
**Corporate Services, Climate Change and
Scrutiny Management Scrutiny Committee**

18 March 2024

Report of the Chief Operating Officer and Chief Finance Officer

2023/24 Finance and Performance Monitor 3

Summary

1. This report sets out the projected 2023/24 financial position and the performance position for the period covering 1 April 2023 to 31 December 2023. This is the third report of the financial year and assesses performance against budgets, including progress in delivering the Council's savings programme.
2. The previous monitor report outlined the Council's serious financial position with a forecast overspend for 2023/24 of c£11m gross, mitigated down to £941k. There has been a small improvement for Monitor 3, with a forecast overspend, after mitigation, of £842k. However, the underlying gross overspend remains at c£11m.
3. This is still a significant overspend that is of serious concern and it remains very clear that the Council cannot afford to keep spending at this level. The general reserve is £6.9m and, whilst we have other earmarked reserves that we could call on if required, continued spending at this level would quickly see the Council exhaust its reserves.
4. Given the scale of the forecast overspend, a series of actions was agreed previously to bring spending down to an affordable level, both within the current financial year and over the next 4 years, to safeguard the Council's financial resilience and stability.

Background

Financial Summary and Mitigation Strategy

5. The latest forecast is that there will be an overspend of £11m. This is despite action being taken by managers across the Council to try and reduce expenditure. If the Council continues to spend at the current level, and no action is taken, then we will continue to overspend and will exhaust our reserves and any other available funding. The current level of expenditure is unaffordable and therefore we must take immediate action to reduce expenditure. If we do not start to see an improvement in the forecast, there will need to be further measures implemented to ensure that the required impact is seen by the end of the financial year.
6. As outlined in reports to Executive throughout the previous financial year, we have continued to see recurring overspends across both Adult and Children's Social Care. However, the underspends and mitigations that have allowed us to balance the budget at year end have generally been one off. Whilst the use of reserves to fund an overspend is appropriate as a one-off measure, it does not remove the need to identify ongoing savings to ensure the overall position is balanced. The budget report considered by Executive in February 2023 also included an assessment of risks associated with the budget, which included the need to secure further savings and effectively manage cost pressures.
7. Members will be aware that the financial position of local government is a national challenge and that the pressures being seen across both Adult and Children's Social Care are not something that is unique to York. Many Councils are experiencing significant financial pressures and struggling to balance their budgets now, so it is vital that we take immediate action to reduce our expenditure down to a sustainable level both within the current financial year and over the medium term. Taking decisive action now will safeguard the Council's financial resilience and stability and prevent York being in a position where it is unable to balance its budget in future years. This means that, in addition to the actions proposed in this report, there will be a need to continue to identify further mitigations and savings for future years.
8. Given the scale of the financial challenge, and the expected impact on budgets in future years, it is vital that every effort is made to balance the overall position. It is recognised that this will require difficult decisions to be made to protect services for vulnerable residents.

9. Corporate control measures are being implemented but they will not deliver the scale of reduction needed within the year. Other savings proposals, including service reductions, are also needed. A full list of these was included in the monitor 1 report considered by Executive in September.
10. Alongside these actions, officers will continue to carefully monitor spend, identify further mitigation, and review reserves and other funding to make every effort to reduce this forecast position. However, 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. As outlined in previous reports, any use of the general reserve would require additional savings to be made in the following year to replenish the reserve and ensure it remains at the recommended minimum level.
11. It must be a clear priority for all officers to focus on the delivery of savings plans during the year. Corporate Directors and Directors will keep Executive Members informed of progress on a regular basis.

Financial Analysis

12. The Council's net budget is £141m. Following on from previous years, the challenge of delivering savings continues with c£6m to be achieved to reach a balanced budget. An overview of the latest forecast, on a directorate by directorate basis, is outlined in Table 1 below.

Service area	Net budget	2023/24 Net Q2 Forecast Variation	2023/24 Net Q3 Forecast Variation
	£'000	£'000	£'000
Children & Education	25,083	3,727	3,690
Adult Social Care & Integration	45,329	3,407	4,712
Place	22,605	-1,363	-1,040
Customers & Communities, Public Health & Corporate Services	26,437	1,000	830
Central budgets	22,670	-1,000	-2,600

Sub Total		5,771	5,592
Contingency	-500	-500	-500
Use of earmarked reserves		-4,250	-4,250
Target for further mitigation		-1,021	842
Net total including contingency	141,624	nil	nil

Table 1: Finance overview

Directorate Analysis

Corporate, Customers & Communities

13. The forecast outturn position for the remaining areas of the Council is a net overspend of £830k and the table below summarises the latest forecasts by service area.

