

Report of the Head of Corporate Finance & Commercial Procurement

Finance Update

Summary

- 1 This report provides an update on financial matters. A previous report to this committee outlined the forecast position for the current financial year and the next monitoring report is due to be considered by Executive on the 26th November after which a more detailed report will be presented to this committee for scrutiny.

Recommendation

- 2 CSMC is asked to note the report.

Reason: to ensure the committee is kept up to date.

Background and analysis

- 3 The financial situation remains an area of concern given the underlying overspends being seen across social care and alongside the ongoing development of the pandemic which continues to have a significant impact on the Council's financial position. As highlighted in a previous report to this Committee, we estimate that additional costs of some £10m will be incurred during the year along with a loss of income from fees and charges of £8m.
- 4 Action is needed in the current financial year to mitigate the identified pressures and therefore a number of measures have 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.
- 5 An ongoing impact in future years is 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.

- 6 Members are reminded that, in addition to the direct financial consequences of the pandemic, 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.

Funding

- 7 A COVID general support grant of £12.8m has been awarded to date (this includes a further £941k from tranche 4 of COVID-19 support funding announced in late October). This grant is un-ringfenced funding but the Council is expected to prioritise adult social care, children's services, public health services, household waste services, shielding the clinically extremely vulnerable, homelessness and rough sleeping, domestic abuse, managing excess deaths (including costs relating to additional mortuary capacity) and support for re-opening.
- 8 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.
- 9 In a best case scenario this therefore leaves some £2m of 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 5 that are contributing to the overall position.
- 10 Following the announcement of the 3 tier system, and York subsequently being placed in the high tier, funding of £3 per head will be allocated by Government for use towards targeted testing, hard-to-reach groups, improved communication, targeted support and harnessing capacity with other sectors. This funding is estimated at c£600k although at the time of writing we are awaiting further information on this grant, including any conditions that may be attached to it.
- 11 There have been numerous other funding announcements and this "drip feeding" of funding has added further complexity at an already challenging time. Over recent months numerous separate funding streams have been

announced. The table below attempts to summarise the latest position, although it should be noted that this may not be a comprehensive list.

- 12 As some of these grants are for a specific purpose, the associated expenditure in some of these areas has not been included in the £10m estimate of additional expenditure.

Grant	Purpose	York allocation £
General support	To address any pressures in response to the pandemic across all service areas	12,818,668
Re-opening of high streets	To develop an action plan, communications and public awareness, business facing awareness raising activities and temporary public realm changes	186,219
Infection control in care homes (round 1)	75% direct to care homes, 25% to support local need including home care	1,872,721
Infection control in care homes (round 2)	As above	1,844,282
Hardship Fund	Provide all recipients of working age local council tax support with a reduction in their annual council tax bill of £150	956,904
Business Rate Support Grant	Grants for retail, leisure and hospitality	46,898,250
Discretionary Business Grants	Grants for local businesses	2,307,750
New burdens funding	For administration costs in relation to the above grants	170,000
Test and trace	to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred in relation to the mitigation against and management of local outbreaks of COVID-19.	733,896
Emergency active travel	Early release of DfT funds for short term expenditure to encourage cycle use. Must start within 4 weeks of allocation and be completed within 8 weeks	155,529 capital 37,758 revenue

Grant	Purpose	York allocation £
Emergency Assistance Grant for food and essential supplies	To help those struggling to afford food and other essentials	154,435
Income Compensation scheme	to reimburse councils for lost income from sales, fees, and charges	Quarterly claims for lost income – estimated c£4m
Isolation payments	£500 for individuals in receipt of certain qualifying benefits and unable to work whilst self isolating	66,000
Isolation payments – discretionary scheme	As above but for applicants who are not in receipt of qualifying benefits but are on a low income and will face hardship as a result of not being able to work whilst self isolating.	39,834
Isolation payments - administration	For administration costs associated with the isolation payments scheme	29,820
Enforcement	to support additional compliance and enforcement activities	79,617
Tier 2 funding	General support for activities associated with the pandemic	600,000 (estimate)
Tier 2 business grants	To provide further grants to local businesses which are legally closed, but which are severely impacted by the restrictions on socialising	To be confirmed
Tier 2 business grants discretionary funding	Local authorities will also receive a 5% top up amount of the above to cover other businesses that might be affected by the local restrictions, but which may not be in the business rates system	To be confirmed

13 The Chancellor announced further support for businesses in October, including;

- open businesses which are experiencing considerable difficulty will be given extra help to keep staff on as government increases contribution

to wage costs under the Job Support Scheme, and business contributions drop to 5%

- grants for the self-employed doubled to 40% of previous earnings

- 14 The financial impact of the pandemic on our partner organisations in the city is also an area of concern. Many 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.
- 15 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. As we have seen in other areas of the country over recent weeks this could happen with very little notice. For those areas in the very high tier, a financial package of £8 per head is made available.

Conclusion

- 16 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. 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.
- 17 It is 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.

Consultation

- 18 Not applicable.

Options

- 19 Not applicable.

Council Plan

20 Not applicable.

Implications

21 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

22 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. The COVID-19 pandemic has changed the risk profile and an update on the impact on the Key Corporate Risks has been reported to Audit & Governance Committee.

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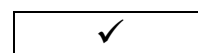
Ian Floyd
Interim Head of Paid Service

Report
Approved



Date 27.10.20

Wards Affected: All



For further information please contact the authors of the report