

GMCA Audit Committee

Date: 31 July 2024

Subject: Assessment of Going Concern Statement

Report of: Steve Wilson, GMCA Treasurer

PURPOSE OF REPORT

This report informs members of an assessment of the Greater Manchester Combined Authority (GMCA) as a going concern with a forward look at the position for the next 12-18 months.

RECOMMENDATIONS:

Audit Committee is requested to:

1. Consider and comment on the outcome of the assessment made of the GMCA's going concern position and the conclusion that there is no material risk to going concern.

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BACKGROUND PAPERS:

- Audit Committee, 21 July 2023 – GMCA Assessment of Going Concern Statement
- Greater Manchester Combined Authority 9 February 2024 - GMCA Revenue and Capital Budgets 2023/24
- Police, Fire and Crime Panel 30 January 2024 – 2024/25 PCC Budget and PCC Component of the Mayoral Precept
- Police, Fire and Crime Panel 21 March 2024 – Police Fund Budget Report
- Greater Manchester Combined Authority 12 July 2024 - GMCA Revenue and Capital Provisional Outturn Reports 2023/24

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. INTRODUCTION

- 1.1 The report which informs members of an assessment of the Greater Manchester Combined Authority (GMCA) as a going concern with a forward look at the position for the next 12-18 months.
- 1.2 GMCA is required to demonstrate that it is a going concern and remains financially sound. The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.
- 1.3 As with all principal local authorities, the GMCA is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the GMCA's Statement of Accounts is prepared assuming that the GMCA will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the GMCA will realise its assets and settle its obligations in the normal course of business.

2. GOING CONCERN ASSESSMENT

- 2.1 The main factors which underpin the assessment of GMCA as a going concern are outlined below and include:
- GMCA's financial position
 - GMCA's strategic planning and budget framework

- The regulatory and control environment applicable to the GMCA as a local authority.
- GMCA balances and reserves.
- Economic climate.

3. GMCA FINANCIAL POSITION 2023/24

3.1 The GMCA is required to operate a balanced budget which broadly means that income received during the year will meet expenditure. Quarterly budget progress update reports are provided on a quarterly basis to GMCA during the year to provide oversight and assurance of the position throughout the year.

3.2 The revenue outturn for the year ending 31 March 2024 is categorised across defined areas of the authority. The position is shown in the table below:

Summary 2023/24	Approved Budget			Provisional Outturn			Provisional Variance		
	Exp £000s	Income £000s	Total £000s	Exp £000s	Income £000s	Total £000s	Exp £000s	Income £000s	Total £000s
GMCA General	245,584	(245,584)	0	272,818	(274,938)	(2,120)	29,234	(31,354)	(2,120)
Mayoral	139,738	(139,738)	0	129,133	(129,133)	0	(10,605)	10,605	0
GMFRS	130,308	(130,308)	0	131,011	(131,011)	0	702	(702)	0
Waste	169,023	(169,023)	0	149,719	(149,719)	0	(19,304)	19,304	0
Transport inc:	311,898	(311,898)	0	367,463	(367,463)	0	55,565	(55,565)	0
Transport (TfGM)*	307,413	(247,413)	60,000	295,210	(295,210)	0	(12,203)	(47,797)	0

*TfGM budget was approved in February 2023, before mitigation measures were put in place.

3.3 GMCA's capital programme includes Greater Manchester Fire and Rescue Services, Economic Development and Regeneration programmes and the continuation of the programme of activity currently being delivered by Transport for Greater Manchester (TfGM) and Local Authorities. The GMCA approves the Capital Programme at its meeting to approve the budget for the following year in February and updated forecast outturns are provided on a quarterly basis. The provisional capital expenditure for 2023/24 was £541.1m compared to revised budget of £610.4m. The Police Fund capital programme is recorded separately in accordance with legislation and was a further £25.3m of spend in 2023/24 compared to a budget of £43.8m.

4. GMCA BUDGET 2023/24

- 4.1 The GMCA budgets form part of the Authority’s overall strategic planning framework. Budget planning focuses on delivery of the priorities in the Greater Manchester Strategy and its implementation plan in partnership with Greater Manchester local authorities, businesses, the voluntary and community sector and other stakeholders. The Mayoral precept and GMCA budgets support key areas of delivery for the strategy and its implementation plan, particularly in areas where the local investment can be supported by the GMCA.
- 4.2 GMCA has in place an annual budget setting process that culminates in the approval of the budget by the GMCA at its meeting in February. The reports during the budget process provide an overview of the proposed GMCA budgets for the following year and subsequent years where appropriate. The reports bring together the position on the Mayoral General Budget and precept proposals, the GMCA General Budget, GMCA Transport budgets including transport levy and statutory charge and the Greater Manchester Waste Services levy. The reports set out the implications of the proposed budgets and the resultant charges on Greater Manchester local authorities and the Mayoral precept. The 2024/25 GMCA budgets were approved by GMCA in February 2024 and Police and Crime Commissioner precept and budget agreed by Police, Fire and Crime Panel in January and March 2024.
- 4.3 Further information on the budget for each area of the GMCA can be found in the budget reports to GMCA on 9 February 2024. The comparison of revenue budgets is summarised below:

