

GREATER MANCHESTER COMBINED AUTHORITY

Date: 27th November 2020
Subject: GMCA COVID Finances Update 2020/21
Report of: Cllr David Molineux, Portfolio Lead for Investment & Resources
Steve Wilson, GMCA Treasurer

PURPOSE OF REPORT

The purpose of this paper is to update the Combined Authority on the financial implications of COVID 19 for GM Districts, GMCA and TFGM for the current financial year (2020/21)

It includes a summary of the latest returns from the ten GM districts, and update on GMCA budgets including TFGM and Metrolink.

RECOMMENDATIONS:

The GMCA is asked to:

1. To note and comment on the contents of the report.
2. To note the estimated financial impacts of COVID 19 on GM districts, GMCA and TFGM budgets.

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|--|----|
| 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 |

Risk Management

Legal Considerations

Financial Consequences – Revenue – these are set out within the report

Financial Consequences – Capital - n o n e

BACKGROUND PAPERS: COVID 19 Finance update
September GMCA

GMCA COVID Finances Update 2020/21

1. Introduction

- 1.1 The purpose of this paper is to update the Combined Authority on the latest forecast financial implications of COVID 19 for GM Districts, GMCA and TFGM for 2020/21.
- 1.2 It includes a summary of the latest returns from the ten GM districts, and an update on GMCA budgets including TFGM and Metrolink.
- 1.3 The information presented reflect submissions made by the GM Districts at the end of October 2020/21

2. Summary of overall Financial Impact of COVID 19 Across GM

- 2.1 The table below shows the overall impact of COVID 19 across the ten GM authorities, the GMCA, TFGM and Metrolink. It is important to note this is only for the financial year 2020/21 and doesn't include any ongoing financial impact of COVID 219 beyond the current financial year.

Table 1: COVID 19 Financial Impact 2020/21

| Description | Additional Costs (£m's) | Lost Income (£m's) | Total (£m's) | Funding to Date (£m's) | Net Costs (£m's) |
|----------------------|-------------------------|--------------------|--------------|------------------------|------------------|
| GM Local Authorities | 322 | 371 | 693 | 344 | 349 |
| GMCA (Exc Metrolink) | 13 | 39 | 52 | 3 | 49 |
| Metrolink | 0 | 57 | 57 | 57 | 0 |
| Total | 335 | 467 | 802 | 404 | 398 |

- 2.2 The table shows the overall impact of COVID 19 on Greater Manchester Authorities is estimated to be £802m in 2020/21 alone.
- 2.3 Government funding for the various areas of financial pressures has totaled £404m so far leaving a net impact of £398m.
- 2.4 The estimate of the gross financial impact of COVID 19 across GM authorities has increased significantly since the previous estimate. This is largely as a result of the growing level of infections seen in the post summer period and further restrictions put in place to manage the impact.
- 2.5 In September we reported to the Combined Authority that the gross financial impact before funding was forecast to be £755m so we have seen an increase of £47m since last reported. However whilst the gross impact has increased by circa 6% the funding provided has also increased with GM local authorities receiving a further £71m of Government funding from the fourth tranche which totaled £1bn nationally. The GM share of 7.1% represented an increase on previous funding shares.

- 2.6 The figures shown above do not include re-imburement for lost sales, fees and charges income which is now provided through a new Government scheme. The first tranche of submissions have been returned by the districts and GMCA and we await confirmation of funding.
- 2.7 If these claims are successful the net cost to Greater Manchester could reduce by circa £45m reducing the net impact to £353m
- 2.8 The position is still subject to a significant number of assumptions and variables over the rest of the financial year and must therefore be heavily caveated.

3. Latest Assessment of Financial Impact on GM Local Authorities

- 3.1 Local Authorities across the ten GM districts submitted their latest and seventh COVID financial returns to Government at the end of October.
- 3.2 The table below shows the impact by area of both the increase in costs faced by the GM local authorities and the loss of revenue

Table 2: COVID 19 Financial Impact on GM Local Authorities by Spend Area 2020/21

| Cost Area | Additional Costs (£m's) | Income Source | Lost Income (£m's) |
|------------------------------|-------------------------|--------------------------------|--------------------|
| Adult Social Care | 150 | Business rates (after reliefs) | 68 |
| Childrens Social Care | 18 | Council Tax | 68 |
| Education | 4 | Sales fees and charges | 67 |
| Highways and Transport | 3 | Commercial | 159 |
| Public Health | 30 | Other income | 9 |
| Housing (Exc HRA) | 14 | Total | 371 |
| Cultural & related | 22 | | |
| Environmental and regulatory | 10 | Total | 693 |
| Planning and development | 3 | | |
| Finance and corporate | 21 | | |
| Other | 47 | | |
| Total | 322 | | |

