

**GREATER MANCHESTER AUDIT COMMITTEE**

**DATE:** Wednesday, 9th October, 2019

**TIME:** 11.00 am

**VENUE:** Friends' Meeting House, Mount Street,  
Manchester, Manchester, M2 5NS

**AGENDA**

1. **WELCOME, INTRODUCTIONS AND APOLOGIES**
2. **CHAIRS ANNOUNCEMENTS AND URGENT BUSINESS**
3. **DECLARATIONS OF INTEREST** 1 - 4

To receive declarations of interest in any item for discussion at the meeting. A blank form for declaring interests has been circulated with the agenda; please ensure that this is returned to the Governance & Scrutiny Officer at the start of the meeting.
4. **MINUTES OF THE MEETING 30 JULY 2019** 5 - 10

To consider the approval of the minute of the meetings held on 30 July 2019
5. **MINUTES OF THE GMCA/GMP JOINT AUDIT PANEL - TO FOLLOW**

To note draft the minutes of the GMCA/GMP Joint Audit panel held on 30 July 2019 and that next meeting taking place in late October.
6. **ADDITIONAL INDEPENDENT MEMBERS** 11 - 18

Report as agreed at the GMCA on the 27 September 2019 for information.
7. **CORPORATE RISK REGISTER UPDATE** 19 - 52

Report of the Treasurer to the Greater Manchester Combined Authority and Head of Audit and Assurance.

- 8. FINAL ACCOUNTS ACTION PLAN - TO FOLLOW**  
Report of the Treasurer to the Greater Manchester Combined Authority.
- 9. COUNTER FRAUD ACTIVITY - TO FOLLOW**  
Report of the Treasurer to the Greater Manchester Combined Authority and Head of Audit and Assurance.
- 10. INTERNAL AUDIT PROGRESS REPORT - TO FOLLOW**  
Report of the Head of Audit and Assurance.
- 11. AUDIT RECOMMENDATIONS MONITORING** 53 - 72  
Report of the Treasurer to the Greater Manchester Combined Authority.
- 12. EXTERNAL AUDIT UPDATE** 73 - 78  
Report of Mazars, External Auditors.
- 13. TREASURY MANAGEMENT INTERIM UPDATE 2019/20** 79 - 94  
Report of the Treasurer to the Greater Manchester Combined Authority.

For copies of papers and further information on this meeting please refer to the website  
[www.greatermanchester-ca.gov.uk](http://www.greatermanchester-ca.gov.uk).

Alternatively, contact the following Governance & Scrutiny Officer:

[Nicola.ward@greatermanchester-ca.gov.uk](mailto:Nicola.ward@greatermanchester-ca.gov.uk)

0161 700 7009

This agenda was issued on 1 October 2019 on behalf of Julie Connor, Secretary to the Greater Manchester Combined Authority, Churchgate House, 56 Oxford Street, Manchester M1 6EU

**AUDIT COMMITTEE – 9 OCTOBER 2019**

Declaration of Councillors' Interests in Items Appearing on the Agenda

NAME: \_\_\_\_\_

DATE: \_\_\_\_\_

Minute Item No. / Agenda Item No.	Nature of Interest	Type of Interest
		Personal / Prejudicial / Disclosable Pecuniary
		Personal / Prejudicial / Disclosable Pecuniary
		Personal / Prejudicial / Disclosable Pecuniary
		Personal / Prejudicial / Disclosable Pecuniary
		Personal / Prejudicial / Disclosable Pecuniary
		Personal / Prejudicial / Disclosable Pecuniary

Please see overleaf for a quick guide to declaring interests at GMCA meetings.

## QUICK GUIDE TO DECLARING INTERESTS AT GMCA MEETINGS

This is a summary of the rules around declaring interests at meetings. It does not replace the Member's Code of Conduct, the full description can be found in the GMCA's constitution Part 7A.

Your personal interests must be registered on the GMCA's Annual Register within 28 days of your appointment onto a GMCA committee and any changes to these interests must notified within 28 days. Personal interests that should be on the register include:

- Bodies to which you have been appointed by the GMCA
- Your membership of bodies exercising functions of a public nature, including charities, societies, political parties or trade unions.

**You are also legally bound to disclose the following information called DISCLOSABLE PERSONAL INTERESTS which includes:**

- You, and your partner's business interests (eg employment, trade, profession, contracts, or any company with which you are associated)
- You and your partner's wider financial interests (eg trust funds, investments, and assets including land and property).
- Any sponsorship you receive.

### FAILURE TO DISCLOSE THIS INFORMATION IS A CRIMINAL OFFENCE

#### STEP ONE: ESTABLISH WHETHER YOU HAVE AN INTEREST IN THE BUSINESS OF THE AGENDA

If the answer to that question is 'No' – then that is the end of the matter. If the answer is 'Yes' or 'Very Likely' then you must go on to consider if that personal interest can be construed as being a prejudicial interest.

#### STEP TWO: DETERMINING IF YOUR INTEREST PREJUDICIAL?

A personal interest becomes a prejudicial interest:

- where the well being, or financial position of you, your partner, members of your family, or people with whom you have a close association (people who are more than just an acquaintance) are likely to be affected by the business of the meeting more than it would affect most people in the area.
- the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.

#### FOR A NON PREJUDICIAL INTEREST

##### YOU MUST

- Notify the governance officer for the meeting as soon as you realise you

#### FOR PREJUDICIAL INTERESTS

##### YOU MUST

- Notify the governance officer for the meeting as soon as you realise you

have an interest

- Inform the meeting that you have a personal interest and the nature of the interest
- Fill in the declarations of interest form

**TO NOTE:**

- You may remain in the room and speak and vote on the matter
- If your interest relates to a body to which the GMCA has appointed you to you only have to inform the meeting of that interest if you speak on the matter.

have a prejudicial interest (before or during the meeting)

- Inform the meeting that you have a prejudicial interest and the nature of the interest
- Fill in the declarations of interest form
- Leave the meeting while that item of business is discussed
- Make sure the interest is recorded on your annual register of interests form if it relates to you or your partner's business or financial affairs. If it is not on the Register update it within 28 days of the interest becoming apparent.

**YOU MUST NOT:**

- participate in any discussion of the business at the meeting, or if you become aware of your disclosable pecuniary interest during the meeting participate further in any discussion of the business,
- participate in any vote or further vote taken on the matter at the meeting

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## MINUTES OF THE GREATER MANCHESTER COMBINED AUTHORITY AUDIT COMMITTEE, HELD ON TUESDAY 30 JULY 2019 AT CHURCHGATE HOUSE, MANCHESTER

### PRESENT:

Gwyn Griffiths (Chair)	Independent Member
Catherine Scivier	Independent Member
Councillor Mary Whitby	Bury Council
Councillor Colin McLaren	Oldham Council
Councillor Sarah Russell	Manchester City Council
Councillor Chris Boyes	Trafford Council

### ALSO PRESENT:

Daniel Watson	Mazars External Auditor
Mark Kirkham	Mazars External Auditor

### OFFICERS:

Richard Paver	GMCA Treasurer
Sarah Horseman	GMCA Audit and Assurance
Damian Jarvis	GMCA Internal Audit
Amanda Fox	GMCA Finance
Helen Fountain	GMCA Finance
Steve Annette	GMCA Governance and Scrutiny

### AC 19/52 APOLOGIES

No apologies for absence were received

### AC 19/53 DECLARATIONS OF INTEREST

Members were asked to declare any personal or prejudicial interests in relation to any of the items appearing on the agenda for the meeting. There were no items of personal or prejudicial interests declared.

**AC 19/54 MINUTES OF THE GMCA AUDIT COMMITTEE MEETING HELD ON 18 JUNE 2019**

The minutes of the meeting of the GMCA Audit Committee held on 18 June 2019 were submitted.

**RESOLVED/-**

- 1) That the minutes of the meeting of the GMCA Audit Committee held on 18 June 2019, be approved as a correct record.
- 2) That it be noted that Councillor Sarah Russell (Manchester City Council) had been appointed as a Member of the Audit Committee for the Municipal Year 2019/20.
- 3) That it be noted that in relation to Minute Ref AC/19/44 'The Chair to meet the Chair of the GMCA/GMP Joint Audit Panel in the upcoming weeks', this had not yet happened.

**AC 19/55 MINUTES OF THE GMCA/GMP JOINT AUDIT PANEL HELD ON 18 JUNE 2019**

The minutes of the meeting of the GMCA/GMP Joint Audit Panel, held on 18 June 2019 were submitted for information.

Richard Paver, GMCA Treasurer, reported that there was one error in the Minutes. He added that he had raised the matter at the GMCA / GMP Audit Panel earlier in the day. It was in relation to the Mayor being in post for the year 2016/17 for a thirteen-month period, which was actually the final period of the Police and Crime Commissioner. The Minutes would therefore be amended accordingly.

**RESOLVED/-**

- 1) That the minutes of the meeting of the GMCA/GMP Joint Audit Panel held on 18 June 2019 be noted, subject to the correction identified.

**AC 19/56 GMCA 2019/2020 ANNUAL GOVERNANCE STATEMENT**

Consideration was given to the GMCA 2018/19 Annual Governance Statement (AGS) attached at appendix A, to accompany the GMCA Statement of Accounts.

The draft AGS was considered and endorsed by the Audit Committee at its meeting on 18 June 2019.

Richard Paver, GMCA Treasurer reported that the comments, which had been made in relation to draft AGS at the previous meeting of the Audit committee, had been fed back and incorporated. He added that the only point of substance added was around the HMICFRS inspection of the Fire Service and that the AGS had been shared with Mazars, who had reflected on its content as part of the value for money work.



**RESOLVED/-**

1) That the GMCA 2018/19 Annual Governance Statement, which is to signed by the GM Mayor and the Chief Executive of the GMCA and published with the GMCA's Statement of Accounts for 2018/19, be approved.

**AC 19/57 DRAFT LETTER OF REPRESENTATION**

Richard Paver, GMCA Treasurer, introduced the Draft Annual Governance Statement, as provided by Mazars. He added that this was a standard letter of representation and there had been no specific amendments made and that he would be signing immediately prior to the audit being completed.

**RESOLVED/-**

1) That the Draft Annual Governance Statement, as provided by Mazars, be noted.

**AC 19/58 GMCA AUDIT COMPLETION REPORT – YEAR ENDING 31 MARCH 2019**

Mark Kirkham, Mazars External Auditor, introduced the report. He added that the timetable was tight in order for officers to prepare a compliant set of financial accounts and an audit of those accounts completed. He added at this moment it was not anticipated that the accounts would be signed off by 31 July 2019, although it was expected that an unqualified audit opinion and value for money judgment would be given.

Daniel Watson, Mazars External Auditor, provided an update in relation to significant risk that had been identified within the audit plan. He added that in the period between the agenda papers being issued and today's meeting, some areas had now been resolved, i.e. questions in relation to journals and related parties.

Richard Paver, GMCA Treasurer added that he hoped the risks that had been identified would be resolved in the next few days, subject to no material changes. Details of some of the amendments being proposed were tabled and Members noted that there was nothing that had been identified thus far which would affect the bottom line of the accounts.

It was noted that a debrief and lessons learnt contingency plan would be put in place going forward.

**RESOLVED/-**

1) That the GMCA Audit Completion Report, year ending 31 March 2019 be noted.

**AC/19/59 GMCA ANNUAL STATEMENT OF ACCOUNTS – YEAR ENDING 31 MARCH, 2019 – SUBJECT TO AUDIT**

Richard Paver, GMCA Treasurer introduced the Annual Statement of Accounts, Year ended 31 March 2019 and highlighted areas of specific interest to members.

A number of revised pages of the accounts were circulated to members reflecting the changes needed to reflect pension valuation changes following recent legal cases and a number of reclassifications of income and expenditure

**RESOLVED/-**

1) To note the unaudited annual accounts 2018/19, together with the amendments tabled at the meeting.

2) That Richard Paver, GMCA Treasurer together with the Chair of the Audit Committee be authorised to sign off the accounts, subject to there being no major amendments.

**AC/19/60 GMCA ROUTINE AUDIT ENQUIRIES LETTERS – DRAFT RESPONSES TO EXTERNAL AUDITOR**

Richard Paver, GMCA Treasurer, presented Members with information as part of the audit of the accounts. The External Auditor had requested information from the GMCA Treasurer and the Chair of the Audit Committee in respect of financial accounting arrangements, the risks of fraud and compliance with laws and regulations. Members noted that letters had been produced in response to this request and these had been submitted to Mazars.

**RESOLVED/-**

1) That the responses to the External Auditor from the GMCA Treasurer and the Chair of the Audit Committee in relation to the GMCA routine audit enquiry letters be noted.

**AC 19/61 INTERNAL AUDIT PROGRESS REPORT**

The Head of Internal Audit and Assurance presented a report, which provided Members with progress to date on the delivery of the Internal Audit Plan. The report also serves as a mechanism to approve and provide a record of changes to the internal audit plan.

**RESOLVED/-**

That the Internal Audit progress report be noted.

**AC/19/62 FORWARD PLAN 2019/20**

The Head of Internal Audit and Assurance presented a report, which proposed a schedule of business of the Audit Committee and the papers it can expect to receive at each meeting in its calendar. Further items would be added as needed and the attached schedule should be used as a guide to help the committee undertake its role. It is proposed that the schedule is brought to every meeting for information and reviewed and updated annually at the AGM in June.

**RESOLVED/-**

1) That the Forward Plan 2019/20 be received and noted.

**AC 19/63**

**DATES OF FUTURE MEETINGS**

**RESOLVED/-**

- 1) That future meetings of the Audit Committee to take place in October 2019, January and April, 2020.

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Date: 27 September 2019

Subject: Appointment of additional Independent Members to the GMCA's Audit Committee

Report of: David Molyneux, Portfolio Lead for Resources & Investment and Richard Paver, GMCA Treasurer

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## **PURPOSE OF REPORT**

To request the GMCA approves the appointment of two additional independent members to the GMCAs Audit Committee in order to mitigate the risk of lack of continuity in membership of the Committee and improve succession arrangements.

## **RECOMMENDATIONS:**

The GMCA is requested to:

1. Approve the increase in the membership of the GMCA Audit Committee by a further two independent members, making membership four members of the Constituent Councils and four co-opted members, who are independent persons.
2. Request constituent councils to consider retaining their elected Member nominations for a minimum of 2 years to allow continuity of Committee membership.

3. Approve the amended GMCA Audit Committee Terms of Reference included in Appendix 1.

**CONTACT OFFICERS:**

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Richard Paver, GMCA Treasurer  
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Risk Management – see paragraph

Legal Considerations – see paragraph

Financial Consequences – Revenue – see paragraph 2.3

Financial Consequences – Capital – N/A

Number of attachments included in the report: 1

**BACKGROUND PAPERS:**

GMCA Audit Committee Membership and Terms of Reference

<b>TRACKING/PROCESS</b>		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		No
<b>EXEMPTION FROM CALL IN</b>		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		No
GM Transport Committee	Overview & Scrutiny Committee	
N/A	N/A	

## **1. BACKGROUND**

- 1.1. In June 2017 the GMCA and AGMA Joint meeting approved the appointment of two independent members to the GMCA Audit Committee for a term of three years each. These appointments were made in order to adhere to the legislative requirements for audit committees of combined authorities set out in the Cities and Local Government Devolution Act 2016 and Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.
- 1.2. As stated in its Terms of Reference, the Audit Committee membership also comprises of five or four co-opted elected members of the Constituent Councils of the GMCA (who are not also Assistant Portfolio Holders).
- 1.3. The GMCA Audit Committee has operated with membership in line with its Terms of Reference, currently having four elected members and two independent members.

## **2. RISK IN EXISTING MEMBERSHIP ARRANGEMENTS**

- 2.1. The Constituent Councils nominate members for the Audit Committee on an annual basis. To date there has been a high degree of consistency in members but there is nothing currently within the Terms of Reference to require membership of the Committee is anything other than an annual commitment.
- 2.2. The Members of the Audit Committee undertook an effectiveness self-assessment exercise in July 2019 and identified that there is a risk of loss of knowledge and experience within the Committee should there be a significant change in membership in any one year, through the rotation of elected members and/or the end of terms of office for independent members.
- 2.3. Independent members of the GMCA Audit Committee are paid an annual allowance of £1,485, there would therefore be a financial implication of £2,970 if the recommendations in this report are approved.

## **3. RECOMMENDATIONS**

- 3.1. The GMCA is requested to:
  1. Approve the increase in the membership of the GMCA Audit Committee by a further two independent members, making membership four members of the Constituent Councils and four co-opted members, who are independent persons.
  2. Request constituent councils to consider retaining their elected Member nominations for a minimum of 2 years to allow continuity of Committee membership.
  3. Approve the amended GMCA Audit Committee Terms of Reference included in Appendix 1.

