

# COVID 19 GMCA Financial Impact and Reserves Analysis

Corporate Issues and Reform Overview and  
Scrutiny Committee

8<sup>th</sup> September 2020

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GMCA Treasurer

# Agenda

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1. Recap of story so far
2. GM Waste Disposal
3. Business Rates Retention
4. Transport Budgets & TFGM
5. GMCA Budgets
6. Next Steps

# Re-cap of Story So Far

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- June Special CA meeting highlighted significant financial impact of COVID 19 across GM authorities, costs of over £700m with funding of £272m and only £92m of reserves available let a large financial gap
- July CA paper identified a number of proposals in terms of returning funds from GMCA to GM Districts to support the financial challenges they faced
  - Waste Reserves £15m
  - Cover for Waste LAMA impact £6m
  - Deferral of Bus reform statutory charge beyond 20/21 (if decision made) £17.8m
  - Funding of 2020/21 GMIP development costs from TCF releasing £10m of potential commitments from business rates
- Paper identified next steps as
  - Further review of waste reserves
  - Review of GMCA and TFGM budgets
  - Review of uncommitted business rates funding
  - Further analysis of transport reserves and bus reform funding

# Update - GM Waste Disposal – 2020/21

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- Further review has taken place on waste reserves
- Tonnages have stabilised in last two months
- Two significant insurance claims nearing conclusion
- Pension transfer to GMPF nearly complete
- Outcomes from further review:
  - Additional £5m to be returned to districts from reserves
  - Final review of other reserve to be undertaken when risks settled, likely to be 2 – 3 months
  - Impact on LAMA will continue to be monitored, still aim to offset through reserves (at a current forecast cost of £6m) but remains a risk to this if tonnages increase again eg through second wave and lockdown
- Next Steps
  - Review of budget and levy for 2021/22

# Update - Retained Business Rates

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- Full review undertaken of approved and potential business rates commitments
- Initial review by GMCA officers has categorised remaining agreed and potential schemes as:
  - Contractually committed
  - Low risk if not delivered/alternative funding source identified
  - Medium risk if not delivered
  - High risk if not delivered
- Currently £63.5m of funding available
  - £26.7m contractually committed
  - £36.8m not contractually committed
    - Not delivering Low and Medium risk schemes would allow £12.3m of this to be returned to districts
    - 10 Schemes assessed as high risk if not delivered total £24.5m

# Update - Retained Business Rates (2)

Description	Original Amount	Revised Amount	Savings	Comments
	£'000s	£'000s	£'000s	
<b>Available funding</b>	63,527	63,527		<b>Zero forecast income for 2020/21</b>
Original Commitments	(32,046)			
<b>Made up of:</b>				
Contractually Committed		(26,718)		
Not contractually committed		(4,522)		Industrial strategy, Cricket strategy & Spatial framework
Identified savings			(806)	Digital Strategy, Environmental plan
<b>Subtotal</b>	<b>31,481</b>	<b>32,287</b>	<b>(806)</b>	
Original Additional Proposals	(44,395)			
Contractually Committed	0			No funding agreed by CA yet
Not contractually committed		(20,145)		See separate breakdown
Low risk potential Savings			(10,700)	Identified Reductions - GMIP (£20m) Town Centre Challenge (£0.7m)
Medium Risk Potential savings			(13,550)	Identified reductions - Skills (£1.05m), RIF (£1m) and Green (£1.5m)
<b>Total</b>	<b>(12,914)</b>	<b>12,142</b>	<b>(25,056)</b>	With no 2020/21 income original proposed commitments not affordable

## Uncommitted Funds

Low Risk	(1,408)
Medium Risk	13,550
High Risk	24,667
	<b>36,809</b>

# Remaining Schemes (1)

Remaining Schemes	Total £'000s
<b>Industrial Strategy</b>	<b>2,877</b>
<p>Programmes being developed include:</p> <ul style="list-style-type: none"> <li>• £1.4m for the Leadership &amp; Management programme which has been developed by four GM universities to support 650 small and medium sized businesses across GM districts. The programme will support them to grow and adapt to the significant challenges from Covid-19.</li> <li>• £146k for developing the Energy Innovation Agency as a key programme for reducing GM's carbon emissions;</li> <li>• £120k for the Graphene, Advanced Materials and Manufacturing Alliance (GAMMA) which is supporting the growth of GM firms in this area, including the development of plans for the M62 Growth Corridor.</li> </ul>	
<b>GM Spatial Framework £2.090m 2020/21 - 2021/22</b>	<b>2,090</b>
<p>This funding will be used to produce a joint Development Plan Document on behalf of the 10 districts, which has been supported by a small team of admin staff. There is significant reliance on consultancy reports to provide specialist evidence (on flooding, viability, energy etc). Most of the evidence will be completed over the next few of months ahead of consultation in the autumn. There will be further pieces of work to commission to respond to any deficiencies in the evidence base. A small programme office will be required for the final consultation and submission of the plan for examination.</p>	
<b>Cricket Strategy</b>	<b>600</b>
<p>Aim is to improve access to sporting facilities, particularly for South Asian communities. The funding would attract matched investment from the England &amp; Wales Cricket Board.</p>	
<b>Employment charter &amp; Internationalisation</b>	<b>2,000</b>
<p>The plan was to expand the Charter to a wider range of employers, and into sectors such as social care, retail and hospitality where inequality, insecure work and low pay are particularly prevalent. The expansion of the Charter is part of the One Year Covid Recovery Plan.</p>	