4. GMCA Budgets

- 4.1 The financial impact on GMCA and TFGM budgets is analysed in the section below. This includes the impact in the following key areas:
- i) Waste Disposal Budgets
 - ii) Greater Manchester Fire and Rescue Budgets
 - iii) Core GMCA Running Costs
 - iv) Retained Business Rates Growth
 - v) Transport Budget, TFGM and Metrolink

4.2 The current forecast impact for 2020/21 is shown in the table below with further details for individual areas:

Table 3: COVID 19 Financial Impact on GMCA 2020/21

| Description | Additional Costs (£m's) | Lost Income (£m's) | Total (£m's) | Funding to Date | Net Costs |
|--------------------------------|-------------------------|--------------------|--------------|-----------------|-------------|
| Waste | 4.8 | - | 4.8 | - | 4.8 |
| GM Fire & Rescue Service | 2.5 | - | 2.5 | 2.6 | 0.1 |
| Other GMCA Budgets | 4.7 | - | 4.7 | | 4.7 |
| Retained Business Rates Growth | - | 35.0 | 35.0 | | 35.0 |
| TFGM (excluding Metrolink) | 1.0 | 4.0 | 5.0 | | 5.0 |
| Total | 13.0 | 39.0 | 52.0 | 2.6 | 49.4 |

(i) Waste Budgets

4.3 Nine of the ten GM local authorities collaborate in the GM waste disposal service with Wigan having their own separate arrangements.

4.4 The service is funded through a levy to the nine districts and an agreed approach to dealing with any variance in costs due to higher or lower levels of waste being collected by the districts for disposal through the GM service. This adjustment is known as the levy allocation methodology agreement or LAMA.

4.5 The impact of COVID 19 on the first seven months of the 2020/21 financial year has led to increased tonnages of waste being collected by the districts both in terms of residual waste and commingled recyclables. The cost of the higher levels of residual waste is forecast to be £4.8m for 2020/21 with the higher levels of recyclable and commingled waste estimated at £1.9m. The additional costs are, however, offset by a number of savings including the increased rebate on recyclables and a forecast saving against the budgets set aside for the costs of Brexit of £5m.

4.6 The overall forecast impact on the waste budget for 2020/21 is shown in the table below and is currently estimated to be a £0.307m overspend for the year. As stated above though this is an estimate and is likely to change over the remainder of the year with collection tonnage level remaining somewhat volatile.

Table 4: GM Waste Budgets 2020/21

| Description | Budget £m | Actual £m | Variance £m |
|---------------------------|----------------|----------------|--------------|
| Operational Costs | 109.667 | 113.123 | 3.456 |
| Operational Financing | 49.118 | 46.822 | (2.296) |
| Office Costs | 5.755 | 4.812 | (0.943) |
| Non Operational Financing | 2.702 | 2.792 | 0.090 |
| Total Budget | 167.242 | 167.549 | 0.307 |

- 4.7 If the agreed cost allocation methodology (LAMA) was applied based on the current estimates of waste levels for the financial year there would be a recharge to the nine districts of £4.892m. This would result in a current forecast underspend against the GM budget of £4.585m for the year.
- 4.8 As detailed previously it has been agreed that where possible the increased cost of the LAMA charges to districts will be offset by a return of levy funding to at least cover the costs of the excess charge.
- 4.9 Based on the updated forecast for waste tonnages a return of levy funding of £6.720m would ensure no districts had a net cost of waste over their budgeted figure for 2020/21. The potential return of levy funding would be based on the waste contribution and not on the LAMA figures in order to protect the integrity of the LAMA.
- 4.10 This refund would be funded from the overall underspend post the levy contribution and a net contribution to or from reserves. Based on the latest analysis this would mean the underspend of £4.585m and an additional allocation from waste reserves of £2.135m.
- 4.11 For all but the district with the highest LAMA charge this would mean a net benefit against their overall waste budget. Those eight districts would share a benefit of £1.801m.
- 4.12 This proposal will need to be monitored each month to ensure it is affordable and any final drawdown of reserves if required will need to be approved in due course.
- 4.13 This refund would be additional to the previously agreed refunds of £15m at the July 2020 meeting and £5m at the September 2020 meeting of the GMCA. There will be further work undertaken to review the remaining waste reserves in the coming months with the potential for further funding to be returned to districts.

