

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

Finance and Performance Outturn 2020-21

Summary

- 1 This report provides a year end analysis of the overall finance and performance position. This is the final report of the financial year and assesses performance against budgets, including progress in delivering the Council's savings programme.
- 2 As outlined in reports to Executive throughout the year, the COVID-19 pandemic has had a significant impact on the Council's financial position and adversely affected performance against a number of indicators. The financial effect is complicated, with various grant funds being received from numerous Government departments. Overall, it is estimated the gross additional costs total £26m during the year along with a loss of income from fees and charges of c£8m. Much of the impact has been mitigated by General Government grants, including the Contain Outbreak Management Fund, Winter Pressures and additional funding for business grants along with funding from the CCG for hospital discharge.
- 3 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.
- 4 In addition to the direct financial consequences of the pandemic, in terms of additional expenditure and lost income, staff time and effort throughout the year has 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.

- 5 As expected, the year-end position is an overspend and there remain considerable financial challenges looking ahead into 2021/22 and beyond. The financial impact of COVID-19, alongside the delivery of £8m of budget savings outlined in the February 2021 budget council report, as well as dealing with underlying issues experienced during 2020/21, will again require careful monitoring.
- 6 The outturn position proposes the use of a small amount from both earmarked reserves and the general reserve. The release of earmarked reserves follows a review of known commitments and the use of the general reserve to fund the remaining overspend is considered appropriate given the unprecedented financial situation caused by the pandemic.
- 7 The outturn position for Health, Housing and Adult Social Care has improved significantly since the Monitor 3 reported to Executive in February 2021. This underspend is due in no small part to a lot of hard work from finding ways of mitigating the budget position which was forecast to overspend significantly in the first three quarters. However, the largest contributor to the year-end underspend was the use of one-off, non-recurrent funding. Adults Social Care still needs to address a significant underlying budget pressure in 2021/22 as well as delivering a savings programme of over £2m in what are still very testing times for the workforce and sector, particularly given the volume of referrals in the last quarter of 2020/21 and that the community and voluntary sector are yet to open up fully.
- 8 The council's overall financial health provides a strong platform upon which to meet these financial challenges and good progress has been made with the achievement of savings in the year. Whilst some areas have experienced slight delays, as set out in the report, overall progress is good and areas of delay have generally been mitigated by other savings in relevant areas.
- 9 The 2021/22 budget agreed in February 2021 provided for significant growth in adults and children's services budgets and made proper provision for all known cost increases. This, combined with a track record of effective budget management, gives confidence in the council's future financial stability. This financial stability allows the council to invest in key priority areas.

Recommendations

10 The Executive is asked to:

- 1) Note the year end position.
- 2) Note the finance and performance information
- 3) Approve the extension to March 2023 for the letter of credit to York Museums Trust as outlined in paragraphs 20 to 24
- 4) Approve the use of contingency and reserves outlined in paragraphs 14 to 16
- 5) Approve the carry forward of HRA reserves outlined in annex 1

Reason: to ensure significant financial issues can be appropriately dealt with.

Financial Summary

- 11 The council's net General Fund budget for 2020/21 was £127m and the provisional outturn position is a net overspend of £1.2m funded from the use of contingency, earmarked reserves and the general reserve.
- 12 An overview of the outturn, on a directorate by directorate basis, is outlined in Table 1 below and the key variances are summarised in Annex 1.

2019/20 outturn		2020/21 budget	2020/21 Monitor 3	2020/21 Draft Outturn
£'000		£'000	£'000	£'000
+1,560	Children, Education & Communities	24,664	+3,569	+3,801
-351	Economy & Place	18,932	0	-114
-672	Customer & Corporate Services	20,539	0	-397
+3,612	Health, Housing & Adult Social Care	49,755	+2,685	-1,218
-2,355	Central budgets	13,334	-900	-744
+1,794	Sub Total	127,224	+5,354	1,328
-500	Contingency		-128	-364
-1,422	Use of earmarked reserves		-1,500	-463
0	Use of General Reserve		0	-501

-128	Total	127,244	3,726	0
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Table 1: Finance overview

Reserves and Contingency

- 13 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.
- 14 However, this was prior to the pandemic and in light of the financial challenges due to COVID this report now proposes the use of £501k from the general reserve. This would still leave the general reserve at £6.9m with £0.5m headroom above the minimum recommended level. A further review of the reserves position will be undertaken as part of the 2022/23 budget planning.
- 15 On the general contingency, Executive was advised within the Monitor 3 report that there remained an unallocated balance of £128k, after allocating £500k to support the York Financial Assistance Scheme (YFAS) and that it was being assumed this remaining balance may be needed to support some of the general pressures outlined in the Monitor 3 report. This has been necessary and therefore the contingency has been used to fund expenditure in 2020/21. In addition, the budget review reported to Executive in June 2020 identified where funds could be diverted to meet emerging pressures. This process left a balance of £236k available for any future pressures. This sum has also been used to offset the outturn position. A budget of £500k is again available in 2021/22.
- 16 A review of reserves has been completed in line with the CIPFA financial code. This review has identified £0.4m of available reserves as follows:
 - £152k housing general fund reserves
 - £45k community safety
 - £17k asset and property management
 - £248k SALIX carbon management loans

- 17 These reserves have been identified as having no specific future risks or liabilities held against them and therefore this report proposes that these reserves are released so that they can be used to support statutory services relating to Children and Adults, ensuring the Council maintains safe and improving services in these areas.
- 18 In February 2021 Executive received a report on the financial strategy which contained a section on the adequacy of the council's reserves. The review of reserves has considered any future commitments and the overall balance of risk. It is the view of the s151 officer that these reserves can be released without impacting on the financial sustainability of the council and this is a prudent approach to managing the current financial pressures being faced.

