

Date: 25th September 2020

Subject: GMCA COVID Finances Update

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.

It includes a summary of the latest returns from the ten GM districts, and update on GMCA budgets including TFGM and Metrolink and the latest proposals for investment through the retained business rates pilot

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.
3. To note the analysis of the position for :
 - GM Waste Disposal Budgets
 - TFGM and Metrolink
 - Other GMCA budgets
 - Retained Business Rates pilot
4. To approve the return of a further £5m of GMCA reserves to the nine GM waste districts.
5. To approve the return of £1m of GMCA funding from GMCA core budgets to or for the use of the ten districts.

CONTACT OFFICERS:

Name: Steve Wilson, Treasurer to GMCA
Telephone: 0161 778 7004
E-Mail: steve.wilson@greatermanchester-ca.gov.uk

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 June
GMCA

GMCA COVID Finances and Reserves Position

1. Introduction

- 1.1 The purpose of this paper is to update the Combined Authority on the financial implications of COVID 19 for GM Districts, GMCA and TFGM.
- 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 and the latest position on investment through the retained business rates pilot
- 1.3 This builds on updates provided to the GMCA meeting in July and August.

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.

Table 1: COVID 19 Financial Impact 2020/21

Description	Additional Costs (£m's)	Lost Income (£m's)	Total (£m's)	Funding to Date	Net Costs
GM Local Authorities	267	368	635	273	362
GMCA (Exc Metrolink)	14	39	53	3	50
Metrolink	-	66	66	44	22
Total	281	473	754	320	434

- 2.2 The table shows the overall impact of COVID 19 on Greater Manchester Authorities is estimated to be £754m in 2020/21 alone.
- 2.3 Government funding for the various areas of financial pressures has totaled £320m so far leaving a net impact of £434m.
- 2.4 This number is broadly in line with previous estimates shared with the CA but does not include any provision for a second wave nor the imposition of a wide ranging lockdown or significant continuation of the local special measures currently in place for Greater Manchester.
- 2.5 The costs associated with further escalation of the measures to control infections, including financial support for self-isolation seen as part of the Government pilot in Oldham, would significantly increase these estimates.

3. Latest Assessment of Financial Impact on GM Local Authorities

- 3.1 Local Authorities across the ten GM districts submitted their latest and fifth COVID financial returns to Government on 4th September 2020.
- 3.2 The returns are summarised by District in table 2 below and by spend area in table 3.

Table 2: COVID 19 Financial Impact by District 2020/21

District	Additional Costs (£m's)	Lost Income (£m's)	Total (£m's)	Funding to Date (£m's)	Net Costs (£m's)
Bolton	23	24	47	28	19
Trafford	24	23	47	19	27
Salford	20	41	60	26	34
Manchester	60	131	191	56	134
Oldham	30	22	52	24	28
Bury	13	27	40	18	22
Rochdale	22	24	46	23	24
Tameside	21	17	38	22	16
Wigan	31	27	58	31	27
Stockport	24	33	56	26	31
Total	267	368	635	273	362

Table 3: 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	111	Business rates (after reliefs)	64
Childrens Social Care	18	Council Tax including LCTS	82
Education	9	Sales fees and charges	54
Highways and Transport	4	Commercial	162
Public Health	21	Other income	6
Housing (Exc HRA)	12	Total	368
Cultural & related	21		
Environmental and regulatory	9		
Planning and development	3		
Finance and corporate	21		
Other	38		
Total	267		

- 3.3 Councils in GM, along with others across England have received a share of a number of national funding allocations to help them manage the financial impact of COVID 19. This includes the core COVID funding of £3.7bn, made available across three tranches earlier in the financial year. The third tranche of funding was announced on the 16th July and there have been no subsequent funding announcements since that time.
- 3.4 Government have also introduced a further scheme to reimburse councils for the sales fees and charges income in 2020/21 lost due to the impact of COVID 19. This funding would cover 75% of the first 95% of losses against the budgeted income figure for the year. The indications from the guidance are that the eligibility for this would be quite limited in scope and would not include any areas of investment income, rent or other non-transactional income.
- 3.5 The returns submitted so far indicate this would see funding of circa £38m reimbursement provided for the ten districts. GMCA and TFGM would also be eligible for this funding but it is only expected that around £1m could be recovered for them through this route.
- 3.6 No income from this scheme has been assumed at this stage until claims have been submitted and evaluated at the end of September.
- 3.7 The funding provided to GM authorities is summarised in table 4 below:

