

<b>Meeting:</b>	Corporate Services, Climate Change and Scrutiny Management Scrutiny Committee
<b>Meeting date:</b>	16/10/2023
<b>Report of:</b>	Debbie Mitchell Chief Finance Officer

## **Scrutiny Report:**

### **2023/24 Finance and Performance Monitor 1**

#### **Subject of Report**

1. This report sets out the projected 2023/24 financial position and the performance position for the period covering 1 April 2023 to 30 June 2023, 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.

#### **Benefits and Challenges**

2. This report is mainly to note the latest financial projections and current performance. The main challenge is delivering on agreed savings whilst also identifying further reductions in expenditure.

#### **Policy Basis for Decision**

3. This report is mainly to note the latest financial projections and current performance. The ongoing financial resilience and stability of the Council will be essential to ensuring that Council priorities can continue to be achieved.

#### **Financial Strategy Implications**

4. This report sets out the projected financial position and identifies a range of actions that are necessary to reduce expenditure, both within

the current financial year and over the next 4 years to safeguard the Council's financial resilience and stability.

## **Recommendation and Reasons**

5. The Committee is asked to:
  - Note the finance and performance information.

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

## **Background**

### **Financial Summary and Mitigation Strategy**

6. The current forecast is that there will be an overspend of £11.4m. 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.
7. 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.
8. 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 already agreed by Executive, there will be a need to continue to identify further mitigations and savings for future years.

9. A series of mitigations and cost control measures are already in place to reduce the forecast overspend but further measures are now being implemented. 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.
10. The following measures have already been implemented.
  - An increase car parking charges by 10p per hour.
  - A freeze on recruitment, agency, and overtime wherever possible and safe to do so. Some exceptions are in place for waste, social care, income generating posts and health and safety matters. This will impact on service delivery in a variety of ways, depending on where the vacancies arise. Corporate Directors will monitor the position in their own directorates and highlight any risks as appropriate.
  - An officer procurement challenge panel will review all procurements, ensuring that they look to reduce costs and review service levels with an expectation that savings are delivered from contracts. This will include not reprocurring non statutory contracts where it is considered possible and safe to do so.
  - Identify alternative funding sources for the remaining one off items, totalling £650k, that are due to be funded from the Venture Fund and Business Rates Pool to allow this funding to instead offset the forecast overspend.
11. Further work will also be done to consider whether savings can be realised from a range of other areas. This work will start now, and any options considered in a future report to Executive or an Executive Member Decision Session as appropriate.
  - Explore the potential for generating income through provision of some non-statutory services such as green waste collection.
  - Review the current capital programme to identify any schemes that can be delayed so that we can also defer

borrowing costs to generate a revenue saving in year. This review will also consider whether schemes not yet started should progress and will include a review of ICT expenditure to identify any work that can be reduced or delayed.

- Consider a reduction in expenditure on highways maintenance.
- Consider further reductions in ward funding.
- Review all grant payments to Community & Voluntary sector to identify any areas that could be reduced.
- Review all fees and charges to identify where in year increases could be implemented.
- Review a range of existing contracts and service levels to identify any that can be reduced.

12. 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.

## **Financial Analysis**

13. 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. Early forecasts indicate the Council is facing net financial pressures of £11m and an overview of this forecast, on a directorate by directorate basis, is outlined in Table 1 below.

Service area	Net budget	2022/23 Gross Forecast Variation	Mitigation	2022/23 Revised Forecast Variation after mitigation
	£'000	£'000	£'000	£'000
Children & Education	25,083	5,074	-500	4,574
Adult Social Care & Integration	45,329	6,835	-3,000	3,835
Place	22,605	-1,118	-140	-1,258
Customers & Communities, Public Health & Corporate Services	26,437	1,601	-1,000	601
Central budgets	22,670	-1,000		-1,000
Sub Total		11,392	-4,640	6,752
Contingency	-500		-500	-500
Use of earmarked reserves			-4,250	-4,250
Target for further mitigation			-2,002	-2,002
Total including contingency	141,624	11,392	11,392	nil

Table 1: Finance overview

## Reserves and Contingency

14. The February 2023 budget report to Full Council stated that the minimum level for the General Fund reserve should be £6.8m (equating to 5% of the net budget). At the beginning of 2023/24 the reserve stood at £6.9m.
15. Should the mitigation outlined in this report 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 2023/24, growth will need to be included in the 2024/25 budget to ensure that reserves can be maintained at an appropriate level.

16. 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 and 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. There is currently a balance of £31.2m available in earmarked reserves. Following a review, it is considered appropriate that c£4m can be released from a range of areas. We will also look at amounts held by fully owned Council companies to ensure that reserves are not being held at a level that is unnecessarily high.
17. As in previous years a contingency budget is in place, and this is currently assumed to be available to offset the pressures outlined in this report.

### Corporate, Customers & Communities

18. The forecast outturn position for the remaining areas of the Council is a net overspend of £600k and the table below summarises the latest forecasts by service area.

	Budget £'000	Variance £'000	Variance %
Chief Finance Officer	2,923	-48	-2
HR and Corporate Management	2,545	105	4
Customers & Communities	15,892	1,044	7

Governance	5,063	500	8
Public Health	14	0	0
Total Corporate, Customers & Communities	26,437	1,601	2
Other central budgets and treasury management	22,382	-1,000	4.4

<b>Mitigations to reduce forecast overspend</b>	
Vacancy management and cost control measure across all areas	-1,000
Further review of Treasury Management and borrowing forecasts	
Revised position	601

19. Within Customers and Communities, the most significant pressure arises from the continued pressure across Housing Benefit Overpayments as the move to Universal Credit reduces opportunities to achieve income from recovering overpayments. Elsewhere there are overspends within business support following the loss of external payroll contracts.
20. Within Governance department there are forecast pressures across legal services income recovery from capital fees and pressures regarding coroner fees.
21. Across all these service areas Managers are being tasked with identifying mitigations that will reduce these pressures. These will include holding vacancies, cash limiting budget areas and striving to maximise income generation. This will be carefully monitored and reported back at future monitoring reports.

