

# Deep Dive - Grants

*GMCA Audit Committee*

*25<sup>th</sup> January 2023*

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GMCA Treasurer

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# 2020/21 External Audit Feedback:

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## Problem Areas 2020-21

- Recognising and coding Revenue grants as Capital grants received
- Recognising and coding Capital grants as Revenue grants received
- Do we have copies of either Grant Offer Letters or Grant Conditions?
- Are Grant conditions complied with
- Is accounting treatment complied with

# Background

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- Grants make up 60% of the total annual income of GMCA (£1.1b in 20/21)
- Grants are often for one year rather than multi-year settlements, preventing long term planning and increasing risks to the CA
- In response to audit recommendations, we reviewed the Grant Register Procedure, to provide more meaningful information
- Previously the Grant register was produced at year-end and there was no clear process for recognising and recording grant awards received in year
- Grant income and expenditure should form part of the quarterly monitoring process as it will inform our forecast position for the year and flag up any potential funding shortfall or the need to move the unspent grant to Reserves or Receipts in Advance
- We need to ensure the grant conditions are fully understood by all involved including any required to commit and/or spend funds by a year end or risk having to return the funding

# Government Grants & Non Government Grants

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- Follow the guidelines set by the [CIPFA Code of Practice](#) Para 2.3 in accordance with **IAS 20** *Accounting for Government Grants and Disclosure of Government Assistance*
- Key Messages:
  - Accounting treatment of grants and contributions is based on the type of grant (Cap/Rev) & the **CONDITIONS & RESTRICTIONS** attached to the funding
  - Grants and contributions must be recognised Immediately as income, unless any conditions have not been met.
  - Grants and contributions must be shown as liabilities on the Balance Sheet until outstanding conditions are satisfied.

# Conditions & Restrictions

Live Condition	Dormant Condition	Restriction
A live condition requires the grant/contribution to be returned to the grantor if it is not used in a specified way	A dormant condition requires the grant/contribution to be returned to the grantor if a specified future event does (or doesn't) take place.	A restriction is a stipulation that does <b>NOT</b> require the grant/contribution to be returned to the grantor if not used as specified.
<p><b><u>Example</u></b></p> <p>The Authority receives a grant from Central Gov of £1m that must be used to improve unemployment levels in Greater Manchester and spent by 31/03/22. Within the terms of the grant it is specified that the grant <b>MUST</b> be returned if it is NOT used to improve unemployment levels in Greater Manchester.</p>	<p><b><u>Example</u></b></p> <p>The Authority receives a contribution from a local charity of £2m that is used to purchase a property. Within the terms of the contribution it is specified that the contribution <b>MUST</b> be returned if the property is sold in the future.</p>	<p><b><u>Example</u></b></p> <p>Authority receives a grant from Central Gov of £5.5m which it <b>wishes</b> the Authority to use to fund regeneration projects. Within the terms of the grant it is <b>NOT</b> specified that the grant <b>MUST</b> be used in this way or that the grant <b>MUST</b> be returned. The Authority could use this grant to fund other expenditure without the requirement to return the grant.</p>

# Conditions & Restrictions

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- Is the grant Ringfenced/Unringfenced
  - Each of the grant conditions will need to be checked to determine if it is ring-fenced or unringfenced, as this will affect how we treat and use the funding.

Ringfenced Grants	Unringfenced Grants
Ringfenced grants are aimed at specific services or priorities and have restrictions put on them, so they can only be used for a particular purpose	Unringfenced grants are ‘targeted grants’ directed at named categories of expenditure but without any ‘formal restrictions’ on what the money can be spent on
The nature of these grant awards often means they have repayment and other conditions attached	The nature of these grant awards often contain no repayment conditions <u>BUT</u> not always
<b>Example:</b> Public Health Grant	<b>Example:</b> Covid 19 Emergency Funding

# Grants Checklist

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- GMCA have now introduced a comprehensive checklist
- All new grant awards **must** now have a complete Grant Checklist
- Staff who perform Budget Monitoring will be responsible for ensuring checklists are compiled, reviewed and signed off by Principal Accountants and Heads of Finance before the Treasurer can approve.

