SCARBOROUGH BOROUGH COUNCIL

Town Hall
Scarborough
YO11 2HG

Date 10 January 2018

To: Members of the Cabinet

Dear Councillor

Cabinet - Tuesday, 16 January 2018

Please find attached the following report which was not available when the agenda was circulated:

7. Draft budget proposals 2018/19 - update (Pages 1 - 52)

To consider the report of the Director (NE) (reference 18/11) attached

Yours sincerely

David Kitson
Regulatory & Governance Manager

Enc

NOTES

	REPORT TO CABINET TO BE HELD ON 16 JANUARY 2018	
	Key Decision	**YES**
	Forward Plan Ref No	**3**
Corporate Aims: All	**Cabinet Portfolio Holder**	**Cllr Helen Mallory**

REPORT OF: DIRECTOR (NE) – 18/11

WARDS AFFECTED: ALL

SUBJECT: DRAFT BUDGET PROPOSALS 2018/19 - UPDATE

RECOMMENDATION (S):

It is recommended that Cabinet approve:

(i) the Council Tax Base for 2018/19 as 38,006.85 Band D equivalent properties;

(ii) that authority to approve the final Council Tax Collection Fund surplus be delegated to the Director (Nick Edwards);

(iii) that authority to approve the NNDR1 Return and Business Rates Collection fund surplus be delegated to the Director (Nick Edwards);

It is recommended that Cabinet:

(iv) endorse the updated draft revenue budget proposals set out in Appendix A to this report prior to them being presented to Full Council for approval in March; with particular attention being given to the implications of the employer's pay offer, outcome of the provisional Local Government Finance Settlement announcement, and the associated proposal to increase Council Tax by 2.99% rather than the previously reported figure of 2.26% and re-profile planned draws from reserves into the 2018/19 year;

(v) endorse the draft capital budget proposals set out in Appendix B prior to them being presented to Full Council for approval in March;

(vi) subject to the approval of recommendation (v) agree that officers enter into a period of consultation on the proposals contained within this report;

(vii) recommend that Council approve the 2018/19 Council Tax discount and premiums set out in Section 3.3 of this report, which remain unchanged from those approved for 2017/18;

REASON FOR RECOMMENDATION (S):

All preceptors use the Council Tax Base figure as the denominator for calculating their Council Tax. It is a statutory requirement for the Council to notify the major Precepting Authorities of the approved Tax Base and any surplus or deficit on the Collection Fund by the 31 January of each year.

It is a statutory requirement to submit the NNDR1 form to the Department for Communities and Local Government and notify North Yorkshire County Council and North Yorkshire Fire & Rescue Service of their respective shares by the 31 January of each year.

Full Council must approve the 2018/19 budget, and associated Council Tax level at its meeting on 2 March 2018. It is important that the Council consults with the public on its budget prior to it being approved, and that the areas identified in the consultation process are taken into consideration in the budget setting process.

HIGHLIGHTED RISKS:

- That the Council does not set a robust or balanced budget in 2018/19.
- That the Council overcommits its capital resources

1. INTRODUCTION

1.1 In December 2017 Cabinet were presented with the draft revenue budget proposals covering the period 2018/19 to 2020/21 (report reference 17/286). This report provides an update on those draft revenue budget proposals and sets out the Council's tax base and capital budget proposals.

1.2 The Council is required to calculate its Council Tax Base and Council Tax Collection Fund surplus or deficit by the 31 January each year. Both Billing and Precepting Authorities use the tax base in calculating their Council Tax. Accordingly, the figures will be formally advised to the North Yorkshire County Council, Police and Crime Commissioner North Yorkshire and the North Yorkshire Fire and Rescue Service in order to enable them to determine their precepting requirements.

1.3 The Council is required to set a baseline income level for business rates collection during the year along with an estimate of the surplus or deficit on the Business Rates Collection Fund. These figures must be formally advised to Central Government, North Yorkshire County Council and North Yorkshire Fire and Rescue Authority through the submission of an NNDR 1 form by 31 January.