Budget	2023/24 Original Budget	2024/25 Original Budget
Mayoral General Budget	£139.7m	£140.1m
GMCA General Budget	£245.6m	£275.2m
GM Fire and Rescue Service	£130.2m	£139.3m

GMCA Transport Revenue Budget	£304.6m	£409.0m
Waste and Resources	£169.0m	£174.3m
Police Fund	£742.1m	£816.8m

5. MEDIUM TERM FINANCIAL PLANNING

GMCA General Budget

- 5.1 Under current funding arrangements for GMCA the confirmation of government funding varies considerably depending upon the nature of the grant. Some programmes have confirmed or indicative funding over the current Spending Review period and others operate with short term grant funding confirmed on an annual basis. As such medium term financial planning for GMCA programmes is restricted to the information available at the time of setting the budget for the following year and will be updated throughout the financial year as part of the quarterly financial update reports.
- 5.2 GMCA does not receive any core government funding to fund Corporate functions and costs have been supported from a combination of recharges to Fire and Rescue, Police and Crime and Adult Education, local authority contributions and non-recurrent funding. A new overhead recharge model was developed in 2022/23 and continued into 2023/24 to ensure that the cost of corporate functions are allocated in full and consistently applied across all activities of the organisation. This approach continues to be reflected in the budget for 2024/25.
- 5.4 The Corporate Services medium term financial plan (MTFP) for 2024/25 – 2026/27 includes the following planning assumptions:
- Employee related costs:
 - Pay award – 3% 2024/25, 3% 2025/26 and 3% 2026/27;
 - Changes relating to directly funded temporary posts;
 - Other services expenditure – changes to planned activities;

- Business Partnering Recharge for the direct cost of Corporate staff supporting GMCA grant funded programmes of work;
- Fees, charges and other income changes;
- Revised Corporate overhead recharge approach continues for 2024/25 to 2026/27;
- Local authority contribution – following 10% reduction in 2021/22 and no increase in 2022/23 and 2023/24, there is now a decrease in 2024/25 from £8.6m to £8.5m since Rochdale Council withdrew its contribution of £99k to MIDAS which has been removed from the district contribution recharge. It is assumed that this will continue in 2025/26 and 2026/27;
- Deposit interest of £2.3m with no further increase over the period up to 2026/27.

Police, Fire and Crime

5.5 The 2021 Spending Review was for the three year period 2022/23 – 2024/25 which provided some clarity for planning purposes at the time. Planning assumptions for 2025/26 and 2026/27 therefore remain subject to significant uncertainty around future national funding allocations for Policing. The most significant uncertainty with PCC and Fire and Rescue Service expenditure relates to the pay award for which additional grant funding was provided by Home Office towards the Police Officer pay award in 2023/24, however pay award for Police staff and the Fire and Rescue Service has been met from local resources.

5.6 Fire and Rescue services have received a 6.5% increase in core spending power and with flexibility on council tax precept for stand-alone Fire Services of £5 for a one-year period. The baseline funding from Revenue Support grant and Top-up grant has increased by £2.401m from the 2023/24, net of pension funding. The pension grant, previously paid under a separate Section 31 grant, has now been allocated through the Revenue Support Grant as part of the baseline funding. Payment has been added on a flat cash basis as per previous years from 2019/20 to 2023/24. This represents an increase in total Government funding for the service of just over 2.4% which falls some way short of the pay and non-pay inflation pressures faced by the service. Precept income from a £5 increase (for a

Band D property) in the Fire and Rescue precept is estimated to provide an additional £5.1m (8.5%) in 2024/25 and at this stage no further increase in precept has been included in the MTFP up to 2025/26. Estimated pay and price inflation has been included in the MTFP which creates a requirement for additional resources of £2.4m in 2025/26 and £2.5m in 2025/26.