## Audit Committee – Terms of Reference

This GMCA Audit Committee oversees all aspects of GMCA including Mayoral functions. The Mayor has also established an Audit Panel which oversees the control environment of the Chief Constable.

### 1. Statement of purpose

- 1.1 The Audit Committee is a key component of corporate governance providing an independent, high-level focus on the audit, assurance and reporting framework underpinning financial management and governance arrangements. Its purpose is to provide independent review and assurance to Members on governance, risk management and control frameworks. It has delegated power to approve the annual accounts and it oversees year-end financial reporting, the Annual Governance Statement process and internal and external audit, to ensure efficient and effective assurance arrangements are in place.
- 1.2 The Constitution makes the GMCA's Treasurer responsible for discharging the functions of the 'responsible financial officer' under the Accounts and Audit Regulations 2015, including ensuring risk is appropriately managed.

### 1. Composition and Procedure

#### 2.1 Membership

The Audit Committee shall be appointed by the GMCA and shall have a total of six members, comprising:

- Five or four co-opted elected members of the Constituent Councils of the GMCA (who are not also Members or Substitute Members of the GMCA or Assistant Portfolio Holders);
- The GMCA will also appoint two substitute co-opted elected members who may be invited to attend as full members of the Audit Committee when apologies have been received. Substitute members will be appointed from the nominations received from constituent councils following their annual meetings and will be politically inclusive.
- Four co-opted members, who are Independent Persons.

All members of the Committee will have voting rights.

#### 2.2 Independent Person

For the purposes of paragraph 2.1 above an individual is an Independent Person if that person:



(i) is not a member, substitute member, co-opted member or officer of the GMCA;

(ii) is not a relative, or close friend, of a person within (i) above; and

(iii) was not at any time during the 5 years ending with their appointment to the Audit Committee a member, substitute member, co-opted member or officer of the GMCA.

[For the purposes of paragraph 2.2(ii) above 'relative' has the meaning contained in Article 2(2) of the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.]

### 2.3 Political Balance

In appointing co-opted elected members to the Audit Committee the GMCA must ensure that the members of the committee taken as a whole reflect so far as reasonably practicable the balance of political parties for the time being prevailing among members of the Constituent Councils when taken together, in accordance with Rule 15.3 of the GMCA Procedure Rules set out in Section A of Part 5 of this Constitution.

### 2.4 Chairing the Committee

The Audit Committee will be chaired as determined by the Committee.

### 2.5 Quorum

At least two-thirds of the total number of members of the Audit Committee (i.e. four members) must be present at a meeting of the Audit Committee before any business may be transacted, as required by the Scrutiny Order.

### 2.6 Voting

Each member to have one vote, no member is to have a casting vote.

## 3. Role and Function

The overarching functions of the GMCA's Audit Committee are:

3.1 Reviewing and scrutinising the GMCA's accounting framework.

3.2 Reviewing and assessing the GMCA's risk management, internal control and corporate governance arrangements.

3.3 Reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the GMCA's functions.

- 3.4 Making reports and recommendations to the GMCA in relation to reviews conducted under paragraphs 3.1 to 3.3 above.
- 3.5 To require Members, including the Mayor, of the GMCA or Transport for Greater Manchester Committee, or senior officers of the GMCA, Transport for Greater Manchester to attend before the Audit committee to answer questions on relevant items.

In particular the functions of the GMCA's Audit Committee are:

#### **4. Approval of Accounts**

- 4.1 Approve under delegated powers the annual statement of accounts for GMCA including consolidated figures for Transport for Greater Manchester (TfGM]), MIDAS, Commission for New Economy, Chief Constable of Greater Manchester Police and Greater Manchester Accessible Transport Limited.
- 4.2 Approve accounts for the former Greater Manchester Waste Disposal Authority for the period ending 31 March 2018.

#### **5. Governance, risk and control**

- 5.1 Review corporate governance arrangements against the Code of Corporate Governance and the good governance framework.
- 5.2 Review the Annual Governance Statement (AGS) prior to approval to ensure it properly reflects the risk environment and supporting assurances.
- 5.3 Review the effectiveness of arrangements to secure value for money.
- 5.4 Ensure the assurance framework adequately addresses risks and priorities including governance arrangements in significant partnerships.
- 5.5 Monitor the GMCA's risk and performance management arrangements including review of the risk register, progress with mitigating action and the assurance map.
- 5.6 Consider reports on the effectiveness of internal controls.
- 5.7 Monitor the anti-fraud strategy, risk-assessment and any actions.

#### **6. Internal audit**

- 6.1 Approve the Internal Audit Charter.
- 6.2 Oversee Internal Audit's effectiveness including strategy, planning and process and ensure conformance with Public Sector Internal Audit Standards (PSIAS).

- 6.3 Approve (but not direct) the risk-based internal audit plan including resources, the reliability of other sources of assurance and any significant in-year changes.
- 6.4 Consider reports and assurances from the Treasurer in relation to:-
- Internal Audit performance including key findings and actions from audit assignments, significant non-conformance with PSIAS and the Quality Assurance and Improvement Programme.
  - Annual Assurance Opinion on the adequacy and effectiveness of the framework of governance, risk management and control.
  - Risk management and assurance mapping arrangements.
  - Progress to implement recommendations including concerns or where managers have accepted risks.
  - Provision of assurances over the effectiveness of internal audit functions assuring the internal control environments of TfGM, MIDAS, Chief Constable for Greater Manchester Police, Greater Manchester Accessible Transport Limited and Commission for New Economy.
- 6.5 Contribute to the Quality Assurance and Improvement Programme, including the external quality assessment of internal audit.
- 6.6 Consider and comment on the Treasurer's Annual Review of the Effectiveness of the System of Internal Audit.
- 6.7 Develop effective communication with the Treasurer and senior audit staff.

## **7. External audit**

- 7.1 Consider reports including the Annual Audit Letter, assess the implications and monitor managers' response to concerns.
- 7.2 Comment on the nature and scope of work to ensure it gives value for money.
- 7.3 Advise on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

## **8. Financial reporting**

- 8.1 Consider whether accounting policies were appropriately followed and any need to report concerns to the GMCA.

- 8.2 Consider the Treasurers arrangements for the maintenance of the Police Fund and the Mayoral General Fund
  - 8.3 Consider any issues arising from external audit's audit of the accounts.
  - 8.4 Ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice.
  - 8.5 Make recommendations to the Treasurer and Monitoring Officer in respect of Part 6 of the GMCA's Constitution (Financial Procedures).
- 9. Accountability arrangements**
- 9.1 Report the Committee's findings, conclusions and recommendations to the GMCA and the Mayor, as appropriate, on the effectiveness of governance, risk management and internal controls, financial reporting and internal and external audit functions.

**GMCA Audit Committee**

Date: 9 October 2019

Subject: GMCA Corporate Risk Register – October Update

Report of: Treasurer to the Greater Manchester Combined Authority  
Head of Audit and Assurance

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**PURPOSE OF REPORT**

The GMCA governance and assurance framework includes regular review by Audit Committee of the corporate risk register. This report provides the latest update of the corporate risk register for October 2019.

**RECOMMENDATIONS:**

Audit Committee is requested to consider and comment on the updates to the risk register and the associated actions and assurances provided.

**CONTACT OFFICERS:**

**Richard Paver, Treasurer to GMCA,**  
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**Sarah Horseman, Head of Audit and Assurance - GMCA,**  
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Risk Management – see Appendix A

Legal Considerations – see Appendix A

Financial Consequences – see Appendix A

Financial Consequences – see Appendix A

Number of attachments included in the report: None

**BACKGROUND PAPERS:** N/A

<b>TRACKING/PROCESS</b>		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		No
<b>EXEMPTION FROM CALL IN</b>		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		No
TfGMC	Overview & Scrutiny Committee	
N/A	N/A	

## **1 Introduction**

- 1.1 The Greater Manchester Combined Authority (GMCA) risk management framework and Corporate Risk Register “CRR” support the identification and management of key strategic risks to the achievement of organisational objectives and actions considered necessary to mitigate them.
- 1.2 Under its terms of reference, Audit Committee oversees the effectiveness of the GMCA risk management arrangements over GMCA and GM Mayoral Functions. Audit Committee oversight includes high level consideration of the risk management frameworks in respect of police and crime; fire and rescue; and transport.
- 1.3 The GMCA (Full Authority) approves the GMCA corporate risk register following consideration by Audit Committee. This is done through GMCA review and agreement of the minutes of the Audit Committee, to which the corporate risk register will be appended.
- 1.4 The quarterly review of the CRR identifies and captures new risks, removes risks which are no longer relevant or significant and allows scrutiny and escalation of progress with actions.
- 1.5 The GMCA Governance and Risk Group consisting of senior officers from across various functions of the GMCA has a lead responsibility for managing the process of refresh of the CRR. This includes providing initial oversight and scrutiny, recommending changes to the risks on the register and nominating candidates for inclusion or removal from the CRR. The Group meets quarterly, supporting the review process on behalf of GMCA Senior Management Team (“SMT”). SMT retain overall ownership and responsibility for the final content of the CRR and management of key strategic risks, actions and assurances.
- 1.6 The CRR contains both GMCA and GM Mayoral risks and incorporates high level risk considerations from other areas where it directly impacts on GMCA. Risk management frameworks and risk registers for GMP, TfGM and GMFRS will continue to be owned by the Chief Constable, Chief Executive TfGM and Chief Fire Officer.

## **2 Update**

- 2.1 The GMCA Governance and Risk group met in September 2019 to review and update the CRR prior to review by SMT and onward reporting to Audit Committee. The CRR captures only the high level strategic risks facing the GMCA which are of such significance they require SMT oversight and assurance.
- 2.2 This was the second quarterly review for 2019/20. The “anticipated” risk status for March 2020 has not been updated and as such risk owners will be asked to consider their anticipated risk score and their ability to manage and control identified risks as part of the January update.

2.3 The Head of Audit and Assurance has assumed responsibility for risk management across GMCA. An organisation-wide risk management framework will be developed and rolled out across GMCA over the next 12 months. The purpose of this will be to ensure that risk management is undertaken consistently across GMCA and that there are appropriate mechanisms in place for the identification, monitoring, management and escalation of operational risks which will complement the mechanism already in place for the management of strategic risks.

### **3 Corporate Risk Register (CRR) October 2019 Update**

3.1 The second quarterly update of the CRR for 2019/20 shows 18 risks recorded in the register.

3.2 There were no material changes to the GMCA risk landscape with only some minor changes to risk scores and actions. The number of high risks recorded reduced from four to three, with one new risk added to the register and one risk removed during this quarter.

3.3 The risks are captured under the agreed thematic risk headings. Any movement in the risk status is provided alongside updates of key actions, assurances and associated timelines.

3.4 The review concluded by the Governance and Risk Group and subsequent review by SMT recommended the following key changes be made to the CRR set out below. The full revised CRR including key actions is attached at **appendix A** to this report.

- **R1 Brexit;** risk status remained high to reflect the potential of a no deal BREXIT on 31 October 2019 and recognising that this risk remains volatile. This risk is being monitored separately as part of the GMCA and GM BREXIT Readiness Group and captured on a BREXIT readiness action plan.
- **R2 Independent reviews;** at the time it was added in December 2017 there was a risk that the GMCA did not have the governance arrangements and capacity to support and manage the outcomes of independent reviews. Since that time the GMCA has demonstrated that it is indeed able to do this as demonstrated by its response to the Kerslake report. It is therefore proposed to remove this risk from the risk register.
- **R10 Information Security** risk remained high and reflected the risk level on the national cyber security register. There are several planned actions in this area which are shown in the activity update.
- **R11 Business continuity;** it was proposed that a risk around organisation wide business continuity should be included to ensure that GMCA has appropriate mechanisms in place to ensure disruption to services is minimized in the event of an organisation wide incident.
- The **R13 Procurement, Commissioning and Contract Management** risk was reduced from High to Medium . The SIP Contracts and Procurement review is still ongoing , which takes into account grant management for programmes and projects. Controls have been strengthened with the introduction of a new bid management process and stronger joint working with TfGM to manage the Local Growth Fund Programme.



- **R19 Government Support for Housing Delivery** was still deemed high risk, with the Housing deal unlikely to proceed and alternative arrangements being discussed with Homes England.

3.5 One other potential new risk was identified as part of the update process. This was in relation to the Climate Emergency and the potential consequences of that for the GMCA. Further work will be undertaken to fully explore and quantify that risk to determine if it should be included in the Corporate Risk Register going forwards.

3.6 Risks are captured under seven thematic categories shown below to aid understanding, review and analysis. The risk summary profile has been updated to take into account the changes to risk status.

Thematic Area	High	Medium	Low
Environment and Context	1		
Finance and Resources		2	1
Governance and Organisation	1	4	
People		1	
Statutory and Compliance			
Devolution and Powers		2	
GM Strategy, GM Priorities and Strategic Initiatives	1	5	
<b>Total</b>	<b>3</b>	<b>14</b>	<b>1</b>
<i>Proposed for Removal</i>	<i>0</i>	<i>1</i>	<i>0</i>

## 4 Recommendations

4.1 Audit Committee is requested to consider and comment on the updates to the risk register and the associated actions and assurances provided.

## APPENDIX A: GMCA Corporate Risk Register October 2019

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
1	Aug 2016	Environment and Context	<p><b>Brexit:</b> Uncertainty about the future UK relationship with the EU creates a volatile operating environment for the GMCA. Impacts may include economic, financial, social and policy developments to which the GMCA must adapt.</p> <p>The GMCA is vulnerable to immediate impacts when Britain leaves the EU in addition to attrition impacts emerging from any economic turbulence.</p>	<p>Impact on progressing the GMS and assumptions made within planning.</p> <p>Potential short, medium or long term impacts on the economy.</p> <p>Potential for increasing product scarcity and price inflation.</p>	Chief Executive: Eamonn Boylan	<p>1. <b>Monthly Brexit Monitor</b> update report to track developments and support GMCA decision making.</p> <p>2. <b>Ongoing Mayoral, Leaders and Chief Officer engagement</b> with Government Departments.</p> <p>3. Brexit Monitor is a standing agenda item on Economy, Business Growth &amp; Skills Overview&amp; Scrutiny Committee.</p> <p>4. <b>Ensure GM involvement in UKSPF design</b> (the replacement for EU structural funds).</p> <p>5. <b>GMCA and GM Brexit Readiness Group</b> established and meeting regularly. Potential risks to GM and GMCA being examined and captured on a Readiness Action Plan. All LAs have now appointed at BREXIT Liaison Officer (BLO) who have joined the GM Readiness Group</p>	High	High 5x4=20	High	<p>Risk likelihood increased again due to potential of no deal BREXIT on 31 October 2019 - recognition that risk remains volatile.</p> <p><b>Joint work between GM Readiness Group, LRF and Economic Resilience Taskforce</b> will be essential over the coming months, ensuring District BLOs are fully engaged.</p> <p>Economic Resilience Taskforce developing and testing appropriate responses for any economic shocks that may occur</p> <p>Additional exploration of links between GMCA and Fire RRs and attribution of</p>

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
						<p><b>6. Engagement of Chief Resilience Officer</b> in appropriate Civil Contingency planning via Local Resilience Forum.</p> <p>7. Risk also captured on Fire Risk Register.</p> <p><b>8. Economic Resilience Taskforce</b> set up between key partners to track economic trends and take early action to support businesses and individuals affected</p> <p><b>9. Co-ordination between LRF and GM BREXIT Group</b> agreed</p>				mitigation responsibility.

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
2	Dec 2017	Governance and Organisation	<b>Independent Reviews:</b> Corporate governance arrangements, combined with staff capacity are inadequately aligned to respond to the outcomes of independent reviews including Lord Kerslake Report, Child Sexual Exploitation and Cohesion.	Actions required in response to findings and recommendations from these reviews could impact on our ability to deliver current and planned priorities and activities.	GM Mayor and Deputy Mayor (Policing and Crime)  Chief Fire Officer  Chief Executive: Eamonn Boylan	Engagement with new initiatives and reviews and management oversight of potential resource implications.  Oversight and reporting to GM Mayor and Deputy Mayors, GMCA, Scrutiny Committees and Police and Crime Panel.  <b>Kerslake Report:</b> The risk has been mitigated by the approval of funds to support the delivery of transformational change across GMFRS.  <b>Kerslake</b> — implementation of recommendations completed under the governance of the Local Resilience Forum (LRF)  Transformational Change Programme (PFC) has governance arrangements in place including steering group Chaired by Mayor, supported by specifically resourced team.	Medium	Medium 4x3=12	Medium	<b>CSE</b> — the Police and crime plan 2018-21 includes specific focus on implementation of recommendations from the CSE review. An assessment of capacity required will follow. <b>Cohesion</b> — The report was launched in July 2018 and a series of recommendations published.  Summary report published in November 2018 on the findings and recommendations including the proposals in respect of future governance arrangements at GM/district and organisational levels.  Recommendations of capacity assessment have been endorsed.

