

Report of the Chief Operating Officer
Portfolio of the Executive Member for Finance and Performance

2020/21 Finance and Performance Monitor 3

Summary

- 1 To present details of the overall finance and performance position for the period covering 1 April 2020 to 31 December 2020, together with an overview of any emerging issues. This is the third report of the financial year and assesses performance against budgets, including progress in delivering the Council's savings programme.
- 2 The COVID-19 pandemic continues to have a significant impact on the Council's financial position. As outlined in the previous report to Executive on 26th November, estimated additional costs of some £10m will be incurred during the year along with a loss of income from fees and charges of c£8m. General Government grant of £12m has been awarded to date with the Income Compensation Scheme potentially providing another £4m of funding. Further grants as reported in the previous report include the Contain Outbreak Management Fund, Winter Pressures and additional funding for business grants.
- 3 Despite these additional funding streams, an ongoing impact in future years is still expected due to a range of issues, including the longer term impacts on individual residents leading to an increase in the cost of care. In addition, a potential loss of both Council Tax and Business Rates income is to be expected as some businesses struggle to recover, resulting in an increase in unemployment which in turn may leave some residents unable to pay Council Tax.
- 4 In addition to the direct financial consequences of the pandemic, in terms of additional expenditure and lost income, staff time and effort over recent months has clearly been dedicated to supporting residents and communities. This has resulted in attention being diverted away from more business as usual activity, including the actions needed to deliver savings and manage some of the underlying budget pressures being experienced in social care. We are also seeing an increase in social care costs directly as a result of the pandemic. These are national issues that

are not unique to York and the combination of increased costs and delays in achieving savings is having a detrimental impact on the public sector. It continues to be clear that further Government funding is needed both in this year and next.

- 5 The Council has been able to respond quickly and effectively throughout the pandemic, ensuring that support is available for residents and businesses. At the time of writing, the third national lockdown since the start of the pandemic is still in place and the impacts of both the lockdown on income streams and the costs of the recent flooding are not included in the forecast outturn.
- 6 Partner organisations in the city are also experiencing unprecedented financial challenges and it is clear that the pandemic will have lasting financial implications both on the Council and many other organisations operating in the city. Whilst the Council continues to make every effort to manage the situation and protect critical front line service delivery, through identifying efficiencies and more robust control of costs, in the absence of any guarantee of further Government funding to provide much needed support this represents a significant risk to the delivery of the Council Plan and the ongoing delivery of essential services.
- 7 While the Council is continuing to face significant financial challenges, we have stepped up our regional and national lobbying efforts to urge the Government to “Back York” by seizing the opportunities that are unique to York and making the city an exemplar of recovery. York has strengths and opportunities that could facilitate a strong economic recovery from COVID-19. The city has seen significant growth in key sectors over the last 20 years. Our businesses are identified in regional, and pan-northern economic strategies as being key opportunities for the Northern Powerhouse, and are all expected to remain buoyant through the pandemic.
- 8 Whilst the work being done to support recovery, particularly in relation to the local economy, has resulted in many visitors and residents returning to the city centre the return of lockdown restrictions means that it can be difficult to make an accurate forecast of the financial position over the short and medium term. In previous years, we would have been able to rely on our strong local economy to maintain a stable and resilient financial position. With this unprecedented level of uncertainty in both the national and local economy it is therefore prudent to continue to plan on the basis of the current financial picture and begin to put in place mitigation and cost control strategies to bring the forecast expenditure down to within the current approved budgets.

Recommendations

- 10 Executive is asked to:
- note the finance and performance information and the actions needed to manage the financial position

Reason: to ensure expenditure is kept within the approved budget.