- 5.7 The 2024/25 Police and Crime Commissioner total revenue budget is £816.8m which is an increase of £74.4m (10.1%) compared to 2023/24. The Spending Review in October 2021 confirmed initial grant funding for police forces for the three years 2022/23 – 2024/25, with national increases of £550m in 2022/23, £650m in 2023/24 and £800m in 2024/25. In December 2023 the 2024/25 Provisional Settlement was announced in Parliament and details were released to Police and Crime Commissioners. Funding for the police comes both directly from a Central Government grant (75%) and from the police precept (25%). This is an overall funding package for Police and Crime in Greater Manchester of £816.9m revenue an increase of £48.2m, of which £26.2m relates to funding for additional unavoidable costs compared to 2023/24. Whilst additional grant funding is welcome to meet unavoidable existing pay and pensions costs, in real terms this provides a below inflation increase of 1.5% for Greater Manchester to meet pay and price pressures in 2024/25.
- 5.8 The national core grant funding for police and crime across England and Wales in 2024/25 has increased by £184.1m to cover the pay award, £150m to ensure the maintenance of officers for the Police Uplift Programme, £259m to cover the increased costs of police employer pensions contributions and £26.8m one-off top-up funding amount of to be provided in recognition of the software development and administrator costs associated with the delays to the implementation of the McCloud (pensions) remedy.
- 5.9 The Spending Review 2021 initially confirmed that for every year of the three-year Spending Review, PCCs would be given a £10 precept flexibility, however, it was decided that given the inflationary pressures facing forces, a £13 precept flexibility would be given for 2024/25 only. Due to historic differences in council tax the proportion that £13 represents can vary significantly between force areas. Greater

Manchester is in the lowest quartile in England for the precept, in 2023/24 on average, 34% of Police budgets were made up from Council tax, for Greater Manchester this was 25%.

- 5.10 A revision of the MTFP for police has been undertaken to identify resource to support priority improvement projects over the three years. The resource to support these priorities has been identified from a review of the whole of the Police Fund budget and a revision of the MTFP.

Waste and Resources

- 5.11 The Waste and Resources budget is funded from a levy on the nine GM local authorities that are part of the GM waste contract. The waste budget for 2024/25 is £174.3m, which represents a 3.1% increase from 2023/24. The MTFP estimates levy charges of £180.8m in 2025/26 and £189.2m in 2026/27. A number of assumptions have been made which take a balanced view of the risks facing the service in 2024/25 and beyond.

Transport

- 5.12 The GM Transport budget for 2024/25 of £409.0m is an increase of £104.4m compared to 2023/24 and provides the funding for TfGM and capital financing charges for transport infrastructure investment. The increase in funding is met from government grants for transport scheme development and planned funding for Bus Franchising.
- 5.13 The levy and statutory charge of £119.5m made to Greater Manchester local authorities is an overall increase of 4% from 2023/24 (3% of which will be recurrent with a 1% one off increase in 2024/25).
- 5.13 In line with recent years, TfGM's core budget continues to be managed within the same funding envelope by making year on year savings from various sources, with the levy increase agreed 2023/24 fully ringfenced for investment in bus franchising activities. This has been challenging in the context of the additional activities that TfGM continues to be requested to deliver, the continuing inflationary pressures on

budgets and the amount of expenditure which is unavoidable due to it being related to statutory obligations.

- 5.14 As for previous recent years, there remain uncertainties in relation to Metrolink and Bus passenger volumes and net revenues now recovery funding from Government is coming to an end. As for previous recent years, in order to support the signing of TfGM's financial statements, TfGM will be providing a statement, supported by evidence, that TfGM has sufficient resources to meet its cash requirements for a period of 12 months after the date of signing of the accounts. The statement will provide a forecast of cash, as demonstrated by the level of available 'Usable' revenue reserves, based on factors including the current Bus Franchising and Metrolink net revenue forecasts. These include key assumptions which underpin the projections and set out the key outputs of the base case position and sensitivity analysis.

Capital programme

- 5.15 The GMCA capital programme for the four year period 2023-2027 includes Economic Development and Regeneration programmes, Waste and the continuation of the programme of activity currently being delivered by GMCA, TfGM and local authorities. The capital programme over the three-year period 2024/25 – 2026/27 is £1.999 billion of which £685.2m is planned for 2024/25 to be funded mainly from capital receipts, grants and long-term borrowing. Provision has been made in the revenue budgets for the associated financing costs.
- 5.16 Capital schemes and associated expenditure profiles have been impacted by global pressures on construction materials availability, associated pricing and inflationary pressures. It is anticipated that these impacts will continue in the medium term. The organisation has responded to this by TfGM and local authority partners bringing together all planned infrastructure expenditure with revenue and capital funding requirements up to the end of March 2027 to support prioritisation and contingency planning within available resources.

