

**GREATER MANCHESTER COMBINED AUTHORITY AUDIT
COMMITTEE**

DATE: Wednesday, 13th March, 2024

TIME: 10.00 am

VENUE: Main Hall, Friends' Meeting House, 6 Mount Street,
Manchester. M2 5NS

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meetinghousemanchester.co.uk

AGENDA

- 1. Apologies for Absence**
- 2. Chairs Announcements and Urgent Business (if any)**
- 3. Declarations of Interest** 1 - 4

To receive declarations of interest in any item for discussion at the meeting.

- 4. Minutes of the Previous Audit Committee Meeting** 5 - 22

To consider the approval of the minutes of the previous meeting of the Committee, held on 24th January 2024.

BOLTON	MANCHESTER	ROCHDALE	STOCKPORT	TRAFFORD
BURY	OLDHAM	SALFORD	TAMESIDE	WIGAN

5. **Update from the Joint Audit Panel (Police and Crime) - To Follow**

Report of the GMCA Treasurer.
6. **Audit Committee Effectiveness - To follow**

Report of the GMCA Treasurer.
7. **Risk Management Update** 23 - 42

Report of the Deputy Director of Audit and Assurance, GMCA
8. **Risk Deep Dive - Bus Franchising** 43 - 60

To receive a presentation on Bus Franchising.
9. **Internal Audit Progress Report** 61 - 94

Report of Deputy Director of Audit and Assurance, GMCA
10. **Audit Action Follow up** 95 - 106

Report of Deputy Director of Audit and Assurance, GMCA
11. **Internal Audit Plan 2024/25** 107 - 120

Report of Deputy Director of Audit and Assurance, GMCA
12. **Internal Audit Charter 2024/2025** 121 - 134

Report of Deputy Director of Audit and Assurance, GMCA
13. **Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024/25** 135 - 176

Report of GMCA Treasurer.

- 14. 2024/25 GMCA Capital Strategy** 177 - 190

Report of the GMCA Treasurer.

- 15. Reports from the External Auditor - Audit Strategy Memorandum –Year ending 31 March 2023** 191 - 228

To consider a report from Mazars, External Auditor.

- 16. Audit Committee Work Programme 2024-2025 - To follow**

Members are asked to consider and comment on the Audit Committee work programme for 2024/2025.

- 17. Dates and Times of Future Meetings**

To consider future meeting dates for the Committee.

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

This agenda was issued on Tuesday 5th March 2024 on behalf of Julie Connor, Secretary to the Greater Manchester Combined Authority, Broadhurst House, Tootal Buildings, 56 Oxford Street, Manchester M1 6EU

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AUDIT COMMITTEE – 13th March 2024

Declaration of Member's Interests in items appearing on the Agenda

NAME: _____

DATE: _____

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

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

QUICK GUIDE TO DECLARING INTERESTS AT GMCA MEETINGS

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

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

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

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

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

FAILURE TO DISCLOSE THIS INFORMATION IS A CRIMINAL OFFENCE

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

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

STEP TWO: DETERMINING IF YOUR INTEREST PREJUDICIAL?

A personal interest becomes a prejudicial interest:

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

FOR A NON PREJUDICIAL INTEREST

YOU MUST

- Notify the governance officer for the meeting as soon as you realise you have an interest

FOR PREJUDICIAL INTERESTS

YOU MUST

- Notify the governance officer for the meeting as soon as you realise you have a prejudicial interest (before or during the meeting)

- 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.

- 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 a Meeting of the Greater Manchester Combined Authority Audit Committee, held on Wednesday 24th January 2024 at GMCA Offices, Tootal Buildings, Manchester M1 6EU

Present:

Councillor Dylan Butt	Trafford Council
Gwyn Griffiths	Independent Member
Councillor Shelley Lanchbury (substitute Member)	Manchester City Council
Councillor John Merry	Salford City Council
Grenville Page	Independent Member (Chair)
Catherine Scivier	Independent Member
Susan Webster	Independent Member
Councillor Mary Whitby	Bury Council

Officers:

Steve Wilson	GMCA Treasurer
Andrew Lightfoot	GMCA Deputy Chief Executive
Rachel Rosewell	Deputy Treasurer, GMCA
Sarah Horseman	GMCA Deputy Director, Audit and Assurance
Damian Jarvis	GMCA Internal Audit Manager
Lindsey Keech	Head of Finance (Capital and Treasury), GMCA
Helen Fountain	Principal Accountant, GMCA
Karen Macrae	Head of Finance (Corporate and Technical), GMCA
Phil Swan	Digital Director and Chief Information Officer, GMCA
Paul Wilkinson	Head of Digital Solutions & Cyber Security Lead, GMCA,
Luke Smith	Technical Design Lead, GMCA

Paul Harris

Governance and Scrutiny, GMCA

In attendance:-

Karen Murray

Mazars, External Auditor

Daniel Watson

Mazars, External Auditor

Tony Cobain

MIAA

AC 37/23 Apologies for Absence

Apologies were received and noted from Councillors Caroline Carrigan (Stockport Council), Councillor Christine Roberts (Wigan Council) (Substitute Member) and from Councillor David Molyneux, Portfolio Lead Member.

AC 38/23 Chair's Announcements and Urgent Business (if any)

The Chair extended a welcome to all those present at the meeting.

AC 39/23 Declarations of Interest

There were no declarations made by any member of the Committee in respect of any item on the agenda.

AC 40/23 Minutes of the Previous Audit Committee Meeting

The minutes of the previous meeting of the Audit Committee held on 15th November 2023 were submitted.

Resolved/-

That the minutes of the meeting of the Audit Committee, held on 15th November 2023, be approved as a correct record.

AC 40/23 Update from the Joint Audit Panel

The GMCA Treasurer gave an update on the work of the Joint Audit Panel (Police and Crime). The minutes of the Joint Audit Panel (Police and Crime) meeting, held on 30th November 2023 were also provided.

The GMCA Treasurer also provided a verbal update of the Joint Audit Panel meeting from 23 January 2024 which included the 21/22 Audit sign-off and the arrangement for the proposed precept for police.

A copy of the Joint Audit Panel Chair's report was to be circulated for members' information.

In response to an enquiry from a member, it was noted that the Panel meeting on 23rd January there was not any discussion in respect of risk following the Rochdale report into child sexual exploitation and subsequent whistleblowing matter.

Members also noted that work was taking place to explore changes to the tenure of the Joint Panel Independent members and a possible reappointment and recruitment process.

A member asked if there was further information on the operational model audit and the response rate to Freedom of information (FOI) requests. In response, it was noted that there are arrangements in place within GMP to monitor progress in addressing FOI requests.

Resolved/-

1. That the update from the Joint Audit Panel be received with thanks and noted.
2. That the Joint Audit Panel Annual report and the minutes from meeting of the Panel, held on 30th November 2023, be noted.

AC 41/23 Discussion on Audit Committee Arrangements

The Chair introduced a paper which sought comments and suggestions from Members of the committee on the attached discussion paper which takes stock of

the work and role of the Audit Committee and explores potential future arrangements under the Trailblazer devolution settlement to ensure an effective Audit Committee for the future.

The report presented an overview of current position; Independent member tenures and current position; Membership and Recruitment; Induction; Development and training; Frequency and location of meetings; Scrutiny committees; and Remuneration.

In respect of Independent Member tenures, it was suggested that the length of tenure is set at 2 x 3 years plus 3 x 1 year giving a maximum of 9 years. The last 3 individual annual appointments being agreed based on business need and to support a smooth flow of change in independent membership.

Gwyn Griffiths confirmed that he would be stepping down as an Independent Member at the end of the municipal year. This would allow for the skill set of the committee to be reviewed. It was noted that officers were to commence a recruitment process.

The report recommended that in respect of training and development for members, a rolling programme for development and training sessions that can be kept in view taking account of the changing economic, fiscal, legal and service landscapes as relevant to GMCA and GM, and ensuring new members receive core basic elements as part of the induction programme. It was suggested that the Audit Committee Chair and GMCA Treasurer in liaison with Committee members develop a framework for Member development that will be considered by the Audit Committee by March 2024. In addition, it was also suggested that a programme and schedule of development sessions either tagged onto formal meetings or as separate development day and consider the number of meetings needed per year to conduct business and effectively discharge responsibilities. This programme of sessions would be linked to the Committee work programme.

The Chair highlighted that it would be beneficial to develop arrangements for appropriate liaison to take place between the Audit Committee Chair and Scrutiny Committee Chair at least once a year, probably twice a year, and/or Committees.

The report also reiterated previous discussions in respect of the remuneration of independent and elected members which sit on the committee. A benchmarking exercise was to be undertaken.

Following a comment from a Member in respect of attendance of members, it was noted that member attendance across all GMCA committees. A Member also highlighted that some council appointed members will have some conflict with council business and that could impact upon their ability to attend meetings.

A Member highlighted the importance of induction training for members as GMCA Audit Committee is different from what happens within localities. It was also noted that the Local Government Association provided good member training.

In welcoming the discussion paper, the Treasurer highlighted the upcoming training sessions that have been organised and noted that the reintroduction of specific service information sessions would also be helpful for members. Work was taking place to develop better links between the Audit Committee and GMCA Overview and Scrutiny Committees, particularly where there are shared risks.

Members noted that work has also taken place in respect remuneration benchmarking with other GM authorities.

Resolved/-

1. That the report and discussions be noted.
2. That officers be instructed to review the length of tenures for Independent Members tenure is set at 2 x 3 years plus 3 x 1 year giving a maximum of 9 years and that proposals to this regard be brought back to the next meeting of this committee.

3. That it be noted that Gwyn Griffiths will be retiring as an Independent Member of the Audit Committee at the end of the municipal year.
4. That a recruitment processes for the appointment of an Independent Member be commenced at the earliest opportunity.
5. That a framework for a Committee Member training and development programme be developed, including induction training, in consultation with Committee members.
6. That specific briefing and training in respect of deep dive topics be introduced and tagged to future meetings of the Committee and linked to the Committee work programme.

AC 42/23 Risk Management Update Report

The Corporate Risk Manager, GMCA, introduced a report which informed Members of the Audit Committee of changes in the GMCA Strategic and key operational risks. The report also provided an update on the risk management activities undertaken since the last meeting. The report also gave an update on the Risk Maturity Exercise 2023.

It was noted that the report highlighted those significant updates to risks which included Capital Grants (GMFRS); Strategic Analytical Capability to support the Single Settlement leadership (Finance); Cyber security (Digital) / Cyber-attack (Information Governance); and Unacceptable Use of Artificial intelligence (Information Governance).

A Member asked if there was an interface in place between GMCA Internal Audit and respective GM local authorities risk registers in relation to specific risks, such as cyber security. In response, it was noted that each district will have its own individual risk management arrangements. Common risks can be raised with Heads of Internal Audit and GMCA Internal Audit across the City Region.

In response to skills shortages within the Digital Directorate, a Member suggested that this service needed to be resourced to be able to respond to potential risks as they emerge.

Following an enquiry from a Member, it was noted that the Joint Audit Panel continues to oversee the management of the Police records management system as part of the GMP Risk Register.

A Member highlighted that there will be some GMCA risks which will also have consequential risks for local authorities. An example of the impact Metrolink may have on regeneration of a district was suggested. In addition, it was also suggested that as well as fiscal risks, reputational risks of public facing services should also be considered.

A Member welcomed the report and the way in which the maturity of risks was being managed. The Member commented that it would be helpful to understand the approach across directorates on how cumulative risks or new risks, such as artificial intelligence, are managed. In response, it was noted that the Corporate Risk Manager will work across directorates to address risk, to collaborate and mitigate any risks.

In welcoming the report, a Member requested that new risks and increases and decreases in the scores of risks be included within the introduction section of the report. In addition, the Member commented that GMCA does not do enough to promote the good work taking place within GMCA.

A Member highlighted the need to understand inter-dependencies and cumulative impact of risks.

In terms of the proposed introduction Risk Champions, officers explained that the role and training for these roles.

Resolved/-

1. That the Risk Management update, as set out in the report, be noted.
2. That it be noted that the report will be updated to present new risks changes to the scores of risks be included within the introduction section of the report.

AC 43/23 Internal Audit Progress Report

The Deputy Director of Audit and Assurance, GMCA introduced a report which informed Members of the Audit Committee of the progress made on the delivery of the Internal Audit Plan for 2023/24. It is also used as a mechanism to seek approval of changes to the internal audit plan.

Members noted that since the last meeting in November 2023, the following three reports have been finalised and published from the 2023/24 plan:-

- ICT/Digital – Threat and Vulnerability Assessment - Limited Assurance.
- Purchase Card Compliance - Broadly Compliant.
- GMFRS Station Standards Framework – Reasonable.

A Member raised concerns in respect of the audit on purchase care compliance particularly that only 80% of transactions had documentation and the timing of purchase approvals by line managers. In response, it was noted that this audit was to test current Level 1 controls in place and that a follow up audit process would take place to understand where improvements have been made. In addition, a Member suggested the key messages to line manger staff be provided in respect of this matter.

In response to a Member's enquiry regarding GMFRS Station Standards, it was noted part of the recommendation was the administrative process.

A Member suggested that the sharing of good practice examples would be helpful. In addition, the sharing near misses or poor standards, where appropriate, can also help with continuous learning and improve risk management maturity. In response, it was noted that an organisation learning model is being introduced by GMFRS.

In response to an enquiry from a Member in respect of upcoming audits, it was noted that that of the draft reports being undertaken the Gartan system report may be of interest of a future report to the Audit Committee.

Resolved/-

That the update on Internal Audit progress, as set out in the report, be noted.

AC 44/23 Internal Audit Action Follow Up

Sarah Horseman, Deputy Director of Audit and Assurance, GMCA introduced a report which advised Audit Committee of the progress made in implementing the agreed actions from internal audit assignments.

The report explained that as of January 2024, 78% of Internal Audit actions due in the last 2 years have been implemented, against the target rate of 85%.

A Member highlighted the outstanding actions regarding measures in place for the use of consultants and contractors. In response it was noted that these matters are continually monitored and report audit actions to GMCA Senior Leadership Team on a quarterly basis.

A Member requested that where high rated recommendations are not completed by the end of February 2024 that the relevant officer be invited to the next appropriate Audit Committee.

In response to an enquiry from a Member, officers undertook to explore how the narrative of future reports can include Audit officer judgements and emerging issues or areas of concern.

Resolved/-

1. That the update on Internal audit actions be noted.
2. That it be noted that where high rated recommendations are not completed by the end of February 2024, that the relevant officer be invited to the next appropriate Audit Committee.
3. That it be noted that officers will undertake to explore how the narrative of future reports can include Audit officer judgements and emerging issues or areas of concern.

AC 45/23 Treasury Management Quarter 3 Update

The GMCA Treasurer introduced a report which provided Members with an update on treasury management activities during the third quarter of 2023/2024.

In respect of the report format, a Member suggested that an introductory, explanatory paragraph be included in the report going forward.

With regard to the investment portfolio appended to the report, a Member enquired if investments in local authorities were monitored. In response, it was noted that a watch list of local authorities which are of concern where the GMCA would not invest in.

Resolved/-

1. That the Treasury Management update be noted.
2. That it be noted that in response to a request from the committee an introductory, explanatory paragraph be included in future Treasury Management update reports.

AC 46/23 External Audit Progress

Members considered a report from Mazars, LLP External Auditor which provided an update on progress.

The Chair asked when the value for money reports for 2022/23 and 2023/24 will be ready and concentrate focus on the most recent audit. In response and recognising the suggested approach from the committee, Mazars explained that when the 2022/23 audit is completed VFM would not be reported until the completion of the 2023/24 audit process. It was noted that this would mean that there would be weaknesses in the public reporting, and it was suggested that a separate discussion on this matter would take place between Mazars and the GMCA Treasurer.

It was noted that consultation was to take place in respect of a national backstop date of 30th September 2024 to deal with unaudited accounts. In response, a

member asked if discussions were taking place with the ten GM local authorities about a joint response to the consultation. Officers highlighted that in addition to this joint response, discussion will also take place with the nine combined authority regions and with the Local Government Association.

Following an enquiry from a Member regarding changing the reporting cycle to report on Value for Money earlier. In response, Mazars noted that Value for Money generally conclude the audit process but undertook to explore how this matter can be concluded quickly, ahead of the introduction of any backstop deadline.

Where a disclaimer on the accounts as a result of the potential backstop, a Member commented that this may impact on how GMCA is perceived and may impact upon the authority's borrowing position.

Resolved/-

That the report of the External Auditor be received with thanks and noted.

AC 47/23 Audit Committee Work Programme

Members considered the committee work programme which set out a list of proposed items that will provide a focus for the work of the committee for the remainder of the municipal year.

A Member suggested that an induction on Employment, Work and Skills matters would be helpful. Members were invited to submit any suggested items for the work programme.

Resolved/-

1. That the work programme be noted.

2. That Employment, Work and Skills be included as a future deep-dive item at a future, appropriate committee.

AC 48/23 Acknowledgement

The Chair, on behalf of the Committee wished to place on record thanks to Rachel Rosewell, Deputy Treasurer, GMCA who was leaving the Authority to take up the role of Treasurer of Salford City Council. Members offered best wishes to Rachel for the future.

AC 49/23 Exclusion of the Press and Public

Members are asked to consider that, under section 100 (A)(4) of the Local Government Act 1972 the press and public should be excluded from the meeting for the following item of business on the grounds that this involved the likely disclosure of exempt information, as set out in paragraph 3 of Part 1, Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

AC 50/23 Cyber Security

Members received an update from Tony Cobain of MIAA in respect of a recent cyber security audit.

A presentation from the Head of Digital Solutions and Cyber Security Lead, GMCA, was also presented which provided an overview of the cyber security programme at GMCA.

Resolved/-

That the updates be received with thanks and noted.

GMCA AUDIT COMMITTEE ACTION TRACKER

Minute Number	Agenda item	Action	By whom	Completed
Meeting Date –20th September2023				
AC 07/23	Code of Corporate Governance	A Member suggested that the wording within the document be reviewed.	Governance	On-going
AC 11/23	Update from the Joint Audit Panel	That the Chair of the Joint Audit Panel be invited to the next meeting of the Audit Committee to present the Annual Report.	GMP	Attended15 th November 2023
		That an update on GMP and Fire service recruitment vetting process be provided to the next meeting of this Committee.	GMP	Report presented 15 th November 2023
AC 12/23	Audit Committee Annual Report	An update on RAAC within GMCA and GMP assets will be provided to the next meeting of the Committee.	GMCA Treasurer	Briefing note shared with Members

AC 13/23	Internal Audit Opinion 2022-2023	That a briefing paper be prepared for Members explain the reasons for some authorities entering into Section 114 arrangements, be noted.	GMCA Treasurer	Briefing note shared with Members
AC 14/23	Annual Governance Statement 2022-2023	That a Deep Dive on Trailblazer and the Single Settlement be brought to the November meeting of the Committee.	GMCA Treasurer	Report 15 th November 2023
AC 15/23	Risk Management Update	That an overall update in respect of recruitment and retention be provided to a future meeting of the committee.	Deputy Director Audit and Assurance	Ongoing
AC 15/23	Risk Management Update	That headline outcomes from the GMCA Be Heard Survey be shared with Committee Members.	Deputy Director Audit and Assurance	ongoing
AC 17/23	Audit Action Tracking Follow Up	That an update on Cyber and AI be brought to the next meeting of the Committee.	Deputy Director Audit and Assurance	Scheduled for January 2024 committee.

Meeting Date – 15th November 2023				
AC 25/23	Chair's Announcements and Urgent Business	Members were pleased to note that the Financial Statements for the 2021/2022 had been published. It was also noted that the final audit letter will be circulated for Members information in due course.	Treasurer	
AC 29/23	Risk Deep Dive - Trailblazer and Single Settlement	That the suggestion for further updates be provided in respect of the change programme, be supported.	GMCA Treasurer/ GMCA Strategy Team	On-going
AC 30/23	Internal Audit Progress Report	That officers undertake to explore how multi-organisational and shared reviews can be included within future reporting to the Committee.	Deputy Director Audit and Assurance	On-going
		That a request for details of completed audits be shared with committee members away from the committee so that members have an opportunity to review such at the earliest opportunity, be supported.	Deputy Director Audit and Assurance	On-going

AC 34/23	Audit Committee Work Programme	That officers undertake to explore further training opportunities for Audit Committee members with CIPFA.	Treasurer	Complete – Training arranged
Meeting Date – 24th January 2024				
AC 41/23	Discussion on Audit Committee Arrangements	That officers be instructed to review the length of tenures for Independent Members tenure is set at 2 x 3 years plus 3 x 1 year giving a maximum of 9 years and that proposals to this regard be brought back to the next meeting of this committee.	Treasurer/ Governance and Scrutiny	Report to Committee on 13 th March 2024
		That it be noted that Gwyn Griffiths will be retiring as an Independent Member of the Audit Committee at the end of the municipal year. That a recruitment processes for the appointment of an Independent Member be commenced at the earliest opportunity.	Treasurer/ Governance and Scrutiny	On-going

		That a framework for a Committee Member training and development programme be developed, including induction training, in consultation with Committee members.	Treasurer/ Governance and Scrutiny	On-going
		That specific briefing and training in respect of deep dive topics be introduced and tagged to future meetings of the Committee and linked to the Committee work programme.	Treasurer/ Governance and Scrutiny	On-going as part of the work programme planning process
AC 42/23	Risk Management Update Report	That it be noted that the report will be updated to present new risks changes to the scores of risks be included within the introduction section of the report.	Deputy Director Audit and Assurance	On-going
AC 44/23	Internal Audit Action Follow Up	That it be noted that where high rated recommendations are not completed by the end of February 2024 that the relevant officer be invited to the next appropriate Audit Committee.	Deputy Director Audit and Assurance/Risk Owner	On-going

		That it be noted that officers will undertake to explore how the narrative of future reports can include Audit officer judgements and emerging issues or areas of concern.	Deputy Director Audit and Assurance/	
AC 45/23	Treasury Management Quarter 3 Update	That it be noted that in response to a request from the committee an introductory, explanatory paragraph be included in future Treasury Management update reports.	Treasurer	On-going

GMCA Audit Committee

Date: 13th March 2024

Subject: Risk Management Update Report

Report of: Sarah Horseman, Deputy Director - Audit and Assurance

PURPOSE OF REPORT:

The purpose of this report is to inform Members of the Audit Committee of changes in the GMCA Strategic and key operational risks and to provide an update on the risk management activities undertaken since the last meeting.

RECOMMENDATIONS:

Audit Committee is requested to note the report.

CONTACT OFFICERS:

Sarah Horseman, Deputy Director, Audit and Assurance
sarah.horseman@greatermanchester-ca.gov.uk

Paul Chase, Corporate Risk Manager
paul.chase@greatermanchester-ca.gov.uk

1.1 Equalities Impact, Carbon and Sustainability Assessment:

N/A

Risk Management

N/A

Legal Considerations

N/A

Financial Consequences - Capital

N/A

Financial Consequences - Revenue

N/A

Number of attachments included in the report:

BACKGROUND PAPERS: Risk Management Update Report to GMCA Audit Committee, 24th January 2024

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	

2 Introduction

2.1 This report provides an overview of risk management activity since the last update to the Committee in January.

3 Activity in the period

3.1 Risk registers continue to be reviewed to identify any changes in our risk profile. Since the last Audit Committee meeting:

- a reputational risk covering the efficient running of elections has been identified and is being worked up as a directorate risk.
- a risk review by the Digital Team has led to the risk from switchover of the Public Service Telephone Network from analogue to digital being increased significantly as this could impact vulnerable people. In response, a Working Group is engaging with national and local stakeholders to identify solutions.
- an Introduction to Risk Management session was hosted as part of the Festival of Learning in February with attendees from multiple teams. A new Risk Training E-module designed to give staff a foundation in managing risk at the GMCA is currently going through its testing phase and will be launched as soon as that is completed.

4 Upcoming activity

- On 18th March 2024, the Senior Leadership Team will undertake a further review of the organisational risk profile, and this is expected to cover preparation for the introduction of Single Settlement and how workstreams are reducing the risk exposure.
- Following the review of organisational risk, the Chief Executive's Management Team will be supported in a review of strategic risk. This will likely include ongoing pressure on finances, as well as the potential for changes to policy or the timetable for strategic programmes following local, Mayoral and national elections.

5 Significant movements in risks

Directorate risks

- **PSTN switchover** (Digital): the residual risk score has been raised to 20 due to the risk to vulnerable residents who are reliant on the PSTN line. This will be monitored close with regular updates to senior staff.
- **Information Asset Management** (Information Governance): the risk score has been reduced from 16 to 12 due to the successful delivery of a project to promote Information Asset Owners. Work will continue to maintain assurance over the management of sensitive datasets.

6 Emerging risks

- Organisational: Reputational risk from failure to run elections effectively. Further work will be undertaken to develop this risk at the risk workshop to be held with the Senior Leadership Team.
- Organisational: Preparedness for the trailblazer devolution deal – as described in Section 3, further workshopping with SLT and engagement in the GMCA Next Phase Programme will further develop this risk for inclusion in the Corporate Risk Register

7 Risk Management Action Plan

7.1 The following activities will be undertaken to continue to develop risk management capability and activity:

- Launch the Risk e-module to staff via the Intranet.
- Support the GM Resilience Unit to develop their own directorate risk register.
- SLT risk workshop to further identify mitigating actions and articulate risk appetite is scheduled for mid-March. This will be followed by a review of strategic risks with risk owners.

- Increase the sophistication of how we actively track the progress of our most significant risk controls. This involves working with Risk Control Owners to develop a RAG status to assess progress in reducing risk exposure. This will be trialled within our organisational risk profile.
- Work with any Directorates that do not currently fall within the “Conforming” range of the risk maturity model to develop their risk management arrangements.
- Support all directorates in the ongoing maintenance and development of risk registers and associated risk management activities, including ensuring their risk actions are SMART.

8. Recommendation

8.1 The recommendation is set out at the front of the report.

Appendix 1 - Summary of Strategic Risks (last full review conducted in January 2023)

Ref	Risk	Current Score	Target Score	Risk Actions
Corporate Objective 1: Deliver Core/ Devolved services for the public				
SR3	Economic factors such as energy prices, inflation, interest rates and supply chain issues impact the Combined Authority's ability to deliver planned services and programmes for the public.	15	10	<p>Use of a dynamic cost-of-living dashboard to inform decision-making, for example on service provision.</p> <p>Economic insight anticipates and informs practical strategies to support continuity within programmes and challenge within contracting.</p>
SR7	Significant financial risk to transport (bus and Metrolink) resulting from reduced patronage levels (caused by behaviour changes as a legacy of the pandemic), increases in operating costs and uncertainty over longer term government funding support.	16	12	<p>Department for Transport (DfT) funding has mitigated impact of revenue losses with funding confirmed into Quarter 4 2022.</p> <p>Development of a Customer Growth Strategy (by TfGM) to deliver long term strategy for patronage and revenue growth.</p> <p>Seeking cost efficiency measures within overall transport budgets.</p> <p>Rephasing of capital spend, to fund renewals programme.</p>

SR9	Insufficient and/ or ineffective governance and scrutiny over Greater Manchester Police fails to identify and address areas of underperformance in the service provided to victims of crime, residents and communities.	15	10	Continuing work with GMP to monitor implementation of outstanding improvement actions. Plan / prepare any necessary work ahead of the next HMICFRS inspection. For example, by engaging with city-region and national bodies to anticipate and understand potential areas of focus.
Corporate Objective 2: Secure, and manage, funding and investment at a Greater Manchester level for agreed activity.				
SR1	Changes in central government affects the devolution agenda meaning that devolved powers (including those from being a trailblazer city region) are not further developed or are reduced, access to funding is reduced and/or our ability to influence the devolution agenda is reduced.	15	10	Continuous discussions with departments - lobbying to develop a Memorandum of Understanding for a devolution agreement.
SR5	Factors such including inflation, energy costs, covid legacy and uncertainty around government funding have a major impact on districts ability to deliver public services.	12	9	CA continues to lobby government for more District funding. Creating a bigger voice with Government. Complete 2023/24 budget position through close engagement with all stakeholders.
Corporate Objective 3: Work with the ten local authorities to drive collective activity that puts Greater Manchester at the forefront of tackling social, economic and environmental issues				
SR6	Economic, social, behavioural and financial impacts such as COVID and the cost of living affect the timescales of delivery of GMS outcomes.	8	6	GMS has been refreshed, as a 10-year strategy, to reflect long term strategy learning from Covid, IIC etc with a strong focus on the system wide actions needed to achieve a greener, fairer, more

				<p>prosperous GM in all parts of the conurbation. This includes 3-year commitments, targets and ways of working, with some neighbourhood floor targets.</p> <p>Monitored by a cross agency/sector Delivery Support Group to ensure the GM system as a whole is delivering the changes needed to achieve GM's social, economic and environmental aspirations.</p>
SR8	<p>GMCA is unable to deliver its responsibilities in relation to climate change initiatives due to insufficient funding, capacity, support and behaviour change as well as supply chain issues. This results in long term climate change risks to population, business, biodiversity and infrastructure.</p>	12	9	<p>Mission based approach - Challenge Groups and T&F groups reviewed and re-constituted – responsible for driving increased scale of the challenge and ensuring appropriate joined up actions by all partners</p> <p>Bids submitted for external funding to deliver programmes at scale and development of innovative policy and finance mechanisms.</p> <p>Progress towards targets regularly reviewed through Green City Region Partnership</p> <p>Six monthly updates on GMCA actions in response to its declared Climate Emergency to be reported to CA</p> <p>Review and upscale our communications strategy with districts - to drive stimulate behaviour change, e.g. Bee Net Zero.</p> <p>Development of Strategic Outline Business Case to increase level of private sector investment.</p>

Corporate Objective 4: Ensure Greater Manchester is speaking with one voice – developing, leading & implementing our evidence-based strategies, building our networks and partnerships and influencing policy

SR2	GMCA fails to further develop trust, cohesion and credibility with and between local GM systems and partners due to ineffective stakeholder engagement, poor GMCA performance or ineffective decision making resulting in failure to deliver outcomes of GMS and failure to develop and share good practice.	9	6	<p>GMCA Performance Framework uses corporate health indicators to monitor and enhance performance.</p> <p>Best practice in the Assurance Framework helps mitigate against adverse inspections by the likes of the ORR and HMICFRS and maintains strong relationships with the ten districts.</p>
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Appendix 2 - Escalated Risks

Organisational Risks (on 29 February 24)

There are currently 2 organisational risks with a residual risk score of 16 or more. There are 6 risks with an inherent risk score of 16 or more that have successfully implemented risk actions that bring down their residual scores below 16.

Note: A Risk Workshop with the Senior Leadership Team to review organisational risks is scheduled for March 18th 2024.

