

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

2021/22 Finance and Performance Monitor 1

Summary

- 1 To present details of the overall finance and performance position for the period covering 1 April 2021 to 30 June 2021, 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 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 and other funding, 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 £6.9m of general reserves that would need to be called on if this were the case.
- 3 As outlined in reports to Executive throughout the previous year, the COVID-19 pandemic continues to have a significant impact on the Council's financial position and adversely affect performance against a number of indicators.
- 4 Despite the additional funding provided by Government in both 2020/21 and the current year, an ongoing impact is to be 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. However, performance in collecting income continues to be positive and schemes are in place to support those who are unable to pay.

- 5 We continue to see significant and ongoing pressure across both children's and adults social care budgets in particular and an increase in social care costs directly as a result of the pandemic.
- 6 Throughout the pandemic, all Council services have gone above and beyond what can be expected. However, a huge debt of gratitude is owed particularly to those individuals who routinely put their lives on the line to keep residents and communities safe, whilst putting themselves at great risk.
- 7 It should also be noted that the pandemic is far from over in the local health sector. At the time of writing (late July) York Hospital is experiencing unprecedented demand and GPs are seeing a spike in appointments. The increased complexity of adult social care cases and a tired workforce, combined with significant pressures in the NHS and within the community, is creating pressures in the adult social care sector that need to be addressed to prevent them impacting on City of York Council's own adult social care service. These issues are not unique to York but is a national situation that is being seen in most areas across the country.
- 8 To address these challenges, whilst accepting the impact of the pandemic is still being felt across social care services, a cross-council project has been put in place to help and support adult social care teams over the coming weeks and months. By taking a staged approach as part of a co-ordinated project this will support adult's social care services, whilst avoiding introducing additional pressures or risks. This programme of work will also balance short term costs with long term savings plans and actively look to reduce costs rather than taking the more short-term immediacy approach which can have detrimental impacts in future.
- 9 Whilst 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, the forecast outlined in this report remains a matter of serious concern. The ongoing pressures within social care will need to be addressed in the 2022/23 budget setting process.
- 10 With an 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

- 11 Executive is asked to:
- note the finance and performance information and the actions needed to manage the financial position
 - approve the write off of bad debts as outlined in paragraphs 26 to 30
 - To award the two elements of the MSA Procurement as outlined in paragraphs 28 to 33 as follows:
 - i. To award the Dark Fire contract to City Fibre for 15 (with option of plus 3 plus 2) years
 - ii. To award the Managed Services contract North for 7 (with option of plus 3 x1) years

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

Financial Summary

- 12 The gross financial pressures facing the council are projected at £7.8m but after mitigation and further action it is considered that this can be brought down to a net position of £5m.
- 13 As previously reported, there are serious underlying budget pressures across both adult and children's social care. Both adult and children's social care is operating in an extremely challenging environment and as a result additional funding of £4.3m was allocated to the People directorate in the 2021/22 budget.
- 14 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 £6.9m of general reserves that would need to be called on if this were the case.
- 15 A number of measures are being introduced to ensure that there are additional expenditure controls in place including a reduction in any non-essential expenditure.
- 16 York is maintaining both sound financial management, and delivering priority services to high standards, during a period of significant challenge for local government. 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

- 17 The Council's net budget is £131m. Following on from previous years, the challenge of delivering savings continues with £7.9m to be achieved in order to reach a balanced budget. Early forecasts indicate the Council is facing net financial pressures of £5m (after mitigation) and an overview of this forecast, on a directorate by directorate basis, is outlined in Table 1 below. The main variations and any mitigating actions that are proposed are summarised in Annex 1.

Service area	Net budget	2021/22 Gross Forecast Variation	Mitigation	2021/22 Net Forecast Variation
	£'000	£'000	£'000	£'000
People	69,592	8,313		8,313
Place	21,772	277	-277	0
Customers & Communities, Public Health & Corporate Services	22,182	0	0	0
Central budgets	18,344	-800	0	-800
Sub Total		7,790	-277	7,513
Contingency	-500		-500	-500
Use of COVID grants			-2,000	-2,000
Total including contingency	131,390	7,790	2,777	5,013

Table 1: Finance overview

Reserves and Contingency

- 18 The February 2021 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 2021/22 the reserve stood at £6.9m and, as part of the budget report, approval was given to maintain this level of reserve in 2021/22 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.
- 19 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 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 a substantial amount from this general reserve in 2021/22, some growth will need to be included in the 2022/23 budget to ensure that reserves can be maintained at an appropriate level.

- 20 In addition to the general reserve of £6.9m 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 again be reviewed on a quarterly basis and where appropriate to do so will be released to support the in year position. 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.
- 21 As in previous years a contingency budget of £500k is in place and this is currently assumed to be available to offset the pressures outlined in this report.

Loans

- 22 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.

Debt Write-off over £100k per account

- 23 In line with good accounting practice and the financial regulations the council writes off irrecoverable debt on a quarterly basis. If an individual debt is in excess of £100k then it requires approval by the relevant Executive member and above £500k by Executive itself. It has been some years since any such individual debts have been brought before Executive however there are three that now need member approval, the details of which are set out below.

ATI (Incinerateurs Muller) Debtor 13260743 - £139,292

- 24 This account was raised in January 2018 to recover the additional cost of working arising from the failure to operate of the companies two cremators at York Crematorium. The debt has been pursued by Legal Services however following the failure of the UK company the French parent

company also went bankrupt and we have been advised there is no hope of recovering the debt.

