

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 has also been a substantial reduction in income from fees and charges throughout the year, and given the current national restrictions forecasts for the remainder of the year remain well below budgeted levels. 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 has continued to provide a grey bin and recycling service throughout the lockdown periods and the green bin was reintroduced in May 2020 (a month behind original plans). There has been a need to employ additional staff throughout the year as staff have been unavailable due to quarantining or shielding and an increased number of staff have been 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 decision to cancel the Christmas Market also strongly impacted on Make It York's trading position. In December Executive agreed to support Make It York by waiving the revenue return for the year, agreeing to defer property

rents for the first half of the year and providing a loan facility of up to £300k.

- 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 £130k.
- 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 have continued to respond swiftly and effectively to the pandemic in order to both protect vulnerable citizens and NHS capacity. In effect this means that staff have been reallocated from business as usual work to undertake tasks such as ensuring people can 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 periods of lockdown have placed significant pressure on many families where children have special educational needs and we have seen a similar rise to many other Councils of requests for statutory assessment in this area. We have not seen a significant spike in demand for children's social care which other areas have seen and believe this is because we have had a steady and significant increase in demand for early help. We have however experienced the higher level of complexity in children's social care referrals that has been seen across the country.
- 8 The Council also experienced significant downturns in income as many income streams, particularly car parking, virtually shut down during the national lockdowns.
- 9 To 30th November there has been a £2.6m 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. August and September were better with income only 20% below budget. However further restrictions were introduced in October with a lockdown in the majority of November leading to reductions in income collected of 27% and 72% respectively. Estimates at the end of November were that the shortfall to the end

of the year would be £3.6m however given the current restrictions in place this is expected to worsen by year end. In addition there is a forecast shortfall on PCN income of £400k. 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.

- 10 There is a forecast shortfall in income on commercial waste of £813k. During the first and second 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. Given the current restrictions this forecast shortfall in income is expected to worsen.
- 11 Whilst planning applications have been received and processed during the Covid 19 period there was a significant reduction in numbers during the period March to May but September and November have had higher numbers of applications submitted than in recent years. In relation to fee income the greatest impact is associated with a 21% reduction in the number of major planning applications over the year compared with 2019. It is anticipated that levels will increase as the economy rebounds next year and applications for medium to large scale development schemes are progressed. However an estimate of c55% of budget to the end of the year is currently anticipated.
- 12 Rent invoices in respect of commercial property are now sent on the normal timetable following a deferral for quarter 1 bills. 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. It is likely, however, that some businesses going forward may not be able to continue to trade and an assessment of the shortfall totalling £0.5m is currently estimated.
- 13 The pandemic has not only resulted in shortfalls in income across those areas 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. Given the continued uncertainty and the current restrictions, it remains difficult to have significant confidence in these estimates and they are being closely monitored and updated on a monthly basis.

Children, Education & Communities

- 14 A net overspend of £3,569k is forecast primarily due to children's social care.
- 15 The placements budgets are predicted to overspend by a total of £2,624k in 2020/21. This includes variances of £896k on Fostering (including Independent Fostering Agencies where there are 35 ongoing placements, an increase of 11 since the first quarter), £225k on adoption and other allowances and £1,503k 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.
- 16 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 (this was significantly below statistical neighbour and national average). 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. As at the end of September 2020 there were 55 sets of proceedings on 93 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. An external review of our multi agency safeguarding hub (the front door to children's social

care services) has confirmed that decision making and thresholds are now appropriate.

- 17 At the time of this monitor the Children & Young People in Care (CYPIC) number is 287 and within the next 3 years 25% 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.
- 18 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.
- 19 Safeguarding Interventions are predicted to overspend by £1,304k, mainly due to increases in the Court and Child Protection Teams who are dealing with the increase in cases. For example in October 2018 there were only 4 individual children in care proceedings. At the end of September 2020 there were 55 sets of proceedings on 93 individual children in place. Legal fees are predicted to overspend by approximately £315k. Children protection numbers, following a recalibration spike, have now returned to national average levels.
- 20 Staffing budgets with Children's Social Work Services, including the Permanency and Referral & Assessment teams, are also predicted to overspend by approximately £1,321k. This is mainly due to temporary staffing across the service, which the directorate has worked hard to eliminate with permanent appointments. 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. A revised structure which reduced the need for agency costs had been agreed just before lock down but

has not been able to be taken forward during the initial phase of the pandemic. This is now being re activated.

