes in the country, and responding to the changing transport policy landscape. Whilst many transport functions have been delegated by GMCA to TfGMC, on major, strategic issues such as approving the revenue budget, the capital programme and significant changes to transport policy, TfGMC is required to provide advice to the GMCA by way of recommendations which are submitted to subsequent meetings of the GMCA for endorsement or final decision.

3.13 The three sub committees of TfGMC, each with discrete terms of reference and work programmes helps to effectively manage and share this extensive workload. The sub committees are Capital Projects and Policy, Bus Network and TfGM Services, and Metrolink and Rail Networks. They provide for more detailed oversight on key issues, for example in relation to monitoring the delivery of an extensive transport capital programme, agreeing the provision of subsidised bus services across the conurbation and monitoring the performance of Metrolink and local rail services.

3.14 The GMCA's executive body for transport is Transport for Greater Manchester (TfGM). Formerly known as GMPTE, this body remains a Passenger Transport Executive as established by the Transport Act 1968 and continues to undertake all of the public transport related functions it carried out previously. In the shift to the new governance arrangements in April 2011, TfGM also became responsible for a set of additional functions, which relate in the main to traffic light signals, maintaining and providing advice in relation to transport and highway databases, and working closely with district authorities to improve highway network efficiency and road safety. In addition, TfGM has taken on a broader role in helping districts with coordinating a range of Active Travel (cycling and walking) initiatives across Greater Manchester. And looking forward, by virtue of the GM Agreement, further powers in relation to transport are being devolved to Greater Manchester and to TfGM.TfGM has an Audit Committee supported by an officer structure including finance, risk management and internal audit. GMCA finance, risk and audit teams engage regularly with these teams to obtain assurance over the operation of systems of financial governance and internal control. The GMCA Treasurer also sits on the Committee.

Manchester Growth Company

3.15 This financial year has seen the second full year of operation of the Manchester Growth Company (MGC). The Growth Company is the trading name of Economic Solutions Ltd, and it owns a number of companies including Business Finance Solutions, the Business Growth Hub and Marketing Manchester. MIDAS and New Economy are owned by the GMCA.

3.16 The Manchester Growth Company, New Economy and MIDAS are a group of companies whose purpose is to drive forward GM's economic development and deliver Greater Manchester Strategy (GMS) priorities in relation to employment, skills, business support, inward investment, international marketing, the visitor economy, policy development and research.

3.17 Manchester Growth Company Group is overseen by a Group Board which is a public-private partnership between AGMA and the Local Enterprise Partnership (LEP). The Board comprises five nominees from AGMA, five nominees from the LEP (two of which are agreed with the Chamber of Commerce) and an independent Chair. The Group Board (which has met five times in the year 2015-16) has two sub-committees for the purposes of Audit and Remuneration as well as three Advisory Boards, each with thematic responsibility for the Group's main functions. The three advisory boards are workforce development, business support and business finance, internationalisation and marketing.

3.18 A three year business plan outlining how the Manchester Growth Company will contribute to the delivery of GMCA objectives was first approved by the GMCA in March 2014, updated in March 2015 and again in March 2016.

Performance reports have been presented to the GM LEP on a quarterly basis.

3.19 MGC Audit Committee meets quarterly with GMCA Treasurer as one of its members. Quarterly meetings are also held between the GMCA's Head of Audit and Risk Management and MGCs Group Internal Audit Manager. MGCs Chief Operating Officer also attends the quarterly CA Audit Committee meetings.

Scrutiny Pool

3.20 The Greater Manchester Scrutiny Pool is now in its seventh year of operation, having been formed in 2009 following changes to the AGMA Executive Board's constitution. Following the establishment of the GMCA, its remit was widened further to incorporate scrutiny of the GMCA, TfGMC, TfGM and the Manchester Growth Company in addition to the AGMA Executive Board and the GM Commissions, including the Low Carbon Hub and Interim GM Health and Wellbeing Board.

3.21 It comprises 30 elected councillors, three from each of the ten constituent district authorities, reflecting their political balance and representatives from both sexes. Members serve on the Scrutiny Pool on an annual basis but can and do serve for consecutive years.