(ii) Greater Manchester Fire & Rescue Service

4.14 GMFRS has been a critical part of the COVID response across GM and have, as a result incurred costs in a number of areas.

4.15 The costs are set out in the table below and are covered by £2.6m of Government funding.

Table 4: GM Waste Budgets 2020/21

| Cost Area | Additional Costs (£m's) |
|--------------------------|--------------------------------|
| Pre-Arranged Overtime | 1.474 |
| Other Overtime | 0.185 |
| PPE | 0.162 |
| Cleaning and supplies | 0.103 |
| ICT Costs | 0.300 |
| Other Costs/ lost income | 0.251 |
| Total | 2.475 |

(iii) Core GMCA Budgets

4.16 GMCA budgets are forecast to break even in 2020/21 net of a reduction to funding of £1m. The combined authority committed in September to reduce its core running cost by £1m. This represents 25% of core running costs and is being delivered through largely non recurrent efforts to support a one off freeing up of resources to return to the GM districts or invest in GM schemes to support the response to the pandemic.

4.17 The combined authority have, however, deployed a number of reserves to manage the impact of covid 19 across the region. This includes funding for the provision of the “Everybody In” scheme to support rough sleepers and underwriting the cost of securing PPE for front line staff across GM.

4.18 The cost of these schemes, as well as additional investment to support the work of the CA during lockdown, is £4.7m for GMCA

(iv) Retained Business Rates Funding

4.19 GM local authorities retain an element of their business rates growth under the pilot scheme introduced a number of years ago.

4.20 As reported to previous meetings of the combined authority it is currently assumed that the anticipated receipts of growth funding in 2020/21, previously expected to be £35m will not now be received.

4.21 As a result the CA has had to reduce the number of potential schemes that could be funded from this budget.

(v) Transport Budgets and TFGM

4.22 Transport budgets, in particular Metrolink, continue to come under significant pressure from the impact of COVID 19 and the lockdown period.

4.23 Excluding the impact of the loss of Metrolink fares revenue TFGM is forecasting a potential deficit in 2020/21 of £5m which is made up of a number of items including lost income from tendered services and lost departure charges income of around £4m and additional costs of £2.5m. The impact is offset by some operational savings including furloughing of staff.

4.24 Bus companies continue to be funded at pre-covid activity levels through central Government support and the continuation of local funding for concessionary travel also at pre-covid levels. This excludes funding for “our Pass” which will continue to be paid on an actual basis. Forecasts for “our pass” activity for the year will be continue to be reviewed.

4.25 Any cessation of Government support for the bus sector would have a significant impact on the provision of services in GM and potentially lead to TFGHM having to pick up the mileage and costs of some services.

4.26 Turning to Metrolink, patronage on the network continues to be significantly lower than normal which is having a material effect on fare box income for the network. The total shortfall for 2020/21 is forecast to be between £53m and £61m. A package of support from central government had been agreed which will cover these costs in full, subject to a reconciliation exercise and a Ministerial review in January 2021 to review the latest position.

5. Support for GM Authorities from GMCA Budgets

- 5.1 There are a number of areas where GMCA has been able to support the finances of the GM local authorities through a review of the reserves held by the CA and where possible the return of these reserves to districts.
- 5.2 These have been the subject of approvals at previous CA meetings and are summarised in the table below:

Table 5: GMCA Support to Districts

| Description | Total Benefit to Districts £m's | Comments |
|--|------------------------------------|--|
| <i>Return of Funding</i> | | |
| Waste Reserves | 20.00 | Strategic review of waste reserves |
| Waste LAMA | 6.72 | To be confirmed based on final tonnage figures at year end |
| RIF Homeless funding | 2.00 | Funded "everyone in" scheme |
| Business Rates | 16.80 | Proposed return of funding to districts from the retained business rates reserve |
| CA Budgets | 1.00 | 25% of core budgets |
| Sub-total Return of funding | 46.52 | |
| <i>Deferral to future years</i> | | |
| Bus reform | 17.80 | Funding for a potential bus reform decision to be phased later in programme |
| Transport Levy Phasing | 20.00 | Potential to re-phase transport levy payments to manage immediate financial pressures. Figure to be confirmed. |
| Sub-total deferral | 37.80 | |
| Total | 84.32 | |

6. Recommendations

- 6.1 The GMCA is asked to:
3. To note and comment on the contents of the report.
 4. To note the estimated financial impacts of COVID 19 on GM districts, GMCA and TFGM budgets