

## GREATER MANCHESTER AUDIT COMMITTEE

**DATE:** Friday, 20th November, 2020

**TIME:** 10.00 am

**VENUE:** This meeting will be held virtually via MS Teams and will be live-streamed for public view. The link to watch the meeting is available on the meetings page of the GMCA website.

### AGENDA

**1. WELCOME AND INTRODUCTIONS**

**2. DECLARATIONS OF INTEREST** 1 - 4

**3. MINUTES** 5 - 10

To consider the approval of the Minutes of the meeting held on 8 September 2020

**4. JOINT AUDIT PANEL - 10 SEPTEMBER 2020** 11 - 14

To note the Minutes of the Joint Audit Panel held on 10 September 2020

**5. ANNUAL GOVERNANCE STATEMENT - FINAL 2019-2020** 15 - 40

Report of Liz Treacy, GMCA Solicitor and Monitoring Officer and Steve Wilson, GMCA Treasurer

**6. ANNUAL ACCOUNTS UPDATE - TO FOLLOW**

Report of Steve Wilson, GMCA Treasurer

**7. ASSESSMENT OF GOING CONCERN STATEMENT** 41 - 52

Report of Steve Wilson, GMCA Treasurer

<b>BOLTON</b>	<b>MANCHESTER</b>	<b>ROCHDALE</b>	<b>STOCKPORT</b>	<b>TRAFFORD</b>
<b>BURY</b>	<b>OLDHAM</b>	<b>SALFORD</b>	<b>TAMESIDE</b>	<b>WIGAN</b>

Please note that this meeting will be livestreamed via [www.greatermanchester-ca.gov.uk](http://www.greatermanchester-ca.gov.uk), please speak to a Governance Officer before the meeting should you not wish to consent to being included in this recording.

- |            |   |           |
|------------|---|-----------|
| <b>8.</b>  | <b>GMCA TREASURY MANAGEMENT INTERIM REPORT 2020/21</b>                                  | 53 - 72   |
|            | Report of Steve Wilson, GMCA Treasurer  |           |
| <b>9.</b>  | <b>RISK MANAGEMENT FRAMEWORK</b>  | 73 - 98   |
|            | Report of Sarah Horseman, Head of Audit and Assurance                                   |           |
| <b>10.</b> | <b>CORPORATE RISK REGISTER UPDATE</b>   | 99 - 114  |
|            | Report of Steve Wilson, GMCA Treasurer and Sarah Horsemann, Head of Audit and Assurance |           |
| <b>11.</b> | <b>INTERNAL AUDIT PROGRESS REPORT</b>   | 115 - 136 |
|            | Report of Sarah Horseman, Head of Audit and Assurance                                   |           |

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: Steve Annette



This agenda was issued on 12 November, 2020 behalf of Julie Connor, Secretary to the  
Greater Manchester Combined Authority, Churchgate House, 56 Oxford Street,  
Manchester M1 6EU

**AUDIT COMMITTEE – 20 NOVEMBER 2020**

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 be 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 IS 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 8 SEPTEMBER 2020 VIA MICROSOFT TEAMS**

### **PRESENT:**

Gwyn Griffiths	Independent Member (Chair)
Councillor Mary Whitby	Bury Council
Councillor Sarah Russell	Manchester City Council
Councillor Tom McGee	Stockport Council
Catherine Scivier	Independent Member
Grenville Page	Independent Member
Susan Webster	Independent Member

### **ALSO PRESENT:**

Daniel Watson	Mazars External Auditor
Mark Dalton	Mazars External Auditor

### **OFFICERS:**

Steve Wilson	GMCA Treasurer
Rachel Rosewell	GMCA Deputy Treasurer
Damian Jarvis	GMCA Internal Audit
Helen Fountain	Principal Finance Manager, GMCA
Lindsey Keech	GMCA
Gwynn Williams	Deputy Monitoring Officer, GMCA
Lee Teasdale	GMCA Governance and Scrutiny
Steve Annette	GMCA Governance and Scrutiny

### **AC/27/20      WELCOME AND INTRODUCTIONS**

Steve Annette, Senior Governance and Scrutiny Officer opened up the meeting and welcomed everyone to the Audit Committee. He then explained how the virtual meeting would be conducted and the procedure and protocols to be adopted throughout the duration of the meeting.

### **AC/28/20      DECLARATIONS OF INTEREST**

#### **RESOLVED /-**

1. There were no items of personal or prejudicial interests declared in relation to any item on the agenda.

**AC/29/20      MINUTES OF THE GMCA AUDIT COMMITTEE MEETING HELD ON 30 JUNE 2020**

The Chair referred to issues identified to be followed up in Minute 17/20 Whistleblowing. Officers reported no obvious trends at present within the organisation; 18/20 Audit Action Follow-up – reported that issues raised will be picked up as part of Audit Tracker report later in the agenda, and 20/20 Internal Audit Plan and impact of cross-departmental Mayoral Priorities, reported that the issues were still outstanding and being worked through with the Senior Management Team in terms of audit requirements.

**RESOLVED/-**

1. That the minutes of the meeting of the GMCA Audit Committee held on 30 June 2020, be approved as a correct record.

**AC/30/20      DRAFT MINUTES OF THE GMCA/GMP JOINT AUDIT PANEL HELD ON 31 JULY 2020**

The Chair asked for an explanation of the reference in the minutes to the 'Care Disclosure Report'. Officers indicated that this was about the sharing of sensitive information between GMP and other agencies within the Criminal Justice System, and an evaluation of any issues arising from information security.

**RESOLVED/-**

1. That the draft minutes of the Joint Audit Panel held on 31 July be noted.

**AC/31/20      ANNUAL GOVERNANCE STATEMENT 2019-2020**

The GMCA Monitoring Officer and GMCA Treasurer introduced the latest version of the GMCA draft 2019/2020 Annual Governance Statement. The AGS had been revised and streamlined in line with current CIPFA guidance, reflected best practice in the field, and responded so far as is possible to the current Covid-19 financial environment and the likely Covid-19 landscape going forward.

A Member suggested with reference to the areas of focus highlighted in the report, that whilst it is appropriate that Internal Audit exercises an advisory function in relation to whistleblowing, lead responsibility needed to be clearly identified as a management or executive function. Officers accepted the point and undertook to articulate the 'lead' responsibilities more clearly, and ensure that each area has an executive lead.

Members asked if it would be possible to include a percentile indication in Section 6 to enable the Committee to quantitatively monitor the rate of completion of Improvement Plan actions.

A member asked whether the governance arrangements put in place in response to Covid-19 were considered sufficiently robust. Officers indicated that no thorough assessment had so far been possible in view of the rapidly emerging and changing landscape of the pandemic, though going forward it would clearly be helpful to have a review of effectiveness of all the processes and governance arrangements in place under the emergency legislation, that should form part of



the review processes of the Risk Register. Officers agreed that an indication ought to be reflected in the current AGS to give reassurance that the Authority is looking at this as part of the existing resilience and governance process.

It was noted that the final version of the Annual Governance Statement was to be considered at a future meeting of the Committee.

**RESOLVED/-**

1. That the draft Annual Governance Statement be endorsed and submitted to the November 2020 meeting for approval.

**AC/32/20      GMCA ACCOUNTS AND RELATED DOCUMENTS 2019/20**

The GMCA Treasurer introduced a suite of inter-related reports and led members through key issues and areas of concern by way of a visual presentation –

**Unaudited Annual Statement of Accounts 2019/20** – which presented Members with the GMCA draft 2019/2020 Statement of Accounts and set out the process for approval of those accounts once finalised.

**Treasury Management Annual Report 2019/20** – that described the Treasury Management activities of GMCA 2019/20

**Assessment of Going Concern Statement** – which informed Members of an assessment of the GMCA as a going concern for the purpose of producing the Statement of Accounts 2019-20 and provided assurance on the GMCA's status as a 'going concern'.

The GMCA Treasurer indicated from the outset that some uncertainties were inevitably present in the financial accounts, and particularly in terms of financial forecasts, in the light of the Covid-19 emergency. Issues about the 'Going Concern Statement; pensions (McLeod issue) and valuation of fixed assets were each important elements in the accounts, and these were acknowledged by the auditors as being national issues common to all authorities. He reminded the Committee that the normal timetable for the presentation of the accounts had been delayed this year and that the target now was to present the audited accounts for 2019/20 by 30th November, and a further meeting of the Audit Committee would be convened before that date when those audited accounts could be scrutinised.

The GMCA Treasurer outlined the specific impacts of the Covid-19 emergency, principal of which for GMCA was in relation to the collection of Business Rates where income of £35M had been expected to add to the existing Business Rate reserve of £63M, whereas the latest forecast assumes zero income in the current year; no commitments had been made in respect of the expected income. There were also issues around reduced Metrolink passenger numbers during the emergency, which is funded in full by Government until end of October, officers were modelling a range of scenarios beyond October to assess the inevitable long-term financial implications and to present options for member consideration in due course.

The Auditors indicated that the formal audit had only commenced this week and it was not possible to comment on issues in specific terms at this stage, but there were clearly areas of concern and uncertainty in specific areas, notably the position in relation to Metrolink.

Specific issues were then raised by members to which the GMCA Treasurer and the auditors made responses –

- Reference was made to individual companies excluded from the financial consolidation, and a member was concerned to be reassured that there were no reputational or ethical risks involved for the Authority from the activities of those companies. The Treasurer was able to give that reassurance, indicating that any emerging areas of risk or changes in circumstances would be dealt with through existing risk management processes.
- The GMCA Treasurer was asked whether recent reductions in base rates had impacted significantly on interest generated from invested reserves, and if this would necessitate any additional requirements for borrowing or rescheduling or re-financing of existing debt. The GMCA Treasurer indicated that there was no immediate impact over the next 6 months or so, but the position was being carefully monitored particularly around future borrowing requirements.
- Discussion ensued about the impacts of Covid-19 on local authority budgets. Officers indicated that the Comprehensive Funding Review will reflect the Government's expenditure commitments in response to Covid-19 and related negative impacts on revenue income, and these will in turn be a key influence on local authority financial settlements for 2021/22. Whilst the GMCA financial position remained reasonably robust there was likely to be curtailment of local authority expenditure going forward which may have consequences for reserves, and the GMCA Treasurer outlined on-going discussions with colleague treasurers in the districts to review GMCA reserve budgets and to identify the scope for return of elements of reserves to assist the districts to meet the financial challenge they are likely to face in formulating local budgets for 2021/22.

#### **RESOLVED/-**

1. That the Committee notes at this stage the GMCA unaudited draft statement of accounts for 2019/20.
2. That the Treasury Management Annual report be noted.
3. That the outcome of the assessment of the GMCA's status as a 'going concern' for the purpose of the draft statement of accounts 2019/20 be noted.
4. That, in consultation with the Chair, arrangements be made for a meeting of the Committee to be convened before 30<sup>th</sup> November 2020 for considering, and, if so determined, approving the audited accounts for 2019/20.

#### **AC/33/20 INTERNAL AUDIT PROGRESS REPORT**

Damian Jarvis, GMCA, introduced a report that informed Members of the progress to date in the delivery of the Internal Audit Plan for 2020/21. It is also used as a mechanism to approve and provide a record of changes to the internal audit plan. Overall, the Audit Plan was broadly on track.

The Chair made reference to the final report on the Housing Investment Loan Fund, and draft reports of Fire Fighters' Pension Review and the GM Temporary Mortuary Facility, and

officers confirmed that there were no specific financial or governance findings that the Audit Committee needs to be concerned about at this stage.

The Committee also noted that the commissioning of work in respect of Mayoral Advisors that reflects concerns expressed about the process for appointments.

**RESOLVED/-**

1. That the report be noted at this stage.

**AC/34/20 INTERNAL AUDIT TRACKER REPORT**

The GMCA Treasurer introduced a report that advised Members of the progress to date in implementing and tracking the agreed actions from internal audit assignments.

Some significant delays have been involved in making progress or obtaining responses to actions in the current working climate. The Committee noted that there were currently 20 outstanding actions, six of which were considered to be partially implemented, and twelve classified as presenting major or significant issues to progress. Officers continued to be in close collaborative assistance to secure compliance with actions emanating from previous audits.

**RESOLVED/-**

1. To note the report.

**AC/35/20 WORK PROGRAMME**

**RESOLVED/-**

1. That the report be noted.

**AC/36/20 DATES OF FUTURE MEETINGS**

**RESOLVED/-**

1. To be determined in consultation with the Chair.

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## JOINT AUDIT PANEL

**Date:** 10<sup>th</sup> September 2020

**Time:** 11:00 – 12:00

**Venue:** Online Meeting

**Attendees** Peter Morris (Chair)  
Ian Cayton (Panel)  
John Starkey (Panel)

Assistant Chief Officer Lynne Potts (GMP)  
Janet Moores (GMP - Head of Finance)  
Matthew Innes (GMP - Deputy Head of Finance)  
Candice Simms (GMP - Minutes)

Steve Wilson (GMCA – Treasurer)  
Cath Folan (GMCA - Audit Manager (Police and Crime))

Mark Dalton (Mazars - Partner (Public Services))  
Amelia Payton (Mazars – Engagement Manager)

**Apologies** Sarah Horseman (GMCA - Head of Audit and Assurance)  
Hilary Pogson (Panel)  
Foluke Fajumi (Panel)

**M098/JAP Welcome & Apologies for Absence**

Apologies were noted from Sarah Horseman, Hilary Pogson and Foluke Fajumi.

**M099/JAP Urgent Business (if any) at the discretion of the Chair**

None raised.

**M100/JAP Declarations of Interest**

None raised.

**M101/JAP Approval of July 2020 minutes and actions**

The Panel approved the previous minutes as a true and accurate record.

**M102/JAP External Audit Completion Report**

Mazars provided an overview of the External Audit Completion Report for GMP for 2019/20. Subject to the satisfactory completion of the outstanding work, Mazars anticipates issuing an unqualified opinion, without modification, on the financial statements. The anticipated Value for Money conclusion indicates that the Chief Constable had proper arrangements in place to secure economy, efficiency and effectiveness in its use

of resources. Mazars noted there were positive outcomes across all areas of external audit responsibility under the Code of Audit Practice. Mazars thanked GMP for their assistance throughout the audit, particularly given the circumstances surrounding COVID-19.

It was noted the accounts for 2019/20 cannot be signed off until Mazars receive an assurance letter from the auditor of the Greater Manchester Pension Fund following the completion of their audit, evidence requested from the pension payroll administrator XPS is also pending. Assurances are expected to be received during the week commencing 14<sup>th</sup> September. A revised actuarial report based on the government's proposed remedy for the 'McCloud' case has now been published. The revised valuation indicated that the net liabilities of the Chief Constable had reduced by £82.270m. This has been included within GMPs accounts presented at today's Joint Audit Panel.

Mazars are currently awaiting group instructions from the National Audit Office (NAO) in relation to the whole of government accounts. GMPs return is part of the GMCA return, but as the NAO are yet to confirm that there will be no changes for the prior year audit arrangements, the audit certificate cannot be issued until instruction has been received from the NAO; this is estimated for the end of September.

The report informs of a mis-posting within GMPs accounts, which on correction reduces both the funding from the Mayor and the cost of policing services. This charge was made to GMP from the GMCA and relates to depreciation and revaluation of land and buildings, which initially went through unnoticed but was quickly rectified following the Joint Audit Panel meeting in June. The Panel were assured that this mistake would not transpire at the final stage of publishing the audited accounts, as thorough checks are made by GMP and Mazars.

The Panel noted it may be helpful for the public to be provided with a summary of the accounts, which would incorporate comparisons across previous years to help understand the funding changes with regards to austerity.

ACTIONS: Mazars to liaise with other blue light colleagues to source any examples of short form summary accounts.

#### **M103/JAP      Chief Constables Final Statement of Accounts 2019/20**

GMP summarised the Amendments to Financial Statements of the Chief Constable of Greater Manchester Police (pg. 106-107). As noted in the report, the overall impact of these adjustments on the financial statements previously presented is to increase total comprehensive income by £95.398m and reduce net liabilities on the balance sheet by £95.398m. Details of the impact of these amendments on the core financial statements can be found within the papers.

GMP informed members that delays with payroll queries were an effect of COVID-19, as the team were not set up to work from home when the regulations changed earlier this year.

#### **M104/JAP      Management Assessment of Going Concern**

GMP discussed the letter (pg. 109 – 112) which expresses an opinion as to whether the financial statements have been prepared on a going concern basis. The letter summarises how the Force has a clear plan in place to mitigate the current overspend, and has sufficient reserves to balance the budget in the short term if required. It is therefore considered appropriate to prepare the Chief Constable's Statement of Accounts for 2019/20 on a going concern basis. GMP conclude how the Statement of Accounts 2019/20 demonstrates the Force is performing effectively and is in a good position to respond to the current and emerging challenges.

Mazars noted there are live conversations ongoing with clients in the government sector asking treasurers to reconsider going concern post COVID-19. Through discussions with management to create this letter/report, and assurance from the GMCA and other audit procedures, Mazars are comfortable there is no material uncertainty in relation to going concern that would require additional disclosures within GMPs accounts.

The Panel thanked all parties for their contributions in preparing and auditing the accounts to a good standard.

It was noted members of the Panel will be in attendance at the Chartered Institute of Public Finance and Accountancy (CIPFA) Webinar for Audit Committee Members in the Police Sector on 1<sup>st</sup> October.

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## **GMCA Audit Committee**

Date: 20 November 2020

Subject: GMCA – 2019/20 Annual Governance Statement

Report of: Liz Treacy, GMCA Monitoring Officer and Steve Wilson, GMCA Treasurer

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### **PURPOSE OF REPORT**

To provide the Committee with the GMCA 2019/2020 Annual Governance Statement (AGS), attached at Appendix A, to accompany the GMCA Statement of Accounts.

The draft AGS was considered and endorsed, pending minor amendments, by the Audit Committee at its meeting on 8 September 2020.

### **RECOMMENDATIONS:**

The Audit Committee is requested to:

Approve the GMCA 2019/20 Annual Governance Statement which is to be signed by the Mayor and the Chief Executive of the GMCA and published with the GMCA's Statement of Accounts for 2019/20.

### **CONTACT OFFICERS:**

**Liz Treacy, Monitoring Officer, GMCA,**  
[l.treacy@greatermanchester-ca.gov.uk](mailto:l.treacy@greatermanchester-ca.gov.uk)

**Steve Wilson, Treasurer to GMCA,**  
[Steve.wilson@greatermanchester-ca.gov.uk](mailto:Steve.wilson@greatermanchester-ca.gov.uk)

**Gwynne Williams, Deputy Monitoring Officer, GMCA,**  
[williamsg@manchesterfire.gov.uk](mailto:williamsg@manchesterfire.gov.uk)

Risk Management – The AGS forms part of GMCA’s risk management arrangements.

Legal Considerations – Legal requirements are referred to throughout the AGS

Financial Consequences – None

Number of attachments included in the report: One (Annual Governance Statement)

**BACKGROUND PAPERS:** GMCA Constitution –

<https://democracy.greatermanchester-ca.gov.uk/documents/s4351/GMCAConstitution2019.pdf>

TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		No
EXEMPTION FROM CALL IN		
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	

**ANNUAL GOVERNANCE STATEMENT 2019-20**

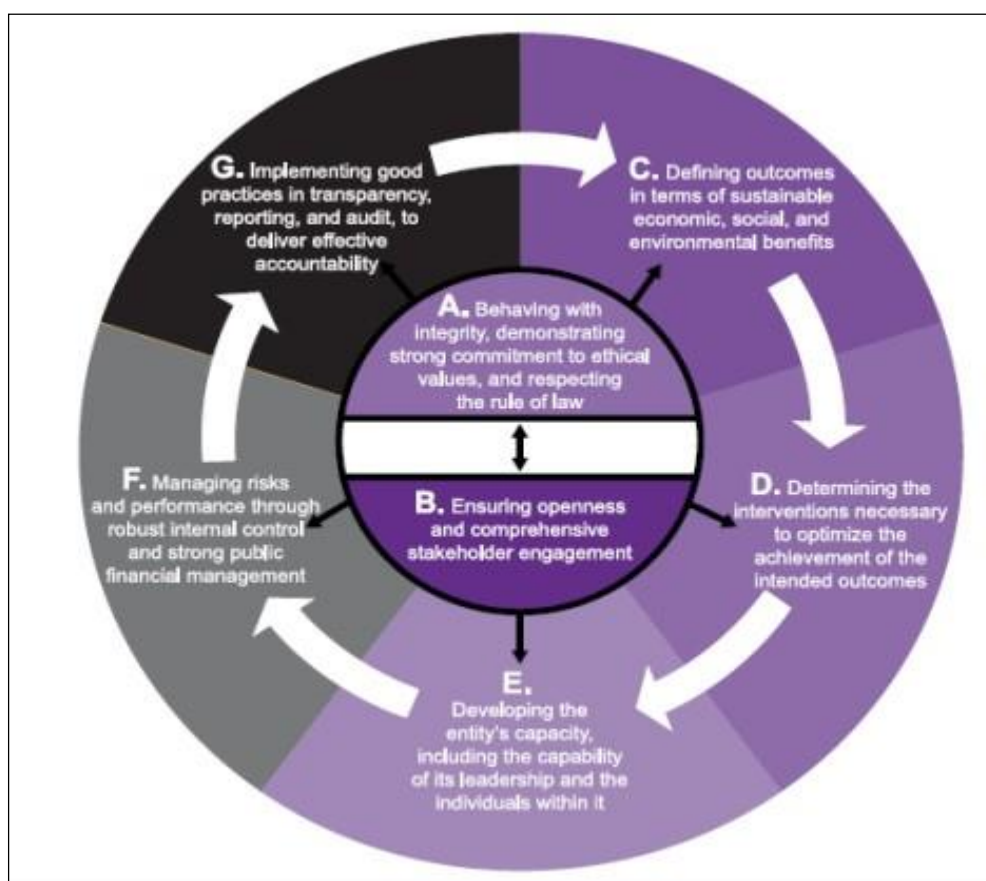
**CONTENTS**

1. Introduction & Purpose of the Annual Governance Statement
2. GMCA Legislative, Strategic and Policy Context
3. Legislative Arrangements during Covid-19 Pandemic
4. Scope of Responsibility
5. Governance Review Activity 2019/2020
6. Progress in Addressing the Challenges Identified in the 2018/2019 Annual Governance Statement
7. Areas for Focus in 2020/2021
8. Summary

Appendix - CIPFA SOLACE – Good Governance Principles

## 1. INTRODUCTION

1.1 The Annual Governance Statement sets out how the Greater Manchester Combined Authority (GMCA) meets its governance standards detailed in the [Code of Corporate Governance](#). It also describes how it meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement to accompany the Annual Accounts. It is a document which looks back retrospectively over the past year and identifies where the GMCA has demonstrated good governance, and looks forward as to areas where focus should be given in relation to governance over the coming year. The GMCA's corporate governance framework is structured around the seven good governance principles set out in the 2016 CIPFA guidance (see fig.1):



**Fig.1 Seven Principles of Good Governance**

## 2. LEGISLATIVE, STRATEGIC AND POLICY CONTEXT

2.1 The GMCA was established on 1 April 2011 by the Greater Manchester Combined Authority Order 2011 and comprised of ten members, being the Leaders of the constituent councils. The GM Mayor was elected on 4<sup>th</sup> May 2017, and will remain in

office until May 2021 when the rescheduled GM Mayoral election is due to take place. The Mayor is the chair and 11<sup>th</sup> member of the GMCA. The Mayor also appoints the Deputy Mayor for Policing and Crime who has substantial delegated authority covering policing and crime. All members have clear portfolio responsibilities as listed below:

<b>Member</b>	<b>Representing</b>	<b>Portfolio Responsibility</b>
Mayor Andy Burnham	GM Mayor	Strategy, Transport & Reform
Baroness Beverley Hughes	Deputy Mayor	Safe & Strong Communities
Cllr David Greenhalgh	Bolton	Culture
Cllr Eamonn O'Brien	Bury	Young People & Cohesion
Sir Richard Leese	Manchester	Health & Care
Cllr Sean Fielding	Oldham	Employment, Skills & Digital
Cllr Allen Brett	Rochdale	Community Co-ops & Inclusion
Mayor Paul Dennett	Salford	Housing & Homelessness
Cllr Elise Wilson	Stockport	Economy
Cllr Brenda Warrington	Tameside	Age-Friendly GM & Equalities
Cllr Andrew Western	Trafford	Green City Region
Cllr David Molyneux	Wigan	Resources & Investment

2.2 Each GMCA member appointed by a constituent council may appoint an elected member of another constituent council to act as an assistant portfolio holder whose duties will be to provide support and assistance to the GMCA member in the carrying out of that member's duties in respect of the portfolio responsibilities allocated by the Mayor. Portfolio Assistants also have the right to attend meetings of the GMCA and speak but they have no voting rights. This is set out in the constitution.