Ref	Risk Title	Description	Inherent Score	Residual Score
OR1	Readiness to respond to multiple simultaneous continuity event(s).	Capability and readiness to respond to a major and potentially catastrophic event e.g. a pandemic. Note: the scope of this risk covers both the GMCA and GMFRS. Mitigation from both are included in the register.	20	16
OR2	Failure to be prepared for Devolution Programme	Organisation does not have the capability, governance, capacity and strategy in place to deliver opportunities arising from Devolution.	16	12
OR3	Diverse and inclusive workforce	Failure to attract and retain equal, diverse and inclusive workforce	12	12
OR4	Staff Mental and Physical Wellbeing	Factors such as the legacy from lockdown restrictions, cost of living crisis or other work pressures may affect staff health, wellbeing and morale.	16	6
OR5	Behaviours and Culture	The Culture of the CA fails to adapt to changing organisational demands which in turn impairs efficiency and delivery.	12	8
OR7	Organisational Governance and Decision Making	Governance processes are not capable of effectively supporting our priorities such as administering the Single Settlement.	20	12

Ref	Risk Title	Description	Inherent Score	Residual Score
OR9	Funding and Grants not spent within time/ conditions	Failure to spend monies awarded through programmes could lead to reductions in funding awarded in the future or conditions are more stringent.	20	12
OR10	Compliance with DP 2024 legislation	Failure to adapt to changes in requirements from new Data Protection Act 2024 (Inc. GDPR)	20	12
OR11	Recruitment into priority roles	Recruitment into roles required to deliver key priorities in the Business Plan.	12	8
OR12	Management and security of sensitive data	Failure to manage sensitive data leads to data/ information loss, misuse, inaccurate analysis or official sanction.	20	15
OR14	Cyber attack	An attack compromises ability to fulfil corporate and strategic responsibilities that could include elections, programmes, administering funding or delivering waste management services.	25	20

Escalated / “Top” Directorate Risks (on 29 February 24)

There are a number of high scoring directorate risks, some of these links directly to Strategic or Organisational risks but some are discrete and specific to the directorate. Of these high scoring risks, 29 cite risk mitigations that bring the current risk score to below 16 (where inherent risk ≥ 16), whilst 22 others remain ≥ 16 . The two tables below show firstly those with a residual risk score of 16 or more and secondly those with a residual score of < 16 .

Table 1: Directorate Risks with a residual risk score of 16 or more

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
Digital	DIGR0019 2	PSTN switchover Wording, inherent and residual rating, and controls updated.	Public Service Telephone Network switchover in December 2025. The process is industry-led, and awareness is low with potential risks to vulnerable residents reliant on the line.	25(+9)	20(+11)
Digital	DIGR0016 2	Digital Services capacity pressures	Digital Services does not have sufficient capacity to meet both organisational demand and GM demand for project related support, leading to organisational frustrations, shadow ICT, and mental health pressures on the team.	20	16
Digital	DIGR0016 6	Cyber Security	GMCA is subject to a Cyber-attack (See Organisational risk)	25	20
Digital	DIGR0016 9	Public Sector Financial Constraints	Cost of recovery from COVID, cost of living response, cuts to local service budgets impact on resource to support delivery of key GM Digital initiatives.	25	16

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
Digital	DIGR00168	Digital Inclusion Funding	Digital inclusion ambition is unfunded and fails to deliver on Manifesto ambitions due to resource limitations	25	20
Environment	Environment	Commercial Buildings	Development of a commercial buildings retrofit offer.	16	16
EWS	DIR-EWS-03	Devolution of EWS responsibilities at national level	Continued uncertainty around future devolution/levelling up of Education, Work and Skills responsibilities at the national level may negatively impact on GM's ambitions and delivery priorities.	16	16
EWS	DIR-EWS-04	Support for EWS' commissioning, procurement and implementation	Lack of sufficient GMCA / LA capacity to support EWS' commissioning, procurement and implementation requirements	16	16
EWS	DIR-EWS-05	Lack of sufficient GMCA / LA capacity to support EWS' commissioning, procurement and implementation requirements	EWS seeks to ensure GM level provision is shaped by latest evidence/ data and key locality inputs at the outset. They need LA support to ensure activity 'lands' well during early implementation and welcomes critiqued feedback from LAs.	15	20
Finance	DIR-FIN-11	Strategic Analytical Capability (Single Settlement leadership)	Urgent need to grow capability and capacity to make financial recommendations covering the prioritisation and governance of large amounts of funding under the Single Settlement. This is a systemic risk across directorates.	20	16
GMFRS	RR4	Capital Grants	Due to the absence of capital grants and capital financing arrangements there is a risk that future	9	16

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
			capital investment will have to be independently sourced to continue to support our organisational requirements putting additional pressures on our future budget.		
GMFRS	RR39	Spending Review	Funding supporting the 2023/24 Budget represents a one-year settlement, there is a significant risk that future funding will be affected, and also that one off funding (Protection) will not continue beyond 2023/24.	15	16
GMFRS	RR47	Utilities Pricing	Due to current market conditions there is a significant risk of rising prices in the area of utility bills. Significant anticipated increases in the GMFRS budget required to fund shortfalls.	25	20
GMFRS	RR22	Supply Chain and Cost of Living Crisis	Due to current market conditions there is a risk that there may significantly delay or increase the cost of goods in GMFRS' supply chain, which may result in a pressure on contracts due to end and / or currently held (Fire & supplier) stock leading to a restricted ability to deliver on a number of emergency response objectives (equipment maintenance spares, emergency response consumables, fire gear for recruits).	20	16
GOVIG	IGR-14	Cyber-attack leads to the loss or corruption of sensitive data	Exposure to reputational damage, legal sanction and/ or inability to operate.	20	20

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
GOVIG	IGR-13	Uncoordinated and unacceptable use of Artificial Intelligence	The proliferation of and uncoordinated use of AI weakens our assurance over the data captured and processed for analysis, reporting and decision-making.	16	16
GOVIG	IGR-12	Managing the inflow and outflow of complex and sensitive datasets	Lack of readiness (and capability) to anticipate, understand or manage the inflow and outflow of complex and sensitive datasets in our BAU and change activity.	20	16
People Services / GMFRS	DIR-HR-05	Pensions Detriment	Memo of Understanding agreed by LGA/FBU for payment of remedy benefits for retired members and serving members due to retire has been temporarily paused by GMFRS due to the associated cost risk to GMFRS and member.	25	25
PCCJF	DIR-PCCJF-08	Reporting, Investigation and Prosecution of RASSO	End-to-End RASSO Review commissioned in responses to low levels of prosecution and the quality of response to victims	25	20
PCCJF	DIR-PCCJF-12	Police Complaints	Reputational impact on GMP and GMCA	20	20
PCCJF	DIR-PCCJF-13	CSE Reviews	Reporting of the findings will impact on local authority and GMP confidence	25	20
PCCJF	DIR-PCCJF-15	Confidence in GMP	Declining confidence in GMP particularly among people experiencing inequality (race, gender)	20	16

Table 2: Directorate risks with a residual risk score of less than 16

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
Digital	DIGR001 65	Digital Services' core service delivery	GMCA experience disruption to their IT services.	20	15
Digital	DIGR001 64	Forward funding of the GM Digital Platform and related use cases	Funding unclear for pan GM digital transformation activity, particularly Early Years, beyond March 2024	20	12
Digital	DIGR001 83	Timeliness of support for contracts and procurements	There is a risk that the ongoing issue with legal and procurement resource capacity impacts any new procurements and required contract support conducted by Digital, causing an over reliance on project managers and other Digital staff who are not specialists.	16	6
Digital	DIGR001 84	NWFC CAD replacement programme	There is a risk of ongoing disruption to the Digital team, especially at management level, who have needed to step in and take on extra duties on the programme, due to the way the programme has been managed so far.	20	9
Digital	DIGR001 87	Organisational data requirements	Digital not able to successfully support the increasing (in volume and complexity) requirements from GMCA and GMFRS directorates focused on data storage, manipulation and analytics.	16	8
Digital	DIGR001 88	Digital technical skills gap	There is a gap in availability and increasing cost of digital technical skills across GM which has impacted Digital directorate recruitment.	16	12

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
Digital	DIGR00173	Digital skills demand	GM digital industry demand for skills & talent outstrips supply increasing wages and pressuring orgs	16	12
Digital	DIGR00191	Digital Inclusion capacity	Ability to deliver on Priority 1 (Digital inclusion and skills) GM Digital Blueprint is negatively impacted by the reduced capacity profile from December 2023 onwards.	20	12
Education, Work and Skills	DIR-EWS-02	Skills for Jobs White Paper	National legislative changes linked to Skills for Jobs White Paper will impact on GM's ability to deliver its devolved skills functions via programmes such as the Adult Education Budget.	16	12
Environment	N/A	Heat Pump Offer	Offer fails to attract significant interest from residents and the market	16	4
Environment	N/A	Your Home Better	Project is unable to meet customer demand	16	12
Environment	N/A	Natural Environment	Risk of scaling up project and secure funding	16	12
GMFRS	RR11	Industrial Action	Following the release of the Government's 'White Paper' on fire service reform, there is the potential of future strike action over proposed changes to firefighter's t's and c's and pension schemes, which may adversely affect our operational capabilities.	20	12
GOVIG	GOV-8	Legal challenge	Successful legal challenge threatens delivery of a major programme (and outcomes)	25	15
GOVIG	GOV-9	Major inquiry	Inquiry / Inquest into GMCA (or related) activity requires major change within GMCA	20	15

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
GOVIG	IGR-4	Information Asset Management	Failure to manage, protect and derive value from personal and business information held across systems, formats and locations.	16	12(-4)
Education, Work and Skills	DIR-EWS-01	COVID19 impacts on externally funded programmes	Continued impact on the delivery of EWS' Externally Funded Programmes supporting GM Residents	20	15
Education, Work and Skills	DIR-EWS-02	Legislative changes to Skills for Jobs White Paper	National legislative changes linked to Skills for Jobs White Paper will impact on GM's ability to deliver its devolved skills functions via programmes such as the Adult Education Budget (AEB)	16	12
GOVIG	IGR-10	Legislative Change (e.g. Data Protection Legislation)	Legal changes mean existing information governance processes and procedures are incorrect or do not deliver the necessary legal, operational, or strategic assurance	16	12
PCCJF	DIR-PCCJF-06	Commissioning Victim Services	Commissioning a 'hybrid' victim care services integrated with GMP	16	9
PCCJF	DIR-PCCJF-07	SARC contracting, funding and therapeutic support	No contract in place and the financial allocation has been disputed	16	12
PCCJF	DIR-PCCJF-09:	Confidence in GMP (Functionality)	Sub-optimal functionality of the police records management system	16	6
PCCJF	DIR-PCCJF-10:	Confidence in GMP (Procurement)	Procurement of a replacement records management system	16	9

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
PCCJF	DIR-PCCJF-11:	Resourcing of Strategic priorities	Lack of alignment of funding to sufficiently resource strategic priorities	20	9
Place	DIR-PLA-02	Achievement of net zero / social homes target	Achievement of net zero / Failure to deliver against 30,000 net zero social homes target	20	15
Place	DIR-PLA-03	Places for everyone resource capacity	Inability to efficiently process and deliver major actions for Places for Everyone during EiP process	16	12
Reform	DIR-PSR-01	Delivery of outcomes (within funding timeframes)	Failure to achieve outcomes targeted across a range of strategies including Homelessness Prevention, Children & Young People, Ageing and other cross-cutting programmes.	16	12
WASTE	DIR-WR-02	National Waste and Resources Strategy	DEFRA proposing new waste collection approach by March 2025 that may require substantial, unbudgeted investment across districts	16	12
WASTE	DIR-WR-01	GM Waste & Recycling Contract	Difficulties arise from contractor(s) failure to deliver, construction of new facilities being delayed, the value of recyclable materials reduces or delays from Brexit related change.	16	9

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Bus Franchising in Greater Manchester



Introducing the Bee Network

- We're building the Bee Network. A fully-integrated transport network which....
 - Brings together bus, tram and active travel by 2025 (with commuter rail to follow by 2030).
 - Delivers a transformation in the way people travel, with integrated fares, customer information - under a single, identifiable and accountable brand.
 - Supports our people and places to thrive, as well as the sustainable delivery of new homes and employment needed to accommodate GM's continued growth.



The Bee Network and Your Buses

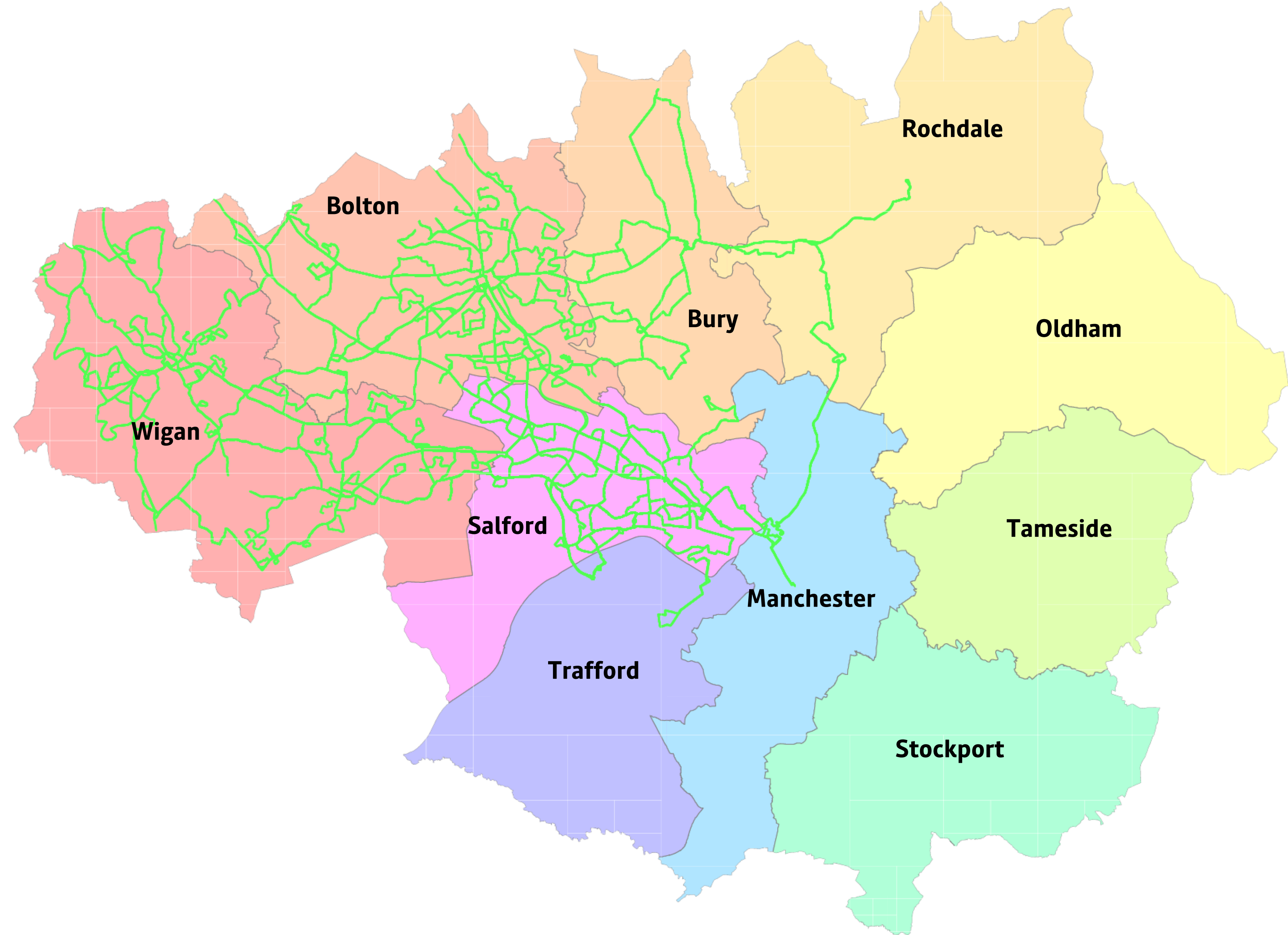
- Buses are the cornerstone of the Bee Network – accounting for around 75% of all public transport trips.
- The bus network provides a vital link to jobs and essential services, particularly for the 27% of GM households without access to a private car.
- However, the bus market has experienced a significant period of decline over recent decades – particularly in terms of patronage and mileage operated. Residents regularly point to the fragmented and confusing nature of the current system as reasons behind declining usage.
- This is why GM is undertaking the biggest reform to buses in nearly 40 years – bringing buses back under local control through franchising.
- Franchising is the system used to procure and co-ordinate bus services in many cities across Europe and the rest of the world. Under bus franchising, a transport authority - in this case, TfGM on behalf of the GMCA - contracts with transport operators to deliver services it specifies.
- Previously, franchising was only permitted in London in the UK; however, the Bus Services Act 2017 – introduced following direct pressure from Greater Manchester – gave the Mayor of Greater Manchester (and Mayors of other city regions) the power to introduce a franchising scheme, subject to an assessment of the existing bus market.

A guide to franchising

Deregulated system (1986-2025)		Franchised system (2023-)	
TfGM/GMCA	Bus operators	TfGM/GMCA	Bus operators
Bus stops Interchanges Information (shared) Cost risk (limited) Local concessions Support for socially necessary services* <small>*TfGM sets the frequency and some specifications for supported services.</small>	Service delivery Fares/ticketing Service frequency Information (shared) Revenue/patronage risk Cost risk Branding and marketing Network design Customer relations Employment of staff Maintenance, specification and deployment of fleet Depot ownership Onboard technology	Bus stops Interchanges Information Fares/ticketing Local concessions Service frequency Revenue/patronage risk Cost risk (shared) Performance monitoring Branding and marketing Network design Customer relations Specification and deployment of fleet Depot ownership Onboard technology	Service delivery Cost risk (shared) Performance risk Employment of staff Maintenance of fleet

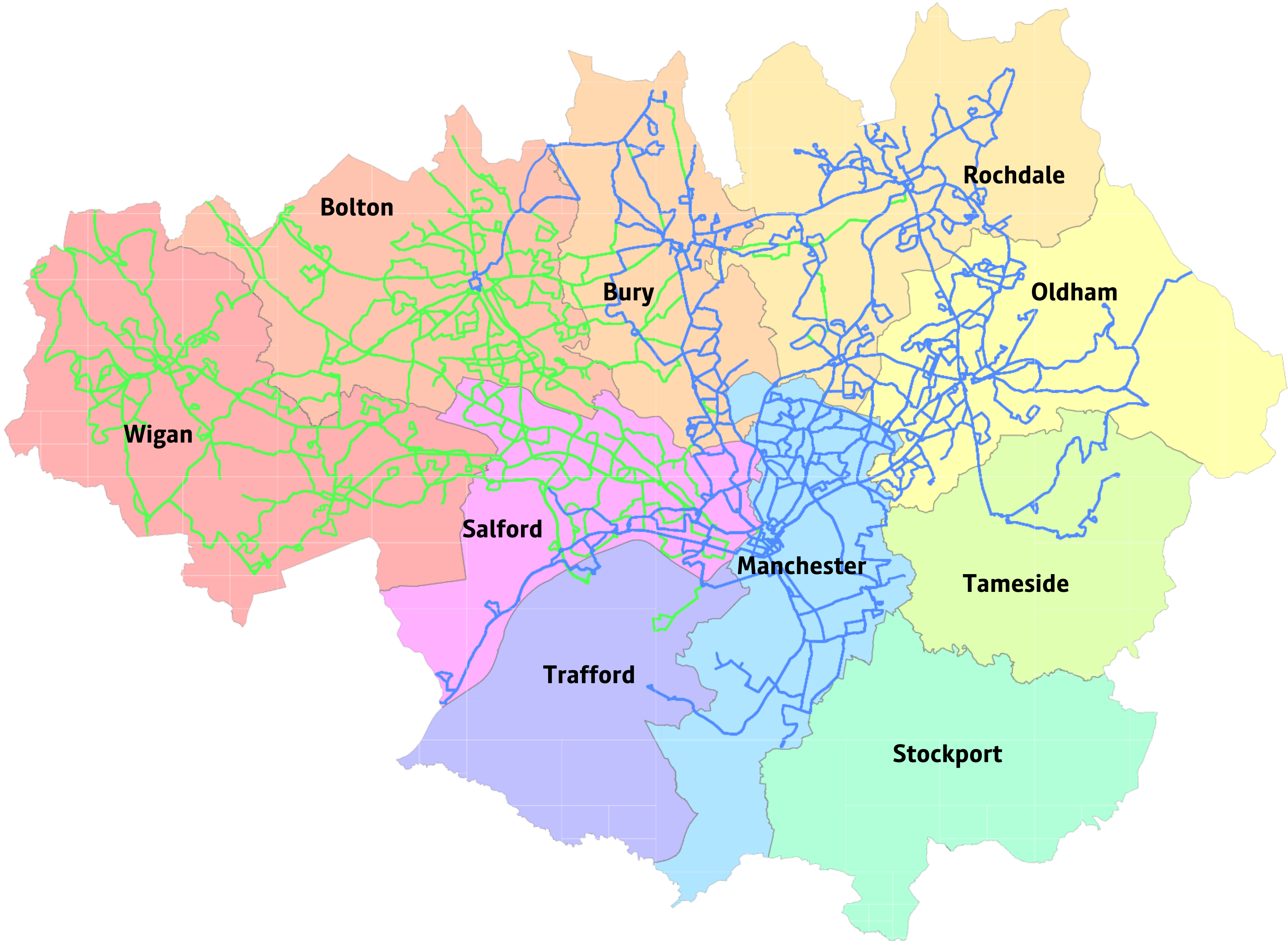
Tranche 1

24 September
2023



Tranche 2

24 March
2024



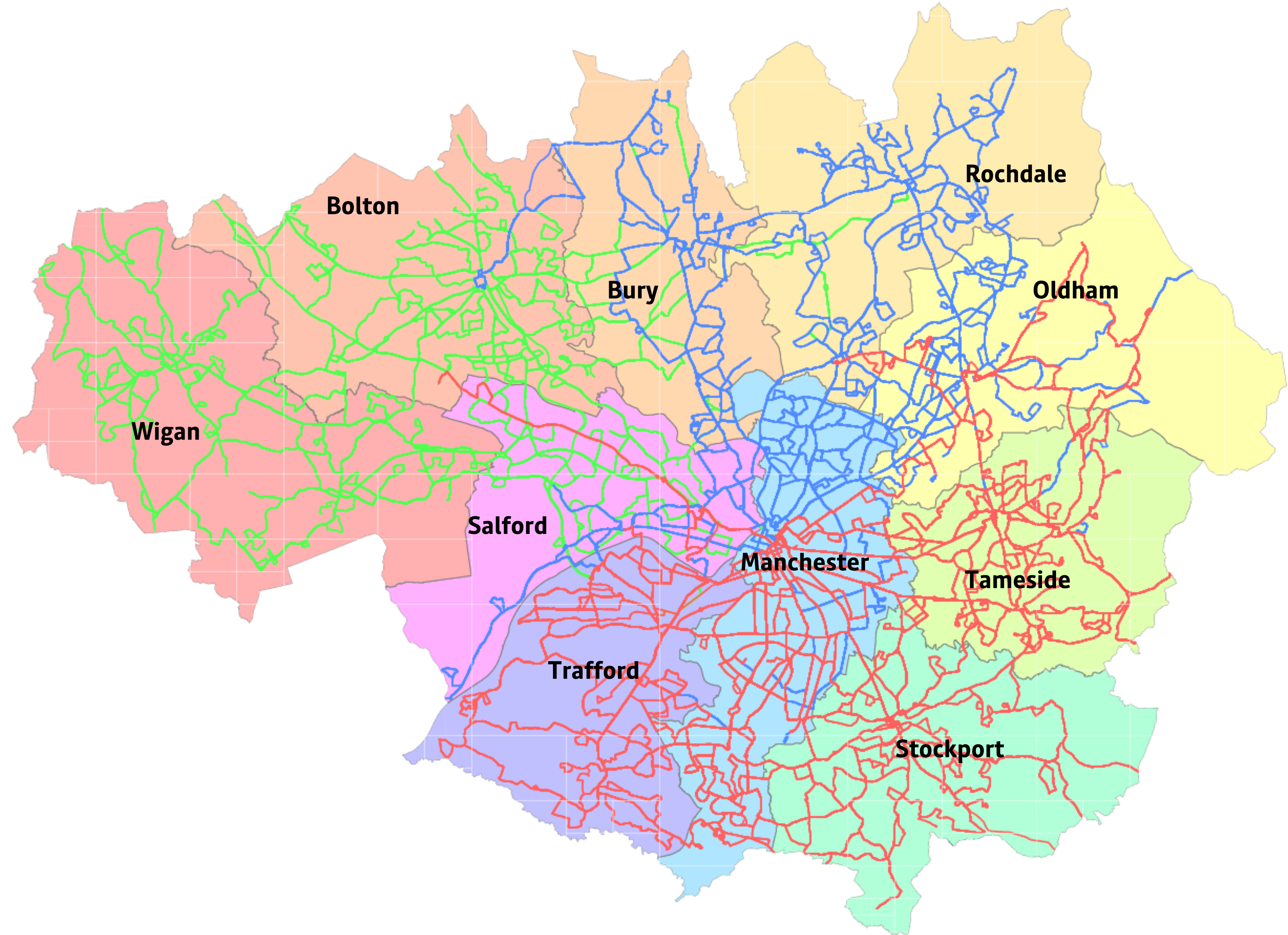
Page 48

Note: Tranche 2 bus services shown overlapping any tranche 1 bus services operating on the same section of road

Excludes school services

Tranche 3

5 January
2025



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Note: Tranche 3 bus services shown overlapping any tranche 1 & 2 bus services operating on the same section of road

Excludes school services

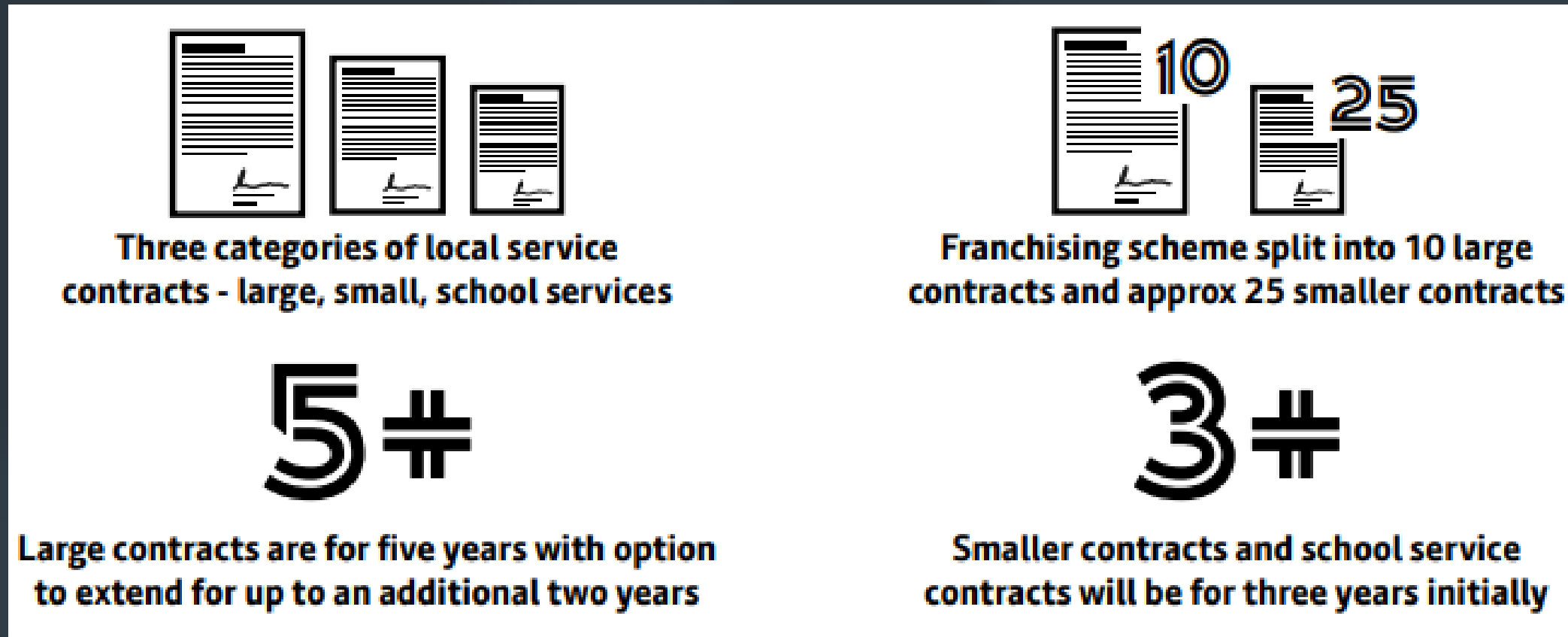
Cross-boundary services

- Many parts of Greater Manchester are served by buses that originate from outside of GM. These services play an important part in GM's local transport network.
- Under franchising, operators are required to apply to TfGM for a Service Permit to run bus services into GM.

Permits require operators to meet GM's operational standards (e.g. environmental, accessibility, safety etc), provide appropriate levels of passenger information that can integrate with Bee Network systems (e.g. real time information) and accept and sell Bee Network tickets within the GM boundary.

- Services seeking a permit must also be judged to benefit bus passengers within GM and not have an adverse effect on franchised services.
- This approach is in place and working well in relation to cross boundary services to/from the Tranche 1 area.

Operators & contracts



Page 51

- Local control and accountability are key elements of the Bee Network, and customer focused performance targets, including punctuality and reliability of services and levels of customer complaints, will be central to operators' contracts and help us to deliver continuous improvements to the bus network.
- To date, the costs for franchise contracts have been competitive, particularly when compared to the costs of tendering individual services. Increasingly, we cannot afford not to franchise.
- Employees at current bus operators will be protected by TUPE regulations during the transfer to new operators.
- Operators have provided strong social value plans, e.g. commitments in line with the Greater Manchester Good Employment Charter.