Financial Summary

- 11 The gross financial pressures facing the council are projected at £5.7m. Whilst this is a significant overspend, a great deal of work has been done to identify mitigation and further action needed to bring current spending under control. It is therefore considered that this can be brought down to £3.7m by the end of the financial year through a number of measures.
- 12 There are underlying budget pressures across both adult and children's social care. As previously reported, adult social care is operating in an extremely challenging environment and as a result additional funding of £4.5m was allocated to the service in the 2020/21 budget. The long awaited Green Paper on a sustainable system for funding adult social care has again been delayed as a result of the pandemic and the Council has lobbied for this to be brought forward as soon as possible. The Government stated in the Spending Review published in November 2020 that it was still committed to sustainable improvement of the adult social care system and indicated that it would bring proposals forward in the next year.
- 13 This report highlights a number of known pressures that need to be actively monitored and managed, with mitigating actions agreed and regularly monitored across all directorates. Through ongoing monitoring and identification of mitigation alongside a review of earmarked reserves, the Council will continue to make every effort to reduce this forecast position but it is considered unlikely that it will be reduced to the point that the outturn will be within the approved budget. It is clearly vital that the Council's statutory duties, particularly in relation to social care for both adults and children, continue to be delivered and therefore, should it be required, it would be appropriate for the Council's £7.4m of general reserves to be used in light of the unprecedented financial situation caused by the pandemic.
- 14 A number of measures have been introduced to ensure that there are additional expenditure controls in place, particularly around vacancy management and the use of temporary staff. In addition, measures are being introduced to reduce any non-essential expenditure.

- 15 A cost control board has been created specifically to look at all adult and children's social care packages, SEND support costs and the effectiveness of our commissioning and review functions. The Board will track spend on a weekly basis to ensure savings and mitigation plans are on track. If any plans are not on trajectory then recovery plans will be required and where necessary escalated to CMT. Schemes of delegation have also been reviewed across the People Directorate to ensure decision making is clear and at the correct level to challenge and manage costs.
- 16 Work is also underway with health colleagues to ensure we have effective joint care pathways, commissioning and brokerage processes in place which maximises any additional central government funding and opportunities which arise from the integration and place agenda.
- 17 All areas of the Council are currently considering where further efficiencies and reductions in spend can be achieved in order to support the overall financial position.
- 18 These actions demonstrate that the council is maintaining both sound financial management, and delivering priority services to high standards, during a period of significant challenge for local government. In particular, key statutory services continue to perform well, having seen investment in recent years. Whilst the Council's track record of delivering savings and the robust financial management provides a sound platform to continue to be able to deal with these future challenges there remains a significant risk to ongoing service delivery and achievement of Council priorities that needs to be managed effectively.

Financial Analysis

- 19 The Council's net budget is £127m. Following on from previous years, the challenge of delivering savings continues with £4m to be achieved in order to reach a balanced budget. Forecasts indicate the Council is facing net financial pressures of £3,726k (after mitigation) and an overview of this forecast, on a directorate by directorate basis, is outlined in Table 1 below. The main variations, including the financial impact of COVID-19, and any mitigating actions that are proposed are summarised in Annex 1.

	20/21 net budget	20/21 M2 net forecast (after mitigation)	20/21 M3 Forecast Variation	Further Mitigation target	20/21 Monitor 3 net forecast variation
	£'000	£'000	£'000	£'000	£'000

Children, Education & Communities	30,432	2,595	4,569	-1,000	3,569
Economy & Place	24,727	0	0		0
Customer & Corporate Services	3,399	0	0		0
Health, Housing & Adult Social Care	55,394	2,831	3,685	-1,000	2,685
Central budgets	13,270	-900	-900		-900
Sub Total	127,222	4,526	7,354		5,354
Contingency		-128	-128		-128
Target for review of reserves		-1,500	-1,500		-1,500
Total including contingency	127,222	2,898	5,726	-2,000	3,726

Table 1: Finance overview

Reserves and Contingency

- 20 The February 2020 budget report to Full Council stated that the minimum level for the General Fund reserve should be £6.4m (equating to 5% of the net budget). At the beginning of 2020/21 the reserve stood at £7.4m and, as part of the budget report, approval was given to maintain this level of reserve in 2020/21 thus giving some headroom above the minimum level to take account of the continued risks facing the council, in particular the scale of future reductions on top of those already made. In addition, the budget report outlined significant risks associated with major capital projects, reduction in New Homes Bonus and health budgets. The report also contained a strong recommendation that revenue reserves should be increased over the next couple of years, in recognition of the current risks the council faces.
- 21 Should the mitigation outlined in annex 1 not deliver the required level of savings in the current financial year then this reserve is available to support the year end position. However, in light of the ongoing financial challenges being faced by all councils as a result of the pandemic it is now more important than ever to ensure the Council has sufficient reserves. Therefore, should it be the case that we need to draw down from this general reserve in 2020/21, growth will need to be included in a future years budget to ensure that reserves can be maintained at an appropriate level.

