

Meeting:	Economy, Place, Access and Transport Scrutiny Committee
Meeting date:	24/10/2023
Report of:	Patrick Looker Head of Service Finance
Portfolio of	Cllr. P. Kilbane – Deputy Leader of the Council and Executive Member for Economy and Transport Cllrs J. Kent and K Ravilious – Executive Members for Environment and Climate Change Cllr M. Pavlovic – Executive Member for Housing Planning and Safer Communities Cllr K. Lomas – Executive Member for Finance, Performance, Major Projects, Human Rights, Equality and Inclusion

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.
2. This report outlines the Council's serious financial position with a forecast overspend for 2023/24 of £11.4m. This is a significant overspend that is of serious concern and it is 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.

3. Given the scale of the forecast overspend, immediate action is needed 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.
4. This report outlines the actions we need to take and identifies areas for further work. If we take immediate action and make these difficult decisions now, this will ensure the future financial stability of the Council and that we can continue to provide services for our residents. It is vital that the mitigations are delivered, and the forecast overspend is reduced.

Benefits and Challenges

5. 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. The main benefit of approving the recommendations will be the ongoing financial stability of the Council.

Policy Basis for Decision

6. 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

7. This report sets out the projected financial position and identifies a range of actions that are necessary in order 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

8. 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

9. 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.
10. 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.
11. 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.
12. A series of mitigations and cost control measures are already in place to reduce the forecast overspend but further measures need to be 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.

13. 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, will also be needed.
14. The following measures will therefore be implemented with immediate effect.
 - Increase car parking charges by 10p per hour as outlined in paragraphs 81 to 82.
 - 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.
 - Introduce an officer procurement challenge panel to 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.
15. 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.

16. Garden waste collection and disposal is a non-statutory service that Councils can charge for and, whilst the service is valued by residents who produce green waste, it is not essential. Green waste collection in York is not universal, many homes do not receive the service. There is an opportunity, taken by many Councils, to introduce a charge for the service. There is the free option, available to all residents who produce green waste from their gardens to home compost. Compost can be re used on the garden which is also the most sustainable use of organic material in the home. As part of this work the Council will explore how those who do not subscribe to a green waste collection can be supported to compost more at home.
17. It is therefore recommended that the Council explores the potential to introduce a green waste charging in a similar scheme to the one that now covers the whole of North Yorkshire. The service in North Yorkshire currently costs £43.50 per annum for a fortnightly collection. Should York introduce such a charge, revenues of between £720k and £1.5m per annum could be raised depending on the level of take up of the service (assumes 25%-55%). There would also be potential operational savings should take up be at the lower level of the range. A future report to Executive will detail plans, costs, and potential income to inform budget planning for the 2023/24 financial year.
18. 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.

19. 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

20. 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

Directorate Analysis

Place

21. The forecast directorate outturn position is an underspend totalling £1,118k and the table below summarises the latest forecasts by service area.

	2023/24 Budget £'000	Forecast Outturn Variance £'000	Forecast Outturn Variance %
Transport	6,670	-166	-2
Fleet	-237	0	0
Highways	4,633	325	7
Parking Services	-6,728	-1,108	16
Waste	15,155	-1,076	-7
Public Realm	3,298	0	0
Emergency Planning	115	0	0
Planning Services	-134	380	-284
Forward Planning	421	0	0
Public Protection	766	5	1
Community Safety	688	0	0
Asset and Property Management	624	-90	-14
Facilities Management	1,293	552	43
Commercial Property	-4,336	0	0
Regen & Economic Development	406	0	0
Housing Services	-475	60	-13
Management and Support	446	0	0
Place total	22,605	-1,118	-5

Mitigations to reduce forecast overspend	
Increase parking charges by 10p	-70
Reduce use of agency to cover sickness absence in public realm	-60
Do not undertake any winter bedding activity	-10
Revised forecast	-1,258