Tranche One (NOW LIVE)

Go North West

Bolton and Wigan

large franchises



Diamond

Seven small franchises



Tranche Two (24th March 2024)

Stagecoach



Middleton, Oldham and Queens Road large franchises

Diamond

Oldham small franchise



First

Rochdale A & B small franchises

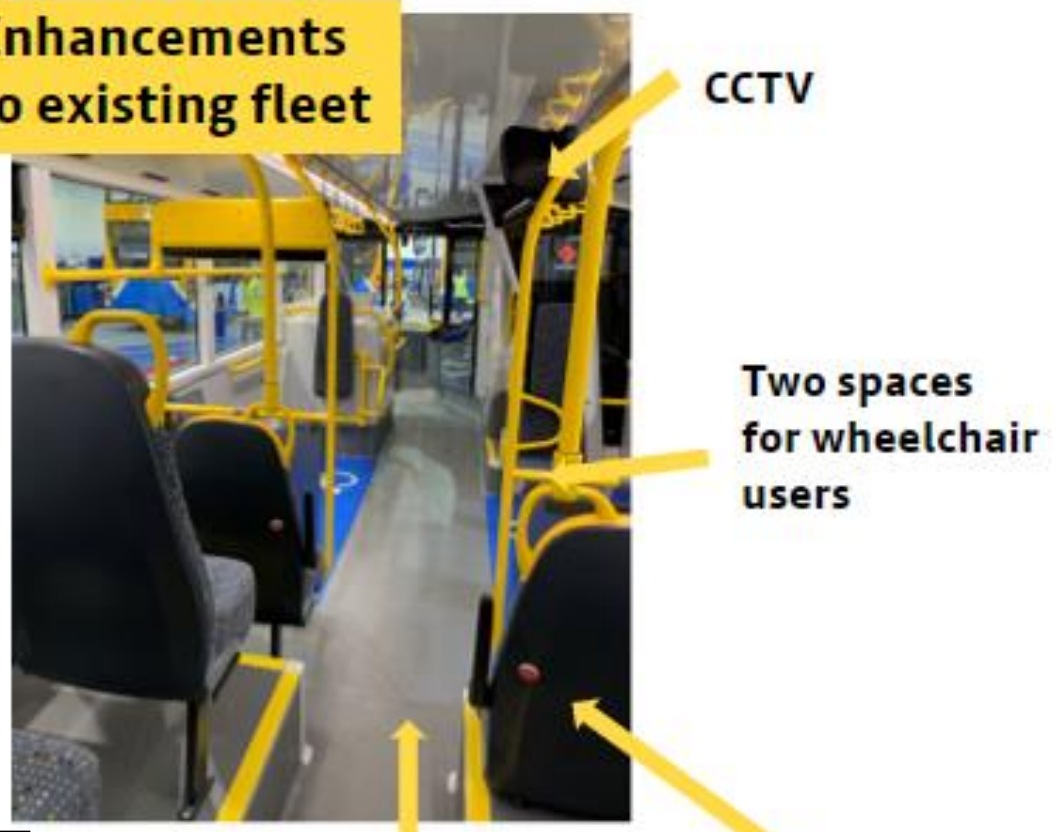


Tranche Three (5th January 2025)

To be confirmed

Vehicles

Enhancements to existing fleet



CCTV

Two spaces for wheelchair users

Anti-slip flooring

LED interior lighting

Audio-visual announcement system

Hearing induction loop



Transport for Greater Manchester

Priority seat

New vehicles



White LED exterior destination displays

USB charging ports

High back seating



The transition to franchising includes a significant investment into improving GMs bus fleet. This includes:

- **New Zero Emission Buses**
 - 50 already on the streets through T1 and 50 more on order for T2 - provided by TfGM and leased to operators
 - A further 170 to come through ZEBRA programme
- **New Euro VI Buses** - provided by operators

All new buses will be of best in class standards – following consultation with representative groups.

A programme to upgrade much of the existing fleet is also underway

Simpler fares



AnyBus in GM

		I will pay
As a customer travelling on any bus in Greater Manchester , I can purchase the following tickets:	Single fare	£2 adult £1 child
	1-day Bee AnyBus	£5 adult £2.50 child
	7-day Bee AnyBus	£21 adult £10.50 child
	28-day Bee AnyBus	£80 adult £40 child

AnyBus + Tram

		I will pay:
If I want to travel on AnyBus + Tram I can buy:	1-day Bee AnyBus + Tram (Anytime) zonal Variants	£6 - £9.50 adult £3 - £4.80 child
	1-day Bee AnyBus + Tram (off- peak) zonal variants	£5.40 - £7.80 adult £2.70 - £3.90 child
	7-day Bee AnyBus + Tram zonal variants	£24.80 - £41 adult £12.40 - £20.50 child
	28-day Be AnyBus + Tram zonal variants	£91.40 - £136 adult £45.70 - £68 child



- Our ticketing offer will evolve through to 2025, when Pay As You Go will be available to customers, with a day and weekly cap across both bus and tram
- For those that wish to continue to pay for travel in advance, this will still be available but will be much simpler, ensuring customers are able to choose which product best suits their needs.

Customer commitments

- Our customer commitments are our promise to users of the Bee Network.
- They set out what customers can expect from the Bee Network and how to provide feedback and suggestions for improvement – including through Rate Your Journey and the new Bee Network Customer Contact Centre



Safe

We will create a safe and secure network



Accessible

Everyone can use us



Reliable

We will deliver a reliable network



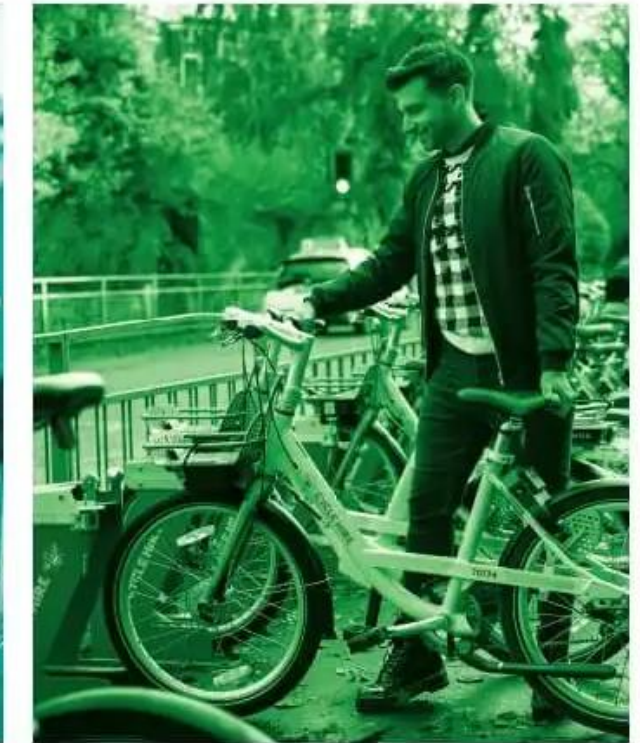
Affordable

We will keep the cost of travel as low as possible



Accountable

We will use your feedback to shape the Bee Network



Sustainable

We will take the lead in creating a greener, healthier Greater Manchester

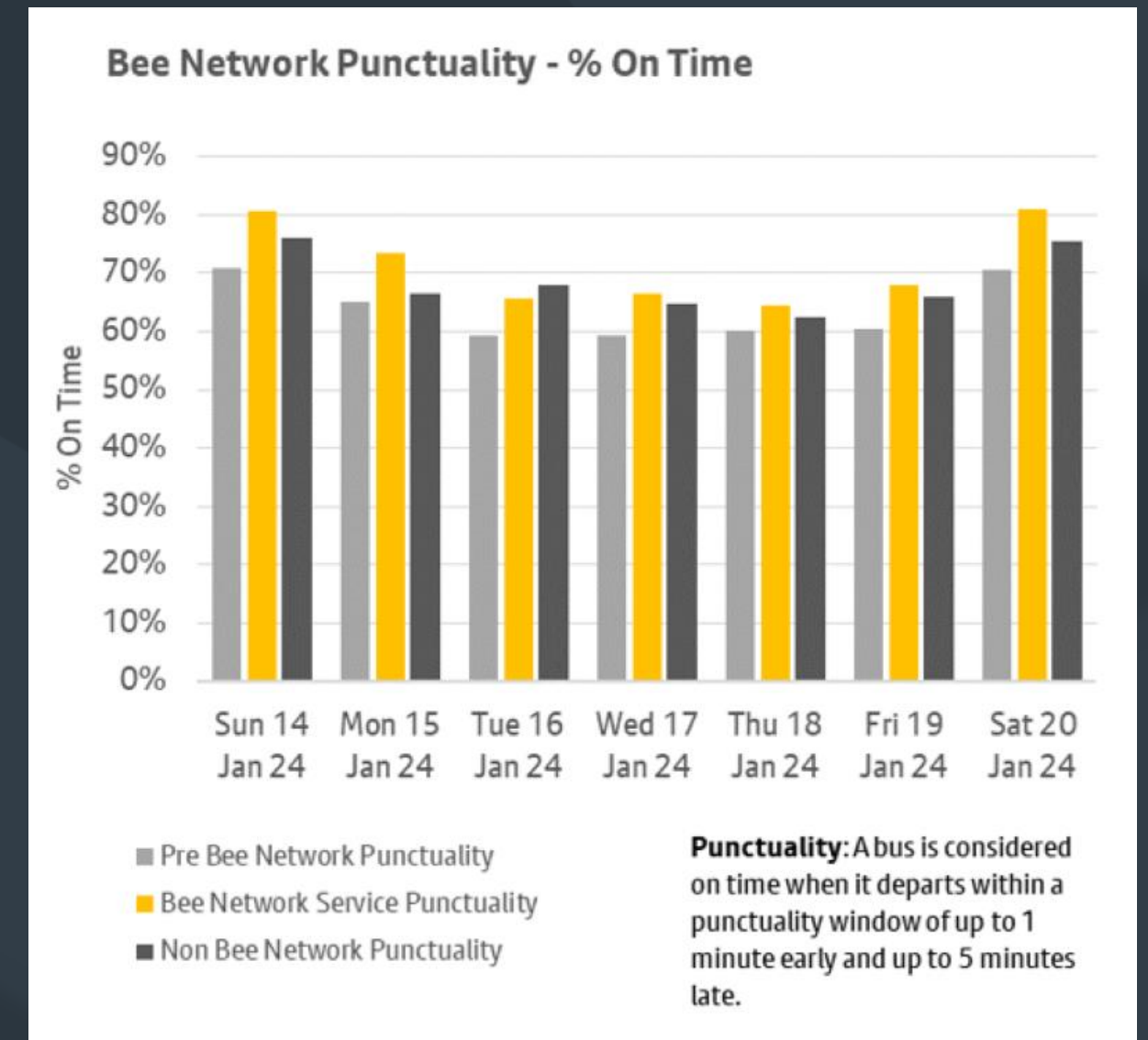
Tranche 1 – Update

In line with our commitment around accountability, we'll be reporting performance data to customers weekly – including on social media. Latest punctuality data for Bee Network services in the Tranche 1 area shows improving performance.

We are also actioning customer feedback in relation to services and customer experience, with:

Timetable improvements coming into effect in T1 this month, which will be followed by further changes planned in April with more and new buses coming into service.

- Further updates to the Bee Network App in development and due to launch alongside T2.



Accountable

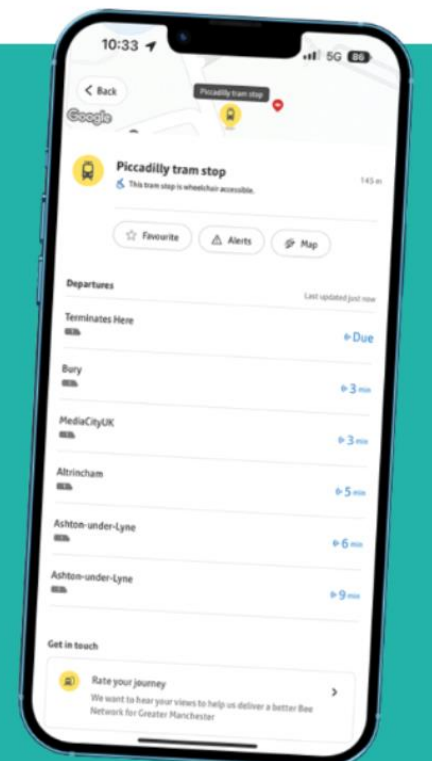
We will use your feedback to shape the Bee Network

YOU SAID

You wanted to be able to see service status and alerts

WE DID

We've added an "alerts" button under every stop and station



Greater Manchester Bus Strategy

Our strategy sets out our vision for better buses in Greater Manchester, including:

- Ambitions for the bus network beyond franchising.
- How the network will be designed and governed.
- How it will develop to 2030.
- The need for appropriate support and funding from government and others.
- It is not a funded delivery plan. Full delivery is likely to require additional funding.

As part of the Bee Network, we want the bus to be the first choice for more journeys in Greater Manchester.



Developing the Network

Network Reviews are the mechanism through which we will develop the bus network in a coordinated, planned and consistent manner, as part of the wider Bee Network.

Operational changes can (and have) been introduced outside of this process, but where network or strategic changes are required, it is the intention we will use the Network Review process to ensure consistency and accountability.

Stage 1 – Evidence Gathering and Stakeholder Engagement

Stage 2 – Analysis, option generation, appraisal and recommendations

Stage 3 – Consultation (where required)

Stage 4 – Approval by Bee Network Committee

Stage 5 – Mobilisation

Network Reviews are expected to take approximately **12 months** from initiation to mobilisation. The first (within Bolton) has already commenced.

Initial targets to 2030

Patronage

- A **30% increase in bus patronage** from 2022/23 levels, with Bee Network targets to be confirmed through LTP process.

Frequency

- By 2030, we will aim for **buses to run at least every 12 minutes on key orbital and radial routes**.
- We will aim to provide **90% of the entire Greater Manchester population with a 30-minute frequency bus or Metrolink service** on weekdays within 400m of their home. Other options (e.g. DRT) will be put in place in parts of the city region where this is not possible.

Infrastructure

- We intend to **deliver on-street bus improvements across 70km of high frequency, strategic bus routes** across Greater Manchester by 2030.

Affordability

- We will **keep fares as low as possible** across the Bee Network and reinvest any surplus back into the transport system.

By 2030, we want our buses to carry over
200 million
journeys per year.

In the future...

We want Greater Manchester's bus system to:

- Provide consistent and attractive car-free connectivity for all.
- Connect to other parts of the Bee Network and longer distance public transport.
- Support attractive urban places, including town centres and new developments.
- Have a positive impact on public health and the environment.
- Provide people with more travel options in the day and night.
- Be accountable and a source of shared local pride.

THANK YOU



GMCA Audit Committee

Date: 13 March 2024

Subject: Internal Audit Progress Report

Report of: Sarah Horseman, Deputy Director of Audit and Assurance, GMCA

Purpose of Report

The purpose of this report is to inform Members of the Audit Committee of the progress made on the delivery of the Internal Audit Plan for 2023/24. It is also used as a mechanism to seek approval of changes to the internal audit plan.

Recommendations:

Audit Committee is requested to:

- Consider and comment on the Internal Audit progress report.
- Approve any changes to the Audit Plan (Appendix C)

CONTACT OFFICERS:

Sarah Horseman, Deputy Director of Audit and Assurance, GMCA
sarah.horseman@greatermanchester-ca.gov.uk

Equalities Impact, Carbon, and Sustainability Assessment:

N/A

Risk Management

N/A

Legal Considerations

N/A

Financial Consequences - Capital

N/A

Financial Consequences - Revenue

N/A

Number of attachments included in the report:

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 Internal Audit annual plan for GMCA was presented to the Audit Committee in March 2023 and this set out the planned assurance activity to be conducted during 2023/24 based on our understanding of the organisation’s strategic and operational risks.
- 1.2 There are separate audit plans 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 (Police and Crime).
- 1.3 The purpose of this progress report is to provide Members with an update against the GMCA Internal Audit Plan for 2023/24 and summary of final reports presented to Committee.

2 Progress against the Internal Audit Plan 2023/24.

- 2.1 Since the last meeting in January 2024, we have issued six reports (two in Draft) from the 2023/24 plan and certified two grants. The Executive Summaries from these reports are shown at Appendix D.

Audit Report	Opinion
Payroll Compliance	Substantial
This report provided a Substantial Assurance opinion over payroll processes and key controls in place for the processing of starters, leavers, and changes to the payroll. There was appropriate segregation of duties in the system and from our testing we were able to verify information had been correctly input. Controls around the processing of monthly payroll runs were robust ensuring these were completed on-time and checked and reconciled.	

There was one identified area for improvement relating to the process around the checking of bank details input by the payroll team.

Occupational Health Contract – effectiveness

Reasonable

This report provided a Reasonable Assurance opinion with six proposed actions including four medium risk areas. The report concluded that there was generally an informal approach being taken to contract management and monitoring and, in our opinion, this would benefit from a more structured approach to help drive improvements in contract delivery. The audit took into consideration feedback obtained from the Wellbeing maturity assessment, on-station visits, and FBU representative. The main improvement areas related to:

- Improved governance and oversight at a Senior level on how the contract is performing and a higher visibility beyond Service level Managers. This is a key area for improvement if Executive want to be assured that the best possible service is being received.
- Ensuring there is a robust performance mechanism for holding the provider to account and which covers qualitative measures as well as process compliance.
- Improved training and awareness amongst staff, including new managers coming into the service. Focus should be on ensuring Line Managers fully understand how to access the OH service and manage referrals.
- The opportunity to develop a more joined up and coordinated approach between H&W Team and People Team to allow more timely intervention and support on known cases and linked to Occupational Health Strategy and sickness absence statistics.

Freedom of Information Act (FOIA) and Subject Access Requests (SAR)

Reasonable

The report provided a Reasonable Assurance opinion over the adequacy of controls in place for processing Freedom of Information and Subject Access Requests, with three agreed audit actions.

The report concluded that appropriate systems, policies, and procedures for the handling of requests for information were in place and made available to staff. There is a range of training packages available and the iCasework system is used to acknowledge, approve, and respond to information requests. Metrics relating to information are reported to SLT on a quarterly basis and to the Information Governance board monthly.

The main areas for improvement related to improving engagement and communication between service areas and the Information Governance team; the timeliness of final responses to FOI and EIR and SAR requests within the statutory timeframe, and use of reporting functionalities on the iCasework system.

ICT Critical System Review - Gartan Roster (External)

Limited

This report provided a Limited Assurance opinion over controls in place for the Gartan Roster system and six recommended improvement actions including two high risk areas. Although there was found to be a well-established system in place with clear processes and extensive demonstrable good practice being implemented, several areas were identified where improvements were required. These related to the robustness of security arrangements for the application and password management controls; a lack of documented business continuity plans and failover support; the use of generic and administrator accounts which may result in unauthorised user access or privillages; and general system governance including logging and monitoring.

We are coordinating a response with ICT Digital and the Service to allocate responsibility and set up a remediation plan to capture specific actions to allow us to track and report on progress.

2.2 There are several audits at the fieldwork and draft reporting stage, and we remain on track to deliver these by the end of April 2024. We continue to flex the plan to take account of changing assurance needs and staff capacity.

2.3 A summary on the status of ongoing audit work is as follows:

Planning Stage	
GMFRS - JESIP Operating Principles	Initial scoping discussions have taken place for these two audits, and we aim to commence both in the coming weeks.
Recruitment and Attraction	

Fieldwork Stage	
Net Zero Achievement	Fieldwork is ongoing to provide assurance over GMCAs arrangements to support the delivery of the regional carbon neutrality target by 2038.
Anti-Money Laundering Policy review	A review and update of the AML policy and procedures is underway.

Reporting Stage	
Brownfield Housing Fund Grant 2022/23 (Section 31/6408)	Letter of certification completed, and Internal Position Statement over Grant Fund Usage (DRAFT) issued to Management – awaiting sign off.
Corporate Recharge Model	These reports are at the Draft report stage and will be finalised before the end of March 2024.
GM Waste Fleet Assets	

2.4 **Grant Certifications** – Two grants were certified during the period.

LEAD to Net Zero (Local Energy Advice Demonstrator Grant) £213k. There is a requirement to certify these quarterly.

Net Zero Junior Officer £22.5k

Details of our progress in respect of the 2023/24 Audit Plan is shown in **Appendix B**.

3 **Changes to the Internal Audit Plan**

3.1 In line with the Internal Audit Charter, any significant changes to the approved Internal Audit Plan must be approved by the Audit Committee.

3.2 Since the last meeting there are two audits, we propose to deprioritise the Estates Management Audit and Adult Education Budget performance Management – follow up review. We have brought forward audits on the Supporting Families Programme and GMFRS JESIP Operating Principles, which will commence during quarter 4.

3.3 A cumulative record of changes to the plan for the current financial year, with the rationale for each, is shown as an **Appendix C** to this report.

4 **Resourcing**

4.1 We are recruiting to a vacancy at Principal Auditor level, and interviews have taken place during February. It remains important that the available resource and capacity within the team is kept under review to provide adequate support to deliver the Internal audit programme.

5 Other Activities

- 5.1 Aside from delivery of the internal audit plan, since the last meeting internal audit have undertaken the following additional activities.
- 5.2 **Whistleblowing and Counter Fraud Activities** – There are no new whistleblowing cases received by Internal Audit since the last Audit Committee.
- 5.3 **GMCA Next Phase – Senior Leadership Workstreams** – Internal Audit are involved in several workstream reviews as the organisation sets out its future ways of working in readiness for the new trailblazer devolution deal from April 2025. Internal Audit are leading on the assurance workstream and contributing to the policy making; and programme and project workstreams.
- 5.4 **Senior Leadership Team Engagement** – The Deputy Director, Audit and Assurance has joined the SLT, and we continue to hold regular engagement discussions with Directors to understand emerging risks/issues and to help inform future audit planning.

Appendix A - Summary of Internal Audit Reports issued 2023/24

The table below provides a summary of the internal audit work completed. This will inform the annual Internal Audit opinion for the year 2023/24.

Page 69

Audit	Assurance Level	Audit Findings					Coverage		
		Critical	High	Medium	Low	Advisory	GMCA	GMFRS	Waste
Brownfield Housing Fund Grant	N/A – Internal Position Statement Only	We made no recommendations in this audit.					✓		
ICT – Threat and Vulnerability Assessment	Limited	-	2	2	-	-	✓	✓	✓
		Individual actions being tracked via the Remediation Plan							
Purchase Card Compliance	Broadly Compliant	We made advisory actions only in this audit.					✓	✓	
ICT Critical System Review - Gartan Roster (External)	Limited	-	2	3	2	-	✓	✓	
Occupational Health Contract - Effectiveness	Reasonable	-	-	4	2	-	✓	✓	
GMFRS Station Standards Framework	Reasonable	-	-	4	-	-		✓	
Corporate Recharge Model (DRAFT)	Reasonable	-	-	1	3	3	✓	✓	✓

Audit	Assurance Level	Audit Findings					Coverage		
		Critical	High	Medium	Low	Advisory	GMCA	GMFRS	Waste
Freedom of Information Act (FOIA) and Subject Access Requests (SAR)	Reasonable	-	-	1	2	-	✓	✓	✓
Payroll Compliance	Substantial	-	-	1	-	-	✓	✓	✓

Grant Certifications				
BEIS Growth Hub Funding 2022/23	Positive	✓		
Brownfield Housing Fund Grant 2022/23	Positive	✓		
Local Energy Market: Period October 2021 – March 2023	Positive	✓		
Made Smarter Adoption NW 2022-25	Positive	✓		
GMCA Innovator Accelerator Seedcorn Funding 2022/23	Positive	✓		
LAEP to Net Zero £19k 2022/23	Positive	✓		
LEAD to Net Zero £60k (Q2)	Positive	✓		
LEAD to Net Zero £213k (Q3)	Positive	✓		
Net Zero Junior Officer £22.5k	Positive	✓		

The following tables show definitions for the Assurance Levels provided to each audit report and the ratings attached to individual audit actions.

Assurance levels

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

Appendix B – Progress against the Internal Audit Plan 2023/24

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

Directorate	Audit Area	Audit	Timing	Plan Days	Status	Audit Committee
GMFRS	Service Support	Occupational Health Contract	Q1	20	Completed	March 2024
GMFRS	Service Delivery	Station Standards Framework	Q2	30	Completed	January 2024
GMFRS	Service Delivery	Operational Assurance and Organisational Learning Frameworks	Q2	10	Ongoing engagement and support	
GMFRS	Service Delivery	JESIP Operating Principles	Q4	15	Planning Q4	
Corporate Services	People Services	Payroll Compliance	Q2	30	Completed	March 2024
Corporate Services	Waste and Recycling	Fleet Assets – Maintenance	Q2	30	Draft Report	
Cross Cutting	Governance	Business Continuity Planning	Q2	20	Full Audit Postponed until 2024/25	
Corporate Services	Finance	Purchase Card Compliance	Q3	5	Completed	January 2024

Directorate	Audit Area	Audit	Timing	Plan Days	Status	Audit Committee
Corporate Services	Finance	Corporate Recharge Model	Q3	20	Draft Report	
Corporate Services	People Services	Recruitment and Attraction	Q4	30	Planned for Q4	
Education, Work and Skills	Adult Education Budget	Performance Management	Q4	30	Cancelled	
Corporate Services	ICT/Digital	Threat and Vulnerability Assessment (External)	Q2	5	Completed	November 2023
Corporate Services	ICT/Digital	Critical Business System – Gartan Roster (External)	Q3	5	Completed	March 2024
Corporate Services	IG/Governance	FOIA/SAR	Q2	15	Completed	March 2024
Corporate Services	ICT/Digital	IT Asset Management	Q4	5	Defer to 2024/25	
Mayoral Priorities	Governance / Assets	Bus Franchising	Q3	20	Preliminary Discussions held - Defer to 2024/25	
Environment	Low Carbon	Net Zero achievement	Q3	20	Fieldwork to commence in Q4.	

Directorate	Audit Area	Audit	Timing	Plan Days	Status	Audit Committee
Place	Land and Property	Estates Management	Q3	30	Defer to 2024/25	
Policy and Strategy	Governance	Trailblazer Programme Readiness	Q3	30	Ongoing work to support SLT workstreams	
Public Sector Reform	Compliance	Supporting Families Programme	Q4	10	Planned for Q4	
Grant Certifications				60		
Corporate Services	BEIS Growth Hub Funding 2022/23		Q1	-	Completed	September 2023
Corporate Services	Local Energy Market: Period October 2021 – March 2023		Q1	-	Completed	September 2023
Corporate Services	Brownfield Housing Grant		Q1	-	Completed - Awaiting Sign off	
Corporate Services	Made Smarter Adoption NW 2022-25		Q2	-	Completed	September 2023
Corporate Services	GMCA Innovator Accelerator Seedcorn Funding 2022/23		Q2	-	Completed	September 2023

Directorate	Audit Area	Audit	Timing	Plan Days	Status	Audit Committee
Corporate Services	LAEP to Net Zero £19k 2022/23		Q2	-	Completed	September 2023
Corporate Services	LEAD to Net Zero £60k		Q3	-	Completed	January 2024
Corporate Services	LEAD to Net Zero (Local Energy Advice Demonstrator Grant) £213k		Q4	-	Completed	March 2024
Corporate Services	Net Zero Junior Officer £22.5k		Q4	-	Completed	March 2024
Total Plan Days				470		

Other Audit Activity		Quarter
Information Governance	Deputy Director of Audit and Assurance is a member of the Information Governance (IG) Board and the Serious Information Governance Incident (SIGI) Panel. Ongoing advice, and oversight of IG risks is undertaken through these forums.	All
Audit action tracking	Internal audit monitor and report on a quarterly basis the implementation of agreed audit actions.	All
Counter Fraud Activity	Maintenance of counter fraud policies, training and organisational awareness as well as response to reports of fraud.	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	N/A

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 Committee 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 March 2023.

Audit Area	Audit	Days	Change requested	Rationale	Approved by Audit Committee
Corporate Services: Procurement and Commercial	Social Value Model Subsidy Control Act	40	Deprioritise	Assessed as medium risk, given available resources, focus on audits in high-risk areas.	Sept 2023
Corporate Services: Finance	BWO access rights	20	Deprioritise	Revised IT Audit Plan based on assessment from new IT Audit Provider.	Sept 2023
Corporate Services: Information Governance	Information Governance Processes	20	Deprioritise	IG is a shared service with TfGM. An IG audit was undertaken at TfGM in 2022/23 which covers the same team, processes and controls. The findings around the control design would therefore be similar. Actions from that audit will be applied to GMCA as well as TfGM and monitored through IG Board – where IA is represented to monitor progress of actions.	Sept 2023
Waste	Behavioural Change and	20	Deprioritise	Audit of Waste Fleet Assets included in the audit plan, propose to deprioritise this audit for this year to be reconsidered in future plans.	Sept 2023

Audit Area	Audit	Days	Change requested	Rationale	Approved by Audit Committee
	Communication Plan				
Economy and Strategy	Shared Prosperity Fund	20	Deprioritise	Focus for this plan will be on Trailblazer preparedness.	Sept 2023
Information Governance	Freedom of Information and Subject Access Request Processes	15	Addition	In response to recent high profile data breaches in other organisations.	Sept 2023
ICT/Digital	IT Asset Management	5	Defer	Digital Service are unable to support this audit at present due to capacity and resourcing issues.	Sept 2023
Governance	Business Continuity Planning	20	Defer	Request from Management to defer until April 2024 to allow a full internal review of BC policies, systems and processes to take place.	Nov 2023
Public Sector Reform	Supporting Families Framework	10	Defer	The previous audit was completed in May 2023, as such we propose to defer until 2024/25, however this is dependent on expectations from Government that we undertake work in Q4.	Nov 2023
Finance	Continuous Auditing	20	Addition	A series of proactive transactional based audits	Nov 2023
Land and Property	Estates Management	30	Defer	Capacity of the team to support the review – to pick up as part of Estates Compliance audit in 2024/25	March 2024
Ed, Work & Skills	AEB Performance Mgt – Follow up	30	Cancel	Capacity to support and not seen as significant risk area	March 2024
GMFRS	JESIP Principles	15	Addition	Assurance work requested by GMFRS SLT	March 2024

Appendix D – Executive Summaries

PAYROLL COMPLIANCE



Internal Audit Report

Payroll Compliance

FINAL

Issue Date 18 January 2024

Audit Team	
Sarah Horseman	Deputy Director Audit and Assurance
Damian Jarvis	Head of Internal Audit
Jessica Jordan	Principal Auditor
Stuart Richardson	Principal Auditor

Report Distribution	
For Action	
Amanda Stevens	Assistant Director People Services (Workforce Operations)
Penny Wright	Payroll & Pensions Manager
Lisa Boylin	Deputy Payroll & Pensions Manager
For Information	
Audit Committee - Executive Summary Only	
Eamonn Boylan	Chief Executive
Andrew Lightfoot	Deputy Chief Executive
Dave Russel	Chief Fire Officer
Ben Norman	Deputy Chief Fire Officer
Steve Wilson	GMCA Treasurer
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Mallicka Mandal	Director – People Services
Mazars	External Auditor

1. EXECUTIVE SUMMARY																			
AUDIT OBJECTIVE	ASSURANCE LEVEL																		
The audit objective was to provide assurance over the systems, processes, and controls in place to ensure an accurate and efficient payroll process is in place.																			
KEY RISKS IF CONTROLS ARE NOT IN PLACE AND/OR OPERATING																			
<ul style="list-style-type: none"> Inadequate controls over starters, leavers and changes to payroll may lead to incorrect payments being made. Non-compliance with payroll processes leads to an increased risk of fraud or error. Monthly payroll is not processed on time leading to employee dissatisfaction and reputational damage. 	<table border="1"> <thead> <tr> <th colspan="6">AUDIT FINDINGS</th> </tr> <tr> <th>Critical</th> <th>High</th> <th>Medium</th> <th>Low</th> <th>Advisory</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td>1</td> <td></td> <td></td> <td>1</td> </tr> </tbody> </table>	AUDIT FINDINGS						Critical	High	Medium	Low	Advisory	Total			1			1
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This is based on the scoring mechanism outlined in Section 5 & 6 of this report.																			
AUDIT OPINION AND SUMMARY CONCLUSION																			
<p>We provide a Substantial Assurance opinion over payroll processes and key controls in place for the processing of starters, leavers, and changes to the payroll. There was appropriate segregation of duties in the system and from our testing we were able to verify information had been correctly input. Controls around the processing of monthly payroll runs were robust ensuring these were completed on-time and checked and reconciled.</p> <p>There was one identified area for improvement relating to the process around the checking of bank details input by the payroll team.</p>																			
AREAS OF GOOD PRACTICE																			
<ul style="list-style-type: none"> i) A processing timetable is in place and followed to ensure that payments are made on time. ii) We examined two payslips for each of 25 employees in our sample and confirmed that: 																			

- Statutory deductions, salary sacrifice schemes and pensions deduction are correctly processed and in line with the relevant scheme and statutory guidelines.
 - Monthly payroll variations are processed in line with supporting authorised paperwork and relevant policies.
 - Basic pay is correct based on the role and contract in place for the individual.
- iii) We examined a sample of 13 starters, leavers and transfers and confirmed:
- Payroll was being promptly updated for each of these events.
 - Adjustments to payments for mid-month events were being appropriately adjusted.
 - Payments were made correctly and in line with the underlying documents.
- iv) We examined three completed Payroll runs in detail and confirmed:
- Numerous checks are undertaken to verify the content of the payroll is correct ahead of authorisation.
 - There is appropriate segregation of duties in the verification and authorisation of the payroll.
 - The payroll is correctly imported into the BWO financial management system.

