

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

2021/22 Finance and Performance Monitor 3

Summary

- 1 To present details of the overall finance and performance position for the period covering 1 April 2021 to 31 December 2021, together with an overview of any emerging issues. This is the third 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 During December the Omicron variant began to spread across the UK and the resulting increase in cases demonstrated again that the pandemic is far from over, especially in the local health sector. At the time of writing (early January) York Hospital is continuing to experience 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.
- 7 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 are being addressed in the 2022/23 budget setting process as set out elsewhere on this agenda.
- 8 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

- 9 Executive is asked to:
 - note the finance and performance information and the actions needed to manage the financial position
 - agree the financial support for Make It York as outlined in paragraphs 24 and 25
 - agree the funding for Anti Racist City working group outlined in paragraph 23

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

Financial Summary

- 10 The gross financial pressures facing the council are projected at £10m. Whilst this is a significant overspend, a great deal of work has been done to identify mitigation and further action needed to bring current spending

under control. It is therefore considered that this can be brought down to £4.5m by the end of the financial year through a number of measures.

- 11 There are underlying budget pressures across both adult and children's social care. As previously reported, adult social care is operating in an extremely challenging environment and as a result additional funding of £4.5m was allocated to the service in the 2020/21 budget.
- 12 On 7 September 2021, government set out its new plan for adult social care reform in England. This included a lifetime cap on the amount anyone will need to spend on their personal care, alongside a more generous means-test for local authority financial support. However, much of the detail has still to be announced, including how the funding for these reforms will be allocated to individual councils. The provisional local government finance settlement was announced on the 16 December and further details on this and the impact for this Council are included in the budget setting report elsewhere on this agenda.
- 13 This report highlights a number of known pressures that need to be actively monitored and managed, with mitigating actions agreed and regularly monitored across all directorates. Through ongoing monitoring and identification of mitigation alongside a review of earmarked reserves, the Council will continue to make every effort to reduce this forecast position but it is considered unlikely that it will be reduced to the point that the outturn will be within the approved budget. It is clearly vital that the Council's statutory duties, particularly in relation to social care for both adults and children, continue to be delivered and therefore, should it be required, it would be appropriate for the Council's £6.9m of general reserves to be used in light of the unprecedented financial situation caused by the pandemic.
- 14 A cost control board has been created specifically to look at all adult and children's social care packages, SEND support costs and the effectiveness of our commissioning and review functions. The Board will track spend on a weekly basis to ensure savings and mitigation plans are on track. If any plans are not on trajectory then recovery plans will be required and where necessary escalated to CMT. Schemes of delegation have also been reviewed across the People Directorate to ensure decision making is clear and at the correct level to challenge and manage costs.
- 15 Work is also underway with health colleagues to ensure we have effective joint care pathways, commissioning and brokerage processes in place which maximises any additional central government funding and opportunities which arise from the integration and place agenda.

- 16 All areas of the Council are currently considering where further efficiencies and reductions in spend can be achieved in order to support the overall financial position.
- 17 These actions demonstrate that the council is maintaining both sound financial management, and delivering priority services to high standards, during a period of significant challenge for local government. In particular, key statutory services continue to perform well, having seen investment in recent years. 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

- 18 The Council's net budget is £127m. Following on from previous years, the challenge of delivering savings continues with £4m to be achieved in order to reach a balanced budget. Forecasts indicate the Council is facing net financial pressures of £4,597k (after mitigation) and an overview of this forecast, on a directorate by directorate basis, is outlined in Table 1 below. The main variations, including the financial impact of COVID-19, and any mitigating actions that are proposed are summarised in Annex 1.

	21/22 net budget	21/22 M2 net forecast (after mitigation)	21/22 M3 Forecast Variation	Further Mitigation target	21/22 Monitor 3 net forecast variation
	£'000	£'000	£'000	£'000	£'000
People	69,592	+8,508	10,238	-1,500	8,738
Place	21,772	-53	-341		-341
Customers & Communities, Public Health & Corporate Services	22,182	0	0	0	0
Central budgets	18,344	-800	-800	0	-800
Sub Total		+7,655	9,097	-1,500	7,597
Contingency	-500	-500	-500	0	-500
Use of COVID grants		-2,000	-2,000	0	-2,000

Use of earmarked reserves		-500	-500	0	-500
Total including contingency	131,390	+4,655	+6,097	-1,500	4,597

Table 1: Finance overview

Reserves and Contingency

- 19 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. In addition, the budget report outlined significant risks associated with major capital projects, reduction in New Homes Bonus and health budgets. The report also contained a strong recommendation that revenue reserves should be increased over the next couple of years, in recognition of the current risks the council faces.
- 20 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 as a result of the pandemic 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 from this general reserve in 2021/22, growth will need to be included in a future years budget to ensure that reserves can be maintained at an appropriate level.
- 21 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 have been reviewed on a quarterly basis and where appropriate to do so will be released to support the in year position. It is estimated that £500k can be released this year. 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.
- 22 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.