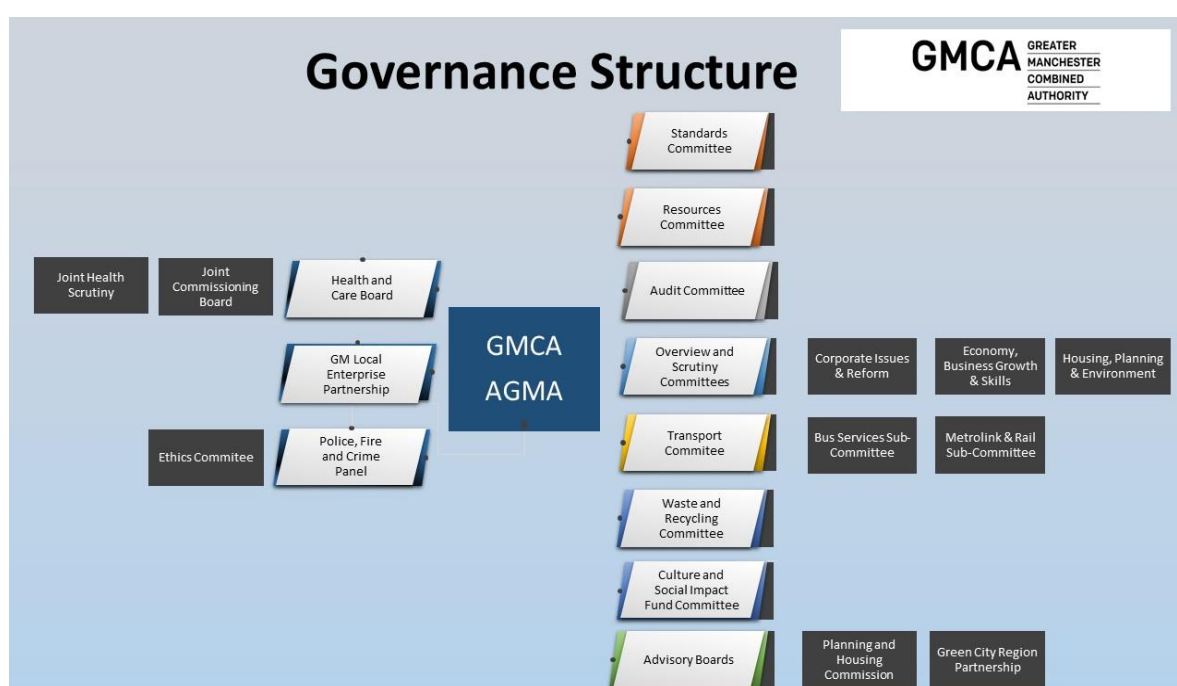
2.3 On public service issues the GMCA members and the Mayor each have one vote, and generally questions are decided by a majority vote. Questions on matters requiring a vote of more than a simple majority are set out in the 2011 Order. The Mayor is required to consult members of the GMCA on his strategies. The GMCA also examines the Mayor's (non-Police and Crime) spending plans and is able to amend those plans if two-thirds of members agree to do so.

2.4 The GM Local Enterprise Partnership (LEP) is a private sector-led voluntary partnership, with a core function to provide strategic leadership and private sector insight (alongside the GMCA) to help deliver the city region's growth ambitions. The GM LEP jointly owns (along with the GMCA and voluntary sector) the Greater Manchester Strategy (GMS) and is responsible for providing strategic direction to ensure that the strategy is successfully delivered.

2.5 The GMCA and the Constituent Councils are members of the Association of Greater Manchester Authorities (AGMA). They have entered into joint arrangements, including an Operating Agreement, and the establishment of a joint committee

called the AGMA Executive Board, which oversees the work and strategic direction of AGMA, leads on policy, and has delegated decision-making powers from the 10 Greater Manchester councils. AGMA has the same membership at the GMCA.

2.6 A range of statutory and non-statutory member-led committees and boards sit below the GMCA and LEP, with responsibility for overseeing work in relation to the various portfolios. The three Overview and Scrutiny Committees each have 15 members and responsibility for Corporate Issues and Reform; Economy, Business Growth and Skills; and Housing, Planning and Environment. The GMCA Audit Committee, as a statutory body, plays a key role in overseeing risk management; governance systems and financial management. The GM Transport Committee oversees the travel services provided by Transport for Greater Manchester (TfGM).



**Fig.2 Governance Structure**

### **3. LEGISLATIVE ARRANGEMENTS DURING COVID-19 PANDEMIC**

3.1 Within the UK, a disaster response system exists, underpinned by the Civil Contingencies Act 2004. The system helps to support the coherent and integrated emergency response and recovery between national and local levels. At a local level, the backbone of this system is partnership working through a Strategic Coordinating Group and its associated structures, together with a Recovery Coordinating Group and appropriate sub-groups. These, in turn, are recognised and supported by MHCLG and other Government Departments, assisting a two-way dialogue in the emergency that is additional to more normal day-to-day arrangements.

- 3.2 Although GM is well practised in working in this way across a wide range of emergencies, the current Covid-19 emergency has a range of specific characteristics that has required GM to keep the emergency structures under review and to ensure that they link across into established governance and decision-making arrangements. The emergency structures are designed to support and not replace local 'business-as-usual' systems.
- 3.3 Contrary to the majority of emergencies experienced since the introduction of the current UK framework, the Covid-19 emergency required a whole system response, affecting the whole of society and requiring sustained effort over at least the next 2 years based on current projections. It is also unlikely to transition from a relatively short response directly into a longer-term recovery, and there may be a need for recurrent response activity during the recovery period. Therefore, it is likely to require flexibility in future structures and approaches to facilitate the reinstatement of business as usual as Government legislation and regulations change and the UK moves to a new normality.
- 3.4 In response to the Covid-19 emergency, GM had established a multi-agency response structures that dovetailed with the national emergency response framework, whilst also being adapted to address local need. A C19 Executive Group, co-chaired by the Chief Constable of GMP and the Chief Executive of GMCA, has been sitting since early March with districts strongly engaged through Chief Executive portfolio leads and a local authority Chief Officers Group. A GM Strategic Coordinating Group (SCG) chaired by the Assistant Chief Constable, supports the C19 Executive and had in turn, established a number of thematic sub-groups, emergency operation cells and sector coordination groups. In line with UK doctrine, a Recovery Coordinating Group (RCG) was set up in the early stages of the response, and has been running in parallel with the C19 Executive. The C19 Executive and RCG work closely together, with the Chair of the RCG sitting on the C19 Executive.
- 3.5 The structures are subject to ongoing reviews and will continue to evolve as appropriate in line with the nature of the crisis.
- 3.6 With regard to GMCA decision making during the Covid-19 Emergency, the GMCA Constitution gives delegated authority to the Head of Paid Service, to take any action which is required as a matter of urgency in the interests of the GMCA, in consultation (where practicable) with the Chair of the GMCA. These decisions have been published in accordance with usual practice.
- 3.7 The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 came into effect on the 4 April 2020. These Regulations remove the requirement for local authorities to only hold meetings in person, make provision for

members of local authorities to attend meetings remotely and for public and press access to these meetings.

- 3.8 Following the development of a technical solution and the required procedures and protocols, virtual meetings of the GMCA and its committees have been held. The regulations will apply to local authority meetings held before 7th May 2021.

#### **4. SCOPE OF RESPONSIBILITY**

- 4.1 The GMCA's Code of Corporate Governance sets out how the GMCA operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Code of Corporate Governance can be found on p196 of the [GMCA Constitution](#).<sup>1</sup>
- 4.2 The Annual Governance Statement demonstrates how the GMCA is delivering its services in the right way in a timely, inclusive and accountable manner and will be certified by the GMCA Chief Executive and the Mayor, after consideration of the draft by the GMCA Audit Committee. GMCA's external auditor reviews the Annual Governance Statement as part of the assessment of their value for money conclusion.
- 4.3 The GMCA's governance framework comprises the legislative requirements, principles, management systems and processes – including the GMCA's Constitution, Operating Agreement and Protocols – and cultures and values through which the Authority exercises its leadership, fulfils its functions, and by which it is held accountable for its decisions and activities.
- 4.4 The following sections of this document describe how the GMCA fulfils the requirements set out in the seven principles of good governance.

#### **5. GOVERNANCE REVIEW ACTIVITY 2019/20**

##### **GMCA Audit Committee and GM Joint Audit Panel**

- 5.1 The GMCA Audit Committee is responsible for overseeing the effective operation of the systems of governance including risk management, internal control, and treasury management. It is a legal requirement for the GMCA to have an Audit Committee as this also ensures a high standard of openness and transparency. The Committee met five times during 2019/20 and discussed a range of matters including the Risk

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<sup>1</sup> <https://www.greatermanchester-ca.gov.uk/who-we-are/accounts-transparency-and-governance/>



Strategy & Register, the Treasury Management Strategy Statement & Activities and the Statement of Accounts for the GMCA and associate bodies.

5.2 The GMCA Audit Committee oversees all aspects of GMCA including Mayoral functions. In line with the Home Office Financial Management Code of Practice. The Mayor has also established a Greater Manchester Joint Audit Panel which oversees the control environment of the Chief Constable and the GMCA (Police and Crime) functions, performing the functionality of an Audit Committee. The Panel assists the Mayor in discharging his statutory responsibilities to hold the Chief Constable to account and to help deliver an effective policing service. To minimise duplication and bureaucracy and to maximise value for money shared internal audit arrangements are in place to support the Mayor and the Chief Constable. The GMCA Audit Committee receives the minutes of the Audit Panel as part of its agenda.

### **Head of Audit and Assurance Annual Opinion 2019/20**

5.3 Based on the work undertaken by Internal Audit in respect of 2019/20 the opinion of the Head of Audit and Assurance on the overall adequacy and effectiveness of GMCA's framework of governance, risk management and control was limited (by volume). Audit work undertaken was significantly less than anticipated in the agreed Internal Audit Plan. This was due to limited internal audit resource being available during the year whilst the in-house internal audit team was being established.

However, assurance can be taken from the internal audit work that was performed, of which:

- no individual assignment reports were rated as "No Assurance"
- no critical risk findings were identified
- work undertaken covered a range of the key risks within the organisation
- any high risk rated findings were isolated to specific activities and were/are scheduled to be implemented in line with agreed timescales

Assurance can also be taken from other external and internal sources of assurance, including HMICFRS, ICO and GMFRS second line assurance activities.

### **Annual Review of the System of Internal Audit 2019/20**

5.4 An assessment of the effectiveness of the Internal Audit Function has been undertaken by the Head of Audit and Assurance and considered and endorsed by the Audit Committee. That assessment concluded that whilst the extent of Internal Audit work has been limited in 2019/20 due to the establishment of the team, the work that was performed was in conformance with PSIAS.

A Quality Assurance and Improvement Programme has been implemented within the Internal Audit Team for 2020/21, which will assist in the monitoring and evaluation of the effectiveness of the team moving forwards.

The GMCA Audit Committee reviewed the assessment at its meeting on 30 June 2020 and endorsed the actions proposed to ensure ongoing effectiveness and quality of the GMCA Internal Audit service.

### **GMCA Standards Committee**

5.5 The GMCA has a Standards Committee to deal with matters of conduct and ethical standards regarding members of the Greater Manchester Combined Authority and its committees should they arise. It also provides a reviewing function for key policies in relation to the behaviour and actions of elected members whilst serving in their Greater Manchester capacities. The Committee has considered the Committee on Standards in Public Life – Annual Report, reviewed the GMCA Members Code of Conduct at their meetings this year, and have made a number of recommendations with regard to ensuring that Members adhere to their responsibilities in line with the Code of Conduct.

## **6. PROGRESS IN ADDRESSING THE CHALLENGES IDENTIFIED IN THE 2018/19 ANNUAL GOVERNANCE STATEMENT**

<b>Action Identified in 2018/19</b>	<b>Progress Made</b>
Progress the embedding of a Service Improvement Plan for the GMFRS – addressing the areas of concern raised by Her Majesty’s Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).	<p>GMFRS was inspected by HMICFRS in Tranche 2 of its 2018/19 inspection programme, with the final inspection report received in June 2019. Following the publication of the inspection report GMFRS developed both an external and internal action plan. The plans were developed in conjunction with directorates to ensure all key activities and timescales were captured along with any gaps identified to monitor progress and support the implementation of further improvements.</p> <p>GMFRS’ second inspection was planned to take place in September 2020, but in March, HMICFRS confirmed suspension of their planned inspection regime, resulting in the postponement until late 2021. Since the inspection, significant work has been undertaken by the Service, primarily in conjunction with the</p>

	<p>Programme for Change activities, and addressing the findings set out in the HMICFRS Inspection Report.</p> <p>Prior to the pandemic, we were in the process of finalising all the activities and progress to-date ahead of the second inspection, but these activities were placed on hold as the Service reprioritised workloads and responded to the pandemic. As part of our recovery activities and the reintroduction of governance arrangements, we have commenced our strategic planning process with all directorates developing their functional action plans, each of which is focused on five key areas: Service Recovery, Workforce Recovery, Future Change including Programme for Change (PfC), HMICFRS and Other Priorities / Considerations. This process required each directorate to review their HMICFRS activities to ensure they were updated with progress to-date and delivery timescales, highlighting where appropriate, the impact of the pandemic against expected progress.</p> <p>The progress against the areas identified for improvement is ongoing and whilst not concluded in its entirety, have already delivered significant improvements.</p> <p>In June 2020 the Greater Manchester Combined Authority (Fire and Rescue Functions) (Amendment) Order 2020 came into force permitting the delegation of fire and rescue functions to the Deputy Mayor for Policing and Crime. The Deputy Mayor will be monitoring completion of actions against the HMICFRS Improvement Plan and a dashboard will be produced showing the status of actions.</p>
<p>Consider how GMFRS back office functions could be improved and better integrated to ensure that as the function was migrated – the most effective use of budgets and resources could be achieved.</p>	<p>The GMFRS Programme for Change has undertaken a whole service review and developed a proposed operating model for GMFRS together with a range of options to deliver savings for GMFRS, alongside investment required to deliver transformational change. As part of this</p>

	<p>back office functions have been reviewed and opportunities for use of technology to streamline processes and support service delivery with changes implemented as follows:</p> <p>Workstream: Business Admin/Support Services</p> <ul style="list-style-type: none"> <li>✓ Level 2 Administration structure implemented</li> <li>✓ Savings targets met in full for Admin, as per the OBC</li> </ul> <p>Workstream: Digital Delivery</p> <ul style="list-style-type: none"> <li>✓ Introduction of a 'sprint' approach to business analysis in key areas of change e.g. Prevention Safe &amp; Well assessment process and solutions</li> <li>✓ Upgrades and improvements to core business systems to support the achievement of PfC related business efficiencies</li> </ul> <p>Given the continued financial pressures, ongoing work will take place in all back office areas to support most effective use of the budgets and resources in these areas.</p>
To remain focussed on ensuring transparency by continuing to put in place measures that ensure meetings, papers and meeting all requirements of the Local Government Transparency Code.	The GMCA has introduced Modern.Gov agenda management system, which links to the public website and makes access to papers easier. All the GMCA public meetings are also livestreamed. During the pandemic, new regulations provide for the GMCA and bodies to hold virtual meetings, which are also shared via livestream in order to maintain transparency. The Covid-19 regulations apply to meetings held before 7th May 2021 and a review by Government will required prior to their expiry next May.
To undertake a review of governance – ensuring that decision-making processes were effective, unnecessary duplication removed and that best governance arrangements be strengthened.	A review of governance took place during 2018 & 2019. This included changes to the Transport Committee terms of reference and arrangements, which are now in place. The remainder of the review focused on non-statutory bodies

	<p>particularly those overseeing portfolios in order to streamline arrangements and avoid duplication. Portfolio arrangements are reviewed annually to ensure they are fit for purpose as GMs priorities change. The GMCA &amp; Mayor have also established new panels in relation to Equalities and the Youth Combined Authority.</p>
<p>Increase the level of integration between GMCA and TfGM following the adoption of a joint Chief Executive</p>	<p>The GMCA has reviewed the terms of reference of Transport governance and formed a new GM Transport Committee, which is a joint committee of the districts, the Mayor &amp; GMCA. This replaces the former Transport for GM Committee, which was a joint Committee of the districts and the GMCA. Joint approaches between TfGM and CA have been developed in relation to the integration of resources e.g. Communications, Strategy, Finance, Legal. This work continues to develop.</p> <p>There are a number of key roles now shared between GMCA and TfGM. These include:</p> <ul style="list-style-type: none"> <li>• Chief Executive</li> <li>• Director of HROD</li> <li>• Head of Audit and Assurance</li> <li>• Data Protection Officer</li> </ul> <p>These roles help improve collaboration, efficiency and sharing of good practice across both organisations.</p>

## 7. AREAS FOR FOCUS IN 2020/21

<b>Good Governance Principle</b>	<b>Action</b>	<b>Lead(s)/GMCA Officer Lead</b>
A. Behaving with Integrity, Demonstrating Strong Commitment to Ethical Values, and Respecting the Rule of Law	That the revised Whistleblowing Policy and Procedure be agreed and finalised; and that awareness of the policy and how to access it be embedded throughout the organisation.	Treasurer

A. Behaving with Integrity, Demonstrating Strong Commitment to Ethical Values, and Respecting the Rule of Law	The revised Complaints Procedure to be developed, produced and published; and that awareness of the procedure and how to access it be embedded throughout the organisation.	Assistant Director of Governance & Scrutiny <i>Monitoring Officer</i>
B. Ensuring Openness and Comprehensive Stakeholder Engagement	Following the introduction of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 – ensure that transparency of decision-making is maintained, and that online tools for meetings are made as accessible to all as possible.	Assistant Director of Governance & Scrutiny <i>Monitoring Officer</i>
E. Developing the Entity's Capacity, Including the Capability of its Leadership and the Individuals Within It	That the organisational challenges raised in terms of new working environments/ways of working continue to be subject to ongoing review throughout the pandemic period.	Strategic Director of HR and OD
E. Developing the Entity's Capacity, Including the Capability of its Leadership and the Individuals Within It	GMFRS to ensure that the progress against the areas identified for improvement is completed as part of the Service Improvement Programme ahead of HMICFRS re-inspection in late 2021.	Chief Fire Officer / Strategic Director of HR and OD
E. Developing the Entity's Capacity, Including the Capability of its Leadership and the Individuals Within It	That the ongoing integration of resources between TfGM and the CA continues to develop – including the development and introduction of relevant GM Transport Sub-Committees.	Deputy Monitoring Officer <i>Monitoring Officer</i>
E. Developing the Entity's Capacity, Including the Capability of its Leadership and	That Member status be achieved on the GM Good Employment Charter through excellent employment practices.	Strategic Director of HR and OD

the Individuals Within It		
E. Developing the Entity's Capacity, Including the Capability of its Leadership and the Individuals Within It	Following the launching of a health and wellbeing area on the CA intranet. Ensure that knowledge of the area is embedded throughout the organisation.	Strategic Director of HR and OD
F. Managing Risks and Performance Through Robust Internal Control and Strong Public Financial Management	Establishment of a GMCA-wide risk management framework to embed consistent risk management policy and practice throughout the organisation, at an operational and strategic risk level. The Head of Audit and Assurance will take responsibility for development and implementation of the framework.	Head of Audit and Assurance <i>Treasurer</i>
G. Implementing Good Practices in Transparency, Reporting, and Audit, To Deliver Effective Accountability	Continued monitoring of the implementation of external audit actions through the new audit action tracking process being implemented by Internal Audit in 2020/21.	Head of Audit and Assurance <i>Treasurer</i>

## 8. SUMMARY

8.1 The GMCA has demonstrated an ongoing commitment to best practice and good corporate governance within the principles of the framework, demonstrated by a pro-active adoption of this framework and delivery of improvements suggested in the Annual Governance Statement 2018/19.

8.2 As the organisation moves forward there will be a continued focus on ensuring the effective delivery of the GMS priorities through strong governance arrangements, which are designed to support this delivery.

8.3 The COVID-19 pandemic has had a significant and, in some instances, devastating impact on Greater Manchester. Not only has the crisis shone a harsh light on latent inequalities within our communities, but also caused significant damage to the city region's economy. Greater Manchester's Living with COVID Resilience Plan frames the conurbation's response to the pandemic and sets out how the city region will begin the process of recovery, address the impacts of the disease and build

resilience for now and in the future. In concert with the GMS, this plan will define the organisation's direction for the next year.

Signed by.....

Signed by.....

Andy Burnham, Mayor of Greater Manchester and Eamonn Boylan, Chief Executive on behalf of Members and Senior Officers of Greater Manchester Combined Authority.

Date.....

#### **Glossary of terms**

GMCA	Greater Manchester Combined Authority
GMS	Greater Manchester Strategy
GMP	Greater Manchester Police
LEP	Local Enterprise Partnership
GMFRA	GM Fire and Rescue Authority
GMFRS	GM Fire and Rescue Service
GMWDA	Greater Manchester Waste Disposal Authority
AGMA	Association of Greater Manchester Authorities
PfC	GMFRS Programme for Change
SIP	GMCA Service Review and Integration Programme
SMT	The Senior Management Team
ELT	Extended Leadership Team



**A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW**

The GMCA reviewed and updated its Constitution during 2018/19, and published the final version in June 2019, to ensure it remains relevant and appropriate. The Constitution incorporates an Operating Agreement between the GMCA and the ten Constituent Councils, which governs the exercise of concurrent functions.

The GMCA Standards Committee meets twice annually and deals with matters of conduct and ethical standards of GMCA Members.

A Code of Conduct for Officers and for Members form part of the GMCA Constitution. The Code of Conduct for Members is reviewed annually by the Standards Committee, most recently in September 2019. The GMCA Standards Committee has the ability to undertake a review should any member of the GMCA or its committees fail to adhere to the Code. Each member receives an annual reminder of their duties under the Code.

A Whistleblowing Policy and Procedure is in place, last reviewed and updated in March 2018, a revised draft was presented to Standards Committee in line with the review period in March 2020. Information on how to report concerns are easily located on both the external facing website and the staff intranet. An Anti-Fraud and Corruption Policy forms part of the Constitution.

The Complaints Procedure was previously updated in 2018/19, and is currently in the process of a task and finish review to ensure that it remains fit for purpose going forward. Information on how to submit complaints, the process, and relevant FAQs are provided on the external website.

Declarations of Interest is a standard agenda item on all GMCA meetings, minutes of which are published on the external website, and members are asked to complete a register of their personal and pecuniary interests on an annual basis. These are uploaded to each councillor's individual portfolio via the GMCA's governance portal and are also viewable on the website.

A Greater Manchester [Independent Ethics Committee](#) is now fully established in order to help build trust and public confidence in policing. The Committee advises the Deputy Mayor for Policing and Crime, and Greater Manchester Police on the complex dilemmas that policing faces in the modern world. The committee has been given a wide remit, with GMP pledging to give access to the service's systems and people. When established, it was the first of its type in the country. The committee decides which issues it wants to consider, as well as having issues referred in by both GMP and the Deputy Mayor. Members of the public can raise issues with the committee - but it does not consider individual complaints about police. The committee considers both broad thematic issues - such as discrimination, safe drug use, and surveillance - and practical day-to-day issues, such as the use of body-worn cameras by police officers.

'Role of the Monitoring Officer' is a statutory role under section 5 of the Local Government and Housing Act 1989. The Monitoring Officer is to report on matters they believe are, or are likely to be, illegal or amount to maladministration; to be responsible for matters relating to the conduct of members; and to be responsible for the operation of the Constitution.

**Areas for Focus in 2020/21:**

- That the revised Whistleblowing Policy and Procedure be agreed and finalised; and that awareness of the policy and how to access it be embedded throughout the organisation.

- The revised Complaints Procedure to be developed, produced and published; and that awareness of the procedure and how to access it be embedded throughout the organisation.

## B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Meetings of the GMCA and its committees are live-streamed and retained for later viewing by all members of the public via the GMCA's YouTube channel. GMCA Committee agendas, reports, and minutes are published on the GMCA website. Inspection Copies of papers for each meeting are kept in reception at the GMCA's offices at Churchgate House.

The GMCA website includes publication of all Key Decisions, Officer and Mayoral Decisions, and Forthcoming Decisions. Reports for GMCA Committees are released into the public domain unless specifically excluded for items that are private and confidential; such reports must be marked Part B, and justification for keeping a decision confidential must be provided.

The GMCA is committed to ensuring that public meetings are DDA compliant, and all venues have now been confirmed as compliant – this includes the use of hearing loops and the ability to produce agenda papers in alternative formats if requested.

The GMCA runs a Consultation Hub website to ensure that local residents are able to actively engage with decisions and projects. Recent consultations included topics such as Police funding, the GM Hate Crime Plan, a GM Health and Justice Strategy, and a High Rise Residents survey, among others.

The GMCA is founded on a long-term relationship between local authorities through the previous arrangements under the Association of Greater Manchester Authorities. The GM Health and Social Care Partnership Board brings together over 70 health service providers and through its unique relationship has secured devolution of health and social care budgets. In addition, the GMCA maintains formal and informal partnerships through committees such as the Transport Committee; Planning and Housing Commission; Police, Fire and Crime Panel; GM Culture and Social Impact Fund Committee; GM Green City Region Partnership; and the GM Local Enterprise Board.

The GM VCSE Accord ensures that there is a shared commitment and close partnership working with Greater Manchester's 16,000 VCSE organisations.

