

GREATER MANCHESTER AUDIT COMMITTEE

DATE: Tuesday, 8th September, 2020

TIME: 10.00 am

VENUE: MS Teams

AGENDA

- 6. UNAUDITED ANNUAL STATEMENT OF ACCOUNTS 2019- 2020** 1 - 12

Report of Steve Wilson, GMCA Treasurer

For copies of papers and further information on this meeting please refer to the website www.greatermanchester-ca.gov.uk. Alternatively, contact the following Governance & Scrutiny Officer: Steve Annette



BOLTON	MANCHESTER	ROCHDALE	STOCKPORT	TRAFFORD
BURY	OLDHAM	SALFORD	TAMESIDE	WIGAN

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Unaudited Draft Accounts 2019/20

GMCA Audit Committee

8th September 2020

2019/2020 Accounts Timeline

- Year ended 31st March 2020
- 3rd April 2020 the Ministry of Housing, Communities and Local Government (MHCLG) made changes made to the *Accounts and Audit Regulations 2015* as a result of the Coronavirus (COVID-19) pandemic
- The *Accounts and Audit (Coronavirus) (Amendment) Regulations 2020* implemented new deadlines and came into force on 30 April 2020
- This extended deadline for publishing Draft Accounts to 31st August and Final Audit Accounts by 30th November (previously end of July)
- Revised timelines for GMCA 2019/2020 Statement of Accounts:
 - Published Draft Accounts 28th August 2020 (previous deadline 31 May)
 - 30 day Public Inspection Period 1st – 12th October (previously June/July)
 - External Audit by Mazars commencing on 7th September 2020
 - Publish Final Audited Accounts and audit opinion by 30 November 2020 (previously 31 July)
 - Audit Committee – November 2020 (date to be confirmed)

Format of the Statement of Accounts

- The Treasurers Narrative sets out the background to the financial year including a summary of the Authority's outturn position
- Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost of the Authority's activities
- The Movement in Reserves Statement (MIRS) explains the movement in the Authority's usable and unusable reserves during the financial year
- The Balance Sheet shows the total assets, liabilities and reserves of the Authority as at the end of the financial year.
- The Cash Flow Statement shows the reasons for the change in cash and cash equivalents during the financial year.
- Each statement is supported by a note explaining its purpose and followed by comprehensive notes explaining the statements.
- Supplementary statements including the following sections:
 - Police Pension Fund
 - Fire Pension Fund
 - Mayoral Police Fund
 - Mayoral General Fund
- The group accounts follow the supplementary statements and these show the full extent of the Authority's economic activities by reflecting the Authority's involvement with its group companies and organisations

