

**Report of the Interim Head of Paid Service
Portfolio of the Executive Member for Finance and Performance**

2020/21 Finance and Performance Monitor 1

Summary

- 1 To present details of the overall finance and performance position for the period covering 1 April 2020 to 30 June 2020, together with an overview of any emerging issues. This is the first report of the financial year and assesses performance against budgets, including progress in delivering the Council's savings programme.
- 2 The COVID-19 pandemic has had a significant impact on the Council's financial position. 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 £11m has been awarded to date, with the recently announced Income Compensation Scheme potentially providing another £4m of funding. An ongoing impact in future years is expected due to a range of issues, including the additional costs of PPE needs and 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.
- 3 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 is clear that further Government funding is needed both in this year and next.

- 4 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.
- 5 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.
- 6 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 there remains a risk that lockdown restrictions could return at any time. This level of uncertainty 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

- 7 Executive is asked to:
 - note the finance and performance information and the actions needed to manage the financial position
 - note the use of £425k of HRA balances as outlined in Annex 1 to offset additional COVID-19 expenditure

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

Financial Summary

- 8 The gross financial pressures facing the council are projected at £7.6m but after mitigation and further action it is considered that this can be brought down to a net position of £2.7m.
- 9 As outlined above, the Government has partly recognised the financial impact of the pandemic on local government and has, to date, provided £11m 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 £3m 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 2 that are contributing to the overall position.
- 10 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.
- 11 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.
- 12 The Council maximised the role of community assets, including engaging volunteers in the delivery of our urgent response to the crisis, and the ongoing support of people made vulnerable by the lockdown or from COVID-19. Volunteers have greatly enhanced our capacity to deliver support to people who need it, and to ensure patients could be discharged to their own homes safely at the earliest appropriate stage of their recovery. This has released other paid for services to be targeted towards the most complex needs of people in our communities. The Council has remained committed to our Home First approach to managing people's recovery, avoiding placements in residential and nursing care whenever possible. However the impact of COVID-19 and the associated lockdown has meant that more people than we had planned for have needed social care funded through the council. This together with increasing mental health referrals, the increased cost of care and the

more complex needs of those the council is supporting has resulted in increased pressure on the adult social care budget.

- 13 A COVID-19 Finance Working Group was established under Joint Commissioning in April 2020, with senior representatives from the Council and the CCG finance and operations. This has provided assurance oversight for implementing government guidance in relation to the COVID grant and ensured transparency between the two organisations, maintaining a shared view of the caseloads of individuals newly placed in care or receiving new or enhanced packages of care, so that the financial responsibilities of each partner were understood and agreed. Clear business processes have been in place from the beginning of the pandemic to secure care for people who need it and to account for the related expenditure.
- 14 During lockdown, as students were not attending school, Children's Services referrals from schools reduced. However, the underlying need did not go away and in fact may have increased. This latent demand means that as schools return, many of the referrals that would have been made over a normal term will present all at once, putting significant stress on Children's social care budgets.
- 15 This report highlights a number of known pressures that need to be carefully managed throughout the year, with mitigation strategies being in place 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 is possible 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.
- 16 A number of measures are being 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.
- 17 York 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

- 18 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. Early forecasts indicate the Council is facing net financial pressures of £2,708k (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.

2019/20 outturn		2020/21 Gross Forecast Variation	Mitigation	2020/21 Net Forecast Variation
£'000		£'000	£'000	£'000
1,560	Children, Education & Communities	3,506	-1,500	2,006
-351	Economy & Place	0	0	0
-672	Customer & Corporate Services	0	0	0
3,612	Health, Housing & Adult Social Care	5,130	-2,500	2,630
-2,355	Central budgets	-900	0	-900
1,794	Sub Total	7,736	4,000	3,736
-500	Contingency	-128		-128
-1422	Target for review of reserves	0	-900	-900
-128	Total including contingency	7,608	-4,900	2,708

Table 1: Finance overview

Reserves and Contingency

- 19 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.

- 20 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.
- 21 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. A target of £900k 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.
- 22 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

- 23 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

- 24 The Executive for the Council Plan (2019-23) agreed a core set of 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.
- 25 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 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.
- 27 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.
- 28 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 Q1 2020-21 survey agreed that the council and partners are doing well at improving green spaces, an increase from 42% in Q3 2019-20.

- **Net Housing Consents** – Figures for 2019-20 show that there were 3,466 net housing consents in 2019-20. This represents a sustained increase in residential approvals over the last three years following a decline experienced during 2016-17.
- **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 has significantly increased during 2019-20 with 123 new homes, compared to 60 delivered in 2018-19.
- **% of Talkabout panel who give unpaid help to any group, club or organisation** – The results of the latest (Q1 2020-21) Talkabout survey showed that 72% of the respondents gave unpaid help to a group, club or organisation. This is higher than the Government's Community Life Survey 2019-20 which found that 64% of respondents reported any volunteering in the past 12 months. The York figure is also higher than the 67% reported in the Q3 2019-20 Talkabout survey.
- **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.

29 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. For those yet to recover from the pandemic, direction of travel has been suspended for Q1 and will be reinstated for Q2.

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

- **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** – The number of visits to libraries in York has decreased from 220,162 in Q4 2019-20 to 0 in Q1 2020-21. 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, therefore were closed for the duration of Q1 with no visitors.
- **Parliament Street Footfall** – Footfall in Parliament Street has decreased from 1,390,431 in Q4 2019-20 to 425,894 in Q1 2020-21. Due to the global coronavirus pandemic, restrictions were placed on movement and all leisure and retail businesses were closed at the end of March 2020. This had a severe impact on the number of residents and visitors in the city centre. This impact can be seen countrywide. As shops and businesses slowly started to re-open during June, it is hoped that the footfall numbers will increase during Q2, and early indications are that footfall is around the 70% mark compared to previous year
- **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).

31 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).

Annexes

- 32 Annex 1 shows the quarterly financial summaries for each of the Council directorates.
- 33 Annex 2 shows performance updates covering the core set of strategic indicators which are used to monitor the progress against the Council Plan.
- 34 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

- 35 Not applicable.

Options

- 36 Not applicable.

Council Plan

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

Implications

- 38 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

- 39 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:

Debbie Mitchell
Corporate Finance &
Commercial Procurement
Manager (interim s151 officer)
Ext 4161

Ian Cunningham
Head of Business Intelligence
Ext 5749

Wards Affected: All

Chief Officer

Responsible for the report:

Ian Floyd
Interim Head of Paid Service

**Report
Approved**



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For further information please contact the authors of the report

Glossary of Abbreviations used in the report:

CCG	Clinical Commissioning Group	GVA	Gross Value Added
CIPFA	The Chartered Institute of Public Finance and Accountancy	HRA	Housing Revenue Account
CYC	City of York Council	JSA	Job Seekers Allowance
DHSC	Department for Health and Social Care	LAC	Local Area Co-ordinator
DTOC	Delayed Transfers of Care	NCMP	National Child Measurement Programme
DWP	Department for Work and Pensions	NEET	Not in Education, Employment or Training
FTE	Full time equivalent	NHS	National Health Service

GCSE	General Certificate of Secondary Education	YFAS	York Financial Assistance Scheme
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