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
3	Dec 2018	Devolution and Powers	<p><b>Devolution:</b> Capacity for and commitment to devolution from Central Government wanes.</p> <p>Previous commitment to extension of powers for the GMCA fails to materialise.</p>	<p>The talk about potential devolution from the new Prime Minister and Government has increased. However it will be key to ensure words are turned into actions to ensure GM's control over its future direction and delivery of the Greater Manchester Strategy.</p>	Chief Executive: Eamonn Boylan	<p><b>On-going monitoring of current Devolution Deals</b>, partly via the GMS 6 monthly monitoring.</p> <p><b>Local Industrial Strategy</b> agreed with Government and published although it does not give complete clarity re national devolution work programmes.</p> <p>GM has input into the Spending Review and will input into the forthcoming Budget and SR2020.</p> <p><b>Ongoing input into Government departments</b> on key areas of policy – such as GMSF/town centre development</p>	Medium	Medium 3x3=9	Medium	Risk needs to be kept under review as new Government policy evolves, and in the light of BREXIT.
4	Dec 2017	Devolution and Powers	<p><b>Bus Reform:</b> Approval and successful Implementation of bus reform deriving from the Bus Services Act 2017 is threatened by challenge to GM proposals, delays in regulations and orders or financial / resource capacity.</p>	<p>The expected benefits of reform may not be realised through the required regulations and orders.</p> <p>Delays in orders and in process could impact adversely on successful reform.</p>	Chief Executive: Eamonn Boylan	<p>1. Ongoing senior level officer and political engagement with Government.</p> <p>2. Bus reform project being managed though dedicated TfGM resources and reported through TfGM risk and assurance arrangements.</p> <p>3. GMCA/Mayor/Districts have agreed a reformed TfGMC and to amend the Operating Agreement.</p>	Medium	Medium 3x3=9	Medium	<p>Order came into force on 4 April 2019.</p> <p>Continuous engagement with MHCLG.</p> <p>A review of the audit report and the assessment is required before deciding whether to proceed to proceed with a public consultation</p>

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
			The required clarity from governmental Transport Orders is slow to emerge. Affecting the CA's ability to assure plans are aligned to national policy.			<p>6. Statutory Instrument (Greater Manchester Combined Authority (Functions and Amendment) Order 2019) came into force on 4 April 2019.</p> <p>7. Reformed GM Transport Committee established and amended Operating Agreement</p> <p>8. Constitution revised to reflect Mayoral bus powers</p> <p>9. Assessment of proposed bus franchising scheme completed</p> <p>10. Audit of assessment recently completed</p>				

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
5	Dec 2017	People	<b>Staffing Capacity:</b> Staffing structures, resource, capability and capacity are not sufficient or suitably aligned to support delivery of core objectives and ongoing areas of development in agreed or emerging priority areas.	<p>Insufficient capacity and a changing demand on skills and abilities of existing resources may impact on delivery and development of priority activities meaning organisational objectives are not delivered in line with required deadlines and plans.</p> <p>Unable to respond to changing priorities and new initiatives.</p> <p>Increased demands and pressures on staff could impact upon wellbeing and attendance / absence levels.</p>	<p>Deputy Chief Executive: Andrew Lightfoot</p> <p>Strategic Director HR/OD: David Alexander</p>	<p>1. <b>Strategic Performance Framework and dashboard</b> designed and in use.</p> <p>2. The <b>business planning process</b> is being more closely aligned to the Personal Objective setting process.</p> <p>3. The <b>SIP programme</b> has been adjusted to take into account longer term capacity and capability requirements and the SIP Programme Board in place provided focused review of emerging staffing issues.</p> <p>4. <b>GMS and implementation plan</b> agreed and in place. GMCA wide review of services and structures agreed and delivery is underway.</p> <p>5. Dedicated support in place to support <b>GMFRS service Programme for Change</b> (PfC).</p> <p>6 <b>Digital Strategy</b> supports new ways of working and focuses on increasing capacity.</p>	Medium	Medium 4x2=8	Medium	<p><b>Business planning activity</b> to be completed by end April 2019</p> <p><b>Objective setting</b> to be completed by 30<sup>th</sup> June 2019.</p> <p>Completion of <b>service reviews</b> is underway and progressing. Progress has been re-prioritised based on risk and implementation of PFC. Expected completion has slipped to early 2020.</p> <p><b>Accelerated recruitment process</b> for Organisational Critical roles maintained throughout the HR and OD review. <b>Action</b> – to identify and map all statutory and business critical roles Bid included in 2019/20 budget for further internal</p>

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
						8. <b>GMCA OD strategy</b> has been implemented.				<p>investment in ICT approved.</p> <p><b>GMFRS Programme for Change</b> commissioned and underway. This is a whole service transformational review.</p> <p>Specific Governance arrangements have been put in place to track progress and consider wider impact including programme risk.</p>



Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
6	Dec 2017	Finance and Resources	<p><b>Use of funding:</b> Total GMCA funding is insufficient and/or unaligned to support and deliver on devolved duties and powers; and the priorities set out in the GM Strategy and Mayoral Manifesto.</p> <p>Government review and future of, Earnback Funding not to be finalised until March 2020 for five year funding package from April 2020.</p>	<p>Potential imbalance between funding and priorities may mean existing initiatives and future plans and ambitions are not delivered in full.</p> <p>GMCA is exposed to potential changes in government policy that affect planning and finance assumptions. Ring fencing of Central Government funding does not align fully with GMS or other GM priorities which impacts outcomes.</p>	GMCA Treasurer: Richard Paver	<p>1. <b>Revised GMS and Implementation Plan</b> led by GM Mayor, Chief Executive and Senior Management Team</p> <p>2. <b>Revised governance structure</b> set out in the constitution</p> <p>3. Oversight at GMCA, Wider Leadership Team and Scrutiny Committees</p> <p>4. <b>Lobbying of Government</b> by Regional Leaders</p> <p>5. <b>Annual budget setting and financial strategy process</b> including retaining adequate reserves</p> <p>6. <b>GMCA borrowing powers</b> available to support capital investment if required</p> <p>7. GMCA together with other Combined Authorities, are making representations to MHCLG regarding ongoing funding needs for Mayoral Combined Authorities, particularly around retaining a share of Business rates growth.</p>	Medium	Medium 4x3=12	Medium	<p>Following appointment of shared Chief Exec with TfGM work is underway to assess the possibilities for closer working and delivering operating savings. This will feed into medium term budget and financial planning processes.</p> <p><b>Comprehensive Spending Review – 2019/20</b> is the final year of the 4 year settlement. However due to Brexit a one year settlement was announced in September. Settlements from April 2021 will be informed by both the <b>CSR and the Fair Funding Review</b> together with any transitional arrangements put in place.</p> <p>GMCA has been requested by MHCLG</p>

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
										<p>to submit details of programmes and budgets over this and the next 3 years to help in their consideration of funding needs across the possible CSR period.</p> <p>GMCA personnel to work with CLG to inform and shape the <b>new prosperity fund</b> (post Brexit).</p>

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
7	Dec 2017	Finance and Resources	<p><b>a) Capital Programme:</b> Regeneration, infrastructure and investment funding (Growth Deal, Transport Grant etc.) awarded to GMCA is not spent in line with spending profile and this impacts future year financial awards.</p> <p><b>b) Programme Governance:</b> Reform and investment programmes are not supported by robust evaluation and subsequent programme and project management arrangements to assure delivery of outcomes across GMCA schemes such as:</p>	<p>Failure to deliver the capital programme and delays in delivery of schemes by districts and TfGM could result in reductions to future funding allocations and increased risk of clawback.</p> <p>Impact on the ability to secure value for money and achievable outcomes set out in the GMS.</p> <p>Measurement of impacts and outcomes may not be effective in supporting future decision making.</p> <p>Lack of confidence from key partners and funders could</p>	Chief Executive: Eamonn Boylan	<p><b>1. Single Pot Assurance Framework</b> updated in light of new national guidance and a review of GMCA current practices.</p> <p><b>2. Gateway processes</b> for scheme appraisal and approvals.</p> <p><b>3. Reports to Chief Executive's Investment Group (CXIG)</b> and GMCA Board on scheme progress and delivery of the Capital Programme.</p> <p><b>4. Mature TfGM governance arrangements</b> and reporting into the GMCA. For major transport schemes, reliance is placed on TfGM to oversee programme delivery, budget profiling and expenditure forecasts.</p> <p><b>5. Oversight</b> by Scrutiny Committee, TfGM Committee and sub committees.</p> <p><b>6. Performance monitoring framework</b> linked to GMS and GMCA business plan.</p>	Medium	Medium 3x3=9	Medium	<p>Clear <b>bid management process</b> now introduced within GMCA. This will be expanded to become a contract and grant management system over the coming months, as part of the SIP review into Procurement, Contracts and Grant Management.</p> <p>A review of the way LGF is managed undertaken following LEP 'requires improvement' score on delivery. Far stronger <b>joint working with TfGM to manage whole LGF programme</b> in accordance with expectations from MHCLG. Actions by MHCLG following recent meeting will further increase the consistency of how GM's performance is treated compared with</p>

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
8	Dec 2017	Finance and Resources	<ul style="list-style-type: none"> <li>Evergreen</li> <li>HILF</li> <li>Work and Health</li> <li>Local Growth Fund (LGF)</li> <li>Skills &amp; Employment</li> </ul>	impact future funding awards		<p>7. Agreement to <b>have quarterly relationship management</b> meetings with GMCA/Growth Company.</p> <p>8. Meeting held with Government to <b>agree reporting on LGF</b> to ensure consistency with other areas, and how different levels of spend/commitment will be viewed by Govt</p>				<p>other areas. Plans in place and agreed by LEP/CA to increase rate of LGF spend on projects</p> <p><b>GMCA Capital Programming and Treasury Management function</b> to be established in Finance to help to ensure that bidding and programming is aligned with priorities and cash flow is managed in the short, medium and long term for GMCA.</p>
			<p>The 10 year £300m recyclable <b>Housing Investment Loan Fund (HILF)</b> may not provide the required number of homes or generate return on investment at the expected rate, with a risk of capital shortfall</p>	HILF does not generate the required rate of return on investment above which the GMCA and districts become liable.	<p>Chief Executive: Eamonn Boylan</p> <p>Andrew McIntosh Investment Director</p>	<p>1. Maximum shortfall of £240m underwritten by districts.</p> <p>2. HILF S151 grant certification (annual) by Internal Audit has provided positive assurance.</p> <p>3. GMCA Core Investment Team responsible for controlling HILF</p>	Low	Low 3x2=6	Low	<p>Risks underwritten by the GMCA following completion of novation.</p> <p>Operational arrangements to follow standard GMCA financial processes.</p>

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
			of >20% which would fall to districts.			<p>and oversight by GM Growth board.</p> <p>4. HILF financial stability and control further strengthened by borrowing Powers and planned novation of loans.</p> <p>5. Full bids for Housing Infrastructure Fund submitted and other opportunities to secure additional resources followed up.</p> <p>6. Statutory powers novated from Manchester City Council.</p>				On Audit Plan-Q4
9	Dec 2017	Governance and Organisation	<b>Behaviours and Culture:</b> The Culture of the CA fails to adapt to changing organisational demands which in turn impairs efficiency and delivery.	Conflicts between desired and actual GMCA culture and standards impacts on consistency of approach.	Deputy Chief Executive: Andrew Lightfoot	<p>1. <b>OD strategy</b> for GMCA as a whole and organisational orientation and induction. OD strategy approved and implemented.</p> <p>2. <b>Development of Extended Leadership Team</b> and 'lunch and</p>	Medium	Medium 3x3=9	Medium	<p><b>Completion of service reviews</b> in line with agreed plan and timescales.</p> <p><b>"We are GMCA"</b> sessions available to all</p>

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
				<p>Inconsistency of approach could impact efficiency and the potential benefits that derive from integration and collaboration across the GMCA.</p> <p>Culture inertia could result in an inability to retain staff, increase employee relation caseload, and increase pressures on recruitment.</p>		<p>learn / meet the team' sessions to help raise awareness of work across teams.</p> <p>3. <b>Regular communications</b> from GM Mayor and Chief Executive, including intranet content and all-staff sessions to engage on vision on strategy.</p> <p>5. <b>Accelerated People Review</b> (with authority to reallocate resources) is ongoing.</p> <p>6. <b>Staff engagement survey</b> to be introduced in Q3.</p> <p>7. Pfc has a separate <b>workstream looking at culture</b> of the GMFRS.</p>				<p>staff – immediate and ongoing</p> <p>Away Day planned with EMT. <b>ELT restructured</b> and supported with External facilitation – <b>Completed</b></p> <p><b>Deliver personal appraisals</b> within the new model.</p> <p><b>Engagement survey</b> action planning to be introduced from Jan 20 Consider strategies to ensure that cultural development is pursued at all levels.</p>

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10	Dec 2017	Governance and Organisation	<b>Information security:</b> is insufficient to deter, detect and prevent unauthorised access to ICT systems.	<p>Potential loss of information or data, ICT downtime and costs of remediation.</p> <p>Partner and wider public confidence could be impacted should security issues arise.</p> <p>Ability to pool/share data with third parties could be impacted if the GMCA cannot demonstrate compliance with requirements of the Public Service Network or other security accreditation.</p>	Deputy Chief Information Officer: Cara Williams	<ol style="list-style-type: none"> <li>Governance created to support the strategic direction of ICT/Digital and, separately, IG to improve cyber security.</li> <li><b>Majority of ICT infrastructure is based on mature GMFRS network, systems and applications.</b> Further investment being made in technology to secure the network and enable secure multi-agency working. Wide Area Network to PSN standard implemented by end Dec 2018.</li> <li><b>Investment in tools</b> to scan the infrastructure to ensure that vulnerabilities are identified and addressed.</li> <li>Support provided through <b>training online</b> (LMS) and information on the GMCA intranet. Training on information security tracked through SMT.</li> </ol>	Medium	High 4x4=16	High	<p>Governance and Risk group reviewed this in May 19. Cyber security remains one of the top 3 risks on the National Register. No Change</p> <p><b>Work towards government standard security across GMCA ICT networks.</b> PEN test arranged for April 2019 This was completed in July 2019. Currently pursuing achievement of Cyber Essentials plus status – deadline Dec 2019</p> <p>Completion of GMCA business continuity plan in progress but dependent on the quality of service BC planning.</p> <p><b>Security Incident processes</b> being developed to ensure a rapid response to</p>

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
						<p>5. <b>Security Incident processes</b> and core switch upgrade completed Q3.</p> <p>6. Annual test of BC Planning in Fire</p> <p>7. Audit Report 2018 provided independent assurance- Action Plan to be reviewed June 2019.</p>				<p>cyber incidents. <b>COMPLETED</b></p> <p><b>Procedures documented</b>, tested and used. – These are to be reviewed and refreshed. This is currently under review.</p> <p>Continue efforts to <b>recruit ICT Security Manager</b> Job re-sized to reflect market rates to be re-advertised by mid-April 2019. Temporary resource in place to support specific ICT Security improvements. <b>ICT Security Manager out to recruitment – interviews end of Sept 2019. Contract resource in place in the interim.</b></p> <p><b>WAN/LAN upgrade</b> and managed service –</p>



Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
										Mar 2019. <b>COMPLETED</b>  Consideration of cyber security Insurance and threat monitoring. <b>Enhanced threat monitoring now in place.</b>
11	Oct19	Governance and Organisation	<b>NEW RISK Business Continuity and Contingency Planning</b> There is no organisational wide BC plan to respond to a major incident or lower level disruption to service.	<ul style="list-style-type: none"> <li>Lack of a coordinated and focussed response.</li> <li>Could result in Major service disruption.</li> <li>Potential loss of key business systems / data.</li> <li>Staff welfare</li> <li>Reputational damage</li> <li>Potential non-compliance with CCA legislation.</li> </ul>	Assistant Director Governance and Scrutiny: Julie Connor	<ol style="list-style-type: none"> <li><b>Specific Fire and Rescue Service BC Plan in place.</b></li> <li><b>Multi- agency emergency response</b> through GM Resilience Forum.</li> <li><b>ICT business continuity plans</b> to cope with untoward incidents. Key applications identified and managed. Initial assessment of priority assigned. Information Asset Owners identified at Leadership level.</li> </ol>	Medium	Medium 4x4=16	N/A	Review of Business Continuity (BC) arrangements and potential exercise for GMCA. This will follow on from the Fire BC plan and plan testing during 2019.
12	Dec 2017	Governance and Organisation	<b>Information Governance:</b> Arrangements are insufficiently	Potential inability to demonstrate GDPR compliance (by May 2018) and ensure	GMCA Treasurer:	<b>GDPR Work programme and IG implementation</b> led by the Assistant Director of Information	Medium	Medium 4x3=12	Medium	Develop effective mechanism for review and endorsement of IG and related policies.