- 21 The Home to School Transport budget was already in an 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 establishment such as York College, Askham Bryan, Choose 2 and Blueberry Academy. The changes in legislation to allow EHCPs to ages 19-25, resulting in significantly more students accessing this option, has significantly increased our transport spend accordingly.
- 22 In addition, due to the effects of Covid 19 and the complications and uncertainties created by the requirements for school transport and social distancing from September, it is extremely difficult to estimate the potential overspend at this stage. However, due to negotiations with providers, a reduction in contract payments was secured for the summer term, whilst still supporting the providers to remain in business.
- 23 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 £125k. It is not yet clear if further funding will be provided, and, if not, there may be a further impact on the budget, although the Directorate is currently working hard to contain additional expenditure to current spend levels plus the grant funding.
- 24 At this stage an estimated overspend of £211k has been included in the directorate projection, reflecting the effects of the historic overspend, the reduction in costs in the summer term, and some estimates of the likely position for the remainder of the financial year. This is still subject to change depending on the arrangements which may be required in the spring term due to Covid.
- 25 The DSG budgets within Education and Skills are predicted to overspend by £3,251k, mainly due to the high number of Out of

Authority placements, which is partially responsible for the deficit position on the DSG.

- 26 The DSG position at 1st April 2020 was a deficit of £4.865m. Current predictions on High Needs and Central Services Block expenditure indicate that this deficit could grow to £10m by the end of this financial year, due to the continuing increase in High Needs numbers, and increasing complexity, requiring expensive provision. The main pressures are in Post 16 and Post 19 provision and the Out of Authority placements highlighted above. We are developing a DSG recovery plan which will provide options to bring this back to a balanced budget over the next 3 years. This is a national issue and we are part of national lobbying for the SEND review to move forward to address the funding gaps in this area which are experienced across the country.
- 27 The council continues to have discussions with GLL over the cost of managing the centres during the year. The council has been required to fund the net cost of the facilities whilst closed and GLL have suffered from reduced revenues when the facilities have been open during the year. The likely additional cost to the council is currently forecast to be c.£800k but the council and GLL are seeking Government / Sport England funding to mitigate this cost.
- 28 A number of other more minor variations make up the overall directorate position.
- 29 The service is continuing to develop 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. We are also considering options to deliver services in a different way either through new brokerage arrangements or sharing services on a wider footprint.

Economy & Place

- 30 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

- 31 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

- 32 A net over spend of £2,685k 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. The following paragraphs give more detail on the variations to budget and actions taken to mitigate the variations.
- 33 Permanent residential care is forecast to overspend by £430k based on current customer numbers. This is mainly due to the average cost of working age adult physical & sensory impairment placements being around £15k higher than was planned for in the budget (£162k). The policy of using short term placements to support people to return to home has resulted in fewer admissions to residential and nursing care. The overspend on older people placements is projected to be £268k, largely due to the average cost per customer being £5.6k more than budgeted, an increase in cost of £1.1m which has been offset by a net reduction of 15 customers since the start of the year and a slight increase in customer income. Permanent nursing care is forecast to underspend by £505k based on current customer numbers. We are actively working with health colleagues to ensure we have effective brokerage, commissioning, review and market management in these areas.
- 34 There are a number of customers in residential and nursing placements or receiving homecare packages which were previously being paid for by Heath under the Covid 19 regulations. Responsibility for these customers has transferred back to the Council and this is projected to increase the net cost of residential and nursing placements and homecare by £352k once all the customer reviews have taken place.