Community engagement events regularly take place (including the GM Youth Combined Authority; the Mayor's Disabled Peoples Panel; LGBTQ+ Panel; and the Faith, Race & Women's Panel). Regular feedback mechanisms are offered through the proactive use of social media platforms and the supporting of surveys such as the 'GM Big Disability Survey' – which provided important insight into the issues faced by disabled people across GM during the Covid-19 pandemic.

### Areas for Focus in 2020/21:

- Following the introduction of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 – ensure that transparency of decision-making is maintained, and that online tools for meetings are made as accessible to all as possible.

### C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS

The coronavirus pandemic has highlighted more than ever the importance of securing Greater Manchester's long-term ambition to create a green and prosperous city-region. The Clean Air Plan, Spatial Framework and Minimum Licensing Standards plans form part of this vision, looking to offer a better quality of life for everyone living and working in the city-region.

The GM Strategy and Implementation Plan have been agreed as the overarching Strategy for all GM work. Performance against the Strategy's priorities and performance is reported to three Overview and Scrutiny Committees on a 6 monthly basis. The GM Strategy and info graphics used in the GM performance report describe the anticipated impacts of the delivery of the GM Strategy.

The GMCA Business Plan further defines GMCA's vision, objectives and outcomes in relation to economic, social and environmental developments within GM. The GMCA Business Plan and subsequent publications have been developed with stakeholders to ensure the organisational priorities and objectives are in line with shared ambitions.

In response to the COVID-19 pandemic, the GM Living with COVID Resilience Plan frames the actions Greater Manchester will take to support the city region's recovery. This plan supplements and does not replace the existing GMS, it provides an overview of the actions to be taken over the next year before that document is refreshed in 2021. As part of the plan, Leaders will be asked to agree that all GMCA report recommendations for agreement should identify the impact of the proposal on inequalities, environmental and financial issues in relation to the topic, along with a commitment to collect, analyse and report on data, including community intelligence, to understand that impact.

Despite its significant detrimental impact, the pandemic has highlighted the importance of securing Greater Manchester's long-term ambition to create a green and prosperous city region. Brought together, the developing Greater Manchester Spatial Framework, Clean Air Plan and Minimum Licensing Standards provide a holistic view of the city region's economic, social and environmental ambitions, looking to offer a better quality of life for everyone living and working in the city-region. Greater Manchester's Five Year Environment Plan sets out a further suite of actions that will support the conurbation's goal of carbon neutrality by 2038.

Capital programmes for both transport and economic development schemes are assessed using a fully rounded appraisal mechanism which includes deliverability alongside social, economic and environmental considerations.

The GMCA Social Value Policy is actively applied in commissioning and procurement activities. This Policy has been updated to reflect the revised objectives in the Greater Manchester Strategy Our People, Our Place and will support commissioners to set out their procurement and contract management requirements to maximise relevant social value, and providers to develop and submit proposals.

#### D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

The strategic, crosscutting nature of much of the GMCA's work means that delivery is often achieved through collaboration with GM partners including GMP, TfGM, the GM Health & Social Care Partnership and GM Councils.

A strong evidence base is developed to underpin all decisions of the GMCA, including a robust evaluation of service delivery. One example of this is the devolved Working Well: Work and Health Programme, which helped approximately one in five of its clients into a job and the principles of which are now being used in nationally commissioned programmes.

Internal and external stakeholders are engaged through consultation on key strategies and plans – for instance the GM Strategy, Culture Strategy, and the GM Spatial Framework – to help determine how services and other courses of action are planned and delivered. The Our Pass concessionary scheme for young people which successfully launched in September 2019 was developed with the GM Youth Combined Authority, whilst the GM Good Employment Charter which launched in January 2020 was co-designed with employers, trade unions, professional bodies and academics.

To ensure robust planning that covers strategy, plans, priorities and targets, the GMCA operates a Budget Timetable including peer scrutiny from Leaders and Treasurers on each of the GMCA budgets.

The GMCA seeks to achieve 'social value' through service planning and commissioning. A Procurement Strategy is part of the GMCA Constitution, and this is supported by a GMCA Social Value in Procurement Policy. The GM Procurement Hub offers a centralised procurement service that can support joint commissioning across GM organisations. A recent example of this could be seen in the securing of a world-class digital infrastructure, in which GMCA have appointed Virgin Media Business to deliver up to 2,700km of new fibre-optic broadband infrastructure across the region, allowing businesses and residents across the region to benefit from next generation connectivity – supporting economic growth and jobs.

An updated social value policy has been developed, with closer links to the Greater Manchester Strategy. The new policy will ensure social value plays a key role in the city region's public procurement and wider priorities, sitting at the heart of work to tackle inequalities and build a better, fairer and greener economy in Greater Manchester. The updated framework will guide delivery of social value within public sector contracts across the GMCA, individual local authorities and NHS organisations. It will support commissioners to set out their procurement and contract management requirements to maximise relevant social value, and providers to develop and submit proposals.

#### E. DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

Each Member has a clear role profile in relation to their portfolio. The assigned portfolios are published through the GMCA website, so members of the public are aware of which member of the GMCA has strategic responsibility for which area. Leaders meet regularly with senior officers in relation to their portfolio.

Member Induction Sessions are held at the beginning of each year, and Member capabilities and skills are supported through the Member development programmes. Informal briefings are provided to Members in advance of all Audit Committee and Overview and Scrutiny Committees.

The Chief Executive Officer's role has been widened to include oversight of Transport for Greater Manchester. Part 3 of the GMCA Constitution sets out a Scheme of Functions Delegated to Chief Officers and those exercisable only by the GMCA to ensure clarity over the types of decisions that are delegated and those that are reserved for collective decision making of the Board.

Strategic management oversight and direction is provided through the Chief Executives Management Team, which is also the Incident management Group for emergencies, the Senior Leadership Team. The wider Leadership Team, Senior Leadership Team and Extended Leadership Teams meet regularly to discuss and share knowledge.

An increased focus on leading the delivery of system change through the Greater Manchester Strategy with improved co-ordination the GMCA and with Place has required:

- A wider range of Directors coming together to pull the 'professional specialisms' from across the CA together to lead/drive the organisation as a whole to meet agreed priorities. No one team can deliver system change
- A generic 'Director' role with a specialist portfolio – to show role is about working cross the organisation with 'blocks of activity' grouped under Directors. By definition these 'Directorates' will rely on each other to deliver 'whole system change'.
- Corporate/Enabling Services are integral part of driving forward overall outcomes of the CA and the work of individual Directorates

These renewed directorates have been based on what the CA is trying to achieve:

- We want everyone to be Life Ready with the skills needed throughout live to succeed (Edn/Skills block)
- We want people to have good jobs in a prosperous economy (Economy block)
- We want people to live in vibrant and safe places (Place Making and Police/Fire/Criminal Justice blocks)
- We want GM to be a Low Carbon city region at the forefront of the 4<sup>th</sup> Industrial Revolution (Green and Digital blocks)
- We want joined-up public services that support individuals' holistically, focussing on prevention and the promotion of the best life chances (Public Service Reform block)

A comprehensive GMCA business plan is in place and can be found on the GMCA's [website](#)<sup>2</sup>. This includes a set of performance targets. All the actions are drawn from the GMS and monitoring performance against the GMS is delivered through the Implementation Plan whose performance dashboard is reported through the Scrutiny Committees, and to the GMCA, on a six-monthly basis.

The GMCA has developed a GM Good Employment Charter and has achieved Supporter status.

<sup>2</sup> [https://www.greatermanchester-ca.gov.uk/media/2242/gmca\\_business\\_plan\\_2019\\_full\\_public.pdf](https://www.greatermanchester-ca.gov.uk/media/2242/gmca_business_plan_2019_full_public.pdf)

Work is now taking place to enhance this and achieve Member status through our excellent employment practices.

The integrated staff Personal Development Plans first developed through 2017/18 as part of enhanced HR and organisational development service for overall GMCA continue to take place. Further recent initiatives include:

- The launching of a health and wellbeing area on the intranet that includes a comprehensive suite of online support, virtual learning and opportunities to have face to face support
- An expanded portfolio of e-learning modules for staff and manager including equality and diversity awareness
- The launch of Mi Learning with a suite of new and improved managerial support tools to help people managers improve their knowledge and skills
- Leadership Development Programme procured and being rolled out across GMFRS
- Specialist recruitment strategies - Firefighter and Senior Recruitment - utilising Digital Technology

A staff engagement survey was completed in September 2019, with more than 850 people (43% of total staff) taking part. The results had highlighted three areas of focus for taking forward: reinforcing clarity; encouraging greater engagement from managers; and increasing focus on staff wellbeing. To aid in taking these actions forward, a full review was undertaken of internal engagement and information sharing and regular 'pulse checks' were arranged to see how people were feeling – the pulse checks becoming particularly important during covid-19 and the move to homeworking across the organisation.

Areas for Focus in 2020/21:

- That the organisational challenges raised in terms of new working environments/ways of working continue to be subject to ongoing review throughout the pandemic period
- GMFRS to ensure that the progress against the areas identified for improvement is completed as part of the Service Improvement Programme ahead of HMICFRS re-inspection in late 2021.
- That the ongoing integration of resources between TfGM and the CA continues to develop – including the development and introduction of relevant GM Transport Sub-Committees.
- That Member status be achieved on the GM Good Employment Charter through excellent employment practices.
- Following the launching of a health and wellbeing area on the CA intranet. Ensure that knowledge of the area is embedded throughout the organisation.

#### F. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

The GMCA Corporate Risk Register (CRR) was reviewed and updated on a quarterly basis throughout during 2019-20. The CRR identifies risk ownership for specific risks, and is owned by the Governance and Risk Group. The GMCA Audit Committee receives quarterly updates on the CRR. Given the Covid-19 pandemic, a Covid-19 risk register was developed in April 2020 which will continue to be monitored in 2020/21.

The Audit Committee is responsible for overseeing the effective operation of the systems of governance, risk and Internal control arrangements. New Internal Audit arrangements were implemented in 2019/20 with the appointment of a new in-house Head of Audit and Assurance and the establishment of an in-house GMCA Internal Audit team. The Internal Audit Plan is approved by Audit Committee, and Internal Audit provide quarterly progress reports to Audit Committee. The Head of Audit and Assurance produces an Annual Assurance opinion.

There is an established Scrutiny process comprised of three themed committees (Corporate Issues & Reform; Economy, Business Growth & Skills; and Housing, Planning & Environment) with each being subject to the scrutiny / call-in process whereby any Member of Constituent Councils can refer items for possible scrutiny. Areas for each scrutiny committee to are also proposed by the Chair and other members of the committees who are the owners of each committee's work programme.

GMCA's Revenue and Capital Budget and Monitoring Reports; Mayoral General Revenue and Capital Budget and Monitoring Reports; Mayoral Police and Crime Revenue and Capital Budget and Monitoring Reports; Treasury Management Strategy and Treasury Management Outturn Reports are all subject to appropriate reviewing, scrutiny and challenge where appropriate through the Corporate Issues & Reform Scrutiny Committee and via the Audit Committee.

##### Areas for Focus in 2020/21:

- Establishment of a GMCA-wide risk management framework to embed consistent risk management policy and practice throughout the organisation, at an operational and strategic risk level. The Head of Audit and Assurance will take responsibility for development and implementation of the framework.



#### G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT, TO DELIVER EFFECTIVE ACCOUNTABILITY

Transparency of decision-making is achieved through live streaming of key meetings, a centralised FOI process, and through the GMCA Communications Strategy.

In terms of reporting: the annual accounts with narrative introduction; GMCA Annual Performance Report; Police and Crime Annual Report; Head of IA Annual Assurance Opinion; Annual Governance Statement; and Statement of Accounts are considered by the GMCA Audit Committee and the GMCA and contained within publically viewable agendas.

New External Auditors (Mazars) were appointed from 1 April 2018, and they have produced an external audit findings report. The Audit Committee has oversight on the final accounts process. Actions taken to implement External Audit Recommendations will be reported as part of a combined audit recommendations tracker for 2020/21 as part of a revised audit action tracking process.

The Annual Internal Audit Opinion sets out compliance with the Public Sector Internal Audit Standards (PSIAS) and for 2019/20 confirmed that work had been undertaken in line with PSIAS. As the Internal Audit service was brought in-house in 2019/20, it was agreed with Audit Committee that the service would be subject to an external quality assessment within the next three years.

##### Areas for Focus in 2020/21:

- Continued monitoring of the implementation of external audit actions through the new audit action tracking process being implemented by Internal Audit in 2020/21.

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Date: 20<sup>th</sup> November 2020

Subject: Assessment of Going Concern Statement

Report of: Steve Wilson, GMCA Treasurer

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## PURPOSE OF REPORT

Further to the report to Audit Committee in September this is an updated report which informs members of an assessment of the Greater Manchester Combined Authority (GMCA) as a going concern for the purposes of producing the Statement of Accounts 2019/20 and provides assurance to members on the GMCA's status as a 'going concern'.

## RECOMMENDATIONS:

Audit Committee is requested to:

1. Note the outcome of the assessment made of the GMCA's status as a "going concern" for the purposes of the Statement of Accounts 2019/20.

## CONTACT OFFICERS:

Name: Steve Wilson  
Position: Treasurer, GMCA  
Tel: 07725 481067  
E-mail: [steve.wilson@greatermanchester-ca.gov.uk](mailto:steve.wilson@greatermanchester-ca.gov.uk)

Name: Rachel Rosewell  
Position: Deputy Treasurer, GMCA  
Tel: 07725 482865  
E-mail: [Rachel.rosewell@greatermanchester-ca.gov.uk](mailto:Rachel.rosewell@greatermanchester-ca.gov.uk)

**BACKGROUND PAPERS:**

- Greater Manchester Combined Authority 14<sup>th</sup> February 2020 - GMCA Revenue and Capital Budgets 2020/21 Overview (Budget Paper A)
- Greater Manchester Combined Authority – Covid-19 update reports:
  - 29<sup>th</sup> May 2020 - Financial Update
  - 24<sup>th</sup> June 2020 - Financial Implications of Covid 19 Across Greater Manchester Authorities
  - 31<sup>st</sup> July 2020 - GMCA Covid Finances and Reserves
  - 25<sup>th</sup> Sept 2020 – GMCA Covid Finances Update
- Audit Committee, 8<sup>th</sup> September 2020 - GMCA Assessment of Going Concern 2019/20

<b>TRACKING/PROCESS</b>		[All sections to be completed]
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	

## 1. INTRODUCTION

- 1.1 Greater Manchester Combined Authority (GMCA) is required to demonstrate that it is a going concern and remains financially sound. The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.
- 1.2 As with all principal local authorities, the GMCA is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2019/20 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the GMCA's Statement of Accounts is prepared assuming that the GMCA will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the GMCA will realise its assets and settle its obligations in the normal course of business.

## 2 GOING CONCERN ASSESSMENT

- 2.1 The main factors which underpin the assessment of GMCA as a going concern are outlined below and include:
- GMCA's financial performance
  - GMCA's strategic planning and budget framework
  - The regulatory and control environment applicable to the GMCA as a local authority.
  - Economic climate including impact of Covid-19

## 3. GMCA FINANCIAL POSITION

- 3.1 The revenue outturn for the year ending 31 March 2020 is categorised across defined areas of the Combined Authority. All areas underspent against approved budget in 2019/20, with the exception of Transport which overspent due to a shortfall on Metrolink revenues from the impact of the Covid-19 pandemic in March 2020. It was agreed to transfer the final balance to Earmarked Reserves and General Fund.

- 3.2 The position is shown in the table below:

Function / Service	Approved Budget 2019/20 £000	Provisional Outturn 2019/20 £000	Outturn Variation 2019/20 £000	Transfer to/(from) Earmarked Reserves £000	Transfer to General Funds £000
Mayoral General	29,111	27,755	(1,356)	1,356	0

Mayoral General - GM Fire & Rescue	113,866	111,202	(2,664)	0	2,664
Economic Development and Regeneration	157,906	156,789	(1,117)	0	1,117
Highways and Transport	247,065	248,159	1,094	(1,094)	0
Waste Disposal	174,634	174,634	-	-	-
Mayoral Police Fund	589,049	579,773	(9,276)	6,951	2,325

3.3 GMCA's capital programme includes Greater Manchester Fire and Rescue Services, Economic Development and Regeneration programmes and the continuation of the programme of activity currently being delivered by Transport for Greater Manchester (TfGM) and Local Authorities. The GMCA approved the 2019/20 Capital Programme at its meeting on 15 February 2019 and updated forecast outturns were provided on a quarterly basis during 2019/20. The actual capital expenditure for 2019/20 was £370.7m compared to forecast for 2019/20 presented to GMCA on 14 February 2020 of £406.3m.

3.4 The Police Fund capital programme is recorded separately in accordance with legislation and was a further £32m of spend in 2019/20 compared to budget of £56.7m. At the time the 2020/21 budget was set, any known slippage was built into the funded programme. Further slippage from that point has resulted in a request to carry forward £7.7m to 2020/21.

#### **Budget 2020/21**

3.5 The GMCA revenue and capital budgets were presented to the GMCA board on the 14 February 2020 and are set out below:

<b>Budget</b>	<b>19/20 budget</b>	<b>20/21 budget</b>	<b>Notes</b>
Mayoral General Budget	£29.1 million	£127.1 million	Increase of £86.7m for Transport Statutory Charge. Increase on Precept of £6.1m for continuation of "Our Pass" pilot, A Bed Every Night and other priorities. Increase of £5m due to planned use of reserves
GMCA General Budget	£157.9 million	£209.1 million	The increase in budget relates to government grants, in particular Adult Education which

			transferred to GMCA part way through 2019/20.
GM Fire and Rescue Service (net as per budget report)	£113.9 million	£112.1 million	Overall decrease in budget due to reduced trf to capital funding reserve. Increase in budget for inflation and reduce savings requirements.
GMCA Transport Revenue Budget	£247.1 million	£242.1 million	Additional grant funding in 2019/20
Police and Crime Commissioner	£589.1 million	£628.9 million	Increase of £30.7m in Police Grant and £10.1m from precept and £1m reduction in collection fund surplus
Capital Budget	£402.8 million	£351.9 million	The capital programme over the three-year period (2020-2023) will require a long-term borrowing of £307.7 million.

### **GMCA Balances and Reserves**

- 3.6 GMCA General Reserves were £45.8m as at 31/03/19 and were at £44.5m as at 31/03/20. Given the current scale of activities falling on the General Budget, the level of General Reserves held is felt to be appropriate. In total the Authority held £500.3m of Usable Reserves as at 31/03/19 which increased to £555.5m as at 31/03/20.

### **GMCA Cash flow Model**

- 3.7 The constitution states that the GMCA must have in place an approved treasury management strategy, investment strategy and the borrowing limits. This includes a scheme of delegation and responsibilities of member groups and officers in relation to treasury management and the role of the Treasurer in relation to treasury management.

- 3.8 Currently the GMCA's Treasury Management functions are operated under a service level agreement by Manchester City Council Treasury Management which reports directly to the GMCA Treasurer. The GMCA uses Link Asset Services as its external treasury management advisors. The GMCA recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.
- 3.9 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The GMCA will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.
- 3.10 The treasury portfolio position for the GMCA is managed at a Group level, including Transport for Greater Manchester (TfGM), which means that the combined cash flows of all the consolidated organisations will be taken into account when investing temporary surplus funds or making arrangements to meet borrowing needs. Each financial year an annual cash flow model is set up that establishes the significant items of income and expense, together with dates of these items. This gives an overview of the potential borrowing or short and long-term investment decisions that may be required. This is then updated on a daily basis and reported to the Treasurer.

#### **4. GMCA STRATEGIC PLANNING AND BUDGET FRAMEWORK**

- 4.1 The GMCA budgets form part of the Authority's overall strategic planning framework. They focus on delivery of the priorities of the Greater Manchester Strategy and its implementation plan in partnership with the Districts, businesses, the voluntary and community sector and other stakeholders.

##### **Budget Process**

- 4.2 GMCA has in place an annual budget setting process that culminates in the approval of the Budget by the GMCA Board at its meeting in March. The reports during the budget process provide an overview of the proposed GMCA budgets for the following year and subsequent years where appropriate. The reports bring together the position on the Mayoral General Budget and Precept Proposals, the GMCA General Budget, GMCA Transport budgets including Transport Levy and Statutory Charge and the GM Waste Services Levy. The reports set out the implications of the proposed budgets and the resultant charges on districts and the Mayoral Precept.
- 4.3 The GMCA is required to operate a balanced budget which broadly means that income received during the year will meet expenditure. Quarterly budget progress update reports are provided on a quarterly basis to GMCA during the year. The latest 2020/21 position reported to GMCA on 25<sup>th</sup> September 2020 was an overall underspend of £2.946m relates to the position on GMFRS.



- 4.4 Work on the GMFRS Programme for Change (which is reviewing the Fire Service ways of working to ensure that they are efficient and sufficiently future proofed) is ongoing with a number of changes made to the Outline Business Case during 2019/20. While these changes resulted in the level of savings that had originally been identified, particularly retaining current crewing levels and maintaining firefighter numbers, this has been offset by an increase in the Mayoral Precept to ensure a balanced and sustainable financial position.

### **Treasury Management**

- 4.5 In 2018 CIPFA published both an updated Prudential Code and Treasury Management Code, the key change of which came into force for 2019-20 with the introduction of a formally reported capital strategy to provide full council (or equivalent) with a concise, accessible view of the authority's approach to borrowing, investment and treasury management, with a focus on risk management, this underpins the Authority's position in regards to the level of risk it is willing to take in the management of its Funds and is therefore key to GMCA's strategic planning process.
- 4.6 The GMCA has a Capital Strategy which provides the medium to long term context in which capital investment decisions are made and the governance for those decisions. It also gives a summary of the GMCA approach to investments and the Treasury Management Strategy and the Treasury Management Strategy Statement for 2020/21

## **4. REGULATORY AND CONTROL**

- 4.1 The Annual Governance Statement sets out the detailed arrangements within GMCA.

### **Governance Arrangements**

- 4.2 The GMCA's corporate governance structures and scrutiny arrangements ensure that they are sufficient to meet the expanding role of GMCA and the delivery of its core functions and services. GMCA has established a number of boards, panels and committees including three Corporate Overview and Scrutiny Committees which receive regular reports on transport, housing, economy and investment matters. The Authority has the statutory posts of Head of Paid Service, Monitoring Officer and the Treasurer (Chief Financial Officer) who form part of the Senior Management Team in addition to the current political arrangements.
- 4.3 An overview of this governance framework is provided within the GMCA Annual Governance Statement and Code of Corporate Governance 2019/20. This includes a detailed review of the effectiveness of the council's governance arrangements which concludes that the existing arrangements remain fit for purposes and provides assurance of their effectiveness. The Authority is required to operate within a highly legislated and controlled environment and particular emphasis of this can be exemplified and demonstrated with the financial controls in place. Examples of controls include the requirement of Full Authority to approve a balanced annual budget, but within that to consider and have regard via assurance from

the Treasurer as to the robustness of the budget, its estimates and the adequacy of reserves held.

- 4.4 The control environment is supported by the role of External Audit in auditing of the financial statements, the review of value for money and financial resilience and Internal Audit in reviewing controls and processes across the Authority.

## **5. ECONOMIC CLIMATE**

- 5.1 The Covid-19 Pandemic continues to have a significant economic impact on GM residents, businesses and public services. A detailed review of the impact of the pandemic on Greater Manchester has been led by GMCA with the latest assessment of the estimated financial impact reported to GMCA on a regular basis since May 2020. Within GMCA the response to the pandemic is led by the Strategic Coordinating Group (SCG) chaired by the Chief Executive and Chief Constable and Covid-19 Committee chaired by the Mayor.

- 5.2 Work has been ongoing since the start of the pandemic with a sub group of Treasurers looking at ways to mitigate financial impact through joint work across GM which includes:

- Maintenance of accurate record of Covid-19 related expenditure incurred and forecast including recovery costs
- Lobbying of central government for funding of all Covid-19 costs
- Ensuring all recovery activities are appropriately costed and financed
- Developing opportunities for financial recovery working across GM and within districts
- Reviewing existing pre-Covid-19 investment priorities to determine whether these are still applicable in the short to medium term world but also identifying new priorities which may have emerged
- Support other recovery activities where appropriate

- 5.3 Financial update reports to GMCA have provided a detailed analysis of areas affected by the pandemic with an analysis of the most significant direct financial implications for the GMCA, this includes GM Waste Disposal, Retained Business Rates and Transport, particularly TfGM. These reports have provided an analysis of government financial support throughout the pandemic and a review of the local impact on resources to agree measures for managing financial risk across GMCA and GM districts.

- 5.4 The pandemic has had a significant impact on the finances of TfGM. This includes, in particular, on passenger revenue from Metrolink, which was significantly adversely impacted during the national lockdown and which continues to be materially below budgeted levels during the ongoing local restrictions, including due to the impact of social distancing measures. TfGM has modelled the impact of a number of revenue scenarios for Metrolink based on differing levels of 'recovery' in patronage levels. These indicate a potential reduction in passenger revenue, compared to original budgets, in the region of £75 million by the end of October 2021.