Table 4: COVID 19 National Funding for GM Authorities

Description	Allocations (£m's)							
	Tranche 1	Tranche 2	Tranche 3	Total	Track and Trace	Infection Control	Hardship Grants	Overall Total
<i>National Funding</i>	<i>1,600.00</i>	<i>1,600.00</i>	<i>500.00</i>	<i>3,700.00</i>	<i>300.00</i>	<i>600.00</i>	<i>500.00</i>	<i>5,100.00</i>
Manchester	18.59	15.17	7.08	40.84	4.84	3.34	7.46	56.48
Bolton	9.25	7.86	2.91	20.02	1.99	2.30	3.46	27.76
Bury	5.36	5.25	1.70	12.32	1.08	2.40	1.89	17.68
Tameside	7.68	6.23	2.33	16.24	1.42	2.13	2.16	21.95
Trafford	6.12	6.54	1.81	14.47	1.16	2.27	1.56	19.46
Stockport	8.28	8.05	2.43	18.76	1.47	3.11	2.46	25.81
Wigan	10.47	9.00	3.04	22.50	2.39	2.94	3.51	31.34
Rochdale	7.50	6.12	2.42	16.03	1.59	2.16	3.06	22.84
Salford	8.91	7.14	2.89	18.95	1.98	1.94	3.58	26.44
Oldham	7.64	6.53	2.47	16.64	1.56	2.32	3.02	23.53
GM Total	89.79	77.89	29.08	196.76	19.48	24.91	32.15	273.29

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:

- Waste Disposal Budgets
- Greater Manchester Fire and Rescue Budgets
- Core GMCA Running Costs
- Transport Budget, TFGM and Metrolink

A) Waste Disposal Budgets

- 4.2 Nine of the ten GM local authorities collaborate in the GM waste disposal service with Wigan having their own separate arrangements.
- 4.3 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.
- 4.4 As reported in July, there have been a number of financial impacts of COVID 19 on the GM waste service and the service management, together with the waste leadership from the nine districts have been working closely together to forecast the overall impact for the year based on their experiences so far.
- 4.5 This work continues to be subject to a number of caveats although the impact of COVID on the district waste tonnages is now better understood with several month's experience. Services at a GM level including Household Waste Recycling Centres (HWRCs) and a local level now largely operating as normal.
- 4.6 The impact of COVID 19 in the first five 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 co-mingled recyclables. The cost of the higher levels of residual waste is forecast to be £3.2m 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.
- 4.7 The overall forecast impact on the waste budget for 2020/21 is shown in the table below and is currently estimated to be a £626k underspend for the year. As stated above though this is an estimate and is likely to change over the course of the year with collection tonnage level remaining somewhat volatile.

Table 5: GM Waste Budgets 2020/21

Description	Budget £m	Actual £m	Variance £m
Operational Costs	109.667	111.819	2.152
Operational Financing	49.118	46.507	(2.611)
Office Costs	5.755	5.499	(0.256)
Non Operational Financing	2.702	2.791	0.089
Total Budget	167.242	166.616	(0.626)

Application of LAMA

- 4.8 At the February meeting of the combined authority the LAMA process was agreed for 2020/21.
- 4.9 If this is applied based on the current estimates of waste levels for the financial year there would be a recharge to the nine districts of £4.216m. This would increase the current forecast underspend against the GM budget to £4.842m for the year.
- 4.10 As detailed in the July finance update, in discussions with the treasurers of the GM authorities it was 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.
- 4.11 Based on the updated forecast for waste tonnages a return of levy funding of £6,984k 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.
- 4.12 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 £4,842k and an additional allocation from waste reserves of £2,142k.
- 4.13 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 £2,768k.
- 4.14 This proposal will need to be monitored each month to ensure it is affordable and any final drawdown of reserves if required will be need to be approved in due course.
- 4.15 In July we also reported that a review of the waste reserves had identified a sum of £15m which could be returned to districts. We also highlighted ongoing work to review the specific reserves relating to some of the potential risks faced by the service. This further review has identified that another £5m of waste reserves can be returned to districts this financial year.
- 4.16 The reserves will be returned to districts based on contributions over the period of operation of the services.
- 4.17 The combined authority is asked to approve the return of a further £5m of reserves to waste districts with the methodology to be confirmed by the GMCA treasurer and the nine district treasurers.
- 4.18 There will be further work undertaken to review the residual waste reserves in the coming months with the potential for further funding to be returned to districts.

2021/22 Budget

- 4.19 Work has commenced between the GM waste team and the waste teams within the nine authorities to review the long term plans for the service and consider opportunities for efficiencies and savings in 2021/22 and beyond.
- 4.20 Updates will be provided as part of the 2021/22 budget setting process.

