

INTRODUCTION

We face the biggest challenge in the UK and across our local authorities since 1945. The scale of the task ahead of us requires a monumental, determined and coordinated effort by local and central government to lead in rebuilding our economy, giving hope to communities, and supporting local people as we recover from COVID-19.

It is clear that COVID-19 presents an even greater risk to the Liverpool City Region than it does to the rest of the country. Infection and mortality rates are both substantially higher in the City Region than they are elsewhere – likely a consequence of the higher incidence of COPD and higher levels of deprivation. These significant risk factors mean that the economic, health and social impacts of COVID-19 are being felt more desperately and acutely in the City Region. If the City Region’s local authorities are to continue to respond effectively to the challenges of COVID-19 and then take forward the essential leadership of the recovery effort, they must be resourced to do so.

Building on its promise to do “whatever it takes” to support our nation through this crisis, the Government has said that it will work with local authorities to help build its understanding of COVID-19 pressures. The purpose of this report is to help inform that understanding and set out the full financial and real “on the ground” impact of COVID-19 in the Liverpool City Region – across both the six local authorities and also the Combined Authority.

The purpose of this report is not to complain about these efforts – delivering for local people is what we do best. We are extremely proud of how we – alongside our partners and our communities - have mobilised in response to the pandemic and we continue to stand ready to do “whatever it takes”.

But the detail in this report demonstrates how the Government funding allocated to our local authorities to date is wholly insufficient to meet the existing and growing demands on our services. Latest estimates indicate that the City Region will face financial pressures of £341m due to COVID-19; the funding allocated to date will cover only 30% of local need and this fiscal gap will worsen should circumstances persist beyond the six-month period which has underpinned our assumptions. This financial challenge not only puts the response at risk, but it damages the prospects of a swift recovery.

The Combined Authority has likewise taken necessary steps to support key workers, vulnerable businesses and strategic partners, and to maintain the public transport network. This comes at a substantial impact to its operational income. The collapse of public transport alongside the curtailment of normal economic activity has cost the Liverpool City Region an additional £5 million per month alone in transport revenues during the initial response, and these losses look set to continue as the lockdown is eased with social distancing maintained – income which it cannot afford to lose.

Our local authorities entered this pandemic with a decade of year-on-year decline in funding and consequently low reserves. Gross current expenditure on Adult Social Care per 100,000 adults is substantially higher in every local authority in the City Region than nationally. Over the next two years, the social care needs arising from COVID-19 will be severe and will require a greater than bearable portion of local authority budgets. Neither Business Rates, Council Tax nor commercial income will be available to meet the increase in costs, because each one of these income streams is forecast to decline over the same period.

Our City Region economy is not facing the pandemic from a position of strength. It relies heavily on Liverpool city centre - an important leisure, cultural, retail and tourism centre – as well as its significant manufacturing base. This sectoral composition increases the severity of impact significantly, including in manufacturing, wholesale, retail and motor trades, and education - all of which are forecasted to see a fall in output of at least 50%.

This report makes the case that we therefore require additional funding for our local authorities which reflects the existing and additional service delivery we have assumed and the particular needs of our City Region. Our local authorities are not making “local choices” to spend money or forego income – the financial consequences evidenced in this paper are each and every one a direct consequence of national Government policy and decisions in relation to the COVID-19 pandemic. It is essential that the Government recognises openly and publicly that the £3.2 billion allocated to local government across the country is not going to be enough. The Government must deliver on its promise to do “whatever it takes”.

Given our long experience of local economic policies and clear understanding of routes to economic impacts, the Combined Authority and local authorities want to collaborate with the Government to develop a local economic response which feeds the national response. Navigating the complex path towards recovery and working alongside the Government in this respect will only be possible if the short-term financial risks to local authorities arising from COVID-19 are removed and some degree of certainty can be established through a longer-term, needs-led funding settlement which goes beyond the current year. The Government is calling for the recovery to be swift, but this requires a monumental effort at a time when we face unprecedented challenges and from a position of substantial financial deficit.

Economic, social and health inequalities have each contributed to the severity of the impact of COVID-19 within our City Region. If funding distributions fail to recognise this, then those same inequalities will become even further entrenched and will impede our ability to progress proactively into the recovery phase of this pandemic.

Together, we can lead a fightback for the people of this City Region who have made massive sacrifices, lost loved ones, jobs and businesses and have given so much in their communities as part of this huge national effort. We now need to work together to help secure their future. We need the tools to do the job.

MAYOR JOE ANDERSON
Mayor of Liverpool City Council

COUNCILLOR DAVID BAINES
Leader of St Helens Council

COUNCILLOR PAT HACKETT
Leader of Wirral Council

COUNCILLOR IAN MAHER
Leader of Sefton Council

COUNCILLOR GRAHAM MORGAN
Leader of Knowsley Council

COUNCILLOR ROB POLHILL
Leader of Halton Council

STEVE ROTHERAM
Liverpool City Region Metro Mayor

The Economic, Social and Financial Impacts of COVID-19 in the Liverpool City Region

Overview

1. The Liverpool City Region has been hit particularly hard by COVID-19. Longstanding local health inequalities mean that residents across the City Region are significantly more likely to be impacted by, and die because of, COVID-19. As at 5 May 2020, Merseyside had 4,675 positive diagnoses of COVID-19, with a diagnosis rate of 341 per 100,000 population – almost 50% higher than the England rate of 232 per 100,000 population. To date, there have been 1,000 deaths recorded across Merseyside and recent analysis shows that the overall mortality rate from COVID-19 locally is significantly higher than across England. The mortality rate in Liverpool (81.8 per 100,000 population) is the highest amongst all of England's core cities and more than twice the national rate (36.6 per 100,000 population).
2. Whilst infections and deaths are seen to be reducing, it is not yet possible to confidently predict whether the local "R value" is below 1 and analysis suggests that rates are not falling as fast as within other regions. The impact of these trends is wide-ranging and goes beyond the significant short-term pressure on core local services and the sustainability of the care home sector. As set out below, excess mortality rates and related health and wellbeing issues (e.g. mental health impacts) could compound the longstanding health inequalities across the City Region which, as set out in our Local Industrial Strategy, are linked with local economic challenges.
3. While the health impact has been severe, so too has the financial and economic impact. The Government acknowledges that the pandemic has led to an unprecedented increase in Universal Credit claims across the country and this trend has been evident in the Liverpool City Region – placing direct pressure on our communities and the local economy. This increase in benefit applicants presents the City Region's local authorities with a number of challenges, including a direct increase in demand for our already-stretched support services and resources. This pressure will be compounded further by a subsequent reduction in Council Tax revenue across all of the local authorities as a consequence of new Universal Credit recipients being eligible for local Council Tax Reduction schemes.