22. The primary reason for the underspend is continued strong performance from income particularly relating to parking. There are also underspends across waste from recycle sales and lower than forecast waste tonnages. Offsetting these costs are the continued higher than budgeted utility costs across street lighting and Council offices.
23. Car park income to 30th June has remained strong across the city at being £158k (8%) ahead of income to the corresponding date in 2022/23 and £442k (27%) ahead of budget. It is not assumed that this increase will continue throughout the year however it is not unreasonable to assume that income will continue to be above budget. A current assumption of £1.2m ahead of budget is assumed in this forecast. That is offset by additional processing costs and costs across parking services. Income levels are monitored on monthly basis and the forecast will be updated regularly throughout the year.
24. There is a forecast underspend of (£1,076k) across waste disposal and collection. This is from a combination of additional recycling income due to higher than budgeted commodity prices. Income levels are forecast at £350k above budget which, although lower than 2022/23, is higher than budgeted.
25. Across Waste Collection operational costs are estimated at £300k below budget as vehicle repairs and hire are below budget as the fleet is relatively new. Residual waste tonnages across York and North Yorkshire are also lower than forecast which allows capacity within Allerton Park (£200k) to be filled with commercial waste from Yorwaste, providing additional income.

26. Early monitoring indicates a forecast shortfall in planning fees of £300k. This will be monitored closely, and the profile of planning income will be reviewed in light of the impact of the Local Plan.
27. The budget for facilities management assumes full occupation of external partners at West Offices. There remains a void on floor two whilst let is still subject to final completion. This has led to a forecast shortfall of £380k.
28. The energy budgets across Place were increased in 2023/24 to reflect the large increases in gas and electricity prices that occurred in 2022/23. There have however been a further 30% increase in electricity prices in 2023/24 which have led to forecast overspends in Highways (£325k) and Facilities management £175k.
29. The overall directorate forecast assumes that several income budgets, including commercial property and licensing, will outturn on budget. These will require monitoring throughout the year as there are potential pressures across services.
30. Recognising the Council wide forecast position, further mitigation has been identified.
31. As stated in the report there remains strong demand for parking across the city with income levels currently 10% above 2022/23 levels and over 22% above budget. Members could consider further increases in longer stay parking from November 2023 (which would link in with the St Nick's Fayre and run up to Christmas).
32. There are a number of options available to Members should they wish to see an increase in charges, and these can be broadly considered as
 - A flat increase – an increase of 10p or 20p could be added to all hourly charge rates which would increase revenues across the parking estate
 - An increase in the all day rate (over 5 hours) which is currently £16 at standard stay car parks (Marygate, Union Terrace, Monk Bar and St George's Field). This charge is relatively cheap when compared to other cities and alternative providers in the city. Members could increase this to £18/ day or £20 per day
33. The estimated net revenues that could be raised from such increases if demand remains strong and price elasticity is relatively low could be

as follows and would in effect reduce the Council spend on transport services.

	Part Year £'000	Full Year £'000
10p Increase	60	145
£18 All day	20	50
Cost of increase	-10	
	70	195
20p Increase	110	265
£20 All Day	40	100
Cost of increase	-10	
	140	365

34. It is also recommended that across public realm the service ceases covering sickness and absence with agency staff. Members are asked to note that service levels will fall and the time to remove leaves and fly tipping and overflowing bins will at times be beyond Service Level Agreement levels. It is anticipated that this could save up to £60k over the remainder of the year. There is a further option in public realm to not undertake any winter bedding activity which could save up to £10k in the service budget.

Performance – Service Delivery

35. 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.

36. 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.
37. Performance items around the Council plan topics “Well paid jobs and an inclusive economy”, “Getting around sustainably” and “A Greener and Cleaner City” are reported below, as historically other topics in the Council plan are reported to the other various scrutiny setups.

