

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

Finance and Performance Outturn 2021-22

Summary

- 1 This report provides a year end analysis of the overall finance and performance position. This is the final report of the financial year and assesses performance against budgets, including progress in delivering the Council's savings programme.
- 2 As outlined in reports to Executive throughout the previous year, the COVID-19 pandemic has continued to have a significant impact on the Council's financial position and has adversely affected performance against a number of indicators.
- 3 However, the overall financial impact has been mitigated by continued financial support from Government in the form of a COVID support grant and the Contain Outbreak Management Fund. These one off grants have been used, in accordance with the grant conditions, to fund additional COVID related pressures across the Council thus preventing the need to use the general reserve to balance the overall position.
- 4 Within the overall position outlined in this report there are some significant pressures. However, the overall outturn position has been balanced through the use of COVID grants along with the early achievement of a corporate saving and increased income from parking and recycling.
- 5 The financial pressures outlined in this report and in annex one are mainly underlying and recurring pressures relating to social care. In particular, the cost of placements and agency staff within children's services. We have been able to mitigate these costs through the use of the one off COVID funding, but this funding will not be available in future years.
- 6 There remain considerable financial challenges looking ahead into 2022/23 and beyond. These challenges include the underlying pressures in both adults and children's social care, rising inflation and the current "cost of living" crisis, all of which increase pressure on the Council's

already stretched budget. This is alongside the need to deliver £6.4m of ongoing savings as outlined in the annual budget report considered by Executive in February of this year.

- 7 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. Whilst some areas have experienced slight delays, as set out in the report, overall progress is good and areas of delay have generally been mitigated by other savings in relevant areas.
- 8 The 2022/23 budget agreed in February 2022 provided for significant growth in adults and children's services budgets and made proper provision for all known cost increases at that time. Since then, inflationary pressures have become apparent and further work is needed to identify ways to manage and mitigate this pressure.

Recommendations

- 9 The Executive is asked to:
 - 1) Note the year end position.
 - 2) Note the finance and performance information
 - 3) Approve the extension to March 2024 for the letter of credit to York Museums Trust as outlined in paragraphs 15 to 21

Reason: to ensure significant financial issues can be appropriately dealt with.

Financial Summary

- 10 The council's net General Fund budget for 2021/22 was £131m and the provisional outturn position is a net overspend of £2.6m funded from the use of COVID grant.
- 11 An overview of the outturn, on a directorate by directorate basis, is outlined in Table 1 below and the key variances are summarised in Annex 1.

	21/22 net budget	21/22 Monitor 3 net forecast variation	21/22 draft outturn
	£'000	£'000	£'000
People	69,592	8,738	7,542
Place	21,772	-341	-1,842
Customers & Communities, Public Health & Corporate Services	22,182	0	+328
Central budgets	18,344	-800	-3,390
Sub Total		7,597	2,638
Contingency	-500	-500	0
Use of COVID grants		-2,000	-2,638
Use of earmarked reserves		-500	0
Total including contingency	131,390	4,597	0

Table 1: Finance overview

Reserves and Contingency

- 12 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.
- 13 On the general contingency, it has been assumed throughout the year that this would be needed to offset forecast budget pressures. As the COVID grant has covered the outturn position, it is proposed that the unused contingency is carried forward into 2022/23 to help deal with the increased costs of energy as a result of rising inflation. This would be in addition to the budget of £500k in 2022/23, resulting in a contingency of £1m available to offset budget pressures already being experienced.

Loans

- 14 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% is being charged. All repayments are up to date.
- 15 In August 2020, Executive approved a letter of guarantee to the York Museums Trust providing them with access to a maximum of £1.95m over the next 2 years, should it be required, in order to secure the museums as a going concern. This support was required in the light of an estimated loss of revenue in 20/21 of £2.6m due to Covid-19. In June 2021 Executive agreed a further years extension of the letter of guarantee to 31 March 2023.
- 16 With the support of Arts Council England emergency grants and DCMS cultural recovery grant in 2020 and 2021 of £1.7m YMT have managed to open their venues around the various lockdowns. They have also cut staffing and costs to ensure they managed to minimise the losses that resulted from the loss of visitors and visitor income which is 70% of the income normally received.
- 17 Having made a financial loss in 2021/22 they are projecting a further loss in 2022/23. The size of the loss will vary with the strength of the recovery in numbers of visitors, but is expected still to be affordable within their current retained reserves.
- 18 YMT have requested that the letter of guarantee be further extended by one year to 31 March 2024 as they will be operating with minimal reserves and will need the letter of guarantee extending in order for their auditors to be able to sign off their accounts as a going concern.
- 19 The continued backing of CYC in this way is also helpful to the current YMT bid for continued ACE funding for 2023 to 2026 of £1.2m per annum.
- 20 The letter of guarantee outlines the council's commitment to providing YMT with the funds should they be required, up to an amount of £1.95m, on receipt of evidence that the funds are required (i.e. that reserves and other income sources have been exhausted). This allows the Trust to demonstrate that they are a going concern, as well as providing the certainty that they need to continue to operate.