3.22 The Scrutiny Pool's key functions are to hold the sub-regional decision makers to account through monitoring their key decisions and having the opportunity to 'call in' any decisions which the members deem require further scrutiny and challenge. Members of the Scrutiny Pool also undertake pre-decision scrutiny where they can act as a 'critical friend' to highlight key issues, areas for further work, and challenge GMCA and AGMA policies at a developmental stage. The Scrutiny Pool has the potential to highlight any areas of particular strategic importance for the people of Greater Manchester for review and make relevant recommendations to the GMCA, Executive Board, AGMA Executive Board or TfGMC. The Scrutiny Pool also undertakes a performance monitoring role in relation to the Greater Manchester Strategy (GMS) to ensure that it is being delivered effectively.

3.23 This year the Scrutiny Pool used the first GM Strategy Performance Report to inform its work programming, in addition to its scrutiny of major strategic initiatives. The Scrutiny Pool has also been implementing the recommendations of a review of GM Scrutiny commissioned by the GMCA in July 2014. The review was undertaken with an improvement focus, working with the Scrutiny Pool to strengthen current scrutiny arrangements and to ensure effective arrangements during the transition to an elected mayor model. The work underpinning this review will also be used to inform the work of the governance work stream of the transition planning work referred to in paragraph 3.6.

Other Greater Manchester structures - AGMA, GM Commissions and Strategic Partnerships

3.24 Whilst the bodies outlined in this section are not a statutory part of the GMCA governance structure, their work nonetheless helps inform the GMCA and its policies, and as such are referenced in this Annual Governance Statement.

3.25 AGMA is a Joint Committee of the 10 district authorities and the GMCA which formally became a member of the AGMA this year to ensure consistent membership across AGMA and the GMCA. The GM interim Mayor is the GMCA's nominated representative to the AGMA Executive Board.

3.26 Prior to the establishment of the GMCA, AGMA provided the focus for much of the collaborative work undertaken across Greater Manchester for the past 20 years, albeit that it was not a statutory or accountable body in its own right. Whilst its role is now reduced, it continues to undertake a number of functions, notably those that the GMCA has no specific remit or statutory power to undertake. AGMA also oversees the policy areas of health and the public service reform agenda.

3.27 To support the work of AGMA and to help deliver the Greater Manchester Strategy, a number of strategic Commissions were established in 2009 to act as a focus for collaborative working on key, conurbation-wide policy agendas. These high level structures were reviewed in 2012-13 and now comprise:

- Planning and Housing Commission (meets quarterly); the
- Police and Crime Panel (meets 3 times a year);
- Greater Manchester Interim Health and Wellbeing Board whose function has now been replaced by the GM Health and Social Care Strategic Partnership Board (meets monthly); and the
- Low Carbon Hub (meets quarterly).

3.28 Each of these high level thematic groups' membership comprise a mix of elected members and other representatives from the private sector, public sector agencies and the third sector, with the precise composition being determined by the Group's remit.

Greater Manchester Joint Health Scrutiny Committee (formerly Greater Manchester Health Scrutiny Panel)

3.29 The Greater Manchester Health Scrutiny Panel has been established for over ten years, with a specific remit to scrutinise major strategic developments within the acute health care service. This year the Panel's work has focused on providing oversight and scrutiny of both the Healthier Together programme, and Health and Social Care Devolution Programme. Members include representatives from each Greater Manchester authority, normally a member of each authority's Health Scrutiny Committee and a representative of Derbyshire County Council (as Derbyshire was also part of the Healthier Together consultation). The Committee has met three times in 2015/16, and is next scheduled to meet in July 2016. It is recognised that the Terms of Reference for the Committee need to be reviewed to ensure it can provide the necessary oversight and scrutiny of the newly devolved health arrangements from April 1 2016.

GM Local Enterprise Partnership

3.30 Again, although not a formal part of the GMCA governance arrangements, the Greater Manchester Local Enterprise Partnership (LEP) is a business-led body that includes representation from the Chair and three vice chairs of the GMCA. The LEP adds value to Greater Manchester partnerships between local government, businesses and other partners in further and higher education, and across the public, private and voluntary and community sectors. It also provides private sector comment and insight into the development of GM policy. The LEP also fulfils a high level performance review and management role of the Manchester Growth Company. The GMCA works closely with the LEP, a process which is helped by the inclusion of four GMCA members as Board members and the LEP's minutes being submitted to the GMCA.