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			developed to meet obligations placed upon the organisation by Information legislation. Inclusive of Data Protection and transparency laws. Including expected organisational standards in respect of information management and governance.	<p>effective information management and governance arrangements could result in:</p> <ul style="list-style-type: none"> <li>• Breaches of legislation</li> <li>• Judicial review</li> <li>• Litigation</li> <li>• Claims</li> <li>• Reduced transparency and visibility of information and data</li> <li>• Reputational damage arising from breaches</li> <li>• Loss of public Trust</li> <li>• Inability to secure data sharing agreements with partners / Government.</li> <li>• Detrimental impact on GM wide</li> </ul>	<p>Richard Paver (as SIRO)</p> <p>GMCA Monitoring Officer: Liz Treacy</p> <p>Phillipa Nazari Assistant Director IG and DPO</p>	<p>Governance and Data Protection Officer.</p> <p>Programme has been developed to address priority areas.</p> <p><b>Data Protection Policy</b> been through governance and ready for adoption.</p> <p>Project Manager appointed (August 2018).</p> <p><b>Training modules for staff</b> launched. Training completion is being monitored.</p> <p><b>Data Breach Panel</b> established. Information Governance Board established for the organisation.</p> <p><b>Review and alignment of IG processes</b> underway and formation of IG function is ongoing.</p> <p><b>Policy Working Group</b> set up to review c30 policies to comply with GDPR.</p>				<p><b>COMPLETE</b></p> <p><b>IG implementation Programme</b> drafting policies with oversight from IG board members agreement by trade unions and sign off by SMT. <b>COMPLETE</b></p> <p>Engage with Trade Unions where required. <b>COMPLETE</b></p> <p>Establish and drive appropriate GDPR Working Groups. See update above</p> <p>Drive processes to assure completion of training. SMT monitor progress on Data Protection training via monthly updates.</p> <p><b>Tender for and procure necessary IG software</b> (funding approved) IG Team members being trained</p>

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				programmes of work						<p>on existing software to undertake information audits. Further software being considered to support security. Centralised IG Team being restructured to ensure resilience and continuous support to the organisation.</p> <p><b>Procure and develop new engaging training modules</b> to support the organisation.</p>
13	Sept2 018	Governance and Organisation	<p><b>Procurement, Commissioning and Contract Management:</b> Three elements to this risk</p> <p>a) <b>Contract Governance</b></p>	<p>Lack of strategic oversight over commissioned activity.</p> <p>Resourcing, capability and capacity for</p>	GMCA Treasurer: Richard Paver	<ol style="list-style-type: none"> <li><b>Utilising procurement and commissioning expertise</b> from Fire and Rescue and partner organisations including TfGM, STaR and external.</li> <li><b>GMCA Constitution and Procurement Rules.</b></li> </ol>	Medium	Medium 4x3=12	High	<p><b>SIP Contracts and Procurement Review</b> now underway including a review of grant management.</p> <p><b>Contract Register</b> being populated to</p>

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
			<p>arrangements are insufficiently developed to provide a consistent organisation approach.</p> <p><b>b) Grant management</b> arrangements are insufficiently resourced post grant award, with lack of clarity about who is managing ongoing adherence to grant conditions with third parties.</p> <p><b>c)</b> Difficulties in managing the complexity of grant funding streams across organisations and within individual projects.</p>	<p>effective commissioning and contract management remains a challenge.</p> <p>Policy, systems and processes are insufficiently developed to support consistent practice.</p> <p>Contract design and performance framework leads to inconsistent contract governance.</p> <p>Risk of grant conditions not being met, and clawback of funding.</p>		<p>3. Existing GMCA policies, procedures and codes of conduct.</p> <p>4. <b>SIP Contracts and Procurement Review</b> now underway including a review of grant management funding within projects. Contract Register being populated to ensure oversight of all procurement and commissioning related activity, and to determine Procurement Forward Plan. Resources from AGMA Hub and Star used to supplement GMCA resources.</p> <p>5. <b>Contract management</b> arrangements being reviewed. <b>Critical friend review</b> underway.</p>				<p>ensure oversight of all procurement and commissioning related activity, and to determine <b>Procurement Forward Plan</b>. Resources from AGMA Hub and Star used to supplement GMCA resources.</p> <p><b>Bid Management template</b> now introduced to ensure all bids are being captured. This will be further developed into a consistent contract/ grant management process following the review above, and to ensure consistent governance/reporting</p> <p><b>LGF New post</b> appointed to manage non-transport LGF programme, including Skills Capital, as a whole.</p>

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
										Management of overall LGF programme now significantly improved following appointment of new post. See Risk 7 above for details.
14	Dec 2017	GM Strategy, GM Priorities and Strategic Initiatives	<p><b>External facing Digital Strategy:</b> The plan, capacity, funding and resources required to deliver the strategic vision and scope of the GM digital and information management agenda is not sufficient to support achievement of stated priorities.</p> <p>The plan does not assure adequate alignment to Health and Social Care.</p> <p>Specific risks relating to the GM Full Fibre procurement and programme as a result of government funding restrictions,</p>	<p>Uncertainty over affordability and lack of capacity means key elements of the strategy delivery could be at risk.</p> <p>The lack of a GM wide architecture and approach to development could result in under or missed delivery of key enablers for reform.</p> <p>Risks to the Full Fibre programme could result in partial or whole failure of the initiative.</p>	Chief Information Officer: Phil Swan	<p>CIO and AD for Creative &amp; Digital Policy &amp; Strategy overseeing work programme and deliverables.</p> <p>Tony Oakman, CEO Bolton Council, and Cllr Andrew Western, Leader of Trafford Council, activity involved and engaged.</p> <p><b>GM Digital Steering Group</b> providing support, guidance input and review for updated of GM Digital Strategy</p> <p><b>Reform Board oversight</b> of Early Years digitisation planning and programmes.</p> <p><b>Unified Architecture Programme Board</b> chaired by Andrew Lightfoot, Dep CEO of GMCA.</p>	Medium	Medium 3x4=12	Medium	<p>Risks to <b>Unified Architecture</b> work mapped and managed through regular UA Programme Board meeting. Being taken to Scrutiny and GMCA Board in June 2019 to agree to award contracts.</p> <p><b>Full Fibre</b> risks being managed via the FF Programme Board and actions associated with these, however are dependent on government decisions and procurement responses. Decision to come to GMCA Board in July 2019.</p>

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
			realisation and benefits by local authorities and GMCA.			<p><b>Full Fibre Programme Board</b> and related Digital Infrastructure Advisory Board.</p> <p><b>Governance arrangements across H&amp;SCP and GMCA</b> activity on the architecture- quarterly meetings to ensure alignment of programmes and design of GM wide architecture.</p>				<p>The <b>refresh of the GM Digital Strategy</b> includes proposals for more joined up pan GM governance and will streamline current decision making, particularly for joint work with HSCP.</p> <p>A proposal is being prepared for the GMCA Board in June / July for resource to support the GM Digital Strategy implementation. This has been reviewed by the SIP Board and is being refined.</p> <ul style="list-style-type: none"> <li>• SIP proposal has been presented (May 19)- move to implementation phase</li> </ul> <p>Planned Internal Audit review of ICT Strategy, Governance and Programme</p>

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
										Management to be completed in Q1 2019.
15	April 2018	GM Strategy, GM Priorities and Strategic Initiatives	<p><b>Adult Education Budget</b> devolution will give GMCA a range of statutory obligations from 2019/20 academic year but budget will be confirmed on an annual basis based on a fixed market share (7.19%) of the national AEB pot. Government is not able to guarantee future funding due to HMT cycle.</p> <p>Number of GM residents theoretically entitled to free learning outstrips resources. No in-year funding for growth will be available from Government.</p>	<p>If funding ceased, GMCA would have statutory obligations without the means to discharge them. As well as the legal implications for CA, this could cause financial difficulties for colleges/training providers, and delay crucial skills training for residents.</p> <p>Running out of funding could result in having to defer skills programmes for GM residents, including legal entitlements, until such time as additional funding is available.</p>	Assistant Director: Gemma Marsh	<p><b>MoU with DfE (Dec 2018)</b> recognises formally that GM is reliant on funding from government each year in order to meet statutory duties. Likelihood of funding ceasing completely is extremely low, although annual fluctuation is likely linked to overall funding levels, which are uncertain going into the Spending Review.</p> <p>Historic trends indicate that likelihood of demand exceeding budget is highly unlikely. Should this occur, deferring enrolments would enable GMCA to discharge obligations as statutory entitlements are not timebound. Proactive in-year performance management systems will enable GMCA to respond to under/over delivery requests.</p>	Low	Medium 4x3=12	Medium	<b>Discussions ongoing with DfE/ESFA around scope for joint audit code of practice</b> between ESFA and mayoral Combined Authorities – service offer agreed with ESFA for 2019/20 which will provide three additional audits of GMCA-contracted providers to augment local arrangements. Arrangements are in place to enable mayoral combined authorities to purchase additional audit activity from the ESFA’s framework of procured audit firms to should we wish to do so.

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
			<p>Data and systems are not sufficiently robust or developed to enable efficient management, payment or analysis.</p> <p>Learner choice cannot be restricted, causing issues in 'border' areas where GM residents may travel to learn out of area with providers which don't have contracts in place with GMCA – this may include learning which is part of an entitlement that GMCA is legally bound to make available.</p> <p>Gaps in might become apparent in-year with demand for high-demand courses that are not currently available from the commissioned provision.</p>	<p>Risk of disruption or financial difficulty for providers if data/payments system fails.</p> <p>Failure to discharge our legal obligations to ensure statutory entitlement provision is available to GM residents.</p> <p>Possible reputational damage for GM and the devolution agenda if we are unable to meet residents' requests for provision that is not covered by current commissioning or are unable to support providers during transition to devolved arrangements.</p>		<p>Market engagement/consultation informed our procurement approach in order to ensure sufficient coverage and the right mix of provision. Small financial reserve is available to meet unmet demand in the even that gaps in provision emerge in-year.</p> <p>Commissioning complete, with contracts/funding agreements in place with all providers for 2019/20. Performance monitoring/assurance arrangements are established within those contracts.</p> <p>Arrangements established with Liverpool City Region. Criteria/process established for dealing with individual requests from learners where needs cannot be met within existing provision.</p> <p>Performance &amp; Contracts team and internal audit closely involved in development of both provider-facing systems and internal processes via the Project Steering Group and a specific</p>				<p>On-programme audit &amp; assurance activity underway via provider visits to establish RAG ratings/level of rigour required for each organisation.</p>



Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
						<p>audit/assurance working group to provide oversight.</p> <p>Dedicated finance post established to ensure close links between programme management and finance functions while maintaining appropriate separation.</p> <p>Refresh of Single Pot Assurance Framework guidance includes a specific annex dealing with AEB assurance.</p> <p>Relationship managers and contract management staff now in post.</p> <p>Work shadowing arrangements have been made for GM staff to observe ESFA assurance monitoring visits to providers – first visit took place in Sept.</p> <p>CA has approved retention of management fee (equivalent to 1.6%) from GM's AEB funds to resource management, systems and assurance activity.</p>				

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
16	Dec 2017	GM Strategy, GM Priorities and Strategic Initiatives.	<p><b>GM Waste:</b> Operation of new service contracts do not deliver intended outcomes.</p> <p>Delays to construction of new facilities may delay delivery of targets.</p> <p>National Waste and Resources Strategy results in change to collection or disposal requirements.</p>	<p>Contracting arrangements do not deliver value for money which could impact on finances and the achievement of expected outcomes.</p> <p>Services may be more costly than forecast due to global recyclable market restrictions which could impact on finances.</p> <p>Additional collection costs and/or claims from disposal contractor for changes in waste flows or composition due to imposed requirements of National Strategy.</p>	<p>Chief Executive: Eamonn Boylan</p> <p>Executive Director, Waste and Resources: David Taylor</p>	<p>Programme in place for transfer of knowledge from advisory team to core Waste team.</p> <p>Core GMWDA team transferred to GMCA provides continuity and knowledge transfer. Additional contract management resources being recruited, to be in place prior to contract commencement on 1<sup>st</sup> June 2019.</p> <p>Oversight of progress by Waste Committee.</p> <p>Tracking of global commodity prices to give transparency, 2 year communications and engagement plan with focus on contamination and improve quality of recyclables collected.</p> <p>Ongoing active planning for transition of contracts during 2018/19.</p> <p>Joint group with WCAs to develop responses to consultation documents.</p>	Medium	Medium 4x3=12	Medium	<p>Internal Audit review of new GM Waste Contract to be completed in 2019.</p> <p>Weekly mobilisation meeting to review plan, joint action log and risk register developed with preferred tenderer.</p> <p>Joint consultation responses and business case analysis for potential collection changes</p>

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
17	Dec 2017	GM Strategy, GM Priorities and Strategic Initiatives  <b>(Police and Crime Plan)</b>	<b>ICT Implementation:</b>  iOps fails to deliver the intended benefits to GMP.  iOps adversely impacts operational performance and/or capability.	Potential impact on the ability to realise the forecast efficiency and outcome benefits of IOPS due to ongoing reliance on legacy systems.  Costs associated with development and implementation increase above planned budget.  Adverse impact on operational performance.	Deputy Chief Executive: Andrew Lightfoot  Director Policing, Crime, Criminal Justice and Fire: Clare Monaghan	Controls and assurance arrangements within GM Police (and outside the scope of this risk register).  Oversight by Deputy Mayor (Police and Crime), Executive Group and Police Audit Panel	Medium	Medium  4x3=12	Medium	Police and Crime Internal Audit Service Plan 2018/19 to consider assurance over aspects of this risk. Assurances from GMP to Deputy Mayor and Police Audit Panel.  GMP working with their strategic delivery partner and providers to put in place a robust plan for future drops to address current issues and continue the “hypercare phase” of the implementation.
18	Dec 2017	GM Strategy, GM Priorities and Strategic Initiatives	<b>GM Spatial Framework (GMSF):</b> GMSF does not provide the statutory planning framework for GM’s growth	GM & Districts fail to meet Govt deadline for plans to be in place.	Chief Executive: Eamonn Boylan	1. <b>Draft GMSF published in January</b> and consulted on. Results of consultation currently being analysed.	Medium	Medium  3x3=9	Medium	Clear plan for timeline and next stages of the GMSF will be agreed by the Combined Authority in September, including a

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
			ambitions, jeopardising delivery of housing, employment, and infrastructure and compromising effectiveness of local plan processes.	<p>Unable to challenge Planning Applications as cannot demonstrate 5 year supply.</p> <p>Unable to build level of housing needed, especially on brownfield land, to support growth.</p>		<p>2. <b>Effective communication, engagement and consultation processes</b> in place for remaining stages of plan process.</p> <p>3. <b>Regular meetings</b> with Directors of Place, Wider Leadership Team and regular reports to Leaders.</p>				<p>focus on Town Centre living during Autumn/Winter 19/20</p> <p>Ongoing development of robust evidence base to test viability of sites and infrastructure required, jointly between Districts, GMCA and TfGM</p> <p><b>Ongoing discussions with Government</b> about status of GMSF as SDS or DPD and the levels of consultation/engagement required</p> <p><b>Active engagement</b> of Members, Leaders and MPs.</p>

Ref	Date	Theme	Risk Description	Risk Consequences	Risk Owner	Existing Key Controls and Sources of Assurance	Anticipated Risk March 2020	Current Risk Score (IxL)	Previous Risk Score	Key Actions and Deadlines and Audit Activity
19	Dec 2018	GM Strategy, GM Priorities and Strategic Initiatives	<b>Government support for housing delivery :</b> Failure to secure enough Government support to ensure development on GM's brownfield land supply.	Unable to build the level of housing needed, especially on brownfield land to support growth.	Head of Housing Strategy: Steve Fyfe	Housing Deal now very unlikely to proceed in its current form. Detailed discussions underway with Homes England about joint/partnership working to replace the capacity & investment that would have come from the Housing Deal.	High	High 4x3=12	High	<p>Agreement with Homes England due to be reached in September about initial priorities for work to progress development on brownfield land at scale.</p> <p>Further evidence to Government, and work/funding still required to ensure development on brownfield land at the scale required. to ensure GM has a viable 5 year land supply.</p> <p>Some parts of GM to potentially benefit from High Street Fund and Stronger Towns Fund</p>

**Appendix B: The Risk Continuum: Risk Scoring Guidelines**

Risk Impact and Likelihood scores are attributed from within a sliding scale. Definitional statements are described in broad terms and there is a requirement to consider each risk within the continuum and apply specialist understanding or experience.