4. Analysis of additional costs and spend by our six local authority areas shows additional costs of £148 million and lost revenues of £193 million assuming the impact of the virus continues for six months. This total pressure of £341m will be even more severe if the impact continues for longer than six months. Pressures on the local social care sector are particularly severe but areas such as business rates and council tax collection rates are also significantly impacted. This is compounded by the collapse of public transport revenues alongside the curtailment of normal economic activity. The reduction in mobility is costing the City Region an additional £5m per month in lost transport revenues.
5. Although it is too early to estimate with any certainty the impact COVID-19 will have on the economy, we understand the factors that will make us predisposed to a particularly challenging economic environment in the short and medium term. The City Region is more exposed to extreme sector impacts forecasted by the Office for Budget Responsibility. There is a high degree of specialisation in the manufacturing, wholesale, retail and motor trades and education sectors, all of which are forecasted to see a fall in output of at least 50%.
6. The scale of these challenges is reiterated by insight from our business community. A survey of local businesses suggested that 96% had been impacted in some way by COVID-19 in the first two weeks of social restrictions. The economic impact of COVID-19 on the City Region is set out in more detail below.
7. The Liverpool City Region has a number of factors which increase the pressure placed on our local authorities to fight the pandemic and continue to support local communities. This includes a higher prevalence of illnesses such as COPD (increasing the number of people vulnerable to complications from COVID-19), high demand for adult social care services, and high levels of deprivation. The latest estimates from the Ministry of Housing, Communities and Local Government are that there are more than 7,300 “clinically vulnerable” people in the City Region – understood to be the highest such demographic in the country. Similarly, it is estimated that there are a further 160,000 “non-shielded” residents requiring support from the local authorities – again, understood to be significantly higher than the level of demand in other similarly sized areas of the country. The burden on our local authorities to deliver not only current but also additional (in some cases, brand new) services is staggeringly high, yet these must be delivered in what is becoming an increasingly challenging financial context. The additional services which our councils are having to provide are also set out in further detail below.

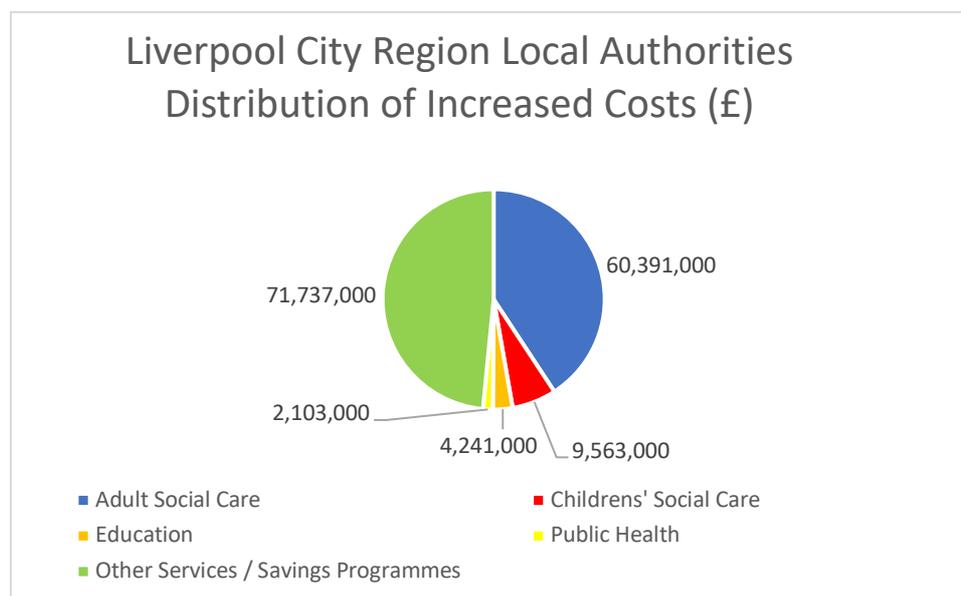
The Financial impact on the City Region's Local Authorities

8. The cost of dealing with the immediate impact of COVID-19 has fallen on local authorities. This has resulted in major spending pressures, particularly in the area of social care but also across the breadth of local authority service areas. Local authorities are working with community partners and agencies to ensure that vulnerable residents receive essential support in unprecedented circumstances.