Loans

- 19 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.
- 20 In August 2020, Executive approved a letter of guarantee to the York Museums Trust providing them with access to a maximum of £1.95m over the next 2 years, should it be required, in order to secure the museums as a going concern. This support was required in the light of an estimated loss of revenue in 20/21 of £2.6m due to Covid-19.
- 21 Since that time, YMT has done everything possible to reduce their costs and liabilities and have:
 - Furloughed around 80% of staff including senior staff and negotiated salary reductions for those not furloughed
 - Increased fund-raising through publicising their financial plight and asking the public for donations
 - Cancelled forthcoming projects
 - Negotiated rent reductions and paused service contracts where possible
 - Implemented a redundancy programme to reduce the size of the organisation by 20%
 - Received a total of £1,273,226 from the two round of the DCMS Cultural Recovery Fund

- Run down their financial reserves
- 22 It was originally envisaged that YMT would need to draw down £1.35m of the £1.95m in 20/21 with the remaining £600k in 21/22. In light of the DCMS funding received, YMT did not have to draw on any CYC funding in 20/21; however, with the extension of lockdown they now estimate that they will need to draw down £1.1m in 21/22 in order to:
- Sustain an estimated operating loss of £1.316m in 21/22
 - Remain in a positive reserve position of around two months of operating costs (circa £0.6m) and a positive cash flow position throughout
- 23 YMT have requested that the letter of guarantee be extended to March 2023 as they will be operating with minimal reserves and will need the letter of guarantee extending in order for their auditors to be able to sign off their accounts as a going concern.
- 24 The letter of guarantee outlines the council's commitment to providing YMT with the funds should they be required, up to an amount of £1.95m, on receipt of evidence that the funds are required (i.e. that reserves and other income sources have been exhausted). This allows the Trust to demonstrate that they are a going concern, as well as providing the certainty that they need to continue to operate.

Performance – Service Delivery

- 25 In spite of the many challenges that the organisation and City has faced over the last year, performance across the wider organisation, not just the Council plan indicators, has continued to remain high and continues to compare favourably when benchmarked against other areas with similar characteristics to York. Whilst Covid and the actions taken to tackle the global pandemic have in places affected performance in the short-term, the general pattern for data and information monitored by the Council is that levels of resident and customer satisfaction, timeliness and responsiveness, as well as various directorate and service based indicators, have remained positive. Within the City, residents are reporting back that the Council are improving green spaces, are giving more assistance in their communities, are using more sustainable modes of transport, and are seeing the city as a safer space, which is all positive progress, and in a number of internal delivery areas where additional focus has been placed by Executive, areas such as levels of staff sickness, and responsiveness to complaints continue to improve.
- 26 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. It is likely that due to impacts of COVID, a number of the Council Plan 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.

27 A summary of the core indicators that have a good or poor direction of travel based on the latest available data are shown below and further details around all of the core indicator set can be seen in Annex 2. Strategic indicators that have a good or improving direction of travel based on the latest available data are:

- **Average Sickness Days per FTE** - At the end of March 2021, the average number of sickness days per FTE (rolling 12 months) was 8.8 days compared to 11.6 at the end of March 2020. In September 2019, City of York Council, in response to comparatively high sickness rates and feedback from senior managers about existing sickness processes, introduced a new sickness process in conjunction with a company called Absentia which is known throughout the organisation as Medigold / DayOneAbsence.
- This combined with a number of other factors due to Covid impact and changes to working practice, have meant that sickness levels across the authority have been consistency reducing since the start of 2020, and these reductions have been seen across the vast majority of teams and services. Although no official figures, through discussions with other Local authorities, York's reduction in sickness levels has been greater than other areas are seeing and whilst there is no new "public sector benchmark" for sickness levels, at current trajectory, CYC is likely to reach the previously stated 8.5 day public sector average figure by around July 2021.
- **% of Talkabout panel who think that the council are doing well at improving green spaces** – The Talkabout panel is a bi-annual survey of residents, whom help to give a wider view of the City's challenges and services. 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 remains at a lower level to that seen in previous years. The latest available data shows that there were 19 households with dependent children in temporary accommodation at the end of Q3 2020-21 compared to 27 at the end of Q2 2020-21. 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.
- **% of ST1 complaints responded to within 5 days** - In Q4 2020-21, the council received 100 stage 1 complaints and responded to 94% of complaints within five days. This shows a significant and maintained improvement in the timeliness of responses to stage 1 complaints received during the reporting year (an increase from 69% in Q1 2020-21).
- **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 2020-21 (1,410) is a reduction on the number of incidents reported during 2019-20 (1,689) and is the lowest number of reported incidents since data has been collected.