Score	Impact	Likelihood
5	<p>Life threatening / multiple serious injuries.</p> <p>Major impact on one or more GMS priorities or severe impact on Priority 1 (critical services) performance.</p> <p>Intense political and media scrutiny i.e. national media coverage / prolonged local media coverage.</p> <p>Possible legislative, criminal, or high profile civil action against the GMCA, GM Mayor members or officers.</p> <p>Cessation of core activities and / or failure of major projects/programmes.</p> <p>Finance impacts that cannot be managed from within Departmental financial resources.</p> <p>Statutory intervention triggered.</p> <p>Impact on the whole GMCA.</p>	<p>High likely that risk will be realised (60%)</p>
3	<p>Threat to the health and wellbeing of one or more individuals. Potential for workdays lost to injury/stress</p> <p>Additional scrutiny required by management and internal committees.</p> <p>Service impacts require coordinated directorate response.</p> <p>Some local media attention requiring corporate intervention.</p> <p>Failure of projects with departmental impact and/or core activities in delivering the GMS continue to be delivered but reasonable adjustment required to focus resources at priority areas</p> <p>Budgetary realignment required to manage impacts.</p>	<p>Medium/Low likelihood (circa 30%)</p>
1	<p>Injuries / stress requiring only limited medical intervention.</p> <p>Limited additional scrutiny required by management and / or risk unlikely to receive local media coverage.</p> <p>Short-term disruption of activities / service performance.</p> <p>Internal policies and regulations not complied with.</p> <p>Finance impacts managed with minimal impact.</p>	<p>Whilst possible the likelihood of the risk being realised is considered low (&lt;5%)</p>

## GMCA Audit Committee

**Subject:** Audit Recommendation Monitoring

**Date:** 9<sup>th</sup> October 2019

**Report Of:** Richard Paver, GMCA Treasurer

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### 1 Purpose of Report

- 1.1 This report advises Audit Committee of the progress to date in implementing the agreed actions from internal and external audit assignments and to provide assurance that a robust process is in place for follow up of recommendations.

### 2 Latest Position and Process

- 2.1 The GMCA Internal Audit Plan comprises a range of reviews agreed by Senior Management Team and Audit Committee. Each audit assignment concludes with the issue of an audit report and a number of agreed recommendations for implementation. These recommendations include the named responsible person and an agreed implementation date.
- 2.2 Management reviews outstanding recommendations regularly. An Action Tracker is maintained to capture updates and is shared with Internal Audit. Audit will review updates provided, will seek evidence and may re-perform testing as appropriate to confirm that agreed actions in the original report have been implemented or that risks have been mitigated through other means.
- 2.3 Internal Audit will summarise their independent assessment of confirmed implementation in quarterly assurance reports to Audit Committee.
- 2.4 The tables below summarise the audits and grant related audit work completed to date and the number of recommendations including those, which are overdue.

Audit Title	Date Published	Overall Assurance	Recommendations		
			No.	Actions Due	Overdue
Payroll – Control Assurance	07.12.18	Significant	5	5	0
Financial System (Payment Controls Assurance)	25.05.18	Moderate	9	9	0

Business World On! Application Audit	02.05.18	Limited	9	9	0
iTrent Application Audit	02.05.18	Limited	12	12	1
Information Security	05.06.18	Limited	9	9	0
Purchase cards	11.01.19	Significant	9	9	2
Procurement Waivers	23.07.19	Significant	3	0	0
Employee Expenses - Probity and Compliance	31.07.19		5	0	0

Grants related audits	Recommendations		
	Number	Actions Due	Overdue
Culture and Social Impact Fund - Governance Audit	4	4	3
Cycle City Ambition Grant	10	10	2
Growth Deal Certification	1	1	0
Local Growth Fund	1	1	0
Pot Hole Action Fund	1	1	0

2.5 The Action Tracker is attached at Appendix A and B. Appendix A provides an update on the outstanding actions, and Appendix B provides an update on completed actions.

### 3 Recommendations

3.1 Members are asked to note the contents of this report.





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## Appendix A – Outstanding Actions

Recommendation (taken from Audit Report)	Agreed Management Action	Risk Rating	Status	Completion %	Management Progress Update August 2019 (Audit Committee October 2019)
<b>Payroll i-Trent Application Audit</b>					
An access profile matrix should be created, clearly detailing each role and the corresponding access privileges.	A Profile Access Matrix has been compiled. Plan to meet with Access Owners to review and update on a regular basis.	Significant	Overdue	97%	All access levels are reviewed and 33 access profiles have been identified, these will be implemented as part of the Electric theme (Nov 2019)
<b>Purchase Cards</b>					
<p><b>Policy and User Guidance</b></p> <p>The purchase card policy guidance required updating to reflect wider GMCA usage.</p> <p>Cardholders and Cost Centre Managers were not sufficiently aware of their responsibilities and there was significant areas of non-compliance with expected process.</p>	A revised purchase card policy will be produced, linked to the GMCA Expenses policy, providing clearer instruction and guidance on acceptable usage, approval requirements and management expectations.	Significant	Overdue	95%	Final draft purchase card policy shared with LT, CLT and GMCA Treasurer. Some additional consultation underway with a small number of users at GMCA. Proposed implementation date of 1 <sup>st</sup> November 2019.
<p><b>Independent Approval</b></p> <p>The role of the 'line manager' and 'cost centre manager' was confused for the independent checking and approval of spend.</p> <p>In addition, in some cases, existing system workflow rules allowed self-approval of expenditure where the Cardholder and Cost Centre Manager were the same person. This represented 8% of transactions or £9k in value.</p>	Approval process to be amended as part of revised policy to ensure that line managers have responsibility for approval of cardholder spend.	Significant	Outstanding	50%	The revised policy makes clear that line managers will make approvals. The move to this will be delayed until after November due to the scheduled upgrade of BWO as we need to migrate the existing workflows over to the new environment on a like for like basis, so the amendment to line manager approval will take place after this date.

## Appendix A – Outstanding Actions

Procurement Waivers and Exemptions						
<p>A robust process is in place for the processing, recording and reporting of waiver exemptions</p> <p>A single consolidated register of all procurement waiver exemptions should be maintained to allow Senior Management to monitor and report on the waiver usage across the organisation. This should include both approved and rejected waiver requests and be a full record of information to support requests.</p>	<p>The GMCA Constitution has recently been amended (28.06.19) to reflect the requirements for Chief Officers to provide an electronic copy of all exemptions to the procurement department. As a result the procurement team will consolidate all waivers on one electronic register. This will be reported annually to SMT &amp; CLT</p>	Moderate	Not due yet	50%	Waiver information is captured. Work ongoing to consolidate into one electronic register.	
<p>There is a clear rationale for each waiver exemption and these are in accordance with Contract and Procurement Rules and EU thresholds</p> <p>Provide new waiver guidance and waiver forms for officers to improve governance and decision - making on waiver usage. The introduction of a waiver code of practice and new waiver exemption forms will help support when waiver usage is permissible and demonstrate compliance.</p>	<p>Revised waiver template documentation will be introduced to support compliance and consistency.</p> <p>A list of delegations will be agreed and recorded</p>	Major	Not due yet	50%	The GMCA Constitution has been amended. Part 6B rule 3.2 removing the requirement for Head of Paid Service to countersign GMCA Treasurer approval. Revised template documentation being drafted.	
<p>Waiver exemptions are approved in line with delegated permissions. Waiver exemptions to be approved in accordance with requirements and delegated powers set out in the constitution. Delegations in relation to Fire and Rescue should be clarified.</p>	<p>A list of delegations will be agreed and recorded.</p> <p>Revised waiver template documentation will be introduced to support</p>	Significant	Not due yet	50%	The GMCA Constitution has been amended. Part 6B rule 3.2 removing the requirement for Head of Paid Service to countersign GMCA Treasurer approval. Revised template documentation being drafted.	

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## Appendix A – Outstanding Actions

The revised waiver exemption forms and waiver code of practice should be introduced to support compliance in this area.	compliance and consistency.				
<b>Cycle City Ambition Grant</b>					
<b>2017/19</b> To seek assurances from TfGM and DfT over the associated risks and impact arising from the delays in delivery of the CCAG programme beyond its 31 March 2018 deadline. Including		Significant	Overdue	80%	Work is now progressing against the CCAG plan, however works will need to continue post March 19 to complete the programme. TfGM are in regular dialogue with DfT about progress.  August update: the audit recommendations have been completed. We have obtained DfT assurance that we can continue to spend, DfT have advised that they are not minded to claw anything back, but not confirmed in writing.
<b>2017/22</b> Assess any impact on future funding requirements and Government confidence as part of the annual conversation with DfT.		Significant	Overdue	80%	Work is now progressing against the CCAG plan, however works will need to continue post March 19 to complete the programme. TfGM are in regular dialogue with DfT about progress.  August update: the audit recommendations have been completed. We have obtained DfT assurance that we can continue to spend, DfT have advised that they are not minded to claw anything back, but not confirmed in writing.
<b>Culture and Social Impact Fund - Governance Audit</b>					
Performance and outcome monitoring and reporting arrangements should be formally documented and agreed by the appropriate oversight function (GMCA Culture and Social Impact Steering Group)		Moderate	Overdue	90%	Documents to be developed and signed off at the next Culture and Heritage Steering Group in May 2019  August: deferred to November Committee due to size of agenda
Documents to be developed and signed off at the next Culture and Heritage Steering Group in May, 2019		Moderate	Overdue	90%	Documents to be developed and signed off at the next culture and social impact monitoring committee in May, 2019.

**Appendix A – Outstanding Actions**

					August: deferred to November Committee due to size of agenda
A formal quality assurance process should be developed and implemented to ensure consistency in assessments for future funding programmes		Minor	Overdue	90%	Documents to be developed and signed off at the next Culture and Heritage Steering Group in May, 2019.  August: deferred to November Committee due to size of agenda

## Appendix B – Closed Actions

Recommendation (taken from Audit Report)	Agreed Management Action	Risk Rating	Status	%	Management Progress Update August 2019 (Audit Committee October 2019)
<b>Finance – Payment Controls Assurance</b>					
<p><b>System Documentation</b></p> <p>Review and refresh the existing documented policy framework across all areas of scope including Finance, Procurement and Payment policies, and Purchase Card user guidance.</p> <p>Produce system workflow documentation for key payment process and incorporate into documented policies to be shared across GMCA (noting that a number of these may change).</p> <p>Review BWO access rules based on system roles rather than individuals.</p> <p>Review and define key areas of responsibility across the finance functions to ensure these are properly defined and avoids duplication.</p> <p>Consider specific user training requirements across GMCA and responsibility for delivery of these.</p>	<p>The recommended actions will be incorporated into the scope of service integration reviews for Finance and Procurement. A specific Action Plan will also be maintained.</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<ul style="list-style-type: none"> <li>Procure to Pay processes have been mapped with as is and potential improvement areas identified.</li> <li>Ongoing training and procedural documentation has been developed. This has been placed in the Learning Management System for users to access for training purposes.</li> <li>Training has been provided for the Finance team and deputy systems administrators.</li> <li>Approval limits and approvers have been updated to comply with the GMCA constitution for the 2 limit levels below £250k and above.</li> <li>Upgrade to BWO! planned for September 2019 which will address the P2P process changes and necessary updates.</li> </ul>
<p><b>Supplier Masterfile</b></p> <p>Supplier (create and amend) approval should be within BWO as opposed to the current paper approval outside of the system.</p>	<p>The recommended actions will be incorporated into the scope of service integration reviews for Finance and Procurement. A specific Action Plan will also be maintained.</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>The documenting of workflow and segregation of duties has been undertaken to ensure any changes made to the supplier master file have been checked.</p> <p>We have reviewed audit trails within BWO to ensure that the audit trail is sufficiently captured in BWO for new and changes to</p>

**Appendix B – Closed Actions**

<p>Audit Trails: Ensure an adequate audit trail is captured in BWO for new and changes to supplier details that shows as a minimum, date of creation / amendment, who input, who approved, details input / changed which can be examined to see a full history of changes made to the supplier.</p> <p>Supplier Due Diligence: The role of the Procurement Team in the supplier create process should be reviewed and agreed. Once determined, an adequate audit trail of supplier create and amendments is in place, periodically this should be reviewed for any errors or erroneous entries.</p>					<p>supplier details showing date of creation / amendment, who input, who approved, details input / changed.</p> <p>Monitoring of privileged access (super user access) to ensure system activity is monitored and standing access to privileges has taken place and necessary changes are underway.</p> <p>A report that monitors super user activity has been developed.</p>
<p><b>Non Order Payments</b></p> <p>Define the payment types to be made through this payment route with a view to limiting the volume and value of payments processed via this method.</p> <p>If one off salary or pension payments are to continue to be paid via this method then review and address any issues around (confidentiality / restricted access to payment details).</p> <p>Consider the approval levels for these payment types to ensure they are consistent with other payment streams and agreed delegated authority approval limits. Ideally these should be a minimum 2-way match requisitioner and</p>	<p>The recommended actions will be incorporated into the scope of service integration reviews for Finance and Procurement. A specific Action Plan will also be maintained.</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>Most non-order payments are for canteen supplies, legal services, volunteers, honorariums and credit notes. We have worked with key users to ensure Purchase Order workflows are being used. Canteen supplies had a high volume of non-order payments. This has been reviewed and processes amended to ensure payments are now made using purchase orders. Training has been delivered where appropriate in order to facilitate this. Single payment instruction form designed. Evidence of compliance with contract procedure rules being determined for this process</p>



## Appendix B – Closed Actions

<p>approver roles workflowed in BWO thus ensuring separation of duties is enforced.</p> <p>Ensure there is a single payment instruction form to record payment requests, rather than random free-form instructions to Exchequer Team.</p> <p>Given that these bypass workflow to Procurement Team for release, there should be a requirement to evidence compliance with procurement and competition rules where required.</p>					
<p><b>Payroll ITrent Application Audit</b></p>					
<p>Policies and procedures across all areas of the scope should be created and reviewed on an annual basis. These should be made available to all users with measures in place to ensure compliance, for example to ensure the new starter's process is followed.</p>	<p>Process mapping session has begun work on this. Process maps plus guidance on key areas to be produced with regular review date, being picked up as part of Programme for Change work</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>All actions are completed and ICT Security policies are drafted and being reviewed through appropriate governance</p>
<p>A formalised annual/six monthly review of the access of all users to confirm it is still appropriate is considered good practice.</p>	<p>Access Role owners to be identified and meetings set up on a 6-month basis.</p> <p>Recertification processes to be established as core part of Digital Services and IG work on improving security.</p>	<p>Moderate</p>	<p>Completed</p>	<p>100%</p>	<p>All actions are completed</p>

## Appendix B – Closed Actions

<b>Finance BWO Application Audit</b>					
A regular governance meeting should take place to discuss the future of the application and any issues being faced by the business.	Business World On User Group to be set up with a clear Development Strategy and structured meetings.	Significant	Completed	100%	User group has been set up to influence strategic direction of the system, an overarching user group will be set up to oversee developments once the system is upgraded.
The conversations around the long and short term strategies for BWO should be formally captured as part of a strategy/roadmap which can be used to inform the wider organisation.	This links closely to item above and a formalised structure to govern BWO is required to drive the development map for the system.	Moderate	Completed	100%	User group has been set up to influence strategic direction of the system, an overarching user group will be set up to oversee developments once the system is upgraded. Development log developed to capture potential areas for improvement.
Evaluate whether super users need access to privileged accounts at all times, and create a monitoring report to review super user activity within the application.	Super Users to be set up with access requirements for usual role requirements plus an additional log in with separate password for Super User tasks only.	Significant	Completed	100%	There are no super users set up within the system. There are three System Admin roles within the system. Tracking of access reportable.
<b>Information Security</b>					
<b>Information Security Governance</b>					
<p>Identification of senior information security stakeholders, with clearly defined accountability for key activities (e.g. ensuring that staff complete mandatory information security training) should be established.</p> <p>A business impact analysis, whereby the critical services, processes and activities for each business area need to be clearly defined and subsequently reviewed, should be completed for all key services and departments. This</p>	<p>Refine the initial plan for improving information security using the GDPR Working Group as the approval route for new policies and roles associated with better information management e.g. identification of Information Asset Owners and System Owners Deliver the priority policies by end Aug 2018.</p> <p>Participate in the planned Business Continuity Planning update and</p>	Significant	Completed	100%	<p>The Head of Information Governance/DPO is now in post. Senior information Asset owners have been identified at Head of Service level within the organisation.</p> <p>An Information Governance Team is in place and a business case for further investment in this area has been approved through the Strategic Integration Review programme to continue developing the organisation's maturity concerning information management.</p> <p>Cyber and information security position is reported to SMT on a monthly basis. Cyber and information risks are monitored through the Corporate Risk Management Group and recorded in the Corporate Risk Register.</p>