- 5.5 As a consequence, and alongside exploiting all opportunities to minimise its expenditure, TfGM has worked, and continues to work closely, with the Government and DfT to secure

financial support to alleviate the financial impact of Covid-19 on TfGM. TfGM has received support from the DfT through its 'Covid-19 Light Rail Revenue Grant' which, to date, is providing funding for the period to 31 March 2021 and which has largely mitigated the shortfalls in net revenues over this period. Discussions, including in the context of the Spending Review, are ongoing in relation to further funding beyond the end of this period however, to date, no firm commitment has been made.

- 5.6 TfGM has also suffered reduced levels of income and additional costs in other areas of activity, including loss of bus service related incomes and loss of commercial revenues. Government support has been received to alleviate the loss of bus revenues for the period to 31 August and discussions are ongoing with respect to funding beyond that date. In addition, submissions have also been made to government in relation to financial support for other lost income and additional costs.
- 5.7 In the case of Metrolink, despite the funding received to date and agreed through to 31 March 2021, the uncertainties over funding for future periods cast significant doubt over TfGM's ability both to continue operating the level of services currently provided and to continue to contribute to GMCA's financing costs in line with the required funding profile.
- 5.8 Based on the position set out above, the Directors have performed a review of the cashflow projections for a period of 12 months after the date of the signing of these financial statements, to support the preparation of the Accounts on the 'Going Concern' basis. The conclusion of this review is that there is a material uncertainty regarding the ongoing level of Metrolink revenues and the level of funding that will be received. Notwithstanding this, on the basis of the cashflow forecasts prepared and the current levels of available cash and reserves, the TfGM Executive Board considers that it remains appropriate to prepare the Accounts on the 'Going Concern' basis.
- 5.9 The GMCA general budget will be impacted by a detrimental impact on Business Rates growth for 2020/21 which will potentially remove the 50% element subsequently retained by the CA. In addition there is likely to be a deficit on Local Authority collection funds and a reduction in the overall Council Tax base which will reduce income from GMFRS, Mayoral and PCC precepts in cash terms from 2021/22. Police and Fire and Rescue have incurred additional costs for overtime and personal protective equipment which has largely been met from additional funding. For GMP a return has recently been submitted for income loss up to the end of July.
- 5.10 In order to maintain continuity and stability with key providers and contractors GMCA has put in place measures which align to the principles of the Government's emergency policy advice set out in the Procurement Policy Note (PPN) – Supplier Relief due to Covid-19. It applies to goods, services and works contracts being delivered in the UK and was effective until 30th June 2020 and applicable to all contracting authorities. GMCA is reviewing the interim arrangements every quarter with the view to returning to the original contracting arrangements as soon as deemed reasonable.

- 5.11 There is potential slippage on capital programmes which could lead to risks where time limited grants are a funding source. Whilst GMCA is seeking maximum flexibility from Government, work is ongoing to review the position on this and determine mitigating action where necessary.
- 5.12 Housing and Business loans funds are being reviewed for risk of default. No new business investment applications are being progressed in the immediate term whilst the impact of Covid-19 is being determined and businesses are being directed to the government interventions. The criteria for housing investments is in the process of being reassessed in order to decrease the risk of losses to the fund. Most housing developments are back on site but delays in planned completion are expected.
- 5.13 As part of the Government's 'Build, Build, Build' series of announcements and Covid-19 recovery plan, the GMCA has received allocations from Government for the Brownfield Land Fund (BLF) with an initial allocation of £81m over a five year period and Getting Building Fund of £54m.
- 5.14 Beyond the immediate impact of the Covid-19 pandemic, there is an important role for GMCA and partners to undertake as part of the recovery process. At meetings since June 2020 the GMCA considered the development of a one year Greater Manchester Living with Covid-19 Plan and financial implications for GMCA and TfGM. The narrative in the 2019/20 Statement of Accounts provides context on the response by the Authority to the pandemic and the short to medium term impact for GM priorities and financial position.
- 5.15 The UK left the European Union on the 31 January 2020 and entered a transition period up to 31 December 2020. GMCA continues to assess the risks and consider the implications and actions arising from this decision and the future trading arrangements through the multi-agency Greater Manchester Brexit Readiness Group.
- 5.16 For 2021/21 and future years the impact on UK economy of the Covid-19 Pandemic and exiting the European Union is expected to be significant. In September 2020 GMCA led on providing a submission to government for Greater Manchester to influence the outcome of the Comprehensive Spending Review, originally expected in autumn 2020.
- 5.17 The Spending Review for 2021/22 is expected on the 25<sup>th</sup> November and will focus on providing certainty with funding to tackle the response to Covid-19 and investing in infrastructure to support economic recovery. The outcome of the Spending Review for GMCA will be reflected in budget process for 2021/22. Whilst the delay in the Comprehensive Spending Review removes the benefit of certainty of funding beyond 2021/22, at this stage there are no significant new risks that have become apparent.

## **6. CONCLUSION**

- 6.1 The assessment of the GMCA's status as a "going concern" for the purposes of the Statement of Accounts 2019/20 demonstrates that the Authority is performing effectively and is in a strong position to respond to the current and emerging challenges and risks.



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Date: **27<sup>th</sup> November 2020**  
 Subject: **Treasury Management Interim Report 2020-2021**  
 Report of: **Steve Wilson, 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 2020-21.

## **RECOMMENDATIONS:**

The Audit Committee is asked to note the contents of the report

## **CONTACT OFFICERS:**

### **Steve Wilson**

Treasurer

07725 481067

[Steve.Wilson@greatermanchester-ca.gov.uk](mailto:Steve.Wilson@greatermanchester-ca.gov.uk)

### **Rachel Rosewell**

Deputy Treasurer

07976 571973

[Rachel.Rosewell@greatermanchester-ca.gov.uk](mailto:Rachel.Rosewell@greatermanchester-ca.gov.uk)

**BACKGROUND PAPERS:**

Treasury Management Strategy Statement, Borrowing Limits and Annual Investment Strategy 2020-21.

<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 revised Treasury Management Strategy Statement for 2012-13.

1.2 CIPFA amended the CIPFA Treasury Management in the Public Services Code of Practice in late 2011, 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, along with the Outturn Treasury Management report received by the Audit Committee of the GMCA on the 25<sup>th</sup> September 2020, therefore ensures that the Authority meets the requirements of the Strategy, and therefore the Code.

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 annual report covers:

Section 1: Introduction and Background  
Section 2: Key Consideration Update  
Section 3: The GMCA’s Portfolio Position as at 30<sup>th</sup> September 2020  
Section 4: Review of Economic Conditions  
Section 5: Public Works Loans Board (PWLB) Consultation  
Section 6: External Borrowing for 2020-21 to date  
Section 7: Compliance with Prudential Indicators and Treasury Limits  
Section 8: Investment Strategy for 2020-21 to date  
Section 9: Temporary Borrowing and Investment Outturn for 2020-21 to date  
Section 10: Conclusion

Appendix A: Public Works Loans Board (PWLB) Interest Rates  
Appendix B: Treasury Management Prudential Indicators  
Appendix C: Review of Economic Conditions, provided by advisors  
Appendix D: Glossary of Terms

## **2. KEY CONSIDERATIONS UPDATE**

2.1 Contained within the GMCA Outturn Report 2019-20, ongoing considerations which have been presented to the Audit Committee on 25<sup>th</sup> of September 2020 as well as new considerations, are detailed below:

- European Investment Bank (EIB)
- Lender Option Borrower Options (LOBOs)
- Negative Interest Rates

- End of Transition Period

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

- 2.2 Discussions are continuing regarding a new loan for the Trafford Park Metrolink Scheme and a draft contract has been received by GMCA for a loan. To allow the signing of the loan agreement in a timely manner the Audit Committee previously delegated to the Treasurer, in conjunction with the Monitoring Officer, authority to finalise the loan agreement. Currently EIB rates are being monitored to determine whether this provides a competitive source of long term borrowing.

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

- 2.3 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. Along with a number of Local Authorities, GMCA continues to engage with specialist legal support to pursue a claim against Barclays in relation to the historic elements of their LOBO loans. This claim remains ongoing.

### **Negative Interest Rates**

- 2.4 Negative interest rates in the U.K. are unprecedented, however remain a feasible option for the Bank of England. To date the Bank of England rate remains at 0.10%. Despite the U.K. bank rate remaining positive, the Debt Management Office (DMO) has started offering investments at a negative rate from the 25th of September 2020. This means that any investments with the DMO would result with a cost to the Authority. Officers view this as an option of last resort if alternative positive returns are achievable.
- 2.5 There is growing risk the market will enter a situation where positive returns will not be possible unless investments are made for longer term. If this were to happen, the investment strategy of the Authority would shift focus onto minimising costs albeit maintaining security and liquidity of cash.

### **End of Transition Period**

- 2.6 The end of the transition period on the 31st of December 2020 poses additional cash liquidity risk in the market. Officers are continuing to monitor the changing environment and will look to pursue an investment and debt strategy which minimises the risk to the Authority.

## **3. THE GMCA's PORTFOLIO POSITION AS AT 30<sup>th</sup> SEPTEMBER 2020**

- 3.1 The approved Treasury Management Strategy for 2020-21 forecast a borrowing requirement of £163.6m for permanent borrowing in 2020-21 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.
- 3.2 Cash balances during the first six months of 2020-21 remained relatively high and no borrowing was required in this period. The Authority has faced some exceptional

circumstances during COVID-19, which is expected to put additional pressure on the need to borrow in the second half of the year.

- 3.3 The GMCA's debt position at the beginning and at the end of September 2020 was as follows:

	<b>31<sup>st</sup> March 2020</b>		<b>30<sup>th</sup> September 2020</b>	
	Principal	Average Rate	Principal	Average Rate
	£m	%	£m	%
PWLB	583.4	4.51	569.5	4.54
EIB	581.9	3.64	576.4	3.64
Market	105.0	4.20	105.0	4.20
Temporary	80.0	0.68	0.0	0.00
TfGM	10.7	0.00	66.7	0.00
	<b>1,361.0</b>	<b>3.85</b>	<b>1,317.6</b>	<b>3.89</b>
Housing Invest. Fund HIF	<b>181.3</b>	<b>0.00</b>	<b>181.3</b>	<b>0.00</b>
Housing Comm. Agency HCA	<b>29.2</b>	<b>0.00</b>	<b>29.2</b>	<b>0.00</b>
<b>Gross debt</b>	<b>1,571.5</b>	<b>3.34</b>	<b>1,528.1</b>	<b>3.35</b>
Deposits	(58.9)	0.24	(291.6)	0.07
<b>Gross investments</b>	<b>(58.9)</b>	<b>0.24</b>	<b>(291.6)</b>	<b>0.07</b>

- 3.4 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.
- 3.5 Total gross debt has decreased by £43.4m in the first six months of 2020-21. The details of these changes are described below.
- 3.6 PWLB funding decreased by £13.9m. This was as a result of a £5.0m loan maturity on the 7<sup>th</sup> of May 2020 as well as a £1.9m loan on the 10<sup>th</sup> of August 2020. The remaining £7.0m decrease was due to principal repayments under the annuity debt structures.
- 3.7 EIB funding of £5.5m was also repaid in the first half of the year in the form of principal repayments as part of the annuity debt structures.
- 3.8 Temporary borrowing of £80.0m carried forward was repaid by the end of May 2020 reflecting the strong cash position in the first half of the year. No further temporary borrowing was required.
- 3.9 The Authority has pooling arrangements in place with Transport for Greater Manchester (TfGM) where the surplus funds are invested alongside GMCA's surplus. The TfGM balance has increased by £56.0m since the beginning of the financial year.

- 3.10 The Authority has the statutory powers necessary to operate the Greater Manchester Housing Investment Loan Fund (GMHILF) and the City Deal Receipts from the Homes and Communities Agency (HCA). The total outstanding balance remains at £210.5m on the 30<sup>th</sup> of September 2020.

#### **4 REVIEW OF ECONOMIC CONDITIONS 2020-21**

- 4.1 The Bank of England maintained the lending rate at 0.10% in the first half of the financial year. In March 2020 the Bank of England dropped the key lending rate initially from 0.75% to 0.25% followed by a further reduction to 0.10% on the 19th of March 2020 in efforts to stimulate the economy during Covid-19.
- 4.2 Appendix C provides a more detailed review of the economic situation.

#### **5. PUBLIC WORK LOANS BOARD (PWLB) CONSULTATION**

- 5.1 As noted in the 2019/20 Outturn Report, the PWLB changed its policy to increase the margin on Gilts to Gilts plus 200 basis points and therefore the margin on the Certainty Rate, which local authorities can apply for, to Gilts plus 180 basis points. This means that forecast interest costs on future debt increased substantially, though remained below the level budgeted for. Interest rates on PWLB debt the Authority already hold have not changed.
- 5.2 The government launched a consultation to work with local authorities to develop a targeted intervention to stop 'debt-for-yield' activity while protecting the crucial work the local authorities perform on service delivery, housing and regeneration. When announcing the consultation government suggested that the intention is that if PWLB borrowing for 'debt-for-yield' activity can be curtailed they would look to reduce the margin on PWLB interest rates above Gilts, which currently stands at 2.00%. The consultation was intended to finish in early June, but due to Covid-19 it was extended until the end of July. The outcome of the consultation is being awaited as it will determine the scale of the future debt costs the Authority may face.

#### **6. EXTERNAL BORROWING IN 2020-21**

- 6.1 GMCA continues to be on the approved list of authorities that can access the PWLB Certainty Rate, giving the Authority access to a 20 basis points reduction on the published PWLB rates.
- 6.2 PWLB interest rates have fluctuated during the first half of the year as shown in the summary table on the next page and in the graph on Appendix A.

<b>PWLB Standard Borrowing Rates 2020-21 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>	1.90%	1.87%	2.11%	2.60%	2.33%

<b>Date</b>	18/09/2020	30/07/2020	31/07/2020	18/06/2020	24/04/2020
<b>High</b>	2.14%	2.19%	2.39%	3.00%	2.85%
<b>Date</b>	08/04/2020	08/04/2020	08/04/2020	28/08/2020	28/08/2020
<b>Average</b>	2.00%	2.00%	2.24%	2.74%	2.53%

6.3 Carried forward temporary borrowing of £80.0m used to ensure both liquidity during the start of the Covid-19 Pandemic was repaid in the first half of the year as cash balances increased.

6.4 Current cash flow forecast suggests the need for additional borrowing by the end of the financial year 2020-21. Officers are monitoring both short and longer term debt options.

## **7. COMPLIANCE WITH PRUDENTIAL INDICATORS AND TREASURY LIMITS**

7.1 The Authority operated within the prudential indicators and treasury limits set out in the Treasury Management Strategy Statement on 29<sup>th</sup> May 2020. Performance against these targets is shown in Appendix B.

## **8. INVESTMENT STRATEGY FOR 2020-21 TO DATE**

8.1 A revised Treasury Management Strategy Statement (TMSS) for 2020-21 was approved by the Authority on the 29<sup>th</sup> of May 2020. The GMCA's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Authority's investment priorities as the security of capital and liquidity of investments.

8.2 The Authority's temporary cash balances are managed by the Manchester City Council's Treasury Management team and are 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 2020-21.

## **9. TEMPORARY BORROWING AND INVESTMENT OUTTURN FOR 2020-21 TO DATE**

9.1 Investment rates available in the market continue to be at an historical low point. The average level of funds available for investment purposes in the first six months of 2020-21 was just over £232.9m. 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.

9.2 As shown below, 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 and Money Market Funds (MMFs), returning a higher level of yield.

	Average temporary Investment/ borrowing	Net Return/Cost	Benchmark Return / Cost
Temporary Investments	£232.9m	0.13%	-0.06%*
Temporary Borrowing	£21.0m	0.67%	0.45%**

\* Average 7-day LIBID rate

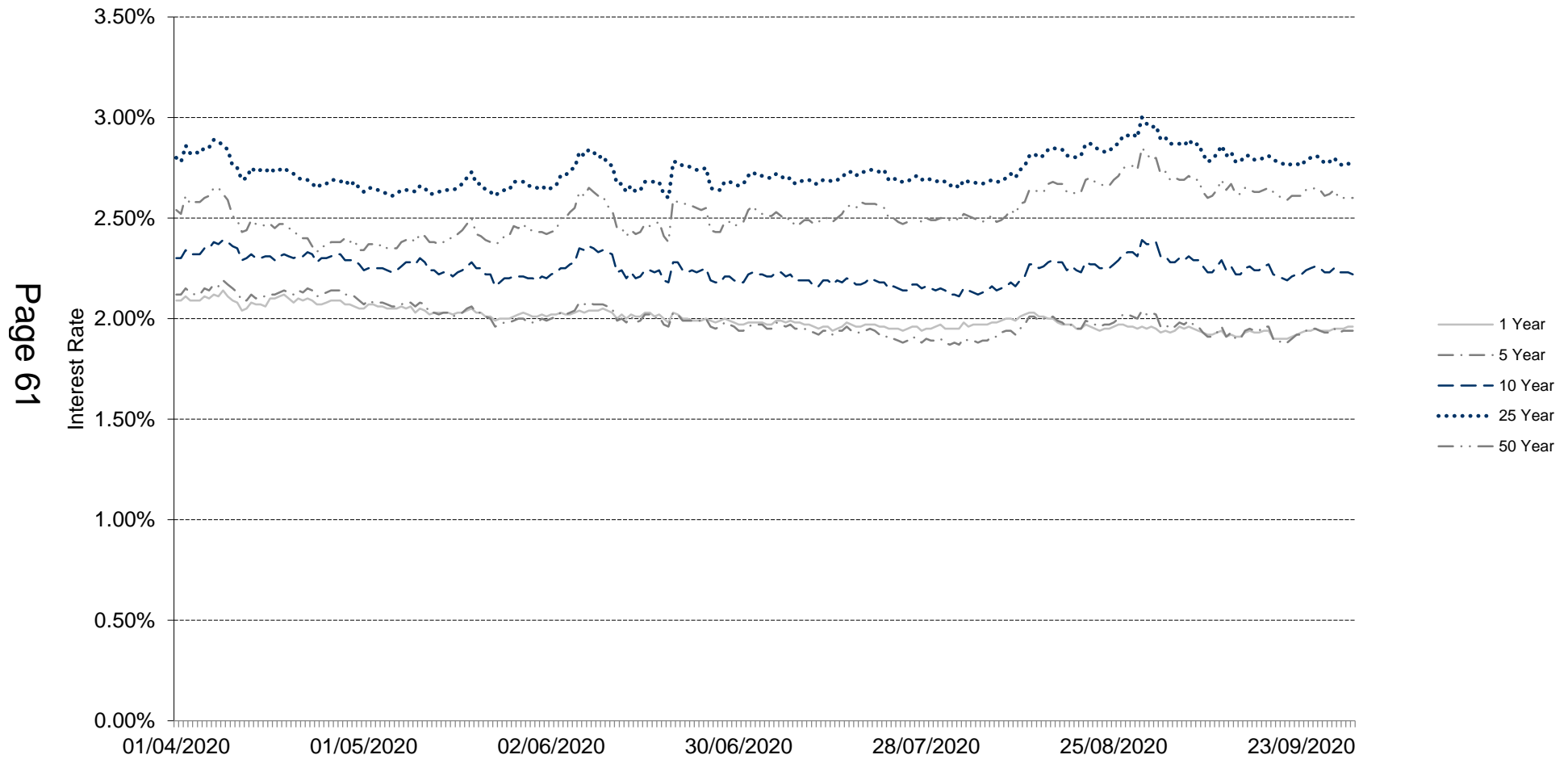
\*\* Average 12-month LIBOR rate

- 9.3 Due to the timing difference of when the temporary borrowing was taken and the varying terms, the cost was higher than that of the benchmark. Taking into account these varying factors, value for money was achieved.
- 9.4 None of the institutions in which investments were made, such as banks, local authorities and MMFs, showed any difficulty in repaying investments and interest during the year. The list of institutions in which the Authority invests is kept under continuous review.

## 10. CONCLUSION

- 10.1 At the start of the Covid-19 Pandemic, the Authority faced significant liquidity pressure on the cash flow. Carried forward temporary borrowing at the end of the year 2019-20 was repaid by the end of May 2020 as cash balances improved. Further borrowing is likely to be required in the next half of the financial year.
- 10.2 Cash resources have increased following the start of the financial year 2020-21. Therefore, the current borrowing position reflects the strong balance sheet of the Authority.
- 10.3 The Authority exceeded the benchmark rate of return on temporary investments during the 2020-21 financial year. Work will continue to review all investment options, to see if a greater rate of return could be attracted without compromising the Authority's strong risk management position.
- 10.4 The change in policy for the PWLB has challenged the local authority debt environment, and it is anticipated that it will take some time before PWLB formally replies to the consultation that finished at the end of July 2020. Officers will continue monitoring the market, and engage with market participants including banks, investment firms, brokers and advisors to review the debt opportunities available to the Authority.

**Appendix A –  
PWLB Interest**



## APPENDIX B

### TREASURY MANAGEMENT PRUDENTIAL INDICATORS: APRIL – SEPT. 2020

	Original £m	Minimum In Year £m	Maximum In Year £m
<b>Operational Boundary for External Debt:</b>			
Borrowing	£2,427.2	£1,461.3	£1,560.5
Other Long Term Liabilities	£50.0	£48.7	£50.3
<b>Authorised Limit for External Debt:</b>			
Borrowing	£2,542.8	£1,461.3	£1,560.5
Other Long Term Liabilities	£52.4	£48.7	£50.3
<b>Authority has adopted CIPFA's Code of Practice for Treasury Management in the Public Services</b>	<b>Original</b> Yes	<b>Actual as at 30<sup>th</sup> Sept. 2020</b> Yes	
<b>Upper Limit for Principal Sums Invested for over 364 days</b>	£0	£0	

	Lower Limit	Upper Limit	
<b>Maturity structure of Fixed Rate Borrowing</b>	<b>2020-21 Original</b>	<b>2020-21 Original</b>	<b>Actual as at 30<sup>th</sup> Sept. 2020</b>
under 12 months	0%	50%	1.5%
12 months and within 24 months	0%	50%	3.0%
24 months and within 5 years	0%	50%	14.5%
5 years and within 10 years	0%	50%	18.9%
10 years and above	0%	100%	62.1%



### REVIEW OF ECONOMIC CONDITIONS FOR FIRST SIX MONTHS OF 2020-21 AND FUTURE OUTLOOK

This section has been prepared by the Authority's Treasury Advisors, Link Asset Services, for the 30th of September 2020 and includes their forecast for future interest rates after the PWLB policy change referenced in the report.

#### 1 ECONOMIC PERFORMANCE TO DATE 2020-21

1.1 The Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

- The fall in GDP in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
- The peak in the unemployment rate was revised down from 9% in Q2 to 7½% by Q4 2020.
- It forecast that there would be excess demand in the economy by Q3 2022 causing CPI inflation to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

1.2 It also squashed any idea of using negative interest rates, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also has “other instruments available”, including quantitative easing (QE) and the use of forward guidance.

1.3 The MPC expected the £300bn of QE purchases announced between its March and June meetings to continue until the “turn of the year”. This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.

1.4 In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the “medium-term projections were a less informative guide than usual” and the minutes had multiple references to downside risks, which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial

generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid-September.

- 1.5 Overall, the pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.
- 1.6 There will be some painful longer term adjustments as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.
- 1.7 One key addition to the Bank's forward guidance was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate
- 1.8 The Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.
- 1.9 US. The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked its inflation target from 2% to maintaining an average of 2% over an unspecified time period i.e. following periods when

inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary “trap” like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC’s updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- 1.10 EU. The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.
- 1.11 China. After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.
- 1.12 Japan. There are some concerns that a second wave of the virus is gaining momentum and could dampen economic recovery from its contraction of 8.5% in GDP. It has been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.
- 1.13 World growth. Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

## 2 INTEREST RATE FORECAST

The Authority's treasury advisor, Link Group, provided the following forecasts on 11th August 2020 (PWLB rates are certainty rates, gilt yields plus 180bps):

Link Group Interest Rate View 11.8.20										
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

- 2.1 Additional notes by Link on this forecast table: -
- 2.2 Please note that we have made a slight change to our interest rate forecasts table above for forecasts for 3, 6 and 12 months. Traditionally, we have used LIBID forecasts, with the rate calculated using market convention of 1/8th (0.125%) taken off the LIBOR figure. Given that all LIBOR rates up to 6 months are currently running below 0.1%, using that convention would give negative figures as forecasts for those periods. However, the liquidity premium that is still in evidence at the short end of the curve, means that the rates actually being achieved by local authority investors are still modestly in positive territory. While there are differences between counterparty offer rates, our analysis would suggest that an average rate of around 0.05% is achievable for 3 months, 0.1% for 6 months and 0.15% for 12 months.
- 2.3 During 2021, Link will be continuing to look at market developments in this area and will monitor these with a view to communicating with clients when full financial market agreement is reached on how to replace LIBOR. This is likely to be an iteration of the overnight SONIA rate and the use of compounded rates and Overnight Index Swap (OIS) rates for forecasting purposes.
- 2.4 If clients require forecasts for 3 months to 12 months beyond the end of 2021, a temporary fix would be to assume no change in our current forecasts.
- 2.5 The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6th August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

### 3 GILT YIELD / PWLB RATES

There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

- 3.1 Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields spiked up during the initial phases of the health crisis in March, we have seen these yields fall sharply to unprecedented lows as major western central banks took rapid action to deal with excessive stress in financial markets, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. At the close of the day on 30th September, all gilt yields from 1 to 6 years were in negative territory, while even 25-year yields were at only 0.76% and 50 year at 0.60%.
- 3.2 From the local authority borrowing perspective, HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4th June, but that date was subsequently put back to 31st July. It is clear HM Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

3.3 Following the changes on 11th March 2020 in margins over gilt yields, the current situation is as follows: -

- PWLB Standard Rate is gilt plus 200 basis points (G+200bps)
- PWLB Certainty Rate is gilt plus 180 basis points (G+180bps)
- PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)

3.4 It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year.

3.5 As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

#### 4 THE BALANCE OF RISKS TO THE UK

4.1 The overall balance of risks to economic growth in the UK is probably relatively even but is subject to major uncertainty due to the virus.