Figure 1 - Increased Costs in 2020/21 by Local Authority



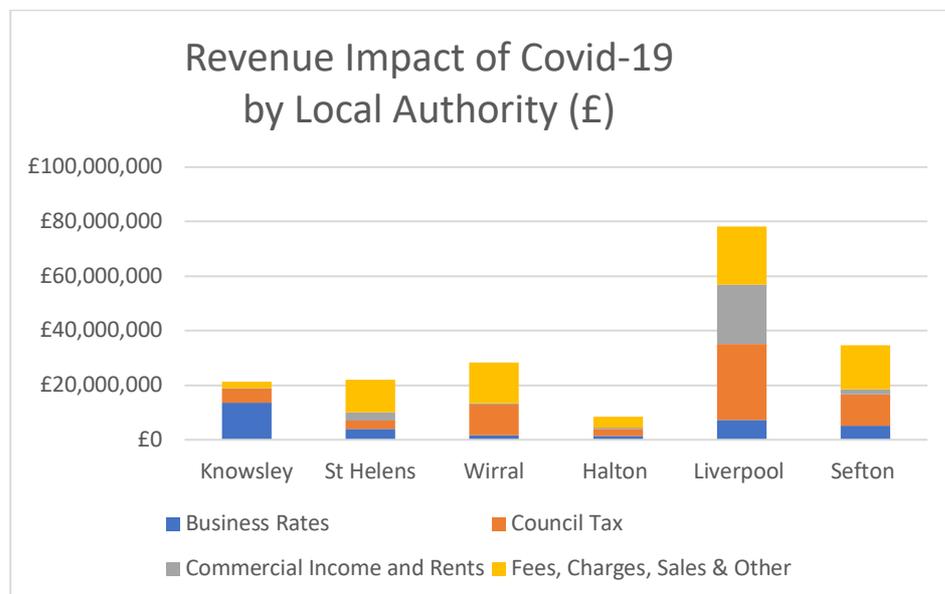
**Figure 2 – Distribution of Increased Costs in 2020/21
for Liverpool City Region Local Authorities**



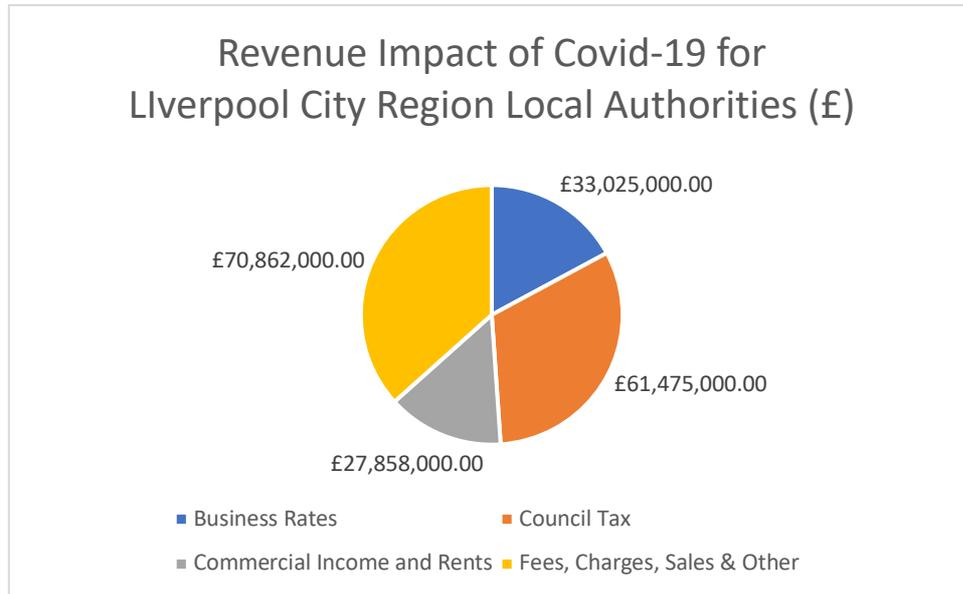
9. The analysis above shows the immediate impact of COVID-19 on local authority spending based only on a six-month planning horizon. Spending on Adult Social Care accounts for 56% of spending pressures, split between supporting the Adult Social Care market and other Adult Social Care costs. Spending on supporting the market reflects the need to reflect additional costs to providers arising from staff absences, consequent additional agency staff costs, and other costs arising from the volatility of the market in the current circumstances and impact on care packages. Other Adult Social Care costs are more direct and are driven by the need to manage increased demand for services through enhanced or new functions arising from the pandemic and response. This includes the requirement to respond to enhanced hospital discharge duties and the provision of additional respite beds, in addition to unplanned spending on PPE and the need to ensure that local authority services can support residents' mental health and wellbeing.
10. Services for children have also been impacted by staff absences and difficulties in caring for children looked after and other vulnerable children as a consequence of lockdown and social distancing. These financial pressures are exacerbated by the increased risk of family breakdown in the current context and associated placement costs. There are also significant fiscal demands arising from the need to provide alternative provision for children with special educational needs and/or disabilities to ensure that Education and Health Care Plans are maintained.

11. All of the local authorities expect spending on public health to come under pressure but the impact on other services is also significant: housing costs have increased, particularly in relation to homelessness (see further below). The costs of preparation and planning for excess deaths have also fallen on our local authorities.
12. Claims for significant increases in capital costs are also anticipated as a result of delay and social distancing in a range of major infrastructure projects.
13. In addition to these spending pressures, each of our local authorities expects a dramatic drop-off in cash revenues from all sources as a consequence of COVID-19 and that the totality of this reduction in income will be greater in value than the spending pressures. The Revenue Impact is illustrated below.

Figure 3 –Revenue Impact of COVID-19 by Local Authority



**Figure 4 –Revenue Impact of COVID-19
for Liverpool City Region Local Authorities**



14. A major element of the revenue impact will be lower Council Tax collection rates. This is extremely significant not least in that it will impact on future years and the ability of the local authorities to set budgets beyond the current year. All of the local authorities are also experiencing significant losses of commercial income, such as income from car parking charges, planning fees, and leisure centres. Bad debt provisions will need to increase. The total pressure arising from lost revenues and increased costs is forecast to be £341m and this pressure will worsen should circumstances persist beyond an initial six-month period.

15. As shown above, a significant element of the lost income will be through reduced Council Tax and Business Rate income. Although there will be an actual reduction in cash receipts in 2020/21, the budgetary impact will only be felt in the following financial year (i.e. 2021/22). This is due to the budgetary treatment of “collection funds”, which set the figures at the beginning of the year so that any cash variations during the year are then dealt with when setting the following year’s budget. The actual cash loss impact is shown in the graphs and tables in order to illustrate the full financial impact.