- 22 In addition to the general reserve of £7.4m there are a range of other earmarked reserves where funds are held for a specific purpose. These reserves are always subject to an annual review but during this year these funds will be reviewed on a quarterly basis and where appropriate to do so will be released to support the in year position. In light of the continued financial challenge ahead an increased target of £1,500k has been set for this review. Whilst this is a prudent approach that will ensure the financial resilience of the Council it is not a substitute for resolving the underlying overspends but instead allows time to develop future savings proposals in a planned way.
- 23 As in previous years a contingency budget of £500k is in place and at July Executive, it was agreed to transfer the 2019/20 underspend of £128k into contingency, resulting in a balance available of £628k. £500k has been allocated to the York Financial Assistance Scheme (YFAS) to ensure adequate support is in place for residents experiencing financial hardship leaving a balance of £128k available. Whilst the expenditure to date has not been as significant as expected and therefore whilst this amount has been allocated it has not yet been spent. However, as the financial impacts of COVID-19 are expected to continue for some time, the situation will be carefully monitored and any changes in this position reported to Executive.

Loans

- 24 Further to a scrutiny review, it was agreed that these quarterly monitoring reports would include a review of any outstanding loans over £100k. There are 2 loans in this category. Both loans are for £1m and made to Yorwaste, a company part owned by the Council. The first was made in June 2012 with a further loan made in June 2017 as agreed by Executive in November 2016. Interest is charged on both loans at 4% plus base rate meaning currently interest of 4.1% is being charged. All repayments are up to date.

Performance – Service Delivery

- 25 The Executive for the Council Plan (2019-23) agreed a core set of strategic indicators to help monitor the council priorities and these provide the structure for performance updates in this report. The indicators have been grouped around the eight outcome areas included in the Council Plan. Some indicators are not measured on a quarterly basis. The DoT (Direction of Travel) is calculated on the latest three results whether they are annual or quarterly.

- 26 This report concentrates on the indicators that make up the Council Plan performance framework and does not cover COVID-related activity.
- 27 A summary of the core indicators that have a good or poor direction of travel based on the latest available data is shown below and further details around all of the core indicator set can be seen in Annex 2.
- 28 It is likely that due to impacts of COVID, a number of the indicators will see a significant change both in terms of their numbers and their direction of travel in future reporting periods. The majority of the performance measures within the Council Plan have a lag between the data being available, and the current reporting period and therefore impacts will not be immediately seen, and may occur over several years as new data becomes available.
- 29 Strategic indicators that have a good direction of travel based on the latest available data are:
- **% of Talkabout panel who think that the council are doing well at improving green spaces** – 44% of respondents to the Q2 2020-21 survey agreed that the council and partners are doing well at improving green spaces, an increase from 42% in Q3 2019-20.
 - **Number of homeless households with dependent children in temporary accommodation** – The number of homeless households with dependent children in temporary accommodation has reduced significantly since March 2020. The latest available data shows that there were 9 households with dependent children in temporary accommodation at the end of Q1 2020-21 compared to 23 at the end of Q4 2019-20. It should be noted that these figures are snapshot figures.
 - **Number of new affordable homes delivered in York** – The number of new affordable homes delivered in York remains high, with 83 delivered during the first six months of 2020-21 (compared to 33 during the same period in 2019-20).
 - **Number of Incidents of Anti-Social Behaviour within the City Centre ARZ** – The number of incidents of anti-social behaviour within the city centre during Q2 2020-21 (377) has increased slightly since the previous quarter (338), but represents a large reduction on the same period in 2019-20 (459).
 - **% of Talkabout panel who give unpaid help to any group, club or organisation** – The results of the latest (Q2 2020-21) Talkabout

survey showed that 71% of the respondents give unpaid help to a group, club or organisation which is higher than the government's Community Life Survey 2019-20 which found that 64% of respondents reported that they had volunteered in the past 12 months. This figure is only slightly less than the 72% in the Q1 2020-21 Talkabout survey.

- **Customer Centre Waiting Times – Footfall** – 92% of customers visiting West Offices in Q3 2020-21 were seen within the target waiting time.

30 Strategic indicators that have a worsening direction of travel based on the latest available data have been separated into two areas; those which have been directly affected by COVID-19 and those affected by wider factors.