4.2 There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

4.3 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- UK - second nationwide wave of virus infections requiring a national lockdown
- UK / EU trade negotiations – if it were to cause significant economic disruption and a fresh major downturn in the rate of growth.
- UK - Bank of England takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- A resurgence of the Eurozone sovereign debt crisis. The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for “weaker” countries. In addition, the EU recently agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some European banks, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- German minority government & general election in 2021. In the German general election of September 2017, Angela Merkel’s CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- Other minority EU governments. Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- Austria, the Czech Republic, Poland and Hungary now form a strongly anti-immigration bloc within the EU. There has also been a rise in anti-immigration sentiment in Germany and France.
- Geopolitical risks, for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.
- US – the Presidential election in 2020: this could have repercussions for the US economy and SINO-US trade relations.

#### 4.4 Upside risks to current forecasts for UK gilt yields and PWLB rates:

- UK - stronger than currently expected recovery in UK economy.
- Post-Brexit – if an agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

### Glossary of Terms

**Authorised Limit** - This Prudential Indicator represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. 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** – one of the opposing parties 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, the calculation being based 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)** – This is an average rate, calculated from the rates which major banks in London estimate they would be charged if they borrowed from other banks for a particular time period. For example, 6 month LIBOR is the average rate which banks believe they will be charged for borrowing for 6 months.

**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)** – This is a type of loan where, at various periods known as call dates, the lender has the option to alter the interest rate on the loan. Should the lender exercise this option, the borrower has a corresponding option to repay the loan in full without penalty.



**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 Prudential 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 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, the calculation being based 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. Part of the Government's Debt Management Office, which provides loans to public bodies at rates reflecting those 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 maturing within the coming year and needing replacement, 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.

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## GMCA Audit Committee

Date: 20 November 2020

Subject: Risk Management Framework

Report of: Head of Audit and Assurance, GMCA

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### PURPOSE OF REPORT

Within the Audit Committee Terms of Reference, one of the roles of the Audit Committee is to “monitor the effective development and operation of risk management in the Authority”. The purpose of this progress report is to share with members the draft GMCA Risk Management Framework and associated implementation plan.

### RECOMMENDATIONS:

Audit Committee is requested to consider and comment on the draft risk management framework.

### CONTACT OFFICERS:

**Sarah Horseman, Head of Audit and Assurance - GMCA,**  
[sarah.horseman@greatermanchester-ca.gov.uk](mailto:sarah.horseman@greatermanchester-ca.gov.uk)

Risk Management – Appendix A

Legal Considerations – see paragraph

Financial Consequences – Revenue – see paragraph 4

Financial Consequences – Capital – see paragraph

Number of attachments included in the report: None

**BACKGROUND PAPERS:**

- Internal Audit Plan 2020/21 – June 2020

TRACKING/PROCESS	
Does this report relate to a major strategic decision, as set out in the GMCA Constitution	No
EXEMPTION FROM CALL IN	
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**

Internal Audit currently has responsibility, on behalf of the Treasurer, for ensuring that appropriate risk management arrangements are in place within GMCA. There is an established Corporate Risk Register in place that is regularly reviewed and updated by the Risk and Governance Group. Risk Management arrangements were also put in place during the Covid-19 pandemic via a Covid Risk Register.

However, within GMCA there hasn't to date been an overarching risk management framework for GMCA that standardises the way in which we expect risk to be managed across the organisation. The Head of Audit and Assurance has developed a framework to do this and alongside it a plan to roll out and embed the framework across GMCA.

## **2. Risk Management Framework**

The risk management framework sets out how at GMCA we should be managing risks. It explains how risk exists at all levels of GMCA and sets out the responsibilities of all employees for managing risk. This Framework is shown below.

The framework has been submitted to and reviewed by SLT who are supportive of it and keen to progress its implementation.

Audit Committee have a role in the oversight of risk management arrangements. It is therefore requested that Members review and comment on the draft framework prior to its implementation.

## **3. Implementation**

Within the Risk Management Framework, a proposed implementation plan has been developed. This is shown in Appendix C. The key stages of this are:

- Baselining – assess the maturity of risk management arrangements across GMCA currently through a facilitated self-assessment using Internal Audit (November/December 2020).
- Awareness and communications – launch the risk framework through comms and training (Commencing January 2021)
- Embedding – through facilitated risk workshops, develop the “lower level” directorate, operational and project risk registers (Commencing December 2020)

#### **4. Resourcing**

The Head of Audit and Assurance has agreed with TfGM that the TfGM Risk Manager is able to work on a shared basis to assist GMCA in implementing the framework. This individual has extensive experience in running risk workshops and developing and managing risk registers at all levels across the organisation. The anticipated cost of this arrangement is approximately £30k. There is budget for £60k within the Audit budget for a risk management post. This arrangement therefore represents a proposed saving on anticipated staff costs for 2020/21. In the longer term, once the framework has been implemented, ongoing resource costs will be reviewed alongside other risk roles, for example within GMFRS in order to ensure an efficient use of resources in this area.

# **RISK MANAGEMENT POLICY AND FRAMEWORK DRAFT**

**Date: November 2020**

## Document Control

<b>Title</b>	Greater Manchester Combined Authority – Risk Management Policy and Framework
<b>Document Type</b>	Policy
<b>Author</b>	Sarah Horseman, GMCA Head Audit and Assurance
<b>Owner</b>	GMCA Head of Audit and Assurance
<b>Management Approval</b>	CEMT
<b>Committee Approval</b>	Audit Committee
<b>Protective marking</b>	None
<b>Date of Approval</b>	November 2020
<b>Review due</b>	Two years from date of approval or earlier if there are relevant legislative or organisational changes which impact on this policy.



## **1. Policy Statement**

Risk Management will be an integral part of day to day operations and management at all levels of the organisation. A robust risk management process will assist in safeguarding GMCA assets and reputation and deliver our strategic objectives and ambitions.

## **2. Statement of Commitment**

Greater Manchester Combined Authority (GMCA) recognises that risk management has an important part to play in achieving the ambitions set out within the Greater Manchester Strategy, “Our People, Our Place”. GMCA is committed to ensuring that it identifies the risks and opportunities that may impact its ability to support and drive forward the strategy.

A Risk and Governance Group exists within GMCA to identify, assess and monitor Strategic Risks within GMCA. This “Top Down” approach has improved risk intelligence and strengthened management of these risks.

This risk management framework, consisting of the risk management policy and supporting tools and templates sets out how risk management capability will be further embedded within Directorates, across GMCA to ensure that operational and strategic risks and opportunities are identified, assessed and managed.

The framework encourages an informed review of risk at regular team and Board levels. Training and learning sessions will help raise awareness and through our Risk Champions we will share good practice in managing those risks requiring cross-organisational collaboration.

The Leadership Team remain committed to further embedding risk management across the organisation and in our relationships with our stakeholders and supply chains. We will ensure everyone understands that risk management is a responsibility for all staff and that it is a key component in the decision making at GMCA and senior management levels.

We will continue to build a culture where we learn from the past, monitor for early warnings and plan for risk in the best interests of the public, GMCA and other stakeholders. This approach will ensure that risk management policy and strategy continues to play an important role in making GMCA an efficient and effective organisation.

**Eamonn Boylan**  
**Chief Executive Officer**  
**GMCA**

### 3. Definitions

**Risk management** is the practice of minimising threats, maximising opportunities and managing uncertainty in the most effective manner. This will support achievement of the strategies, objectives and activities of the organisation.

**Risk:** A risk is any future event, or set of circumstances that, should it occur, will have a positive (opportunity) or adverse effect (threat) on achieving GMCA's objectives.

**Issue:** An issue is an event that has already taken place that has had a positive (opportunity) or adverse (threat) on achieving GMCA's objectives. Like risks, issues may require management to mitigate the impact to the achievement of objectives.

**Risk appetite:** The risk an organisation is willing to take in the pursuit of its strategy.

**Likelihood:** Likelihood is the chance that something might happen. Likelihood can be defined, determined, or measured objectively or subjectively and can be expressed either qualitatively or quantitatively (using mathematics).

**Impact:** The impact to GMCA if a risk occurs. There can be several different types of impact, for example financial, reputational, operational, strategic or compliance.

**Risk score:** is a calculation of the cumulative effect of the impact and likelihood of the risk occurring.

**Inherent risk:** The threat a risk poses *before* considering any mitigating activities [controls] in place to address it.

**Residual risk:** The threat a risk poses *after* considering the current mitigating activities [controls] in place to address it.

**Risk treatment:** Risk treatment is the response that an organisation takes to mitigate the risks it identifies. Typical treatment options include avoiding the risk, reducing the risk, sharing or transferring the risk or accepting/tolerating the risk.

**Risk owner:** A risk owner is a person or entity that has been given the authority to manage a risk and is accountable for doing so.

#### 4. Risk Management Framework

GMCA's Risk Management Framework encompasses:

- The principles on which risk management operates within GMCA
- The risk appetite of the organisation
- The framework (or hierarchy) of categories of risk
- Risk management process (identify and assess, treat, monitor and report)
- Risk management tools, templates and training

The framework must be supported by a risk-aware culture within the organisation with all staff taking responsibility for the management of risk.

#### 5. Principles

In managing risk it is important that we use the framework to support a culture that focuses on identifying and managing risks. Our framework and processes must support real substantive actions and awareness if they are to be useful and effective.

Our risk management framework is based on the following key principles, that risk management should be PACED:

- **Proportionate** to the size of organisation and nature of risks
- **Aligned** to the objectives of the organisation and the needs of the stakeholders
- **Comprehensive** - covering all types of risk
- **Embedded** in the ongoing processes for strategic and operational decision making
- **Dynamic** - able to change as the organisation and its environment changes

## **6. Risk Appetite**

Risk appetite is the level of risk an organisation is willing to tolerate in pursuing its strategic objectives. Our aim is to consider options in order to respond to foreseeable risks appropriately and make informed decisions that are most likely to result in successful delivery of strategic objectives, whilst also providing value for money.

Decisions made by GMCA to proceed with the acceptance of risk are subject to ensuring that all potential benefits and risks relevant for informed decision taking are fully understood. Acceptance of risk will be carefully scrutinised and the risk profile and appetite regularly reviewed to ensure it is appropriate.

Areas where a higher level of risk is taken will be considered on their own merits.

GMCA recognises that the appetite for risk may vary in respect of different activities, as illustrated by the statements below:-

### **Compliance and Regulation**

GMCA places high importance on compliance, with statute, regulation, professional and ethical standards and prevention of bribery and fraud. In these matters, GMCA maintains a very risk averse approach as compromising these obligations would not be acceptable.

### **Financial**

The following minimum criteria apply to meet these objectives:

- setting and achieving a balanced overall revenue budget;
- ensuring delivery of projects and programmes in accordance with approved budgets, containing appropriate risk and contingency allowances.

### **Delivery**

GMCA accepts a moderate level of risk arising from the nature of GMCA's operations and service delivery, to deliver an appropriate level of customer service and value for money.

### **Change, Innovation and Commercial Management**

Change will be needed to successfully achieve the Greater Manchester Strategy. Change Projects will provide GMCA with opportunities to achieve the outcomes defined within the strategy and deliver long term benefits for Greater Manchester. GMCA recognises that this approach may require a shift to a higher risk appetite level in seeking to exploit and seize these opportunities and maximise significant potential benefits.

### **Information Management**

GMCA is committed to ensuring that its information is accurate and properly managed in accordance with legislative and business requirements. GMCA seeks to avoid any compromise of the processes governing the holding and use of information, its management and publication. Misuse of its information is not acceptable.

**Information Technology**

GMCA recognises the importance of the availability and integrity of business critical systems. The prolonged outage of core systems and threats to its systems / network arising from malicious cyber-attacks are unacceptable.

**Reputation**

It is important that GMCA continues to preserve a high reputation with key stakeholders and the public. Therefore, it has set a low appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy through sustained adverse publicity. We must maintain a positive balance in external media coverage and messages.

## 7. Risk Framework – Categories of Risk

Our approach to risk management is designed to ensure risk is effectively managed across all levels of the organisation and that risks are escalated where necessary.

The following illustrates the categories of risk within GMCA.



Fig 1. GMCA Risk Framework

### 7.1. Corporate Risks

- These are the “top” risks faced by GMCA. Should they occur they would face a significant risk to the achievement of strategic objectives, statutory obligations and commitments.
- They can arise from any area within the organisation but due to their severity be escalated to this level to ensure appropriate oversight and management.
- Responsibility for oversight of these risks lies with **CEMT**.
- These risks will also be reported to, and monitored by the **GMCA Audit Committee** and to **GMCA** as appropriate.

## 7.2. Organisational Risks

- These are risks that affect the whole of GMCA, either as a result of being cross-cutting across the organisation or arising from large-scale strategic programmes that impact the whole of the organisation. Examples include: workforce risks, information governance risks, strategic programme risks.
- Responsibility oversight of these risks lies **collectively with SLT**.

## 7.3. Directorate Risks

- These risks are particular to the objectives of each Directorate within GMCA (excluding GMFRS). They would impact the achievement of Directorate objectives. They are a culmination of the most significant operational and project risks within the directorate but also could be external or strategic risks that arise that are specific to that directorate.
- Examples could be: changes to national policy around the environment which may impact the Environment Directorate or changes in legislation (eg Accessibility) that could impact Comms and Engagement.
- Responsibility for oversight of these risks lies with the **SLT members** responsible for each directorate.

## 7.4. GMFRS Risks

- The operational risks faced by GMFRS require specific and significant risk management. GMFRS has an established risk management process and GMFRS maintains a risk register at service level.
- Oversight of this risk register is undertaken by the **GMFRS Corporate Leadership Team (CLT)**.
- The GMCA risk management framework and the GMFRS Risk Management are aligned and there is a mechanism to escalate GMFRS risks to the GMCA strategic and corporate risk registers.

## 7.5. GMCA/GMFRS Operational Risks

- These risks arise from the day to day operations of the functions and services within GMCA and GMFRS.
- **Everyone in the organisation is responsible for managing risks within their areas of responsibility.**
- Oversight should be undertaken by **Heads of Function**.

## 7.6. GMCA/GMFRS Project Risks

- These risks arise from change initiatives within the organisation.
- They are those risks identified within project risk registers and would be managed at a **project level**.

## 8. Risk Management Process

GMCA have put in place the following risk management model to describe the process for managing risk. This is based on HM Treasury's Orange Book – Management of Risk – Principles and Concepts.

The four key activities within the risk management process are:

- Identification and assessment of risk
- Risk treatment
- Monitoring of risk
- Reporting

The model below illustrates how risk management is not linear, but is a continuous process that needs to take into consideration internal and external factors.

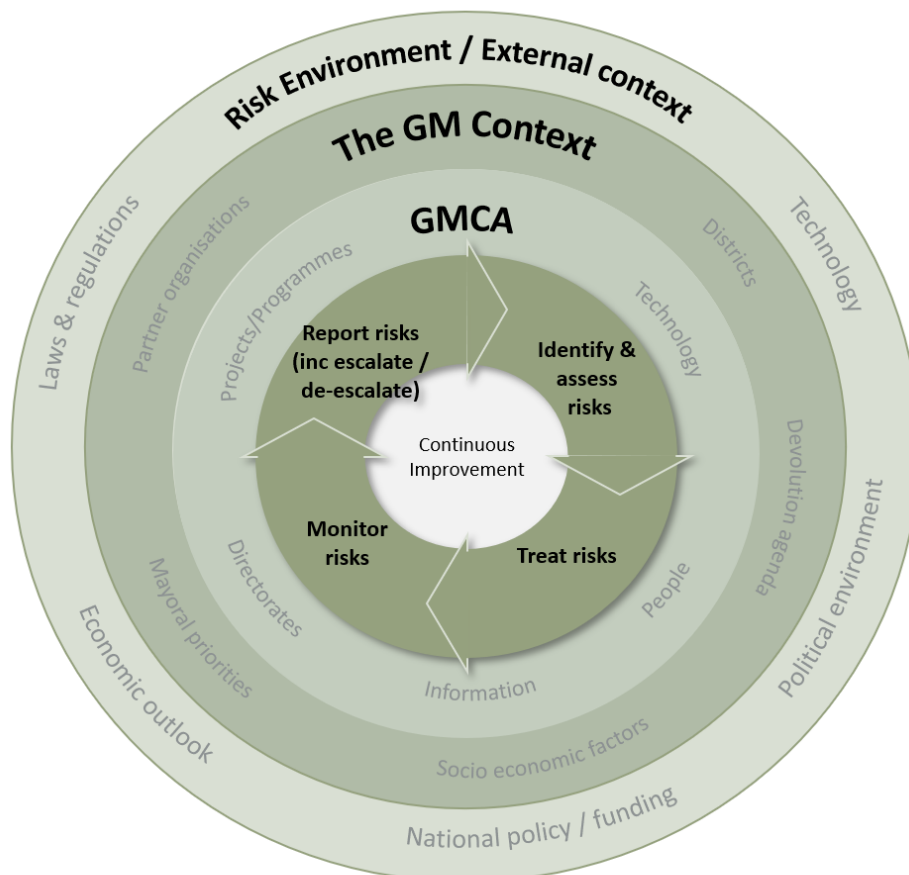


Fig 2. Risk Management Process



### 8.1. Identify and Assess risks

Risk identification is about collating information about relevant **threats** and **opportunities** – there are sometimes “upsides” to risks which are classed as opportunities.

It’s important to also distinguish between risks and **issues** – risks are things that may or may not happen in the future. Issues are things that have already arisen.

Risks are assessed using a standard scoring matrix. This measures the **impact** (what is the consequence of the risk occurring to GMCA) and the **likelihood** (how likely is the risk to occur) of the risk if nothing were to be done to manage the risk. This is called the **inherent risk score**.

When assessing the impact of a risk, the impact on people, finances, reputation, delivery and health and safety should be taken into consideration. The scoring mechanism shown in Appendix A, provides guidance on how to assess the impact and likelihood of risks.

### 8.2. Treat risks

Left unmanaged, risks may adversely impact GMCAs achievement of its objectives. It is therefore important to decide how risks should be managed. There are several ways to manage risk, these are:

- **Treat** – most risks will belong to this category, this is where actions are taken to reduce either the likelihood of the risk occurring, or if it does occur the impact of the risk when it does. It may not be possible to mitigate the risk completely but actions should be put in place to reduce it to an acceptable level – ie within the risk appetite
- **Tolerate** – it may not be possible to easily manage some risks, a good example is those risks that arise because of external factors, for example risks relating to the wider economic environment or socioeconomic risks. The response to these risks may be to tolerate them but it is important to monitor them such that they can be reconsidered if they begin to escalate.
- **Transfer** – For some risks the best option may be to transfer them to other parties. This could be through conventional insurance arrangements or by transferring to another third party via contractual arrangements
- **Terminate** – this would remove the risk completely, usually only achieved by changing the way in which things are done so it is not identified as a risk in the first instance
- **Take the opportunity** – in the case of opportunities, the fifth treatment option is to take the opportunity identified.

### 8.3. Monitor risks

It is important to regularly assess the current status of risks. The inherent risk score identified during the “Identify and Assess risks” phase may have been reduced by the actions taken to treat the risk. It is therefore important to understand at any point in time what the **residual risk score** of each risk is.

Using the same scoring mechanism, the residual risk score is calculated by re-assessing the risk, taking into consideration the actions taken and controls in place to manage it. Have those actions reduced (in the case of threats) the impact and/or likelihood of the risk occurring?

The residual risk score should be reassessed regularly on a periodic basis but also very importantly when one or more of the internal or external factors shown in the outer rings of the process diagram (Risk environment/external context, GM context, GMCA context) changes.

#### **8.4. Risk Registers**

A template for risk registers is available for use by all functions, projects and teams. The template provides a mechanism for recording risks at the level of detail defined in this framework. An overview of the template is provided in Appendix B.

#### **8.5. Report risks (including escalation and de-escalation)**

It is important that risks are visible and understood across the organisation. Appropriate reporting mechanisms need to be in place to allow those responsible for the achievement objectives to understand the risk environment that we are operating in. In Section 7 above, the groups responsible for the oversight of each type of risk were explained, it is therefore important that those groups receive regular reports on the risks they need to have oversight of.

It may be necessary to move risks up or down the risk hierarchy depending on their score, or their relative movement over a period of time. Those escalating (ie their score is increasing) may need to be brought to the attention of the level above where they are currently managed. Conversely those decreasing may be able to be monitored at a level lower than they are currently.

A risk may need to be escalated if it:

- Exceeds an agreed threshold
- Cannot be controlled / managed at the current organisational level
- Remains high even after mitigations are put in place
- Are cross-cutting in nature and affect multiple parts of the organisation

## 9. Responsibilities for Risk Management

Everyone is responsible for managing risks. It is incumbent on all GMCA staff and contractors to:

- Familiarise themselves with the risk management framework
- Understand the risk management process
- Maintain an awareness of risks within the area they work and talk to their team and managers about risks they see
- Accept and implement actions put in place to mitigate risks
- Contribute to the risk management process by participating in relevant training, workshops and discussions.