Government Funding and Support

16. Between 2010 and 2020, successive Governments cut funding for local authorities across the City Region more than anywhere else in the country. Based on the Government’s “core spending power” figures, the City Region has lost over 28% of funding over that period - this equates to a cut of £336 for every resident, almost twice the England average of £188 per person. Over the decade, £506m has been cut from the City Region’s local authority budgets. The consequent impact is clear not only in terms of their ability to deliver crucial services to City Region residents but also in respect of their collective and individual capacity to respond to an emergency. The table below illustrates the reductions in Core Spending Power between 2010/11 and 2019/20 across the Liverpool City Region.

Figure 5 – Reduction in Core Spending Power between 2010/11 and 2019/20 for Liverpool City Region Local Authorities

Local Authority	Reduction in Core Spending Power Between 2010/11 and 2019/20		Reduction in Core Spending Power per Head of Population
	£m	%	£
Halton	38.866	28%	307
Knowsley	71.105	33%	485
Liverpool	183.935	29%	396
St Helens	51.498	27%	292
Sefton	67.655	24%	247
Wirral	93.200	27%	291
Total	506.260	28%	336
England	10,185.058	18%	188

17. Despite this context, the six local authorities are making huge “response” efforts to ensure that the City Region’s residents are protected as far as possible from the impacts of COVID-19. This section demonstrates that these efforts come at substantial financial cost. The section also demonstrates that the local authorities’ ability to continue to cope with these additional demands and costs is unsustainable without additional resource from the Government – which must be allocated on a needs-led basis.

18. The Government has already provided some emergency support to local authorities in consideration of the financial pressures associated with COVID-19. This has been distributed in two tranches. While welcome, the level of funding to date is insufficient to meet the costs incurred. Funding provided by the Government to date has focussed on managing the immediate impact of the pandemic. Again, while welcome, it addresses only 30% of the costs identified to date. The table below shows the extent of the resulting £240m funding gap, analysed across each of our authorities.

Figure 6 –Funding Gap for Liverpool City Region Local Authorities

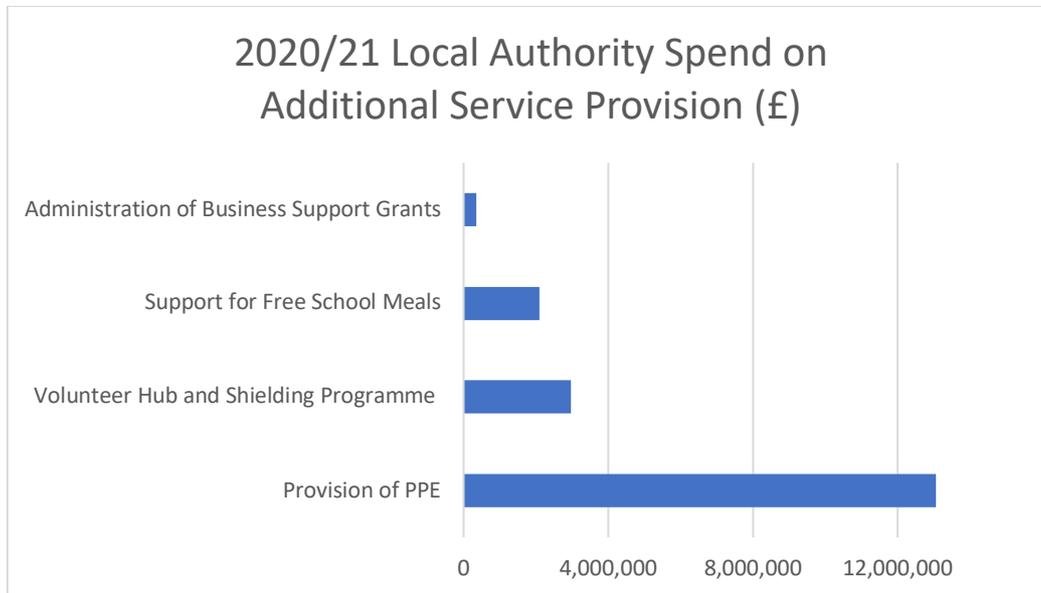
Local Authority	Expected Financial Costs *	Government Support to Date	Funding Gap
	£m	£m	£m
Halton	25.8	7.8	18.0
Knowsley	38.5	10.1	28.4
Liverpool	127.7	34.0	93.7*
St Helens	36.0	11.3	24.7
Sefton	50.4	17.5	32.9
Wirral	62.8	20.7	42.1
TOTAL	341.2	101.4	239.8

* *Figures include cash losses from reduced Council Tax and Business Rates receipts, the budgetary impact of which will not hit local authorities until 2021/22 (see paragraph 15 above). For example, the impact on Liverpool City Council in 2020/21 is £58.6m.*

19. The additional costs being incurred by the local authorities include around £18m arising from a number of entirely new local authority functions and services. These include services for shielded residents, additional free school meals support, sourcing and supplying PPE for other organisations, and the provision of volunteer hubs. As set out below, these all form part of the Government’s very clear expectations of local authorities in supporting – and in many cases directly delivering - the national response in individual communities.

20. The City Region has also had to expend significant resources in the preparation and management of excess deaths with costs incurred to date of around £300,000.

Figure 7 - Local Authority Spending on Additional Service Provision



21. A new component of the MHCLG’s “COVID-19 local authority financial management information” return for May 2020 is the inclusion of a section on “Reserves and Balances” – the aim being for MHCLG to start to assess whether local authorities could use such sources of funding to meet the costs of the demands placed on the sector by the Government. If such funds are required to be used to balance the costs of COVID-19, this would be a complete betrayal by the Government of its commitment to fund “whatever it takes” for local government to address the crisis.
22. In early March 2020, prior to the impact of COVID-19, each City Region local authority agreed its Annual Budget for 2020/21. In doing so, each local authority will have determined a level of “General Balances”, which is the “safety net” expected to take account of the wide range of local financial risks facing each authority in the light of the service which they provide and facilitate. General Balances are not set aside in order to cope with the impact of national emergencies or global pandemics – that is the role of the national Government.

