

Report of the Chief Operating Officer

Portfolio of the Executive Member for Finance and Major Projects

2022/23 Finance and Performance Monitor 1

Summary

- 1 To present details of the overall finance and performance position for the period covering 1 April 2022 to 30 June 2022, 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 We continue to see significant and ongoing pressure across both children's and adults social care budgets in particular. Within Children's these pressures are mainly in relation to Out of City placements and the continued use of agency staff. With Adults, the main pressures include the cost of care beds and also an inability to recruit to vacancies leading to the use of more expensive agency staff.
- 4 As outlined in the 2021/22 outturn report, considered by Executive in June 2022, many of the budget pressures are recurring whilst the mitigations that have allowed us to balance the budget were one off. Given the recent increases in interest rates, rising inflation and the ongoing pressures in both adults and children's social care it is therefore unsurprising that the early forecast is a significant overspend. Inflationary pressures are a particular challenge, adding some £4.5m to the overall forecast outturn. Further pressures are expected in respect of the budget for pay award. Negotiations for the 2022/23 pay award are yet to begin,

however the higher rates of inflation and cost of living crisis have emerged since the budget was set in February. Latest indications are that the 2022/23 pay settlement will be higher than the 2% allowed for in the budget.

- 5 Whilst the council's overall financial health provides a strong platform upon which to meet these financial challenges and good progress is being made with the achievement of savings, the forecast outlined in this report remains a matter of concern. The ongoing pressures within social care will again need to be addressed in the 2023/24 budget setting process.

Recommendations

- 6 Executive is asked to:
 - note the finance and performance information and the actions needed to manage the financial position

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

Financial Summary

- 7 The gross financial pressures facing the council are projected at £8.7m but after mitigation and further action it is considered that this can be brought down to a net position of £6.7m.
- 8 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 £7.6m was allocated across the People directorate in the 2022/23 budget.
- 9 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 likely 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.
- 10 A number of mitigations and cost control measures will need to be considered to ensure that there are additional expenditure controls in place to ensure a reduction in expenditure. Given the scale of the financial challenge, and the expected impact on budgets in future years due to inflationary and other pressures outlined above, 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 in order to protect front line services to vulnerable residents.

- 11 York is maintaining both sound financial management, and delivering priority services to high standards, during a continued period of significant financial challenge. Whilst the Council’s track record of delivering savings and robust financial management provides a sound platform to continue to be able to deal with these and future challenges there remains a significant risk to ongoing service delivery and achievement of Council priorities that needs to be managed effectively.

Financial Analysis

- 12 The Council’s net budget is £135m. Following on from previous years, the challenge of delivering savings continues with £6.4m to be achieved in order to reach a balanced budget. Early forecasts indicate the Council is facing net financial pressures of £6.7m (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	2022/23 Gross Forecast Variation	Mitigation	2022/23 Net Forecast Variation
	£'000	£'000	£'000	£'000
Children & Education	22,365	7,280		7,280
Adult Social Care & Integration	49,544	1,750		1,750
Place	21,748	1,247	-500	747
Customers & Communities, Public Health & Corporate Services	24,655	1,193	-500	693
Central budgets	18,072	-2,729		-2,729
Sub Total		8,741	-1,000	7,741
Contingency	-1,000		-1,000	-1,000
Total including contingency	135,384	8,741	-2,000	6,741

Table 1: Finance overview

Reserves and Contingency

- 13 The February 2022 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 2022/23 the reserve stood at £6.9m

and, as part of the budget report, approval was given to maintain this level of reserve in 2022/23 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.

- 14 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 2022/23, some growth will need to be included in the 2023/24 budget to ensure that reserves can be maintained at an appropriate level.
- 15 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.
- 16 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. The unused budget of £0.5m from last year, added to the base budget of £0.5m totals £1m available to offset the forecast overspend.

Loans

- 17 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 5.25% is being charged. All repayments are up to date.

Performance – Service Delivery

- 18 In spite of the many challenges that the organisation and City has faced over the last two years, 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.