AREAS FOR IMPROVEMENT

There was one identified area for improved control relating to the following:

- Whilst most bank details are processed by individuals using the MiPlace system a small number of staff in the Payroll Team have the ability to amend bank details in the system to allow new starter details to be input. A report is generated each payroll to show the changes made to bank details by all users, but checks are not undertaken on this report.

2. SUMMARY OF AGREED ACTIONS

Finding	Risk Rating	Action	Target Date
1 Limited checks are undertaken on changes made to individuals bank account details	MEDIUM	<ul style="list-style-type: none"> • A Report will be produced and checked showing where the same bank account is linked to multiple employee accounts. • The bank account changes list will be filtered to show where an individual's bank account has been changed multiple times within the month and 	January 2024

input by the payroll team.		independent checks completed and evidenced over the accuracy of these changes.	
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AUDIT SPONSOR COMMENTS
An excellent audit and we will ensure that the agreed actions highlighted will be implemented by the team with immediate effect. GMCA Payroll & Pensions Manager

This audit has been undertaken in conformance with Public Sector Internal Audit Standards

OH Contract - Effectiveness



Internal Audit Report

Occupational Health Contract – Effectiveness

FINAL

Report Issue Date	
Draft Report Issued	31 January 2024
Management Response Received	1 March 2024
Final Report Issued	4 March 2024

Audit Team	
Sarah Horseman	Deputy Director Audit and Assurance
Damian Jarvis	Head of Internal Audit

Report Distribution	
For Action	
Amanda Stevens	Assistant Director People Services
Julia Morrison	Employee Relations and Wellbeing Manager
Angela Garside	OH, and Wellbeing Contracts Coordinator
For Information	
Audit Committee - Executive Summary Only	
Eamonn Boylan	Chief Executive
Andrew Lightfoot	Deputy Chief Executive
Steve Wilson	GMCA Treasurer
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Dave Russel	Chief Fire Officer
Ben Norman	Deputy Chief Fire Officer
Andrea Heffernan	GMFRS Director of Corporate Support
Mallicka Mandal	Director of People Services
Mazars	External Auditor

1. EXECUTIVE SUMMARY																		
AUDIT OBJECTIVE		ASSURANCE LEVEL																
The audit objective is to assess the effectiveness of the Occupational Health provision at GMFRS which is provided by PAM Occupational Health.		REASONABLE ASSURANCE																
KEY RISKS IF CONTROLS ARE NOT IN PLACE AND/OR OPERATING			AUDIT FINDINGS															
There are no recorded risks in the GMCA Corporate Risk Register relating to the operation of this contract. There are related risks which include:		<table border="1"> <thead> <tr> <th>Critical</th> <th>High</th> <th>Medium</th> <th>Low</th> <th>Advisory</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td>4</td> <td>2</td> <td></td> <td>6</td> </tr> </tbody> </table>					Critical	High	Medium	Low	Advisory	Total			4	2		6
Critical	High	Medium	Low	Advisory	Total													
		4	2		6													
<ul style="list-style-type: none"> • DIR-FIN-04 – a failure to improve corporate performance through Corporate Services. This relates to risks around assurance in contract management activity. • GMFRS RR8 – Staff Wellbeing - In an emergency service there are a range of reasons why people may be impacted by mental health and wellbeing issues, whilst the Service has a range of existing mechanisms in place there is scope to further develop both managerial and staff support. 		BASIS OF AUDIT OPINION																
		This is based on the scoring mechanism outlined in Section 5 & 6 of this report.																
AUDIT OPINION AND SUMMARY CONCLUSION																		
We provide a reasonable assurance opinion over the effectiveness of the Occupational Health Contract with the current service provider. GMCA are in the final year of a three-year contract (with an option to extend) and despite a significant number of complaints and issues received during the first 12-18 months over the quality of the service provision, indications are that substantial improvements have been made. Many of the issues related to the transition from the previous provider, step changes in service and the move to 'virtual' appointments rather than face to face.																		

From management discussions held, the general opinion was that the provider underestimated the complexity of dealing with a large FRS. There has been a lack of staff continuity on the provider side, with three different Contract Managers and multiple changes in Team Leaders which has impacted on the effectiveness of the contract relationship. Some improvements have been reported following the recent involvement of a director from the service provider in contract discussions which has allowed more timely and proactive measures to be taken.

There were no significant ongoing areas of concern raised with us by the Health & Wellbeing team (H&W). Some issues were raised with us directly by the FBU representative over the responsibility for delays in some ill health retirement and IQMP cases and whether the provider was meeting their contractual obligations in these areas. Without reviewing in detail these specific individual cases, we are unable to provide assurance on these. However, it was acknowledged that the service provider was unable to offer specific types of assessment (psychiatric and PTSD diagnosis) and alternative procured provision had recently been sought.

Whilst anecdotally, we were told that a negative perception existed from Station staff, our visits to ten Stations as part of our Station Standards Audit provided no significant areas of concern raised by station staff, and most found that the quality of the service had improved. Some specific process issues were raised relating to booking and keeping track of appointments. Internal Audit also sought wider feedback obtained from the recent Wellbeing Maturity Assessment survey in October 2023. This provided a mixed response to questions raised around the effectiveness of Occupational Health provision provided by the contractor and user experience. Whilst this was the first organisational survey of its kind, there was a low response rate (48), and the service should continue to seek further stakeholder/staff satisfaction feedback in the future.

There was generally an informal approach being taken to contract management and monitoring and, in our opinion, this would benefit from a more structured approach to help drive improvements in contract delivery. The launch of the new GMCA Contract management framework provides a corporate approach to managing contracts and the application of these principles should ensure that the right level of contract governance is in place to ensure the provider fully meets its contractual obligations. There were several identified areas of contract management which required improvement, and these are outlined in **Section 3**. In summary these areas included:

- Improved governance and oversight at a Senior level on how the contract is performing and a higher visibility beyond Service level Managers. This is a key area for improvement if Executive want to be assured that the best possible service is being received.
- Ensuring there is a robust performance mechanism for holding the provider to account and which covers qualitative measures as well as process compliance.

- Improved training and awareness amongst staff, including new managers coming into the service. Focus should be on ensuring Line Managers fully understand how to access the OH service and manage referrals.
- The opportunity to develop a more joined up and coordinated approach between H&W Team and People Team to allow more timely intervention and support on known cases and linked to Occupational Health Strategy and sickness absence statistics.

The contract is in its final year, with an option to extend on a +1 +1 basis. A full evaluation should be undertaken taken in early 2024 prior to any decision taken to extend.

Audit Limitations:

The basis of this report is weighted toward interview feedback and discussions with Service Leads and testing compliance against contract management standards.

There was no testing of individual caseload.

Discussions were held with FBU and Unison representatives to understand their perception OH contract delivery.

AREAS OF GOOD PRACTICE

- Roles and responsibilities for day-to-day management of the contract are clear, with experienced internal staff able to provide the right level of support. The Assistant Director of People Services is the named contract owner, but in practice, responsibility for operational delivery is delegated to the ER and Wellbeing Manager.
- There is a focus on the commercial aspects of the contract and controlling costs.
- There was recognition at Service Manager level that contract management could be improved.
- We noted several service improvements made by the service provider in response to concerns raised, with the introduction of the OHIO IT referral system upgrade and new telephony system, despite some initial teething issues during implementation.
- The development of the Wellbeing and Occupational Health intranet pages which provide a good level of information.

AREAS FOR IMPROVEMENT

The main areas for improvement related to the following:

- Having a signed version of the contract agreement which clearly sets out the agreed contractual obligations and operational delivery. It was unclear what had been agreed at the start of the contract and there were gaps in what the specification set out and the providers submitted tender and actual delivery.

- The main performance concerns related to Physio onward referrals (face to face appointments) and independent Psychiatric assessments as these were not included in the original contract offer.
- Strengthening contract management, monitoring, and reporting arrangements. There is no formal assurance reporting to Senior Managers on contract performance, compliance, and value for money.
- Ensuring the performance management framework against which the contract will be measured is sufficient to drive improvements. Currently this is very much focussed on process compliance rather than qualitative measures.
- Issues are not always being flagged to the H&W Co-ordinator to allow timely intervention where problematic cases arise. E.g., delays in getting appointments or quality of service provision.
- Training – delivering awareness training to staff which ensures those accessing Occupational Health understand the process and the setting of expectations over what service users can expect to receive as part of the process. Line manager referrals was raised as an ongoing area of concern, these can relate to delays in referring staff, the timeliness and quality of referrals made and expectations around the different types of referrals.
- There were no social value elements built into the contract.

2. SUMMARY OF AGREED ACTIONS

Finding	Risk Rating	Action	Target Date
1 Baseline Contract Documentation.	MEDIUM	i) Confirm that a signed and sealed copy of the contract and schedules exists and using this to ensure contractual obligations are being met. ii) Revisit the existing contract and performance framework prior to any decision taken on contract renewal during 2024. iii) Manage the contract against the principles set out in the new GMCA corporate contract management framework.	31/03/2024
2 Formalisation of Contract Management Review Meetings	MEDIUM	i) Formalise the structure to discuss contract delivery issues. This should include both strategic and operational contract management meetings. ii) Development of an improvement action plan to get resolution and improvement actions on aspects of the contract the service is not satisfied with.	30/04/2024

3	Contract Performance Management and Benchmarking of Service	MEDIUM	<ul style="list-style-type: none"> i) Review the SLA and performance KPI's for the contact to ensure these are relevant and adequately reflect the main service targets (linked to 4i). ii) Undertake some quality assessment over the accuracy of monthly performance information provided by the contractor. iii) Ensure that there is a shared understanding of how the provider is performing. 	30/06/2024
4	Service Provider Performance - Qualitative Feedback	MEDIUM	<ul style="list-style-type: none"> i) Review the performance mechanisms (KPIs and SLAs) to ensure these drive the improvements and outcomes required (linked to action 3i). ii) Seek greater transparency from the service provider over the results of user feedback surveys conducted. iii) Conduct more regular internal stakeholder feedback surveys from those accessing OH provision. 	30/06/2024
5	OH awareness training for Managers and Staff.	LOW	<ul style="list-style-type: none"> i) Develop a training schedule which can be consistently rolled out to raise awareness across GMCA/GMFRS. ii) Raise awareness amongst staff on how to raise concerns if issues arise and the mechanisms for doing so. iii) Resetting of service user expectations over the OH offer provided by the service provider 	30/06/2024
6	Third Party Supplier Assurance over DPA responsibilities.	LOW	<ul style="list-style-type: none"> i) Re-confirming that the provider has appropriate cyber security and GDPR policies and procedures and these have been independently tested and verified. 	30/04/2024

AUDIT SPONSOR COMMENTS

Provided by the Assistant Director People Services
 This is a reasonable assessment of the current arrangements and processes, associated with the occupational health provision. A number of the issues had previously been identified and actions in train, however this report has consolidated the required actions with timelines. I would like to thank the Auditors for a thorough and fair evaluation.

This audit has been undertaken in conformance with Public Sector Internal Audit Standards



Internal Audit Report

Freedom of Information (FOIA) and Subject Access Requests (SAR): Policy and Process Review

FINAL

Report Issue Date	
Draft Report Issued	16 February 2024
Management Response Received	4 March 2024
Final Report Issued	5 March 2024

Audit Team	
Sarah Horseman	Deputy Director Audit and Assurance
Damian Jarvis	Head of Internal Audit
Stuart Richardson	Principal Auditor

Report Distribution	
For Action	
John Laurence Curtis	Assistant Director Information and Data Governance and DPO
Jacqueline Williams	Head of Service Information and Data Governance and Deputy DPO
Laura Walsh	Senior Information and Data Governance Lead
For Information	
Audit Committee - Executive Summary Only	
Eamonn Boylan	Chief Executive
Andrew Lightfoot	Deputy Chief Executive
Steve Wilson	GMCA Treasurer
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Mazars	External Auditor

1. EXECUTIVE SUMMARY																			
AUDIT OBJECTIVE	ASSURANCE LEVEL																		
The audit objective is to provide assurance over the adequacy of controls in place for the processing of Freedom of Information (FOI), EIR and individual rights requests (including Subject Access Requests) which ensures compliance with legislation and minimises the risk of a potential data breach.																			
KEY RISKS IF CONTROLS ARE NOT IN PLACE AND/OR OPERATING																			
<p>OR10 - Data Protection Act - Failure to comply with the requirements of the Data Protection Act 2018 (inc. GDPR).</p> <ul style="list-style-type: none"> Inability of the organisation 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 an appropriately secure manner. Upcoming Data Protection and Digital Information Bill changes legal compliance rules. <p>In addition to this, without good governance processes for managing FOIA and individual rights requests in a compliant way, GMCA may be subject to potential legal, financial, and reputational risks arising from the mishandling of these and any significant data breach.</p>	<table border="1"> <thead> <tr> <th colspan="6">AUDIT FINDINGS</th> </tr> <tr> <th>Critical</th> <th>High</th> <th>Medium</th> <th>Low</th> <th>Advisory</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td></td> <td>0</td> <td>1</td> <td>2</td> <td></td> <td>3</td> </tr> </tbody> </table> <p>BASIS OF AUDIT OPINION</p> <p>This is based on the scoring mechanism outlined in Section 5 & 6 of this report.</p>	AUDIT FINDINGS						Critical	High	Medium	Low	Advisory	Total		0	1	2		3
AUDIT FINDINGS																			
Critical	High	Medium	Low	Advisory	Total														
	0	1	2		3														

AUDIT OPINION AND SUMMARY CONCLUSION

We provide a **Reasonable Assurance opinion** over the adequacy of controls in place for processing Freedom of Information and Subject Access Requests. We have concluded that there are appropriate systems, policies, and procedures for the handling of requests for information, and these are published and available to view on staff intranet or GMCA/GMFRS webpages. There are a range of training packages available to staff of Freedom of Information Requests, Information Governance and GDPR and the iCasework system is used to acknowledge, approve, and respond to requests. Metrics relating to information are reported to SLT on a quarterly basis and to the Information Governance board on a monthly basis.

GMCA receive around 30 FOI and EIR requests per month. There is a corporate KPI to respond to 95% of requests within 20 working days. As of Q3 2023/24, 90% of requests were responded to within this timeframe. The ICO regards a response rate of 90-95% of requests as being 'Adequate', with a rate above 95% regarded as 'Good'. As of February 2024, there are 4 overdue cases per the dashboard on iCasework relating to Information Rights requests and 58 open cases in progress.

We identified three areas of improvement relating to improving engagement and communication between service areas and the Information Governance team, timeliness of final responses to FOI and EIR and SAR requests within the statutory timeframe and use of reporting functionalities on the iCasework system. The Information Governance Team are currently in the process of further developing arrangements around information rights requests through the introduction of a new business partnering model and refreshed Freedom of Information policies, which are being presented to the Information Governance board for approval in February 2024.

AREAS OF GOOD PRACTICE

- There are appropriate systems, policies, and procedures in place for the handling of freedom of information, environmental information and individual rights requests and there is a central log of all requests received.
- There is mandatory training for all staff on Information Governance and there is a learning package available for staff to access on Freedom of Information, though this is not mandatory.
- A cross-functional FOI, EIR and Transparency User Group is in place and meets quarterly to discuss relevant topics, increase knowledge, and share best practice.
- Appropriate identity checks are performed prior to the commencement of Subject Access Requests.
- Testing of a sample of 25 FOI and EIR requests, found all requests were responded to within 20 working days, exemptions had been applied appropriately and checks were undertaken by a separate officer before a response was issued for each request.

- Testing of a sample of 10 Subject Access Requests found that 9 requests had been responded to within the required timeframe, with one response being issued late by one day. Where required, extensions were issued in line with the provisions in section 12 of GDPR guidance in the Data Protection Act 2018. For 9 of the 10 cases, it was confirmed they had been checked by a separate officer before being issued.
- Statistics on FOI requests are reported on a quarterly basis via reporting to as part of the GMCA Directorate Performance and Corporate Health Metrics and performance relating to FOI requests and SARs are reported to Information Governance Board on a regular basis.

AREAS FOR IMPROVEMENT

The main areas for improvement related to the following:

- From testing and discussions with staff, it was identified that there is an expectation gap between service areas and the Information Governance team regarding roles and responsibilities in responding to Freedom of Information, Environmental Information and Subject Access Requests, as there is an expectation that the Information Governance team has responsibility and ownership for the content of requests, which is not the case. Introduction of the business partnering model and closer communication should assist in clarifying expectations and enable more proactive discussions of ongoing requests to minimise delays **(Finding 1)**.
- From our sample of 25 FOI requests, we found that in 5 instances, service areas did not provide all information required within the timeframe suggested by the Information Governance team, although the overall timeframe to respond was by GMCA was ultimately met in all these cases.
- We found that in the most recent quarterly statistics presented to SLT for Q3 of 2023/24, 90% of requests had been completed within 20 working days per Section 10 the Freedom of Information Act 2000 against a corporate KPI target of 95%. The most recent figures reported to the Information Governance Board in January 2024 showed 92% achievement against this target. **(Finding 2)**
- We noted one instance where a response had been issued in relation to a Subject Access Request without a check by another officer recorded on iCasework, however the underlying documentation did refer to this taking place.
- The monitoring and reporting process within the information governance team is currently maintained manually- there is a spreadsheet used to track progress on cases and produce statistics for reports. The iCasework system has functionality to enable reporting of this area but this is not currently utilised. Use of this functionality may streamline the monitoring and reporting process. **(Finding 3)**.

2. SUMMARY OF AGREED ACTIONS

Finding	Risk Rating	Action	Target Date
1 Communication, Engagement and Ownership	MEDIUM	<ul style="list-style-type: none"> Consider arrangements to improve communication and engagement between the information governance team and service area to ensure expectations are clearly understood by service areas and ownership is taken over requests for information. Through introduction of the business partnering model, further develop communication between service areas and the information governance team. Explore mechanisms through which overdue requests can be escalated to prevent responses exceeding statutory timeframes. 	September 2024
2 FOI Responses within the statutory timeframe	LOW	<ul style="list-style-type: none"> Improve response times to FOI requests to meet the corporate KPI of 95% where possible. 	September 2024
3 Use of reporting functionality on iCasework	LOW	<ul style="list-style-type: none"> Explore the use of iCasework to automate and streamline the reporting process around Freedom of Information and Individual Rights Requests. 	June 2024

AUDIT SPONSOR COMMENTS

This audit has been undertaken in conformance with Public Sector Internal Audit Standards

GMCA Audit Committee

Date: 13 March 2024

Subject: Audit Action Follow up

Report of: Sarah Horseman, Deputy Director Audit and Assurance, GMCA

PURPOSE OF REPORT

This report advises Audit Committee of the progress made in implementing the agreed actions from internal audit assignments.

RECOMMENDATIONS:

Members are asked to review the progress of the implementation of Internal Audit actions.

CONTACT OFFICERS:

Sarah Horseman, Deputy Director Audit and Assurance - GMCA,
sarah.horseman@greatermanchester-ca.gov.uk

Equalities Impact, Carbon, and Sustainability Assessment:

N/A

Risk Management

N/A

Legal Considerations

N/A

Financial Consequences - Capital

N/A

Financial Consequences - Revenue

N/A

Number of attachments included in the report:

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 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

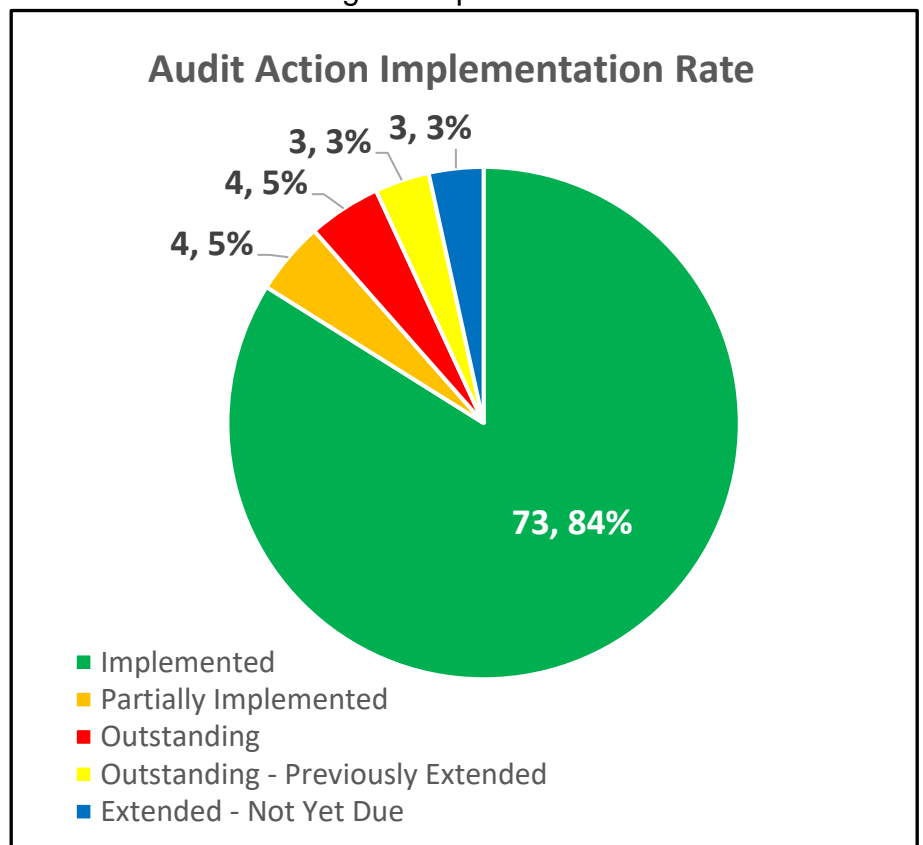
- 1.1 The GMCA Internal Audit Plan comprises a range of audits agreed by Senior Leadership Team and Audit Committee. Each audit assignment concludes with the issue of an audit report and agreed actions for implementation. Each action has a named responsible officer and an agreed target implementation date.
- 1.2 Internal Audit has responsibility for the follow up of all audit actions and reporting to Audit Committee on progress made.
- 1.3 This report provides an overview on the status of outstanding of Internal Audit actions.

2 Agreed Process

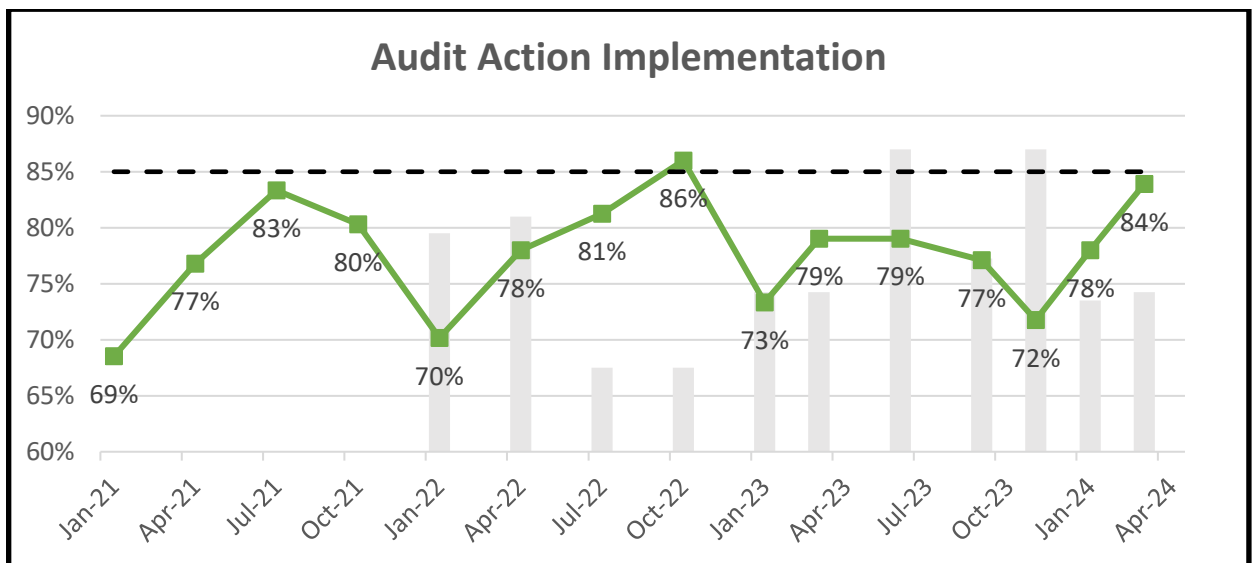
- 2.1 It is the responsibility of management to implement audit actions on time and provide updates for the tracker. To aid facilitation of this, Internal Audit maintains the action tracker to capture updates on progress of outstanding actions.
- 2.2 GMCA Senior Leadership Team retains responsibility for overseeing the timely implementation of all audit actions and assessing the impact on risk.

3 Current Status

- 3.1 As of March 2024, **84%** of Internal Audit actions due in the last 2 years have been implemented, against the target rate of 85%.

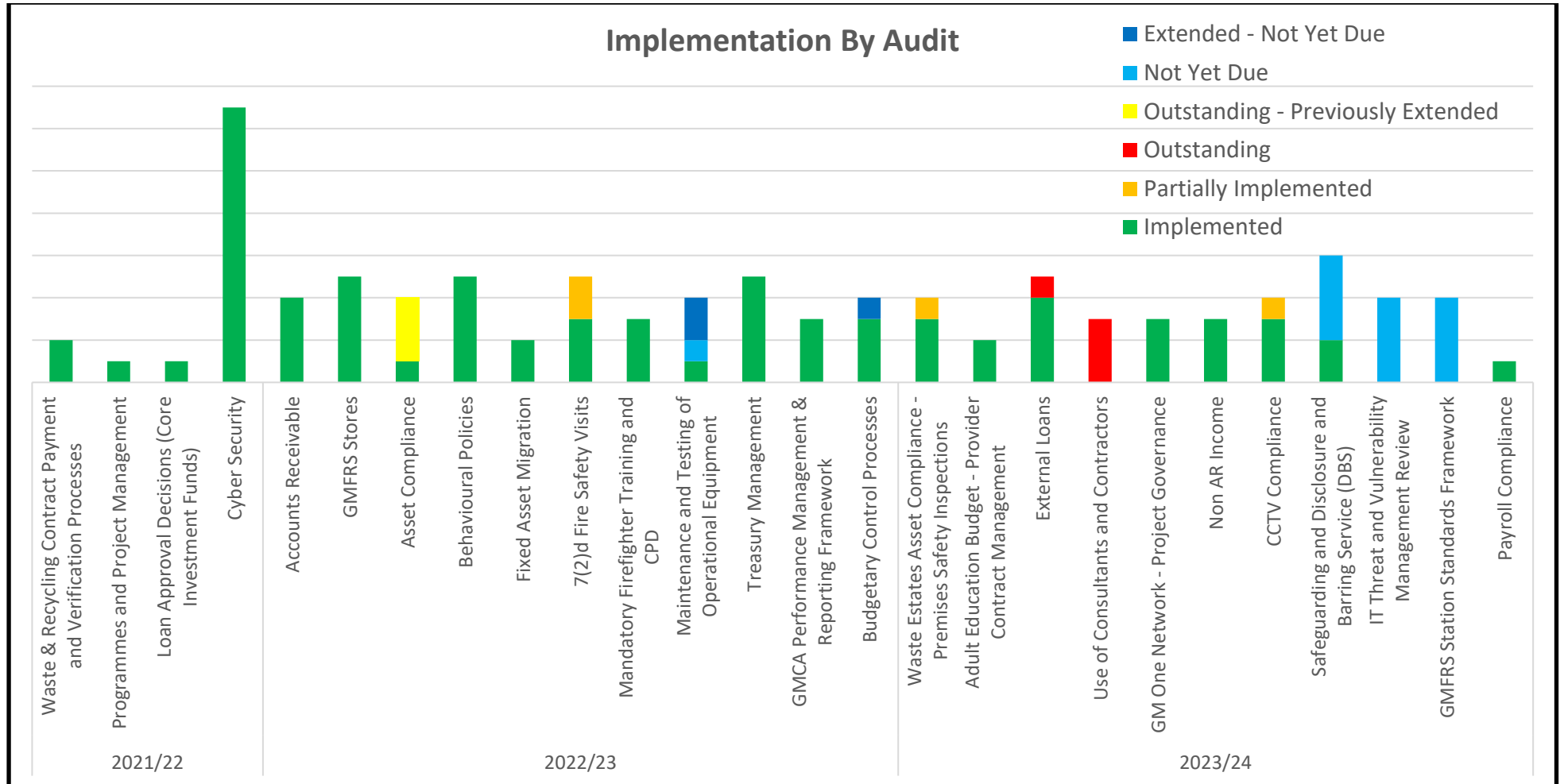


- 3.2 The chart below shows that implementation rates have increased on those previously reported in January 2024.
- 3.3 The bars in the chart represent the number of actions actively tracked in the period (previously reported as outstanding or partially implemented or those falling due within the current period). This has increased slightly since January reflecting the number of actions where target dates have become due in the current period.