23. Similarly, the local authorities have established earmarked reserves to fund specific projects and programmes, such as capital developments or asset purchases. They include sums set aside to deal with contractual commitments (such as Private Finance Initiative payments), insurance, and school balances. These commitments and projects are essential parts of each local authority's activity, and the regeneration programmes will be essential in contributing towards the recovery from COVID-19. The money is simply not "available" to be used to reduce the Government's bill.

New Services and Responses from the Local Authorities

PPE Provision

24. The national effort to provide sufficient essential PPE for care providers has failed - with the frequency and timing of deliveries uncertain, the quantities of stock actually delivered inconsistent with the orders placed, and product recalls together causing significant confusion in local areas and placing residents at risk. Whilst care providers are normally responsible for the provision of their own PPE, the equipment required in the current circumstances is significantly above and beyond normal operational levels – this additional specification along with a shortage of supply has led to a significant increase in costs. In the absence of a functioning national system, local authorities across the City Region have intervened to ensure that vulnerable residents and staff are protected adequately - this has come at significant financial cost.
25. Local authorities have worked with key stakeholders across the Merseyside Local Resilience Forum's Strategic Coordinating Group to establish a PPE Cell: co-ordinating a physical, 24/7 PPE logistics hub operation in the City Region and maintaining links with each local authority's respective PPE team. This has ensured that all local health and care providers (of which there are at least 850 identified) are able to access adequate PPE and thereby continue to fulfil their essential roles.
26. Together, the City Region local authorities have worked to procure a large scale PPE supply route. To date, 2,000,000 IIR masks and 450,000 aprons have been purchased and there are plans to purchase specialist equipment and develop a "call-off" framework for PPE supplies to meet planned local requirements for the next 3-6 months.

Support for Businesses

27. “Headline announcements” regarding the Government’s business support interventions have lacked the clarity and detail required and subsequent delays between initial announcements and publication of the related guidance have resulted in the need for local authorities to provide additional support to businesses - incurring additional and unplanned costs in doing so.
28. The announcements regarding the Government’s Coronavirus Job Retention Scheme provide a clear example of local authorities mitigating the lack of clarity (and delay in national guidance) for local businesses. Although the scheme itself is facilitated directly via HM Revenue and Customs, local authorities’ business support teams saw an unprecedented increase in queries regarding the Scheme. Whilst Government guidance regarding the Scheme has since been published, its rapidly changing nature has meant that many City Region local authorities have been required to develop localised FAQs and online support to provide the latest updates and bespoke advice to employers seeking further information.
29. Similarly, a lack of clarity regarding eligibility criteria for the Government’s Business Rates Relief grants programmes has caused considerable confusion amongst businesses. Due to local authorities’ role in administering these grants, many have incurred additional costs in setting up extended and dedicated Business Support Helplines and the development of suitable IT infrastructure and arrangements to facilitate the monitoring and submission of “claims” from local businesses. This has also included additional staffing resource to process and respond to ongoing queries from local businesses regarding the programmes (e.g. regarding eligibility or process).

The Shielding Programme and Mobilisation of Local Volunteer Hubs

30. Initial Government datasets defining local cohorts of “shielded” residents contained errors and hugely underestimated the scale of those requiring support. Local authorities have since directly contacted all of these residents and, in undertaking this task (and responding to subsequent queries), have incurred additional non-planned expenditure. The impact is exacerbated by the continuing, frequent and significant increases in the number of residents required to be “shielded” – the data is subject to frequent updates (itself often requiring further clarification) and local authorities have invested considerable staff resource in managing and analysing the data (with some having to develop or purchase new software solutions). As noted previously, the numbers of residents requiring such local authority support are significantly higher than levels elsewhere in the country, which compounds this issue further and places increased pressure on the local authorities.

31. There was a significant delay in the establishment of the national delivery systems required to support shielded residents - this was recognised by the Government who asked local authorities to “step in” to meet the urgent needs of this vulnerable group. Stepping in required local authority staff to undertake repeat “safe and well” checks and ensure that such residents receive urgent food and/or medication. Government guidance has also required the establishment of telephone helplines. Whilst local authorities have used existing staff resource in this respect, additional costs have been incurred in meeting extended requirements and the ability to manage the calls has been severely impacted by the poor quality of the national helpline (which continues to refer batches of “urgent” referrals to local authorities in significant volumes). In addition, clarification is still required around the potential need to undertake welfare visits to residents who have not been reached via outbound helpline calls – which would incur new, significant costs.
32. During the delay in the establishment of the national food delivery system, the Government also requested that local authorities step in to meet urgent need for food and medication deliveries. An emergency food drop was made by the military for this purpose, but the supplies were sufficient only to provide partial food packs for a limited number of people - rather than the expected 10,000 parcels of 7-day supplies per person. It was therefore necessary for local authorities to purchase food and implement deliveries via foodbanks in order to meet the Government’s commitment to shielded residents.
33. Despite the efforts of local authorities, it is clear that the ongoing lack of clarity from the Government and continuing revision to the datasets will have meant that some vulnerable residents in the Liverpool City Region may have been waiting for up to six weeks from being advised by their GP to “shield” to being able to register for national support. In all such cases, the local authorities have continued to meet the urgent needs of these shielded residents until national food deliveries are put in place.
34. The ongoing delivery of food parcels provided by the Government continues to be problematic and requires ongoing local intervention – there is significant evidence of deliveries not being made as planned, leaving vulnerable residents without food supplies. The quality and nutritional value of national food parcels remains a key concern, with complaints from extremely vulnerable residents on the basis that their needs are simply not being met. Food parcels from the Government have failed to take into account household needs or to meet individual dietary needs and, as a result, local authorities continue to supplement national food parcels with “top ups” to weekly deliveries at an ongoing cost. Some local authorities have been required to mobilise specific food hubs and helplines in this respect.