B) Core GMCA Budgets

- 4.21 The core running costs of the GMCA are funded from a variety of sources including recharges to specific budgets such as GMFRS or the mayoral budget, overhead funding from grants and from a contribution through a levy to the ten GM districts.
- 4.22 The districts agreed a budget of £9m of funding in 2020/21 for these core costs. Included in the levy funding are a number of fixed contributions to external bodies. These are described in the table below:

Table 6: GMCA Core Budgets 2020/21

Description	£'000
MIDAS & Marketing Manchester	1,373
Cultural & Social Impact Fund	3,300
Core CA Function	4,367
Total District Funding	9,040

- 4.23 As a result of the financial impact of COVID 19 across GM we have undertaken a detailed review of budgets to see if savings can be identified in 2020/21. In addition to this in July the CA implemented a vacancy freeze ensuring all but absolutely critical (or externally funded) posts would be held vacant for the time being.
- 4.24 This review and the expected savings from the vacancy freeze has indicated that we should be able to reduce in year expenditure in 2020/21 by 25% or £1m.
- 4.25 This £1m will be made available to districts in the form of either a return of funding as a one off levy adjustment in 2020/21 or by making this funding available to support GM wide COVID work under the direction of the GM COVID Emergency Committee.
- 4.26 Whilst this reduction in the levy charge for 2020/21 is a non-recurrent return of funding to districts, work has now commenced to review budgets ahead of the 2021/22 financial year to determine the opportunities for any further efficiencies.

5. Transport Budgets and TFGM

- 5.1 Transport budgets, in particular Metrolink, continue to come under significant pressure from the impact of COVID 19 and the lockdown period.
- 5.2 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.
- 5.3 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 reviewed following the commencement of the academic year.
- 5.4 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.
- 5.5 Turning to Metrolink, the June GMCA Covid finance paper detailed significant pressures arising from the reduced patronage on the service. A package of support from central government had been agreed up to 4th August 2020 which limited the impact of lost revenues to circa £2m. A further package was announced in August which covers a further 12 weeks of Metrolink fare shortfall up to a maximum of £19m. This should ensure all shortfalls are covered until the end of October, however, whilst discussions with the Department for Transport are ongoing, no commitment beyond this period has yet been confirmed and there therefore remains a significant risk to transport budgets this year and over coming years.
- 5.6 If there is no further Government funding for Metrolink the financial impact on 2020/21 will be between £18m and £26m depending on the patronage levels over that period.
- 5.7 A number of scenarios have been modelled in terms of future patronage levels, and whilst there are sufficient reserves held by GMCA to mitigate this impact in the short-term, the reserves will ultimately be required for repayment of borrowing and the Metrolink renewals programme so without ongoing government funding or full recovery of pre-covid farebox income, significant savings will need to be found.

6. Retained Business Rates

- 6.1 In previous updates to the CA we have analysed the impact of the COVID 19 pandemic on the funding available to the CA through the retained business rates pilot scheme and the impact that might have on the proposed use of that funding.

- 6.2 The pandemic has the following impacts on the scheme:
- i) Anticipated receipts of £35m for 2020/21 are not now expected to be delivered, with latest forecast by districts suggesting no additional receipts should now be assumed
 - ii) The impact of COVID 19 may mean the original investment plans are no longer relevant and must therefore be reviewed
 - iii) The financial impact of COVID 19 at a GM and district level mean all planned expenditure should be reviewed and only committed if essential
 - iv) Any uncommitted residual funding from business rates could be used to support the financial challenge faced by districts
- 6.3 Following discussions at previous meetings officers have been reviewing, in conjunction with portfolio holders, the remaining commitments and potential bids against the retained business rates funding.
- 6.4 If we now assume no additional funding for 2020/21, which is the final year of the current scheme, the total funding carried forward into 2020/21 of **£63,527k** is the total now available for commitments in this year and beyond.
- 6.5 The February 2020 CA meeting approved a number of new commitments against this funding which, added to the previous commitments agreed by the CA meant a total of **£32,046k** of the remaining funding had been approved for spend.
- 6.6 In addition to the approved schemes the February meeting of the CA also received details about potential further commitments of **£44,395k**.
- 6.7 Funding the proposed schemes would have required at least **£12,914k** of additional business rates receipts in 2020/21 and therefore it is clear that all schemes, both those previously approved and those newly proposed need to be reviewed to, as a minimum, contain plans within the funding available and potentially allow any residual funding to be returned to the ten GM districts.
- 6.8 Based on the analysis above it is proposed we formally confirm with the GM districts that even in the event of additional business rates income accruing in 2020/21 no funding will be transferred to the CA this year. Any decisions on the approach to be taken to that funding will be the subject of subsequent discussion in 2021/22.