- 19 It is likely that due to impacts of COVID, a number of the Council Plan indicators will continue to see a 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.
- 20 Over recent months, the cost of living has continued to rise, due in part to the following:
 - The Office for Budget Responsibility (OBR) forecast inflation to be above 7% until at least Q1 2023-24. For 2022-23, the OBR forecast inflation to average 8%, more than double its previous forecast of 3.7%. Inflation reached 9.1% in May 2022, which indicates that inflation for Q2 2022 will almost certainly surpass the forecast. In response to higher inflation, interest rates have been raised from a low of 0.1% to 1.25% in mid June 2022.
 - In the year to May 2022, domestic gas prices increased by 95% and domestic electricity prices by 54%, due in part to a return of global gas demand as pandemic restrictions are lifted and lower than normal production of natural gas.
 - In a mid-June report, the Institute of Grocery Distribution anticipated annual food price inflation to be around 11% in 2022, peaking at 15% this summer.
 - Benefits increased by 3.1% in April 2022, which is less than the current (and expected) level of inflation.
- 21 This crisis will have an impact on residents, particularly those from lower income families, and businesses in the city. A number of performance indicators across all eight council plan themes will be affected in the short term, with both financial and reputational impacts. These indicators will be monitored and reported on through performance management framework processes over the coming months.
- 22 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.

23 A summary of the strategic indicators that have an **improving** direction of travel based on the latest, new, available data are shown below and further details around all of the core indicator set can be seen in Annex 2.

- **Cycling data** - Cycling counter data from across the city has been cleaned and anomalies removed prior to final re-calculation of results during the Autumn, leaving an initial level of 132% of 2009 baseline compared to 113% the previous year. This suggests a welcome return towards pre-pandemic levels, (138%) in 2019. It is worth noting that during 2021 many cycle-related commuter trips did not happen for long periods during this year due to staff either being furloughed or working from home and is likely to be the main cause of levels not returning to 2019. This is further evidenced by AM/PM data having lower peaks at historic commuting times. It is also likely that there will have been an increase in leisure-related cycle trips, which are evidenced in Google mobility statistics and other lifestyles data, but these won't necessarily have been picked up by our network of cycle counter sites, many of which were primarily installed to count commuter trips.
- **Parliament Street Footfall** - Footfall in Parliament Street during Q1 2022-23 totalled around 1.8 million data captures. This indicates that the figures have recovered as the number of captures is only slightly less than the 2 million data captures during Q1 2019-20 (pre-pandemic).
- **Library visits** - There were 206,217 library visits in Q1 2022-23 which compares with 264,094 in the same period in 2019-20 suggesting the positive direction of travel seen during 2021-22 is continuing.
- **CYC Apprenticeships** - The number of CYC stand-alone apprenticeships only, which excludes those within schools or being completed alongside existing roles, was 25 at the end of Q1 2022-23. This figure increased throughout 2021-22 from 13 at the start of the year to 24 at the end.
- **Complaints** - In Q1, both grade 1 and grade 1 and 2 corporate complaints (4Cs), responded to within timescales, have shown a marked improvement from 2021-22 with over 94% of complaints (grade 1 and 2) up from 84.15% in 2021-22, and 89% of grade 1 complaints up from 81% in 2021-22.

24 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 43.0% within 2021-22, which is a slight decrease from 44.1% during 2020-21. In this year, there has been an additional 2,000 tonnes of overall household waste, connected to a wide variety of factors on resident behaviour such as greater number of people working from home, but the tonnage sent for recycling, reuse or composting has remained static at around 36,000 tonnes.
- **Average number of days to re-let empty Council properties** - The average number of days to re-let empty Council properties (excluding temporary accommodation) was 95 days at the end of Q1 2022-23.
- The Building Services department continues to experience significant challenges associated with the national issues of significant competition for skilled tradespeople and the shortage of building materials. This is in addition to the service continuing to work through the pent up demand for the service following the full release of lockdown restrictions. At the start of the calendar year, an “Action Plan” was created to support improvement through these challenges and positive impacts are now being seen with the number of empty council homes reducing by 16 in the last four working weeks of the quarter, as well as a further 19 homes have had works completed and have been passed across for re-letting. The total number of void properties at the end of Q1 2022-23 was 94, which although still very high, has reduced from a peak of 152 at the end of Q2 2021-22. The effect of these actions will not be reflected in Q1 figures, but should be seen in an improvement in Q2 figures.

Annexes

- 25 Annex 1 shows the quarterly financial summaries for each of the Council directorates.
- 26 Annex 2 shows performance updates covering the core set of strategic indicators which are used to monitor the progress against the Council Plan.
- 27 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

28 Not applicable.

Options

29 Not applicable.

Council Plan

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

Implications

31 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

32 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

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Wards Affected: All			✓
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Glossary of Abbreviations used in the report:

ASC	Adult Social Care
CYC	City of York Council
OBR	Office for Budget Responsibility