- 35 Older People short stay budgets are forecast to underspend by £463k. The number of customers placed in respite and step up step down beds in the first three quarters of the year has been a lot lower than usual, largely due to the Covid pandemic.
- 36 The use of home care to support customers is projected to overspend by £1,394k due to the average weekly number of hours of homecare provided being 850 more than budgeted. This position has worsened since the previous report as a result of new customers needing home care packages because their usual support has been unavailable given community services, etc have been closed or had vastly reduced capacity as a result of social distancing measures. Systems are in place to track and code these increases due to covid separately, reclaiming costs from the national NHSE funding stream.
- 37 There are a number of workstreams in place to reduce the long term impact on the home care budget including improving the capacity of the reablement service, introducing short term rapid response support for covid positive people, an improved approach to reviewing peoples care to make the best use of non-council resources and additional work to draw in NHS income.
- 38 Physical & Sensory Impairment Supported Living schemes are forecast to overspend by £613k due to there currently being nine more customers in schemes than was assumed in the budget, and in addition the average cost per customer is £5.5k per annum higher than budgeted for.
- 39 Learning disability residential budgets are forecast to overspend by £878k. The numbers placed are in line with budget, however the net cost per placement is currently £14k 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 involves small numbers of people with very high costs. In response to this the council has employed and trained specialist CHC workers and established a project to work on these highest costing care packages. Joint work is underway with the NHS to adopt a better joint approach to gain better value from the market and also to review existing care pathways in this area to ensure the most effective demand management is in place.
- 40 Learning Disabilities Supported Living for is forecast to overspend by £294k. This is due to having 6 more customers than assumed in the

budget. There is also projected to be a £218k overspend on community support budgets due to the higher than expected spend on homecare and unbudgeted use of temporary staff.

- 41 Direct Payments are forecast to overspend by £459k due to the average direct payment per customer being £5k more than in the budget (£576k), offset by having six fewer customers. A number of these are under review as part of the high cost packages and review work.
- 42 Mental Health budgets are forecast to overspend by £1,256k predominantly due to an increase in the number of residential care placements needed. The mental health accommodation programme is on track to deliver lower cost local alternative provision.
- 43 Be Independent is currently projected to overspend by £213k. 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.
- 44 There is a projected overspend of £292k on Haxby Hall. Transfer of the service to Yorkcare Homes Ltd 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.
- 45 Due to the pandemic Yorkcraft is currently projected to overspend by £202k. This is due to a £62k saving from review of the service which is not likely to be achieved in 2020/21, together with an underachievement of income on external contracts and office collections due to the Covid pandemic.
- 46 ASC's outturn was £3.6m over budget in 2019/20, largely attributable to pressures in external care. Members acknowledged this issue and set aside £550k growth to assist the department in achieving a sustainable budget. However, COVID has delayed and changed how this money will be spent. As such, we have not been able to reset our external care budgets to reflect the plans to bring these budget back in line and the budget has rolled forward based on historic assumptions around customer numbers and prices rather than a more up to date position. This is why several of the variances explained show significant differences between budgets and actuals.

- 47 The growth money is being used in the short term to support the ASC Improvement Team and also to fund a review team tasked with looking at packages where customer needs can be met differently. We have also undergone a Peer Review in January to explore opportunities enabling the department to set a sustainable budget.
- 48 Prior to the Covid pandemic pressure on the budget was largely driven by the increasing market cost of care. During the Covid pandemic additional pressures have emerged. 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. This is a reversal of a 2 year trend during which early intervention and strengths based working prevented increasing numbers of citizens requiring increasing support. Early work by public health to review the impact of covid19 suggests causes of this increase are likely to include; Loss of income and uncertainty regarding future earnings; Loss of important practical and social support and connections; Reduced access to essential information, goods and services; including through digital exclusion; Diminished or interrupted care and support services; Compromised ability to adhere to disease containment policy and to maintain social distancing; Fear, loneliness, anxiety, increased stress and other adverse psychological impacts.
- 49 ASC has been required to respond swiftly and effectively to the pandemic in order to both protect vulnerable citizens and NHS capacity. In effect this means that staff have been from business as usual work to undertake tasks such as emptying the hospital, establishing short term intensive community and residential support services for Covid 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.
- 50 Although this was done using all the previous principles of, home first, using community support and reducing reliance on residential care, this intense activity in response to national guidance means that some of savings projects are less advanced than they would ordinarily have been at this point in the year. It is now anticipated that ASC will not achieve £1,008k of the £1,826k savings put forward in the budget process for 2020/21. The main reasons are as follows:

