

Overview and Scrutiny Management Board Agenda



Date: Monday, 5 October 2020

Time: 3.15 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

Copies to: Mike Jackson (Chief Executive), Jacqui Jensen (Executive Director - Adults, Children and Education (DCS)), Stephen Peacock (Executive Director for Growth and Regeneration), Tim O'Gara (Director - Legal and Democratic Services), Tim Borrett (Director: Policy, Strategy & ICT), Patsy Mellor, Denise Murray (Director - Finance & Section 151 Officer), Lucy Fleming (Head of Democratic Engagement), Johanna Holmes (Policy Advisor - Scrutiny), David Fowler (Members' Office Manager (Conservative)), Stephen Fulham, Zarah Jama, Paul Shanks, Anne Addison, Dan Berlin (Policy & Scrutiny Advisor) and Bronwen Falconer (Policy & Scrutiny Advisor)

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Date: Friday, 25 September 2020



Agenda

9. Finance Task Group - Update

The report of the Finance Task Group will be published here after their final meeting on the 2nd October.

(Pages 3 - 5)

The Finance Task Group report will refer to the Medium Term Financial Plan and Capital Strategy report, published with [Cabinet papers available here](#)



Scrutiny Finance Task and Finish Group; Report to OSMB.

The Scrutiny Finance Task and Finish Group is a cross-party group of elected members consisting of Steve Clarke (Chair), Don Alexander, John Goulandris, Margaret Hickman, Tim Kent, Mhairi Threlfall and Geoff Gollop (observer as OSMB Chair).

We have been ably supported by officers including Michael Pilcher, Tian Ze Hao, Jo Holmes, and Bronwen Falconer. They have shown patient understanding and great clarity in explaining complex financial matters to us and we thank them.

Ahead of the annual update of the Medium Term Financial Plan (MTFP) and Capital Strategy for the period 2021/22 – 2025/26 which is to be considered by Cabinet on the 6th October, the Scrutiny Finance Task Group has met on three occasions with Finance Officers to look at the significant areas of the Medium Term Financial Plan and Capital Strategy.

The Task and Finish Group Members wish to highlight the following key points and make comments where appropriate:

Capital Strategy

The Capital Strategy forms part of the framework for financial planning and is integral to both the Medium Term Financial Plan (MTFP) and the Treasury Management Strategy (TMS). It sets out how capital investment will play its part in delivering the long term strategic objectives of the Council, how associated risk is managed and the implications for future financial sustainability.

- A significant proportion (73% of this programme) is aligned to large infrastructure investments that will support long term regeneration across the city, such as programmes of new housing building and developing the Temple Quarter area, with 9% aligned to ‘invest to save’ schemes such as investing in infrastructure to support delivery of Social Care and Education services and 18% invested for undertaking mandatory statutory duties such as keeping the public safe and maintaining our assets.
- The Council has an historical commercial property portfolio (including Cabot Circus for example) of some £250m which produces a return of approx £11m.
- Investment strategy; It is likely that the Council will dispose of some current property assets and utilise the profits to undertake further investments to help facilitate financial growth and regeneration.

Members suggested there is a danger that there could be a potential imbalance in the programme towards investment in growth projects rather than maintenance programmes, as assets like the harbour walls and the bridges (such as that at the Cumberland Basin) continue to grow older and deteriorate physically .

Medium Term Financial Plan

The Medium Term Financial Plan (MTFP) is a key part of BCC’s Policy and Budget Framework and financial planning process. It sets out the Council’s strategic approach to the management of its finances and provides a financial framework within which delivery of the Council’s priorities will be progressed. The current iteration is a five year outlook of the Councils funding envelope and the financial resilience levels.

A starting point is that the pandemic has affected all parts of the local economy and will continue to have a severe impact on BCC’s finances for some years to come.