In addition, there are specific, additional responsibilities as follows:

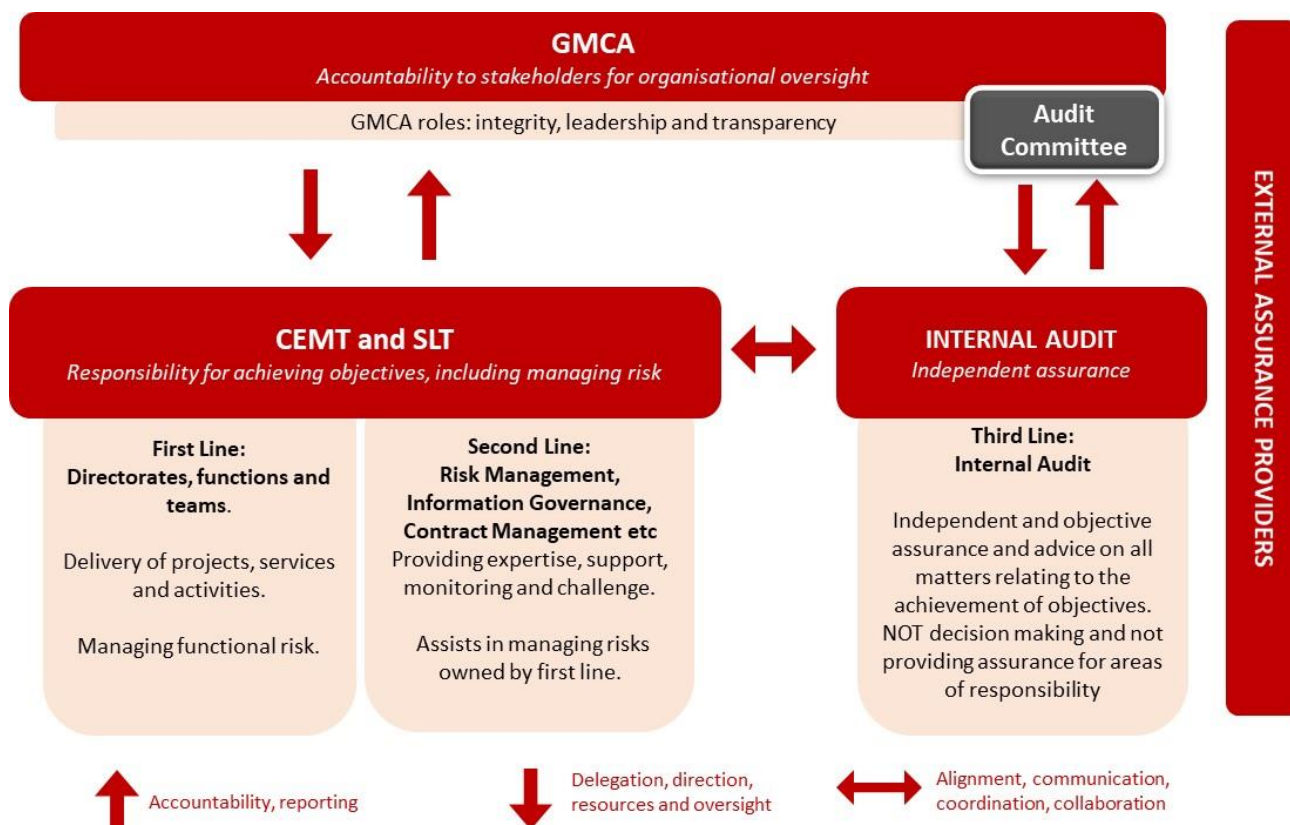
Role	Responsibility
<b>Chief Executive</b>	<ul style="list-style-type: none"><li>• Provide the strategic leadership that endorses GMCA's risk management framework</li><li>• Ensure that risk management is closely integrated with the business plan, audit plan and financial and operational strategies</li><li>• Drive forward the identification and review of key risks</li><li>• Model the principles and behaviours of good risk management</li></ul>
<b>GMCA Audit Committee</b>	As per their Terms of Reference, the Audit Committee has responsibility for: <ul style="list-style-type: none"><li>• monitoring GMCA's risk management arrangements including review of the risk register and progress of mitigating actions</li><li>• considering reports on the effectiveness of internal controls and monitoring the implementation of agreed actions</li><li>• reporting 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</li></ul>
<b>Greater Manchester Combined Authority</b>	The Audit Committee has responsibility for reporting their findings in relation to the effectiveness of governance, risk management and internal control arrangements to GMCA. The Combined Authority has access to the Corporate Risk Register at any point in time.
<b>CEMT</b>	<ul style="list-style-type: none"><li>• Ensure that the most significant risks are escalated to the Corporate Risk Register</li><li>• Take ownership of the risks within the Corporate Risk Register</li><li>• Drive the treatment and monitoring of <b>corporate risks</b>, ensuring appropriate mitigating actions are defined for those risks</li><li>• Seek assurance that the mitigating actions have been implemented and re-assess the corporate risks periodically</li><li>• Undertake "horizon scanning" to identify, communicate and record new or emerging risks within or outside of GMCA</li></ul>

Role	Responsibility
	<ul style="list-style-type: none"> <li>• Ensure risks are considered within the decision making process</li> <li>• Model the principles and behaviours of good risk management</li> </ul>
SLT	<p>Collectively SLT are responsible for</p> <ul style="list-style-type: none"> <li>• Overall ownership and management of <b>strategic and cross-cutting organisational</b> risks.</li> <li>• Appropriate definition and implementation of mitigating actions that have the desired impact across the organisation</li> <li>• Regularly reviewing and refreshing the strategic risk register.</li> <li>• Being satisfied that risks are being appropriately escalated to the strategic and/or corporate risk register based on their breadth and or severity.</li> </ul> <p>Individually SLT members are responsible for</p> <ul style="list-style-type: none"> <li>• Ownership and management of the risks faced by their <b>directorate</b></li> <li>• Advocating and role modelling an appropriate risk management culture and appropriate behaviours within their directorates</li> <li>• Escalation of any directorate risks that require oversight at a strategic or corporate level</li> </ul>
GMFRS CLT	GMFRS has its own risk management framework, policy and procedures. Please refer to that for details of specific roles and responsibilities by role. For the purposes of this integrated framework, CLT have responsibility for the management of risk within GMFRS and for the appropriate, proportionate and timely escalation of risks from GMFRS to the GMCA Strategic and/or Corporate Risk register.
Heads of Functions / Managers	<ul style="list-style-type: none"> <li>• Identification, management and ownership of the <b>operational risks</b> faced by their function/team</li> <li>• Demonstrating appropriate risk management behaviours in the proactive management of risks</li> <li>• Reflecting appropriate risk management responsibilities in the performance objectives of their team</li> <li>• Ensure that risks are regularly monitored and reassessed</li> <li>• Allocation of resources to undertake the actions identified to mitigate risks.</li> <li>• Continually monitor and assess the risk profile within the team as well as the adequacy and effectiveness of the mitigating actions</li> <li>• Discuss with their respective SLT member any risks that are increasing to such an extent they may need to be escalated to a directorate, strategic or corporate risk register level.</li> </ul>
Programme SROs	<ul style="list-style-type: none"> <li>• Review the risk management arrangements on their sponsored programmes and ensure the accuracy and completeness of risk information</li> <li>• Approve the risk management plan</li> </ul>

Role	Responsibility
	<ul style="list-style-type: none"> <li>• Ensure risk is given appropriate consideration at all phases of the programme</li> <li>• Escalate programme risks to the appropriate level (directorate, strategic or corporate) depending on the severity and trend of the risk</li> </ul>
<b>Project Managers</b>	<ul style="list-style-type: none"> <li>• Ensure every project has an appropriate (and proportionate) consideration of risk, including a project risk register</li> <li>• Act as a custodian of the risk register and keep it up to date</li> <li>• Ensure that <b>project risks</b> are regularly monitored and reassessed</li> <li>• Escalate as necessary any risks that meet the criteria that would require them to be monitored at a different level within the risk framework.</li> </ul>
<b>Treasurer</b>	As per the GMCA Constitution, the Treasurer is responsible for preparing and promoting the risk management strategy and develop appropriate risk management controls.
<b>Internal Audit</b>	<p>On behalf of the Treasurer, The Head of Audit and Assurance is responsible for developing the risk management framework and assisting its implementation and ongoing operation.</p> <p>As per the Internal Audit Charter, Internal Audit has responsibility for:</p> <ul style="list-style-type: none"> <li>• providing independent assurance to the Audit Committee on the effectiveness of the governance, risk management and internal control arrangements in place within GMCA and GM Fire and Rescue Service (GMFRS)</li> <li>• development of an annual Internal Audit Plan which is a risk-based plan prepared in conjunction with management that will take into consideration: corporate, strategic and key operational risks.</li> </ul> <p>Given the role internal audit currently has in designing the framework, independence needs to be considered when providing assurance in line with the IA Charter. Whilst responsibility for the framework lies with the Head of Audit and Assurance it will be necessary to obtain external assurance over the effective operation of the framework.</p>

## 10. Assurance mechanisms

Assurance is a key part of ensuring risks are appropriately identified, measured, managed and monitored. GMCA uses the “Three Lines Model” of assurance which shows how all parts of the organisation work together to manage risks. Each “line” provides assurance that risks are appropriately managed.



## 11. Roll out and implementation

In order to adopt this standardised risk management framework a number of activities will need to be undertaken, not least the adoption of a collegiate risk culture within GMCA. The implementation plan in Appendix C seeks to raise awareness, roll out and embed the risk management framework across GMCA. This implementation plan will be monitored by the Internal Audit team and progress reported regularly to SLT, CEMT and the Audit Committee.

## Appendix A – Risk Scoring matrix

### IMPACT SCORING

It demonstrates that impact can take many forms, when scoring, if a risk impacts multiple categories (eg financial and reputational) use the highest rating relevant to that risk.

	1 (VERY LOW)	2 (LOW)	3 (MEDIUM)	4 (HIGH)	5 (VERY HIGH)
<b>STRATEGIC</b>	Negligible threat to achieving a Strategic Objective	Minor threat to achievement of a outcome within a Strategic Objective	Significant medium term threat to achieving one or more outcomes within a Strategic Objective	Major medium term threat to achieving multiple outcomes within a Strategic Objective	Critical long-term threat to achieving a Strategic Objective
<b>OPERATIONAL</b>	Negligible threat to BAU delivery of activities. Functions are able to operate with minimum disruption. GMFRS - Little disruption to normal service	Minor disruption to BAU activities eg Minor IS outage affecting non-critical systems. GMFRS - Minor disruption to delivery of service.	Minor disruption to critical systems or processes affecting BAU or significant disruption to isolated systems or services. GMFRS - Significant disruption to important services	Significant disruption to critical systems and activities impacting the whole organisation and the ability to undertake BAU activities. GMFRS - Major disruption to important services	Critical threat to activities across the organisation. GMFRS - Threat to delivery of statutory services.
<b>PEOPLE</b>	No impact on GMCA personnel	Minor impact on a small number of GMCA personnel	Short term (<2 months) impact on a group of people (eg function or grade) and how they work	Medium-long term (2-6 months) impact on large proportion of the organisation.	Major long term impact to a wide range of personnel and how they work.
<b>REPUTATIONAL</b>	Isolated local complaints e.g. noise complaints; unlikely to lead to a loss in customer patronage / affect scheme. No legal concerns.	Complaints by a local group: will reduce affection for GMCA in that locality. Minor legal concerns.	Serious poor local publicity curtails ability to operate effectively without active stakeholder engagement. OR Region-wide poor publicity from not meeting additional customer expectations (e.g. ticketing information accuracy); will reduce affection for TfGM network wide. OR Manageable legal concerns.	Region-wide poor publicity from not meeting minimum expectations (e.g. outcomes; service levles; delivery); will seriously reduce affection for GMCA gradually erode reputation OR Potential serious legal concerns.	Serious poor publicity and legal concerns: will affect public trust in GMCA . E.g. serious H&S incident or violation laws.

	1 (VERY LOW)	2 (LOW)	3 (MEDIUM)	4 (HIGH)	5 (VERY HIGH)
<b>HEALTH AND SAFETY</b>	Minor injuries; cuts and bruises (First Aid Case)	RIDDOR Reportable (Over Three Day Injury)	Serious Injury (Non-life changing). RIDDOR reportable	Major injury (life changing). RIDDOR reportable	Fatality RIDDOR reportable
<b>PROJECT SCHEDULE</b>	<2 weeks delay OR no impact on end date/ deadline.	2-4 weeks delay OR low impact on key activities; no impact on the end date (occurs at development stage and can be accommodated in schedule).	4-8 weeks delay OR significant impact to key milestone or activities and delays to the end date. No knock-on effect on other projects	8-12 weeks delay OR significant impact to key milestone/ activities and delays to the end date. No knock-on effect on other projects	>12 weeks delay OR significant impact to key milestone/activities and delays to the end date. Knock on effects on other projects

#### LIKELIHOOD SCORING

<b>1</b>	<b>Very unlikely</b>	Unlikely to happen in the next 5+ years. Has not occurred in the past
<b>2</b>	<b>Unlikely</b>	Not expected to happen in the next 1-2 years. Has occurred in the past
<b>3</b>	<b>Possible</b>	Possibility it will occur in the future. Happens every 1-2 years
<b>4</b>	<b>Likely</b>	Possibility it will occur in next 12 months. Usually occurs annually
<b>5</b>	<b>Almost certain</b>	Almost certainly will occur in next 12 months. Happens frequently.



## Appendix B – Risk Register template

A template for risk registers is available. This is an excel document that functions and directorates can use to document their risks. This Appendix summarises that template and explains the purpose of each column.

ID	RISK NAME	RISK DESCRIPTION	CAUSE / TRIGGER	CONSEQUENCE	RISK OWNER	INHERENT RATING			TREATMENT	CONTROLS progress with impact being measured.	RESIDUAL RATING			TREND	FURTHER CONTROL(s) Additional actions required
						Likelihood	Impact	Score			Likelihood	Impact	Score		
Ref	One line description of the risk	Description of the risk	What is it that causes that risk to crystallise?	What happens [to GMCA] when this risk crystallises.	Name/role of owner	Using the risk scoring matrix what is the score BEFORE controls			Are we going to treat, tolerate, transfer or terminate the risk?	What are the mitigating actions in place?	Using the risk scoring matrix what is the score AFTER controls			Is the risk increasing, decreasing or remaining stable?	What else is needed to manage the risk to an appropriate level?
IGR-1	Data Protection Act 2018 compliance	Failure to comply with the requirements of the Data Protection Act 2018 (inc. GDPR).	Failure to ensure that personal data is used fairly and lawfully, is accurate and up to date, and is used only for explicitly stated purposes and is handled in a secure manner.	ICO monitoring and/or audit, impact on affected citizens, fines, reputational damage, impact on delivery of GMS.	PN	3	3	9	Treat	GMCA IG Board chaired by SIRO.	2	4	8	↔	Plan to put policies and processes in place.

## APPENDIX C – Implementation Plan

In order to effectively embed this risk management framework within GMCA there need to be a number of actions that initially take place to raise awareness and understanding of risk management but in the longer term to ensure GMCA's culture around risk management continues to evolve and mature so that it is an efficient and effective process within the organisation.

This implementation plan sets out the short, medium and long term action needed to implement the framework.

Activity	Responsibility	Timescale	Status
<b>1. Develop the Risk Management Framework</b>			
a) Define the risk management framework	HoAA	October 2020	Complete
b) Obtain SLT buy-in and support for the risk framework	HoAA	November 2020	Complete
c) Audit Committee review and comment	HoAA	20 November 2020 (papers by 13 November)	
<b>2. Baseline risk management activity – Risk Management Maturity Audit</b>			
a) Draft Terms of Reference for Risk Management Maturity audit	HoAA	October 2020	Complete
b) Approve Terms of Reference	SLT	November 2020	Complete
c) Undertake Internal Audit	Internal Audit	November – December 2020	
d) Report results to SLT	Internal Audit	January 2021	
<b>3. Raise awareness and understanding across GMCA (excl GMFRS)</b>			
a) Develop training and awareness materials	Risk resource	November – December 2020	
b) Develop internal communications launching the risk framework	HoAA / Internal Comms	December 2020	
c) Launch risk management framework	CEMT	January 2021	
d) Roll out training and awareness activities	Risk resource	January 2021 – March 2021	
<b>4. Corporate Risk Register</b>			
a) Quarterly update of [existing] Corporate Risk Register	SLT/CEMT	November 2020	In Progress
b) Quarterly review of Corporate Risk Register	Audit Committee	20 November 2020	
c) Move Corporate Risk Register to new risk management framework	SLT/CEMT/Internal Audit	March 2021	

5. Develop risk registers			
a) SLT Risk workshop	Risk resource	December 2020	
b) Directorate risk workshops	Risk resource	January – March 2021	
c) Maintain risk registers	Directorates	2021/22 onwards	

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## **GMCA Audit Committee**

Date: 20 November 2020

Subject: GMCA Corporate Risk Register

Report of: Sarah Horseman, Head of Audit and Assurance

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### **PURPOSE OF REPORT**

The role of the Audit Committee is to provide regular review over the GMCA governance, risk management and internal control arrangements.

This report supports the Audit Committee in discharging this responsibility by providing the latest update on the corporate risk register for November 2020.

### **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:**

**Steve Wilson, Treasurer to GMCA,**  
[Steve.wilson@greatermanchester-ca.gov.uk](mailto:Steve.wilson@greatermanchester-ca.gov.uk)

**Sarah Horseman, Head of Audit and Assurance - GMCA,**  
[sarah.horseman@greatermanchester-ca.gov.uk](mailto:sarah.horseman@greatermanchester-ca.gov.uk)

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

TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		No
EXEMPTION FROM CALL IN		
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) Corporate Risk Register “CRR” supports the identification and management of key strategic risks to the achievement of organisational objectives and actions considered necessary to mitigate them.
- 1.2 GMCA Chief Executive’s Management Team (CEMT) retains overall ownership and responsibility for the management of risks, actions and assurances being given. Oversight and Scrutiny will be provided by GMCA Audit Committee
- 1.3 Under its terms of reference, Audit Committee oversees the effectiveness of the GMCA risk management arrangements over GMCA and GM Mayoral Functions and this includes high level consideration of the risk management frameworks in respect of police and crime; fire and rescue; and transport. The GMCA (Full Authority) approves the GMCA CRR following consideration by Audit Committee.
- 1.4 Specific risk management arrangements and risk registers for GMP, TfGM and GMFRS will continue to be owned by the Chief Constable, Chief Executive TfGM and Chief Fire Officer respectively.

## **2 November 2020 Update**

- 2.1 This quarterly update of the CRR takes into account the evolving risk landscape as a result of the Covid-19 pandemic and the impact on GMCA and the GM region as we look to implement our one year 'Living with Covid-19 Resilience Plan' as a short term strategy for GMCA.
- 2.2 This version of the risk register combines the Corporate Risk Register and the Covid-19 Risk Register which had been developed in the earlier part of 2020/21 to manage risks arising specifically as a result of the pandemic and the associated changes in working arrangements.
- 2.3 The purpose of the register is to identify the 'high level' risks that have arisen relating to the current national emergency as well as those which impact on GMCA operational service activities, finances and the safety and wellbeing of our staff.
- 2.4 Management of these risks is essential, and this process identified 28 corporate risks, which are of such significance they require close monitoring by Senior Leadership Team (SLT) and CEMT. These are captured under several thematic risk headings to aid understanding, review and analysis. The risks are categorised in line with the timescales for recovery; immediate risk (0-3months); affecting 2020/21 (3-6 months); Living with Covid/Building back better (beyond 6-12months).
- 2.5 The key risk areas relate to the level of financial and economic uncertainty on GMCA and the region, the register also includes key risks in relation to transport and Greater Manchester Fire and Rescue service.

## **3 Looking ahead**

- 3.1 Going forwards, the development and implementation of a standard, organisation-wide GMCA Risk Management Framework will provide a more consistent and robust process for managing and reporting the most critical risks faced at all levels of the organisation.

- 3.2 The “look and feel” of this register may therefore change in the future when the new framework and templates are adopted.
- 3.3 A separate paper is provided to Audit Committee on the proposed risk management framework.

#### **4 Recommendations**

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



# Appendix A - GMCA Corporate Risk Register – November 2020

GMCA STRATEGIC RISKS							RISK ASSESSMENT		REDUCING THE RISK		
ID	RISK CATEGORY	RISK NAME	RISK DESCRIPTION	CAUSE	CONSEQUENCE	RISK OWNER	TIMESCALE	RAG SCORE	EXISTING CONTROLS	TREND	ADDITIONAL COMMENTS / ACTIVITIES / ASSURANCE
CA-1	Strategic	Delivery of Greater Manchester Strategy (GMS) and GMCA one year 'Living with Covid-19' Recovery Plan	<p>Uncertainty over future funding and Government commitment may impact on the continued delivery of GM devolution priorities, Mayoral initiatives and GMS strategic objectives.</p> <p>Inability to deliver on key recovery targets and outcomes in response to Covid-19 pandemic.</p>	<p>Due to ongoing political and economic uncertainty, and the impact of Covid-19 GMCA is exposed to potential changes in government policy that affect planning and finance assumptions in GMS.</p> <p>One year spending review and possible changes in future funding means that some programmes and projects are put at risk where funding is not already secured.</p> <p>The unpredictability of the virus, effects on the region and timescale for recovery.</p> <p>Significant change to planned activity as GMCA focus is on managing the pandemic.</p> <p>Government and stakeholder relationships are compromised.</p>	<p>Potential imbalance between funding and priorities may mean we are unable to fully meet our future devolution plans and GMS/Mayoral objectives and commitments.</p> <p>The talk about potential devolution from Government had increased under the governments 'levelling up'. 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> <p>Reputational impact of not delivering on ambitions.</p>	Eamonn Boylan	2	Amber	<p>Revised one year 'Living with Covid-19' Resilience Plan as a short-term strategy for GMCA prior to the GMS being revised in 2021.</p> <p>Close engagement with Government departments on setting out the key spending and devolutionary priorities.</p> <p>Local Industrial Strategy agreed with Government and published although it does not give complete clarity re national devolution work programmes.</p> <p>Ongoing input into Government departments on key areas of policy – such as GMSF/town Centre development.</p> <p>Performance dashboard.</p>	Increasing	Risk needs to be kept under review as new Government policy evolves, and in the light of Covid-19, BREXIT and Spending Review decisions.
CA-2	Strategic	Covid-19 Emergency response Structures	<p>The ability of GM to respond adequately to national and local measures imposed in response to the Covid-19 pandemic and support residents and businesses.</p>	<p>The Covid-19 position is incredibly volatile both regionally and nationally making the response effort difficult.</p> <p>Uncertainty over financial packages and support made available.</p>	<p>The impact of Covid workload on Senior Leadership Team which is taking away from normal day to day GMCA priorities</p> <p>The risk of GMCA being unable to support partners in managing consequences of locking and unlocking.</p>	Eamonn Boylan	1	Green	<p>GM Emergency response structures including Strategic Coordinating Group and Tactical Support Group are in place and functioning</p> <p>Implementation of the 'Living with Covid-19 Resilience Plan' to deal with the impacts of the pandemic</p> <p>Mayor and Leaders lobbying the Government for the right level of support to GM businesses and residents</p>	Stable	
CA-3	Economic / Political	Brexit Implications	<p>Uncertainty about the future UK relationship with the EU creates a volatile operating environment for the GMC region. Impacts may include economic, financial, social and policy developments to which the GMCA must adapt.</p>	<p>The EU Transition period ends on the 31st December 2020. Currently EU UK negotiations are ongoing but there remains a significant amount of uncertainty over EU/UK trade deal and the impact on the GM economy and businesses.</p>	<p>The impact of the Covid-19 pandemic nationally and locally may mean preparations for Brexit are overlooked and the UK is underprepared. Potential short, medium- or long-term impacts on the economy.</p> <p>GMCA strategy (GMS) and business planning assumptions</p>	Simon Nokes	2	Amber	<p>GM Brexit Readiness Group has been reinstated to monitor the situation. GM Brexit readiness action plan.</p> <p>Ongoing Mayoral, Leaders and Chief Officer engagement with Government Departments.</p> <p>Joint work between GM Readiness Group, LRF and Economic Resilience Taskforce will continue over the coming months, ensuring District BLOs are fully</p>	Increasing	Risk of a no trade deal with EU has substantially increased.

			The GMCA is vulnerable to immediate impacts when Britain leaves the EU in addition to attrition impacts emerging from any economic turbulence.		are impacted.  Loss of future funding streams.  Impact on future GM business growth.				engaged and appropriate preparation made for any emerging issues.  Economic Resilience Taskforce developing and testing appropriate responses for any economic shocks that may occur  Investment strategy.		
CA-4	Economic	Covid-19 Business Support Funding	A Significant amount of Government grant funding is being managed through the Growth Company Business Growth Hub (GCBGH) to aid businesses, residents and the GM economy during Covid-19 Pandemic. Enabling timely access to this funding to address immediate needs in response to the impact of COVID-19 remains a significant risk.	Our ability to respond quickly to government announcements on new initiatives and financial packages.  The requirement to revisit planned funding schemes due to changes in Government funding as GM responds to changing lockdown rules.	The approach and capacity is insufficient to deal with new government initiatives and funding proposals in ensuring the support reaches intended targets.  GMCA are fundamentally responsible for delivery of this funding. Our ability to ensure that there is adequate governance arrangements for administration of initiatives and compliance with grant funding conditions is reduced.	Steve Wilson	1	Amber	GMCA working with the Growth Company, Local Authorities and Partners to put a support programme together to help manage delivery of this support and distribute grants in response to local economic circumstances.  Two government loans schemes: see bills scheme; build back better loan scheme (underwritten by Govt) are up and running.  Working with Growth Company to maximise the use of national or local funding available e.g. retained business rates.	Stable	£60m government funding package for tier 3  Additional support for any business forced to close in tier 3.
5	Finance & Resources	Wider Impact on GMCA and GM District Finances	The financial implications on GMCA and GM Districts from the measures put in place to support residents and businesses through the Covid-19 crisis and direct implications from loss of income and additional expenditure.	Lockdown measures and imposed restrictions which impact the GM economy and business sector.  GMs ability to protect the most vulnerable residents and protecting jobs and businesses.  The requirement for a partnership approach with Government, Districts and significant partner organisations.	Impact on our ability to lead on the financial recovery of Covid-19 and build back better.  Significant financial impact on GM Districts and GMCA budgets, TfGM and Metrolink from a shortfall in funding and loss of income resulting from the first wave of Covid-19.  Has the potential to lead to a huge amount of work, significant cost to the GMCA and significant loss of income (retained business rates).  Detrimental impact on Business Rates growth for 2020/21 which will reduce the 50% element subsequently retained by the CA.  Likely deficit on Local Authority collection funds and a reduction in the overall Council Tax base which will reduce income from GMFRS, Mayoral and PCC	Steve Wilson	1	Red	Greater Manchester submission to the Comprehensive Spending Review and Devolution & Local Recovery White Paper, as our mechanism to secure further powers and resources from Government.  Ongoing work to manage and mitigate the financial impact of the crisis as well as work to support other areas of recovery, including both humanitarian and economic elements.  Work has commenced with a sub group of treasurers looking at ways to mitigate financial impact in 2020/21 through joint work across GM. This will include: a) £80m package of mitigations from GMCA to support Districts including waste reserves, business rates, reducing the levy to GMCA, deferred funding for bus reform. b) Maintenance of accurate record of COVID related expenditure incurred and forecast including recovery costs c) Lobbying of central government for funding of all COVID costs d) Ensuring all recovery activities are appropriately costed and financed e) Developing opportunities for financial recovery working across GM and within districts	Increasing	

					precepts in cash terms from 2021/22.				f) Reviewing existing pre-COVID investment priorities to determine whether these are still applicable in the short to medium term world but also identifying new priorities which may have emerged f) Support other recovery activities where appropriate		
CA-6	Finance & Resources	Financial Cost of Covid-19 on GMCA Budgets	The impact of unbudgeted Covid-19 costs on GMCA 2020/21 accounts and beyond.	Ongoing costs associated with supporting the GM response to managing the pandemic.	Increased cost pressures on GMCA and partner organisations and uncertainty over the level of costs to be covered by Government.	Steve Wilson	2	Green	Funding request to Government in October to cover Covid specific costs of £36m  Review of funding commitments and proposed schemes.  Building back better strategy.	Increasing	Continued discussion and lobbying of Government.
CA-7	Environment	Climate Change and Carbon Reduction	Failure to deliver on GM climate change initiatives within the required timescales with consequent impacts on achieving GM's long-term carbon reduction targets.	The scale of the task (to reach the ambitious carbon targets set) is such that there are a number of potential causes of failure: lack of funding; lack of change levers; lack of partner support; lack of sufficient engagement with GM organisations, businesses and citizens; a change in political priorities; failure to successfully lobby national government and global oil, gas and electricity price changes.	Long term climate change risks to population, business and infrastructure.  Systemic and complex nature of the issue results in delayed decision making & action.  Reputational damage to CA.  Risk of disruption from climate protests.	Mark Atherton	3	Amber	1. GM 5 Year Environment Plan (March19) – which includes immediate mitigation and adaptation measures and further innovation measures needed to meet the challenge. 2. Mission based approach being adopted to gain broad cross sectoral support and action. 3. Commitment of funding from Retained Business Rates to support initial delivery against the agenda and external funding opportunities to support substantial change initiatives. 4. Media activity and annual Green Summit to share progress, encourage change and demonstrate Mayoral commitment. 5. Engagement with activist groups to share progress and raise awareness of constraints.	Increasing	Mission based approach - Challenge Groups and T&F groups initiated – responsible for reviewing/'owning' the scale of the challenge and ensuring appropriate joined up actions by all partners  Bids submitted for external funding to deliver programmes at scale and development of innovative policy and finance mechanisms.  Progress towards targets regularly reviewed through Green City Region Partnership  6 monthly update on GMCA actions in response to its declared Climate Emergency to be reported to CA
CA-8	Commercial	Transport - Metrolink	Significant loss of transport revenue due to Covid-19 and reduced patronage levels; uncertainty over longer term government funding support beyond 2020/21.	Reduced patronage levels since the first wave of Covid-19 and further lockdown restrictions imposed.  Patronage fails to reach previous levels as people continue to work from home longer term.	The impact of short, medium- and long-term reduction in patronage levels, with TfGM is forecasting a potential shortfall of between £18 and £26m deficit for 2020/21.  Impact of revenue shortfall on repayment of borrowings  Funding will not be available for a renewals programme.	Steve Wilson	2	Red	Ongoing discussion with DfT of financial support packages. Government announcement on the next tranche of Government funding for Metrolink is due in October, which should provide a settlement for 2020/21.  Longer term shortfall for 2021/22 estimated at £46m.	Increasing	Continued discussion and lobbying of Government.  Seeking cost saving measures within overall transport budgets.  Rephasing of capital spend, to fund renewals programme.
CA-9	Commercial	Transport - Bus Operators and	Significant loss of bus transport revenue due to Covid-19 and significantly	Impact of Covid on bus service provision, funding	Potential for loss of some services if routes become unviable due to low patronage	Eamonn Boylan	2	Red	Direct financial support to bus operators (Bus Service Support Grants).	Increasing	