## Appendix B – Closed Actions

<p>should then be reviewed on a regular basis to ensure it remains relevant.</p> <p>Review the risk management framework to help ensure key cyber/information risks are included and formally accepted by the executive team. In addition, each risk should have controls associated with it that can be tested for operational effectiveness.</p> <p>The outcome of cyber/information security business assurance testing should be reported to the executive team on a monthly basis.</p>	<p>exercise to test assumptions.</p> <p>Cyber/information security position to be reported to SMT on a monthly basis</p>				
<p><b>Policies and Procedures</b></p> <p>GMCA should create, approve and implement the following policy documents as a minimum:</p> <ul style="list-style-type: none"> <li>• Information Security Policy</li> <li>• IT Acceptable Usage Policy</li> <li>• Cyber Incident Management</li> </ul>	<p>ICT policies are being developed currently These policies will be approved through relevant governance groups.</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>Full ICT policy review has been undertaken, and overarching policies prepared for appropriate approvals. Overarching policy framework set with 24 ICT security policies, 12 drafted for submission.</p> <p>August update: policies are drafted and awaiting approval.</p>
<p><b>Cyber Incident Management</b></p> <p>Cyber incident management response should be formally tested at least annually, either as a “live” exercise or a desktop-based scenario. Cyber incident management should be incorporated into GMCA’s broader business continuity test plan.</p>	<p>Draft document and process to be tested as a desktop exercise and used in a live incident or the CA’s wider business continuity test</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>Process has been tested as a desktop exercise and in live incidents a number of times over the past 12 months</p>
<p><b>Training, Communication and Awareness</b></p> <p>A mandatory information security training module should be established, incorporating GDPR, with a requirement</p>	<p>Ensure staff complete mandatory annual training as part of their access to GMCA systems.</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>Mandatory annual training in place and being monitored by SMT</p>

## Appendix B – Closed Actions

<p>that staff complete refresher training at least annually.</p>					
<p><b>Third Party Governance</b> Ensure that a process is defined to obtain assurances from all third parties responsible for providing IT related services (e.g. system development) that they operate a robust information security environment.</p>	<p>Develop a GMCA-wide policy and process that ensures that all third party ICT-related services operate a robust information security environment. Review existing arrangements to ensure that the highest risk third party arrangements are mitigated</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>Third party policy and process in place</p>
<p><b>Information Sharing</b> GMCA should explore the possibility of enabling encrypted email as the default method of information transfer, potentially by enabling TLS rejection which would prevent any unencrypted information from being sent in the first place.</p>	<p>Communications to all staff extending the use of Egress to those who need to communicate sensitive information/data</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>TLS security on all email has been implemented,  There is an option of Egress for those needing greater levels of security.  This has been communicated to all users.</p>
<p><b>Threat Monitoring</b> GMCA should conduct proactive threat monitoring, either by using existing threat intelligence tools or by conducting workstation/server reviews to identify security weaknesses that could allow a malicious user to escalate privileges. The review of build security should encompass areas such as system services, core security configurations, user accounts and permissions, password policies and auditing policies. This review might also extend to perform a full configuration review of the installed anti-virus/malware and internet browsers etc. Consider a future business case to implement a Security Information and Event Management (SIEM).</p>	<p>The security around the WAN and LAN is going to be actively managed through a third party to a PSN standard. Develop a business case for an improved, proactive threat monitoring capability for consideration by senior management</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>Threat monitoring tools implemented and used actively to monitor potential threats</p>

## Appendix B – Closed Actions

<p>Ensure a well-defined audit log management and monitoring framework / strategy to ensure that there is a consistent approach for audit logging and monitoring cyber threats across the GMCA's IT environment.</p>					
<p><b>Penetration Testing</b> Establish a formal penetration-testing schedule, which extends beyond the GMCA's existing vulnerability management solution. Ensure penetration testing is carried out for all significant changes to the IT environment, including the introduction of new systems at least on an annual basis.</p>	<p>Perform an external PEN test and repeat on an annual basis.</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>Penetration test completed with minor adjustments actioned to improve security</p>
<p><b>Resource and Implementation</b> Additional full-time resource should be made available to assist with the implementation of the planned information security activities</p>	<p>Deploy existing resources on the priority areas. Make the case for investment in additional resources to deliver other areas of work in an acceptable timeframe</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>ICT Security Manager role filled on a temporary basis. ICT Security Manager post re-sized to appropriate level and re-advertised.</p>
<p><b>Purchase Cards</b></p>					
<p><b>Leavers and Role Changes</b> The process for cancelling cards when staff leave the Authority was inconsistent and not formally linked to the corporate leaver's process.  We reviewed a list of Cardholders with Procurement and a small number of users were identified who had left the Authority whose cards had not been cancelled.</p>	<p>Requirements and process for dealing with leavers to be incorporated in to new p-card policy. Triggers to be introduced to enable procurement team to action changes immediately</p>	<p>Moderate</p>	<p>Completed</p>	<p>100%</p>	<p>The purchase card administrator is receiving the weekly HR report on new starters, movers and leavers, which will enable closer scrutiny, monitoring and improved management of p-cards.</p>

## Appendix B – Closed Actions

<p><b>Cardholder Access</b></p> <p>There is no formal review of Cardholders to ensure their access to a purchase card and usage remains appropriate to business requirements. Our testing showed at least 30 cardholders that had not used their cards this financial year</p>	<p>A number of p-cards have been identified for removal based on inactivity and/or low usage and will be actioned in line with revised policy.</p>	<p>Moderate</p>	<p>Completed</p>	<p>100%</p>	<p>All redundant cards now cancelled and the p-card administrator continues to monitor movers and leavers on a regular basis.</p>
<p><b>Unapproved Spend</b></p> <p>A significant number of cardholder transactions from the previous financial year had received no approval within the system.</p> <p>Whilst these transactions were accrued or as part of the year end process they had not yet been appropriately accounted for in the financial ledger as this process is only completed when transactions are approved within the system.</p>	<p>Process to be agreed and introduced to ensure all expenditure is posted to the financial ledger</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>Unapproved spend which relates to 2017/18 posted to the correct cost centres by journal, likewise, where a previous cardholder has left the organisation.</p>
<p><b>Analysis of spend</b></p> <p>Existing purchase card policy guidance provided insufficient advice over acceptable usage.</p> <p>Our analysis of purchase card expenditure for 2018/19 showed a high proportion of spend related to business travel, accommodation and subsistence costs which should normally be undertaken through the use of corporate contracts and the officer expenses process.</p>	<p>Revised p-card policy to provide clear guidance on acceptable and non-acceptable use of cards. Trade/business accounts to be explored and set up for relevant spend areas</p>	<p>Moderate</p>	<p>Completed</p>	<p>100%</p>	<p>The new policy makes clear that p-cards must only be used when no corporate contract exists and a p-card is the only viable option. New online travel solution now in place to deal with business travel and accommodation and business trade accounts currently being arranged as alternatives to p-cards.</p>

## Appendix B – Closed Actions

<p><b>Invoices and Receipts</b></p> <p>A significant proportion of transactions were not supported by a valid invoice or VAT receipt</p> <p>Our testing of 50 transactions found that:</p> <ul style="list-style-type: none"> <li>• Only 44% (22/50) of approved transactions had a valid receipt attached.</li> <li>• Invoices and receipts were not routinely uploaded onto Agresso BWO in accordance with the process</li> </ul> <p>Cost Centre Managers were continuing to approve transactions without valid receipts.</p>	<p>Retention and uploading of receipts/invoices to be made mandatory as part of revised policy with measures introduced for non-compliance with policy requirements.</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>The uploading of receipts is mandatory in the new p-card policy and period end requirements are also made clear for card holders and line managers. Ongoing monitoring takes place on a monthly basis.</p>
<p><b>Month End Procedures and Reconciliation Timetable</b></p> <p>There was no clear timetable for month end checking, approval and reconciliation of all purchase card activity.</p> <p>There was a monthly reconciliation of the Barclaycard transaction list to the direct debit payment. However, there was no reconciliation to confirm all transactions had been correctly uploaded into Agresso BWO and posted in the financial ledger</p>	<p>Clear and consistent month end procedure and reconciliation to be introduced as part of revised p-card policy requirements</p>	<p>Significant</p>	<p>Complete</p>	<p>100%</p>	<p>Each month a reconciliation is performed to match the Barclaycard transaction list to the direct debit and corrective action has been taken where necessary. Previous periods are being retrospectively reconciled via recently received statements from Barclaycard.</p> <p>The transaction lists from Barclaycard are accessed and uploaded to the suspense account on the 11th of the month and available on the system for approvers by 15<sup>th</sup> of the month.</p>
<p><b>Value Added Tax (VAT)</b></p> <p>VAT was not being claimed against any purchase card spend. Data, which would</p>	<p>System and process for recovering VAT on relevant transactions to be incorporated in to overall</p>	<p>Moderate</p>	<p>Complete</p>	<p>100%</p>	<p>The ability to post transactions, separating the VAT value directly to the VAT control account has been investigated.</p>

## Appendix B – Closed Actions

<p>allow for the reclaiming of VAT for VAT enabled suppliers, is received from Barclaycard as part of the statement download. However this VAT information is not captured during the upload into Agresso BWO and consequently not reflected in the financial ledger or subsequent VAT claims</p>	<p>process review in line with revised policy.</p>				<p>Technical consultancy is required to address this, and in light of the small amounts of VAT that would be recovered, the implementation costs outweigh the benefits, and in the short term, the costs associated with this outweigh the claiming VAT back. Therefore, we have fixed the VAT code to zero VAT.</p>
<p><b>Pot Hole Action Fund 2017/18</b></p>					
<p>To note the certification completed for 2017/18 and the outstanding certification requirements which we will aim to complete before 31 March 2019</p>		<p>Not rated</p>	<p>Completed</p>	<p>100%</p>	<p>All actions implemented</p>
<p><b>Local Growth Fund 2017/18</b></p>					
<p>To note the significant underspend being reported to date. Any impact on future funding restrictions should be established as part of the annual conversation with DfT. GMCA Treasurer and GMCA Group Finance Lead to seek additional assurances from TfGM Finance and PMO in relation to the following; Reconciliation of figures between GMCA, TfGM and Districts in terms of funding allocations, expenditure profiles and forecasted spend for LGF funding programme.  Any significant disparity between percentage scheme completion and costs claimed should be reviewed to ensure that any undue delays over cost claims are avoided.</p>	<p>Quarterly reports will be presented to Chief Executives Investment Group with details of both annual and cumulative actuals vs forecasts. Also as part of the BEIS quarterly monitoring each project will be RAG rated in terms of Deliverables, Finance and Reputation. b) Regular reconciliations with TfGM have already started to occur with further development particularly on district schemes planned before March 2019. c) Resource has also been factored in to provide monitoring support of the next phase of Skills Capital which has a forecast</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>All actions implemented. Regular monitoring and action taken where schemes are underspending. A paper has recently gone to the GMCA to approve new schemes being put into the Programme to ensure full spend is achieved.</p>



## Appendix B – Closed Actions

<p>To assess the risk associated with delays in scheme delivery timetables and any adverse impact on existing staffing capacity across GMCA and partner organisations.</p>	<p>budget of £70m over the lifetime of the scheme.</p>				
<p><b>Cycle City Ambition Grant</b></p>					
<p><b>2017/18</b></p> <p>To note the certification completed for 2017/18 and the major underspend being reported on the CCAG programme to date.</p>	<p>A general email to all CCAG delivering bodies has been issued by DfT confirming that due to the pioneering nature of this programme they understood that all schemes would not be delivered by the 31<sup>st</sup> March 2018 and asked for bodies to send through a progress monitoring survey which has been completed.</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>Work is now progressing against the CCAG plan; works will need to continue post March 19 to complete the programme. TfGM are in regular dialogue with DfT about progress, and the audit recommendations have been completed.</p>
<p><b>2017/20</b></p> <p>Confirming with DfT the current funding and spend position for CCAG2 and acknowledgement that this funding can continue to be spent beyond 31 March 2018 deadline without clawback.</p>	<p>There is no confirmation of new deadlines and DfT have also stated that they would not be looking to claw back any monies, however there was an expectation that all schemes would complete at a point in time.</p>	<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>As above</p>
<p><b>2017/21</b></p> <p>Agreement with DfT of forecasted delivery completion dates and spending profiles for programme work streams.</p>		<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>As above</p>
<p><b>2017/23</b></p> <p>To seek additional assurances from TfGM PMO in relation to the following;</p>		<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>As above</p>
<p><b>2017/24</b></p> <p>Management and oversight of scheme delivery and reasons for significant programme delays; in particular the Manchester Works package,</p>		<p>Significant</p>	<p>Completed</p>	<p>100%</p>	<p>As above</p>

**Appendix B – Closed Actions**

<p><b>2017/25</b> Disparity over scheme completion and costs claimed; to ensure that any undue delays over cost claims are avoided,</p>		Significant	Completed	100%	As above
<p><b>2017/26</b> Any necessity to build capacity within Districts and TfGM to avoid excessive delays in getting schemes underway.</p>		Significant	Completed	100%	As above
<p><b>Culture and Social Impact Fund - Governance Audit</b></p>					
<p>Management ensure that all payment conditions are fully met before payments are released</p>		Significant	Completed	100%	Completed



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30 September 2019

Dear Committee Members,

### Conclusion of pending matters– Audit completion report

Following on from our recent meeting and as required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Audit completion report dated 26 July 2019.

The outstanding matters and the conclusions reached are detailed below:

Matter	Conclusion reached
Journals testing	No matters arising.
Related Party Transactions	The disclosure table for local authorities has been updated to include the £118m investment balance with Manchester City Council and correct differences between the disclosed creditors figures and amounts per the ledger.
Movement in Reserves Statement	The Movement in Reserves Statement and supporting notes have been updated to correct internal inconsistencies in the financial statements.
Grant income	No matters arising
Other Comprehensive Income and Expenditure	Other Comprehensive Income and Expenditure includes £1,850k which should be charged to net cost of services. Management have not amended this misclassification as there is no impact on the reported financial position of the Authority.
Cash Flow Statement	The Cash Flow Statement has been updated to take account of the various other amendments to the financial statements.

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We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861.

VAT number: 839 8356 73

Capital Expenditure and Financing	Management produced an updated note, increasing the closing Capital Financing Requirement from £1,745,415k to £2,138,307k.
Waste Asset Valuations	No matters arising.
Loans and Investments	No matters arising.
Cash	No matters arising.
Leases	No matters arising.
Pensions	Management obtained updated actuarial reports to take account of GMP and McCloud legal cases in the Authority's pension liability. This increased the pension liability of the Authority to £1,872,065k and the pension liability of the Group to £10,434,531k.
Financial Instruments	The financial instruments note has been updated to reflect changes in the CIPFA Code following adoption of the new accounting standard, IFRS 9.
Fire Fighters Pension Fund	No matters arising
Consolidated Accounts	The group accounts have been updated for the various amendments to the single entity accounts.
Final Financial Statements	No matters arising.

A list of adjusted and unadjusted misstatements is included as an appendix to this letter.

If you wish to discuss these or any other points discussed at the meeting then please do not hesitate to contact me.