6. GMCA BALANCES AND RESERVES

6.1 GMCA General Fund Reserve was £45m as at 31/03/24. Given the current scale of activities falling on the General Budget, the level of General Fund Reserve held is felt to be appropriate. The Authority also holds £554m of Earmarked Revenue Reserves as at 31 March 24 compared to £571m at 31 March 23, a decrease of £17m. The majority of the change relates to:

- Use of Waste and Resources reserve as a result of the decision to return £27m to GM Districts following 2022/23 underspend.
- Funding from GMCA to TFGM for Metrolink financing costs and Bus Service Improvement Programme.
- Increase in relation to 2023/24 business rates retention growth which is committed to support Greater Manchester priorities from 2024/25 onwards, and retention of grant funding for future years.
- Use of Home Office infrastructure reserve set aside in prior year to fund increase in police officer numbers.

GMCA Cash flow Model

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

6.3 The treasury portfolio position for the GMCA is managed at a group level, including TfGM, which means that the combined cash flows of all the consolidated organisations will be taken into account when investing temporary surplus funds or making arrangements to meet borrowing needs. Each financial year an annual cash flow model is set up that establishes the significant items of income and expense, together with dates of these items. This gives an overview of the potential

borrowing or short and long-term investment decisions that may be required. This is then updated on a daily basis and reported to the Treasurer.

- 6.5 The GMCA recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority uses Link Asset Services as its external treasury management advisors. The GMCA will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.
- 6.6 It is clear 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, the treasury advisers.

Treasury Management

- 6.7 The Annual Treasury Management Outturn Report for 2023/24 is on the agenda for this meeting and sets out the responsibility of the Authority to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities. The report includes the Authority's debt position at 31 March 2024 of £1.396 billion against the various thresholds set under the code of practice and highlights that the Authority is significantly under these thresholds. Furthermore, the Authority is under borrowed in terms of its capital financing requirement through the use of 'internal borrowing' from its own cash reserves.
- 6.8 The Treasury Management Practices (TMPs) document governs the way the Authority will seek to achieve its treasury management objectives, and how it will manage and control those activities. It is reviewed on an annual basis to comply with the Treasury Management Code of Practice.
- 6.9 The GMCA has an annual Capital Strategy which was approved by the GMCA in March 2024 and provides the medium to long term context in which capital

investment decisions are made and the governance for those decisions. It also gives a summary of the GMCA approach to investments and the Treasury Management Strategy and the Treasury Management Strategy Statement for 2024/25.

7. REGULATORY AND CONTROL

- 7.1 The Annual Governance Statement sets out the detailed arrangements within GMCA and is reported separately on the agenda for this meeting.

Governance Arrangements

- 7.2 The GMCA's corporate governance structures and scrutiny arrangements ensure that they are sufficient to meet the expanding role of GMCA and the delivery of its core functions and services. GMCA has established a number of boards, panels and committees which receive regular reports on transport, housing, economy and investment matters. During 2022/23 the Authority reviewed its scrutiny arrangements with recommendations being implemented to improve effectiveness. The Authority has the statutory posts of Head of Paid Service, Monitoring Officer and the Treasurer (Chief Financial Officer) who form part of the Senior Management Team in addition to the current political arrangements.
- 7.3 An overview of this governance framework is provided within the GMCA Annual Governance Statement and Code of Corporate Governance 2023/24. This includes a detailed review of the effectiveness of the council's governance arrangements which concludes that the existing arrangements remain fit for purposes and provides assurance of their effectiveness. The Authority is required to operate within a highly legislated and controlled environment and particular emphasis of this can be exemplified and demonstrated with the financial controls in place. Examples of controls include the requirement of full authority to approve a balanced annual budget, but within that to consider and have regard via assurance from the Treasurer as to the robustness of the budget, its estimates and the adequacy of reserves held.

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

8. ECONOMIC CLIMATE

8.1 There is an inherent financial risk across all areas of the GMCA with inflation as a consequence of the challenging global economic environment and the cost-of-living crisis. The outcome of pay negotiations is difficult to predict and the availability of government funding to meet pressures is not confirmed.

8.2 In the last 12 to 18 months, like all organisations, GMCA has been adversely impacted by cost inflation and other cost and supply pressures which are impacting the supply of services and infrastructure. This includes but is not limited to service delivery costs which are largely staff and energy related costs and supplies for construction projects. The organisation continues to monitor and mitigate these costs as far as possible and is adjusting, as appropriate, its expenditure and funding budgets for this year to reflect this position.

9. CONCLUSION

9.1 The assessment of the GMCA's status as a "going concern" for the purposes of the Statement of Accounts 2023/24 demonstrates that the Authority is performing effectively and is in a good position to respond to the current and emerging challenges and risks and there is no material risk to going concern for the next 12-18 months.