

## **Annex 1 – Directorate Financial Summaries**

### **Financial impact of COVID-19**

- 1 Previous reports to Executive have outlined the scale of the financial challenge as a result of the COVID-19 pandemic and the level of additional expenditure incurred. There was also a substantial reduction in income from fees and charges during the first quarter of the year. Whilst the impact of the pandemic is being felt across all Council services the following paragraphs highlight the main issues.
- 2 The Waste Collection service continued to provide a grey bin and recycling service throughout the lockdown period and the green bin was reintroduced in May 2020 (a month behind original plans). There was a need to employ additional staff across the first quarter of the year as staff were unavailable due to quarantining, shielding and greater numbers were required in order to provide the service within social distancing guidelines. The service also required significantly higher levels of PPE in order to provide the service safely. In order to complete rounds in the first months it also proved necessary to collect more recycling as comingled which has a greater cost to process as well as impacting income levels. As well as the extra cost of providing suitable PPE for our own front line staff, the Council also incurred some costs on the provision of PPE for staff working in private care homes.
- 3 In addition to the Government grants we have distributed, the council has provided further funding totalling £1.2m to help micro businesses that were not eligible for the national scheme. A micro grants scheme has helped 1,122 local businesses with grants of up to £1,000 to enable them to adapt in light of the COVID-19 lockdown. In addition, the Federation of Small Businesses has been funded to provide one year's membership for over 500 of York's micro businesses, enabling them to access free support and advice, and to benefit from membership of the FSB network.
- 4 The closure of markets, attractions and visitor accommodation has had an impact on the financial position of Make It York as income levels are below those forecast. The Christmas Market, if it still goes ahead, will also be slightly smaller than usual to ensure social distancing is also likely to impact Make It York's financial position. The council is awaiting further information as to how these shortfalls can be contained within Make it York or whether the council will need

to provide financial support through loans or more direct financial support.

- 5 Community Hubs were set up at the beginning of lockdown and have transitioned into a new method of working. The cost for 2021/21 is currently estimated to be in the region of £255k.
- 6 The number of people seeking help from adult social care, the number who go on to receive support and the amount of support they receive have all increased as a result of the pandemic. Social care services were also required to respond swiftly and effectively to the pandemic in order to both protect vulnerable citizens and NHS capacity. In effect this mean that staff were reallocated from business as usual work to undertake tasks such as ensuring people could be discharged safely and quickly from hospital, establishing short term intensive community and residential support services for COVID-19 positive people, supplying and delivering PPE, supporting care providers, those in receipt of direct payments and establishing new virtual and mobile ways of supporting citizens whose usual sources of support were interrupted.
- 7 The Council also experienced significant downturns in income as many income streams, particularly car parking, virtually shut down in the first quarter of the year.
- 8 To 31st July there has been a £1.9m shortfall in parking income. April and May saw virtually no income (down over 90%) as the City was in full lockdown. Income started to recover in June where income was 74% below budget and July where income was 40% below budget. Assuming income levels return to 66-75% of previous year's income levels over the remainder of the year this will result in a total shortfall of £3.4m. In addition there is a forecast shortfall on PCN income of £380k. It should be noted that the increases in parking charges agreed at the budget in February were not implemented, following an urgent decision which has also impacted total income. There have also been a number of parking incentives to support local businesses including free parking through RingGo app and reductions in Minster Badge charges agreed over the remainder of the year.
- 9 There is a forecast shortfall in income on commercial waste of £576k. During the lockdown a large number of the service's customers were not trading and therefore were not charged. The service is currently working with its customers to determine the level

of service and charges going forward through the remainder of the year.

- 10 Whilst planning applications continued into the council in April there has been a reduction in schemes and value of c 50% since that date. It is anticipated that levels will increase as the economy rebounds however an estimate of c66% of budget to the end of the year is currently anticipated
- 11 The first quarter rents were due to be issued in late March 2020 but due to the lockdown announcement of the previous week it was agreed that these invoices would not be sent out. Since that time officers in the Asset and Property Management Team have been working with tenants to agree revised payment plans in order that the council can continue to collect its revenue and the tenants can be supported in difficult trading circumstances. To date these conversations have been very successful and the majority of rents are being paid and still assumed to be collected. There is a risk however that some businesses going forward could continue to struggle and an assessment of the shortfall totalling £0.5m is currently estimated.
- 12 The pandemic has not only resulted in shortfalls in income across those outlined above but also a large number of other income budgets including the Mansion House and Registrars (due directly to the lockdown) licencing (where there was a fee holiday), bereavement services (where the charges were reduced) building control (when construction activity was on hold), land charges (when the housing market was on hold), green bin subscriptions (as the service was suspended). There are also shortfalls across Public Transport Fees (Park and Ride) and Network Management. It is early in the year to have significant confidence in these estimates and they are being closely monitored and updated on a monthly basis.