Decision-making

3.31 Agendas and reports for GMCA are issued to members and published online (https://www.greatermanchester-ca.gov.uk/site/index.php) according to the standard 5 day period which is the statutory norm in local government, and the same standard is maintained for TfGMC, Scrutiny Pool and Commission meetings. GMCA meetings take place according to a cycle which ensures that each Greater Manchester district Town Hall or Civic Centre hosts at least one meeting of the GMCA each year. All meetings are held in public, except n those few cases where reports contain confidential information, and the public are excluded during discussion and decision-making on such items.

3.32 A Forward Plan identifying the major, strategic decisions that the GMCA will be required to make over a period of four months is updated and presented at each meeting. The GMCA also receives minutes and recommendations from the previous TfGMC meeting, the GM Joint Audit Committee, GM Joint Scrutiny Pool and the GM Local Enterprise Partnership.

3.33 To allow the Scrutiny Pool to exercise its right of call-in Scrutiny Pool members receive notice of all decisions made by GMCA and any major, strategic decisions made by TfGMC, within two days of the respective meeting. Members of the Scrutiny Pool then have five days to determine whether they wish to exercise their right to call-in (provided at least five members agree to call-in a specific decision). There have been no decisions called-in between April 2015 and March 2016.

Financial Management

3.34 One of the most important responsibilities of the GMCA is to determine, agree and monitor the GMCA budget. These responsibilities include setting appropriate budgets to fulfil the Authority’s transport, economic development and regeneration functions, and determining the transport levy on constituent district councils.

3.35 In terms of the budget setting process, a comprehensive report for the budget is presented to the Authority for approval each January; this details the forecast outturn for the current year as well as the budget proposals for the coming financial year. For example in January 2016 a report was presented to the Authority which detailed the forecast outturn position for 2015/16 and provided a proposed GMCA budget for 2016/17. Maintaining the well-established process of budget scrutiny for Greater Manchester Joint Authorities as developed in previous years, the transport elements of the budget (which represent by far the most significant proportion) were subject to scrutiny during the Autumn by a GMCA Transport Levy Scrutiny Panel (consisting of the Leaders and Treasurers of Bury and Wigan) and were also reported to TfGMC. The GM Scrutiny Pool received a presentation from the GMCA Treasurer on the proposed GMCA Budget in February.

3.36 Quarterly monitoring reports covering both transport and non-transport functions are presented to the authority during the financial year for both revenue and capital budgets. Further to this specific budget update reports may be provided throughout the year detailing significant adjustments which were unknown at the time of budget setting, for example notification of additional grant funding.

3.37 In addition regular, detailed monitoring of both the transport revenue budget and the transport capital programme are also undertaken by TfGMC and by its Capital Programme and Policy subcommittee. Any significant issues or areas of concern can then be reported back as appropriate to the Authority.

3.38 The Head of Internal Audit and Risk Management provided substantial assurance in relation to the Authority's budget monitoring process in 2015/16.

3.39 The Authority's Accounts are subject to annual external audit.

3.40 It is recognised that there will be significant developments during 2017 with an Elected Mayor for the City Region and the increase in devolved powers that this will bring including the transfer of responsibilities for the Police and Crime Commissioner and the GM Fire and Rescue Service. This will greatly extend the scope of the Combined Authority and the details of this are still being worked through with Government including the governance arrangements and funding mechanisms which will apply. During 2016/17 significant work will be required in preparation for the enhanced remit of the Combined Authority.

Risk Management

3.41 The GMCA's Audit Committee is responsible for overseeing the Authority's risk management strategy and corporate risk register. The Strategy and Risk Register are formally reviewed and refreshed annually by the Risk Management Group of officers to ensure they continue to address potential risks to the Authority achieving its objectives. The Group comprises the Authority's Treasurer, Head of Finance, Head of Audit and Risk Management and Head of the Greater Manchester Integrated Support Team and its roles and responsibilities are set out in terms of reference. The revised Strategy and

Risk Register are submitted to Audit Committee for discussion and agreement and to the Combined Authority for approval. Audit Committee also review the risk register and a related assurance map at every meeting.