# Remaining Schemes (2)

<b>Business &amp; Productivity Programme</b>	<b>7,000</b>
The continuation of the programme is more important than ever to support recovery of the GM economy during and following the pandemic and expand support to other sectors which ERDF will not fund. Future BPIG Programme originally requested £11.7m to enable full drawdown of ERDF, this was subsequently reduced to £7.4m. Any further reduction would reduce the amount of ERDF that could be bid for and the overall resource to the programme.	
<b>Marketing Manchester and MIDAS</b>	<b>4,450</b>
MM and MIDAS are planning to expand their reach and activity to meet future opportunity and needs of the marketing of GM given the increasing number and intensity of global competition, the evolving global economy and the UK's place within it and GM's growth and development ambitions. To support this work a further ask for resource, phased increase over three years, of £4m per annum was anticipated.	
<b>Skills &amp; Work / Apprenticeships</b>	<b>1,950</b>
35% reduction would still enable elements critical to LAs such as NEET activity that cannot sit within the ESF inc the early identification & tracking function, GMACS to support young people into technical qualifications and increase in capacity for new programmes as set out in the Chancellor's Speech	
<b>Green: Five Year Plan - renewables and retrofiting</b>	<b>500</b>
Government has recently announced upto £3bn funding for decarbonizing public estate and domestic retrofit programmes. There is potential to seek Government and other funding to meet planned activity. It is estimated that £500k of business rate funding will still be required as seed funding to stimulate accelerated retrofit and energy innovation activity to be used as match funding for bids.	
<b>Town Centre Challenge</b>	<b>200</b>
Alternative funding identified from LGA for the Housing Advice Programme	
<b>Reform Investment Fund - Youth Homelessness Prevention</b>	<b>3,000</b>
The Business Rates funding of £4m was intended to be used as match funding with DCMS funding (held in GMCA reserve) for a Youth Homelessness Prevention Service operated by local VCSE organisations under a Social Impact Bond. There is potential to reduce the amount of match funding to £3m, which may also reduce the amount from the DCMS by £1m and risk this funding being lost to GM. The development of the SIB has been initiated but has been delayed during the Pandemic, there is a risk that GM will lose the DCMS investment if progress is not made with the implementation of the service. Any proposal to reduce funding to the service needs to be agreed with the GM Reform Investment Panel.	
	<b>24,667</b>

# Transport and TFGM

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## Metrolink

- £25m allocation to 3 August – covers most losses (incl finance costs, in theory)
- Additional £19m allocated for 12 weeks from 4<sup>th</sup> August.
- Allocations should meet shortfalls but pressure would remain if funded was not extended

## Bus

- Funding to continue on an ongoing basis, with an 8 week notice period linked (implicitly) to ongoing social distancing. Also expecting separate funding from DfE for schools
- Conditions include 100% (school / non school?) service provision; no fare increases; and no redundancies. No mention of any local devolution of funding
- Anticipation that we will continue to pay pre Covid levels of subsidised services and travel concessions

# Transport and TFGM – 2020/21 Budgets & Levy

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## Levy funded activities

- **Forecast for this FY is c£5m net overspend** - lower income (c£4m) and additional costs (c£2.5m) offset in part by savings and furlough income. Programme initiated to identify opportunities for savings, efficiencies, collaboration etc and claims into MHCLG
- **Risks**
  - Income recovering at the rate currently assumed
  - Government providing ongoing funding for Bus
  - No unbudgeted 'surprises' – second lockdown or other unbudgeted activities

## Metrolink

- Funding to date and to end October should cover most of losses
- Biggest risk is level and timescale of Govt funding

# Transport and TFGM – Proposed Actions

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- Previously proposed deferral of statutory contribution of £17.8m to Bus Reform could be confirmed up to 23/24 based on current modelling
  - Risk that overall net costs of Bus Reform will significantly increase in post Covid assessment
- Transport reserves of £20m could be released to districts in 20/21 as a reduction to the Transport Levy, however this would have to be recovered in future years
- Fundamental review of budgets for 2021/22 and beyond for 2021/22 budget setting

# GMCA Core Budgets

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- Initial review completed of £4m GMCA Core Budgets
- Vacancy freeze imposed on GMCA core funded posts
- Expect to identify 25% of non-recurrent savings in 2020/21 budget
- A non-recurrent £1m to be returned to districts from GMCA core funding levy in 2020/21
- Work continues to identify recurrent savings in 2021/22 as we look to commence budget setting process in September

# Next Steps

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- Confirm return to districts through CA approval
- Creation of business cases for any remaining proposals for use of business rates
- Review of Waste insurance reserve
- Detailed budget setting work for 2021/22
  - Waste
  - GMCA Core function
  - TFGM
  - GMFRS
  - And all other CA budgets