31 Indicators where a direct adverse effect from COVID-19 can be seen:

- **% of vacant city centre shops** - At the end of Q3 2020-21, there were 57 vacant shops in the city centre, which is an increase from 42 at the same point in 2019-20. The number of vacant shops equates to 8.88% of all city centre shops, which is lower than the national benchmark in Q1 2019-20 of 11.7%. Properties in York are owned by different commercial parties and CYC commercial properties have very low levels of vacancies.
- **Average number of days to re-let empty properties** – The average number of days to re-let empty Council properties (excluding temporary accommodation) increased from 59 days at the end of Q1 2020-21 to 82 days at the end of Q2 2020-21. The increase in days in Q2 was mainly due to the repairs team being unable to repair vacant properties due to COVID-19 restrictions.
- **Visits – All Libraries** – Due to the global coronavirus pandemic, all libraries in York closed at the end of March 2020 and slowly started to re-open at the beginning of July 2020. Visits in Q3 2020-21 totalled 73,051 (compared to 239,841 in the same period in 2019-20). However positively, 94,418 e-books were borrowed during Q3 2020-21 compared to 11,099 in the same period in 2019-20. When compared to other local authorities, the York figures show a relatively positive position.
- **Parliament Street Footfall** – Footfall in Parliament Street decreased from 1,390,431 in Q4 2019-20 to 425,894 in Q1 2020-21. Shops and businesses slowly started to re-open during June and footfall for Q2 2020-21 increased to 1,643,041. This is still somewhat down on the same period in 2019-20 (2,278,319). In Q3 2020-21, footfall fell to

1,245,444 (also down on the same period in 2019-20 which was 2,144,050). Due to the global coronavirus pandemic, restrictions were placed on movement and all leisure and the vast majority of retail businesses were closed at the end of March 2020. This had a severe impact on the number of visitors to the city centre which mirrored the situation countrywide. When compared to other local authorities, the York figures show a relatively positive position.

- **Number of days to process Housing Benefit claims –** Performance has deteriorated since the end of Q4 2019-20 (1.7 days) due to changes to ways of working which have had to be implemented. Performance in this area remains consistently strong in York with the average number of days taken to process a new Housing Benefit claim, or a change in circumstance, just over 4 days during Q2 2020-21. York performance is better than the national average of 6.9 days (Q1 2019-20).

32 Strategic Indicators with a worsening direction of travel affected by wider factors:

- **Proportion of adults in contact with secondary mental health services living independently –** The percentage of all adults in contact with secondary mental health services living independently, with or without support, has fallen over the last year; during 2020-21 Q2 (the latest figures available), 67% of them were doing so, compared with 79% a year earlier. However, the 2019-20 ASCOF results showed that York is the 18th best performing LA in the country with a performance of 80% in this measure, compared with 61% in all unitary authorities and 63% in its statistical neighbour group. In the current COVID landscape, support services and housing are adapting which may reduce opportunities for individuals in these circumstances. Further detailed work will be carried out on the cohort to understand COVID implications.
- **Slope index of inequality in life expectancy at birth (Female) –** The inequality in life expectancy for women in York is 6.2 years. This means there is around a 6-year difference in life expectancy between women living in the most and least deprived areas of the City. This inequality for women has worsened (risen) for two successive periods and we have seen a fall in life expectancy for women living in the most deprived decile in York and a rise for those living in the least deprived decile. However, York is still below the national average for women (7.5 years).

33 There are a number of additional indicators relating to the economy and demand, that whilst not part of the exiting Council Plan Indicator suite, are

vital at this point to understand the Cities recovery from COVID 19. Key patterns, that are described in greater detail within the annex, are;

- **Business Start-Ups** - In the financial year up to the end of November 2020, there were 634 new business start-ups in the City of York Council area. This figure is very similar to that at the same point in 2019 therefore showing signs of recovery.
- **Room Occupancy** – Occupancy rates in October 2020 are significantly below levels usually seen in October.
- **Visits to Big Attractions** – Visits to large attractions in October 2020 are lower than levels usually seen in October.
- **Community Mobility** – At the end of December 2020, there had been a 46% reduction in retail and recreation activity, a 3% increase in grocery and pharmacy activity, and a 57% reduction in the use of Public Transport compared to a baseline taken in January.