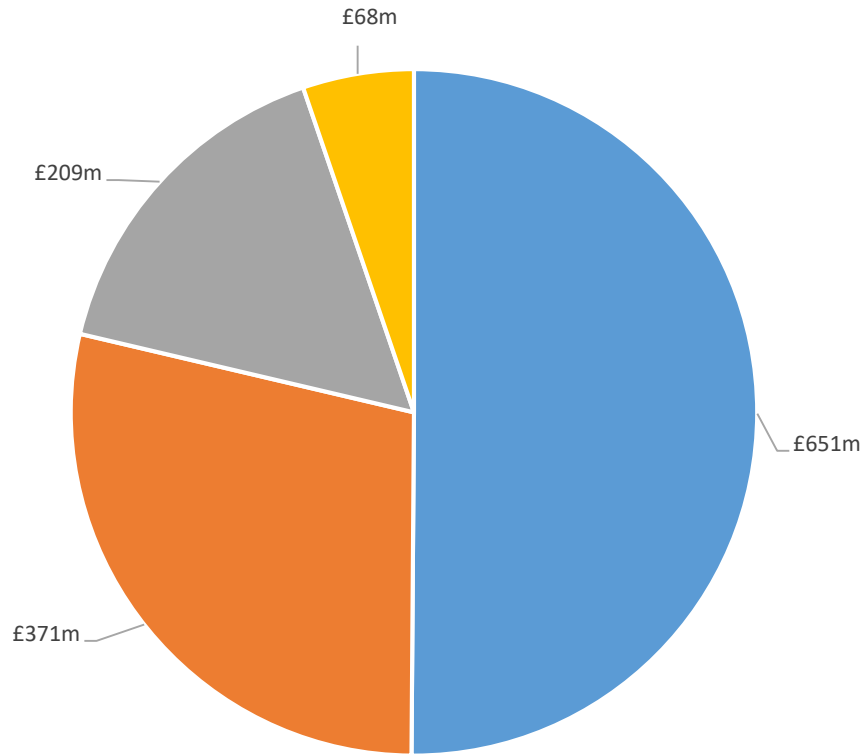
Summary of Treasurer's Narrative Report

Key highlights on the Authority's performance in 2019/20

- Publication of the Greater Manchester Local Industrial Strategy.
- Growth in the economy, the final year of Government funding for GM Housing Investment Fund, progress with Local Growth Fund projects in the penultimate year of the current programme.
- Business support and innovation through the Business Growth Hub, refresh of the GM Digital Blueprint and launch of the five year Environment Plan.
- Skills and Employment including first year of the devolved Adult Education Budget, Apprenticeships and Employment Support.
- Housing including progress with Spatial Framework and tackling homelessness through A Bed Every Night and Housing First project.
- Public Service Reform with aim of achieving inclusive economic growth supported through the final year of the current Troubled Families programme, and Reform Investment priorities.
- Progress with delivery of Age Friendly Greater Manchester through the partnership development supported by the Ageing Hub.
- Continued implementation of three year Standing Together GM Police and Crime Plan with recruitment of additional officers with a focus on diversity and representation of the communities, implementation of Integrated Operational Policing system and ongoing partnership working to provide effective support and early intervention.
- Implementation of the Programme for Change for GM Fire and Rescue Service to enhance the role of firefighters, promote a more inclusive and supportive culture across the Service, protect the frontline and keep more firefighters in communities whilst maintaining operational performance and continuing to have one of the fastest response times in the country.
- Achievements within the GM Transport Strategy 2040 during the year include the opening of the Trafford Park line 7 months ahead of schedule, launch of Contactless ticketing on the Metrolink, completion of the first walking and cycling schemes as part of The Bee Network with further schemes in development, implementation of the Mayor's Our Pass scheme for 16-18 year olds.
- Progress during the year with planning future developments including a consultation on the proposed bus franchising scheme, launch of the GM Clean Air conversation, publishing of the Prospectus for Rail and development of a new system to improve management of transport assets across the region.

