

Overview and Scrutiny Management Board

Agenda



Date: Wednesday, 8 July 2020

Time: 1.30 pm

Venue: Virtual Meeting - Zoom Committee Meeting with Public Access via YouTube

Distribution:

Councillors: Geoff Gollop (Chair), Celia Phipps (Vice-Chair), Anthony Negus, Stephen Clarke, Claire Hiscott, Lucy Whittle, Paula O'Rourke, Brenda Massey, Jo Sergeant, Mark Brain and Jeff Lovell

Issued by: Johanna Holmes, Scrutiny Advisor

City Hall, PO Box 3167, Bristol, BS3 9FS

Tel: 0117 90 36898

E-mail: democratic.services@bristol.gov.uk

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9. Finance Working Group - update

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The Financial Impact of COVID-19 on BCC.
Initial Report to OSMB of Finance Scrutiny Task and Finish Group ('the group').

The group consists of the following members: Don Alexander, Stephen Clarke (Chair), Margaret Hickman, Tim Kent, Afzal Shah, Mark Weston and Mhairi Threlfall. Geoff Gollop as chair of OSMB is an observer.

Officers assisting included Denise Murray, Michael Pilcher, Tian Ze Hao, Lucy Fleming, Bronwen Falconer, Dan Berlin and Jo Holmes.

The groups had two tasks; to look at the MTFP and the 21/22 budget and (more urgently) to look at the impact of COVID 19 on the finances of BCC. The Medium Term Financial Plan and 21/22 budget will be considered in meetings starting at the end of July 2020 (dates tbc) but the group have met three times (18 June, 23rd June and 7th July) to discuss the impact of COVID on the council's finances.

They have been assisted by very clear presentations and Q&A from officers in what has been a rapidly moving situation with numerous changing parameters. The group wish to record their thanks to the officers for their help.

The impact of the pandemic consists of two broad areas; extra 'response expenditure' and income loss. Response expenditure consist of items such as workforce pressures, additional social care demand, help to rough-sleepers, additional expenditure on waste and the provision of PPE. Income loss includes losses of income streams such as parking and other services fees, commercial losses from rental properties and reduced collection rates of Business Rates and Council Tax. Business Rates and Council Tax losses mainly have an impact from a budgetary point of view on the 21/22 budget but all items also have a cash flow implication for this year. The financial losses are likely to have an ongoing impact for the next 4-5 years.

The government have funded various grants to local councils and re-profiled the payment of certain payments due to them but there still remains a significant 'gap' between the amounts currently offered to BCC and the losses that are likely to be incurred. The group have been informed of various mitigating actions that can be taken to fill this gap and these are discussed below.

The position has been improved by an additional amount of funding and other fiscal measures promised by government in the last week but a gap still remains. In summary the figures are:

1. This year.
 - a. The budgetary impact of COVID on the General Fund for 20/21 is currently estimated to be £68.1m (made up of £34.7m response expenditure and £34.4m income loss).
 - b. The Government have provided funding of £55.4m.
 - c. Therefore the residual shortfall on the General Fund is £12.7m
 - d. There is also a loss from the HRA of £5m.
2. 2021/22
 - a. The estimated budgetary impact for next year (21/22) is £32.9m.

3. Proposals to mitigate the £12.7m shortfall.
 - i. £1.7m income from the furlough scheme received for BCC staff.
 - ii. £5.7m Capital financing changes (restructuring and slippage).
 - iii. £3.1m. Use of general reserves.
 - iv. £2.15m. Use of resilience reserve.Total £12.7m

Note that the drawdown of the general reserve still leaves £20m in the fund so within our policy guidelines.

Central Government have also promised further help:

- 75% of losses for sales fees and charges beyond a 5% reduction.
- phased repayment of collection fund deficits over three years.
- a commitment to determine what support is needed regarding ‘irrecoverable tax income’

Outstanding issues still to be agreed include:

- Methodology of distribution of most recent grant between councils.
- Planned support needs to be for five years not three.
- Lack of support for ‘commercial income’.
- Position with HRA.
- Position with PFI contracts.
- Likely increase in claimants of the Council Tax Reduction Scheme.
- Business Rates reset and 100% pilot scheme.
- New Homes Bonus.

Cllr. Stephen Clarke
Chair of Budget Task and Finish Group
7 July 2020.