Adult Social Care Debt Debtor 132621 - £139,609.32

- 25 This is a deferred payment arrangement that was defaulted. Due to DP issues only limited information can be provided. The case was investigated by the police and there were custodial sentences. There is no hope of recovering the debt.

Be Independent 13191304 - £259,200.56

- 26 Be Independent returned to being a Council service in 2018 and the above debt relates to invoices raised for reimbursement of monthly payroll/salary services provided by the Council to Be Independent whilst they were still a separate company. Upon the closure of the company the Local Government Pension Scheme carries out an exit valuation which identified there would be a surplus and it was originally anticipated that this cost would be recovered from that surplus. However, a change to the Pension Regulations in 2020 means this is no longer permitted and the surplus has been retained within the Pension Fund. However, there has been some benefit to the Council in that we have been able to ring fence this credit within the Council's share of the Pension Fund. The company was formally dissolved in November 2020.
- 27 As Be Independent no longer exists as an independent organisation there is no possibility of receiving any further payment and the debt needs to be written off.

ICT Procurement

- 28 A report to the then Executive on 7th December 2017 described and sought approval for the proposed approach to procure a technology provider to deliver the City of York Council's (CYC) and Harrogate Borough Council's essential managed network services. The report can be found here:

<https://democracy.york.gov.uk/mglIssueHistoryHome.aspx?IId=50901&optionId=0>

- 29 An amendment to the scope of the procurement in November 2019 to exclude Harrogate Council was made in November 2019 as follows:

<https://democracy.york.gov.uk/documents/s135899/Decision%20Session%20MSA%20Scope%20Change%20Report%20Final.pdf>

- 30 It was still proposed that the new contract was to seek to procure services that include, but are not restricted to, the design, management and support of the council's (and partners') highly resilient and robust data network services (fixed, mobile and wifi), and access to the internet, office and mobile telephone services.
- 31 There was a further change to the procurement in November 2020 from a Competitive Procedure with Negotiation (CPN) to an 'Open Procedure' given the further delay to the procurement due to the pandemic. Based on feedback from the market place the procurement itself was split into two parts – Dark Fibre infrastructure element and the Managed Service element both of which have now been completed with a combined value of around £1m per year.
- 32 A competitive tender for the provision of a dark fibre network was conducted between 5th March and 4th May 2021 – this has been conducted as a 'Further Competition under Crown Commercial Services Dynamic Purchasing System (Framework RM6095). The contract will be for a period of 15 years with an option to extend for a further 3 years, followed by an optional further extension of 2 years (total 20 years).
- 33 The Managed Services element was conducted between 9th May and 30th July as an 'Open Competition'. The contract will be for a period of 7 years with the option of 3 further 1 years extensions (total 10 years).

Performance – Service Delivery

- 34 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.
- 35 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 and 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.

36 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:

- **% 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. 51% of respondents to the Q1 2021-22 survey agreed that the council and partners are doing well at improving green spaces, an increase from 44% in Q2 2020-21.
- **Parliament Street Footfall** – Following the easing of restrictions in the leisure and tourism sector in April 2021, footfall in Parliament Street increased from 523,519 in Q4 2020-21 to 1,506,747 in Q1 2021-22. This is still lower than the figures usually seen during Q1 (around 2 million) but the figures are heading in a more positive direction.
- **Library Visits** – 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. Across the whole of 2020-21, there were 183,706 visits to libraries compared to 1,023,034 during 2019-20. Libraries fully re-opened during April 2021 and figures for Q1 2021-22 show that there were 106,819 visits, which shows a positive direction of travel.
- **GVA per head** - In 2019-20 (the latest available data), the GVA per head in York was £29,913 which was the second highest figure regionally. Apart from a slight dip in 2015-16, the GVA per head has been increasing annually since 2009-10 where it was £25,581 per head. Based on predicted economic trends nationally, it is expected that there will be a negative impact on GVA values in future years.

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

- **P&R Passenger Journeys** – In 2020-21, there were a total of 0.74 million (provisional) Park and Ride passenger journeys into and out of

the city. This is lower than in 2019-20 (3.98m) and the lowest in the previous eleven years (with a high of 4.61m in 2015-16). Due to the global COVID-19 pandemic, there were three national lockdowns during 2020-21 where people were required to stay at home. This explains the large reduction in numbers of people using park and ride buses. In addition, one of the park and ride sites was used as a covid testing site during the year.

- **Local bus passenger journeys** – In 2020-21, 3.07 million (provisional) local bus passenger journeys originated in the local authority area. This is much lower than the number of journeys in 2019-20 (11.56m).

Annexes

- 38 Annex 1 shows the quarterly financial summaries for each of the Council directorates.
- 39 Annex 2 shows performance updates covering the core set of strategic indicators which are used to monitor the progress against the Council Plan.
- 40 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

- 41 Not applicable.

Options

- 42 Not applicable.

Council Plan

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

Implications

- 44 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

- 45 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:	Chief Officer Responsible for the report:		
Debbie Mitchell Chief Finance Officer Ext 4161	Ian Floyd Chief Operating Officer		
Ian Cunningham Head of Business Intelligence Ext 5749	Report Approved	√	Date 18/8/21
Wards Affected: All			✓
For further information please contact the authors of the report			

Glossary of Abbreviations used in the report:

CYC	City of York Council
GVA	Gross Value Added
NHS	National Health Service
RAY	Refugee Action York