4 Analysis of Audit Actions – by Audit

4.1 The chart below shows the status of implementation of audit actions by audit.



- 4.2 The overall position for implementation of audit actions remains positive. Since our last report, eight outstanding actions are now considered fully implemented. Two new actions have become due relating to Audit reports previously shared with Audit Committee. Six actions where an extended timescale for implementation was agreed are now overdue.
- 4.3 Two actions remain overdue from the 7(2)d audit; however, progress has been made in period and management are confident that these will be completed by the end of March 2024.
- 4.4 There are several actions which remain outstanding despite extended timescales previously being agreed. Estates Asset Compliance, the completion of these actions relates to the ongoing service development work within the Estates Team and further extensions are being sought to align with this work.
- 4.5 Members previously asked about the progress being made to implement revised procedures relating to the use of consultants. This has not yet been actioned due to capacity issues within the Commercial team and revised timescales will be agreed.
- 4.6 Details of all overdue actions and management updates on progress have been included at **Appendix A** to allow Members opportunity to consider and comment on these.

5 Analysis of Audit Actions – by Risk Rating

5.1 The table below shows the status of audit actions by the risk rating of the associated audit finding.

Action Status	Total	Critical	High	Medium	Low
Implemented	73	1	12	38	22
Partially Implemented	4	0	1	2	1
Outstanding	4	0	1	3	0
Not Yet Due	13	0	4	8	1
Extended - Not Yet Due	3	0	2	1	0
Outstanding - Previously Extended	3	0	1	0	2
Total	100	1	21	52	26

5.2 The total number of actions being tracked this quarter is 100. Three completed actions over two years old have been removed from the tracker in the current period.

5.3 Any actions that are over two years old but have not been fully implemented will remain on the tracker until these have been completed and reported as implemented for at least one period.

Status of Overdue Actions at 29 February 2024

The list is sorted and colour coded by the “age” of each audit action.

Current Target Date	Audit Title	Overall Audit Opinion	Action (Summary)	Risk Rating	Internal Audit Implementation Status	Audit Committee Update
Jan 2023	7(2)d Fire Safety Visits	Reasonable	Implement QA process for 7(2)d visits	Medium	Partially Implemented	Different approaches to assurance are still being trialled. The initial assurance process to be undertaken by Station Managers has been refined following feedback and a reporting mechanism been developed within the AMS system to allow for identification of common issues. A thematic review to assure consistency of information between Site Specific Risk Information and Initial Considerations Forms has been undertaken across a sample of records. This has resulted in the development of a ‘peer assurance’ process which is planned to be undertaken across all records. The outcome of both of these reviews and feedback from the most recent HMICFRS inspection will inform the final Assurance Strategy which will be published in April 24.
Jan 2023	7(2)d Fire Safety Visits	Reasonable	Develop guidance to support consistent management of performance	Low	Partially Implemented	Risk Footprint Guidance has now been drafted and is currently being reviewed with the expectation that it will be published on the CDC by the end of March.

Current Target Date	Audit Title	Overall Audit Opinion	Action (Summary)	Risk Rating	Internal Audit Implementation Status	Audit Committee Update
Sep 2023	Waste Estates Asset Compliance - Premises Safety Inspections	Limited	Compliance Monitoring and Reporting (Cat A sites)	Medium	Partially Implemented	An initial review has been completed to identify all work recently undertaken by Suez. An exercise is now being undertaken to identify all work required on each site and the current status of each (requiring individual site visits). Work is also being taken forward with Suez to ensure that going forward completion of these actions is reported in a consistent manner so that spot checks can be carried out centrally.
Oct 2023	Use of Consultants and Contractors	Limited	Develop procedure for appointing consultants	High	Outstanding	Work is being undertaken to agree formal definitions of how we define a contractor and processes are being put in place to make it easier to identify a contractor at the point they are engaged and ensure all appropriate information is recorded. This is not yet finalised but is going through early review processes.
Nov 2023	Use of Consultants and Contractors	Limited	Ensure contract agreements & documentation is in place and reviewed.	Medium	Outstanding	
Dec 2023	Use of Consultants and Contractors	Limited	Improve oversight and reporting on use of contractors.	Medium	Outstanding	
						PROPOSAL TO EXTEND - TBA

Current Target Date	Audit Title	Overall Audit Opinion	Action (Summary)	Risk Rating	Internal Audit Implementation Status	Audit Committee Update
Jan 2024	Asset Compliance	Limited	Reprocure statutory compliance contracts	High	Outstanding - Previously Extended	<p>An initial evaluation of contractor performance has been conducted, leading to the removal of several contractors from the department's supply chain. Those contractors who have continued their service contracts have been evaluated for Value for Money and performance levels. A new procedure for the payment and approval of completed tasks has been implemented, supported by the verification of documents and inspection of works. Due to the lack of Computer Aided Facilities Management systems and a reliable asset database, the department faces challenges in confirming the suitability of the service contracts. To overcome this, an asset mapping initiative has been launched to accurately assess the department's asset inventory.</p> <p>A review of the department's operating model is to be completed in April 2024. Once a decision has been made on how the department will deliver its required services going forwards, service contracts will be reprocured in line with the revised strategy.</p>

Current Target Date	Audit Title	Overall Audit Opinion	Action (Summary)	Risk Rating	Internal Audit Implementation Status	Audit Committee Update
						PROPOSAL TO EXTEND TO SEPTEMBER 2024
Jan 2024	Asset Compliance	Limited	System to record fire alarm (and other onsite) tests	Low	Outstanding - Previously Extended	<p>No Active Monitoring system is currently in place for Fire Alarm Testing or any other specific testing that is currently undertaken on sites. A paper system is in place across all sites as a short-term solution until a Monitoring Service can be put in place.</p> <p>Paper System will continue to be the method for recording tests, Active Monitoring Service quotes to be requested to provide this service. Active Monitoring system in place by September 24.</p> <p>PROPOSAL TO EXTEND TO SEPTEMBER 2024</p>
Jan 2024	Asset Compliance	Limited	Procedure notes to be developed that explain use of BWO estates	Low	Outstanding - Previously Extended	<p>The recording of Premise Safety Inspections will be completed within the Statutory Compliance monitoring, providing documented processes and procedures.</p> <p>As part of the Compliance Review. End of August 24</p>

Current Target Date	Audit Title	Overall Audit Opinion	Action (Summary)	Risk Rating	Internal Audit Implementation Status	Audit Committee Update
						PROPOSAL TO EXTEND TO AUGUST 2024
Jan 2024	External Loans	N/A	Creation of a GMCA register of significant partnerships to which details of External Loan Partnerships would be added.	Medium	Outstanding	Work is ongoing to pull together a corporate register of significant partnerships. Once this is launched the External Loan partnerships will be added.
Jan 2024	CCTV Compliance	Limited	Publish up to date CCTV Policy	High	Partially Implemented	<p>The CCTV Policy has been updated to cover the requirements of all current statutory legislation, including the Freedom of Information Act 2000, the Environmental Information Regulations 2004, and the Data Protection Act 2018 (Inc. UK GDPR). This includes appropriate reference to roles and responsibilities for the operation and maintenance of CCTV systems and guidance around storage, sharing and retention of data.</p> <p>SUBJECT TO APPROVAL - The policy was passed at the latest functional board meeting and is now due to be discussed at Improvement board prior to being adopted.</p>

GMCA Audit Committee

Date: 13 March 2024

Subject: Internal Audit Plan 2024/25

Report of: Sarah Horseman, Deputy Director, Audit and Assurance

PURPOSE OF REPORT

The purpose of this report is to share with Members of the Audit Committee the proposed Internal Audit plan for 2024/25.

RECOMMENDATIONS:

Members are requested to approve the Internal Audit Plan.

CONTACT OFFICERS:

Sarah Horseman, Deputy Director, Audit and Assurance - GMCA,
sarah.horseman@greatermanchester-ca.gov.uk

Equalities Impact, Carbon and Sustainability Assessment:

N/A

Risk Management

N/A

Legal Considerations

N/A

Financial Consequences - Capital

N/A

Financial Consequences - Revenue

N/A

Number of attachments included in the report:

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. This document sets out the proposed internal audit plan for GMCA for 2024/25. The planning process is based on Internal Audit's understanding of GMCA's current strategic and operational risks and as such is designed to provide assurance over key risk areas.

2. Planning principles

2.1. The Audit plan has been developed using the following principles.

The Internal Audit Plan will be:

- **Aligned** to business objectives and priorities;
- **Risk-based**, with all audit activity mapped to the Corporate Risk Register;
- sufficient to **support the annual Head of Internal Audit Opinion** on the effectiveness of the arrangements in place for governance, risk management and internal control;
- **proportionate** to the risk, value and complexity;
- designed to **consider outputs of previous activity**, to avoid duplication with other assurance work;
- undertaken by **people** with the relevant skills, experience and expertise;
- appropriately **independent** and **objective**;
- guided by established **best practice and Internal Audit Standards**; and
- **planned early and reviewed regularly** to ensure the plan is agile and responsive to the changing risk environment.

2.2. Internal Audit services will be provided in line with the Internal Audit Charter.

3. Approach

3.1. To arrive at the plan, we have undertaken the following activities

- Identification of the **audit "universe"** and **risk assessment**. This is a view of the organisation and is used to help prioritise audit and assurance work. The universe and results of the risk assessment is shown in **Appendix 1**;
- Consideration of the **priorities for the forthcoming period**, that have been identified and articulated in the GMCA Business Plan;

- Consideration of **the Corporate Risk Register** and associated risk mitigation actions and activities. See Appendix 2;
- **Engagement sessions** with the Senior Leadership Team and Chief Executive's Management Team
- Intelligence gathered through our **previous work** across GMCA and GMFRS; and
- Alignment to available Internal Audit **resources**.

4. Components of the Internal Audit Plan

4.1. We have identified several categories of internal audit work that together form the Internal Audit Plan. These are:

Core controls	These audits are over systems and processes of governance, risk management and internal control. These are determined using our risk assessment and tend to be undertaken on a cyclical basis with the frequency determined by the level of risk associated with the activity. These audits are critical to inform the Head of Internal Audit annual opinion.
GMFRS audits	These are audits specific to GMFRS as an entity within GMCA. Audits in this element of the plan will cover governance, risk management and control arrangements within GMFRS.
Follow up audits	Where we have issued limited assurance opinions in the last 1-2 years, we will undertake follow up audits to ensure that processes and controls have improved and actions/controls implemented as a result of the original audit remain in place and are effective.
Corporate Risk Register driven audits	These audits are designed to assess the effectiveness of mitigating actions in place against key risks within the Corporate

	Risk Register. Programming of these will be kept under review and refreshed at least twice a year as it needs to reflect the current environment and risks that GMCA faces.
Grant certifications	For many grants received, Internal Audit are required to certify that expenditure has been spent in line with grant conditions so a section of our plan will be required to undertake certification work.
Audit Action Tracking	Internal Audit will track and report on progress with the implementation of audit actions.
Whistleblowing and Fraud	Internal Audit are responsible for the policies and frameworks supporting Whistleblowing and counter fraud activities. We must also respond to any whistleblowing or fraud reports. The response element is an unpredictable element of the plan that may require reallocation of resources. Audit Committee will be kept informed of any changes to the plan as a result of requirements to respond to reports and undertake investigations.

4.2. In addition, for 2024/25 there are some additional areas which will require focus, these are:

GMCA Next Phase Programme	There is a programme underway within GMCA to evolve the organisation in readiness (but not limited to) the Trailblazer Devolution Deal and specifically the Single Settlement. Within the Programme there is an Assurance workstream, led by Deputy Director, Audit and Assurance. The programme will require support and resource from the Internal Audit team to advise on the assurance framework and to ensure that the audit and assurance service is fit for the future. The output of this will include an assurance mapping framework.
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New Internal Audit Standards	The Global Institute of Internal Auditors have issued revised internal audit standards which need to be implemented in January 2025. We are awaiting CIPFA's Public Sector Internal Audit Standards (PSIAS) and application guidance which are expected in the Summer of 2024. Our Internal Audit methodology will need reviewing and updating in light of the new standards to ensure we are operating in line with our professional standards.
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5. 2023-24 Internal Audit Plan

- 5.1. The proposed Internal Audit Plan for 2024/25 is detailed below. The plan will be kept under review and significant changes will be reported to the Audit Committee for their approval.
- 5.2. The plan is based on the assumption that the resource levels in Internal Audit are as per establishment of 2.8FTE. There is currently a 1.0 FTE vacancy in the team, an offer has been made to a candidate but if that is not accepted there will be a continuing vacancy that will affect the ability to deliver the plan whilst recruitment takes place.

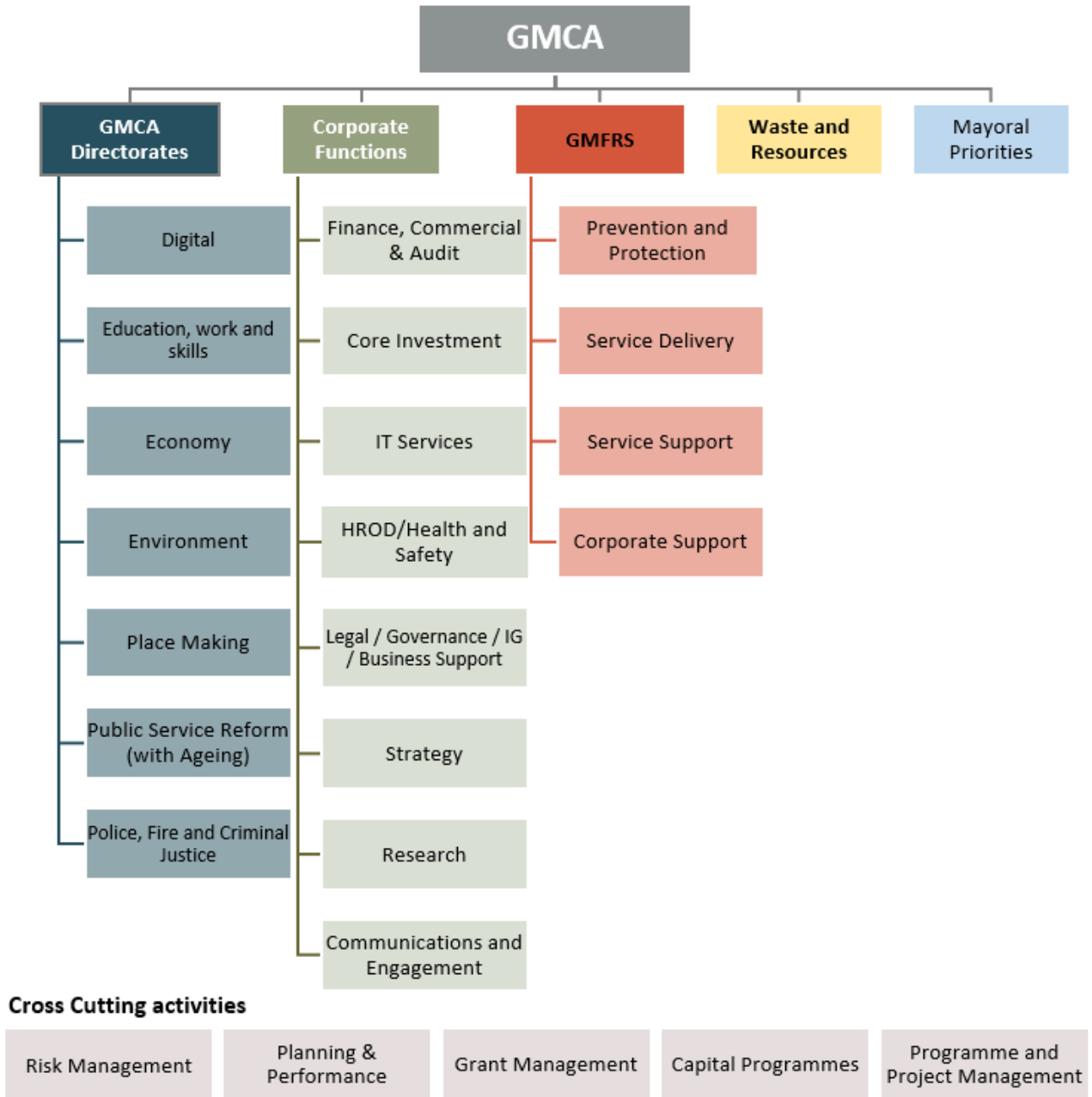
Activity	Description
Core Controls Audits	
Core Financial Systems	Cyclical audits of core financial systems. Scope to be determined in year.
Compliance	A series of compliance audits on core processes to assess compliance with GMCA standing orders, financial regulations, and contract procedure rules. Proposed for 2024/25 to include: <ul style="list-style-type: none"> • Leavers processes • Expenses • Purchase cards • Subsidy Control Act
ICT Systems (External)	IT Asset Management – An audit of the processes in place around the management of assets (issue, tracking, return, disposal)
ICT Supplier Management (External)	Third Party Supplier Assurance - Supplier Management and Assurance – To provide assurance on the effectiveness of the control framework exercised by management in relation to the supplier due diligence and management
Programme Management	Supporting Families Programme (SFP): annual audit against the Programme as part of the handover process of the Families Team to DfE.
HR Systems	Grey Book Recruitment (Promotions Pathway) – an audit of the Promotions Pathway and recruitment to Crew, Watch,

	Group Manager roles - Links to the recruitment & selection audit from 2023/24.
GMFRS – Prevention, Detection and Service Delivery	
Governance	GMFRS Governance Framework - an audit of the governance and decision-making processes.
Programme Monitoring and Evaluation	GMFRS PMO Function : an audit of the programme and project management arrangements.
Partnerships	North West Fire Control (NWFC) – scope to be determined
Front Line Service Delivery	NFCC Fire Standards : Maturity and compliance assessment
People Services	Equality Impact Assessments
Follow Up Audits	
Project Governance	GM One Network – Review of ‘delivery’ phase and key project risks.
Cyber Security (External)	ICT Threat & Vulnerability Review – provide independent assurance over the implemented actions and risk exposure
Land & Property	Estates Asset Compliance – Building maintenance and compliance with statutory regulations.
Corporate Risk Register driven audits	
Disaster Recovery	Business Continuity Planning - An audit of the revised BCP arrangements implemented across GMCA, with a focus on disruption to ICT and Digital services.
Procurement	Public Procurement Act 2023 – readiness assessment over implementation of key changes due to come into force in October 2024.
Information Governance	Critical Data Assets – An audit of processes and controls in place over our critical data assets to ensure that sensitive and personal data is appropriately protected from data breach/loss.
Grant Certifications	
Grants	Grant Certification - Ongoing certification of grants as required by grant conditions.

Whistleblowing and Counter Fraud	
Governance	Fraud Prosecution Policy review and response to reports of fraud
Whistleblowing	Review and maintenance of Whistleblowing Policy and response to whistleblowing reports.
Other Focus Areas	
GMCA Next Phase Programme	Leading the Assurance Workstream and input into other programme workstreams as GMCA sets out its future ways of working in readiness for the new trailblazer devolution deal from April 2025.
New Internal Audit Standards	Implementation of the 2024 IIA standards to ensure PSIAS compliance

Appendix 1 - Audit Universe and Risk Assessment results

For planning purposes, the Audit Universe has been defined as follows



Risk Assessment Results

The Internal Audit risk assessment has been reviewed for 24/25 taking into consideration any changes in activities undertaken and risks as well as any assurance over the control environment obtained from the results of our recent internal audit work.

This informs the frequency of audit activity around core controls. The table has been ordered in descending order of risk and shows the frequency audits should be undertaken for each Directorate/activity.

Directorate / Activity	Audit frequency	2024/25	2025/26	2026/27
Digital: ICT Services*	Annual	✓	✓	✓
GMFRS	Annual	✓	✓	✓
Corp Services: Finance	Annual	✓	✓	✓
Corp Services: Information Governance	Annual	✓	✓	✓
Corp Services: HROD / H&S	Annual	✓	✓	✓
Corp Services: Legal/Governance	Annual	✓	✓	✓
Police, Crime, Fire & Criminal Justice**	Every 2 years		✓	
Cross cutting: Capital Programmes	Every 2 years	✓		✓
EWS: Education	Every 2 years	✓		✓
Waste and Resources	Every 2 years		✓	
Cross cutting: Grant management and reporting	Every 2 years		✓	
Environment	Every 2 years		✓	
Corp Services: Core Investment	Every 2 years	✓		
Place	Every 2 years	✓		
Cross cutting: Programmes and Project Management	Every 3 years	✓		
Cross Cutting: Risk Management	Every 3 years	✓		
Corp Services: Commercial	Every 3 years	✓		
Digital: GM Digital	Every 3 years		✓	
Cross cutting: Planning and Performance	Every 3 years		✓	
Economy	Every 3 years		✓	
EWS: Work & Skills	Every 3 years			✓
Public Service Reform	Every 3 years			✓
Mayoral Priorities	Every 3 years			✓
Corp Services: Communications and Engagement	Every 5 years			
Corp Services: Research	Every 5 years			
Corp Services: Strategy	Every 5 years			
Corp Services: Audit	Every 5 years			✓

* IT Audits are undertaken by our outsourced IT Audit provider

**Audits specific to Police and Crime are undertaken by the GMP audit team

Appendix 2: Mapping of Audit Plan to Corporate Risk Register

The following table maps the internal audit plan to the Strategic and Organisational risks.

Strategic Risks

Risk		Audit
SR1	Changes in central government affects the devolution agenda.	GMCA Next Phase programme workstreams
SR2	GMCA fails to further develop trust, cohesion and credibility with and between local GM systems and partners due to ineffective stakeholder engagement, poor GMCA performance or ineffective decision making.	Core financials controls audits 23/24, 24/25
SR3	Economic factors such as energy prices, inflation, interest rates and supply chain issues impact the Combined Authority's ability to deliver planned services and programmes for the public.	GM One Network, Supporting Families
SR5	Factors such including inflation, energy costs, covid legacy and uncertainty around government funding have a major impact on districts ability to deliver public services.	
SR6	Economic, social, behavioural and financial impacts such as COVID and the cost of living affect the timescales of delivery of GMS outcomes.	GMCA Next Phase programme workstreams
SR7	Significant financial risk to transport (bus and Metrolink) resulting from reduced patronage levels (caused by behaviour changes as a legacy of the pandemic), increases in operating costs and uncertainty over longer term government funding support.	TfGM Integrated Assurance Plan

SR8	GMCA is unable to deliver its responsibilities in relation to climate change initiatives due to insufficient funding, capacity, support and behaviour change as well as supply chain issues. This results in long term climate change risks to population, business, biodiversity and infrastructure.	Net Zero 23/24, GMCA Next Phase workstreams
SR9	Insufficient and/ or ineffective governance and scrutiny over Greater Manchester Police fails to identify and address areas of underperformance in the service provided to victims of crime, residents and communities.	Assurance obtained via Joint Audit Panel (Police and Crime)

GMCA Organisational Risks

Ref	Risk Title	Audit
OR1	Readiness to respond to multiple simultaneous continuity event(s).	Business Continuity Planning 24/25
OR2	Failure to be prepared for Devolution Programme	GMCA Next Phase Programme 24/25
OR3	Diverse and inclusive workforce	Equality Impact Assessments 24/25 Recruitment and attraction 23/24
OR4	Staff Mental and Physical Wellbeing	EAP Effectiveness 23/24
OR5	Behaviours and Culture	
OR7	Organisational Governance and Decision Making	GMFRS Governance 24/25
OR9	Funding and Grants not spent within time/ conditions	Grant Certifications 24/25, 23/24 GMCA Next Phase Programme 24/25 GMFRS PMO Function 24/25
OR10	Compliance with DP 2024 legislation	Critical Data Assets 24/25 Freedom of Information / SARs 23/24
OR11	Recruitment into priority roles	Recruitment and attraction 23/24
OR12	Management and security of sensitive data	Compliance with Leavers Process 24/25 Third Party supplier assurance 24/25 Critical Data Assets 24/25
OR14	Cyber attack	Threat and Vulnerability Management 23/24 and follow up 24/25

GMCA Audit Committee

Date: 13 March 2024

Subject: Internal Audit Charter 2024-25

Report of: Sarah Horseman, Deputy Director, Audit and Assurance, GMCA

PURPOSE OF REPORT:

The Internal Audit charter establishes the framework within which the Internal Audit Service operates to best serve the independent assurance requirements of the GMCA Audit Committee and also to meet its professional obligations under applicable professional standards.

In line with the Public Sector Internal Audit Standards, the charter is a mandatory document that must be in place and reviewed on a regular basis. It is proposed that this review is undertaken by the Deputy Director, Audit and Assurance and the charter presented to the Audit Committee annually for approval.

There have been no changes to the Internal Audit Charter since the Committee last approved it in March 2023.

New Internal Audit Standards are due to come into effect in January 2025, which are likely to require and update to the Charter. We are awaiting guidance from CIPFA in relation to Public Sector Internal Audit Standards and will make any necessary changes during 2024/25 as required and bring back to Audit Committee for review/approval ahead of the implementation date.

RECOMMENDATIONS:

The Audit Committee is requested to approve the Internal Audit Charter.

CONTACT OFFICERS:

Sarah Horseman, Deputy Director, Audit and Assurance - GMCA,
sarah.horseman@greatermanchester-ca.gov.uk

Equalities Impact, Carbon and Sustainability Assessment:

N/A

Risk Management

See Section

Legal Considerations

N/A

Financial Consequences - Capital

N/A

Financial Consequences - Revenue

N/A

Number of attachments included in the report:

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	

Greater Manchester Combined Authority (GMCA) Internal Audit Charter

1 Introduction

- 1.1 This charter establishes the framework within which the Internal Audit Service operates to best serve the independent assurance requirements of the GMCA Audit Committee and also to meet its professional obligations under applicable professional standards.
- 1.2 The charter defines the mission, purpose, authority and principle responsibilities of the Internal Audit Service. It establishes the Internal Audit Service's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of audit engagements; and defines the scope of internal audit activities.
- 1.3 The charter will be subject to periodic review by the Deputy Director, Audit and Assurance and presented to senior management and the Audit Committee for approval.

2 Mission Statement

- 2.1 Internal Audit aims to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

3 Purpose

- 3.1 The Internal Audit Service provides 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). It objectively evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

4 Definitions

Internal Auditing: “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” – Public Sector Internal Audit Standards 2017.

Board: Greater Manchester Combined Authority

Senior Management: Members of the Chief Executive’s Management Team (CEMT)

Chief Audit Executive: Deputy Director, Audit and Assurance

Responsible Financial Officer: GMCA Treasurer

5 Statutory Requirements

- 5.1 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which state “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 5.2 This statutory role is recognised and endorsed in GMCA’s Constitution and Financial Regulations.

6 Professional Standards

- 6.1 The Internal Audit Service adheres to the Public Sector Internal Audit Standards (PSIAS), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is the relevant standard setter for internal audit in local government in the United Kingdom.
- 6.2 The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:
- Definition of Internal Auditing
 - Code of Ethics, and
 - International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).
- 6.3 PSIAS also requires that Internal Auditors who work in the public sector must have regard to the Committee on Standards of Public Life Seven Principles of Public Life.

7 Reporting Lines

- 7.1 The Internal Audit Service sits within the Finance Audit and Commercial Directorate. The Chief Audit Executive (“CAE”) reports to the GMCA Treasurer on all corporate governance, performance matters and on all matters affecting the day-to-day administration and operation of the service.
- 7.2 The CAE also reports to the Treasurer as GMCA’s ‘Responsible Financial Officer’ on all matters of internal financial control, fraud and irregularity and protection of assets. In recognition of the statutory duties of the ‘Responsible Financial Officer’ and the views of CIPFA on that person’s relationship with internal audit, a formal protocol has been adopted to form the basis for a sound and effective working relationship. The protocol is attached to this Charter at Appendix 1.

8 Access and Authority

- 8.1 The CAE, or their representative, has authority to enter all of GMCA's property at any time and have access to all documents and other records that appear necessary for the purpose of an audit. Such access shall be granted on demand and need not be subject to prior notice. The CAE is entitled to such information and explanations as appear necessary. The CAE can require any employee to produce any GMCA property under his or her control. This will include access to records relating to services provided by or on behalf of other organisations and management should consult with the CAE when contracts are drafted to ensure rights of access are included.
- 8.2 The CAE has free and confidential access to the Chair of the Audit Committee and reports to Audit Committee meetings as set out in the Committee's terms of reference.
- 8.3 The CAE shall have right of access to the Chief Executive Officer.
- 8.4 Internal Auditors respect the value and ownership of information they receive and the reports they produce, and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. They are prudent in the use and protection of information acquired in the course of their duties and shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to GMCA's legitimate and ethical objectives.

9 Independence and Objectivity

- 9.1 The PSIAS define independence as "freedom from conditions that threaten the ability of the Internal Audit Service to carry out its responsibilities in an unbiased manner". To assist Internal Audit to carry out the role and constructively challenge senior managers of GMCA, the CAE holds a sufficiently senior position.

- 9.2 The Internal Audit Service remains independent of other functions of GMCA, and with the exception of its support to management in relation to counter fraud and risk management work, no member of the Internal Audit Service has any executive or operational responsibilities.
- 9.3 Auditors are expected to deploy impartial and objective professional judgement in all their work, whether on audit work or investigations.
- 9.4 The Internal Audit Service's work programme and priorities are determined in consultation with senior management and the Board but remain a decision for the CAE. The CAE has direct access to and freedom to report in their own name and without fear or favour.
- 9.5 The independence of the CAE is further safeguarded by ensuring that their remuneration and performance assessment are not inappropriately influenced by those subject to audit.
- 9.6 All auditors make an annual declaration of their interests and update this during the year as necessary, and where any auditor has a real or perceived conflict of interest this is managed to maintain the operational independence of the service as a whole. If independence or objectivity are impaired in fact or appearance, then the nature of the impairment is disclosed as appropriate.
- 9.7 Internal Audit team members who have transferred into the department will not be asked to review any aspects of their previous work within 12 months of them having left that area.
- 9.8 At an engagement level, auditor independence and objectivity will be confirmed and documented at the planning stage. Wherever feasible within a small team, rotation of auditors will take place to ensure that objectivity can be maintained.
- 9.9 The CAE makes an annual declaration that the internal audit function is operationally independent.