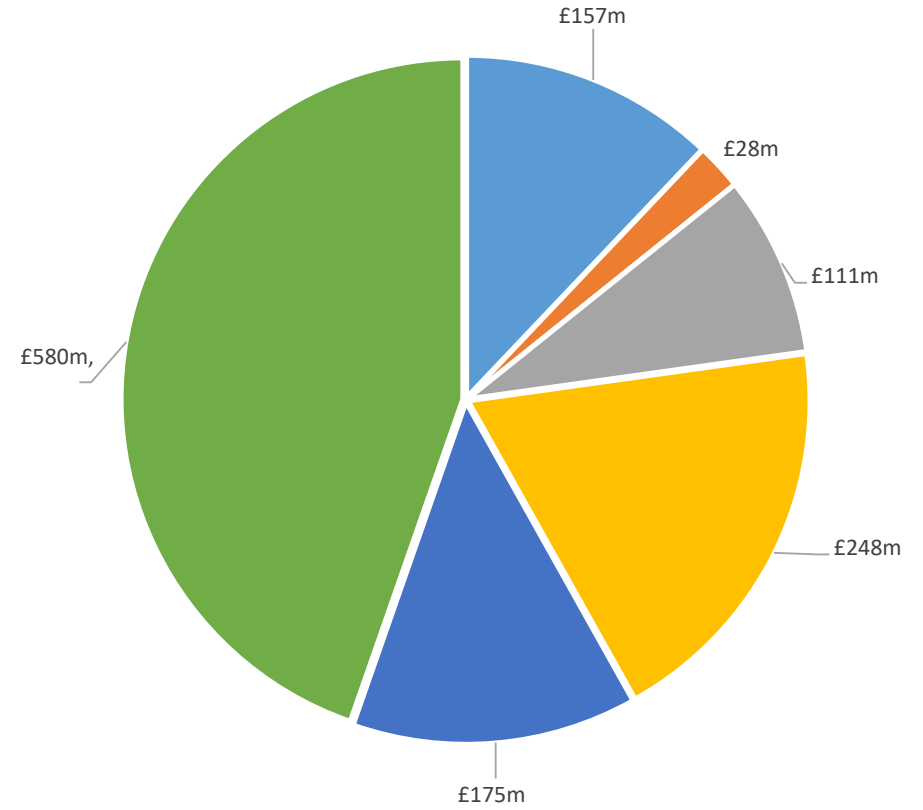
2019/20 Revenue Budget

Source of Revenue Funding



- Government Grants
- Levy on GM Local Authorities
- Council Tax Precept
- Other Income/Reserves

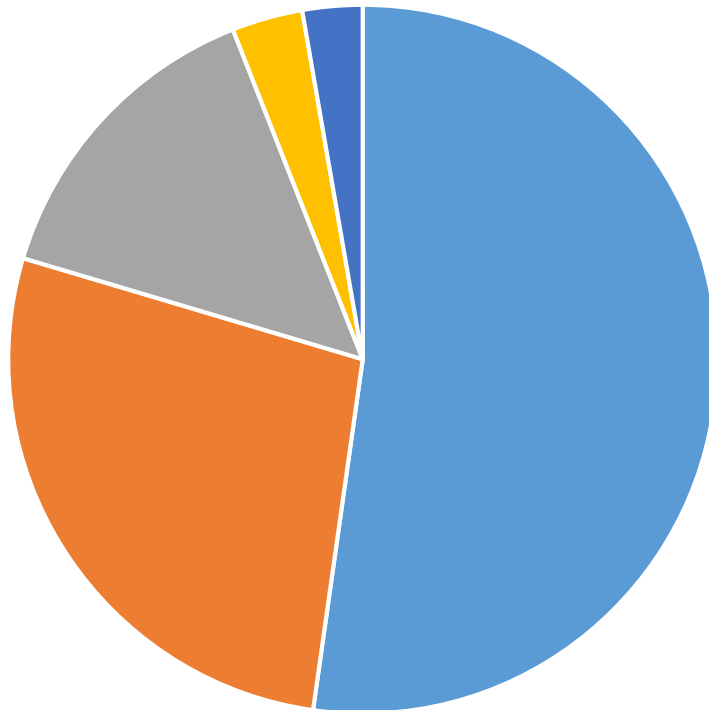
Revenue Funding by Service



- Econ, Dev & Reg
- Mayoral General
- GM Fire and Rescue
- Transport
- Waste Disposal
- Police Fund