## **Purpose**

- Acts as source document for the grant register
- Ensures grant awards are reviewed in detail
- Helps to identify any Key information
- Identifies any attached T's & C's



# Grants Checklist

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## Considerations

- Source of Grant (Government/European Union/Private Sector/Voluntary Sector/LA)
- Frequency of Grant
- Is it:
  - Revenue Grant?
  - Capital Grant ?
- Accounting treatment of grants and contributions.
- Impacts: Revenue budget monitoring & main statements in the final accounts
- Impacts: Capital budget monitoring & main statements in the final accounts

## Considerations for Budget Monitoring/Year End?

- Terms & Conditions
- Cash flow impact
- Time Limit? Risk of claw back?
- Future cost pressure to GMCA after grant period?
- Interpreting & Understanding condition's?

# Revenue Checklist

Revenue Grant Checklist			
Grant Name	Clean Air Fund - Revenue (Bus Replacement) - NO2 Plan Clean Air Fund 2021 (No31/5761)		
Awarding Body	DEFRA/DfT - Joint Air Quality Unit (JAQU) – Andrew Jackson		
Date of grant award letter	15/10/2021		
Value £	£162,400		
Financial year of award	2021/22		
Estimated date for receipt of cash	Not known		
Grant Conditions			
Spend deadline	Indicative 31/12/21 – to be confirmed by GM as part of final business case (FBC)		
Specific purpose	Bus Replacement - This will provide support for the admin of a scheme for the replacement of buses by SMEs under the GM plan.		
Section 31 Grant	Y	Repay unspent grant?	Y
Audit certification required	None specified		
Submission/claims process	Quarterly monitoring reports detailing progress with the implementation of the local plan.		
Monitoring			
Lead Directorate:	Transport	Lead Service:	TfGM
Named project lead:	Jamie Finnegan	Named Finance Lead	Allia Barkatali
Cost centre	TBC	Project Code	TBC
Grant documentation saved	Filepath		
Approvals			
Key decision (GMCA approval)	N	To be included in Quarter 2 revenue update report in November 2021	
Other approvals	None		
Grant register updated	Y/N	Completed by	
Sign off: Senior Finance Officer		Date:	
Sign off: Head of Finance		Date:	
Treasurer Certification			
Signature:	_____		
Date:	_____		

# Capital Checklist

Capital Grant Checklist			
Grant Name	Clean Air Fund - Capital - NO2 Plan Clean Air Fund 2021 (No31/5762)		
Awarding Body	Joint Air Quality Unit (JAQU) - Andrew Jackson		
Date of grant award letter	15/10/2021		
Value £	£3,248,000		
Financial year of award	2021/22		
Estimated date for receipt of cash	Not known		
Grant Conditions			
Spend deadline	Indicative 31/12/21		
Specific purpose - For what is the grant award to be used for?	Bus Replacement by SME's under the GM Plan - how can also be used to deliver air quality improvements or individuals/businesses affected by local air quality plans		
Requirement to repay unspent grant?	Y		
Section 31 Grant	Y		
Audit certification required	Declaration from Chief Executive & Chief Internal Auditor by 31/12/22		
Submission/claims process (Provide details)	First Submission 31/12/21 followed by subsequent quarterly submissions		
Monitoring			
Lead Directorate:	Transport	Lead Service:	
Named project lead:	Jamie Finnegan	Named Finance Lead	Allia Barkatali
Cost centre	TBC	Account Code	7000
Grant documentation saved	(Filepath)	Project Code	TBC
Approvals			
Key decision (GMCA approval)	Y	To be included in update to Qtr 2 update to Capital Programme in Nov 2021	
Other approvals	None		
Grant register updated	Y/N	Completed by	(Name)
Sign off: Senior Finance Officer	(Name)	Date:	
Sign off: Head of Finance	(Name)	Date:	
Treasurer Certification			
Signature: _____			
Date: _____			

# New Grants Process - Checklist

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## Checklist

- Each Grant checklist must be compiled at the time of award
- Reviewed and signed off by Principal Accountant
- Reviewed and signed off by Head of Finance
- Reviewed and signed off by Treasurer (Treasurer will not sign off grants without a checklist)

