

Greater Manchester Combined Authority

Date: 27th March 2026
Subject: Greater Manchester's Support for Local Government Finance
Report of: Councillor David Molyneux, Portfolio Lead for Resources
Steve Wilson, Group Chief Finance Officer

Purpose of Report

This report is to inform GMCA members on work undertaken to review options for supporting GM authorities facing significant financial challenges.

The paper builds on the work undertaken through the setting of GMCA's 2026/27 budgets and proposes further steps to support GM authorities who are operating under the government's exceptional financial support regime.

Recommendations:

The GMCA is requested to:

1. Note the work done to support local authority finances in GM
2. Approve the principle of providing interest free loans to GM LAs if and when they become subject to Exceptional Financial Support (EFS) capitalisation directions as set out in this paper and delegate authority to the GMCA Group Chief Finance Officer to agree the final terms of any interest free loan that meets these principles.
3. Note that other options will continue to be considered for future support to GM LAs and any new proposals will be brought back to the CA for further consideration in due course

Contact Officers

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Equalities Impact, Carbon and Sustainability Assessment: N/A

Risk Management

An assessment of major budget risks faced by the authority are carried out quarterly as part of the reporting process – the risks are identified within the report.

Legal Considerations

Final arrangements for financial support will be in accordance with the powers and legislative provisions governing the Combined Authority

Financial Consequences – Revenue

The report sets out the impact on the 2026/27 GMCA revenue budget

Financial Consequences – Capital

There are no specific capital considerations contained within the report.

Number of attachments to the report: N/A

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

GMCA Budget Reports – 13th February 2026

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution

No

Exemption from call in

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

N/A

Bee Network Committee N/A

Overview and Scrutiny Committee N/A

1 INTRODUCTION

- 1.1 GMCA and the Mayor of GM have always made it clear that the sustainability of local government finance across GM is a critical foundation for the delivery of the Greater Manchester Strategy (GMS) and our collective ambitions for the city region.
- 1.2 The final local government funding settlement (LGFS) for 26/27 has provided a mixed set of outcomes for GM authorities. Whilst funding to the overall sector in GM has increased as a result of the adoption of a new funding approach (Fairer Funding 2.0). A small number of GM authorities face significant challenges as a result of the changes to the formula and the increased account taken of the local taxbase, regardless of the actual levels of council tax.

2. MEASURES TAKEN SO FAR TO SUPPORT GM AUTHORITES

- 2.1 The GMCA budgets for 2026/27 built on the approach taken in previous years which sought to minimise the financial impact of those budgets on the GM authorities. The budget paper approved by the combined authority on 13th February 2026 confirmed the return of £20m of waste reserves to authorities; a reduction in the proposed uplift for the waste levy from 7.3% to 3%; the removal of the 1% non-recurrent transport levy for all authorities; the permanent removal the GMCA corporate levy charged to councils; and the recurrent allocation of £5m of the GMCA retained business rates partial reset funding to the GM local authorities. A total benefit to GM authorities of **£40m**.

3. POTENTIAL ADDITIONAL SUPPORT OPTIONS

- 3.1 GMCA remains open to discussions on further initiatives to support GM local authorities either on a GM wide basis, such as the measures taken so far, or on a more targeted basis.
- 3.2 A number of areas have been considered and continue to be the subject of discussions between CA and LA officers for providing additional support to GM Authorities including:

(i) Review future commitments to bus reform funding from local authorities

As part of the £134.5m funding package for GM bus reform, GM LAs were to make a one-off contribution of £17.8m. Actual payments have been deferred several times and GMCA will review whether this funding will need to be paid by any or all LAs.

(ii) Provide access to interest free loan funding for those authorities under Exceptional Financial Support (EFS) capitalisation directions

The national EFS regime allows authorities in serious risk of financial failure and a section 114 notice, to apply for a capitalisation direction for revenue spend which is not normally permitted to be capitalised. Whilst this provides short term support with costs spread over the next 20 years it incurs additional costs through interest charges, ultimately making the position worse and adding to the burdens of the local authority and taxpayers. GMCA could, if cash funds allow, provide time limited interest free loans to authorities with a capitalisation direction on terms as set out in section 4 below.

4. APPROACH TO PROVISION OF INTEREST FREE LOANS

4.1 It is proposed the following key principles would be applied to a scheme of interest free loans from GMCA:

- (i) The loans would only be available for GM local authorities with a formal capitalisation direction from the government under the EFS regime
- (ii) The maximum loan provided would be the lower of the permitted funding under the capitalisation direction and the actual revenue costs capitalised by the authority as part of the regime, as confirmed by formal financial reporting by the authority.
- (iii) Local authorities should, in the first instance, use their own cash balances to provide funding.
- (iv) Loan capital would be fully repayable by the local authority.
- (v) The duration of loans would be for the current spending review period. In the case of any loans provided in 2026/27 they would be repaid, unless extended, by the 31st March 2029.

- (vi) The loan would be reviewed ahead of the end of the spending review period and may be extend for a subsequent SR period depending on affordability.

5. PROPOSALS FOR 2026/27

- 5.1 Currently one GM authority, Trafford, is operating under the government's exceptional financial support scheme.
- 5.2 Trafford entered the EFS regime in 2025/26 and has had a further application agreed for 2026/27. As a result, they have increased council tax 2.5% above the referendum limit both years. In addition, they received a capitalisation direction of £9.6m in 2025/26 and £12.6m in 2026/27.

6. IMPACT ON GMCA BUDGETS

- 6.1 The impact on the GMCA budget would be the loss of income which may otherwise have been derived from deposit interest or the need to borrow at an earlier stage than would otherwise have been the case. This will affect the overall deposit interest which results from the overall, net average interest rate received by the CA, which is variable.
- 6.2 The total loss of interest which would result from providing an interest free loan to Trafford in 2026/27 is estimated to be between £500k and £800k.

7. RECOMMENDATIONS

- 7.1 Recommendations can be found at the front of the report.