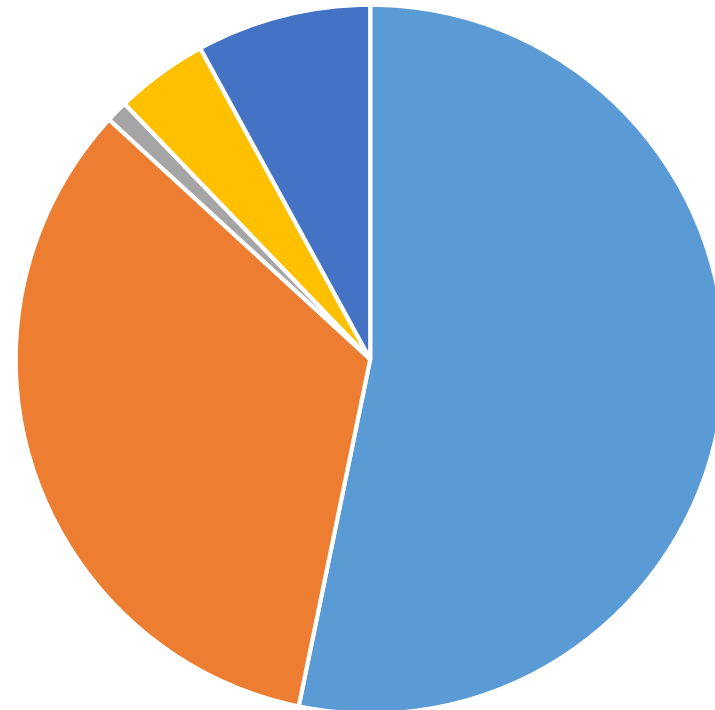
2019/20 Capital Programme

Capital Funding - £402 million
Source of Funding



■ Borrowing ■ Capital Grants ■ Revenue Contribution ■ Capital Receipts ■ Other

Capital Expenditure - £402 million
Spend by Service



■ Transport ■ Economic Development and Regeneration ■ GM Fire and Rescue ■ Waste ■ Police

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) on page 38 reflects the accounting cost of the Authority's activities

The statement shows a deficit on the Provision of Services of £18.523m

The position is adjusted to £140.216m surplus after adjusting for items that will not be classified in the deficit on provision of services

The CIES Provision of Services position of £18.523m includes the following sums which are **not included** in the revenue position:

- The accounting adjustment under IAS19 for Employee Benefits
- Asset Charges for example depreciation

CIES Provision of Services position does not include the following sums which are **included** in the revenue position:

- Capital expenditure items such as Minimum Revenue Provision charged to the Capital Adjustment Account
- Transfers to/from Earmarked and General Reserves

The table shows how the CIES Statement reconciles to the bottom line Revenue position

Reconciliation of CIES to Revenue Outturn	£'000
Comprehensive I&E Statement (CIES)	
Gross Expenditure	1,462,441
Gross Income	-308,538
Net Expenditure	1,153,903
Loss on Disposal of Non-Current Assets	5,767
Financing and Investment	100,501
Taxation and Non Specific Grant Income	-1,241,649
(Surplus)/Deficit on Provision of Services	18,523
Amounts by which income and expenditure included in the CIES are different from revenue in accordance with statutory requirements and capital adjustments	-32,270
(Surplus)/Deficit Before Transfer of Reserves	-13,747
Transfer to/(from) General and Earmarked Reserves	13,747
Revenue position After Transfer of Reserves	0

Movement in Reserves

The Movement in Reserves Statement on page 39 analyses movement on reserves into ‘usable reserves’ that can be applied to fund expenditure and other ‘unusable reserves’.

Usable reserves are important to manage risk and allow the flow of funds across financial years. In general:

- Usable reserves can be used to fund capital/revenue expenditure.
- The majority of GMCA reserves are earmarked for specific purposes.
- The General Fund (GF) balance is the only non earmarked reserve to manage in-year risks

The table below provides a breakdown of movement on general fund and earmarked reserves in 2019/20:

Usable Reserves and Balances	General Fund Reserves			Earmarked Reserves			Total		
	Opening Balances 1 April 2019	Transfers (in)/out	General Fund Reserves	Opening Balances 1 April 2019	Transfers (in)/out	Earmarked Reserves	Opening Balances 1 April 2019	Transfers (in)/out	Closing Balances 31 March 2020
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Mayoral & Fire and Rescue	(12,775)	1,160	(11,615)	(22,775)	1,773	(21,002)	(35,550)	2,933	(32,617)
Economic Development & Regeneration	(2,963)	(1,282)	(4,245)	(84,129)	(44,518)	(128,647)	(87,092)	(45,800)	(132,892)
Transport	(4,881)	3,796	(1,085)	(182,270)	15,846	(166,424)	(187,151)	19,642	(167,509)
Waste	(12,132)	0	(12,132)	(61,065)	18,741	(42,324)	(73,197)	18,741	(54,456)
Mayoral Police Fund	(13,061)	(2,314)	(15,375)	(63,022)	(6,949)	(69,971)	(76,083)	(9,263)	(85,346)
Total	(45,812)	1,360	(44,452)	(413,261)	(15,107)	(428,368)	(459,073)	(13,747)	(472,820)