3.42 TfGM has a well-defined set of risk management arrangements which cover its responsibilities as the executive transport body of the GMCA and as a statutory body in its own right. In 2015/16 TfGM ran a risk management development session for the TfGM Audit Committee attended by the GMCA Head of Audit and Risk Management.

Performance Management

3.43 The strategic priorities of the GMCA are set out in Greater Manchester Strategy (GMS), and this Strategy informs the rationale and context for the work programmes of the GMCA and all its subsidiary bodies. With regard to its transport functions, TfGMC and its sub committees receive a wide range of monitoring reports, covering both the performance of TfGM and the performance of operators delivering transport services on the GMCA's behalf. In addition, the Capital Projects and Policy subcommittee of TfGMC receives a report updating members on a set of agreed Key Performance Indicators which relate to GM's transport priorities. A new high level performance management framework has been developed and was used to report on performance across all the Strategy's strategic priorities to the GMCA in June 2015. (See https://www.greatermanchester-ca.gov.uk/news/article/9/performance_report_charts_progress_towards_greater_manchesters_goals)

3.44 The Manchester Growth Company operates a three year integrated business plan which is updated annually to respond to changing conditions in Greater Manchester. The business plan aligns activity with the strategic priorities which form the focus of activity across Greater Manchester and they are rooted in the GMS. Detailed performance management of progress against the business plan is undertaken by the Workforce Development, Business Support & Business Finance and Internationalisation & Marketing Advisory boards which report to the Group Board. The LEP and the GMCA have strategic oversight of the Growth Company's delivery. The Manchester Family Group operates a three year integrated business plan which is updated annually to respond to changing conditions in Greater Manchester. The business plan aligns activity with the strategic priorities which form the focus of activity across Greater Manchester and they are rooted in the GMS. Detailed performance management of progress against the business plan is undertaken by the Business Support and Internationalisation Advisory boards which report to the Group Board. The LEP and the GMCA have strategic oversight of the Growth Company's delivery.

4. Review of effectiveness

4.1 Now in its fifth year of operation, the GMCA continues to function well, with administrative, reporting and decision-making processes working smoothly and effectively. The working practices adopted by the Authority and its committees have enabled it to make key strategic decisions in an efficient, timely and transparent manner. Examples of decisions made include: the continued oversight and agreement of GM's substantial programme of devolution; initiating consultations on GM's 2040 Transport Strategy and Climate Change and Low Emission Strategy's; agreeing to establish a GM Strategic Land Board and a GM Housing Fund and setting the transport levy/budget.

4.2 Supporting the GMCA governance structures are a number of senior officer groups. The WLT (which meets three times a month) and similar officer groups provide vital support to GM's governance structures. They help to ensure that a shared approach, informed by the Greater Manchester Strategy and the Growth and Reform Plan, is adopted from the outset on any new strategic initiatives.

4.3 The Greater Manchester Integrated Support Team (GMIST) provides policy and democratic services support to the GMCA, AGMA Executive, TfGMC, the Scrutiny Pool, WLT and other GM structures. It ensures that the administration of the Authority, TfGMC and associated bodies is conducted as efficiently and seamlessly as possible, and always in accordance with statutes and constitutional rules. GMIST officers maintain a continuous review of governance and administration arrangements for the GMCA, TfGMC and GM Scrutiny and other high level thematic policy groups. The GMIST team also provides support and advice to members and officers.

4.4 Payments to TfGM are the largest proportion of the Authority's budget, both in terms of revenue and particularly capital spending, in light of the fact that the current level of transport investment across Greater Manchester represents the largest public transport investment programme outside London. In addition to the financial scrutiny and oversight provided by both GMCA and TfGMC members, TfGM also benefits from its own internal governance arrangements. The GMCA Treasurer is a member of both of the TfGM Board and TfGM Audit Committee, thus providing further oversight and assurance in relation to GMCA's transport- related financial responsibilities. Furthermore, TfGM produce and publish a full set of Annual Accounts which are independently audited by the external auditors, Grant Thornton.