- 21 YMT are assuming improved visitor figures in 2022/23 and again in 2023/24 so that in the medium term there is evidence that they are able to operate with an income surplus and rebuild depleted reserves without the continuing need for a formal letter of guarantee.

Performance – Service Delivery

- 22 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.
- 23 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.
- 24 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, which is much higher than originally forecast in October 2021. In response to higher inflation, interest rates have been raised from a low of 0.1% to 0.75% in March 2022.
 - In the year to March 2022, domestic gas prices increased by 28% and domestic electricity prices by 19%, due in part to a return of global gas demand as pandemic restrictions are lifted and lower than normal production of natural gas.
 - Food price inflation is expected to rise further reflecting the pass through of cost increases over recent months.
 - Benefits increased by 3.1% in April 2022, which is less than the current (and expected) level of inflation.
- 25 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.

- 26 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.
- 27 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.
- **Number of new affordable houses delivered** - The number of new affordable homes delivered in York remains high, with 224 delivered during 2021-22. This is a large increase on the 130 delivered during 2020-21.
 - **Number of incidents of anti-social behaviour within the city centre** - There were 1,276 incidents of anti-social behaviour during 2021-22, compared to 1,410 in 2020-21, and continues the year-on-year reduction seen since 2018-19.
 - **Parliament Street Footfall** - Footfall in Parliament Street during 2021-22 totalled just under 7 million data captures. This is slightly under the 7.8 million data captures during 2019-20 (pre-pandemic) but there were still national restrictions during the early weeks of 2021-22 so it is anticipated that figures for 2022-23 will be similar to those seen pre-pandemic
 - **P&R Passenger Journeys** - Passenger journeys for park and ride customers totalled 2.59m (provisional) for 2021-22. This is a large increase on the 0.74m journeys made during 2020-21 showing good signs of recovery post-covid.
 - **Local bus passenger journeys** - Passenger journeys on local buses totalled 7.82m (provisional) for 2021-22. This is a large increase on the 3.07m journeys made during 2020-21, showing signs of recovery, but lower than the 11.56m journeys made during the same period in 2019-20.
 - **Library Visits** - Library visits during 2021-22 totalled 617,771, which is a large increase on the 183,706 visits during 2020-21. This shows a very positive direction of travel, although the 2021-22 figure is still a long way below the pre-pandemic figures (1,023,034 visits in 2019-20).

- **% of 4C's Complaints responded to 'in-time'** - In Q4 2021/22 there were 323 complaints dealt with as either a grade 1 or grade 2 complaint under the corporate 4Cs and 97.5% 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.
- **% of working age population qualified – to at least L2 and above** - 87.9% (up from 83.4% in 2020/21) of the working age population in York were qualified to at least L2 and above (GCSE grades 9-4), which is higher than the national and regional figures (78.2% and 76.4% respectively).
- **% of working age population qualified – to at least L4 and above** - 59.3% (up from 46.4% in 2020/21) of the working age population in York were qualified to at least L4 and above (certificate of higher education or equivalent), which is higher than the national and regional figures (43.5% and 38.0% respectively).
- **CYC Apprenticeships** - Apprenticeships continue to play an important role in providing opportunities for those entering the workforce or who need to reskill or upskill at both the council and within York. The number of CYC stand-alone apprenticeships only, which excludes those within schools or being completed alongside existing roles, was 24 at the end of March 2022. This figure has increased throughout 2021-22 from 13 at the start of the year and 19 in quarters 2 and 3.

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

- **Number of homeless households with dependent children in temporary accommodation** - The latest available data shows that there are 27 homeless households with dependent children in temporary accommodation at the end of Q3 2021-22. This figure remains higher than normal, although it is a slight reduction from Q2, but it should be noted that these figures are snapshot figures and therefore may fluctuate between the snapshot dates.
- **The average number of days to re-let empty Council properties (excluding temporary accommodation)** – The average number of days to re-let empty Council properties (excluding temporary accommodation) was 74 days at the end of 2021-22. This is an increase from 67 days at the end of 2020-21. 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 2021.

Annexes

- 29 Annex 1 shows the quarterly financial summaries for each of the Council directorates.
- 30 Annex 2 shows performance updates covering the core set of strategic indicators which are used to monitor the progress against the Council Plan.
- 31 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

- 32 Not applicable.

Options

- 33 Not applicable.

Council Plan

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

Implications

- 35 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

- 36 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:

ARZ	Alcohol Restriction Zone
ASCOF	Adult Social Care Outcomes Framework
CCG	Clinical Commissioning Group
CIPFA	Chartered Institute of Public Finance and Accountancy
CVS	Centre for Voluntary Service
CYC	City of York Council
DCMS	Department for Digital, Culture, Media and Sport
HRA	Housing Revenue Account
LAC	Local Area Co-ordination
RIBA	Royal Institute of British Architects
YFAS	York Financial Assistance Scheme
YMT	York Museums Trust