Review of Commitments and Proposed Schemes

6.9 In order to facilitate the review each area of spend was assessed to consider which of the following categories it fell in to:

- Contractually committed
- No risk arising from not funding (Green rated)
- Minimum risk from not funding (Amber rated)
- Still required with high risk from not funding (Red rated)

6.10 The table below show the funding position and the categorisation of projects

Table 7: Analysis of Retained Business Rates

Description	Original Amount	Revised Amount	Movement	Comments
	£'000s	£'000s	£'000s	
Available funding	63,527	63,527		Zero forecast income for 2020/21
Original Commitments	(32,046)			
<i>Made up of:</i>				
Contractually Committed		(26,718)		
Not contractually committed		(4,522)		Industrial strategy, Cricket strategy & Spatial framework
Identified savings			(806)	Digital Strategy, Environmental plan
Subtotal	31,481	32,287	(806)	
Original Additional Proposals	(44,395)			
Contractually Committed	0			No funding agreed by CA yet
Not contractually committed		(19,695)		See separate breakdown
Low risk potential Savings			(11,150)	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)
Total	(12,914)	12,592	(25,506)	

6.11 The table shows that against the original list of potential and actual commitments spend can be reduced by £25.5m with medium or low risk. There remain, however £24.2m of individual schemes that it is still believed should be delivered from the remaining business rates funding.

6.12 This position would enable at least **£12.6m** of the remaining retained business rates reserve to be returned to the ten GM districts.

6.13 Subject to the approval of the remaining schemes the £63.5m of available business rates funding would be disbursed as follow:

Retained BR Reserve	£63.5m
Committed Schemes	(£26.7m)
Proposed Investments	<u>(£24.2m)</u>
 Residual funding available	 £12.6m

Committed Schemes

6.14 The table below breaks down the committed schemes which make up the £26.7m identified above. This is following work undertaken to reduce the cost of programmes wherever possible which released £806k of the previously approved commitments.

Table 8: Commitments against Retained Business Rates Reserve

Description	Approved Funding (£000's)	Reductions (£000's)	Remaining Commitments (£000's)
Full Fibre Revenue Costs	158	0	158
GM Digital Strategy	1,360	(290)	1,070
Unified Architecture	4,800	0	4,800
LGBT+ Centre	337	0	337
Employment Charter	653	0	653
5 Year Environment Plan	889	(180)	709
GM Productivity programme	11,127	0	11,127
Health & Social Care Partnership Contribution	960	(336)	624
Cultural and Social Impact Fund	2,000	0	2,000
Youth Combined Authority	100	0	100
Marketing Manchester / MIDAS	1,100	0	1,100
GM Resilience Officer	240	0	240
Election	3,800	0	3,800
Total	27,524	(806)	26,718

6.15 A further review will be undertaken of the schemes with contractual commitments identified above to understand whether there are further options within the contract to reduce the overall commitments further.

Remaining Schemes

6.16 The remaining schemes totaling £24.2m are listed below. The table also highlights the fact that of the originally proposed commitments £24.7m of reductions have been made.

6.17 The most significant reduction is to the proposed funding of the GM infrastructure programme revenue costs. Funding for this programme will now be sought from the Transforming Cities (TCF) Grant with £7.5m funding from the grant in 2020/21 and a further £7.5m proposed from the TCF grant in 2021/22.

6.18 This list contains schemes that have already been approved by the CA but not all contractually yet such as the Industrial strategy (£2,877k), Cricket Strategy (£600k) and the first year of spatial framework Funding (£1,045k), as well as the proposed new commitments which are still considered essential investments post COVID.

Table 9: Proposed Business Rates proposals for 2020/21

Scheme	Total £'000s	Reduction £'000s	Revised £'000s
Industrial Strategy	2,877	0	2,877
GM Spatial Framework	2,090	0	2,090
Cricket Strategy	600	0	600
Employment Charter & Economic response to COVID	2,000	0	2,000
Business & Productivity Programme	7,000	1,400	8,400
Marketing Manchester and MIDAS	4,450	(1,450)	3,000
GM Infrastructure Programme	20,000	(20,000)	0
Skills & Work / Apprenticeships	3,000	(1,250)	1,750
Green: Five Year Plan - renewables and retrofitting	2,000	(1,500)	500
Town Centre Challenge	900	(900)	0
Reform Investment Fund - Youth Homelessness Prevention	4,000	(1,000)	3,000
	48,917	(24,700)	24,217

Next steps

6.19 Further review will be undertaken on the nine schemes prior to a final set of recommendations being put to the CA for approval. The review will consider the impact of further reductions on the planned spend.

7. Recommendations

7.1 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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