- There was a national decision to halt the continuing health care process and as a result savings in this area are likely to reduce from £500k to £250k
- The development of more targeted strength based reviews has been delayed and the expectation is now that expected savings of £300k will not be achieved this year.
- Proposed increases in customer income have been interrupted due to the measures we have taken in relation to customer charging during the pandemic in line with national guidance. Savings are now likely to reduce from £295k to £225k.

51 The department is taking a review, repurpose, refresh and reset approach to recovery, recognising the opportunity for positive permanent change resulting from the disruption of recent months. The three strands to the recovery work are strength based working, capacity and demand management and staff wellbeing.

- Strengths based working- through maximising the use of community resources we will reduce the reliance on council funding
- Demand Management- we will flex the use of our resources across the health and care system, deploy more and better technology, and change the balance between long and short term support.
- Staff Wellbeing. We will make the best use of the skills and expertise of our staff by supporting them with the right information, tools for the job and invest in their wellbeing

52 As previously reported, ASC is operating in an extremely challenging environment in which Health partners in the city are operating with significant deficits. The price of care provision is high, with a local market driven by those that can fully fund their care without recourse to the Council.

53 The Council is undertaking an Actual Cost of Care exercise with providers of residential and nursing care. This is anticipated to increase our standard rate above the inflation awarded in the 2020/21 budget. The outcome of this exercise will be reported to Members with options around mitigating any additional costs above those already funded.

Housing Revenue Account

- 54 The Housing Revenue Account budget for 2019/20 is a net cost of £825k. Overall, the account continues to be financially strong and is forecasting a small net overspend of £55k.
- 55 The forecast is that Repairs & Maintenance expenditure will outturn on budget for the year. All non-urgent repairs were suspended for the entirety of Q1 in response to COVID-19 and void works were reduced. All of the work streams have now recommenced and it is evident through increased call volumes, demand for voids work, and heating and electrical repairs that a notable backlog has built up. As this build-up of work is dealt with and we move in to the higher demand winter period, it is forecast that the full repairs budget will be spent.
- 56 There are a number of staffing vacancies that are forecast to save £135k. This is offset by the increasing costs of the independent external advice for the James House project which are now forecasted to be £130k above the budget.
- 57 It was reported at Monitor 2 that Rent arrears have increased by c£60k per month in quarter 1 against a forecast of £30k per month. This increase has since levelled off and arrears at the end of quarter 3 were lower than at the end of quarter 2. The new financial assistance scheme is providing financial support and assistance to HRA tenants with their rent arrears.
- 58 There is a forecast shortfall relating to rents of £251k due to the delayed opening of James House and Lincoln Court. However, the majority of the shortfall in income relates to voids. The average void days have returned back to the long term average up by 1 day compared to the same period last year, following an increase at the beginning of the year. All teams across Housing are working together to improve the re-let of the properties.
- 59 The interest receivable on the HRA credit balances is forecast to be higher than the budget this year due to the holding of large balances pending the large scale investment in to new council house building, as such an over achievement of income of £200k is projected at quarter 3.
- 60 As previously reported the HRA will not receive any financial assistance from the government relating to the pandemic and as

such the underspend from 2019/20 of £539k was set aside to fund COVID-19 and other pressures.

- 61 The working balance position at 31 March 2020 was £26.4m. The projected outturn position means the working balance will increase to £27.1m at 31 March 2021. This compares to the balance forecast within the latest business plan of £25.58m.
- 62 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

- 63 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.