## Grant Register

- Must be reviewed and updated on a regular basis – Review of cost centres for any new grant awards should form part of quarterly budget monitoring reports

# Grants Register Overview

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**Record of all Capital and Revenue grants awarded in year.**

**Provides a snap shot of Key information:**

- Award Amounts and Conditions
- Spend in year
- Receipts in Advance (RIA)
- Reserves Balance

**Benefits – Why is it important**

- Used to finalise the rev/cap outturn position and inform the preparation of the year-end notes
  - Note 13 Grants and Contributions Income / Note 14 Grants and Contributions Received in Advance / Note 16 Tax and Non-Specific grant Income
- Understanding T's & C's, updates on the current grant position, records any changes, extensions and other important information
- Ensures all supporting evidence is efficiently compiled
- Supports Budget monitoring / setting – helping to identify and forecast multiple grant income streams

# Latest Grants List

Auth	Type	Purpose	Grant Name	Awarding Body	Award £m
GMCA	Revenue	Other	Rough Sleeper Accommodation Programme	MHCLG	£0.226m
GMCA	Revenue	Other	UKSPF	DLUHC	£69.523m
GMCA	Revenue	Skills	Multiply	DLUHC	£14.385m
GMCA	Revenue	Other	Rough Sleeping Initiative	MHCLG	£1.107m
GMCA	Revenue	Other	Growth Hub	BEIS	£0.780m
GMCA	Revenue	Other	Homelessness – Out of Hospital Care	MHCLG & Dept of Health & Social C:	£0.523m
GMCA	Revenue	Other	Housing First Pilot Grant	MHCLG	£1.120m
GMCA	Revenue	Other	Innovation & Reform Funding	DfE	£7.430m
GMCA	Revenue	Other	LRF Funding Pilot Programme	MHCLG	£0.222m
GMCA	Revenue	Other	GM Community Accommodation Services	HMPPS	£2.962m
GMCA	Revenue	Other	Rough Sleepers Initiative	MHCLG	£1.000m
GMCA	Revenue	Other	LRF Pilot Innovation Fund	DLUHC	£0.085m
GMCA	Revenue	Other	Local Data Accelerator Fund	DLUHC	£0.440m
GMCA	Revenue	Other	Local Data Accelerator Fund RG110b	DLUHC	£0.025m
GMCA	Revenue	Other	Local Data Accelerator Fund RG110c	DLUHC	£0.030m
GMCA	Revenue	Other	UK Community Renewal Fund	DLUHC	£4.326m
GMCA	Revenue	Retrofit	Biodiversity Net Gain	DEFRA	£0.010m
GMCA	Revenue	Retrofit	Local Nature Recovery Strategy Local Capacity Seed Funding Gr	DEFRA	£0.016m
GMCA	Revenue	Skills	Adult Education Budget 1b	DfE	£97.696m
GMCA	Revenue	Skills	AEB -National Skills Fund Level 3 Adult Offer	DfE	£8.378m
GMCA	Revenue	Skills	Changing Futures Development Grant	MHCLG	£4.775m
GMCA	Revenue	Skills	Digital Bootcamp	DfE	£0.500m
GMCA	Revenue	Skills	Digital Skills Academy Fund	DCMS	£3.000m
GMCA	Revenue	Skills	Future Workforce Fund	DfE	£7.000m
GMCA	Revenue	Skills	Self Employment Pilot Programme	DfE	£10.000m
GMCA	Revenue	Skills	Skills Analysis Panel Grant	DfE	£0.075m
GMCA	Revenue	Skills	Kickstart Scheme	DWP	£0.035m
GMCA	Revenue	Skills	ESF NEET	DWP	£11.850m
GMCA	Revenue	Skills	Construction Retrofit Bootcamp	DfE	£0.475m