35. There is evidence that stopping the delivery of unwanted food parcels is problematic and difficult for vulnerable residents and often requires unplanned local authority intervention. There is also evidence of national food parcels being left outside homes for people who are unable to lift the boxes themselves. Updated Government guidance has reallocated the responsibility for transferring such parcels to local authorities, requiring the deployment of staff specifically for this purpose. In addition to incurring additional costs for local authorities, this process duplicates effort across national and local resources.
36. There was also an early and urgent Government call for local authorities to mobilise further support in the form of locality-based Volunteer Hubs. These Hubs are now providing crucial support to residents who do not meet the “Shielded” criteria (and are therefore ineligible for Government support) but, due to social distancing measures and personal circumstances, require additional help to access food and remain safe. Volunteer Hubs were set up from scratch by local authorities in a remarkably short period of time - drawing together their own resources as well as those from the social sector and resident volunteers. Whilst this has been vital in providing additional support to vulnerable residents, local authorities have therefore incurred substantial costs to date - with the largest element of expenditure centring on staffing resource, the impact of staff redeployment, and the need to supplement food supplies and deliveries.
37. The creation of the Volunteer Hubs also placed substantial pressure on local voluntary and social sector organisations, many of which have been required to mobilise at pace in the context of their own financial uncertainties. Such organisations are increasingly likely to require short- and medium-term financial and other intervention from the local authorities in order to ensure that they have the necessary resources to continue to respond to local needs.

Free School Meals

38. The delay in providing clear and timely guidance regarding Free School Meals meant that many local authorities and schools had no option but to introduce local measures. Initially, packed lunch solutions were introduced by the Government but this proved challenging to deliver at the same time as observing “lockdown” and social distancing requirements. The Government recognised this conflict and stated that a voucher scheme would “shortly” be made available. The national voucher system was then delayed and remains subject to widespread criticism. The delay forced some authorities to mobilise local voucher schemes at pace, incurring additional cost associated with developing the new IT infrastructure and operating arrangements.

39. The subsequent guidance failed to define adequately the eligibility criteria for children causing significant confusion on whether those eligible for the Universal Infant Free School Meals scheme would be in scope for the scheme (i.e. in accordance with prevailing national Government policy that such children should receive free school meals) and whether costs incurred would be funded centrally. The Government subsequently confirmed that funding would be limited to “Pupil Premium” means-tested free school meals and that the Universal Infant Free School Meals programme for all children from Reception to Year 2 would not be funded (in conflict with its own policy). This policy shift was not in early Government guidance and has caused a number of local authorities to incur additional unexpected costs.

Homelessness Support

40. Under normal circumstances, the only homeless individuals/households who would be offered temporary accommodation would be those assessed as meeting the criteria of “Priority Need” in accordance with national policy. As a result of new Government guidance, local authorities have been required to accommodate all households irrespective of Priority Need status, presenting an additional burden in terms of both administrative resources and also the cost of funding additional demand for accommodation.
41. Local authorities have taken steps to accommodate the increased number of households who are seeking help through additional access to hotel accommodation and license agreements with registered housing providers. Such increases in temporary accommodation provision have come at an additional cost to local authorities. Whilst provision is offset partially by Housing Benefit claims for each occupant, there remain significant additional costs borne by the local authorities in both resourcing additional administration of Housing Options services and paying for accommodation.
42. In addition, ordinarily, if a person is evicted from temporary accommodation as result of his/her own actions, a local authority would not be obligated to provide any further support. Under the new guidance, local authorities are now being required to re-accommodate those persons at an additional cost. Through the Merseyside Local Resilience Forum’s Strategic Coordinating Group, the City Region’s local authorities have repeatedly escalated this specific issue to the Government, but no guidance or advice has been received in response.

43. Prior to the potential adoption of a common approach across local authorities, further guidance is required from Government regarding the need for authorities to undertake robust preventative work and revert to assessing applicants under the normal homelessness criteria. Until then, local authorities continue to accommodate homeless individuals and couples in line with the existing guidance and bear the brunt of the resulting substantial additional costs.
44. It should also be recognised that demand for support for homeless people in the Liverpool City Region is higher than in many other parts of the country in view of the relatively high asylum seeker and refugee populations (especially in Liverpool) and the location of two new interim accommodation facilities in Halton and Sefton for asylum seekers.

Transport Costs and the Liverpool City Region Combined Authority

45. Local authorities are responsible for the provision of transport services through the Liverpool City Region Combined Authority. The Combined Authority has direct responsibility for the Mersey Tunnels, Mersey Ferries and certain bus services. Importantly, it also has devolved responsibility for the Merseyrail Heavy Rail Network.

Figure 7 – Transport Revenue Lost as a Consequence of COVID-19

Income Stream	March 2020	April 2020	May 2020	June 2020	July 2020
	£000s	£000s	£000s	£000s	£000s
Tunnel Tolls	800	3,375	2,531	1,181	844
Ferries Income	268	350	450	300	300
Commercial Visitor Attractions	350	596	604	681	700
Other Transport Revenues	80	740	740	740	740
Total	1,498	5,061	4,325	2,902	2,584

NB Actual confirmed figures for March and April 2020 – projections otherwise.