10 Internal Audit Responsibilities

10.1 The scope for internal audit is “the control environment comprising risk management, control and governance”. The scope of internal audit therefore includes all of GMCA and GMFRS operations, resources, services and responsibilities in relation to other bodies. This description shows the very wide potential scope of internal audit work. In order to prioritise the allocation of internal audit coverage a risk-based approach is used.

10.2 Internal Audit responsibilities include the following:

- Examining and evaluating the adequacy of GMCA's system of internal control;
- Reviewing the procedures in place for ensuring that projects are properly managed and that decision making processes are robust;
- Reviewing the integrity and reliability of financial and operating information and the means to identify, measure, classify and report such information;
- Reviewing the systems established by management to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations and reports and determining whether GMCA is compliant;
- Reviewing the extent to which GMCA's assets and interests are accounted for and safeguarded against loss of all kinds arising from fraud and other offences. Where appropriate verifying the existence of assets;
- Appraising the economy, efficiency and effectiveness with which resources are employed;
- Reviewing operations, projects or programmes to ascertain whether results are consistent with established objectives and whether the operations, projects or programmes are being carried out as planned;
- Reviewing the extent to which risks to GMCA's key objectives and fraud and corruption risks are assessed and appropriately mitigated and managed; and
- Providing assurance to other parties in relation to grant funding certifications.

10.3 Directors are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Directorate, and for responding to Internal Audit requests and reports within agreed timescales.

11 Consultancy Services

11.1 The Internal Audit Service provide independent and objective advice to help management improve their risk management, governance and internal control arrangements. This is primarily achieved by the planned programme of assurance assignments. Consultancy work driven by risk-based planning may typically be on those areas of the organisation's business where risk and control are not in existence or not well established. This could also relate to new systems or areas undergoing significant change where there is no system of risk management or control framework to assure. Consultancy work adds to Internal Audit's knowledge base and can contribute to the overall Internal Audit opinion and/or assurance rating.

11.2 In relation to consultancy services, the CAE must:

- consider the effect on the opinion work before accepting consultancy services over and above any already agreed as part of the Internal Audit plan. Approval will be sought from the Audit Committee for any significant additional consultancy services not already included in the Internal Audit Plan if it is deemed that taking on the work could impact the delivery of the agreed Internal Audit Plan or annual opinion.
- decline the consulting engagement or obtain competent advice and assistance if the Internal Auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.
- consider if consultancy work contributes to the overall annual opinion.

11.3 The standard of work that is delivered in consultancy services will be the same as that in assurance work. The mandatory requirements of the PSIAS relate to standard of performance in both assurance and consultancy activities.

12 Fraud and Corruption

12.1 The responsibility for the prevention and detection of fraud and corruption lies with management. Audit procedures alone cannot guarantee that fraud or corruption will be detected. Internal Audit will however be alert in all of their work to risks and exposures that could allow fraud or corruption.

12.2 The role of Internal Audit with regard to fraud investigation is detailed in GMCA's Anti-Fraud and Corruption Policy. Any suspected fraud or irregularities will be reported to the CAE so that investigation work can be carried out and the adequacy of relevant controls considered.

13 Risk Management

13.1 The CAE has responsibility for the development and roll out of the Risk Management Framework within GMCA. Whilst the CAE may have some part (directly or indirectly through the management of others) in the facilitation of the ongoing maintenance of risk registers within GMCA it is clearly established within the Risk Management Framework that management and Officers own the risks both within Directorates and at a Strategic Risk level. The CAE or Internal Audit do not own risks outside of the Internal Audit function, neither do they make decisions relating to risk.

13.2 Management accept that these arrangements present an impairment to the independence of Internal Audit in relation to the assessment of risk management arrangements. Periodic, independent external assurance of risk management arrangements will be required.

14 Resourcing

14.1 Internal Audit should be appropriately resourced in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the Standards. Internal Auditors should be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate on-going development programme.

14.2 The CAE is responsible for ensuring that the resources of the Internal Audit Service are sufficient to meet its responsibilities and achieve its objectives. If the CAE concludes that resources were insufficient, they would report this to the GMCA Treasurer and the Audit Committee. The CAE is responsible for appointing staff to the Internal Audit Service and ensuring that there is the appropriate mix of qualifications, experience and audit skills.

15 Reporting

15.1 The CAE will issue to the Audit Committee:

- An annual Internal Audit Plan – This will be a risk-based plan prepared in conjunction with management that will take into consideration:
 - Strategic risks
 - Key operational risks
 - Previous audit opinions
 - Other sources of assurance
 - Internal Audit resources
- For each meeting of the Audit Committee, reports on progress of the Internal Audit work, encompassing:
 - Progress on delivery of the agreed Internal Audit Plan.
 - Any significant resourcing issues affecting the delivery of Internal Audit Objectives.
 - Key findings from Internal Audit work performed.
 - Progress on the implementation of Internal Audit recommendations.
 - Progress on the delivery of any additional consulting services not included in the Internal Audit Plan.
 - Proposed changes to the Internal Audit Plan for approval by the Audit Committee.
 - Counter fraud and investigation activity.
- An annual report which will include:
 - A summary of the work undertaken in the period.
 - The CAE's overall assurance opinion.
 - A statement of conformity with PSIAS.
 - The results of the quality assurance and improvement programme (QAIP).

15.2 All audit engagements will be the subject of formal Internal Audit reports. Copies of all final reports will be shared with:

- Audit Sponsor
- Key Audit Contacts
- Chief Executive Officer

- Treasurer
- External Auditor

15.3 Executive Summaries will be shared with Audit Committee members, with full reports being made available to Members on request.

16 External Audit

16.1 The work of External Audit is factored into the Internal Audit work plan, and Internal Audit and External Audit meet formally and informally during the year in order to share key audit findings and/or areas of potential focus. Whilst GMCA's current External Auditors do not place any reliance on Internal Audit's work all internal audit reports are shared with the External Auditors to provide visibility of audit conclusions and findings.

17 Other Sources of Assurance

17.1 Internal Audit is one source of assurance but there are also other sources of assurance that are either routinely provided or are provided on an ad-hoc basis due to specific circumstances. The "Lines of Defence" model helps understand where and how assurance is achieved:

- First line – Day to day operational activities that establish systems, processes and controls across all activities.
- Second line – Oversight and management review. It is separate from those people who undertake those responsibilities on a day-to-day basis, as part of their normal duties.
- Third line – This relates to independent, objective assurance obtained through Internal Audit, which, through an approved programme of work, is able to provide an objective opinion on the effectiveness of governance, risk management and internal control arrangements.
- Fourth line – This relates to other external sources of assurance that are independent and removed from the chain of command. Examples include the Health and Safety Executive (HSE), HMICFRS, and other external sources of assurance.

17.2 The CAE will work with management to understand sources of assurance across all lines of defence in order to ensure that an effective, integrated assurance framework is established. This will assist in the efficient and effective deployment of Internal Audit resource and reduce duplication of assurance provision.

18 Quality Assurance and Improvement

18.1 The CAE operates a Quality Assurance and Improvement Programme (QAIP) that both monitors the on-going performance of Internal Audit activity and periodically assesses the Internal Audit Service's compliance with PSIAS. This includes both internal and external assessments.

18.2 The results of the QAIP, including any areas of non-conformance with PSIAS, are reported annually to senior management and the Audit Committee.

19 Recommendations

19.1 Recommendations are set out at the front of the report.

APPENDIX 1: Protocol governing the Relationship between the Section 73 Officer (the Chief Financial Officer) and Internal Audit at GMCA.

In recognition of the statutory duties of the 'Chief Financial Officer' (CFO) and the view of CIPFA on his relationship with Internal Audit, the following protocol has been adopted at GMCA to form the basis for a sound and effective working relationship:

The CAE will seek to maintain a positive and effective working relationship with GMCA's CFO (GMCA Treasurer).

Internal Audit will review the effectiveness of GMCA's system of internal controls and report on whether the controls operate effectively in practice.

The Treasurer will be asked to comment on those elements of the Internal Audit Service's programme of work that relate to the discharge of his statutory duties. In devising the Audit Plan and in carrying out internal audit work, the CAE will give full regard to the comments of the Treasurer.

The CAE will regularly monitor the performance of the Internal Audit Service against the Audit Plan and will notify the Treasurer if there are any major deviations.

The Treasurer will, on request, be provided with appropriate assurance that the audit staff are competent, well trained and effective in their work.

The Treasurer will be specifically informed by the CAE where any matter is identified that impacts on his Section 73 role.

The Treasurer will specifically make the CAE aware of any concerns that he has about internal control that might lead to the need for an internal audit investigation or review.

The Internal Audit Service will operate in accordance with the March 2017 Public Sector Internal Audit Standards.

Audit Committee

Date: 13 March 2024

Subject: Treasury Management Strategy Statement, Minimum Revenue Provision
Policy Statement and Annual Investment Strategy 2024/25

Report of: Steve Wilson, Treasurer

Purpose of Report

To set out the proposed Treasury Management Strategy Statement, Borrowing Limits and Prudential Indicators for 2024/25 to 2026/27 for the Authority. The strategy reflects the 2023-2027 capital programme for Transport, Economic Development, Fire and Rescue, Waste and Police.

Recommendations:

The Audit Committee is asked to note and comment on the contents of the report and recommend its approval by the GMCA.

Contact Officers

Steve Wilson, Treasurer

Steve.Wilson@greatermanchester-ca.gov.uk

Lindsey Keech

Head of Finance – Capital and Treasury Management

Lindsey.keech@greatermanchester-ca.gov.uk

Equalities Impact, Carbon and Sustainability Assessment:

N/A

Risk Management

There are considerable risks to the security of the GMCA's resources if appropriate Treasury Management strategies and policies are not adopted and followed. The GMCA has established good practice in relation to Treasury Management.

Legal Considerations

This report fulfils the statutory requirements to have the necessary prudential indicators to be included in a Treasury Management Strategy.

Financial Consequences – Revenue

Financial revenue consequences are contained within the body of the report.

Financial Consequences – Capital

Financial capital consequences are contained within the body of the report.

Number of attachments to the report: None

Comments/recommendations from Overview & Scrutiny Committee - N/A

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? N/A

GM Transport Committee N/A

Overview and Scrutiny Committee N/A

1. Key Considerations

1.1. Background

- 1.1.1 The Authority is required to operate a balanced revenue budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.1.2 The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.
- 1.1.3 The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.1.4 Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:
- “The management of the local authority's borrowing, investments and cash flows, including 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.”

1.1.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2. Reporting Requirements

1.2.1. Capital Strategy

1.2.1.1 The CIPFA 2021 Prudential and Treasury Management Codes requires all local authorities to prepare a Capital Strategy report which will provide the following: -

- a) a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- b) an overview of how the associated risk is managed; and
- c) the implications for future financial sustainability.

1.2.1.2 The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

1.2.2. Treasury Management Reporting

1.2.2.1 The Authority is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a) **Prudential and treasury indicators and treasury strategy** (this report) -

The first, and most important report is forward looking and covers: -

- i. the capital plans, (including prudential indicators)
- ii. a Minimum Revenue Provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
- iii. the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- iv. an Annual Investment Strategy, (the parameters on how investments are to be managed)

- b) **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.

- c) **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.2.2.2 The above reports are required to be adequately scrutinised before being recommended to the Full Authority. This role is undertaken by the Audit Committee.

1.2.2.3 In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Authority but do require to be adequately scrutinised. This role is undertaken by the Audit Committee.

1.3. Treasury Management Strategy for 2024/25

1.3.1 The strategy for 2024/25 covers two main areas:

Capital issues:

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy

Treasury management issues

- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Authority
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

1.3.2 These elements cover the requirements of the Local Government Act 2003, Department for Levelling Up, Housing and Communities (DLUHC) Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.4. Training

- 1.4.1 The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.
- 1.4.2 Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.
- 1.4.3 The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ Members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.
- 1.4.4 As a minimum, authorities should carry out the following to monitor and review knowledge and skills:
- a) Record attendance at training and ensure action is taken where poor attendance is identified.
 - b) Prepare tailored learning plans for treasury management officers and committee/ authority members.
 - c) Require treasury management officers and committee/ Members to undertake self-assessment.
 - d) Have regular communication with officers and board/ Members, encouraging them to highlight training needs on an ongoing basis.
- 1.4.5 Treasury training has been undertaken by Members on 17 January 2024 and further training will be arranged as required.
- 1.4.6 The training needs of treasury management officers are periodically reviewed.
- 1.4.7 A formal record of the training received by officers central to the Treasury function will be maintained by the treasury team. Similarly, a formal record of the treasury management/capital finance training received by Members will also be maintained by the treasury team.

1.5. Treasury Management Consultants

- 1.5.1 The Authority uses Link Group, Link Treasury Services Limited as its external treasury management advisors.
- 1.5.2 The Authority 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.
- 1.5.3 It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Authority 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.

2. The Capital Prudential Indicators 2024/25 – 2026/27

- 2.1 The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

2.2 Capital Expenditure and Financing

- 2.2.1 This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts.

Capital Expenditure	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Transport	215.849	329.408	303.113	396.305	498.757
Economic Development & Regeneration	171.659	229.170	342.961	199.721	146.630
Fire & Rescue Service	9.652	16.535	29.821	16.140	17.205
Waste & Resources Service	9.007	3.793	9.270	36.820	3.188
Police Service	27.223	28.994	37.593	26.553	18.909
Total	433.390	607.900	722.758	675.539	684.689

2.2.2 Other long-term liabilities - the above financing need excludes other long-term liabilities, such as Private Finance Initiative (PFI) and leasing arrangements that already include borrowing instruments.

2.2.3 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Capital Receipts	45.479	129.268	232.345	142.221	146.630
Capital Grants	308.659	251.729	332.008	357.481	418.468
Revenue Contributions	1.343	0.890	0.155	0.090	0.090
External Income	3.319	2.500	2.500	2.500	2.500
Net financing need for the year	74.590	223.513	155.750	173.247	117.001

2.3 The Authority’s Borrowing Need (the Capital Financing Requirement)

2.3.1 The second prudential indicator is the Authority’s Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority’s indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

2.3.2 The CFR does not increase indefinitely, as the MRP is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset’s life, and so charges the economic consumption of capital assets as they are used.

2.3.3 The CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Authority’s borrowing requirement, these types of schemes include a borrowing facility by the PFI, Public-Private Partnership (PPP) lease provider and so the Authority is not

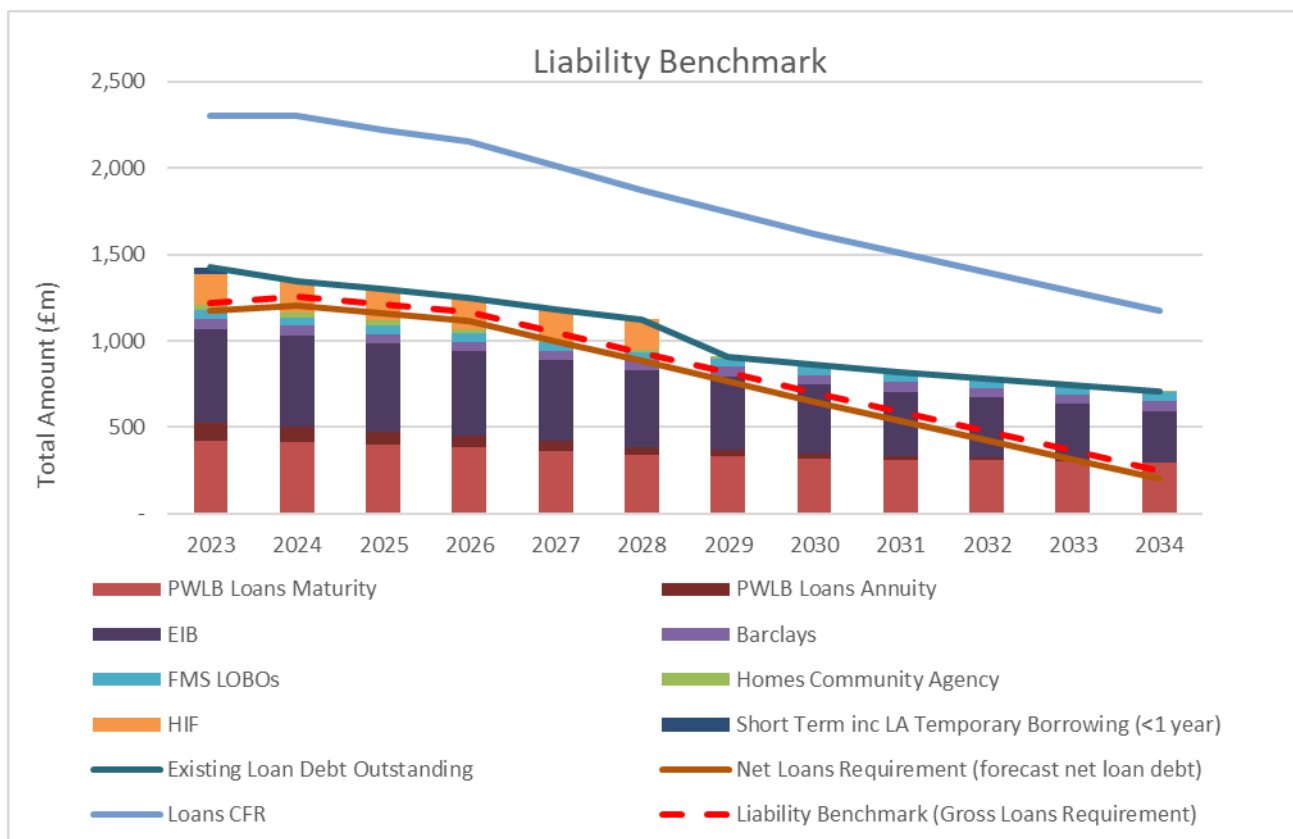
required to separately borrow for these schemes. The Authority currently has £36.7m of such schemes within the CFR.

2.3.4 The Authority is asked to approve the CFR projections below:

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Capital Financing Requirement	2,345.974	2,474.652	2,527.977	2,592.301	2,592.489
Movement in CFR	(14.265)	128.678	53.325	64.324	0.188
Net financing need for the year (above)	74.590	223.513	155.750	173.247	117.001
Less MRP and other financing movements	(88.855)	(94.835)	(102.425)	(108.923)	(116.813)
Movement in CFR	(14.265)	128.678	53.325	64.324	0.188

2.4 Liability Benchmark

2.4.1 The Authority is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.



2.4.2 There are four components to the LB:

- a) **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
- b) **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- c) **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- d) **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

2.5 Minimum Revenue Provision (MRP) Policy Statement

2.5.1 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

2.5.2 The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

2.5.3 The MRP policy statement requires full Authority approval in advance of each financial year.

2.5.4 The Authority is recommended to approve the following MRP Statement:

For expenditure incurred before 1 April 2008 which forms part of supported capital expenditure, the MRP policy will be:

- MRP will be calculated using an Asset Life annuity basis over 50 years

From 1 April 2008 for all unsupported borrowing (including PFI) the MRP policy will be:

- MRP will be calculated on an Asset Life annuity basis. The interest rate applied will be linked to Public Works Loan Board (PWLB) interest rates and the useful life on the asset.

2.5.5 Capital expenditure incurred during 2023/24 will not be subject to an MRP charge until 2024/25, or in the year after the asset becomes operational.

2.5.6 MRP in respect of assets acquired under Finance Leases will be charged at an amount equal to the principal element of the annual repayment.

2.5.7 For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

2.5.8 Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

3. Borrowing

3.1 The capital expenditure plans set out in Section 2 provide details of the service activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Authority's Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the Annual Investment Strategy.

3.2 Current Portfolio Position

3.2.1 The overall treasury management portfolio as at 31 March 2023 and for the position as at 29 February 2024 are shown below for both borrowing and investments.

	Actual 31 March 2023	Actual 31 March 2023	Current 29 February 2024	Current 29 February 2024
	£m	%	£m	%
Treasury Investments				
Banks	9.639	4%	31.980	8%
Local authorities	85.099	34%	229.000	57%

DMADF (HM Treasury)	157.758	62%	0	0%
Money Market Funds	0.082	0%	85.200	21%
Certificates of Deposit	0	0%	10.000	2%
TfGM	0	0%	47.110	12%
Total Treasury Investments	252.578	100%	403.290	100%
Treasury External Borrowing				
PWLB	522.804	37%	509.294	37%
EIB	546.869	38%	534.413	39%
Market Loans	314.364	22%	314.820	23%
TfGM	40.269	3%	0	0%
Total External Borrowing	1,424.306	100%	1,358.527	100%
Net treasury investments/ (borrowing)	1,171.728		955.237	

3.2.2 The Authority's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
External Debt at 1 April	1,434.818	1,424.306	1,341.638	1,344.134	1,350.625
Expected Change in Debt	(10.512)	(78.990)	6.850	11.190	(63.640)
Other long-term liabilities (OLTL)	36.677	32.999	28.645	23.946	18.685
Expected Change in OLTL	(4.083)	(3.678)	(4.354)	(4.699)	(5.261)
Actual gross debt at 31 March	1,420.223	1,341.638	1,344.134	1,350.625	1,281.724
The Capital Financing Requirement	2,345.974	2,474.652	2,527.977	2,592.301	2,592.489
Under/ (Over) borrowing	925.751	1,133.014	1,183.843	1,241.676	1,310.765

3.2.3 Within the range of prudential indicators there are several key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

3.2.4 The Treasurer reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

3.3 Treasury Indicators: Limits to Borrowing Activity

3.3.1 **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Debt	2,474.652	2,527.977	2,592.301	2,592.489
Other long-term liabilities	32.999	28.645	23.946	18.685
Total	2,507.651	2,556.622	2,616.247	2,611.174

3.3.2 **The Authorised Limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Authority. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term.

- a) This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.

b) The Authority is asked to approve the following Authorised Limit:

Authorised Limit	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Debt	2,598.385	2,654.376	2,721.916	2,722.113
Other long-term liabilities	32.999	28.645	23.946	18.685
Total	2,631.384	2,683.021	2,745.862	2,740.798

3.4 Prospects for Interest Rates

3.4.1 The Authority has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 8 January 2024. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
Bank Rate	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.20	3.10	3.10	3.10	3.10	3.20	3.20
5 year PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 year PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 year PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 year PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

- a) Link's central forecast for interest rates was previously updated on 7 November and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness).
- b) Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- c) In the upcoming months, Link's forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

PWLB Rates

- 3.4.2 The short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than held sway back then. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and the Euro-zone. At the time of writing there is c70 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the United Kingdom (UK) economy:

- 3.4.3 The overall balance of risks to economic growth in the UK is even.

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

- a) Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- b) The Bank of England has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- c) Geopolitical risks, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows

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

- a) Despite the tightening in Bank Rate to 5.25%, the Bank of England allows inflationary pressures to remain elevated for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- b) The pound weakens because of a lack of confidence in the UK Government’s pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- c) Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields compensating.

Link Group Forecasts

3.4.4 Link expect the MPC will keep Bank Rate at 5.25% until the second half of 2024, to combat on-going inflationary and wage pressures, even if they have dampened somewhat of late. We do not think that the MPC will increase Bank Rate above 5.25%.

Gilt yields and PWLB rates

3.4.5 The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation continues to fall through 2024.

3.4.6 target borrowing rates are set two years forward (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below:

PWLB Debt	Current borrowing rate as at 8 January 2024	Target borrowing rate now (end of Q4 2025)	Target borrowing rate previous (end of Q3 2025)
5 years	4.53%	3.70%	3.80%
10 years	4.67%	3.90%	3.80%
25 years	5.19%	4.20%	4.20%
50 years	4.97%	4.00%	4.00%

Borrowing advice

3.4.7 Link's long-term (beyond 10 years) forecast for Bank Rate remains at 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to factor in Bank Rate reductions for 2024 and later.

3.4.8 Link's suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below.

Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.55%	4.70%
2025/26	3.10%	3.20%
2026/27	3.00%	3.00%
2027/28	3.25%	3.25%
2028/29	3.25%	3.25%
Years 6 to 10	3.25%	3.25%
Years 10+	3.25%	3.25%

3.4.9 As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

3.4.10 Link's interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

3.5 Borrowing Strategy

- 3.5.1 The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024.
- 3.5.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- a) if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.
 - b) if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
- 3.5.3 Any decisions will be reported to the Audit Committee at the next available opportunity.

3.6 Policy on Borrowing in Advance of Need

- 3.6.1 The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.
- 3.6.2 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.7 Rescheduling

- 3.6.1 Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.
- 3.6.2 If rescheduling is to be undertaken, it will be reported to the Audit Committee at the earliest meeting following its action.

3.8 Approved Sources of Long and Short-Term Borrowing

3.8.1 On Balance Sheet	Fixed	Variable
PWLB	●	●
UK Municipal Bond Agency	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●
Local Temporary	●	●
Local Bonds	●	
Local Authority Bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance Leases	●	●

4. Annual Investment Strategy

4.1. Investment Policy – Management Risk

- 4.1.1 The DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team).

Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).

4.1.2 The Authority's investment policy has regard to the following:

- a) DLUHC's Guidance on Local Government Investments ("the Guidance")
- b) CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- c) CIPFA Treasury Management Guidance Notes 2021

4.1.3 The Authority's investment priorities will be security first, portfolio liquidity second and then yield (return). The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Authority's risk appetite.

4.1.4 In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

4.1.5 The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

- a) Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.
- b) **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.
- c) **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

- d) This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix 4 under the categories of 'specified' and 'non-specified' investments.
- i. **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
 - ii. **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by Members and officers before being authorised for use.
- e) **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.6.
- f) **Transaction limits** are set for each type of investment in 4.2.6.
- g) This Authority will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.3.7).
- h) Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.2.9).
- i) This Authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.
- j) All investments will be denominated in **sterling**.
- k) As a result of the change in accounting standards for 2023/24 under International Financial Reporting Standard (IFRS) 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023. More recently, a further extension to the override to 31 March 2025 has been agreed by Government.

4.1.6 However, this Authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.4). Regular monitoring of investment performance will be carried out during the year.

4.2 Creditworthiness Policy

4.2.1 This Authority applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- a) "watches" and "outlooks" from credit rating agencies;
- b) CDS spreads that may give early warning of changes in credit ratings;
- c) sovereign ratings to select counterparties from only the most creditworthy countries.

4.2.2 This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will, therefore, use counterparties within the following durational bands:

- Yellow 5 years
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

- 4.2.3 The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.
- 4.2.4 Typically, the minimum credit ratings criteria the Authority uses will be a short-term rating (Fitch or equivalent) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 4.2.5 All credit ratings will be monitored weekly. The Authority is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.
- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
 - in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.
- 4.2.6 Sole reliance will not be placed on the use of this external service. In addition, this Authority will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long-term rating where applicable)	Money and/or %limit	Transaction limit	Time limit
Banks	Yellow	£25m / 100 %	£25m	5yrs
Banks	Purple	£25m / 100%	£25m	2 yrs
Banks	Orange	£25m / 100%	£25m	1 yr
Banks – part nationalised	Blue	£25m / 100%	£25m	1 yr

Banks	Red	£25m / 100%	£25m	6 mths
Banks	Green	£25m / 100%	£25m	100 days
Banks	No Colour	Not to be used		
Limit 3 category – Authority’s banker	Any or no colour	£50m / 100%	£25m	1 day
Other institutions limit		£25m / 100%	£25m	Liquid
DMADF	UK sovereign rating	unlimited	Unlimited	6 months
Local authorities	n/a	£25m / 100%	£25m	1 yr

Creditworthiness

- 4.2.7 Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

CDS prices

- 4.2.8 Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government in the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

Limits

- 4.2.9 Due care will be taken to consider the exposure of the Authority’s total investment portfolio to non-specified investments, countries, groups and sectors.
- a) **Non-specified treasury management investment limit.** The Authority has determined that it will not invest for periods longer than 12 months.
 - b) **Country limit.** The Authority has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.3 Investment Strategy

4.3.1 **In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

4.3.2 Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow (amend as appropriate), where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

Investment returns expectations.

4.3.3 The current forecast shown in paragraph 3.4, includes a forecast for Bank Rate to have peaked at 5.25%.

4.3.4 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows: -

2023/24 (residual)	5.30%
2024/25	4.55%
2025/26	3.10%
2026/27	3.00%
2027/28	3.25%
Years 6 – 10	3.25%
Years 10+	3.25%

4.3.5 As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

4.3.6 For its cash flow generated balances, the Authority will seek to utilise its business reserve instant access and notice accounts, Money Market Funds and short-dated deposits, (overnight to 100 days) in order to benefit from the compounding of interest.

Total principal funds invested for greater than 365 days

4.3.7 The Authority does not place treasury investments for longer than 365 days.

4.4 Investment Performance / Risk Benchmarking

4.4.1 This Authority will use an investment benchmark to assess the investment performance.

4.5 End of Year Investment Report

4.5.1 At the end of the financial year, the Authority will report on its investment activity as part of its Annual Treasury Report.

4.6 Delegation to the Treasurer to Safeguard the Authority's Position

4.6.1 It may be prudent, depending on circumstances, to temporarily increase the limits shown in paragraph 4.2.6 if it becomes increasingly difficult for officers to place funds. If this is the case officers will seek approval from the Treasurer for such an increase and approval may be granted at the Treasurer's discretion. Any increase in the limits will be reported to Members of the Audit Committee as part of the normal treasury management reporting process.

5. Recommendations

5.1 The recommendations are set out at the front of the report.

Appendix 1 The Capital Prudential and Treasury Indicators 2024/25 – 2026/24

The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital Expenditure

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Transport	215.849	329.408	303.113	396.305	498.757
Economic Development & Regeneration	171.659	229.170	342.961	199.721	146.630
Fire & Rescue Service	9.652	16.535	29.821	16.140	17.205
Waste & Resources Service	9.007	3.793	9.270	36.820	3.188
Police Service	27.223	28.994	37.593	26.553	18.909
Total	433.390	607.900	722.758	675.539	684.689

Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's overall finances. The Authority is asked to approve the following indicators:

Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

The estimates of financing costs include current commitments and the proposals in this budget report.