4.5 The GMCA Audit Committee is responsible for overseeing the effective operation of the systems of governance, risk management and internal control. The Committee's work programme is agreed at the start of the year and includes consideration of Internal and External Audit activity and assurances, financial management (including scrutiny of the annual accounts and Annual Governance Statement) and risk management arrangements.

4.6 The GMCA's Scrutiny Pool did not exercise its call-in function during this municipal year, but has continued to positively engage in the development of policy across the conurbation and made a series of recommendations to the GMCA and its partner organisations.

Head of Internal Audit and Risk Management – Annual Assurance Opinion 2015/16

4.7 The Head of Internal Audit and Risk Management is responsible for providing an independent opinion on the adequacy and effectiveness of the Authority's systems of internal control. This is delivered through an annual programme of audit work designed to raise standards of governance, risk management and internal control. Internal Audit Assurance Reports are presented to Audit Committee to provide assurance that the annual programme is being delivered as planned, culminating in this Annual Assurance Opinion.

4.8 Overall the Head of Internal Audit and Risk Management can provide substantial assurance that the Authority's governance, risk and control framework is generally sound and operated reasonably consistently. No significant control issues were identified in the year. This opinion is based on audit and risk management activity carried out between April 2015 and March 2016 and is informed by other assurances provided in the period, including those of TfGM and MGC Heads of Internal Audit, External Audit and District audit teams.

4.9 Planned work in 2015/16 has covered a wide range of GMCA and GM activity including Housing Investment Fund, Regional Growth Fund, Growing Places and Transport funds. Audit work has focused on the management of the Employment and Skills Programme, Public Service Reform and the monitoring of outcomes through the GMCA Performance Management Framework. There are no major issues from this work that have led to reported concerns over the effectiveness of the GMCA governance, risk or control framework.

4.10 Grant certification work gave substantial assurance that grants received and paid by the Authority were used in accordance with funding conditions, based on the good level of compliance seen and action taken in response to audit findings.

4.11 Internal Audit administer the Authority's policies on anti-fraud and corruption, whistleblowing, anti-bribery and anti-money laundering. These are communicated through the Authority's website including a whistleblowing web-page and hot-line. To date there have been no whistle-blowing allegations and the two fraud allegations received in respect to the Authority have been handled effectively at District level.

Review of effectiveness of the system of Internal Audit

4.12 The Accounts and Audit Regulations 2011 require that "a larger relevant body (the Authority) must, at least once in each year, conduct a review of the effectiveness of its internal audit". To address this requirement an assessment of Internal Audit was carried out in 2015, overseen by the Manchester City Council Treasurer as Manchester City Council provides the GMCA's internal audit function. This demonstrated that there was an effective system of internal audit in place including a policy framework, internal audit function, Audit Committee and effective management engagement. Internal Audit operates in line with the Public Service Internal Audit Standards and professional standards and codes of ethics for the delivery of audit work. The next review, which will include an update on compliance with the Public Sector Internal Audit Standards is scheduled to be completed in May 2016 and will be reported to the GMCA Audit Committee.

Annual Review of the Chief Financial Officer (the Treasurer)

4.13 As part of its work on governance and financial management across public services, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued its Statement on the Role of the Chief Financial Officer in Local Government (the Statement) in 2010. The Chief Financial Officer (CFO) to the GMCA undertakes the same role for AGMA and Manchester City Council. For the purpose of the GMCA's Annual Governance Statement, the role of the CFO has been reviewed against the governance arrangements set out in the Statement, which are required to ensure the CFO is able to operate effectively and perform their core duties. Full conformance with these arrangements was confirmed.

5. Programme of improvement

5.1 The GMCA's Code of Corporate Governance was approved at Audit Committee in September 2015 and will be updated following the GMCA's Annual General Meeting in June 2016. The Code is a public statement which sets out how the Authority will meet its commitment to have culture, values, systems and processes in place to ensure it operates effectively and achieves its objectives. It follows the CIPFA / SOLACE model code as set out in their report 'Delivering Good Governance in Local Government' which sets six core principles:

- Focus on purpose, community outcomes and vision for the local area;
- Members and officers work together to a common purpose with clearly defined functions and roles;
- Promote values by upholding high standards of conduct and behaviour;
- Take informed, transparent decisions which are subject to effective scrutiny and risk management;
- Develop the capacity and capability of Members and Officers to be effective; and,
- Engage local people and other stakeholders to ensure robust publicaccountability.