46. The table above demonstrates that – in comparison to the income streams expected for equivalent months in previous years - the City Region has lost around £800,000 per week in Mersey Tunnel toll revenues during the initial response period. This income stream is crucial for the operation of this part of the City Region’s Key Route Network and also subsidises other transport services. We anticipate that tunnels revenues will fall by over £10m in the 2020/21 financial year.
47. Taking into account lost revenues on the Mersey Ferries and on our Supported Bus Network, this means initial transport revenue losses of approximately £5m per month. This position will only recover partially as mobility restrictions and social distancing requirements are likely to persist for the foreseeable future.
48. We support the Government’s initiatives to maintain a strong bus network and welcome the payments to operators under the new COVID-19 Bus Services Support Grant regime, though we feel that these payments would be better routed through Combined Authorities and Transport Authorities.
49. We are also honouring the Cabinet Office Procurement Notice and maintaining our payments to operators for Concessionary Travel at pre-COVID-19 levels, despite effectively getting almost no service in return for these payments. Protecting bus operator liquidity in this way means that we are unable to reduce our cost base effectively in response to the reduction in revenues and services.
50. The City Region’s responsibilities for Merseyrail have been devolved from the Department for Transport. However, unlike other national rail franchises, Merseyrail is not covered by the emergency management arrangements announced by the Department for Transport on 19 March 2020. While negotiations are ongoing with the Department for Transport in this respect, it is important that this issue is resolved as the Combined Authority also holds significant financial risk for the network at a level which is greater than can be supported without Government intervention.
51. The City Region is also incurring significant costs due to COVID-19-related delays in the manufacture of a new fleet of rolling stock which it is funding independently of the Government. There are also related major affordability issues as financing the new fleet is conditional on achieving significant increases in patronage - this now seem inconsistent with social distancing and is unlikely to be achieved unless economic activity and confidence in public transport recover significantly faster than appears likely at present.

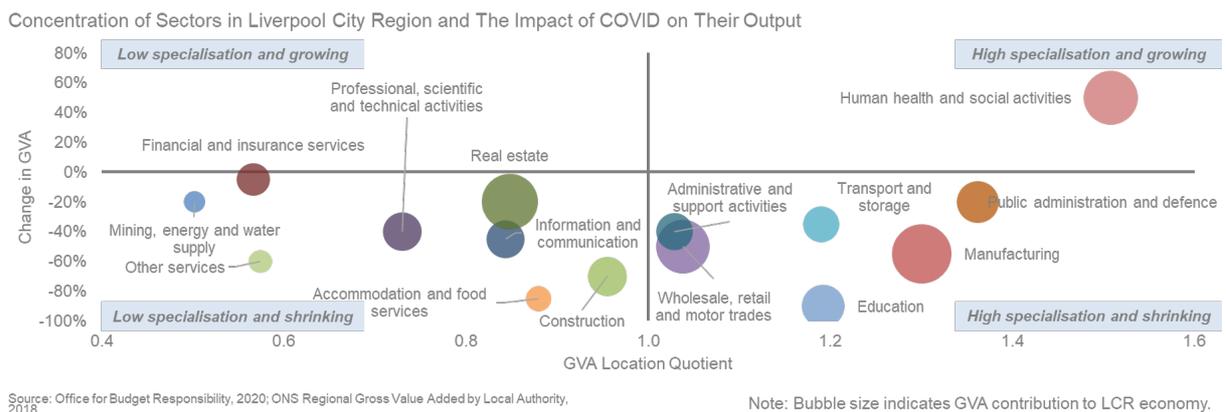
52. The long-term impact on public transport will depend on the degree to which the current reduction in usage becomes a permanent cultural and behavioural shift and this in turn will have implications not just on revenue, but on air quality and public health.
53. A particular risk for our City Region is that a post-COVID-19 economic recovery increases the prevalence of journeys by car through a shift away from public transport. The consequences would be significant both financially but also in terms of air quality.
54. There are several Air Quality Management Areas in parts of the City Region with particularly poor air quality. As studies begin to link air pollution to increased COVID-19 mortality, it is important that transport funding, both revenue and capital, addresses the risk of worsening air quality.

The Impact of COVID-19 on the Liverpool City Region Economy

55. The impact of COVID-19 on the City Region's economy is difficult to predict with any accuracy, but analysis highlights the severity of the economic fallout which will undoubtedly follow. Historic trends strongly suggest that this fallout will impact areas like the City Region disproportionately and, therefore, there is a need to consider the context of the City Region's economic performance prior to COVID-19.
56. The City Region's economy did not start recovering from the last recession until 2013. Since then, the economy has grown faster than national levels, closing performance gaps with the rest of the country. While the trajectory was positive, the long-standing and deep-rooted socio-economic challenges remained and so, in many aspects, the City Region is not facing the pandemic from a position of strength.

57. The City Region’s economy relies heavily on the City Centre - an important leisure, cultural, retail and tourism centre – as well as its significant manufacturing base. This sectoral composition of the City Region increases the severity of impact significantly. The economy is more exposed to extreme sector impacts forecasted by the Office for Budget Responsibility, including manufacturing, wholesale, retail and motor trades, and education - all of which are forecasted to see a fall in output of at least 50%.

Figure 8 – Concentration of Sectors and the Impact of COVID-19



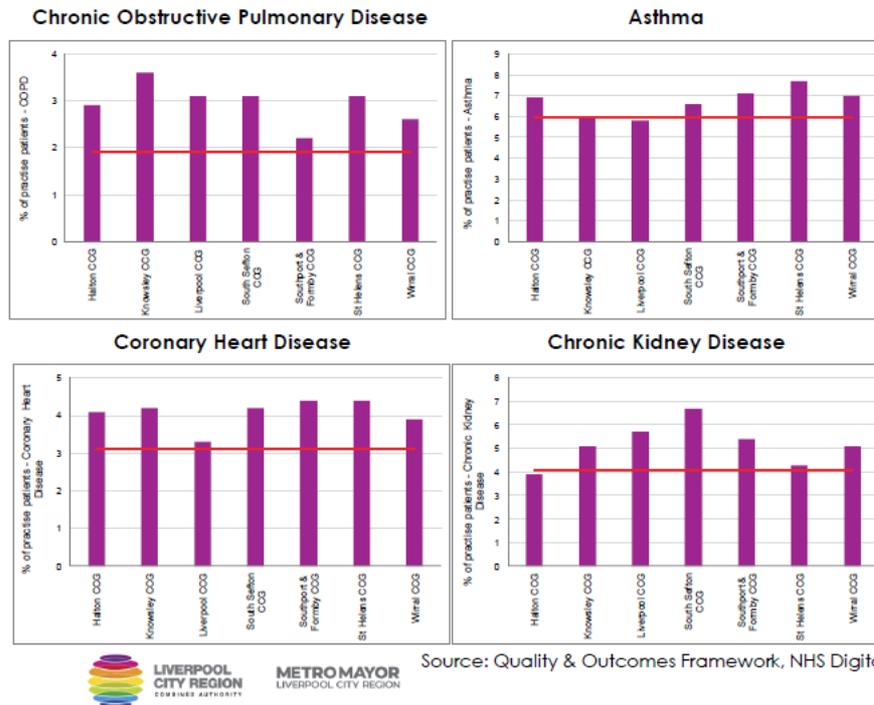
58. A key concern is that this immediate loss of output translates into high levels of business failures. During the first week of social restrictions being put in place, 96% of business surveyed in the City Region had already been impacted by COVID-19, with over 70% experiencing a decrease in sales. Despite the national support programmes put in place, we still expect many businesses to cease trading as a result of the pandemic.

