

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

2020/21 Finance and Performance Monitor 2

Summary

- 1 To present details of the overall finance and performance position for the period covering 1 April 2020 to 30 September 2020, together with an overview of any emerging issues. This is the second 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 1st October, additional costs of some £10m will be incurred during the year along with a loss of income from fees and charges of £8m. Government grant of £12m has been awarded to date (this includes a further £941k from tranche 4 of COVID-19 support funding announced in late October), with the Income Compensation Scheme potentially providing another £4m of funding.
- 3 The table below outlines the summary position:

	2020/21	2021/22	TOTAL
	£'m	£'m	£'m
Additional costs	10		10
Loss of income	8		8
2020/21 Council Tax and Business Rates shortfalls which impact a year in arrears		12	12
Government funding	(16)		(16)
Net financial impact	2	12	14

Summary of estimated COVID impact across 2020/21 and 2021/22

- 4 However, since the Monitor 1 report the Prime Minister has announced a second national "lockdown" from the 5th November through to at least 2nd December which replaced the tier 2 designation that had previously been in place. At the time of writing (mid November), we are part way through

this period and therefore this report doesn't yet contain any of the potential financial implications of a second lockdown.

- 5 We have also received additional funding to support local businesses. A Local Restrictions Support Grant of £4.7m has been allocated to the Council to provide grants to businesses that are required to close as a result of the new restrictions, fully reimbursed by central government. Additional Restrictions Grant funding of £4.2m has also been provided by Government which allows a discretionary scheme to be established. This was reported to the Decision Session for Executive Member for Finance & Performance on 12th November.
- 6 Funding of £1.6m has been allocated from the Contain Outbreak Management Fund to cover a range of measures including targeted testing for hard-to-reach groups out of scope of other testing programmes, additional contact tracing, enhanced communication and enforcement of restrictions and guidance.
- 7 Finally, the COVID Winter Grant Scheme has been announced and provides £416k of funding to provide targeted financial support for those in need over the winter period.
- 8 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.
- 9 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.
- 10 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.

- 11 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.
- 12 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

- 13 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

- 14 The gross financial pressures facing the council are projected at £8.6m. 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 £2.8m by the end of the financial year through a number of measures.

- 15 As outlined above, the Government has partly recognised the financial impact of the pandemic on local government and has, to date, provided £12m of general grant funding. Some additional support is also being provided for the loss of income from fees and charges. Councils will have to fund the first 5% of any loss and thereafter Government will fund 75% of the loss with the remaining balance to be council funded. It is estimated that this will provide another c£4m of funding. In a best case scenario this would leave a further £2m direct COVID costs unfunded in the current financial year over and above the existing budget pressures. There are also other indirect costs and implications on the achievement of savings as outlined in paragraph 7 that are contributing to the overall position.
- 16 It is also expected that there will be an impact on the collection of both council tax and business rates income. However, it is unlikely that the full impact of this will be known until the furloughing scheme ends. Due to the way in which the Collection Fund operates, this will not impact until 2021/22 and therefore further consideration of this will be determined as part of the budget strategy as Government has already announced that Councils will be able to spread any deficit over 3 years.
- 17 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.
- 18 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 reserves, the Council will continue to make every effort to reduce this forecast position but it remains a possibility that it will not be reduced to the point that the outturn will be within the approved budget. The Council has £7.4m of general reserves that would need to be called on if this were the case.
- 19 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.
- 20 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.

- 21 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.
- 22 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.
- 23 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

- 24 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 £2,898k (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 M1 net forecast (after mitigation)	20/21 M2 Gross Forecast Variation	Mitigation target	20/21 Monitor 2 net forecast Variation
	£'000	£'000	£'000	£'000	£'000
Children, Education & Communities	30,432	2,006	4,095	-1,500	2,595
Economy & Place	24,727	0	0	0	0
Customer & Corporate Services	3,399	0	0	0	0

Health, Housing & Adult Social Care	55,394	2,630	6,146	-3,315	2,831
Central budgets	13,270	-900	0	-900	-900
Sub Total	127,222	3,736	10,241	-5,715	4,526
Contingency		-128	-128		-128
Target for review of reserves		-900	-1,500		-1,500
Total including contingency	127,222	2,708	8,613	-5,715	2,898

Table 1: Finance overview

Reserves and Contingency

- 25 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.
- 26 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 the 2021/22 budget to ensure that reserves can be maintained at an appropriate level.
- 27 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.