	Budget £'000	Variance £'000	Variance %
Chief Finance Officer	2,923	147	5
HR and Corporate Management	2,545	-189	-7.4
Customers & Communities	15,899	931	5.9
Governance	5,063	191	3.8
Public Health	14	0	0
Total Corporate, Customers & Communities	26,444	1,080	4.1
Other central budgets and treasury management	22,382	-2,600	-11.6

Mitigations to reduce forecast overspend	
Vacancy management and cost control measure across all areas	-250
Revised position	830

14. Within Customers and Communities, the most significant pressure (£600k) arises from the continued pressure across Housing Benefit

Overpayments as the move to Universal Credit reduces opportunities to achieve income from recovering overpayments.

15. There is also continued pressure from the loss of external payroll contracts within the Payroll Team (£242k).
16. Historical income shortfalls at the Mansion House combined with existing saving targets and pressures from premises costs are proving challenging.
17. Energy and maintenance contract inflation is causing pressure with the Bereavement Services, but it is hoped that this will be mitigated by increased income from the Crematorium by the end of the year.
18. Within Customers and Communities, the forecasted overspend has reduced by £221k, predominantly through holding vacancies wherever possible.
19. Within the Governance department there are coroner related pressures of £115k.
20. Since the last report notification of CYT's 22/23 dividend has been received (£300k) which is higher than anticipated and accounts for most of the improvement within HR and Corporate Management Area.
21. The pressure within the Chief Finance Officer area is due to an increased External Audit fee of £175k, reported in the last monitor, noted, and included in the MTFP.
22. Across all these service areas Managers continue to be tasked with identifying mitigations that will reduce these pressures. These will include holding vacancies, cash limiting budget areas and striving to maximise income generation.

Performance – Service Delivery

23. This performance report is based upon the city outcome and council delivery indicators included in the Performance Framework for the Council Plan (2023-2027) which was launched in September 2023. This report only includes indicators where new data has become available, with a number of indicators that support the Council plan being developed. Wider or historic strategic and operational performance

information is published quarterly on the Council’s open data platform; www.yorkopendata.org.uk

- 24. The Executive for the Council Plan (2023-2027) agreed a core set of indicators to help monitor the Council priorities and these provide the structure for performance updates in this report. 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.
- 25. A summary of the city outcome and council delivery indicators by council plan theme, based on new data released since the last report, are shown below.

Housing: Increasing the supply of affordable housing (City)						
	Previous Data	Latest Data	DoT	Frequency	Benchmarks	Data Next Available
% of dwellings with energy rating in A-C band in the EPC Register - Snapshot	43.60% (Q2 2023/24)	43.70% (October 2023)	➔	Monthly	Not available	Q3 2023/24 data available in February 2024
The DoT (Direction of Travel) is calculated on the latest three data points whether they are annual or quarterly. All historic data is available via the Open Data Platform						

- 26. **% of dwellings with energy rating in A-C band in the EPC register –**
An Energy Performance Certificate (EPC) gives a property an energy efficiency rating from A (most efficient) to G (least efficient) and is valid for 10 years, and apart from a few exemptions, a building must have an EPC assessment when constructed, sold or let. Whilst the EPC register does not hold data for every property, it can be viewed as an indication of the general efficiency of homes. The rating is based on how a property uses and loses energy for example through heating, lighting, insulation, windows, water and energy sources. Each area is given a score which is then used to determine the A-G rating. In 2022, the median energy efficiency rating for a dwelling in England and Wales was Band D and a rating of A-C is generally considered to be good energy performance.
- 27. At the end of October 2023, 43.7% of properties on the register for York had an EPC rating of A-C which is a slight increase from 42.1% at the start of the year. The median grade for York for the same period was band D which follows the latest national benchmark. Data is based on the last recorded certificate for 58,553 properties on the register for York, some of which will have been last assessed more than ten years ago.

Sustainability: Cutting carbon, enhancing the environment for our future (City)						
	Previous Data	Latest Data	DoT	Frequency	Benchmarks	Data Next Available
The average of maximum annual mean Nitrogen Dioxide concentration recorded across three areas of technical breach (at points of relevant public exposure) - Calendar	43.8 (2021/22)	44.1 (2022/23)	➔	Annual	Not available	2023/24 data available in September 2024
Carbon emissions across the city (tonnes of carbon dioxide equivalent) - (Calendar Year)	912 (2019)	816 (2020)	⬇ Good	Annual	Not available	2021 data available in October 2024

The DoT (Direction of Travel) is calculated on the latest three data points whether they are annual or quarterly.
All historic data is available via the Open Data Platform

28. **Level of CO2 emissions across the city and from council buildings and operations** – Carbon emissions across the city have been reducing over recent years, from 936 kilotonnes of carbon dioxide equivalent in 2018, to 816 in 2020. Emissions from councils buildings and operations have also been reducing, from 3,658 tonnes of carbon dioxide equivalent in 2020-21 to 3,462 in 2022-23.