59. High failure rates are even more unpalatable given low business density in the City Region. While our business base continued to grow at a faster rate than national averages prior to the pandemic, low business density was a key weakness of the City Region’s business ecosystem. The City Region has just 526 businesses for every 10,000 of the population, compared to a United Kingdom average of 752, placing the City Region in the bottom three of all Local Enterprise Partnership areas.

60. Fewer businesses will result in fewer employment opportunities. A sharp fall in the employment rate will be another detrimental impact of COVID-19 in the City Region - current employment is already 3 percentage points lower than the national rate, and the fourth lowest of all Local Enterprise Partnership areas.

61. Employment levels will also be impacted by an increase in health-related inactivity, which was already too high. The Liverpool City Region has the third highest level of economic inactivity of all Local Enterprise Partnership areas, and 30% of economically inactive residents reported that this was due to long-term sickness. The City Region's Local Industrial Strategy sets out a cohesive plan (in line with the Government's guidance) to address these existing economic challenges, with the Combined Authority and the local authorities playing key roles in its delivery through the delivery of services and ambitious projects (e.g. locally designed employment support projects, and town centre regeneration schemes).
62. The economic inactivity rate is reflective of some of the complex health and wellbeing challenges residents in the City Region face, which will only be exacerbated by the high infection rates experienced during the pandemic. These challenges include:-
- One in four people of working age in the City Region have limiting health conditions;
 - In the areas identified as high risk – COPD, asthma, heart disease, chronic kidney disease - all of the clinical commissioning groups in the City Region have a higher prevalence than is the case nationally;
 - Life expectancy is two and a half years lower in the City Region than for England;
 - The prevalence of ill health is increasing; and,
 - There is a high prevalence of mental health disorders.

Figure 9 – Prevalence of COVID-19 High Risk Conditions in the Liverpool City Region



63. As noted, the longstanding health inequalities across the Liverpool City Region mean that local residents are significantly more likely to be impacted by, and die because of, COVID-19. Local analysis shows that the diagnosis rate amongst the City Region’s population is significantly higher than the national average. Similarly, the City Region’s overall COVID-related mortality rate is significantly worse than that across England – almost twice as high as the national average in some areas.
64. Poor health outcomes and poor economic outcomes are intrinsically linked. Poor health outcomes contribute to poor economic outcomes, which in turn contribute to poorer health outcomes. This vicious cycle is intensified during the pandemic and will ultimately contribute to a much higher need for and cost of provision of public services. The Government must recognise this in the distribution of future funding.

Future Funding

65. The Government emergency funding thus far will cover only 30% of need and this gap will worsen should the situation persist. It is critical for the people of the Liverpool City Region that this gap is filled, otherwise the six local authorities and the Combined Authority will not be able to fulfil their roles in providing vital services to residents, demonstrating community leadership, driving economic recovery, and restoring public transport.

66. Navigating the complex path towards recovery and working alongside the Government will only be possible if the short-term financial risks arising from COVID-19 are removed and some degree of certainty can be established in a longer-term funding settlement which goes beyond the current year.
67. The path to recovery is made even more challenging by the nature of this emergency. Unlike other emergencies, the COVID-19 crisis will not reach a clear point when the “Response” phase will end and the “Recovery” phase will therefore commence. Instead, the Response and Recovery phases will run simultaneously as the country first adopts a “new normal” and then adapts in phases. This means that the local government sector will need to operate Response and Recovery models at the same time, with a clear consequent impact on resourcing levels.
68. It is clear that, if funding distributions continue to fail to recognise the severity of the impact of COVID-19 in our City Region, then our economic, social and health inequalities will become even further entrenched. In order to address this issue and facilitate meaningful future recovery planning, we ask the Government:-
- To fill the gap in the immediate financial losses faced by our local authorities as a result of their response to COVID-19;
 - To engage in dialogue with our local authorities on a fair and equitable funding settlement for future years which takes into account the likely financial legacies arising from COVID-19; and,
 - To recognise the importance of need and the acute situation of many of our communities in any future funding settlement linked to recovery.
69. The scale of challenge in rebuilding the Liverpool City Region’s economy is great and the City Region is committed to working with the Government to achieve this objective. This commitment is evidenced through our Local Industrial Strategy and our responses to related Government initiatives, including the Transforming Cities Fund and the Towns Fund. The financial reality is that these longer-term aspirations will only be achieved if the immediate financial impact of COVID-19 is addressed. Without this, local government within the City Region will lack the resources, reserves and financial standing to form effective partnerships and drive recovery at the pace which local people both need and deserve.
70. In order to plan for future years, the immediate financial issues need to be resolved within the next quarter and the Government should also indicate how it intends to address longer term issues around business rates, council tax collection rates and funding for public transport which will no doubt be a legacy of the current situation.