# Grants List (Cont.)

Auth	Type	Purpose	Grant Name	Awarding Body	Award
					£m
GMCA	Revenue	Transport	Better Deal for Bus Users	DfT	£1.590m
GMCA	Revenue	Transport	Bus Service Operators Grant	DfT	£13.151m
GMCA	Revenue	Other	Gainshare / Earnback (p.a.)	MHCLG & HM Treasury	£30.000m
GMCA	Revenue	Transport	GM Clean Air Plan (Bus replacement)	DEFRA	£0.162m
GMCA	Revenue	Transport	Enhanced Partnership Scheme Grant	DfT	£0.100m
GMCA	Revenue	Transport	Mini-Holland Feasibility Funding	DfT	£0.079m
GMCA	Revenue	Transport	City Region Sustainable Transport Settlement	DfT	£8.445m
GMCA	Revenue	Transport	City Region Sustainable Transport Settlement	DfT	£35.000m
GMCA	Revenue	Transport	Bus Service Improvement Plan	DfT	£95.000m
					<b>£431.521m</b>
GMCA	Capital	Housing	Brownfield Fund	DCLG	£97.000m
GMCA	Capital	Transport	GM Clean Air Fund	DfT	£83.600m
GMCA	Capital	Transport	GM Clean Air Fund	DfT	£3.248m
GMCA	Capital	Transport	Pothole Action Fund	DfT	£15.526m
GMCA	Capital	Retrofit	Public Sector Decarbonisation	BEIS	£19.000m
GMCA	Capital	Retrofit	GM Unlocking Public Decarbonisation 3	BEIS	£15.534m
GMCA	Capital	Transport	ZEBRA	DfT	£35.730m
GMCA	Capital	Transport	City Region Sustainable Transport Settlement	DfT	£173.000m
GMCA	Capital	Other	Gainshare / Earnback (30 Yrs)	MHCLG & HM Treasury	£300.000m
GMCA	Capital	Other	UKSPF	DLUHC	£14.328m
					<b>£756.966m</b>
					<b>£1,188.487m</b>

# Examples



# Housing Investment Loan Fund (HILF)

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## Background

- HILF is a £300m loan from government which was provided in 2015 for the establishment of a Housing Fund – the key requirements being: i) that the funding provided to developments is considered an investment through either debt or equity (rather than a grant) and; ii) that the funding is used to deliver new homes.
- The investment period is 10 years, through to 2025 with a subsequent 3 years for repayment of the loan.
- 80% of the £300m loan is underwritten by the GMCA.

# Housing Investment Loan Fund (HILF)

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## Statistics on the Fund

- £682.4m of funding committed to date - £656m of debt and £26.4m of equity.
- 8,465 homes created to date and therefore on track to achieve the target of 10,000 homes.
- £69m provided to support SME developers, for delivery of 691 homes.
- £15m invested into social impact housing.
- £14m surpluses generated to date which have been used to fund:
  - Dedicated delivery team
  - Good Landlord Charter
  - Local Authority support
  - Progressing initiatives such as Net Zero Homes, Modern Methods of Construction and Green Finance for Retrofit

# Brownfield Housing Fund

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- £135.4m of funding received across 5 tranches from DLUCH.
- £66m deployed to date into 95 schemes.
- Contracted spend for FY 22/23 is £39.8m, latest forecasts show an underspend (principally due to project delays) of £13.4m.
- There is also a carried forward underspend from FY 21/22 of £9.5m (agreed with DLUCH) - cumulative projected underspend is therefore £22.9m.
- The underspend is to be deployed:
  - Into existing Brownfield schemes which also have HILF debt, in order to absorb the HILF over commitment
  - The balance into Stockport Interchange (an existing Brownfield scheme)
  - Underspend will be deployed as debt and recycled to be used for the originally intended schemes

# Case study – Stockport Interchange

## Stockport Interchange

In order to support the expansion and regeneration of Stockport, GMCA has approved up to £9.3m of patient equity investment and £21.5m senior debt funding, alongside a £3m allocation from the Brownfield Housing Fund.

The scheme includes a residential development alongside a multi-million-pound transformation of Stockport's existing bus station into a modern transport interchange. The project includes the creation of a public park, enhanced connectivity to the railway station, Mersey shopping centre and the River Mersey frontage.

The residential development will deliver 196 well needed new homes by 2024. It is a key component of plans to regenerate 130 acres of brownfield land to the west of the town centre, anticipated to be a catalyst for further private sector investment in the town.