- 28 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

- 29 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

- 30 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.
- 31 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.
- 32 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.

33 Strategic indicators that have a good direction of travel based on the latest available data are:

- **% of road network that are grade 4 (poor) or grade 5 (very poor) –** In 2019-20, 20% of the road network was classed as in poor or very poor condition. This is a decrease from 2018-19 and 2017-18 (23% and 24% respectively) and reflects the investment in the highways maintenance programmes during the last few years.
- **Average Progress 8 score from KS2 to KS4 –** In 2018-19, the average Progress 8 score for Year 11 pupils was +0.22, which was an improvement on the already excellent performance in 2017-18. For the third successive year, York is in the top quartile for all Local Authorities for Progress 8.
- **% 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 remained stable with 23 at the end of Q4 2019-20 (22 at the end of Q3 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).
- **% 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.
- **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).

- **GVA per head (£)** – In 2018-9 (the latest available data), the GVA per head in York was £30,258 which was the second highest figure regionally. Based on predicted economic trends nationally, it is expected that there will be a negative impact on GVA values in future years.

34 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.

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

- **% of vacant city centre shops** - At the end of Q2 2020-21, there were 53 vacant shops in the city centre, which is an increase from 43 at the same point in 2019-20. The number of vacant shops equates to 8.28% of all city centre shops, which is lower than the national benchmark in Q1 2019-20 of 11.7%.
- **Average number of days to re-let empty properties** – The average number of days to re-let empty Council properties (excluding temporary accommodation) has increased from 37 days at the end of March 2020 to 59 days at the end of June 2020. The increase in days in Q1 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 Q2 2020-21 totalled 81,056 (compared to 298,937 in the same period in 2019-20). However positively, 81,164 e-books were borrowed during Q2 2020-21 compared to 11,022 in the same period in 2019-20.
- **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). 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.

- **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 Q1 2020-21. York performance is better than the national average of 6.9 days (Q1 2019-20).

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

- **% of reception year children recorded as being obese** – The 2018-19 National Child Measurement Programme (NCMP) found that 9.5% of reception children in York were obese, which is not significantly different from the England average (9.7%), although the York figure has risen slightly from the 2017-18 level (9.3%). The NCMP programme for 2019-20 was discontinued due to the COVID-19 pandemic. Whilst some partial data is available for 2019-20, a robust update on child obesity in York may not be available until the end of the 2020-21 measurement year.
- **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).

37 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 the “first wave” of 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 August 2020, there were 287 new business start-ups in the City of York Council area. The figures are seeing signs of recovery but are still lower than at the same point during 2019-20 (412).
- **Room Occupancy** – Occupancy rates in August showed a recovery back to levels seen in January, but are still significantly below previous summer patterns.

- **Visits to Big Attractions** – Visits in August also showed a recovery back to January levels, but are still significantly below previous summer patterns.
- **Child Protection Plans** – The number of children subject to a child protection plan was consistently above regional, national and comparator data sets during 2019-20. This performance was attributed to recalibration within children’s services as part of ongoing improvement work. From April to September 2020 the figures show the second phase of this recalibration with a reduction in children subject to a child protection plan.

Annexes

- 38 Annex 1 shows the quarterly financial summaries for each of the Council directorates.
- 39 Annex 2 shows performance updates covering the core set of strategic indicators which are used to monitor the progress against the Council Plan.
- 40 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

- 41 Not applicable.

Options

- 42 Not applicable.

Council Plan

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

Implications

- 44 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

- 45 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

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Wards Affected: All			✓
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Glossary of Abbreviations used in the report:

ARZ	Alcohol Restriction Zone	NCMP	National Child Measurement Programme
CCG	Clinical Commissioning Group	YFAS	York Financial Assistance Scheme
GVA	Gross Value Added		