Council Plan

- 34 Following the adoption of the new Council Plan, progress against the commitments made within it will be included in each Finance and Performance monitor. Updates against the 8 key areas of the council plan are included in Annex 3.
- 35 Whilst attention has, rightly, been on responding to the pandemic, progress has been made in all outcome areas. These include:
- **Well paid jobs and an inclusive economy** – the submission of representation to Government on Local Government Reorganisation to make the case for York remaining as a unitary authority. This will help to pave the way for devolution in York and North Yorkshire.
 - **Getting around sustainably** - the roll out of York's electric vehicle charging point network is expected at scale in the first half of 2021, including the Hyperhub facilities, while the Clean Air Zone programme is complete with monitoring ongoing.
 - **Good Health and Wellbeing** - York's ABCD (Asset Based Community Development) model has supported people and communities to remain resilient during the pandemic, ensuring that people stay connected and have trusted relationships at a time of crisis. The work of the council's volunteer management team has actively contributed to this alongside community hub arrangements and work with York CVS and wider VCSE (Voluntary, Community and Social Enterprise).

- **A Better Start for Children and Young People** - A Children's Social Care 'front door' review took place in September 2020 to ensure effective and safe decision making, the findings of the review were very positive. The Improvement Board continues to meet and offer peer challenge.
- **A Greener and Cleaner City** - the new Head of Climate Reduction is now in post leading the development of a Climate Change Policy which will include a decarbonisation Action Plan for the council's own operation and the city. A York Climate Commission is being established to promote leadership in the city on climate change and to encourage action.
- **Creating Homes and World-class infrastructure** - The Reserved Matters Application to deliver key infrastructure for the York Central site was approved in November 2020 and Government has awarded £77m for work commencing on the site in early 2021.
- **Safe Communities and culture for all** - The five emergency response hubs at Acomb, Tang Hall, Haxby, Clifton and Micklegate have amplified even more the benefits of council staff and local groups and organisations working together with common objectives. Over the coming months, the Community Hubs will continue to play an increasing role in supporting local residents, especially those whose jobs have been lost or are at risk.
- **An open and effective Council** - The Council has published its draft 2021-22 Budget proposals in the context of the financial pressures caused by the pandemic. The public consultation finished on 31 January 2021.

Annexes

- 36 Annex 1 shows the quarterly financial summaries for each of the Council directorates.
- 37 Annex 2 shows performance updates covering the core set of strategic indicators which are used to monitor the progress against the Council Plan.
- 38 Annex 3 shows updates against the actions included in the Council Plan for 2019-23.
- 39 All performance data (and approximately 1,000 further datasets) within this document is made available in machine-readable format through the

Council's open data platform at www.yorkopendata.org under the "performance scorecards" section.

Consultation

40 Not applicable.

Options

41 Not applicable.

Council Plan

42 The information and issues included in this report demonstrate progress on achieving the priorities set out in the Council Plan.

Implications

43 The implications are:

- **Financial** are contained throughout the main body of the report.
- **Human Resources (HR)** There are no HR implications related to the recommendations
- **One Planet Council / Equalities** Whilst there are no specific implications within this report, services undertaken by the council make due consideration of these implications as a matter of course.
- **Legal** There are no legal implications related to the recommendations
- **Crime and Disorder** There are no crime and disorder implications related to the recommendations
- **Information Technology (IT)** There are no IT implications related to the recommendations
- **Property** There are no property implications related to the recommendations
- **Other** There are no other implications related to the recommendations

Risk Management

44 An assessment of risks is completed as part of the annual budget setting exercise. These risks are managed effectively through regular reporting and corrective action being taken where necessary and appropriate.

Contact Details

Authors:	Chief Officer Responsible for the report:		
Debbie Mitchell Chief Finance Officer Ext 4161	Ian Floyd Chief Operating Officer		
Ian Cunningham Head of Business Intelligence Ext 5749	Report Approved	✓	Date
Will Boardman Head of Corporate Policy and City Partnerships Ext 3412			
Wards Affected: All			✓
For further information please contact the authors of the report			

Glossary of Abbreviations used in the report:

ABCD	Asset Based Community Development
ARZ	Alcohol Restriction Zone
ASCOF	Adult Social Care Outcomes Framework
CMT	Corporate Management Team
CVS	Centre for Voluntary Service
MIY	Make It York
SEND	Special Educational Needs
VCSE	Voluntary, Community and Social Enterprise
YFAS	York Financial Assistance Scheme