		<b>Service Provision</b>	reduced patronage levels. There is uncertainty over longer term government funding to support bus operators beyond 2020/21.	and lower patronage levels.	levels.  May require local subsidy to keep services operating if Government funding doesn't continue beyond 2020/21.  Impact on future bus operator service contracts.				Discussions with Bus operators over implications on services and funding/income requirements.		
<b>CA-10</b>	<b>Commercial</b>	<b>Transport - Bus Reform</b>	There is a risk of delay to the decision on bus reform due to market disruption and impact of covid-19.	Approval and successful Implementation of bus reform deriving from the Bus Services Act 2017 is threatened by financial / resource capacity, and legal challenges alleging failure to comply with legislative and or public/administrative law requirements.  Impact of Covid on bus service provision, have meant a significant drop off patronage levels and lower income from fares.  Costing for bus reform is based on certain income assumptions.  Changes to scope and non realisation of change benefits.	Reputational impact of inability to deliver on Mayoral priorities and GM strategic commitments.	Eamonn Boylan	<b>2</b>	<b>Green</b>	1. Ongoing senior level officer and political engagement with Government. 2. Bus reform project being managed through dedicated TfGM resources and reported through TfGM risk and assurance arrangements. 3. GMCA/Mayor/Districts have agreed a reformed TfGMC and to amend the Operating Agreement. 6. Statutory Instrument (Greater Manchester Combined Authority (Functions and Amendment) Order 2019) came into force on 4 April 2019. 7. Reformed GM Transport Committee established and amended Operating Agreement 8. Constitution revised to reflect Mayoral bus powers 9. Assessment of proposed bus franchising scheme completed 10. Audit of assessment recently completed 11. The publication of the assessment and the audit of the assessment was approved by the GMCA on 07.10.2019 12. GMCA also agreed to undertake a consultation in accordance with section 123E of the Transport Act 2000, commencing on 14 October 2019 and ending on 8 January 2020, and agreed the funding for the consultation	<b>Increasing</b>	
<b>CA-11</b>	<b>Operational Delivery</b>	<b>GMFRS - MTA Response (Marauding Terrorist Attack)</b>	Concerns raised regarding GMFRS's capability to deal with such incidents, including specific feedback as part of the HMICFRS Inspection. Specifically, these differences have affected Greater Manchester Fire & Rescue Service's (GMFRS) ability to carry out practical training either as a single service, or as part of a multiagency response	Due to ongoing national differences between the Fire Brigade Union and the Fire and Rescue Service employers regarding whether this is part of the Firefighters role map.	May result in the Service not being able to respond effectively should an incident occur.	Dave Keelan (GMFRS)	<b>2</b>	<b>Red</b>	Merseyside Fire and Rescue Service's MTFA team will be called upon as part of our initial actions for any bomb/explosion/PLATO type incidents. An additional NILO officer has been placed on the Operational Rota to provide extra supervision and guidance to crews should they mobilise to work in a warm zone. GMFRS continues to engage with Rep Bodies to mitigate the risk.	<b>Increasing</b>	
<b>CA-12</b>	<b>Operational Delivery</b>	<b>GMFRS - Built Environment</b>	There is a risk that we are not appropriately engaged with the process resulting in our inability to influence	The Service has an uncoordinated response to the emerging findings from the Grenfell	Due to significant building failures which appear to have resulted from a number of deficiencies over the last 20	Tony Hunter (GMFRS)	<b>3</b>	<b>Red</b>	The analysis of the Grenfell Phase 1 report and identified areas from The Cube will be combined to propose best resource and governance arrangements within the wider PFC, for responding	<b>Stable</b>	

			the outcomes, effectively plan for the impact whilst ensuring that we still meet the needs of the Greater Manchester public.	recommendations. GMFRS is not fully engaged in the options for change, resulting in our inability to influence.	years, substantial recommendations from the Grenfell Tower Inquiry, and changes made through Government legislation, the Service is likely to be significantly impacted across all areas.				effectively to emerging challenges with regard to Prevention, Protection and Response within the Built Environment		
CA-13	Operational Delivery	GMFRS - Service Disruption	Due to the impact of the pandemic on the organisation, there is a risk that we will be unable to provide an effective service delivery.	Increased levels of sickness across the organisation due to contracting the virus, self-isolating and/or mental health and stress.	Inability to deliver statutory functions, potential impact on fire cover Potential loss of life - public / firefighter Potential loss of buildings due to fire.	Dawn Docx (GMFRS)	1	Amber	Key policies and processes in place to support operational resilience, staff and signpost to EAP Programmes: Regular and timely communication messages to all staff providing updates on key messages - internally and externally on. Guidance provided to Line Manager regarding supporting colleagues during this period. Degradation Policy COVID-19 Strategy & Response Plan Overtime Arrangements (agreed with FBU) Manager's Handbook Inc. Cleaning Procedures.	Stable	
CA-14	Workforce	GMFRS - Equal, diverse and inclusive workforce	Due to the outcome of the HMICFRS inspection which identified need for improvements in this area along with a range of external drivers and influences including the Thomas Review there is a need to develop a range of attraction, recruitment and retention initiatives which may result in increased success in attracting and recruiting a more diverse workforce	External Inspection Reviews	Failure will lead to the maintenance of an unrepresentative workforce	David Alexander	2	Green	Work is ongoing to develop a range of attraction, recruitment and retention initiatives which may result in increased success in attracting and recruiting a more diverse workforce.	Stable	
CA-15	Workforce	Capacity of Senior Leadership Team	The capacity of the GMCA CEMT/SLT is reduced due to the focus on Covid-19 emergency response work.	The impact of Covid-19 workload which is dominating SLT agenda time and taking away from normal focus on day to day GMCA priorities.  Operational efficiency of senior staff is impacted due to prolonged working from home arrangements.	There is a risk that organisational initiatives, business plan objectives and priorities are delayed and don't receive adequate senior manager input and attention or oversight.	Andrew Lightfoot	1	Green	CEMT and SLT are in place and functioning. Attendance remains strong, no gaps in SLT establishment.	Stable	
CA-16	Workforce	Staff Absence	Increased risk of staff absence in GMCA/GMFRS due to Covid-19 and/or caring responsibilities due to ongoing lockdown restrictions.	Rising Covid-19 infection rates across GM.	The risk of staff reporting Covid-19 symptoms and/or the need to self-isolate remains a significant operational risk for all teams.  Inability to deliver statutory functions, maintain key	David Alexander	1	Amber	Key policies and processes in place to support operational resilience, staff and signpost to EAP Programmes: Regular and timely communication messages to all staff providing updates on key messages - internally and externally on. Guidance provided to Line Manager regarding supporting colleagues during this period. Degradation Policy COVID-19 Strategy & Response Plan Overtime	Increasing	



					activities and responding to urgent business requests.				Arrangements (agreed with FBU) Manager's Handbook Inc. Cleaning Procedures		
CA-17	Workforce	Staff Mental and Physical Wellbeing	<p>Prolonged tier 3/lockdown restrictions and imposed working arrangements mean this risk is likely to escalate as staff are asked to extend working from home arrangement over the next 6 months. This may affect staff health, wellbeing and morale.</p> <p><b>GMFRS</b> - In an emergency service there are a range of reasons why people may be impacted by mental health and wellbeing issues, whilst the Authority has a range of existing mechanisms in place there is scope to further develop both managerial and staff support</p>	lockdown restrictions and increased isolation.	<p>Childcare &amp; home schooling are meaning staff are worrying about not getting their work done and also not providing the right support for their family.</p> <p>Physical and mental health negatively impacted due to extended home working and isolated working.</p> <p>Increased levels of sickness due to mental health and stress.</p> <p>Prolonged absence from the work environment affect staff development and learning and induction of new staff.</p> <p><b>GMFRS</b> - Scope to further develop both managerial and staff support. Failure would lead to unacceptable levels of sickness absence.</p>	David Alexander	2	Amber	<p>Tootal Building and GMFRS HQ remain open for the most vulnerable staff and those unable to work from home.</p> <p>Wellbeing initiatives and resources available for staff.</p> <p>Weekly online briefings from the Mayor, Chief Executive and SLT Members.</p> <p><b>GMFRS</b> - Health and Wellbeing team undertake range of initiatives to support employee mental health and well-being. This capability has been enhanced as a result of the Covid crisis. Reasons for absence are monitored and tracked. General and specific wellbeing support is in place across the service</p>	Increasing	
CA-18	Workforce	Behaviours and Culture	The Culture of the CA fails to adapt to changing organisational demands which in turn impairs efficiency and delivery.	<p>Conflicts between desired and actual GMCA culture and standards impacts on consistency of approach.</p> <p>Inconsistency of approach could impact efficiency and the potential benefits that derive from integration and collaboration across the GMCA.</p> <p>Stalled progress due to the impact of the Covid pandemic</p>	Culture inertia could result in an inability to retain staff, increase employee relation caseload, and increase pressures on recruitment.	David Alexander	3	Green	<p>1. OD strategy for GMCA as a whole and organisational orientation and induction. OD strategy approved and implemented.</p> <p>2. Development of Extended Leadership Team and 'lunch and learn / meet the team' sessions to help raise awareness of work across teams.</p> <p>3. Regular communications from GM Mayor and Chief Executive, including intranet content and all-staff sessions to engage on vision on strategy.</p> <p>5. Accelerated People Review (with authority to reallocate resources) is ongoing.</p> <p>6. Staff engagement survey.</p> <p>7. PFC has a separate workstream looking at culture of the GMFRS.</p>	Stable	
CA-19	Statutory / Legal	Data Protection Act 2018 compliance	Failure to comply with the requirements of the Data Protection Act 2018 (Inc. GDPR).	Arrangements are insufficiently developed in GMCA to meet obligations placed upon the organisation by Information legislation. Inclusive of Data Protection and	<p>New ways of working increase the risk of failing to comply with GDPR requirements through poor data privacy controls in home working arrangements.</p> <p>Roll out of innovative technology to support new</p>	Phillipa Nazari	2	Red	<p>GMCA IG Board chaired by SIRO.</p> <p>Serious Information Governance Incident Panel to deal with any data breach and ensure robustness of approach.</p>	Stable	Plan to put policies and processes in place.

Page 109				<p>transparency laws. Including expected organisational standards in respect of information management and governance.</p>	<p>ways of working not properly assessed and no information management strategy in place to manage this.</p> <p>Breach of information security through data loss or increased risk of Public Sector susceptibility to cybercrime including phishing attempts, hacking and denial of service attempts from external parties.</p> <p>There is an inability to demonstrate GDPR compliance and ensure 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 programmes of work</li></ul>						
	CA-20	Statutory / Legal	Information Security	<p>Organisational arrangements are insufficient to deter, detect and prevent unauthorised access to ICT systems.</p>	<p>Loss of skilled and trained staff to lead on IS security.</p> <p>Requirement to rapidly stand up new digital capabilities at whole organisation scale that support remote working.</p>	<p>Potential loss/misuse 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>	Phil Swan	1	Amber	<p>1. Governance created to support the strategic direction of ICT/Digital and, separately, IG to improve cyber security.</p> <p>2. Majority of ICT infrastructure is based on mature GMFRS network, systems and applications. 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.</p> <p>3. Investment in tools to scan the infrastructure to ensure that vulnerabilities are identified and addressed.</p> <p>4. Support provided through mandatory IS training online (LMS) and information on the GMCA intranet. Training on information security is monitored and tracked through SMT.</p> <p>5. As discussed at the Oct 2020 Information</p>	Stable

									Governance Board, additional ICT security features are available but will require organisational engagement and they will change practices. A proposal for this being worked up with IG colleagues for the SIRO to consider.		security Insurance and threat monitoring: Enhanced threat monitoring now in place.
CA-21	Statutory / Legal	Business Continuity and Contingency Planning	Failure to have in place an adequate organisational wide BC plan for GMCA to respond to a major incident or lower level disruption to service. (This risk excludes GMFRS)	Lack of robust policy, procedures and process for BC and organisational resilience.	Lack of a coordinated and focussed response, which could result in major service disruption.  Potential loss of key business systems / data.  Staff welfare  Reputational damage  Potential non- compliance with CCA legislation.	Julie Connor	1	Amber	1. Specific Fire and Rescue Service BC Plan. 2. Multi- agency emergency response through GM Resilience Forum. 3. ICT business continuity plans to cope with untoward incidents. Key applications identified and managed. Initial assessment of priority assigned. Information Asset Owners identified at Leadership level.	Stable	
CA-22	Statutory / Legal	Organisational Governance and Decision Making	Increased risk of non-adherence to formal governance processes and the effectiveness of organisational decision making, scrutiny and oversight.	Ongoing requirements for leadership team and staff to work remotely from home and follow social distancing rules.	May lead to delayed or ineffective decision making, a lack of transparency or appropriate level of scrutiny.  Potential for legal challenge over decisions taken.	Liz Treacy	1	Amber	CEMT and SLT continue to hold virtual meetings hosted via Microsoft Teams to allow decisions to be taken.  GMCA Constitution; Financial regulations and emergency procedures.  New Regulations have been introduced allowing Boards and Committees to meet remotely and GMCA Governance team are supporting on live streaming of public Committee meetings.	Stable	Annual Governance Statement (AGS) and Code of Corporate Governance to reflect legislative arrangements and emergency procedures operated under Covid-19 pandemic.
CA-23	Reputational	Independent Reviews	Our ability to respond to the outcome of public inquiries.	Public inquiry Report and Recommendations	Negative impact on public confidence in GM's ability to respond adequately to the outcome of these reviews.  GMFRS may face a significant amount of scrutiny in a public arena, which could impact the workforce and the Services reputation.	Andrew Lightfoot	2	Amber	CSE: Oversight and reporting to GM Mayor and Deputy Mayors, GMCA, Scrutiny Committees and Police and Crime Panel.  Engagement through Deputy Chief Executive, lead Chief Executive for Children and Chief Constable to build support across GM to complete part three of the review to provide assurance on current practice.  Manchester Arena Inquiry: Identification of resources to support preparation for the inquiry, including liaison with our insurers and with GMCA. Robust preparations undertaken in conjunction with BLM. Communications and staff welfare plans being developed.  Ongoing internal reviews of learning (inquiry preparation)	Increasing	



									Regular updates to CLT Briefing to Deputy Mayor/Director of Police Fire and Crime		
CA-24	Operational Delivery	GM Waste & Recycling Contract	<p>(a) Contractor(s) fails to perform as required by the Contract.</p> <p>(b) Construction of new facilities are delayed.</p> <p>(c) Recyclable materials value reduce as a result of global commodity trends or the quality of the material collected is not high enough</p> <p>(d) National Waste and Resources Strategy results in change to collection, treatment or disposal requirements</p> <p>(e) A no-delay Brexit affects services (e.g. fuel shortages, supplies import delays, loss of drivers etc.)</p>	Causes generated by Brexit and changes to Government policy.	<p>The Contracts do not achieve intended financial, service, social and environmental outcomes</p> <p>Income from commodities decreases and/or costs of processing increase and/or costs of rejection increase and/or materials are managed in a less environmentally favourable manner and/or recycling performance decreases</p> <p>Additional collection costs and/or claims from disposal contractor for changes in waste flows or composition; potential redundancy of facilities and/or procurement of new contracts due to imposed requirements of National Strategy.</p> <p>Brexit: some services may have to be reduced</p>	David Taylor	3	Green	<p>Robust performance management framework in place to incentivise performance.</p> <p>Transfer of knowledge from advisory team to core Waste team. Experienced contract management team in place utilising existing contract management systems.</p> <p>Core GMWDA team transferred to GMCA provides continuity and knowledge transfer. Additional contract management resources being recruited.</p> <p>Management of progress through project planning and contractor liaison. Operational risk register in place. Oversight 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>Joint group with WCAs to develop responses to consultation documents.</p> <p>Brexit contingency plan provided by Suez and other contractors' advise of their mitigations.</p>	Stable	
CA-25		Capital Programme Delivery /Governance	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.	Delays in progressing schemes due to Covid-19 and challenging economic conditions.	<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 impact future funding awards</p>	Eamonn Boylan	3	Green	<p><b>Single Pot Assurance Framework .</b></p> <p><b>Gateway processes</b> for scheme appraisal and approvals.</p> <p><b>Reports to Chief Executive's Investment Group (CXIG)</b> and GMCA Board on scheme progress and delivery of the Capital Programme.</p> <p><b>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>Oversight</b> by Scrutiny Committee, TfGM Committee and sub committees.</p> <p><b>Performance monitoring framework</b> linked to GMS and GMCA business plan.</p>	Stable	
CA-26	Operational Delivery	Covid 19 - Delivery of Work & Skills Externally	Work & Skills Directorate currently manage in excess of £200m of external funding that	Lockdown and further local restriction have meant that work and skills provider delivering	Those GM residents in most need may be unable to access support at time when many require additional support in	Gemma Marsh	3	Amber	A covid contingency plan to support Greater Manchester Work & Skills Programme was agreed in March 20. The plan built was built around the emergency policy government put in place - PPN	Stable	

		<b>Funded Programmes supporting GM Residents</b>	<p>support GM Residents to improve their skills and progress into employment, which include AEB and Working Well programmes.</p> <p>The national and local restrictions in place in relation to Covid-19 have a major impact on how Work and Skills contract continue to be delivered in GM.</p> <p>Potential financial instability of the providers base in GM.</p> <p>Potential underspend in grant funding and lower than expected performance against targets set by of funders.</p>	<p>contracts in GM are unable to delivery the face to face provision to GM residents that are key element of their contracts.</p> <p>Most contracts are delivered on a PBR basis therefore providers ability to draw down funding could be seriously impacted upon, thus creating some financial instability, particularly for smaller providers.</p>	<p>developing transferable skills to support them in the labout market or support addressing health or other related barriers into employment.</p> <p>GM would not have a provider base that was strong enough to respond to demand, at a time of greater need to support GM residents and businesses who have been hit by immediate impact, as well as longer-term implications for the local economy.</p>				<p>02/20 in relation to supplier relief. The plan was based around a 12 month period with quartely reviews. This allowed most providers to move over to cost payment model in order to address financial instabilty issues.</p> <p>Maybe a need for further consideration post March 21, depending on how the position with the pandemic progresses.</p> <p>Providers have tasked with developing alternative methods of delivery during this period to ensure that those in need, could access the services and these are review as part of the ongoing contract managment.</p> <p>Robust contract management processes are in place, along with open book contract management.</p> <p>Working closely with DWP and other government department to align our approach to contract mangement during the pandemic</p> <p>Working with finance/procurement colleagues in the use of Company Watch - a due diligence system designed to assess the financial standing of companies.</p>		
CA-27	Operational Delivery	Digital risks	GM Full Fibre grant funding awarded to GMCA by DCMS is not spent in line with spending profile and this impacts programme delivery.	Delays in progressing implementation work mainly due to Covid-19 impacting ability to access sites, pace of providing wayleaves and permits, and supplier quality issues.	<p>Failure to deliver full programme and expected level of connectivity to sites across GM which may impact some areas of GM more than others.</p> <p>Impact on subsequent economic and social benefits of improved fibre connectivity.</p>	Phil Swan	2	Red	<p>Micro- management of supplier including fortnightly Framework Board meetings being established.</p> <p>Close working with councils, FRS and TFGM.</p> <p>Intense stakeholder engagement with DCMS which has already enabled approx £1M of grant to be carried over into Q1 2021.</p>	Increasing	

					<div>Impact on downstream public sector benefits that are expected to emanate from the FF network.</div> <div>Reputational impact with stakeholders in GM and with DCMS.</div>						
CA-28	Operational Delivery	Digital risks	The HSCP steps back from continued funding for the GM Digital Platform, specifically the health element of this work being delivered via Salford Royal FT as part of the joint programme with GMCA.	<div>Financial pressures on HSCP.</div> <div>Concerns from sections of the health system for any available funding to be used elsewhere.</div>	<div>The HSCP element of the programme ends and costs could fall to GMCA alone for which there is insufficient budget resulting in closure or heavy reduction in scope.</div> <div>Impact on delivery of Early Years digitisation across GM plus several other initiatives.</div> <div>Undermine data sharing and use across GM significantly.</div>	Phil Swan	1	Amber	<div>Close engagement with SRFT and HSCP, plus Health Innovation Manchester to determine a way of progressing this challenge.</div> <div>Revised draft model of HSCP Digital governance structure agreed through intervention of Sara Todd and Andrew Lightfoot with HSCP and HIM.</div> <div>SRFT themselves potentially will likely continue to fund elements of the programme to benefit the Northern Care Alliance.</div> <div>A review of the cost base of the Digital Platform and team supporting it is underway.</div>	Stable	

The Risk Continuum: Risk Scoring Guidelines

Timescale	RAG Score / Status of risk
1. This is a current risk issue	<b>Red</b> –Risk not yet mitigated and significant problem that must be addressed in the short term and requiring close attention
2. 3-6 months - impacting FY 2020/21	<b>Amber</b> – Risk being mitigated partially but requires monitoring and/or additional control measures required prior to next formal review
3. Long term risk, living with Covid/building back better	<b>Green</b> – Risk Under Control to an acceptable level

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## **GMCA Audit Committee**

Date: 20 November 2020

Subject: Internal Audit Progress Report

Report of: Head of Audit and Assurance, GMCA

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### **PURPOSE OF REPORT**

The purpose of this progress report is to inform Members of the Audit Committee of the progress to date of the delivery of the Internal Audit Plan for 2020/21. It is also used as a mechanism to approve and provide a record of changes to the internal audit plan.

### **RECOMMENDATIONS:**

Audit Committee is requested to consider and comment on the Head of Audit and Assurance's progress report.

### **CONTACT OFFICERS:**

**Sarah Horseman, Head of Audit and Assurance - GMCA,**  
[sarah.horseman@greatermanchester-ca.gov.uk](mailto:sarah.horseman@greatermanchester-ca.gov.uk)

Risk Management – see paragraph

Legal Considerations – n/a

Financial Consequences – Revenue – see paragraph 4

Financial Consequences – Capital – see paragraph

Number of attachments included in the report: None

**BACKGROUND PAPERS:**

- Internal Audit Plan 2020/21 – June 2020

<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

The annual audit plan for GMCA was presented to the June 2020 Audit Committee and allocated 350 days of internal audit support in 2020/21.

Separate plans are approved by Transport for Greater Manchester (TfGM) and Greater Manchester Police (GMP) / Police and Crime Functions with reporting to their respective Audit, Risk and Assurance Committee (ARAC) and Joint Audit Panel.