Yours faithfully,



Mark Kirkham (Oct 1, 2019)

**Mark Kirkham**  
Partner

## Appendix A

### Unadjusted Misstatements (Single Entity and Group)

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Depreciation Cr: Property Plant and Equipment	1,803		1,803
	Being the depreciation not charged on an operational asset incorrectly classified as an asset-under-construction			
2	Dr: Capital Adjustment Account Cr: General Fund		1,803	1,803
	Being the adjustment required to reverse the additional depreciation out of the general fund into the capital adjustment account			
3	Dr: Cash Cr: Short Term Creditors		1,144	1,144
	A creditor payment run paid after year end was incorrectly included within the 2018/19 financial statements having the effect of understating cash and short-term creditors			
4	Dr. CIES – Mayoral Policing Services Cr. CIES – Surplus / Deficit on Revaluation of Non Current Assets	1,850		1,850
	Impairments that should have been charged to the Net Cost of Services have been taken to Other Comprehensive Income in error.			
	<b>Total unadjusted misstatements</b>	<b>3,653</b>	<b>1,850</b>	<b>2,947</b>
			<b>4,750</b>	

### Adjusted Misstatements (Single Entity)

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Economic Development and Regeneration Exp Dr. Fire and Rescue Services Exp Dr. Mayors Office Exp Dr. Mayoral Policing Services Exp Dr. Waste Disposal Exp Dr. Financing and Investment I&E Cr: Pension Liability	247 71,300 6,000 18,000 30,000 23,000		71,624
	Additional past service cost for pensions, to reflect the updated actuarial valuations following the outcome of the GMP / McCloud court case.			
2	Dr: Economic Development and Regeneration Inc Cr. Economic Development and Regeneration Exp	4,119 4,119		
	Reduced income from loan capital receipts had been included as REFCUS grants/contributions in error.			

### Adjusted Misstatements (Group)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Economic Development and Regeneration Exp	247			
	Dr. Fire and Rescue Services Exp	71,300			
	Dr. Mayors Office Exp	6,000			
	Dr. Mayoral Policing Services Exp	18,000			
	Dr. Waste Disposal Exp	30,000			
	Dr. Financing and Investment I&E	23,000			
	Cr: Pension Liability				71,624
Additional past service cost for pensions, to reflect the updated actuarial valuations following the outcome of the GMP / McCloud court case.					
2	Dr: Highways and Transport Services Exp	6,051			
	Dr. Financing and Investment I&E	78			
	Cr. Pension Liability				6,129
Additional past service cost for TFGM pensions, to reflect the updated actuarial valuations following the outcome of the GMP / McCloud court case.					
2	Dr: Policing Services Exp	345,808			
	Dr. Financing and Investment I&E	26			
	Cr. Pension Liability				353,834
Additional past service cost for Greater Manchester Police pensions, to reflect the updated actuarial valuations following the outcome of the GMP / McCloud court case.					
2	Dr: Economic Development and Regeneration Inc	4,119			
	Cr. Economic Development and Regeneration Exp	4,119			
Reduced income from loan capital receipts had been included as REFCUS grants/contributions in error.					

### Disclosure Changes

During the course of the audit we identified a number of disclosure changes which are detailed below. All adjustments affecting the single entity accounts have also been amended in the group accounts. All have been adjusted for in the final version of the financial statements

- Note 8 Adjustments Between Accounting Basis and Funding Basis Under Regulations: £2,463k movement in capital bad debt provision was incorrectly included within statutory provision of financing. These are now show separately.
- Note 10 analysis of income: £55,348k was incorrectly classified as fees, charges and other service income. It has been corrected to show within Government Grants and Contributions
- Note 14 Financing and Investment Expenditure and Income Analysis: The note has been updated to show the correct breakdown of interest payable between PWLB, European Investment Bank and Other Financial Institutions
- Note 18 Officer Remuneration: On our review we identified a number of errors within the pay bandings for Officers earning over £50k. Management has corrected the note based on a report from the payroll system.

- Note 18 Senior Employee Remuneration: The disclosure has been updated to reflect a backdated pay award for the Chief Executive following taking on the role of TfGM Chief Executive. This change was only agreed after the draft accounts were produced.
- Note 18 Exit Packages: The note has been updated to take account of pay in lieu of notice in line with CIPFA Code requirements.
- Note 19 Capital Financing Requirement: The opening requirement transferred from GMWDA has increased by £397,461k to reflect the closing position in the audited GMWDA accounts.
- Note 20 Property, Plant and Equipment: The note has been updated to reclassify other de-recognition losses to impairment losses.
- Note 27 Unusable Reserves: Entries within the capital adjustment account have been updated to ensure consistency with other areas of the financial statements
- Note 28 Financial Instruments: The analysis of loans and borrowings did not agree to the balance sheet. A misclassification of £64,857k has been corrected from long-term borrowings to short-term borrowings following late agreement with MHCLG as to the treatment of the cash balance.
- Note 28 Financial Instruments: The accrued interest payable shown within the analysis of loans by maturity has been updated to agree to the accrued interest payable in the analysis of loans by type note.
- Note 28 Financial Instruments: The note has been updated to meet the requirements of the new accounting standard IFRS 9.
- Note 40 Group Audit Fees: The disclosure originally included the prior year audit fee for the Chief Constable. The disclosure has been updated to the actual fee, reducing the amount by £23k.

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Date: **9 October 2019**

Subject: **Treasury Management Interim Update 2019-2020**

Report of: **Richard Paver, Treasurer of the GMCA**

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## **PURPOSE OF REPORT**

To report the Treasury Management activities of the Greater Manchester Combined Authority, (GMCA) during the first six months of the 2019-20 financial year.

## **RECOMMENDATIONS:**

The Audit Committee is asked to:

1. Note the contents of the report

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**BACKGROUND PAPERS:**

Treasury Management Strategy Statement, Borrowing Limits and Annual Investment Strategy 2019/20 – 2021/22 GMCA 29 March 2019

<b>TRACKING/PROCESS</b>		
Does this report relate to a Key Decision, as set out in the GMCA Constitution or in the process agreed by the AGMA Executive Board		No
<b>EXEMPTION FROM CALL IN</b>		
Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency?		No
AGMA Commission	TfGMC	Scrutiny Pool
N/A	N/A	N/A

## **1 INTRODUCTION AND BACKGROUND**

- 1.1 Treasury Management in Local Government is regulated by the CIPFA Code of Practice on Treasury Management in Local Authorities. The Authority has adopted the Code and complies with its requirements. A primary requirement of the Code is the formulation and agreement by the Authority of a Treasury Policy Statement which sets out Authority, Committee and Chief Financial Officer Responsibilities, and delegation and reporting arrangements. This was approved by the Authority on the 27<sup>th</sup> April 2012, as part of the Treasury Management Strategy Statement for 2012-13.
- 1.2 CIPFA amended the CIPFA Treasury Management in the Public Services Code of Practice in late 2009, and the revised Code recommended that local authorities include, as part of their Treasury Management Strategy Statement, the requirement to report to members at least twice a year on the activities of the Treasury Management function. This report is the first of two reports during the year which ensures that this requirement is met.
- 1.3 Treasury Management in this context is defined as:  
“The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
- 1.4 This interim report covers:
- The Authority’s portfolio position as at 30<sup>th</sup> September 2019;
  - A review of economic conditions;
  - External borrowing;
  - Compliance with treasury limits and prudential Indicators; and Temporary borrowing & investment outturn.
- 1.5 The treasury portfolio position for the Authority is managed at Authority-level, which means that the combined cash flows of the four consolidated organisations (GMCA, GMWDA, GM Fire & Rescue Service and the functions of the former Office of the GM Police & Crime Commissioner) are taken into account when investing temporary surplus funds or making arrangements to meet borrowing needs.

## **2 KEY CONSIDERATIONS UPDATE**

- 2.1 Contained within the GMCA Treasury Management Strategy 2019/20 – 2021/22, presented to the Audit Committee on 21 March 2019 and approved by GMCA on 29 March 2019, were details regarding;
- the transfer of Greater Manchester Housing Investment Loan Fund (GMHILF) from Manchester City Council to GMCA; and
  - future borrowing requirement from the European Investment Bank.

## **Greater Manchester Housing Investment Loan Fund (GMHILF)**

- 2.2 Following borrowing powers being granted to GMCA and approval by MHCLG in March 2019, the novation of the GMHILF to the Authority was completed before the end of the last financial year. The loan finance from MHCLG has been transferred from Manchester City Council to the GMCA, and the majority of individual loans to developers have since been novated to GMCA.
- 2.3 There is a remaining element of the GMHILF which will not novate to GMCA comprising current contracts where there have been advances to Developers, but where these will remain with Manchester City Council until contract completion. In these cases retention by Manchester City Council will avoid extremely complex legal processes involved with novation. The receipts and payments associated with these contracts are immediately transferred to or from Manchester City Council so that these contracts are accounted for as if they had been transferred to GMCA.
- 2.4 Agreement was reached with MHCLG to allow further draw down of funds during this financial year. The maximum amount allowed to be drawn this financial year is £63.2m with no further funds to be made available next financial year. Future commitments from GMHILF will need to be managed within the recycled funds from project repayments. Existing commitments that cannot be funded from recycled receipts and will exceed the maximum drawdown from MHCLG in this financial year will need to be funded from alternative sources. Discussion is ongoing with MHCLG to secure the further funding required to meet all funding requirements for this financial year. Further approvals will be sought as required in January 2020 to agree the approach to funding GMHILF projects should the funding commitment exceed the funds that MHCLG are willing to provide. From the date of transfer from Manchester City Council new and future funds from MHCLG and advances to Developers have and will be processed via GMCA. During the year to date, MHCLG has made 2 transfers of funding amounting to £37.3m and a further transfer of £16.4m is expected by end of October.

## **European Investment Bank (EIB)**

- 2.3 In terms of the European Investment Bank loans, discussions are continuing regarding a new loan for the Trafford Park Metrolink Scheme. Progress in engaging with EIB has been slow and a further meeting to review the final legal contract is outstanding.

## **Lender Option Borrower Options (LOBOs)**

- 2.4 Within the portfolio there were originally two Lender Option Borrower Option loans with Barclays which were taken out in 2005 and 2006 for a period of 60 years. At Barclays' initiative in 2018 these were converted to standard vanilla loans.
- 2.5 Along with a number of Local Authorities, GMCA has engaged specialist legal support to pursue a claim against Barclays in relation to the historic elements of their LOBO loans. This claim remains ongoing.

### 3 CURRENT PORTFOLIO POSITION

- 3.1 The approved Treasury Management Strategy for 2019-20 forecast a borrowing requirement of £235.5m for permanent borrowing in 2019-20 to fund the capital programme. It was noted in the reports that should some of the forecast cash flows alter in scale or timing the requirement might be materially different. The current forecast position at end of March is a funding requirement of £149m, but this will undoubtedly change as the year develops.
- 3.2 The Authority's debt position at the beginning of the financial year and at the end of September was as follows:

		31 March 2019		30 September 2019	
		Principal	Average	Principal	Average
		£m	Rate	£m	Rate
			%		%
Fixed Rate Funding	PWLB	597.0	4.46	590.2	4.48
	EIB	595.4	3.65	587.1	3.65
	Market	90.0	4.15	90.0	4.15
		<b>1,282.4</b>	<b>4.06</b>	<b>1,267.3</b>	<b>4.07</b>
Variable Rate Funding	PWLB	15.0	3.77	0.00	0.00
	Market	15.0	4.50	15.0	4.50
	Temporary	50.5	0.81	0.0	0.00
		<b>80.5</b>	<b>2.05</b>	<b>15.0</b>	<b>4.50</b>
Housing Investment Fund	HIF	182.9	0.00	155.6	0.00
<b>Gross Debt</b>		<b>1,545.8</b>	<b>3.47</b>	<b>1,437.9</b>	<b>3.63</b>
Temporary Investments	Market	(57.5)	0.66	(148.2)	0.71
	Interbank	(5.8)	0.50	(11.8)	0.50
<b>Gross Investments</b>		<b>(63.3)</b>	<b>0.65</b>	<b>(160.0)</b>	<b>0.69</b>

- 3.3 The gross debt has decreased by £107.9m between the 31<sup>st</sup> March 2019 and the 30<sup>th</sup> September 2019. The Authority has repaid £21.8m of PWLB debt, £8.3m of EIB, £50.5m of temporary debt, and net £27.3m of HIF.
- 3.4 It should be noted that the split between fixed rate and variable rate funding has changed. This is because certain elements of the market debt, specifically LOBOs, are classed as variable when the next call date for the lender falls within the next 12 months, and consequently some of the loans shown above have moved from variable to fixed when their call dates have passed.
- 3.6 Similarly, where PWLB debt is due to mature in the next 12 months it is shown as variable.

- 3.7 When reviewing the table above it is important to note that the temporary borrowing and deposit figures fluctuate daily to meet the daily cash flow requirements of the Authority. The temporary figures in the table above are therefore only a snapshot at a particular point in time.
- 3.8 The Strategy paper approved by the Authority noted that opportunities for debt rescheduling may be limited. However, prevailing market conditions, and in particular the sustained period of historic low interest rates may lead to some rescheduling opportunities for market debt.
- 3.9 Officers will monitor the market and in particular opportunities to reschedule, redeem or effectively alter the profile of existing market debt.
- 3.10 The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings;
  - helping to fulfil the Treasury Management strategy
  - enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility)
- 3.11 Any restructuring of market debt will only be progressed if it provides value for money for the Authority, and reduces the overall treasury risk that the Authority faces, for example interest rate risk or credit risk.

#### **4 REVIEW OF ECONOMIC CONDITIONS APRIL TO SEPTEMBER 2019**

- 4.1 In August 2018 the Bank of England raised the key lending rate by 0.25% to 0.75%. This was the first change in rate since it was increased to 0.50% in November 2017. The concerns expressed in our past reports about many banks being reluctant to lend, thereby limiting opportunities for the Authority to borrow from the market, continue to exist.
- 4.2 Officers remain concerned that the bank liquidity regime pursued by the FSA may further impact the ability of the Authority to achieve interest rates above the base rate on short term deposits. The Treasury Management function is actively researching alternative options which may protect the average rate achieved on deposits.
- 4.3 Appendix 1 provides a more detailed review of the recent economic situation.

## 5 EXTERNAL BORROWING IN THE FIRST SIX MONTHS OF 2019-20

5.1 PWLB interest rates have gently decreased over the first 6 months of the year, as illustrated in the table below and the graph at Appendix 2.

<b>PWLB Borrowing Rates 2019-20 to date for 1 to 50 years</b>					
	<b>1 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>25 Year</b>	<b>50 Year</b>
<b>Low</b>	1.37%	1.21%	1.33%	1.93%	1.77%
<b>Date</b>	03/09/2019	03/09/2019	03/09/2019	03/09/2019	03/09/2019
<b>High</b>	1.78%	1.93%	2.27%	2.78%	2.61%
<b>Date</b>	15/04/2019	17/04/2019	17/04/2019	17/04/2019	03/05/2019
<b>Average</b>	1.60%	1.57%	1.83%	2.41%	2.27%

5.2 The prudent approach to borrowing in the current economic environment is to utilise cash balances first, as investment rates available to the Authority are low in comparison to borrowing rates. This has meant that no external borrowing has taken place during the 2019-2020 financial year to date.

## 6 COMPLIANCE WITH TREASURY LIMITS

6.1 During the first six months of the financial year, the Authority operated within the treasury limits and prudential indicators set out in the Treasury Management Strategy Statement of 29<sup>th</sup> March 2019. Performance against these targets is shown in Appendix 3.

6.2 The strategy allows the Authority to lend up to £20m to other GM Authorities (apart from MCC, to which it can lend £50m).

## 7 INVESTMENT STRATEGY FOR 2019-20

7.1 The Treasury Management Strategy Statement (TMSS) for 2019-20 was approved by the Authority on the 29<sup>th</sup> March 2019. The Authority's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Authority's investment priorities as (a) the security of capital and (b) liquidity of investments.

7.2 In order to achieve a higher level of security the Treasurer has previously introduced the following measures:

- Investments to be restricted to UK banks, building societies, local authorities and government institutions.

- Diversify the investment portfolio into more secure UK government and government backed institutions.
- Although the investment strategy allows investments up to 364 days, restrict deposits to as short a time period as feasible.