The Balance Sheet

The Balance Sheet on page 40 shows the value of assets and liabilities recognised by the Authority

The net assets/liabilities are matched by the usable and unusable reserves held.

Usable reserves can be utilised to fund services whereas unusable reserves are accounting reserves held to reconcile the position between the accounting cost of services and the cost set out in legislation that is chargeable to precepts and taxation.

Balance Sheet	2018/19	2019/20
	£000s	£000s
Page 40		
Non-Current Assets	667,939	731,552
Current Assets	339,121	375,066
Current Liabilities	-502,661	-480,106
Long Term Liabilities	-3,335,888	-3,317,785
Net Assets (Liabilities)	-2,831,489	-2,691,273
Financed by:		
Usable Reserves	-500,242	-555,545
Unusable Reserves	3,331,731	3,246,818
Total Reserves	2,831,489	2,691,273

Notes
Non-current Assets:
<ul style="list-style-type: none"> Increase in £54.148m on intangible assets due to capitalised software and Long Term Debtors by £40.859m
Current Assets:
<ul style="list-style-type: none"> Short Term debtors increased by £160.385m largely due to novation of Housing Investment Fund Cash and Cash Equivalents decreased by £126.296m due to reclassification of short term investments as shown in note 23 bottom of page 92
Usable Reserves:
<ul style="list-style-type: none"> Made up of General and Earmarked Reserves £472.820m, Capital Receipts Reserve £82.724m

Cash Flow Statement

The Cash Flow Statement on page 41 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 and cash equivalents by classifying cash flows as operating, investing and financing activities.

Cash Flow Statement	2019/20 £000s
Net (surplus) / deficit on the provision of continuing operations	18,523
Adjustments to net surplus on the provision of services for non cash movements	86,801
Adjust for items included in the net surplus on the provision of services that are investing and financing activities	16,000
Net Cash Flows from Operating Activities	121,324
Investing Activities	15,612
Financing Activities	-10,640
(Increase) / Decrease in Cash and Cash Equivalents	126,296
Cash and cash equivalents on 1 April for continuing operations	171,851
Cash and cash equivalents on 1 April 2018 for Waste Disposal transferred operations	0
Cash and cash equivalents brought forward for all operations	171,851
Cash and cash equivalents at the end of the reporting period	45,555

Group Accounts

- The Group Accounts start from page 138
- The Greater Manchester Combined Authority Group:
 - Chief Constable of Greater Manchester Police
 - Transport for Greater Manchester
 - NW Evergreen Holdings Ltd
 - Greater Manchester Fund of Funds Ltd Partnership
- Group Core Financial Statement:
 - Comprehensive Income and Expenditure Statement (CIES)
 - The Movement in Reserves Statement (MIRS) which explains the movement in the Authority's usable and unusable reserves during the financial year
 - The Balance Sheet which shows the total assets, liabilities and reserves of the Authority as at the end of the financial year.
 - The Cash Flow Statement which shows the reasons for the change in cash and cash equivalents during the financial year.

Going Concern Assessment

- GMCA 2019/20 Financial Position was underspend across all areas, except Highways and Transport
- March 2020 GMCA Usable Reserves of £555.5m
 - General Fund Balance £44.4m
 - Earmarked Reserves of £428.4m
 - Capital Receipts Reserve £82.7m
- Strategic Planning and Budget Framework and Comprehensive Spending Review
- Regulatory and Control - overview provided in Annual Governance Statement
- Assessment of Economic Climate including
 - Brexit Readiness
 - Covid-19 measures and mitigation