1. Impact of Covid-19 on the Councils Finances

- The estimated 2021/22 one-off pressure caused by COVID is £21.5m and over the period to 2025/26 it is £65.9m.
- Finance officers estimated that Government financial support this year is expected to be in the region of £53.6m, supporting 73.6% of the estimated extra expenditure but this leaves a ‘gap’ which will be filled using reserves and planned savings. These savings will total £20m over 2020/21, 2021/22 and 2022/3.

- The Council has taken steps to mitigate the increase in economic pressures but there is still considerable uncertainty about the long term impact on public finances as well as the wider economic prospects with the possibility on further outbreaks of COVID and a “no-deal Brexit”. In their planning, the finance team has assumed that the losses caused by any future COVID lockdowns would be largely covered by further government grants but this can clearly not be guaranteed.
- In fact there is a wider point here as there is a considerable amount of risk built into many of the assumptions that the finance team has made in their modelling (albeit they have been as cautious as they can).
- The pandemic will have a long-term impact on both the Council’s ability to collect income as well as increased levels of expenditure.

2. The Council’s Income

- Unusually for a Core City, Bristol implements a full local Council Tax Reduction Scheme (CTRS). The current and further forecast increase in unemployment figures will have a significant effect on this scheme and the Council’s collection targets.
- Council Tax income losses are the largest single income loss due to COVID-19 and are estimated to be £14.4m in 2020/21.
- Unemployment figures have increased and are expected to continue to increase. Bristol had seen the highest proportion of increase in people on Universal Credit amongst core cities (albeit from a low base).
- It is estimated that the total approved CTRS claims in 2020/21 will increase by 13% comparing to pre-pandemic levels which will leave a significant shortfall in the Council’s income going forward.
- The pandemic has also had a significant impact on the Council’s fees and charges income streams. The forecast loss of service income such as parking, parks, museum, events and commercial property rental income amounted to £28.5m in 2020/21, and it is expected that full recovery to previous levels of income will take around 3 years.

3. Investment Portfolio

- Officers are currently reviewing how the Council’s commercial portfolio is performing.
- The Council is aligning its finances with the United Nations Sustainable Goals and officers are also starting to review the Councils Ethical Investment Strategy. Officers were clear that on occasions regeneration can be as important as pure financial return in investment decisions and members understood and agreed with this approach.

4. Business Rates

- There will be a shortfall in the amount of business rates the Council will be able to collect. Bristol received £74m rates relief grant from the Government at the beginning of the pandemic, however the actual number is forecast to be much larger at £90m+.
- As with Council Tax, the business rate 2020/21 deficit can now be spread over the next 3 years

5. General Fund

A £75.8m overspend is forecast against the approved General Fund budget (£395.7m), of which £7.1m was categorised to be not directly attributed to the impact of COVID-19 and therefore not off-set by government support. This overspend mainly relates to adult social care and undelivered savings within additional areas such as facility management and income generating initiatives.

6. Adult Social Care

The overall reported overspend in Adult Social Care (ASC) was £28.9m (within the above £75.8m), of which £7.7m under ASC was categorised to be not directly attributed to the impact of COVID-19.

7. Dedicated Schools Grant (DSG)

- The forecast deficit for the Dedicated Schools Grant (DSG) is currently £8m. This deficit is predominantly driven by significant year on year increases in the volume and needs within the SEN budget.

8. Homelessness

- Bristol has one of the highest number of people sleeping rough in England and Wales and the highest numbers outside of London. The current numbers are in excess of 200.

9. Bristol Energy

- Members were assured by officers that the losses incurred in the investment in Bristol Energy have always been funded through 'earmarked reserves' and these losses (subject to the final details of the sale) are unlikely to have any significant impact ongoing impact on the revenue budgets.

10. Reserves. Despite utilisation of the reserves this financial year the general reserve has not gone below the policy-compliant level of £20m

Again, members would like to put on record their thanks to Finance Officers for their time and for producing such thorough and up-to-date information for the Group and the Chair would like to record his thanks for members' hard work and insightful contributions.

Stephen Clarke

Chair: Budget Task and Finish Group

2.10.20