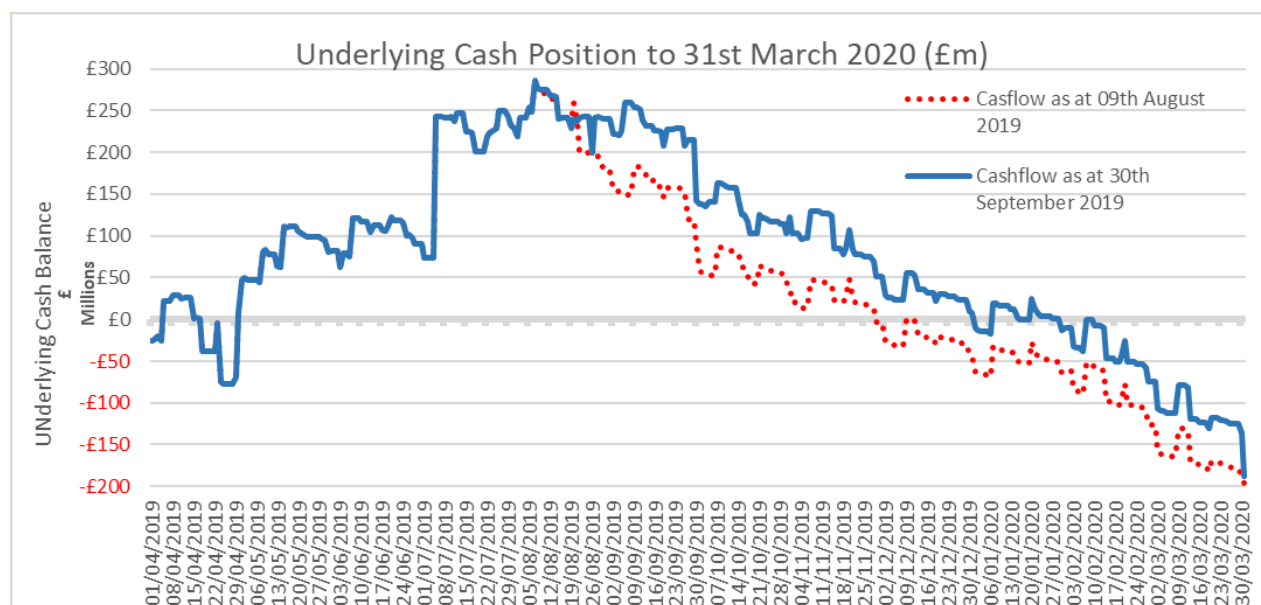
7.3 These existing measures are under continuous review. This is to assess the investment risk the Authority is exposed to and whether the interest received is acceptable for the level of risk.

7.4 The Authority's temporary cash balances are managed by the Treasurer in-house and invested with those institutions listed in the Authority's Approved Lending List. Officers can confirm these institutions meet the security criteria set out in the Annual Investment Strategy and the approved limits were not breached in the first six months of the 2019-20 financial year.

## 8 TEMPORARY BORROWING AND INVESTMENTS FOR THE FIRST FIVE MONTHS OF 2019-20

8.1 As illustrated in the economic background section (Appendix 1), despite the recent increase in Bank Rate, investment rates available in the market continue to be at an historic low point. The average level of funds available for investment purposes in the first six months of 2019-20 was £152.8m. These funds were available on a temporary basis and the level of funds available was mainly dependent on the timing of levy receipts, receipt of grants, and progress on the capital programme and dates at which external borrowing was taken.

8.2 There is a volatility to the Authority's cash flow as is illustrated by the graph below. The graph charts the actual and budgeted flows for the year.



8.3 The result of the temporary investments undertaken by the Authority is detailed below. As illustrated, the Authority's return was higher than the benchmark return. The relatively high level of cash balances held by the Authority has provided an



opportunity to optimise the number of investments with other local authorities, returning a higher level of yield.

- 8.4 Temporary borrowing arranged during the latter part of the previous financial year was fully repaid by the 6<sup>th</sup> May. The borrowing, which was required to support the year end repayment of HIF and grant funding receipt gaps, was borrowed from the Greater Manchester Pension Fund £50.0m, Manchester City Council £20.0m, Oldham BC £7.5m, Rochdale MBC £10.0m, and Trafford MBC £3.0m.

	Average temporary Investment /borrowing	Net Return/Cost	Benchmark Return / Cost
Temporary Investments Post 6 May	£152.8m	0.72%	0.57%*
Temporary Borrowing Pre 6 May	£58.1m	0.81%	0.69%**

\* Average 7-day LIBID rate sourced from Link

\*\* Average 7-day LIBOR rate sourced from Link

- 8.5 None of the institutions in which investments were made show any difficulty in repaying the principal and interest in full during the year. The list of institutions in which the Authority invests is kept under continuous review, and officers will continue to monitor the actions of key counterparties. It currently remains the Authority's policy not to invest with institutions based outside the UK, including those in Ireland.

## 9 CONCLUSION

- 9.1 The current borrowing position reflects the strong balance sheet of the Authority, although future cash flows will mean that borrowings are required towards the year end. It will probably be opportune to take part as longer term debt gives current very low rates.
- 9.2 The Authority has been able to exceed the benchmark rate of return on temporary investments during the first six months of the year. Officers are examining other investment options, to see if a better rate of return could be attracted without compromising the Authority's strong risk position.
- 9.3 There remains a borrowing requirement for the capital programme. The extent that this may have to be serviced by future additional external borrowing will be kept under review, particularly now the Authority is in receipt of the HIF and HCA funds.

## REVIEW OF ECONOMIC CONDITIONS APRIL TO SEPTEMBER 2019

This section has been prepared by the Authority's Treasury Advisors, Link Asset Services, and includes their forecast for future interest rates.

### 1 ECONOMIC PERFORMANCE TO DATE 2019/20

- 1.1 The first half of 2019/20 has seen UK economic growth fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. This mirrored investor confidence around the world which is now expecting a significant downturn or possibly even a recession in some developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit.
- 1.2 CPI has been hovering around the Bank of England's target of 2% during 2019, (July 2.1%), and is likely to shift only a little upwards over the rest of 2019/20. It does not therefore pose any immediate concern to the MPC at the current time.
- 1.3 Unemployment has continued near to a 44 year low, edging up from 3.8% to 3.9% on the Independent Labour Organisation measure in June; however, that was caused by a rise in the participation rate to an all-time high. Job vacancies fell for a sixth consecutive month, hitting record levels, and indicating that employers are having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 1.8%.
- 1.4. In the political arena, if there is a general election soon, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.
- 1.5 President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not to be seen as the start of a series of cuts to ward off a downturn in growth. Financial markets are, however, expecting another cut in September. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to

46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

1.6 In respect of the Eurozone, Growth has been slowing from +1.9% during 2018 to +0.4% q/q (+1.2% y/y) in quarter 1 and then to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 5.2% y/y in June with car production especially being hit. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars. The ECB meeting in July expressed concern as to the weak outlook for growth and how low inflation was despite all the monetary stimulus the bank still has in place. The ECB is therefore expected to take action to cut its main rate of -0.4% further, but only marginally, and to look at the potential for more quantitative easing and/or other instruments of monetary policy to provide further stimulus to economic growth. On the political front, Spain and Italy are in the throes of trying to form coalition governments while the very recent results of two German state elections will put further pressure on the frail German CDU/SDP coalition government.

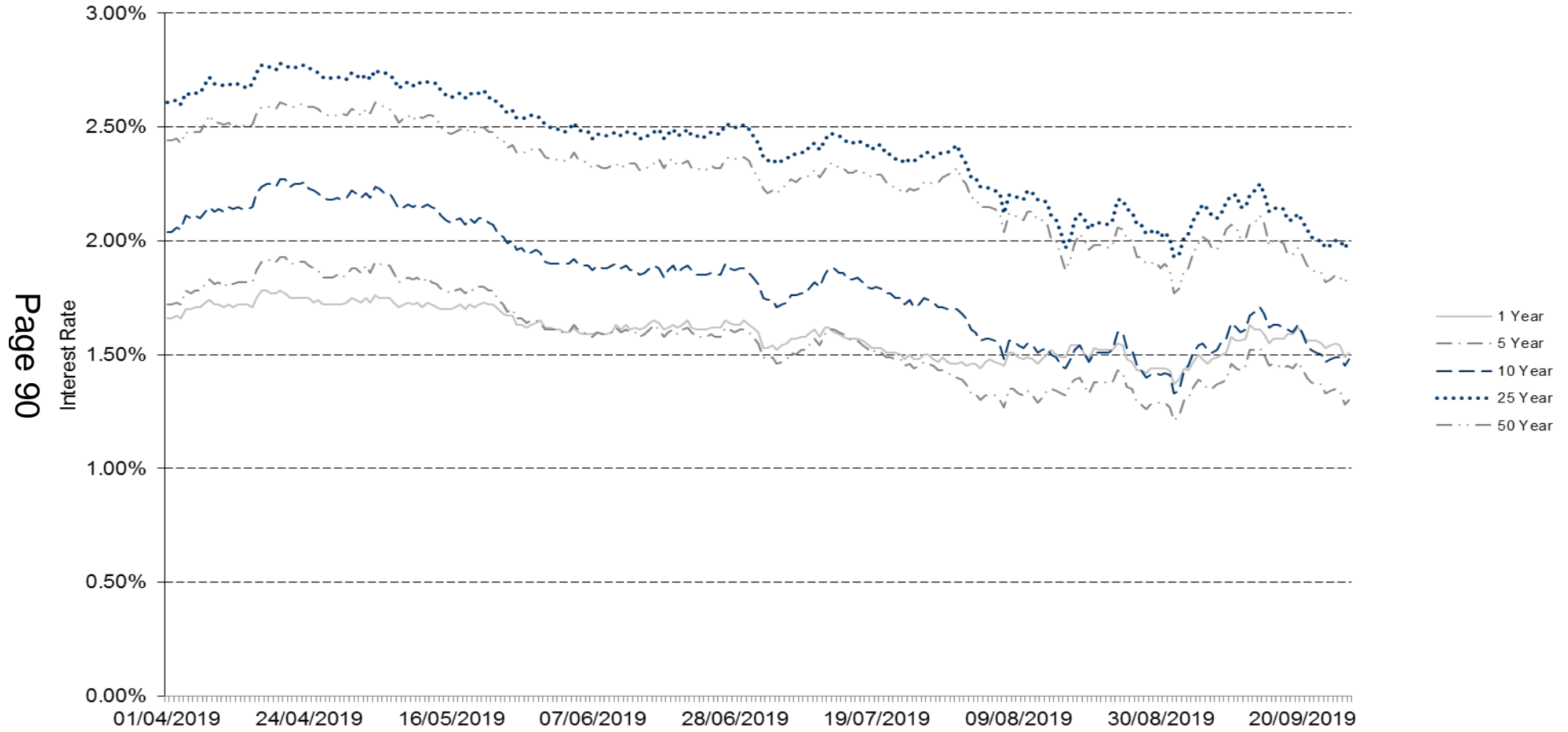
### 1.7 Interest Rate Summary

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its last meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That's shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a "gradual pace and to a limited extent" is now also conditional on "some recovery in global growth". Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth.

Link Asset Services Interest Rate View											
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	1.20	1.30	1.50	1.60	1.70	1.70	1.80	1.90	2.00	2.00	2.10
10yr PWLB Rate	1.50	1.60	1.80	1.90	2.00	2.00	2.10	2.20	2.30	2.30	2.40
25yr PWLB Rate	2.10	2.30	2.40	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00
50yr PWLB Rate	2.00	2.20	2.30	2.40	2.50	2.60	2.60	2.70	2.80	2.90	2.90

# PWLB Interest to September 2019

## APPENDIX 2



APPENDIX 3

TREASURY MANAGEMENT PRUDENTIAL INDICATORS 2019-20  
PERFORMANCE TO 30<sup>TH</sup> SEPTEMBER 2019

	Original £m	Minimum In Year to 30 Sept 2019 £m	Maximum In Year to 30 Sept 2019 £m
<b>Operational Boundary for External Debt:</b>			
Borrowing	£1,991	£1,282	£1,392
Other Long Term Liabilities	£0	£0	£0
<b>Authorised Limit for External Debt:</b>			
Borrowing	£2,203	£1,282	£1,392
Other Long Term Liabilities	£0	£0	£0
	<b>Actual as at 30 Sept 2019</b>		
<b>Authority has adopted CIPFA's Code of Practice for Treasury Management in the Public Services</b>	Yes		Yes
<b>Upper Limits for Interest Rate Exposure:</b>			
Net Borrowing at Fixed Rate as a percentage of Total Net Borrowing	100%		124%
Net Borrowing at Variable Rate as a percentage of Total Net Borrowing	50%		-4%
<b>Upper Limit for Principal Sums Invested for over 364 days</b>	£0		£0

<b>Maturity structure of Fixed Rate Borrowing</b>	<u>Lower Limit</u>	<u>Upper Limit</u>	<b>Actual as at 30 Sept 2019</b>
	<b>2019-20 Original</b>	<b>2019-20 Original</b>	
under 12 months	0%	50%	1%
12 months and within 24 months	0%	50%	3%
24 months and within 5 years	0%	50%	9%
5 years and within 10 years	0%	50%	20%
10 years and above	0%	100%	67%

## GLOSSARY OF TERMS

**Authorised Limit** this represents the limit beyond which borrowing is prohibited, and needs to be set and revised by the Authority. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some headroom for unexpected movements.

**Bank Rate** the rate at which the Bank of England offers loans to the wholesale banks, thereby controlling general interest rates in the economy.

**Counterparty** the other party involved in a borrowing or investment transaction.

**Credit Rating** a qualified assessment and formal evaluation of an institution's (bank or building society) credit history and capability of repaying obligations. It measures the probability of the borrower defaulting on its financial obligations, and its ability to repay these fully and on time.

**Discount** where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.

**Fixed Rate Funding** a fixed rate of interest throughout the time of the loan. The rate is fixed at the start of the loan and therefore does not affect the volatility of the portfolio, until the debt matures and requires replacing at the interest rates relevant at that time.

**Gilts** the loan instruments by which the Government borrows. Interest rates will reflect the level of demand shown by investors when the Government auctions Gilts.

**High/Low Coupon** High/Low interest rate

**LIBID (London Interbank Bid Rate)** this is an average rate, calculated from the rates at which individual major banks in London are willing to borrow from other banks for a particular time period. For example, 6 month LIBID is the average rate at which banks are willing to pay to borrow for 6 months.

**LIBOR (London Interbank Offer Rate)**. The interest rate at which banks offer to take short-term borrowing from other banks in the London interbank market.

**Liquidity** the ability of an asset to be converted into cash quickly and without any price discount. The more liquid a business is, the better able it is to meet short-term financial obligations.

**LOBO** Lender Option Borrower Option. Long-term borrowing deals structured in a such a way that a low rate of interest is usually offered for a short, initial period (anything from 1 year to 7 years), followed by a "step up" to a higher rate of interest (the "back end" interest rate), which is to be charged for the remainder of the loan period. The overall length of LOBOs is usually 50 or 60 years, but can be for shorter or

longer periods. After the “step up” date, and at set intervals thereafter, the lender (the bank) has the option of increasing the “back end” interest rate. Whenever this option is exercised, if the proposed new interest rate is unacceptable, the borrower (the Authority) can redeem the loan without penalty. The Treasurer has, more recently, looked at Vanilla LOBO loans, which have an interest rate which remains constant throughout the life of the loan, although still potentially subject to change at the lender’s option.

**Market** the private sector institutions - Banks, Building Societies etc.

**Maturity Profile/Structure** an illustration of when debts are due to mature, and either have to be renewed or money found to pay off the debt. A high concentration in one year will make the Authority vulnerable to current interest rates in that year.

**Monetary Policy Committee** the independent body that determines Bank Rate.

**Operational Boundary** this indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an early warning indicator to ensure the Authorised Limit is not breached.

**Premium** where the prevailing current interest rate is lower than the fixed rate of a long-term loan, which is being repaid early, the lender can charge the borrower a premium. This is calculated on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.

**Prudential Code** the Local Government Act 2003 requires the Authority to ‘have regard to’ the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Authority’s capital investment plans are affordable, prudent and sustainable.

**PWLB** Public Works Loan Board. An institution managed by the Government to provide loans to public bodies at rates which reflect the rates at which the government is able to sell Gilts.

**Specified Investments** Sterling investments of not more than one-year maturity. These are considered low risk assets, where the possibility of loss of principal or investment income is very low.

**Non-specified investments** investments not in the above, specified category, e.g., foreign currency, exceeding one year or outside our minimum credit rating criteria.

**Variable Rate Funding** the rate of interest either continually moves reflecting interest rates of the day, or can be tied to specific dates during the loan period. Rates may be updated on a monthly, quarterly or annual basis.

**Volatility** the degree to which the debt portfolio is affected by current interest rate movements. The more debt that matures in the year and needs replacing, and the more debt subject to variable interest rates, the greater the volatility.

Yield Curve a graph of the relationship of interest rates to the length of the loan. A normal yield curve will show interest rates relatively low for short term loans compared to long term loans. An inverted Yield Curve is the opposite of this.