



Rt Hon Rishi Sunak MP  
Chancellor of the Exchequer

## Mayor of Bristol

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**Date** 29 April 2020

By email: [Action.Chancellors@hmtreasury.gov.uk](mailto:Action.Chancellors@hmtreasury.gov.uk)

### RE: Financing of local government

Dear Chancellor,

Since the onset of the COVID-19 crisis, councils up and down the country have been leading the frontline response; ensuring the vulnerable are looked after, keeping essential services running and coordinating an unprecedented volunteer effort. In Bristol, working in partnership with the NHS, police, voluntary sector, communities, and city partners we have:

- Delivered over 1,000 emergency food parcels and set up four emergency foodbanks
- Launched the 'We Are Bristol' telephone helpline to support vulnerable people
- Distributed £88m of support to Bristol businesses
- Secured beds for hundreds of homeless citizens

The pandemic has presented an unprecedented challenge, requiring an immediate and fast-paced response from the city council and its partners. **Unfortunately these services all cost significant amounts of extra money and the crisis is placing a major burden on already stretched council finances.**

I welcomed the pledge by the Secretary of State for Communities and Local Government, Robert Jenrick, to provide councils with the resources they need to meet this challenge. However, Government support so far has fallen short of the level required. This will have long term effects as the country transitions from the crisis into recovery.

Our communities and businesses will need our help in getting them back to their feet once the epidemic has passed but councils like Bristol will not be able to lead the recovery locally with one arm tied behind our backs.

The short, medium and long term impact of COVID-19 on Bristol's economy is difficult to quantify at this stage. A recent survey of Bristol businesses indicated that circa 70% have had to temporarily close their premises, whilst 57% can evidence a drop in revenues of more than 80%.

**The increase in costs for the council in responding to the pandemic is estimated to be £29 million.** The loss of local authority commercial and regulated income due to the government directed restriction is no different in cause than those effecting private businesses and is **expected to be in the order of £79.9 million.**



High level indications are that the additional funding that government has provided or accelerated will only sustain operations for a short-term period of time; at best up to May 2020, and fails to address the huge pressures on Bristol's cashflow due to the above.

£3.2 billion in central government funding has been allocated to local authorities to date. Details of the allocations for the second tranche of this funding were confirmed today and in total Bristol City Council will receive £26.5m. This represents a shortfall on our estimated response costs of £29m and, as we have previously warned, there will therefore be an impact on our ability to appropriately deliver social protection for our citizens

**We are disappointed with the per capita allocation methodology used in calculating this funding as it does not reflect need and the scale of the pressures the council is facing.** The press release stated that the second tranche of funding is to help local authorities “deal with the immediate impacts of coronavirus” which we assume means both additional expenditure and lost income, both of which local authorities are having to manage. If lost income has been included in the package, then it is fairly clear that the funding is wholly inadequate.

It is too early to indicate when, or if, the council's finances will recover. The scale of the impact, if unmitigated, indicates that it could take years.

This will have a significant impact, with the depletion of the council's £20 million general reserve and the redirection in all available reserves previously earmarked for specific projects, and risks. Some truly unpalatable decisions would need to be made in budget setting in relation to critical services that are still likely to be transitioning to recovery.

**This will also limit the council's ability to take a prominent role, working with Government, to supporting the economic recovery** and pushing forward with our ambitious regeneration plans.

It is therefore essential that the government delivers on their commitment to provide councils with the resources they need to meet this challenge. We are calling for the true costs of the pandemic to be underwritten by the Government. I urge the Treasury to work with MHCLG as part immediate conversations with councils to fully understand the impact of COVID-19 on our finances.

The crisis has shown the value of public services and the government must now act quickly to put in place a package of support that truly reflects the financial pressures facing local authorities and our vital role in rebuilding the economy as we emerge out of this crisis.

I look forward to your response and hearing how you will address these critical funding issues.

Yours sincerely,



**Marvin Rees**  
Mayor of Bristol

CC: Rt Hon Robert Jenrick MP, Secretary of State for Housing, Communities and Local Government