The purpose of this progress report is to provide Members with an update against the GMCA audit plan.

## 2 Progress against the 2020/21 Internal Audit Plan

### 2.1 Internal Audit work completed since the last meeting of the Audit Committee

Since the last Audit Committee on 8 September 2020, we have issued one final report, one draft report, and one grant certification as noted below.

- **GM Fire Fighter's Pension Review (Reasonable Assurance)** – Internal Audit found that there were appropriate controls in place over the administration and processing of the GMFRS Fire Fighters Pension (GM FFPS). No critical or high risk issues were identified. Some minor improvements around record keeping and documentation were noted and appropriate actions for rectification agreed with the audit contacts.
- **Lessons Learned Review of the GM Mortuary Commissioning Project** – Internal Audit was asked to undertake a lessons learned review of the GM Mortuary Commissioning Project for and on behalf of the GM Executive Mortality Group. Once finalised, any findings pertinent to GMCA will be shared with the Audit Committee.
- **Local Energy Market** – Certification Letter.

Details of the number and priority of agreed actions in respect of these audits are attached in **Appendix A** and the Executive Summaries from Final reports is included at **Appendix D**.

Whilst progress against the plan remains broadly on track, the impact of COVID19 pandemic and unforeseen changes in working arrangements continues to affect audit resources and wider staff availability. We are continuing to support staff in managing the difficulties of lockdown restrictions and will continue to keep this under review and make any necessary adjustments to planned audit work.

### 2.2 Internal Audit work in progress

The following work is in progress:

Planning

- Risk Management Maturity Assessment (Q3)

- Programme and Project Governance (Q3)
- Grant Certification: Home to school transport (Q3)

#### Fieldwork

- Payments during lockdown (Q3)

#### Reporting

- GMFRS Fleet Services (Q2)
- Mayoral Advisors (Q3)

Details of our progress in respect of the 2020/21 Audit Plan is shown in **Appendix B**.

## 2.3 Other Activities

Aside from delivery of the internal audit plan, since the last meeting internal audit have undertaken the following additional activities

### 2.3.1 Risk Management

- The Head of Audit and Assurance has developed a risk management framework and associated implementation plan. Refer to the separate paper presented to the Audit Committee.
- Internal Audit have also facilitated a review and update of the GMCA Corporate Risk Register for Quarter 3.
- The Head of Audit and Assurance has agreed sharing of a risk management resource with TfGM to assist with the implementation of the risk management framework.

### 2.3.2 Whistleblowing and Counter Fraud activities

**National Fraud Initiative** - For the first time in 2020/21 it is mandatory for Combined Authorities to participate in the National Fraud Initiative (NFI) which is run by the Cabinet Office. GMCA has therefore established the roles and responsibilities required for the exercise, the Treasurer is the Responsible Officer for GMCA and The Head of Audit and Assurance is the Key Contact.

GMCA is required to submit three datasets for analysis, these relate to pensions, payroll and trade creditors. Arrangements were put in place to extract and upload the datasets in line with the Cabinet Office timetable. All necessary activities relating to data privacy were also completed prior to upload. GMCA expect the results from the NFI matching exercise to be received in early 2021 and will at that point develop a work plan to investigate the matches.



**Whistleblowing** – the Deputy Mayor requested the Head of Audit and Assurance to investigate one whistleblowing report which has been completed. The report was not related to fraudulent activity.

**Standards Committee** – The whistleblowing policy is being presented to the Standards Committee on 19<sup>th</sup> November 2020. Any comments or actions arising from their review will be taken into consideration in future revisions to the policy.

### **2.3.1 Information Governance**

The Head of Audit and Assurance is a member of the Information Governance Board and of the Serious Information Governance Incident Panel both of which are chaired by the Senior Information Risk Owner.

## **3 Changes to the Internal Audit Plan**

The internal audit plan is regularly reviewed and can be amended to reflect changing risks and/or objectives. In line with the Internal Audit Charter, any significant changes to the plan must be approved by the Audit Committee.

The audit plan is agile and can be flexed to meet current risk requirements. As such a review of the remainder of the plan has been undertaken and some changes proposed. These reflect the additions that Internal Audit have been asked to do during the year and as such the removal of a small number of audits, on a risk-based approach, to balance the resources available.

A full list of any proposed changes, with the rationale for each, is shown as an **Appendix C** to this report. This provides a cumulative record of changes to the approved plan along with the date they were approved by the Committee.

## **4 Audit Action Tracking**

Internal audit continue to monitor the implementation of audit actions on a quarterly basis. The last update was provided to Audit Committee in September 2020, the next update will be provided as at December 2020, at the next Audit Committee meeting. Internal Audit will continue to work with SLT and action owners to improve the timely implementation of audit actions.

## Appendix A - Summary of Internal Audit Reports issued

The table below provides a summary of the internal audit work completed. This will inform the annual Internal Audit opinion for the year 2020/21.

Audit	Assurance Level	Audit Findings					Coverage		
		Critical	High	Medium	Low	Advisory	GMCA	GMFRS	Waste
GM Housing Investment Loan Fund	Reasonable			2	1		✓		
GM Fire Service Pension Review	Reasonable			2	2	2		✓	
Lessons Learned – GM Mortuary commissioning project (draft)	N/A	N/A – Not an assurance review							

Grant Certifications				
Grant Certification - Business Energy and Industrial Strategy (BEIS)		Positive	✓	
Grant Certification - GM EU exit Preparedness Funding		Positive	✓	
Grant Certification – Local Energy Market (LEM)		Positive	✓	

The following tables show definitions for the Assurance Levels provided to each audit report and the ratings attached to individual audit actions. Given the previous internal audit arrangements these ratings have been aligned with those used historically by MCC. The report and finding ratings will be reviewed and revised for 2020/21 onwards.

#### Assurance levels

	DESCRIPTION	SCORING RANGE	DESCRIPTION
	<b>SUBSTANTIAL ASSURANCE</b>	1-6	A sound system of internal control was found to be in place. Controls are designed effectively and our testing found that they operate consistently. A small number of minor audit findings were noted where opportunities for improvement exist. There was no evidence of systemic control failures and no high or critical risk findings noted.
	<b>REASONABLE ASSURANCE</b>	7-19	A small number of medium or low risk findings were identified. This indicates that generally controls are in place and are operating but there are areas for improvement in terms of design and/or consistent execution of controls.
	<b>LIMITED ASSURANCE</b>	20-39	Significant improvements are required in the control environment. A number of medium and/or high risk exceptions were noted during the audit that need to be addressed. There is a direct risk that organisational objectives will not be achieved.
	<b>NO ASSURANCE</b>	40+	The system of internal control is ineffective or is absent. This is as a result of poor design, absence of controls or systemic circumvention of controls. The criticality of individual findings or the cumulative impact of a number of findings noted during the audit indicate an immediate risk that organisational objectives will not be met and/or an immediate risk to the organisation's ability to adhere to relevant laws and regulations.

## Audit Finding Classification

Risk Rating	Description/characteristics	Score
<b>Critical</b>	<ul style="list-style-type: none"> <li>• Repeated breach of laws or regulations</li> <li>• Significant risk to the achievement of organisational objectives / outcomes for GM residents</li> <li>• Potential for catastrophic impact on the organisation either financially, reputationally or operationally</li> <li>• Fundamental controls over key risks are not in place, are designed ineffectively or are routinely circumvented</li> <li>• Critical gaps in/disregard to governance arrangements over activities</li> </ul>	<b>40</b>
<b>High</b>	<ul style="list-style-type: none"> <li>• One or more breaches of laws or regulation</li> <li>• The achievement of organisational objectives is directly challenged, potentially risking the delivery of outcomes to GM residents</li> <li>• Potential for significant impact on the organisation either financially, reputationally or operationally</li> <li>• Key controls are not designed effectively or testing indicates a systemic issue in application across the organisation</li> <li>• Governance arrangements are ineffective or are not adhered to.</li> <li>• Policies and procedures are not in place</li> </ul>	<b>10</b>
<b>Medium</b>	<ul style="list-style-type: none"> <li>• Minor risk that laws or regulations could be breached but the audit did not identify any instances of breaches</li> <li>• Indirect impact on the achievement of organisational objectives / outcomes for GM residents</li> <li>• Potential for minor impact on the organisation either financially, reputationally or operationally</li> <li>• Key controls are designed to meet objectives but could be improved or the audit identified inconsistent application of controls across the organisation</li> <li>• Policies and procedures are outdated and are not regularly reviewed</li> </ul>	<b>5</b>
<b>Low</b>	<ul style="list-style-type: none"> <li>• Isolated exception relating to the full and complete operation of controls (e.g. timeliness, evidence of operation, retention of documentation)</li> <li>• Little or no impact on the achievement of strategic objectives / outcomes for GM residents</li> <li>• Expected good practice is not adhered to (e.g. regular, documented review of policy/documentation)</li> </ul>	<b>1</b>
<b>Advisory</b>	Finding does not impact the organisation's ability to achieve its objective but represent areas for improvements in process or efficiency.	<b>0</b>

## Appendix B – Progress against the Internal Audit Plan 2020/21

The table below shows progress made in delivery of the 2020/21 Internal Audit Plan.

Key: ○ Not Yet started      ⊙ Scheduled      ● In progress      ● Complete

Directorate	Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Place making	CIT	GM Housing Investment Loan Fund	Q1	●	●	●	●	November 2020	Completed
Chief Executive's Office	Programmes and Projects	Lessons Learned - Mortuary Commissioning Project	Q1/Q2	●	●	●	○		Draft Report
Corporate Services	Governance	Annual Governance Statement 2018/19	Q2	●	●	●	●	Sept 2020	Completed
Corporate Services	Finance	Payments during lockdown	Q2/Q3	●	⊙	○	○		
Corporate Services	Grants	BEIS 2019/20 GM Growth Hub Finding	Q2	●	●	●	●	Sept 2020	Completed
Corporate Services	Grants	GM EU exit Preparedness Funding	Q2	●	●	●	●	Sept 2020	Completed
Cross-cutting	Programmes and Projects	Programme Governance	Q2	⊙	○	○	○		Planning
Chief Executives Office	Governance	Mayoral Advisors	Q2	●	●	⊙	○		See Appendix C Preparing Draft Report

Directorate	Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
GMFRS	GMFRS	Pensions administration	Q2	●	●	●	●	November 2020	Completed
GMFRS	GMFRS	GMFRS Fleet	Q2	●	●	⦿	○		Preparing Draft Report
Corporate Services	Health, Safety and Wellbeing	GMFRS Covid 19 workplace regulations	Q2	○	○	○	○		Delayed to Q3/4
PCC	PCC	Phase 2 audit of grant processes	Q3	●	●	●	●		Reported via Joint Audit Panel
Grants	Corporate Services	LEM Project	Q3	●	●	●	●	Nov 2020	Completed
Grants	Corporate Services	Home to School and College transport	Q3	⦿	○	○	○		
Chief Executive's Office	Governance	Risk Management Maturity	Q3	●	⦿	○	○		
Corporate Services	HROD	Investigation process	Q3	●	⦿	○	○		
Corporate Services	Finance	Procurement	Q3	○	○	○	○		
Corporate Services	Governance	Code of Corporate Governance	Q4	○	○	○	○		Was Q2, delayed to Q4

Directorate	Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Place-making	CIT	GM Housing Investment Loan Fund	Q4	⊖	⊖	⊖	⊖		See Appendix C
Corporate Services	Governance	Delegated Authorities	Q4	○	○	○	○		
Corporate Services	Waste	Core financial processes (Waste)	Q4	○	○	○	○		
Work and Health	Work	Working Well	Q4	○	○	○	○		
Education	AEB	Advice regarding AEB Assurance framework	Q4	○	○	○	○		
Cross-cutting	Programmes and Projects	Large Programme Governance	Q4	⊖	⊖	⊖	⊖		See Appendix C
Corporate Services	ICT	Outsourced ICT audit work	Q4	○	○	○	○		
GMFRS	GMFRS	Training	Q4	○	○	○	○		

Other Audit Activity		Quarter
Information Governance	Head of IA is a member of the IG Board, ongoing advice and oversight of IG risks through this forum.	All
Risk Management	Internal audit facilitate quarterly risk register updates through the Risk and Governance Group. In 20/21 consideration will be given to the COVID CRR and the eventual merging of the COVID and Corporate risk registers. Development and implementation of a GMCA-wide risk management framework.	All
Audit action tracking	Internal audit will monitor and report on a quarterly basis the implementation of agreed audit actions	All
Whistleblowing investigations	Receipt and investigation of whistleblowing reports	As needed
Ad-hoc advice and support	Advice and reviews requested in-year in response to new or changing risks and activities.	As needed
Contingency days	Days reserved to address new or emerging risks	As needed



## Appendix C - Changes to the Internal Audit Plan

The internal audit plan is designed to be flexible and can be amended to address changes in the risks, resources and/or strategic objectives. Similarly management and the board may request additional audit work be performed to address particular issues. In line with Public Sector Internal Audit Standards (PSIAS) the Audit Committee should approve any significant changes to the plan. This Section records any changes to the current internal audit plan since it was originally approved in June 2020.

Audit Area	Audit	Timing	Days	Change requested	Rationale	Approved by Audit Committee
Chief Executive's office	Mayoral Advisors	Q3	20	Addition to plan	Requested by Chief Executive	
Placemaking	Housing Investment Loan Fund	Q4	15	Removal from plan	This audit has been undertaken previously (last reported in Q1) with generally positive assurance opinions. No changes in the control environment have taken place that would indicate any changes to the control environment in this financial year that would require additional work.	
Programmes and Projects	Large Programme Governance	Q4	20	Removal from plan	A programmes and projects audit is to take place in 2020/21, it is proposed to defer the large programme governance audit to future years.	

**Appendix D - Executive Summary for Final Published Reports**

**GMFRS Pension Administration**

## EXECUTIVE SUMMARY

### 1.1 Background and Context

Greater Manchester Combined Authority (GMCA) currently operate two pension schemes; the Local Government Pension Scheme (LGPS) which is operated for civilian employees and the Firefighter's Pension Scheme for uniformed staff.

This audit focusses on the Firefighter's Pension Scheme (FFPS).

The FFPS is a defined benefits scheme which is operated for the Authority's uniformed firefighters. The scheme is managed by the GMCA HROD Directorate and a Local Pensions Board is in place which oversees the management of the scheme. As the scheme is unfunded there are no investment assets built up to meet the pension liabilities and funds have to be available to meet the actual pension's payments when they fall due.

The Pension scheme was revised on the 1 April 2015 from a Final Salary Scheme to a Career Average Revalued Earning scheme (CARE). Members commencing employment after this date joined the 2015 scheme. Unprotected members of the 1992 and 2006 final salary schemes were also moved into the 2015 scheme on 1 April 2015. Protected members of the 1992 and 2006 schemes could, depending on their protection, either stay in their existing scheme or move into the 2015 scheme when their protection ceases. A recent tribunal judgement (the "McCloud Sargeant judgement") has ruled that these transitional arrangements "gave rise to unlawful age discrimination" and the Government is currently looking at how to correct this. Early indications are that members will be moved back to their original schemes which will have cost implications for the schemes. It is currently unclear who will bear the responsibility for these costs.

The scheme is essentially underwritten by the Home Office who will provide a top up payment to cover any additional cost during the year above the collected contributions and to whom a payment is made for any outstanding balance where contributions exceed payments during the year. Home Office payments are based initially on the estimate of expected costs with a balancing payment made at the end of the year, significant changes to the estimates raises questions with the Home Office and as such the accuracy of the estimates is key to managing the cash flow of the pension costs throughout the year.

Due to the rising cost of administering the fund, GMCA are considering other commercial options for the future running of the scheme.

### 1.2 Audit objective

The objective of this audit is to provide assurance that the FFPS is being correctly administered. Specifically the audit will assess controls in the following areas to ensure that:-

- **Pension calculations** are being accurately and promptly undertaken in line with scheme regulations with pensions records appropriately updated;

- **Pension payments** are made accurately and on a timely basis in line with regulations;
- **Employee and employer contributions** are being correctly calculated and pensions records updated appropriately; and
- **Estimation processes** are adequate to ensure that appropriate funds are requested from the Home Office to support pension payments due.

### 1.3 Scope and Approach

The audit considered a sample of payments, transactions and calculations undertaken since April 2019. Due to the variety of payments and calculations undertaken as part of the Pensions process our testing did not cover all possible transaction types.

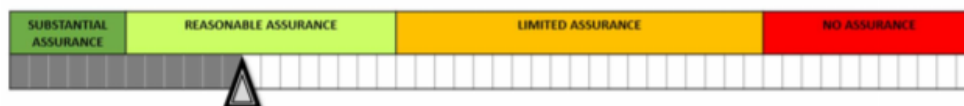
This audit took place prior to the remedies for the tribunal judgement (also known as the McCloud case) regarding transitional arrangements to the 2015 scheme being made. As such any changes to processes and calculations which are announced as a result are not reflected in the testing undertaken.

Whilst we are aware that the service is considering commercial options for the future administration of the FFPS, this review does not seek to specifically address this point. Any key points that should be considered as part of that review which were identified during the audit were highlighted to management.

**Limitations:** This audit considered payments and contributions in relation to the FFPS only and did not extend to any other pension schemes in operation.

### 1.4 Audit Opinion

We provide a **reasonable assurance** opinion over the administration and processing of the GM FFPS. We identified no critical or high level control or compliance issues and are satisfied that the relevant Pensions regulations are being adhered to. We have noted some minor issues around the accounting records for pension payments and the lack of a full set of process and procedure notes that prevent us from providing a substantial level of assurance at this time.

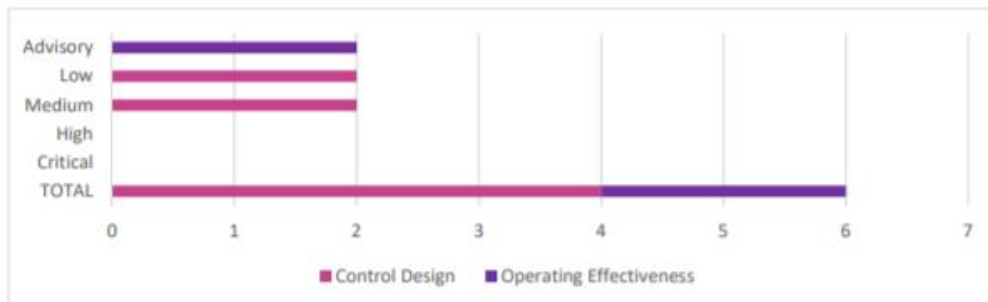


The scoring is based on the rating mechanism provided in Appendix 1

Finding	Risk Rating				
	Critical	High	Medium	Low	Advisory
1. Errors identified in general ledger entries.			X		
2. Documented Process and Procedure notes are not complete.			X		
3. Identity confirmation for dependents does not confirm the relationship with the pension holder.				X	
4. Improvements required to the Widow's Pension application form.				X	
5. For completeness, approval records should be retained within pension files as well as in HR records.					X
6. Potential impact of "McCloud" remedy on Optants Out.					X
<b>TOTAL</b>			<b>2</b>	<b>2</b>	<b>2</b>

#### Control design vs Operating effectiveness

The table below shows how many of the audit findings relate to issues in the design of controls (Control Design) and how many are as a result of controls not being applied effectively (Operating effectiveness).





## **1.6 Organisational implications**

Whilst the findings from this review are mainly specific to the organisational processing of pensions, one finding, if not corrected, could have wider implications on figures provided to the Home Office regarding the cost of the FFPS and could impact on cash flow forecasts for the Authority as the payments would need to be funded from other sources.

There are three FFPS related risks that are identified on the GMFRS risk register and which continue to be monitored by the Pensions working group and Corporate Leadership Team. These mainly relate to potential funding shortfalls and pension liabilities associated with the “Norman” and “McCloud and Sargeant” rulings. The statutory, legal and financial implications, arising from these risks has not been fully quantified and are currently an unfunded risk as the potential remedies mean that an accurate forecast of costs is not yet possible. One of our advisory recommendations relates to a potential factor which may need to be considered as part of the costing exercise that should be undertaken once the details of the remedy have been clarified.

We understand that GMCA is considering potential commercial options for the future administration and processing of the GM FFPS, which includes the option to outsource this responsibility to an external provider. Our testing has not looked at the details of this and as such provides no opinion to help inform this decision.

By observation, the current in-house arrangement does provide certain benefits when it comes to seamless processing of end to end pensions administration including the processing of starters, leavers, and deceased members, and the reconciliation and verification of data between GMCA pension and payroll systems. The Pensions Board will need to take into account the impact on service provision and staff requirements with any outsourced model to assure a continued level of service is provided.

**GM Housing Investment Loan Fund (GMHILF)**

## EXECUTIVE SUMMARY

### 1.1 Background and Context

The Greater Manchester Housing Investment fund (GMHILF) was secured as part of the 2014 Greater Manchester Agreement. This provided £300 million that would be awarded as recoverable loans and equity to residential property development schemes. The fund was launched in June 2015 and has a ten year lifetime. The Greater Manchester Combined Authority (GMCA) has guaranteed to repay a minimum of 80% (£240 million) of the loan. It is planned to recycle the £300 million fund 2.5 times during its ten year life, resulting in £750 million being invested.

Internal Audit undertake an annual review over the administration of the fund which supports the annual reporting statement to MHCLG by the GMCA Treasurer which is normally due in April each year. This requirement was as a result of a joint review in January 2016 carried out by Homes and Communities Agency (HCA) and MHCLG which provided full assurance over the administration of the fund.

We have confirmed with the GMCA Investment Director that key processes for administration of the fund this year have remained the same with no significant changes in the control framework.

For the purposes of calculating the proportion of funding that has been underwritten, MHCLG consider that all of the £300m of loan being provided has been drawn down. In reality, the full value is never drawn down at once due to the repayment mechanism.

### 1.2 Audit Objective

The objective of this audit was to provide assurance over the extent to which key controls in the four loan stages were operating effectively. The four loan stages being defined as:

- Stage 1: Loan Selection and Assessment
- Stage 2: Loan Approval
- Stage 3: Loan Payment
- Stage 4: Loan Repayment

### 1.3 Scope and Approach

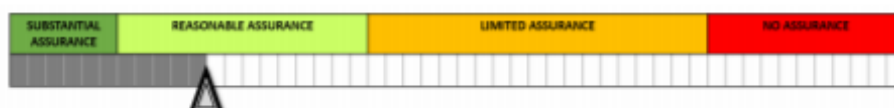
Our testing comprised of reviewing 8 active GMHILF schemes processed during 2019/20, and was inclusive of all loan types.

Note: The majority of this work was conducted pre-COVID and prior to "lockdown" and does not take into consideration emergency procedures operating during this time.



## 1.4 Audit Opinion

Following completion of our testing we are able to provide a reasonable level of assurance over the operation of the Housing Investment Loan Fund. The processes and procedures in place provide a sound basis for managing the risks of the fund.



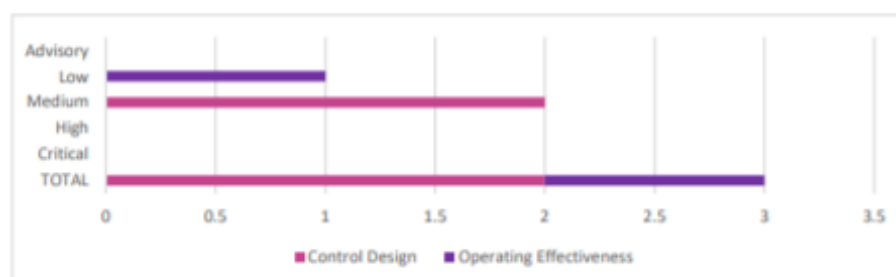
The scoring is based on the rating mechanism provided in Appendix 1

## 1.5 Summary of Exceptions/Areas for Improvement

Finding	Risk Rating				
	Critical	High	Medium	Low	Advisory
1. The process for review of Small Loan Fund Schemes by Gateway Committee is not being followed			X		
2. Twice annual reporting to GMCA Board on progress has not been undertaken this year			X		
3. All documents and scheme information is not being saved to the electronic files				X	
<b>TOTAL</b>			<b>2</b>	<b>1</b>	

### Control Design vs Operating Effectiveness

The table below shows how many of the audit findings relate to issues in the design of controls (Control Design) and how many are as a result of controls not being applied effectively (Operating effectiveness).



## **1.6 Organisational Implications**

No issues were identified during the course of the audit which would have an impact on the wider organisation, however it is noted that the effective and efficient operating of the Fund continues to generate income for GMCA which is being used to support the organisation's wider housing strategy. As such the assurance provided by this audit will help to provide assurance to the organisation over the credibility of future income projections.

We also received assurance that the Housing Investment Fund Team has taken steps to ensure that they are monitoring the risks associated with the ongoing Covid-19 pandemic, initially stepping up the monitoring process from monthly to weekly to determine how individual schemes were dealing with the crisis, and through ongoing conversations about the impact of the lockdown on payment and repayment dates. This is being undertaken on a scheme by scheme basis to ensure that the response is suitable for the individual scheme, as each has had their own approach based on their individual risk profiles.