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Ratio of Financing Costs to Net Revenue Stream	15.6%	16.8%	15.4%	15.5%	15.2%

Maturity Structure of Borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Authority is asked to approve the following treasury indicators and limits: -

	Lower	Upper
Under 12 months	0%	20%
12 months to 2 years	0%	10%
2 years to 5 years	0%	30%
5 years to 10 years	0%	60%
10 years to 20 years	0%	80%
20 years to 30 years	0%	10%
30 years to 40 years	0%	10%
40 years to 50 years	0%	10%

Appendix 2 Interest Rate Forecasts 2023 – 2026

Link Group Interest Rate View 8 January 2024

	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
Bank Rate	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 year PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 year PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 year PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 year PWLB	53.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

Appendix 3 Economic Background

1. The third quarter of 2023/24 saw:
 - a) A 0.3% m/m decline in real GDP in October 2023, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30 September 2023, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
 - b) A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September 2023 to 7.2% in October 2023, although the Office for National Statistics (ONS) “experimental” rate of unemployment has remained low at 4.2%;
 - c) CPI inflation continuing on its downward trajectory, from 8.7% in April 2023 to 4.6% in October 2023, then again to 3.9% in November 2023;
 - d) Core CPI inflation decreasing from April 2023 and May 2023’s 31 years’ high of 7.1% to 5.1% in November 2023, the lowest rate since January 2022;
 - e) The Bank of England holding Bank Rate at 5.25% in November 2023 and December 2023;
 - f) A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
 - g) The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October 2023 fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October 2023 may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
 - h) However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November 2023 to 51.7 in December 2023, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the Growth from Knowledge (GfK) measure of consumer confidence in December 2023, from

-24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.

- i) The 0.3% m/m fall in retail sales volumes in October 2023 means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- j) Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index recently pointing to a 1.7% year on year increase whilst Nationwide's December 2023 data pointed to a -1.8% year on year decrease. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.
- k) Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- l) The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October 2023 will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October 2023 much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September 2023 to 7.2% in October 2023. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December 2023, as predicted by the Bank in November 2023.
- m) The fall in wage growth occurred despite labour demand being stronger in October 2023 than expected. The three-month change in employment eased only a touch from +52,000 in September 2023 to +50,000 in October 2023.

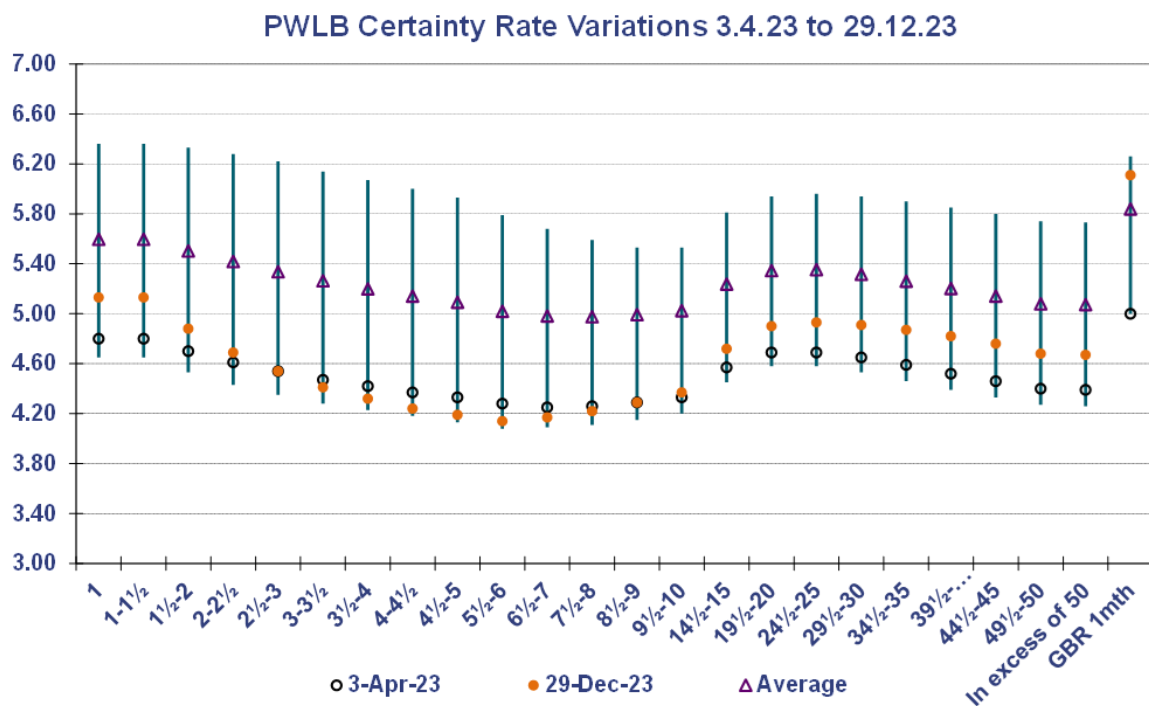
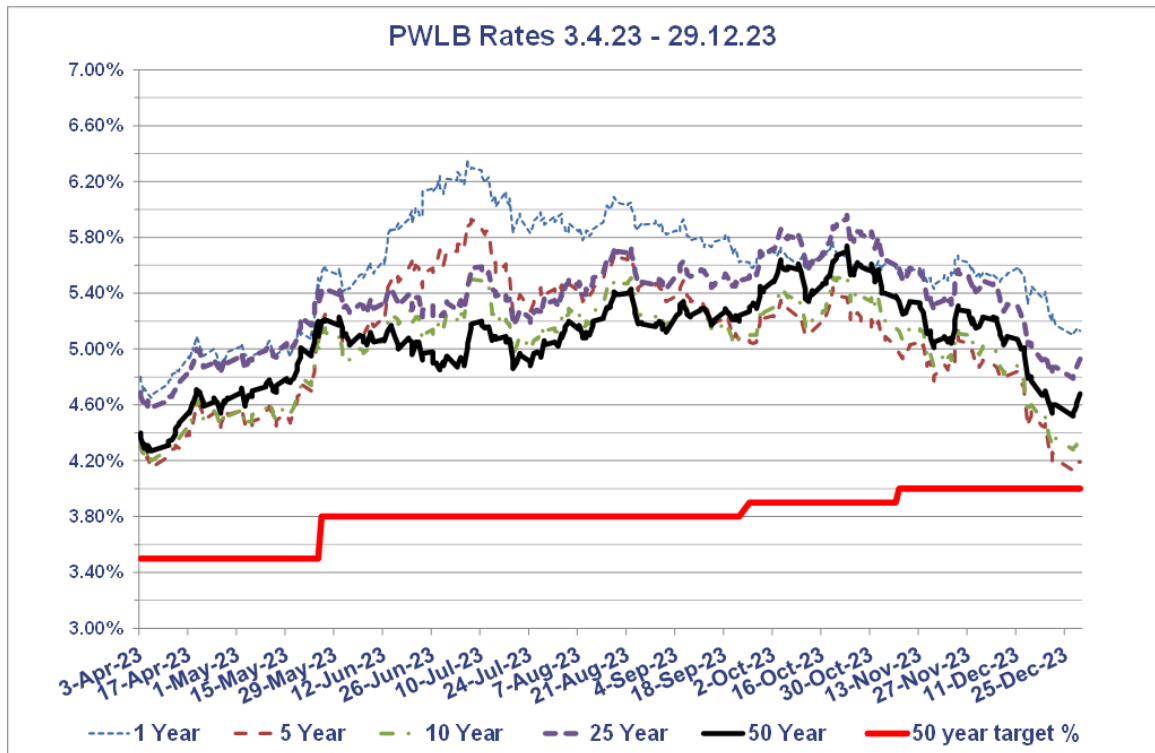
But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October 2023. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October 2023. In the three months to November 2023, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October 2023 to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.

- n) CPI inflation fell from 6.7% in September 2023 to 4.6% in October 2023, and then again to 3.9% in November 2023. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November 2023 was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November 2023 Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- o) The Bank of England sprung no surprises with its December 2023 monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.
- p) Looking ahead, Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February 2024. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.

- q) The fall in UK market interest rate expectations in December 2023 has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January 2024, with further declines likely if the falling inflation story is maintained.
- r) Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from \$1.21 in November 2023 to \$1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- s) The further fall in 10-year real gilt yields in December 2023 has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February 2023. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December 2023, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

2 In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 1 April 2023 – 29 December 2023



HIGH/LOW/AVERAGE PWLB RATES FOR 1 April 2023 – 29 December 2023

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%

Date	6 April 2023	27 December 2023	6 April 2023	6 April 2023	5 April 2023
High	6.36%	5.93%	5.53%	5.396%	5.74%
Date	6 July 2023	7 July 2023	23 October 2023	23 October 2023	23 October 2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

MPC Meetings 2 November 2023 and 14 December 2023

- 3 On 2 November 2023, the Bank of England’s Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14 December 2023 reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about “sticky” inflation remained in place.
- 4 Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- 5 In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

Appendix 4 Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum ‘high’ quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	Max % of total investments / £ limit per institution	Max. maturity period
Debt Management Account Deposit Facility (DMADF) – UK Government	yellow	100%/ unlimited	6 months (max. is set by the Debt Management Office (DMO))
UK Government gilts	yellow	Not used	5 years
UK Government Treasury bills	yellow	Not used	6 months
Bonds issued by multilateral development banks	yellow	Not used	5 years
Money Market Funds	AAA	100%/ £25m	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	Not used	Liquid

Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	Not used	Liquid
Local authorities	yellow	100%/ £25m	5 years
Term deposits with housing associations	Blue	Not used	12 months
	Orange		12 months
	Red		6 months
	Green		100 days
	No Colour		Not for use
Term deposits with banks and building societies	Blue	100%/ £25m	12 months
	Orange		12 months
	Red		6 months
	Green		100 days
	No Colour		Not for use
CDs or corporate bonds with banks and building societies	Blue	100%/ £25m	12 months
	Orange		12 months
	Red		6 months
	Green		100 days
	No Colour		Not for use
Gilt funds	UK sovereign rating	Not used	

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Authority. To ensure that the Authority is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Environmental, social and governance (ESG) Policy

Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level.

Appendix 5 Approved Countries for Investments

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating

AAA

Australia

Denmark

Germany

Netherlands

Norway

Singapore

Sweden

Switzerland

AA+

Canada

Finland

U.S.A.

AA

Abu Dhabi (UAE)

AA-

Belgium

France

Qatar

U.K.

Appendix 6 Treasury Management Scheme of Delegation

Full Authority

- a) receiving and reviewing reports on treasury management policies, practices and activities;
- b) approval of annual strategy.

Audit Committee

- a) approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- b) approval of the division of responsibilities;
- c) receiving and reviewing regular monitoring reports and acting on recommendations;

Treasurer

- a) reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Appendix 7 The Treasury Management Role of the S151 Officer

The S151 (responsible) officer

- a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- b) submitting regular treasury management policy reports;
- c) receiving and reviewing management information reports;
- d) reviewing the performance of the treasury management function;
- e) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function; and
- f) ensuring the adequacy of internal audit, and liaising with external audit.

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Audit Committee

Date: 13 March 2024
Subject: 2024/25 GMCA Capital Strategy
Report of: Treasurer, Steve Wilson

Purpose of Report

The Capital Strategy sets out the over-arching principles and processes by which the capital and investment decisions set out in the Capital Programme will be prioritised against the key aims of the Greater Manchester Strategy (GMS).

In addition, the Capital Strategy considers the funding implications of the Capital Programme and where borrowing is required, the Treasury Management Strategy sets out how this will be managed during the year along with the policy for managing investments. The Treasury Management Strategy also incorporates the statutory prudential indicators along with the Minimum Revenue Provision Policy to be adopted for 2024/25.

The Capital Strategy also provides an overview of the governance arrangements for capital investment decisions and outlines the Authority's arrangements for managing risk.

Recommendations:

The Audit Committee is requested to recommend the approval of the Capital Strategy for 2024/25 to the GMCA.

Contact Officers

Steve Wilson, Treasurer

Steve.Wilson@greatermanchester-ca.gov.uk

Equalities Impact, Carbon and Sustainability Assessment:

N/A

Risk Management

The GMCA's approach to risk is included in section 9

Legal Considerations

This report fulfils the statutory requirements to have the necessary prudential indicators to be included in a Treasury Management Strategy.

Financial Consequences – Revenue

Financial revenue consequences are contained within the body of the report.

Financial Consequences – Capital

Financial capital consequences are contained within the body of the report.

Number of attachments to the report:

None

Comments/recommendations from Overview & Scrutiny Committee

N/A

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

No

GM Transport Committee

N/A

Overview and Scrutiny Committee

N/A

2024/25 GMCA Capital Strategy

1. Introduction/Background

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to approve and publish an annual Capital Strategy. The Capital Strategy provides:
- a) a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
 - b) an overview of the management of associated risks; and
 - c) the implications for future budgets and financial sustainability.
- 1.2 The Capital Strategy maintains a strong link to the aims of the Greater Manchester Strategy (GMS). The GMS seeks to deliver Good Lives For all, and for our city-region to be greener, fairer, and more prosperous in all parts. This will be delivered by the following shared commitments:
- a) We will drive investment into our growth locations, and use that to create opportunity in adjacent towns and local centres
 - b) We will enable the delivery of resilient, safe and vibrant communities where everyone has access to essential services, local centres and high streets which are successful and reflective of their populations, and access to high quality culture and leisure spaces
 - c) We will ensure our local communities, neighbourhoods, villages, towns, cities and districts are protected and strengthened through the Places for Everyone Plan and Stockport Local Plan, with new homes delivered in line with our Zero Carbon commitments and Housing Strategy
 - d) We will create a carbon neutral Greater Manchester by 2038, with better air quality and natural environment
 - e) We will deliver a low carbon London-style fully integrated public transport system across bus, tram, train and bike
 - f) We will enable the delivery of world-class smart digital infrastructure
 - g) We will realise the opportunities from our world-class growth and innovation assets, driven by our Local Growth Plans / Industrial Strategy to open up opportunities in all parts of the city-region

- h) We will support our businesses to grow sustainably, to become as prosperous as they can be
- i) We will support the creation of better jobs and good employment that has a purpose beyond growing shareholder value, utilising the opportunity to positively impact on our communities
- j) We will ensure businesses are able to access the skills and talent they need, by provision of high-quality learning and wrapping support around individuals, enabling them to realise their potential - with access to good work for those who can, support for those who could, and care for those who can't
- k) We will ensure all our children and young people leave education and training ready to succeed in the labour market with a balance of academic, technical and 'life ready' skills
- l) We will ensure digital inclusion for all, including under 25s, over 75s and disabled people online
- m) We will ensure the delivery of safe, decent and affordable housing, with no one sleeping rough in Greater Manchester
- n) We will tackle food and fuel poverty experienced by Greater Manchester residents
- o) We will reduce health inequalities experienced by Greater Manchester residents, and drive improvements in physical and mental health

1.3 The Capital Strategy covers the following key topics and should be read alongside the Treasury Management Strategy Statement, Borrowing Limits and Annual Investment Strategy 2024/25 also on the agenda for this meeting.

- a) The Capital Strategy;
- b) Governance, reporting and scrutiny arrangements;
- c) The capital programme
- d) Asset Management;
- e) Commercial Investment;
- f) The approach to borrowing and financial investments as set out in the Treasury Management Strategy;
- g) The policy for setting aside amounts to repay debt as set out in the Minimum Revenue Provision Policy;
- h) The financial indicators required by the Prudential Code;

- i) The approach to risk;
- j) The extent of other long-term liabilities; and
- k) Current knowledge and skills to deliver the Capital Strategy.

2. The Capital Strategy

2.1 The overarching Capital Strategy for the Greater Manchester Combined Authority (GMCA) is to ensure that all resources are directed towards achieving the outcomes contained within the Greater Manchester Strategy (GMS) by maximising the use of external funding to deliver the highest impact affordable programme.

2.2 The following are priority investment areas for the GMCA and are reflected in the capital programme:

- a) Transport. The Authority is significantly investing in Metrolink enhancements and renewals, cycling, walking and buses. This is to achieve the GMS commitments of
 - delivering a carbon neutral city by 2038 with better air quality and natural environment and
 - delivering a low carbon London-style fully integrated public transport system across bus, tram, train and bike.
- b) Economic Development and Regeneration. Alongside the Non-Treasury Investments in Section 5 of the report the Authority is significantly investing in public sector decarbonisation, social housing decarbonisation and brownfield sites funded by grants from UK central government. This is to achieve the GMS commitments of
 - driving investment into our growth locations and using that to create opportunity in adjacent towns and local centres
 - ensuring our local communities, neighbourhoods, villages, towns, cities and districts are protected and strengthened through the Places for Everyone Plan and Stockport Local Plan, with new homes delivered in line with our Zero Carbon commitments and Housing Strategy
 - Realising the opportunities from our world-class growth and innovation assets, driven by our Local Growth Plans/ Industrial Strategy to open up opportunities in all parts of the city-region
 - Ensuring the delivery of safe, decent and affordable housing, with no one sleeping rough in Greater Manchester

- c) Fire & Rescue Service. A rolling programme of vehicles and equipment renewals alongside a refreshed estates programme funded mainly from borrowings.
 - enabling the delivery of resilient, safe and vibrant communities where everyone has access to essential services, local centres and high streets which are successful and reflective of their populations, and access to high quality culture and leisure spaces
 - creating a carbon neutral Greater Manchester by 2038, with better air quality and natural environment
- d) Waste & Resources Service. Investment in improvements to current facilities enabling waste to be processed more efficiently.
 - creating a carbon neutral Greater Manchester by 2038, with better air quality and natural environment
- e) Police Service. Significant investment in Information and Communications Technology (ICT), fleet vehicles and further service improvements funded by borrowings.
 - enabling the delivery of resilient, safe and vibrant communities where everyone has access to essential services, local centres and high streets which are successful and reflective of their populations, and access to high quality culture and leisure spaces.

3. Governance and Risk Management Framework

3.1 The GMCA's capital programme involves the expenditure and financing of £2.7 billion of capital schemes over the period 2023/24 to 2026/24. It is important therefore that the risks surrounding the delivery and financing of the capital projects are understood and appropriate governance arrangements are in place. For the Authority these governance arrangements are:

- a) The Capital Strategy itself which is scrutinised by Audit Committee prior to approval by the GMCA.
- b) The Greater Manchester Combined Authority which approves the Capital Programme and capital schemes;
- c) The Overview and Scrutiny Committee which has the remit for budget oversight and other financial matters is responsible for scrutinising the Capital Programme;
- d) In relation to Police and Crime Commissioner (PCC) functions the Mayor is responsible for setting the Force's capital and revenue budget allocating

funds and assets to the Chief Constable. The annual Police Fund Revenue and Capital budget is reported to the Police, Fire and Crime Panel for information.

- e) The GMCA constitution sets out the powers of officers with regard to capital expenditure;
- f) The GMCA receives quarterly capital monitoring reports which identifies any variation to the approved programme;
- g) All capital expenditure follows the GMCA's financial accounting framework which ensures expenditure is treated in a manner compliant with accounting convention / statutory guidance; and
- h) The capital programme is subject to both internal and external audit scrutiny.

3.2 Risk is inherent with any investment or commercial activity and whilst it cannot be eliminated, the authority will adopt a strategic approach to risk management. The GMCA's approach to managing risk is that any risks will be appropriate for the authority to take and proportionate to benefits derived, in terms of delivery of Capital Strategy and GMS objectives, both for individual projects and cumulatively. In this way, the authority has a clear understanding of the adverse aspects of risk and can take steps to mitigate it when making decisions.

4. Capital Programme

4.1. Schemes are included in the capital programme with the aim of delivering the 10 key priorities of Greater Manchester. The proposed capital programme is shown below along with the along with the associated financing.

Capital expenditure £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Transport	215.849	329.408	303.113	396.305	498.757
Economic Development and Regeneration	171.659	229.170	342.961	199.721	146.630
Fire and Rescue Service	9.652	16.535	29.821	16.140	17.205
Waste & Resources Service	9.007	3.793	9.270	36.820	3.188
Police Service	27.223	28.994	37.593	26.553	18.909
Total	433.390	607.900	722.758	675.539	684.689

Financing of capital expenditure £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital receipts	45.479	129.268	232.345	142.221	146.630

Capital grants	308.659	251.729	332.008	357.481	418.468
Revenue Contribution	1.343	0.890	0.155	0.090	0.090
External Income	3.319	2.500	2.500	2.500	2.500
Borrowing Requirement	74.590	223.513	155.750	173.247	117.001

4.2. The capital programme is subject to regular review with quarterly monitoring reports presented to the Authority. Estimates of capital grant allocations in the financing section above are known to be subject to variation.

4.3 Longer term plans of the GMCA contain rolling programmes of replacement of vehicles for transport, police and fire. The future capital plans of the GMCA are heavily influenced by central government and the Comprehensive Spending Review. Key capital priorities for GMCA include:

- a) New programmes of investment through the City Region Sustainable Transport Scheme and Bus Franchising;
- b) Investment to support low carbon transport such as electric buses, cycling and walking and Clean Air plans; and
- c) Other programmes such as Public Sector Decarbonisation Scheme, Brownfield Land Fund, etc to deliver an integrated and extensive infrastructure pipeline which will create livable, sustainable and well-connected places.

5. Non-Treasury Management Regeneration Investments

5.1 The GMCA does not make commercial investments, to the extent that it does not make investments purely to make a financial return. Where the GMCA has and does make capital investments, it is for strategic or regeneration purposes. The investments below align with the GMS priorities of a thriving and productive economy in all parts of Greater Manchester and safe, decent and affordable housing.

5.2. Growing Places Fund and Regional Growth Fund

5.2.1 The Growing Places Fund (GPF) originally secured by the GM in 2012/13 totalled £34.5m of capital grant funding which is being used to provide up front capital investment in schemes. The GPF has three overriding objectives:

- a) to generate economic activity in the short term by addressing immediate constraints:

- b) to allow Local Enterprise Partnerships (LEPs) to prioritise infrastructure needs, empowering them to deliver their economic priorities; and
- c) to establish sustainable recycled funds so that funding can be reinvested.

5.2.2 The Regional Growth Fund (RGF) of £65m was secured by GM through two rounds of bidding for UK Central Government funding in 2012/13 and 2013/14. The RGF has supported eligible projects and programmes raising private sector investment to create economic growth and lasting employment, with over 6,000 jobs being either created or safeguarded.

5.2.3 The original GPF and RGF allocations have now been fully committed and the GMCA is in the recycling phase. Given that both investment funds were funded through government grant there are no direct impact on the revenue budget should any loans default.

5.2.4 There is likely to be opportunities to passport similar property investments using GMCA's own funds (prudential borrowing) to allow freeing up of GM wide Evergreen Funds for further investments.

5.3 Housing Investment Fund (HIF)

5.3.1 The Greater Manchester Housing Investment Fund has been designed to accelerate and unlock housing schemes. It will help build the new homes to support the growth ambitions across Greater Manchester.

5.3.2 Projects greater than £2m are recommended for approval to the GMCA by the Gateway Panel who review all the detailed information. This results in two separate committees reviewing the detailed proposals. Loans for less the £2m are subject to review and approval by the Credit Committee.

5.4 Greater Manchester Loan Fund (GMLF)

5.4.1 The GMLF was established in June 2013 in response to market constraints which significantly reduced the availability of debt finance.

5.4.2 The GMLF was set up to provide debt finance of between £0.1m and £0.5m to small and medium enterprises in the Greater Manchester region, with the objective of generating business growth, creating and safeguarding jobs. A maximum of £10m has been approved for use by the Fund.

5.5 Protos Finance Limited

5.5.1 In order to create capacity, GMCA has purchased a £12.1m loan committed by Evergreen to Protos Finance Limited. Protos Finance Limited is a subsidiary of Peel established to deliver the development of an industrial site in Cheshire for a variety of uses including waste to energy, biomass and environmental technology facilities. This has freed up resources in the Evergreen Fund for further investments in Greater Manchester.

6. Commercial Investments

6.1 As the Government has introduced measures to actively discourage authorities from engaging in speculative commercial investment, principally by introducing access controls to future PWLB borrowing, then the Capital Strategy for 2024/25 does not allow for any investments to be undertaken solely for commercial purposes.

6.2 If the Authority wishes to engage in such activity, then it will need to prepare a strategy for considering such investments which is to be approved by GMCA. In addition, such activity will also have implications for the Authority's future ability to borrow from the PWLB thereby adding considerable financing risk to the authority's capital expenditure plans.

6.3 As such the Treasurer declares that the Authority plans for capital investment as outlined in the capital programme do not contain any investments solely for commercial yield purposes.

7 Borrowing, Revenue Consequences and the Treasury Management Strategy Statement (TMSS)

7.1 Capital Financing

7.1.1 Wherever possible the financing of the capital programme will utilise and maximise external funding provided by central government or other third-party sources. The net financing requirement shown in the table in section 4 above is after application of capital receipts, capital grants and revenue contributions.

7.1.2 The capital programme is reliant on prudential borrowing totalling £669m between 2023/24 and 2026/27. This method of financing involves the GMCA borrowing from external sources and results in additional revenue costs of interest and

borrowing plus a statutory charge known as the Minimum Revenue Provision (MRP). All prudential borrowing is undertaken in full compliance with the CIPFA Prudential Code which requires authorities to approve their own borrowing limits for the year with indicators to measure the affordability and sustainability of the capital programme.

7.2 Treasury Management Strategy Statement

7.2.1 The Treasury Management Strategy Statement (TMSS) is covered in a separate accompanying report and is closely linked to this capital strategy. The capital programme identifies the borrowing need of the authority whilst the TMSS considers how the GMCA will manage these cash requirements. This may involve arranging loans and taking decisions on whether these loans should be short or long term having regard to prevailing and forecast interest rates. The TMSS will also consider the GMCA's cash surpluses and how these should be managed. At times it may be beneficial to defer borrowing and use these cash surpluses to avoid borrowing and thereby saving interest expenditure.

7.2.2 The Authority has successfully pursued a policy of internal borrowing using its cash surpluses over the last few years whilst keeping interest rates under review for signs they may increase. In times of increasing interest rates the authority may borrow early and then invest the surplus cash until it is required.

7.3 Borrowing Limits

7.3.1 At the end of 2023/24 it is forecast that the GMCA's external debt will be £1.342 billion (including PFI liabilities) and this is forecast to be £1.281 billion by the end of 2026/27.

7.3.2 The Prudential Code requires the GMCA to set two limits for external debt each year.

- a) The Authorised Limit – this represents the maximum limit for external debt, including PFI liabilities, taking account of fluctuations in day to day cash requirements.
- b) The Operational Boundary – this is the limit beyond which external debt is not normally expected to exceed. The GMCA is currently under borrowed as a result of pursuing an internal borrowing policy and thereby reducing financing costs.

7.3.3 Based on the forecast capital programme, the limits in the TMSS are:

£m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Operational Boundary	2,507.651	2,556.622	2,616.247	2,611.174
Authorised Limit	2,631.384	2,683.021	2,745.862	2,740.798

8. Asset Management

8.1. The Estates Strategy Group (ESG) adopts an integrated approach to share best practice and optimise all assets to ensure best use of public money.

8.2. The ESG oversees a broad range of assets to ensure GMCA maintains a fit-for-purpose estate that is responsive to change and enables the delivery of organisational objectives.

8.3 The focus of the ESG is to:

- a) Drive improvement in the asset management of the GMCA's property, utilising it to meet the GMS priorities and targeting resources across the GMCA;
- b) Oversee, through the GM Estates Strategy, the strategic management of the whole of the GMCA estate and how it can work constructively with its partners;
- c) Overseeing and managing investment programmes within the GMCA; and
- d) Managing strategic property asset related risks.

8.4 Assets no longer required will be disposed of and the capital receipt used to fund the capital programme. The GMCA constitution sets out the powers of officers with regards to the disposal of assets.

9 Approach to Risk

9.1 Risk is inherent with any investment or commercial activity and whilst it cannot be eliminated entirely the authority will adopt a strategic approach to risk management. The GMCA's approach to risk is to balance risk with the achievement of its priorities.

9.2 There is a clear distinction between capital investments, where the achievement of strategic aims will be considered and treasury management investments which are

made for the purpose of cash flow management. The risk appetite for these two distinct types of investment may differ given the difference in expected outcomes.

- 9.3 For treasury management investments and debt the GMCA's risk appetite is extremely low with security of funds the primary concern. The Authority seeks to invest surplus cash in instruments with high credit quality and for relatively short periods and to have alternative debt options available.

10 Other Long-Term Liabilities: Private Finance Initiative (PFI)

- 10.1 The Authority has two PFI contracts: Stretford Fire Station and 17 Police Stations. In financial terms, PFIs are regarded as a form of debt financing and included within the Authority's borrowing limits.
- 10.2 Under the terms of the PFI contracts, the Authority makes regular payments which cover the service cost associated with facilities management and the asset itself. The PFI contracts are due to end as follows:
- a) Stretford Fire Station: 2024/25
 - b) 17 Police Stations: 2030/31

11 Knowledge and Skills

- 11.1 Both the capital programme and the Treasury Management Strategy are managed by teams of professionally qualified, local government experienced accountants. Officers maintain and develop their knowledge through Continuous Professional Development and by attending courses offered by CIPFA and other sector experts.
- 11.2 The Treasurer has overall responsibility for ensuring the proper management of the GMCA's capital programme, assets and treasury management activities. The Treasurer is also a professionally qualified accountant.
- 11.3 The Audit Committee is the body that scrutinises all aspects of the Capital Strategy. Internal and external training is available to members of the committee to ensure they have the relevant skills, knowledge and understanding to undertake this role.
- 11.4 When required internal skills and knowledge will be supplemented by external advisors. The Authority's treasury advisors are Link.

12 Recommendations

- 12.1 The Audit Committee is requested to recommend the approval of the Capital Strategy for 2024/25 to the GMCA.

Audit Strategy Memorandum

Greater Manchester Combined Authority

Year ending 31 March 2023

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- 02** Your audit engagement team
- 03** Audit scope, approach and timeline
- 04** Significant risks and other key judgement areas
- 05** Value for money
- 06** Fees for audit and other services
- 07** Our commitment to independence
- 08** Materiality and misstatements

- A** Appendix A – Key communication points
- Appendix B – Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

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This document is to be regarded as confidential to Greater Manchester Combined Authority. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Members of the Audit Committee
Greater Manchester Combined Authority
Churchgate House
56 Oxford Street
Manchester
M1 6EU

13 March 2024

Dear Sir / Madam

Audit Strategy Memorandum – Year ending 31 March 2023

We are pleased to present our Audit Strategy Memorandum for Greater Manchester Combined Authority for the year ending 31 March 2023. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Greater Manchester Combined Authority which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit, and explains the implications of the introduction of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019).

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0161 238 9248.