Well paid jobs and an inclusive economy						
	Previous Data	Latest Data	DoT	Frequency	Benchmarks	Data Next Available
Business Rates - Rateable Value	£252,801,976 (2022/23)	£243,494,496 (Q1 2023/24)	➡	Monthly	Not available	Q2 2023/24 data available in October 2023
Median earnings of residents - Gross Weekly Pay (£)	£597.90 (2021/22)	£609.20 (2022/23)	➡	Annual	National Data 2022/23: £642.20 Regional Data 2022/23: £594.10	2023/24 data available in November 2023
% of working age population qualified - to at least L2 and above	83.6% (2020/21)	87.9% (2021/22)	↑ Good	Annual	National Data 2021/22: 78.20%	2022/23 data available in October 2023
% of working age population qualified - to at least L4 and above	46.4% (2020/21)	59.3% (2021/22)	↑ Good	Annual	National Data 2021/22: 43.50% Regional Data 2021/22: 38.0%	2022/23 data available in October 2023
% of vacant city centre shops	8.50% (2022/23)	7.73% (Q1 2023/24)	➡	Monthly	National Data 2021/22 14.40%	Q2 2023/24 data available in October 2023
GVA per head (£)	27,572 (2020/21)	30,684 (2021/22)	➡	Annual	Regional Rank 2021/22: 2	2022/23 data available in May 2024
% of working age population in employment (16-64)	81.80% (2021/22)	83.60% (2022/23)	↑ Good	Quarterly	National Data Q3 2022/23 75.60%	Q1 2023/24 data available in November 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

Getting around sustainably						
	Previous Data	Latest Data	DoT	Frequency	Benchmarks	Data Next Available
P&R Passenger Journeys	2m (YTD Dec 21)	2.4m (Prov) (YTD Dec 22)	↑ Good	Quarterly	Not available	Q4 2022/23 data available in September 2023
Local bus passenger journeys originating in the authority area (excluding P&R)	5.54m (YTD Dec 22)	7.26m (Prov) (YTD Dec 22)	↑ Good	Quarterly	Not available	Q4 2022/23 data available in September 2023
% of road and pathway network that are grade 4 (poor) or grade 5 (very poor) - roadways	22% (2020/21)	22% (2021/22)	→	Annual	Not available	2022/23 data available in 2023
% of road and pathway network that are grade 4 (poor) or grade 5 (very poor) - pathways	3% (2020/21)	4% (2021/22)	→	Annual	Not available	2022/23 data available in 2023
Area Wide Traffic Levels (07:00 - 19:00) (Excluding A64) from 2009/10 baseline (2.07m)	1.77m (2019/20)	1.34m (2020/21)	→	Annual	Not available	2021/22 data available in late 2023
Index of cycling activity (12 hour) from 2009 Baseline (31,587)	114.00% (2020)	101.00% (2021)	↓ Bad	Annual	Not available	2022 data available in late 2023
Index of pedestrians walking to and from the City Centre (12 hour in and out combined) from 2009/10 Baseline (37,278)	104.00% (2021/22)	123.00% (2022/23)	→	Annual	Not available	2023/24 data available in June 2024
% of customers arriving at York Station by sustainable modes of transport (cycling, walking, taxi or bus - excluding cars, Lift, Motorcycle, Train)	71.90% (2019)	79.40% (2021)	→	Annual	Not available	2022 data available in late 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						

A Greener and Cleaner City						
	Previous Data	Latest Data	DoT	Frequency	Benchmarks	Data Next Available
Incidents - Flytipping /Cleansing(includes dog fouling,litter)/Graffiti - On Public/Private Land	2,368 (2022/23) (Flytipping)	715 (Q1 2023/24) (Flytipping)	→	Monthly	Not available	Q2 2023/24 data available in October 2023
	2,307 (2022/23) Cleansing	586 (Q1 2023/24) Cleansing	→	Monthly	Not available	Q2 2023/24 data available in October 2023
	856 (2022/23) Graffiti	165 (Q1 2023/24) Graffiti	→	Monthly	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						

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

- **% of working age population in employment (16-64)** – In Q3 2022-23, 85.5% of the working age population were in employment, which is higher than the national and regional figures (75.6% and 74.6% respectively) and the York performance gives the city a ranking of first regionally. The figure for Q3 2022-23 in York is higher than seen in previous years.

Contact details

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