28 Strategic indicators that have a worsening direction of travel, mainly due to direct adverse effect from COVID-19 are;

- **% of vacant city centre shops** - At the end of Q4 2020-21, there were 57 vacant shops in the city centre, which equates to 8.89% 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 has increased 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 continued to be affected by national lockdowns during the rest of 2020-21.
- **Parliament Street Footfall** – Footfall in Parliament Street decreased due to the global coronavirus pandemic, restrictions were placed on movement during 2020-21 and leisure and the vast majority of retail businesses were closed at various points during the year due to national lockdowns.
- **Index of cycling activity** – from a baseline in 2009, there has been a 9% decrease in cycling activity in 2020. The highest level seen since the baseline was established was in 2014 where there was a 29% increase above the baseline.

Council Plan

- 29 Following the adoption of the new Council Plan, progress against the commitments made within it will be included in each Finance and Performance monitor. This monitor reflects the halfway point of the Council Plan and so a comprehensive assessment of progress against all the original actions can be viewed by following the link in the Background Papers section of this report. This reflects the information provided to Executive in consideration of updates to the Council Plan, approved at Executive in May 2021. Future monitor reports will include progress against the additional actions added to the Council Plan as part of the updates approved at that meeting.
- 30 Progress continues to be made across all outcome areas within the Council Plan. This includes:
- **Well paid jobs and an inclusive economy** – the submission of a consultation response to Government on Local Government Reorganisation to make the case for York remaining as a unitary authority, as well as the approval of a revised SLA and Contract for Make It York.
 - **Getting around sustainably** – Hyperhubs and the roll out of new charging infrastructure is currently under construction, with a decision made to progress a Hyperhub at Union Terrace. Work at Monks Cross Park and Ride is well advanced with an expected opening date in mid-June 2021. At Poppleton Bar Park and Ride, construction started in April 2021.
 - **Good Health and Wellbeing** - The refurbishment of 20 apartments and the development of an additional 15 fully wheelchair accessible

properties at Lincoln Court has been completed. The care home at Burnholme is complete and the first residents were welcomed in early 2021. The transfer of Haxby Hall care home to Yorkare Homes was completed on 31 March 2021. The residents and staff transferred which has enabled continuation of care and employment.

- **A Better Start for Children and Young People** - The newly created Skills and Employment Board brings together expertise from across the city and strengthens our partnership approach to understanding and responding to the changing skills needs of people and businesses. The one-year skills plan was approved in March 2021 and work continues via the Skills & Employment Board to develop the longer term strategy, aligned with the new Economic Growth Strategy.
- **A Greener and Cleaner City** - The Council has secured over £1m of government funding through the Local Authority Delivery Scheme to complete energy efficiency improvements and install solar PV on our housing stock and we continue to look at decarbonisation solutions across our corporate and operational assets.
- **Creating Homes and World-class infrastructure** - Planning permission was granted for Castle Mills and St George's Field. Procurement of a contractor for Castle Mills to undertake the RIBA stage 4 design and to provide a tender price for construction has been completed, with an Executive decision to proceed required in October 2021.
- **Safe Communities and culture for all** - Funding for the new CVS Volunteer Centre has been secured and the Centre launched in January 2021. The council collaborated with CVS in February through a focus group to inform a review of the People Helping People strategy. The council's Volunteer Management Team have continued to actively manage calls for volunteers during Covid continuing to supply volunteers to the community hubs, LAC team and social connections programmes, amongst other initiatives, to help address loneliness and isolation.
- **An open and effective Council** - Ward-level working is prioritised, with significant increases in the proportion of council funding flowing through ward committees. Ward schemes have continued throughout the lockdown with a range of effective and innovative schemes to support communities through the effects of Covid. £200k has been invested in a Covid-19 Recover Fund from April 2021. Ward funding is increasingly being directed to Ward priorities focussed around recovery.

Annexes

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

- 34 Not applicable.

Options

- 35 Not applicable.

Council Plan

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

Implications

- 37 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

- 38 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.

Background Reports

20th May - Executive – Council Plan Action March 2021 - Item 132 Annex 2 - <https://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&MId=12511&Ver=4>

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Glossary of Abbreviations used in the report:

ARZ	Alcohol Restriction Zone
ASCOF	Adult Social Care Outcomes Framework
CCG	Clinical Commissioning Group
CIPFA	Chartered Institute of Public Finance and Accountancy
CVS	Centre for Voluntary Service
CYC	City of York Council
DCMS	Department for Digital, Culture, Media and Sport
HRA	Housing Revenue Account
LAC	Local Area Co-ordination
RIBA	Royal Institute of British Architects
YFAS	York Financial Assistance Scheme
YMT	York Museums Trust