### **Children, Education & Communities**

- 13 A net overspend of £2m is forecast primarily due to children's social care.
- 14 The placements budgets are predicted to overspend by a total of £2,054k in 2020/21. This includes variances of £672k on Fostering (including Independent Fostering Agencies), £219k on adoption and other allowances and £943k on Out of City Placements. The

fostering projection is based on all local foster carer positions being filled, so where a child reaches 18 or a foster placement ends, then it is assumed that this is filled. The IFA and Out of City Placement projections have taken account of the placements expected to end in 2020/21, with a further reduction expected in 2021/22.

- 15 The number of Looked After Children in York has increased significantly in the past 12 months. The Looked After Children population had been stable for a number of years, in the range 190-210 at any one time however on appointment the new Directorate Management Team identified unsafe drift and delay for some children in the system. This was subsequently identified by Ofsted and corrective action has led to significant recalibration in the system. For example in October 2018 there were only 4 individual children in care proceedings. There are now 56 sets of proceedings on 94 individual children in place. Whilst the recalibration of the system has led to an increase of children in care, children are safer as a result and work now is being done to safely reduce numbers to acceptable levels.
- 16 At the time of this monitor the Children & Young People in Care (CYPIC) number is 282 and within the next 3 years 24.8% of these will leave local authority care. A Reducing Service Costs Board has been established in Specialist Services chaired by the Assistant Director which will review arrangements to reduce CYPIC numbers safely, the effectiveness and impact of the Edge of Care Service, current Family Group Conference activity and progress on foster care recruitment. In addition a Strategic Overview of Permanence Group has been established, chaired by the Assistant Director to monitor the new Permanence Strategy through tight oversight of children with a plan of permanence and ensuring rigorous use of trackers in order to prevent delay and manage demand in the system.
- 17 A Track and Challenge exercise is also being undertaken on all young people in high cost residential placements which will also ensure education and health costs contributions where applicable are met. A Pathway for funding will be set up to include Health and Continuing Care funding. Children in residential are also being reviewed and those who need to be assessed with a view to returning nearer to York or 52 week placements in residential school to reduce to 38 are assessed.

- 18 Safeguarding Interventions are predicted to overspend by approximately £560k, mainly due to increases in the Court and Child Protection Teams who are dealing with the increase in cases. Legal fees are predicted to overspend by approximately £250k.
- 19 Staffing budgets with Children's Social Work Services are also predicted to overspend by approximately £250k. This is mainly due to temporary staffing across the service, which the directorate has worked hard to eliminate with permanent appointments. In the last 12 months the Directorate has moved from a position of up to 20 posts filled with agency staff, to only 2 at this time, and the expectation that no further agency staff will be appointed. Use of agency staff is at a last resort. This could be for example to back fill maternity leave however managers must evidence that they have attempted to backfill with fixed term contract in advance of any agency staff being agreed..
- 20 Home to School Transport budgets are currently projected to overspend, although, due to the complications and uncertainties created by the requirements for school transport and social distancing from September, it is extremely difficult to estimate the size of the overspend at this stage. Discussions are currently ongoing with schools and bus and taxi companies about potential arrangements and costs. This issue is common to all LAs with Home to School Transport responsibilities, and the Government has recognised this with the announcement of a grant to assist in funding these additional costs. City of York Councils allocation of this grant is £119k. It is not yet clear if further funding will be provided, and, if not, there is likely to be an impact on the budget, although the Directorate is currently working hard to contain additional expenditure to current spend levels plus the grant funding.
- 21 In addition to the effects of Covid-19, the Home to School Transport budget was already in a historic overspend position of approximately £200k. The savings targets for the SEN element of home to school transport have not been achieved because of a growth in the number of pupils/students requiring transport and the specialist requirements of that transport. The main increase in numbers have been at post 16/19 where because of the city now being able to provide more specialist education provision for this group of students more locally, subsequently we have had to provide more transport to the likes of York College, Askham Bryan, Choose 2 and Blueberry Academy. The changes in legislation to allow Education, Health and Care Plans (EHCPs) to ages 19-25, resulting in significantly more students

accessing this option, has significantly increased our transport spend accordingly. At this stage an estimate of a £230k overspend has been included in the directorate projection, reflecting the effects of the historic overspend, although this is subject to change as guidelines alter.

- 22 A number of other more minor variations make up the overall directorate position.
- 23 The service is working on a detailed, costed mitigation plan that will include ways to improve controls over expenditure, identify efficiencies across the directorate and benchmarking with other Councils to ensure best value is being achieved across all areas. Work is also underway to manage and understand demand so that early support can be put in place along with improved commissioning to ensure all activity is needs led and evidence based.

### **Economy & Place**

- 24 The Directorate is currently forecasting a small overspend that does not relate to additional costs or lost income relating to COVID-19. At this time in the year it is anticipated that these pressures are managed within the overall directorate budget. This can be achieved through a review of staff charged through to other programmes, review of the waste reserve and challenging service managers over ways to reduce expenditure.

### **Customer & Corporate Services**

- 25 Overall the directorate is expected to outturn within budget. There are a number of minor variations being managed and work will continue to try and identify additional savings to help the overall position.