How the Council will operate (Council)						
	Previous Data	Latest Data	DoT	Frequency	Benchmarks	Data Next Available
FOI & EIR - % Requests responded to In time - (YTD)	89.30% (Q1 2023/24)	92.40% (Q2 2023/24)	⬆ Good	Quarterly	Not available	Q3 2023/24 data available in January 2024
% of 4Cs Complaints responded to 'In Time'	96.12% (Q1 2023/24)	93.26% (Q2 2023/24)	➔	Monthly	Not available	Q3 2023/24 data available in January 2024
The % of York residents reporting 'good' or 'excellent' experience with Council (Baseline Q3 Talkabout)	NA	NA	NA	Quarterly	Not available	Q3 2023/24 data available in February 2024
The % of York residents reporting 'poor' or 'satisfactory' experience with Council (Baseline Q3 Talkabout)	NA	NA	NA	Quarterly	Not available	Q3 2023/24 data available in February 2024
Average Sickness Days per FTE - CYC (Excluding Schools) - (Rolling 12 Month)	13.02 (October 2022)	11.3 (October 2023)	➔	Monthly	CIPD (Public Sector) 2022/23 10.6	Q3 2023/24 data available in February 2024
YCC Average Speed of answer - Operators	00:00:10 (Phone) (Q2 2023/24)	00:00:13 (Phone) (November 2023)	➔	Monthly	Not available	Q3 2023/24 data available in January 2024

The DoT (Direction of Travel) is calculated on the latest three data points whether they are annual or quarterly.
All historic data is available via the Open Data Platform

29. **FOI and EIR** – % of requests responded to in-time – 92.4% of requests were responded to in-time during 2023-24 up until the end of September which is the highest figure seen since the end of 2018-19.
30. **% of 4Cs complaints responded to in-time** – In Q2 2023-24, there has been a decrease in the number of corporate complaints received compared to the same reporting period in 2022-23 (364 in Q2 2023-24 compared to 652 in Q2 2022-23). There has been a small reduction in performance for the percentage of corporate complaints responded to in time (93.3% in Q2 2023-24 compared to 95.3% in Q2 2022-23).

31. **Average sickness days per full time equivalent (FTE) employee** – At the end of October 2023, the average number of sickness days per FTE (rolling 12 months) had decreased to 11 days from 13 in October 2022. Recently released benchmarks show that the CIPD public sector benchmark is 10.6 days per FTE, putting us in line with national trends.
32. **York Customer Centre average speed of answer** – Phones were answered, on average, in 13 seconds in November 2023 by the York Customer Centre which remains low and is much lower than the average of 1 minute and 42 seconds during 2022-23.

Consultation

33. Not applicable.

Options

34. Not applicable.

Analysis

35. Not applicable.

Council Plan

36. Not applicable.

Implications

37. The recommendations in the report potentially have implications across several areas. However, at this stage
- **Financial implications** are contained throughout the main body of the report.
 - **Human Resources (HR)**, there are no direct implications arising from this report.
 - **Legal** the Council is under a statutory obligation to set a balanced budget on an annual basis. Under the Local Government Act 2003 it is required to monitor its budget during the financial year and take remedial action to address overspending and/or shortfalls of income. Further work is required to develop and implement proposals that will allow the Council to bring its net expenditure in line with its income. There may be legal implications arising out of these proposals that will be considered

as part of the development and implementation of those proposals. If the Council is unable to set a balanced budget, it is for the Chief Financial Officer to issue a report under s114 of the Local Government Finance Act 1988 ('a section 114 notice').

- **Procurement**, there are no direct implications arising from this report.
- **Health and Wellbeing**, reductions in spend in some areas could impact on the health and wellbeing of both our staff and residents. The impact of any reductions in spend will continue to be carefully monitored so that implications can be considered and mitigated where possible.
- **Environment and Climate action**, there are no direct implications related to the recommendations.
- **Affordability**, are contained throughout the main body of the report. Where decisions impact on residents on a low income these impacts will be recorded in the individual Equalities and Human Rights analysis referred to below.
- **Equalities and Human Rights**, 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.
- **Data Protection and Privacy**, there are no implications related to the recommendations.
- **Communications**, the information set out in this report necessitates both internal and external communications. With ongoing interest in the current state of Local Government funding, we anticipate this report will attract media attention. A comms plan has been prepared to help make the information about the forecast overspend and the controls proposed clear and understandable, with opportunities to facilitate staff discussion arranged.
- **Economy**, there are no direct 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.
39. The current financial position represents a significant risk to the Council's financial viability and therefore to ongoing service delivery. It is

important to ensure that the mitigations and decisions outlined in this paper are delivered and that the overspend is reduced.

Recommendations

40. The Committee is asked to note the finance and performance information.

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

Contact Details

Author:

Debbie Mitchell
Chief Finance Officer
554161

Ian Cunningham
Head of Business
Intelligence
555749

Chief Officer Responsible for the report:

Ian Floyd
Chief Operating Officer

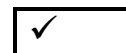
**Report
Approved**



Date 05/02/24

Wards Affected: *List wards or tick box to indicate all*

All



For further information please contact the author of the report

Background Papers: None.

Annexes: CSCCSM Q3 23-24 Scrutiny Committee Scorecard