5.2 Given the broad and diverse set of functions for which GMCA now has either sole or a shared responsibility it is crucial that GM effectively communicates with local people and other stakeholders to improve its transparency and wider public accountability. This municipal year GM has implemented a number of initiatives to directly address this matter. In October 2016 the GMCA launched a new website (www.greatermanchester-ca.gov.uk) whose layout is much clearer and user friendly, it also established a Twitter account (@greatermcr). There have been over 110,000 unique visitors to the site with over 200,000 page views from October to March and the GMCA's Twitter account has nearly 1,500 followers. From November 2015 the GMCA, AGMA Executive Board and the GM Health and Social Care Partnership Board meetings have been live streamed (and archived on the GMCA's website).

5.3 GM has also been implementing the recommendations of GM's Scrutiny Review (outlined in paragraph 3.23) and has begun the significant work needed to ensure a smooth transition to the new devolved arrangements which (subject to due process) will commence in May 2017 (outlined in paragraphs 3.4 and 3.5). All GM governance arrangements, including TfGMC and other GM bodies, are 'in scope' ensure that they remain fit for purpose and have the appropriate representation discharge the GMCA's new powers arising from the Devolution Agreement.

5.4 Last year the Audit Committee's work on assurance mapping identified performance management as an area of the GMCA's work in need of strengthening. Progress has been made and in June 2015 GM produced its first performance report which gave a high level overview of performance across all the GM Strategy's priorities. Internal Audit is currently undertaking a review the effectiveness of the performance framework and their findings will inform the production of the performance report for 2016.

5.5 Significant levels of funding, particularly relating to the economic development functions of the GMCA continues to flow from a variety of sources, including for example from the Regional Growth Fund and the Local Growth Fund. The Chief Investment Officer and Low Carbon Director provide additional senior capacity to ensure that these funding streams are invested in line with the investment principles laid out in the GMS and Growth and Reform Plan. Systems and processes are continually reviewed in conjunction with both internal and external audit to ensure that risks are mitigated, compliance is achieved and governance arrangements are adhered to. An example how these processes work in practice can be found in the GM LEP's assurance framework which was jointly authored by the GMCA, the GM LEP's accountable body. The assurance framework sets out how the processes which inform investment decisions ensure that these decisions comply with grant conditions, the GMCA's procurement framework and state aid rules. This assurance framework has recently been externally reviewed by the Audit Commission and following the visit two minor amendments to further strengthen the framework have been made.

5.6 Given the scale of change involved in the transition to new powers and responsibilities from 2015-2017 the need for clear programme and project management, with sufficient skills and capacity to manage risk, has been recognised. Transition management has been a focus for the GMCA and WLT, is reflected on the GMCA Corporate Risk Register and is overseen activity by senior officers including the GMCA Treasurer, Monitoring Officer and Head of Paid Service. This will remain a key area of focus during 2016/17.

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6. Conclusion

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

Signed: ....

Tony Lloyd

Interim Mayor and Chair of the Greater Manchester Combined Authority

Signed: ....

Sir Howard Bernstein

Head of Paid Service, Greater Manchester Combined Authority

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

We have audited the financial statements of Greater Manchester Combined Authority (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group and Authority Movement in Reserves Statements, the Group and Authority Comprehensive Income and Expenditure Statements, the Group and Authority Balance Sheets, the Group and Authority Cash Flow Statements 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 2015/16.

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

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Responsibilities for the Annual Statement of Accounts, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, 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 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority and Group as at 31 March 2016 and of the Authority's and Group's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the Authority and Group 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: a Framework’ published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

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

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The

Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its 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 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

Andy Mack

Andy Mack

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

4 Hardman Square
Spinningfields
Manchester
M3 3EB

30 September 2016