### **Health, Housing & Adult Social Care**

- 26 A net over spend of £2,630k is forecast for the directorate, mainly due to pressures within Adult Social Care. The majority of the overspend relates to the continuation of existing 2019/20 pressures that have been previously reported.
- 27 Permanent residential care is forecast to overspend by £223k based on current customer numbers. This is mainly due to the average cost of working age Physical & Sensory Impairment placements being

around £11k higher than was planned for in the budget. Older People residential care is currently projected to be on budget having overspent in 2019/20 due to a reduction in the number of residential customer care packages over the first quarter of 2020/21.

Permanent nursing care is forecast by underspend by £340k based on current customer numbers.

- 28 However, in addition to the above there are a number of customers in residential and nursing placements which are currently being paid for by Heath under the COVID-19 regulations. The current assumption is that responsibility for these customers will transfer to the Council from 1st October, which is projected to increase the net cost of residential and nursing placements by around £780k by the end of the year.
- 29 Home care is projected to overspend by £581k mainly due to the weekly number of hours for homecare contracts being more than was assumed when the budget was set.
- 30 Physical and Sensory Impairment Supported Living schemes are forecast to overspend by £671k due to there currently being eight more customers in schemes than assumed in the budget, and in addition the net cost is £8k per annum higher than budgeted for. This is offset by a projected underspend of £390k in direct payments.
- 31 Learning disability residential budgets are forecast to overspend by £996k. The numbers placed are in line with budget, however the net cost per placement is currently £16k more than budget. This is partially due to ongoing issues of customers no longer qualifying for 100% continuing health care (CHC) funding and responsibility passing across from Health to ASC. This appears to be an increasing trend which calls for a response from the Council, in terms of validating the decision where appropriate and redesigning the ongoing package of care if the person's needs have changed.
- 32 Supported Living for Learning Disability customers is forecast to overspend by £282k. This partially due to having 5 more customers than in the budget, and also the average amount of CHC funding per customer is £7k less than was assumed when the budget was set.
- 33 Direct Payments for LD customers is forecast to overspend by £446k as the average direct payment per customer is around £4k more than in the budget.

- 34 Mental Health budgets are forecast to overspend by £942k, predominantly due to an increase in the number of residential care placements needed.
- 35 Be Independent is currently projected to overspend by £130k. The financial position of the service has been recovered significantly since being transferred back to the Council, but there is still work to be done in order to balance the budget.
- 36 There is a projected overspend of £509k on Haxby Hall. Transfer of the service to an external provider has been delayed due to COVID-19 and there is a substantial overspend on staffing due to the use of Work with York and external agency staff to cover staff vacancies pending the transfer going ahead. In addition income is down due to there being a reduced number of customers currently being placed in the home.
- 37 The service is working on a detailed, costed mitigation plan. This will include a continuation of the Home First principle to reduce the numbers of people needing long term residential care, continued implementation of the operating model for social care along with a review of the Better Care Fund commitments and use of health funding where appropriate.
- 38 Mitigation work is being focussed on reducing admissions to care, reducing the hospital length of stay and improving reablement potential. Further work is ongoing to improve business processes and upskilling frontline teams in strengths based conversations along with improving the efficiency of placements in Independent Living Schemes, improved access to information and advice, and maximising the uptake of community capacity to tackle isolation and improve resilience.

### **Housing Revenue Account**

- 39 The Housing Revenue Account budget for 2019/20 is a net cost of £286k. Overall, the account continues to be financially strong and is forecasting a small overspend of £33k. The main variance is a forecast shortfall in rental income of £383k. This is caused by the delay in opening Lincoln Court due to the pandemic, a reduction in temporary accommodation income due to social distancing measures and an increase in void properties due to the lack of moves during the pandemic and the slower turnaround of properties again due to works being completed in line with social distancing



measures. This is offset by a forecast underspend of £125k relating to a number of vacant posts, including the Assistant Director post and expected additional income from interest of £200k as a result of holding balances pending the large scale investment in to new council house building.

- 40 The HRA is facing many pressures in light of the pandemic and recovery plan. As reported in the Finance Outturn report at Executive on 23rd July 2020, the carry forward underspend from 2019/20 of £589k was set aside to fund these pressures.
- 41 In addition the 2020/21 rent increase for full rent payers, those who did not receive an increase in benefits to cover the cost, was adjusted for quarter 1 at a cost of £90k and a financial hardship fund has been proposed to assist tenants with their rent payments at an expected cost of £80k. Along with cost of PPE the COVID-19 pressures total £319k.
- 42 Members are asked for the above to be funded from the 2019/20 underspend along with £47k void costs relating to COVID-19 and £59k for the additional running costs of the hostels due to social distancing measures, a total of £425k.
- 43 The working balance as at 31 March 2019 was £26.4m and this compares to the balance forecast within the latest business plan of £24m.
- 44 The working balance is increasing in order to start repaying the £121.5m debt that the HRA incurred as part of self-financing in 2012. The current business plan assumes that reserves are set aside to enable to the debt to be repaid over the period 2023/24 to 2042/43.

### **Corporate Budgets**

- 45 These budgets include Treasury Management and other corporately held funds. It is anticipated that overall a £900k underspend will be achieved, predominantly as a result of reviewing capital financing assumptions.