Yours faithfully

Karen Murray

Mazars LLP

Mazars LLP – 1 St Peters Square, Manchester, M2 3DE

Tel: {0161 238 9200} – www.mazars.co.uk

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

Mazars LLP
One St Peter's Square
Manchester
M2 3DE

01

Section 01:

Engagement and responsibilities summary

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1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Greater Manchester Combined Authority (GMCA) for the year to 31 March 2023. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

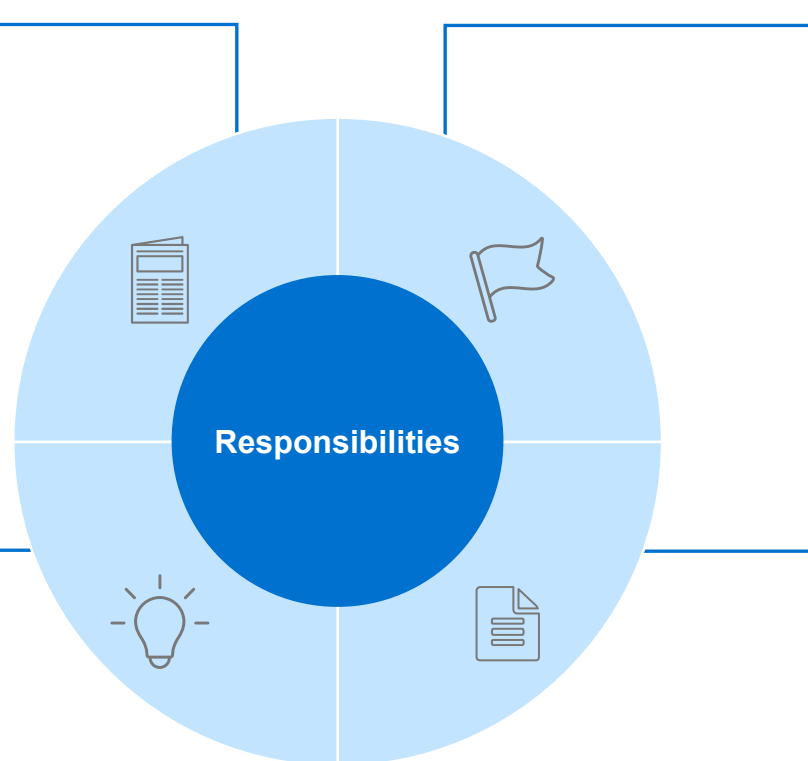
Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

The Chief Finance Officer is responsible for the assessment of whether it is appropriate for GMCA to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

Value for money

We are also responsible for forming a commentary on the arrangements that GMCA has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



Fraud

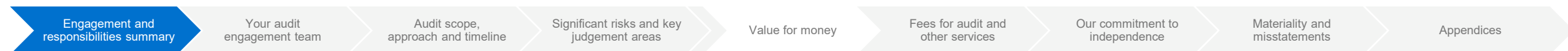
The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

We report to the NAO on the consistency of GMCA's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of GMCA and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom



02

Section 02:

Your audit engagement team

2. Your audit engagement team

Below is your audit engagement team and their contact details.



Karen Murray
Role – Engagement Partner

Email: karen.murray@mazars.co.uk
Telephone: 0161 238 9248



Dawn Watson
Role – Engagement Manager

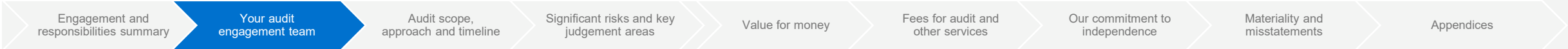
Email: dawn.watson@mazars.co.uk
Telephone: 0161 238 9238



Joe Broom
Role – Engagement Assistant Manager

Email: joe.broom@mazars.co.uk
Telephone: 0161 238 9251

In addition, an engagement quality reviewer has been appointed for this engagement.



03

Section 03:

Audit scope, approach and timeline

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3. Audit scope, approach and timeline

Audit scope

Our audit is designed to comply with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

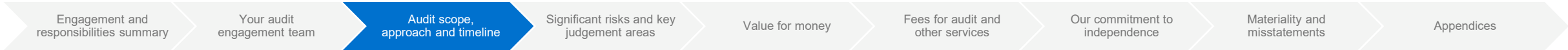
Audit approach

Our audit approach is risk-based and is primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to the risks identified.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



3. Audit scope, approach and timeline

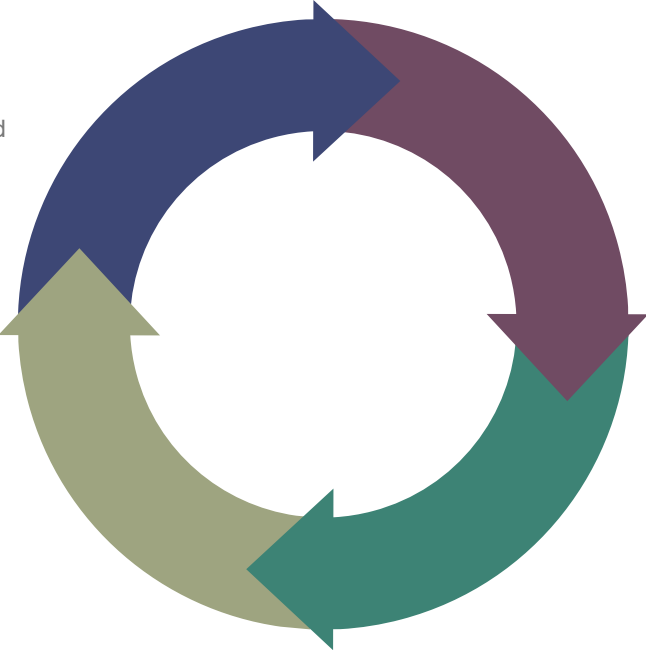
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Planning and Risk Assessment - January & February 2024

- Planning visit and developing our understanding of the GMCA
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

Completion - April 2024

- Final review and disclosure checklist of financial statements
- Final partner and EQCR review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the independent auditor’s report

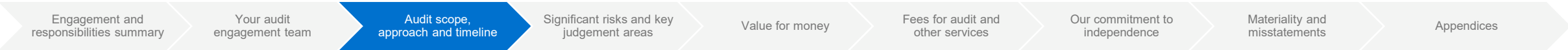


Interim January – February 2024

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork – February to April 2024

- Receiving and reviewing draft financial statements including review by our technical accounting team
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Partner and EQR review
- Communicating progress and issues
- Clearance meeting



3. Audit scope, approach and timeline

Reliance on internal audit

We will liaise with internal audit to understand the findings from any work they have undertaken. We will use this to modify the nature, extent and timing of our audit procedures where possible. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Service organisations

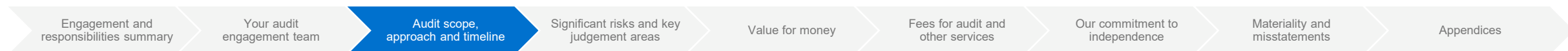
International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the [Council] that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the [Council] and our planned audit approach.

Items of account	Service organisation	Audit approach
BACS bureau	Wigan Metropolitan Borough Council	We have access to all the relevant data we need in order to gain assurance over the Authority's BACS payments.

Management's and our experts

Management makes use of experts in specific areas when preparing the [Council]'s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Defined benefit liability	Hymans Robertson (Greater Manchester Pension Fund) and Government Actuary Department (Firefighters' Pension Scheme)	PwC as NAO's consulting actuary.
Property, plant and equipment valuation	Salford City Council, Avison Young and Hilco Valuation Services	We will use available third party information to challenge the valuer's key assumptions. For the valuation of the Authority's waste assets we will engage a valuations specialist as an auditor's expert to review the underlying assumptions for a sample of valuations.
Equity Investments	Core Investment Team	For the valuation of the Authority's equity Investments we will engage our internal valuations team to review a sample of valuations.
Financial instrument disclosures	Link Asset Services	We will review the expert's methodology in calculating the fair value disclosures to confirm the reasonableness of assumptions used.



3. Audit scope, approach and timeline

Group audit approach

The Authority prepares Group accounts and consolidates the following bodies:

- Chief Constable of Greater Manchester Police (GMP) – under public sector accounting treatment consolidated into the GMCA Group
- Transport for Greater Manchester (TfGM) – consolidated into the GMCA Group as the Authority’s executive body for delivery of transport services
- NW Evergreen Holdings Limited Partnership (NWEH)
- Greater Manchester Fund of Funds (FoF) Limited Partnership
- Greater Manchester Evergreen 2 Limited Partnership (GME2LP)

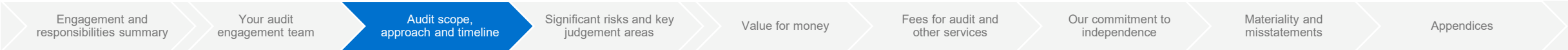
Mazars UK are the appointed auditor for the Chief Constable and Transport for Greater Manchester. As such we are the appointed auditor for 99% of the Group’s total expenditure.

Our approach is set out on page 13.

We apply a separate materiality for the audit of the Group accounts as set out in Section 8.

The Authority also holds investments and interests in other bodies. Management carry out an annual assessment to see if these bodies have become sufficiently material to warrant consolidation into the Group accounts. NW Fire Control Company, Commission for New Economy Limited, Greater Manchester Accessible Transport Limited and Manchester Investment and Development Agency Service were not consolidated in 2021/22 because their inclusion would not materially alter the accounts. We understand this will be the same in 2022/23 but we will revisit and review management’s assessment of the Group for 2022/23.

We have not identified any significant risks for Group accounts purposes in relation to the components. The significant risks and areas of audit focus for the Authority as a single-entity are set out in section 4.



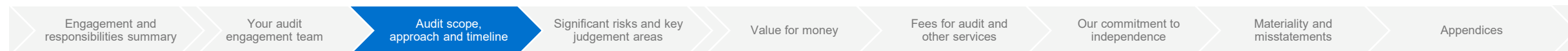
3. Audit scope, approach and timeline

Group audit approach - continued.

The approach to the Group audit is set out below:

Entity	Auditor	Scope	Planned Approach
Chief Constable of Greater Manchester Police (GMP)	Mazars LLP	Full Scope Audit Procedures	We will: <ul style="list-style-type: none"> complete full-scope audit procedures on the GMP's financial statements; review the consolidation process and adjustments made by GMCA in preparing group financial statements.
Transport for Greater Manchester (TFGM)	Mazars LLP	Full Scope Audit procedures	We will: <ul style="list-style-type: none"> complete full-scope audit procedures on TFGM's financial statements; review the consolidation process and adjustments made by GMCA in preparing group financial statements.
NW Evergreen Holdings Limited Partnership (NWEH)	TC Group	Specified Procedures	Our work will be focused on the material elements of NW Evergreen Holdings Limited Partnership's financial statements. We will: <ul style="list-style-type: none"> complete analytical procedures on NWEH's financial statements; request third party confirmation of the company's debtor balance; and review the consolidation process and adjustments made by GMCA in preparing group financial statements.
Greater Manchester Fund of Funds Limited partnership FoF)	TC Group	Specified Procedures	Our work will be focused on the material elements of FOF's financial statements. We will: <ul style="list-style-type: none"> complete analytical procedures on FOF's financial statements; and review the consolidation process and adjustments made by GMCA in preparing group financial statements.
Greater Manchester Evergreen 2 Limited partnership (GME2LP)	TC Group	Specified Procedures	Our work will be focused on the material elements of GME2LP's financial statements. We will: <ul style="list-style-type: none"> complete analytical procedures on GME2LP's financial statements; and review the consolidation process and adjustments made by GMCA in preparing group financial statements.

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Section 04:

Significant risks and other key judgement areas

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4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

Significant risks are those risks assessed as being close to the upper end of the spectrum of inherent risk, based on the combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. Fraud risks are always assessed as significant risks as required by auditing standards, including management override of controls and revenue recognition.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

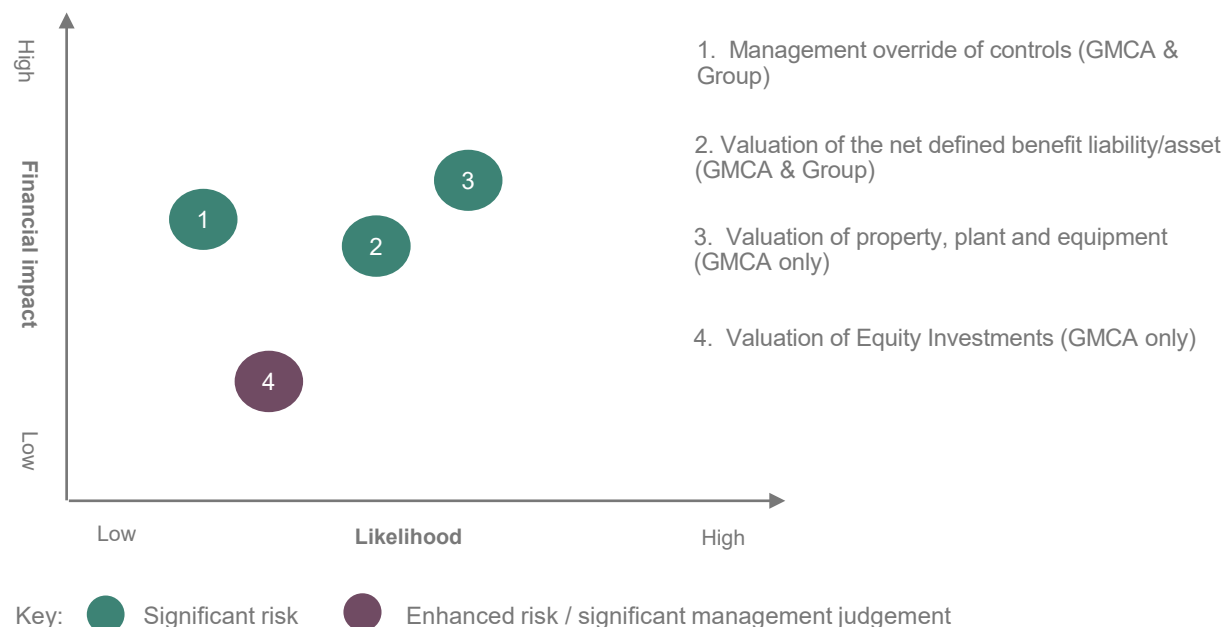
- Key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- Other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the GMCA. We have summarised our audit response to these risks on the next page.



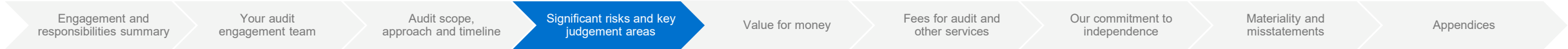
4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1 Page 206	<p>Management override of controls (GMCA and Group) This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	<p>We plan to address the management override of controls risk by performing audit work on:</p> <ul style="list-style-type: none"> • over accounting estimates; • journal entries; and • significant transactions outside the normal course of business or otherwise unusual.



4. Significant risks and other key judgement areas

Significant risks - continued

	Description	Fraud	Error	Judgement	Planned response
Page 207	<p>2 Net defined benefit liability valuation (GMCA and Group) The net pension liability represents a material element of GMCA's balance sheet. GMCA's liability is split between the Greater Manchester Pension Scheme and the Fire Fighters Pension Scheme.</p> <p>The valuation of the pension schemes' liabilities rely on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in GMCA's overall valuations.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of GMCA's valuations, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of GMCA's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing GMCA's pension obligations are not reasonable or appropriate to GMCA's circumstances. This could have a material impact to the net pension liability in 2022/23.</p>	○	●	●	<p>In relation to the valuation of GMCA's defined benefit pension liability we will:</p> <ul style="list-style-type: none"> Critically assess the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson and the Fire Fighters Pension Scheme Actuary, the Government Actuary Department (GAD); Liaise with the auditors of the Greater Manchester Pension Fund to obtain confirmation that the controls are designed and implemented appropriately. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; Agree the data in the IAS 19 valuation reports provided by the Funds' Actuaries for accounting purposes to the pension accounting entries and disclosures in GMCA's financial statements; Review the asset ceiling calculation, including reviewing the appropriateness of the assumptions and inputs used in the asset ceiling calculation.

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

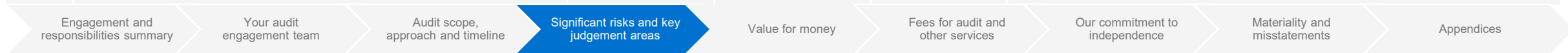
Materiality and misstatements

Appendices

4. Significant risks and other key judgement areas

Significant risks - continued

	Description	Fraud	Error	Judgement	Planned response
Page 208	<p>3 Valuation of property, plant and equipment (GMCA only)</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date.</p> <p>The Authority has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle.</p> <p>The valuation of Property, Plant & Equipment involves the use of a management expert (the valuers), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.</p> <p>As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value. In addition, as the valuations are undertaken through the year there is a risk that the fair value as the assets is materially different at the year end.</p>	○	●	●	<p>In relation to the valuation of property, plant & equipment we will:</p> <ul style="list-style-type: none"> Critically assess the Authority's valuer's scope of work, qualifications, objectivity and independence to carry out the Authority's programme of revaluations; Consider whether the overall revaluation methodology used by the Authority's valuers is in line with industry practice, the CIPFA Code of Practice and the Authority's accounting policies; Reconcile the valuer's report to the fixed asset register and ensure that the values per the report have been correctly input, to the asset register; Critically assess the appropriateness of the underlying data and the key assumptions used in the valuer's report, using available third party evidence; Engage a valuations specialist to review the underlying assumptions in the Authority's valuations for a sample of waste assets; Review the basis of valuation and confirm that this is appropriate and agrees to the asset register; Critically assess the treatment of the upward and downward revaluations in the Authority's financial statements with regards to the requirements of the CIPFA Code of Practice; As Fire and Police assets are revalued before 31/03/23 we will assess the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time; and Critically assess the approach that the Authority adopts to ensure that assets not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Authority's valuers.



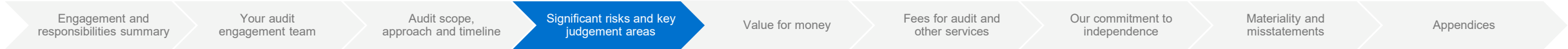
4. Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

Enhanced Risk

	Description	Fraud	Error	Judgement	Planned response
4	<p>Valuation of Equity Investments (GMCA only)</p> <p>The valuation of the investments involves the use of a management expert (the Core Investment Team), and incorporates assumptions and estimates which impact on the reported value. The level of estimation uncertainty creates an enhanced audit risk.</p>	○	●	●	<p>In relation to the valuation of equity investments we will:</p> <ul style="list-style-type: none"> engaged the Mazars valuation team to undertake a review of a sample of equity investment valuations; reviewed the classification of equity investments under the requirements of IFRS 9 Financial Instruments; and reviewed the classification of fair value movements posted as a result of changes in valuations.

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Section 05: **Value for money**

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5. Value for money

The framework for Value for Money work

We are required to form a view as to whether GMCA has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2022/23 will be the third audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that GMCA has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on GMCA's arrangements in the Auditor's Annual Report.

Specified reporting criteria

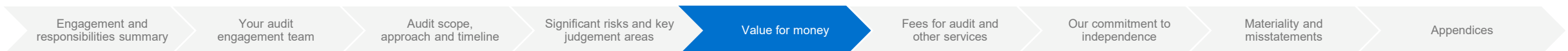
The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how GMCA plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how GMCA ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how GMCA uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on GMCA's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to GMCA and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

The following pages set out more detail on our work to follow up on weaknesses identified in previous years



5. Value for money

Our work to follow-up on previous recommendations

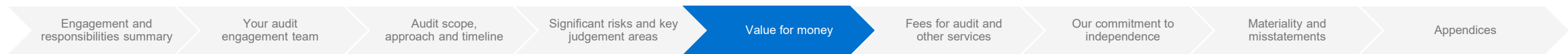
Previously identified significant weakness in arrangements	Relevant reporting criteria	Our 2021/22 recommendations	Planned procedures for 2022/23
<p>Oversight of Greater Manchester Police On the 10 December 2020 HMICFRS published “An inspection of the service provided to victims of crime by Greater Manchester Police”.</p> <p>HMICFRS found that in too many cases, the service provided was not good enough and the report highlighted a number of ‘causes of concern’ relating to crime reporting.</p> <p>The HMICFRS report also highlighted that the force had not overcome the deficiencies in service that it identified in its 2019 integrated police effectiveness, efficiency and legitimacy programme (PEEL) assessment and its 2018 crime data integrity inspection.</p> <p>The extent of the failings detailed within the December 2020 HMICFRS inspection report and GMP’s failure to secure the improvements identified by HMICFRS in its previous inspections / assessments highlight not only significant weaknesses in the services provided to victims of crime, but also significant weaknesses in the Force’s Governance and Performance Management arrangements.</p> <p>On 3 March 2022 HMICFRS published the findings from their 2021/22 PEEL assessment. This assessed how good GMP is in ten areas of policing and made graded judgments in nine of these ten areas. This was GMP’s first full PEEL assessment since 2018/19.</p> <p>GMP was judged “inadequate” in three areas (investigating crime, responding to the public and developing a positive workplace). In addition, HMICFRS raised 4 causes of concern, relating to GMP’s arrangements: for responding to those who are vulnerable; for supporting and building its workforce; for understanding demand and the capability/ capacity of its workforce; and for investigating crime, supervising investigations and updating victims.</p> <p>Although the PEEL assessment was not published until March 2022 much of the data and intelligence used by HMICFRS when assessing GMP’s arrangements is based on the financial year ended 31 March 2021. Therefore, this is indicative of the issues identified being applicable to the 2020/21 financial year.</p> <p>In our view, the above matters represent a significant weakness in value for money arrangements for GMCA due to the oversight responsibilities which The Mayor and Deputy Mayor have over GMP’s governance arrangements and in its arrangements for:</p> <ul style="list-style-type: none"> improving economy, efficiency and effectiveness in how GMP uses information about its performance to improve the way it manages and delivers its services; and how it makes informed decisions and properly manages its risks. 	<p>Governance</p> <p>Improving the 3 Es</p>	<p>GMCA should continue the steps taken during 2021/22 to improve its governance structures and performance management framework in relation to the Mayor’s oversight responsibilities for GMP. This should include:</p> <ul style="list-style-type: none"> using performance management information to assess the performance of GMP to identify areas for improvement; monitoring progress made by GMP to address the causes of concern, recommendations and areas for improvement reported in the HMICFRS report and subsequent PEEL assessment; ensuring effective oversight processes and systems are in place to communicate relevant, accurate and timely management information and that corrective action is taken where needed; and taking properly informed decisions, supported by appropriate evidence, allowing for challenge and transparency. <p>GMCA should formally review the new arrangements with GMP to ensure that the changes are embedded and are starting to deliver the required improvements in service performance.</p>	<p>We will review:</p> <ul style="list-style-type: none"> progress made in improving its governance structures and performance management framework in relation to the Mayor’s oversight responsibilities for GMP. monitoring of the progress made in addressing the causes of concern recommendations and areas for improvement reported in the HMICFRS report and subsequent PEEL assessments., oversight processes and systems to ensure communication of relevant, accurate and timely information included identification of any corrective actions GMCA’s review of the new arrangements within GMP that are required to produce service improvements

5. Value for money

Our work to follow-up on previous recommendations - continued

Previously identified significant weakness in arrangements	Relevant reporting criteria	Our 2021/22 recommendations	Planned procedures for 2022/23
<p>Greater Manchester Fire and Rescue Service Cause of Concern</p> <p>In May 2017, GMCA became the Fire and Rescue Authority for Greater Manchester. The fire service, as part of GMCA, operates as Greater Manchester Fire and Rescue Service (GMFRS). In December 2021 HMICFRS published the results of its inspection of Greater Manchester Fire and Rescue Service (GMFRS). This rated the service as requiring improvement in the effectiveness and efficiency areas, and good in the people area.</p> <p>Within the report, HMICFRS raised a cause of concern, relating to GMFRS' arrangements for responding to marauding terrorist attacks and working as part of a multi-agency response to terrorist attacks. In particular the report highlighted issues in the sustainability of current arrangements which were due to run out, and the suspension of training of non-specialised firefighters for marauding terrorist attacks.</p> <p>Although the HMICFRS assessment was not published until December 2021, much of the data and intelligence used by HMICFRS when assessing GMFRS' arrangements is based on the financial year ended 31 March 2021. Therefore, this is indicative of the issues identified being applicable to the 2020/21 financial year.</p> <p>In our view, the cause of concern represents a significant weakness in the Authority's value for money arrangements. In particular, and linked to our "Governance" and "Improving Economy, Efficiency and Effectiveness" value for money reporting criteria:</p> <ul style="list-style-type: none"> • how the Authority evaluates the services it provides and how performance information has been used to assess performance and identify areas for improvement; and • how the Authority ensures effective processes and systems are in place to support properly informed decision making, and to ensure corrective action is taken where needed. 	<p>Governance</p> <p>Improving the 3 Es</p>	<p>GMCA should continue the steps taken during 2021/22, to respond to the findings of the HMICFRS inspection of Greater Manchester Fire and Rescue Service, including:</p> <ul style="list-style-type: none"> • developing a formal action plan to address the findings of the HMICFRS report, including both the cause of concern and the wider areas for improvement; • ensuring effective processes and systems are in place to monitor progress against the action plan; and • providing regular reports to the Police, Fire and Crime Panel to advise on progress against the action plan, and to allow for sufficient scrutiny of progress made to date. 	<p>We will review:</p> <ul style="list-style-type: none"> • the formal action plan to address the findings of the HMICFRS report including the cause for concern and the wider areas for improvement, • the processes and systems established to monitor progress against the action plan • reports to Police, Fire and Crime Panel that advise on progress made against the action plan.

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Section 06:

Fees for audit and other services

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6. Fees for audit and other services

Fees for work as GMCA's appointed auditor

At this stage of the audit we have set our proposed fees in the table below. We will report any expected changes to the Audit Committee through the year, and at the completion of our audit work.

Area of work	2022/23 Proposed Fee	2021/22 Actual Fee
Planned fee in respect of our work under the Code of Audit Practice	£70,000	£70,000
Additional testing on Defined Benefit Pensions Schemes (including work on the triennial revaluation) and Property, Plant and Equipment ¹	£23,750	£32,500
Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; and ISA570 (Revised): Going Concern ²	£2,500	£2,500
Implementation of new ISA315 (revised) ³	TBC	-
Additional testing on the Authority's investments held at fair value including use of experts	£8,000	£8,000
Additional testing arising from the implementation of the statutory override in respect of infrastructure assets	-	£10,000
Additional testing arising from errors identified in the financial statements including cash flow and group accounts	-	£17,750
Additional work arising from the change in the Code of Audit Practice and VFM reporting ⁴	£15,000	£15,000
Additional work arising from the follow up of prior year VFM risks	£4,000	£6,250
Total fees	£123,250⁵	£162,000

¹ As previously reported to you, the scale fee requires adjusted to take into account the additional work required as a result of increased regulatory expectations in these areas.

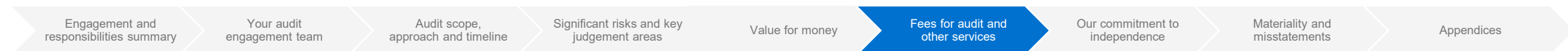
² New auditing standards were introduced in 2020/21 which will lead to additional audit work not reflected in the scale fee.

³ In 2022/23, we are required to implement the new international auditing standards (ISA 315R) in our audits which requires. See page 34 for details

⁴ The new Code of Audit Practice and associated changes to the way in which we undertake and report our value for money work from 2020/21 will require additional audit input. The final fee will take into account the extent and complexity of any significant weaknesses in arrangements we identify

⁵ This is a proposed fee for 2022/23 at the point of the issue of our ASM. This figure is subject to change and additional costs will be discussed with management.

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Section 07:

Our commitment to independence

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7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

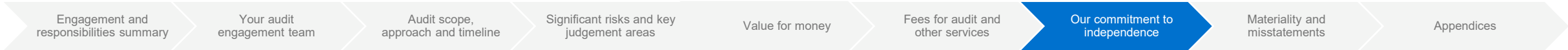
- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- a policy by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Karen Murray in the first instance.

Prior to the provision of any non-audit services Karen Murray will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

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Section 08:

Materiality and misstatements

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8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	GMCA Initial threshold £'000s	Group Initial threshold £'000s
Overall materiality	37,000	44,000
Performance materiality	20,350	24,200
Specific materiality – Senior officer remuneration disclosures (including any associated exit packages)	5	5
Threshold for errors to be reported to the Audit Committee	1,110	1,320

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Information is considered to be material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

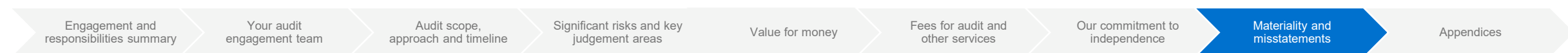
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross expenditure at the surplus/deficit on provision of services level. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We consider that the gross expenditure at the surplus/deficit on provision of services remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 1.8% of gross expenditure at the surplus/deficit on provision of services. Based on the 2022/23 draft accounts we anticipate the overall materiality for the year ending 31 March 2023 to be in the region of £37m (£35m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Due to the number of errors identified in the prior year we have maintained performance materiality at 55%.

Misstatements

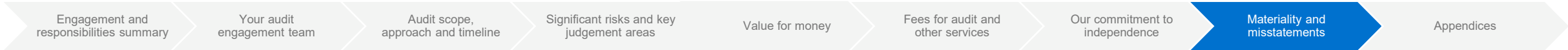
We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that

the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £1,110k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Karen Murray.

Reporting to the Audit Committee

The following three types of audit differences above the trivial threshold will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





Appendices

A: Key communication points

B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Appendix A: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

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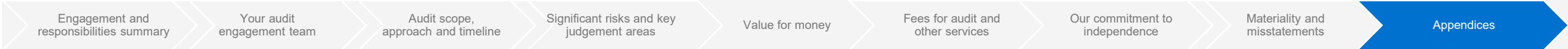
Appendices

Appendix A: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

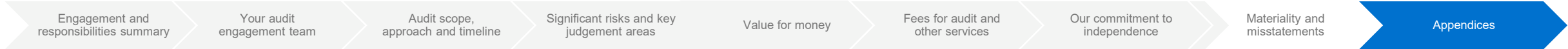
Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Audit Committee, Audit planning and clearance meetings

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Appendix A: Key communication points

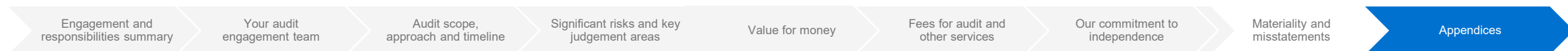
Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>



Appendix A: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the consolidated financial statements including any impact of changes of such methods	Audit Completion Report
Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Mazars' member firms	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

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Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for GMCA's 2022/23 audit.

The most significant changes relevant to the GMCA audit are outlined below.

Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on new inherent risk factors which include:

- Subjectivity
- Complexity
- Uncertainty and change
- Susceptibility to misstatement due to management bias or fraud.

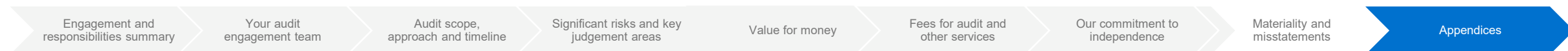
Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.



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*where permitted under applicable country laws.

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