- 23 At Full Council held on October 2021 members approved a motion to establish an independent inter-sectional working group to deliver an evidence-based action plan to tackle systemic racism in York. Executive Members are asked to support a drawdown of £5k from Brexit funds to support the initial establishment of the group in light of evidenced increased hate crime in the city resulting from Brexit. This will then be supplemented in the Financial Strategy paper also on this agenda with further one-off growth in 2022/23 recommended to support this work going forward.

Make It York

- 24 At its meeting on 22 November 2021, Shareholder Committee agreed to refer a request to Executive from Make It York regarding further financial assistance as follows:
- relief on the business rates paid in respect of the Museum Street shop (a cost to the council of £6.4k based on the days it was closed over 2020/21 and 2021/22);
 - a reduction in the revenue stream required from MIY commensurate with the reduction in cashflow experienced by the company in April when the Shambles market was closed (a cost to the council of £14.3k); and
 - support with the cost of counter terrorism measures required during the Christmas Market (a cost to the council of £78.9k).
- 25 This total support of £99.6k can be funded from the Welcome Back Fund, General Covid Support Grant and the Additional Restrictions Grant.

Loans

- 26 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 4.25% is being charged. All repayments are up to date.

Other

- 27 For information the council has recently tendered for Microsoft licenses under a Microsoft Enterprise Agreement which was awarded by officer decision at the end of January to place an order by 31st January required

to secure renewal ahead of the end of the current contract in February. This was essential to avoid a 25% price increase on 1st March 2022. This designated routine procurement was conducted via a Crown Commercial Services Framework and the contract term is 3 years at a cost of £500k per annum.

Performance – Service Delivery

- 28 In spite of the many challenges that the organisation and City has faced over the last eighteen months, 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.
- 29 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.
- 30 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.
- **Parliament Street Footfall** - Footfall in Parliament Street during Q3 2021-22 totalled just under 2 million, which is broadly similar to figures seen during Q3 2019-20 (pre-pandemic) which totalled 2.1 million. This shows that the figures are heading in a much more positive direction and it is hopeful that this pattern will continue over the coming months.
 - **Library visits** - Libraries fully re-opened during April 2021 and figures for Q3 2021-22 show that there were 163,099 visits, which is similar to the

167,342 visits during Q2. This is a continued positive direction of travel compared to Q3 2020-21, although these figures are still below the pre-pandemic figures.

- **% of 4C's Complaints responded to 'in-time'** - In Q3 2021-22 there were 376 complaints dealt with as either a grade 1 or grade 2 complaint under the corporate 4Cs and 94.8% were responded to within their required timescales. This is a further improvement for in time performance compared to the last reporting quarter and the Corporate Governance team will continue to work with managers and services across the council to maintain this improvement.
- **FOI and EIR - % in time** - In Q3 2021-22, the council received 392 FOIs (Freedom of Information Act requests) and EIRs (Environmental Information Regulation requests) and 26 SARs (subject access to records request). We achieved an 84.30% in-time compliance for FOIs and EIRs and 86.70% for SARs. This shows an improvement in the timeliness of FOI/EIR and SAR responses since the last reporting quarter. The Corporate Governance team will continue to monitor the in time performance in these areas and work with managers and service areas to continue to make sustained improvements.

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

- **Net Housing Consents** - Between April 2021 and September 2021, there were 108 net housing consents. Compared to previous updates this represents a significant drop in the level of housing consents. However, several sites benefitted from a resolution to grant planning permission subject to the completion of legal agreements and are likely to add to overall consent levels before the end of the full 12-month monitoring period.
- **The average number of days to re-let empty Council properties (excluding temporary accommodation)** – Average days were 72 days at the end of Q3 2021-22. This is similar to the position at the end of April 2021, although an increase from 59 days at the end of Q1 2021-22. The effects of the pandemic and Brexit continue to impact performance on re-letting council properties. Whilst dealing with pent up demand following national lockdowns, additional covid related challenges have slowed progress including new safety checks and staffing availability through both staff illness/isolation and vacancy controls. Lack of availability and increased costs of materials and 3rd party labour as a result of Brexit have further impeded the service. Brexit has also affected recruitment in some areas. An 'Impacts of Brexit and Covid' report which outlines the key issues and action plan

to address them was submitted to the Housing & Community Safety Policy & Scrutiny Committee in October:

<http://modgov.york.gov.uk/ieListDocuments.aspx?CIId=963&MIId=1303>
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Annexes

- 32 Annex 1 shows the quarterly financial summaries for each of the Council directorates.
- 33 Annex 2 shows performance updates covering the core set of strategic indicators which are used to monitor the progress against the Council Plan.
- 34 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

- 35 Not applicable.

Options

- 36 Not applicable.

Council Plan

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

Implications

- 38 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

- 39 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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Glossary of Abbreviations used in the report:

CMT	Corporate Management Team
MIY	Make It York
NHS	National Health Service
SEND	Special Educational Needs and Disabilities