## Performance – Service Delivery

22. This interim performance report is based upon the strategic indicators included in the Performance Framework for the Council Plan (2019-2023) which was launched in late 2019. Following local elections in May 2023, a new Council Plan (2023-2027) is going through the formal approval stage and for the Q2 2023-24 Finance and Performance Monitor, there will be a new Performance Framework based on the new Council Plan and therefore a new suite of strategic indicators.
23. 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. 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.
24. Performance items around the Council plan topics “A Greener and Cleaner City” and “An open and effective Council” are reported below, as historically other topics in the Council plan are reported to the other various scrutiny setups.

A Greener and Cleaner City						
	Previous Data	Latest Data	DoT	Frequency	Benchmarks	Data Next Available
Percentage of household waste sent for reuse, recycling or composting	43.17% (2021/22)	41.26% (Prov) (2022/23)	↓ Bad	Quarterly	National Data 2021/22 42.50%	Q1 2023/24 data available in October 2023
Residual household waste per household (kg/household)	514.61kg (2021/22)	503.49kg (Prov) (2022/23)	→	Quarterly	National Data 2021/22 546.8kg	Q1 2023/24 data available in October 2023
Carbon emissions across the city (tonnes of carbon dioxide equivalent) - (Calendar Year)	936 (2018)	912 (2019)	→	Annual	Not available	2020 data available in September 2023
Level of CO2 emissions from council buildings and operations (tonnes of carbon dioxide equivalent)	3,657.56 (2020/21)	3,633.3 (2021/22)	→	Annual	Not available	2022/23 data available in September 2023
Number of Trees Planted (CYC)	73 (2021/22)	1,099 (2022/23)	↑ Good	Annual	Not available	2023/24 data available in May 2024
% of Talkabout panel who think that the council are doing well at improving green spaces	43.26% (2021/22)	38.30% (2022/23)	↓ Bad	Bi-annual	Not available	Q1 2023/24 data available in September 2023
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						



An open and effective Council						
	Previous Data	Latest Data	DoT	Frequency	Benchmarks	Data Next Available
Forecast Budget Outturn (£000s Overspent / -Underspent) - CYC	£4,887 (excluding contingency) (2022/23)	£6,752 (excluding contingency) (Q1 2023/24)	➡	Quarterly	Not available	Q2 2023/24 data available in October 2023
Average Sickness Days per FTE - CYC (Excluding Schools) - (Rolling 12 Month)	12.73 (Q1 2022/23)	11.22 (Q1 2023/24)	➡	Monthly	Public Sector (Y&H) 2020/21 8	Q2 2023/24 data available in November 2023
Customer Services Waiting Times - Phone / Footfall / Webchat	00:01:42 (Phone) (2022/23)	00:00:15 (Phone) (Q1 2023/24)	➡	Monthly	Not available	Q2 2023/24 data available in October 2023
	82.80% (Footfall) (2022/23)	85.90% (Footfall) (Q1 2023/24)	↑ Good	Monthly	Not available	Q2 2023/24 data available in October 2023
	NC (Webchat) (2022/23)	NC (Webchat) (Q1 2023/24)	➡	Monthly	Not available	Q2 2023/24 data available in October 2023
Number of days taken to process Housing Benefit new claims and change events (DWP measure)	3.19 (2021/22)	3.72 (2022/23)	➡	Monthly	Not available	Q1 2023/24 data available in September 2023
% of 4Cs complaints (grade 1 and 2) responded to 'In Time'	94.56% (2022/23)	96.12% (Q1 2023/24)	➡	Monthly	Not available	Q2 2023/24 data available in October 2023
% of 4Cs complaints (grade 1 only) responded to 'In Time'	86.15% (2022/23)	87.50% (Q1 2023/24)	➡	Monthly	Not available	Q2 2023/24 data available in October 2023
FOI & EIR - % Requests responded to In time - YTD	85.50% (2022/23)	89.30% (Q1 2023/24)	↑ Good	Quarterly	Not available	Q2 2023/24 data available in October 2023
CYC Apprenticeships	24 (2022/23)	21 (Q1 2023/24)	➡	Quarterly	Not available	Q2 2023/24 data available in October 2023

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

25. A summary of the strategic indicators that have an improving direction of travel based on the latest, new, available data are shown below.

- **Customer Centre – % served within target wait time** – 86% of customers were served within the target waiting time during Q1 2023-24. This is an increase on the figures during the same period in previous years (73% in 2022-23).
- **FOI and EIR – % of requests responded to in-time** – 89.3% of requests were responded to in-time during Q1 2023-24 which is the highest figure seen since the end of 2018-19.

26. Strategic indicators that have a worsening direction of travel based on the latest, new, available data are;

- **Percentage of household waste sent for reuse, recycling or composting** – The latest provisional data for the amount of household waste sent for reuse, recycling or composting was 33.4% within Q4 2022-23 which is a small decrease from 36.3% during Q4 2021-22. There was also a small decrease in the annual reuse, recycling or composting rate to

41.3% from 43.2% last year. Whilst there has been a reduction in total household waste collected to 857kg per household from 906kg last year there has not been the same reduction in residual (approx. non-recycling) household waste – remaining above 500kg per household.

## Contact details

For further information please contact the authors of this report.

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