1.4 Full Council must approve the 2018/19 budget, and associated Council Tax level at its meeting on 2 March 2018. It is important that the Council consults with the public on its budget prior to it being approved.

2. CORPORATE AIMS

2.1 The proposals set out in this report impact on all Council corporate aims and priorities.

3. BACKGROUND AND ISSUES

3.1 Revenue and Capital Budget

3.1.1 The Council's Financial Strategy comprises five-year revenue projections and a ten-year capital plan, which are reviewed annually. The Council's revised Strategy for 2018-2028 will be presented to Full Council for approval in March. This report sets out the updated draft revenue budget proposals along with the capital budget proposals, which form part of the overall Financial Strategy.

3.1.2 Over the financial years 2010/11 to 2017/18 the Council has had to identify ongoing savings of circa £17m from its annual revenue budget. As staffing resources reduce and savings become harder to identify it is becoming apparent that the length of time needed to deliver savings is increasing.

3.1.3 Like many other local authorities the Council is keen to pursue commercial opportunities, which can generate financial returns to support the revenue budget, rather than relying purely on cuts in service or expenditure. It is acknowledged that this approach may require a longer planning period and lead in time to deliver the required financial returns and with that in mind the Council has now moved towards a more detailed 3-year revenue budget setting programme.

3.2 Council Tax Base Setting

3.2.1 The tax base is calculated for the whole area of the Scarborough Borough and is split across each parished and unparished area.

3.2.2 The tax base is the estimated full year equivalent number of chargeable dwellings in each parish, expressed as the equivalent number of discounted Band D Dwellings.

3.2.3 It is proposed that the Council Tax Base for tax setting purposes be set at 38,006.85 for 2018/19; with an estimated collection rate of 97.78%. The tax base by Parish is set out at Appendix C.

3.2.4 The calculation of the Council Tax Collection Fund surplus has not yet been finalised. The 2018/19 revenue budget proposals commit a projected surplus of £135k, which is based on the Council's share of amounts held in the Collection Fund as at 31 March 2017. Any further surpluses achieved in the current financial year will increase the Council's distribution further. It is proposed that the Director (NE) be delegated the authority to approve the final Council Tax surplus figure in advance of the 31 January 2018 deadline. Any additional one-off income arising from further Collection Fund surpluses will be factored into the final budget proposals.

3.3 Council Tax Discounts and Exemptions

3.3.1 The Local Government Finance Act 2012 provided opportunities for Local Authorities to raise additional revenue from Council Tax by amending discounts on second homes and empty properties. The Borough Council opted to utilise this new legislation to reduce a number of Council Tax discounts in 2013/14 in order to raise additional Council Tax revenue. These changes came into effect on 1 April 2013 and were further reviewed for 2014/15 and 2015/16. The proposed position for 2017/18 is the same as that approved for 2016/17 and is summarised below:

- The Council Tax Discount on second homes is set at 0% for 2018/19, which is in line with the 0% discount applied since 2013/14.

- The Council Tax discount on second homes which have planning restrictions on occupancy is set at 10% for 2018/19, which is in line with the discount applied since 2016/17.

- The Council Tax Discount for properties undergoing major repair or structural alteration is set at 0% for 2018/19, which is in line with the 0% discount applied since 2013/14.

- The Council Tax Discount for properties which are empty and unfurnished (Class C) is set at 100% discount for the first 28 days a property becomes empty and unfurnished followed by a 0% discount, which is in line with the discount applied since 2015/16.

- The Council Tax Premium for properties which have been empty & unfurnished for more than 2 years is set at an additional 50%, which is in line with the 50% premium applied since 2013/14.

3.3.2 In its Autumn Statement the Government announced that local authorities will be given the powers to charge a 100% Council Tax premium on properties that have been empty and unfurnished for more than 2 years, rather than the currently allowed maximum of 50%. The aim of this premium is to incentivise owners to bring the properties back into use. The legislation for this change will come into effect for the 2019/20 financial year and Council will be recommended to implement the increased premium from that time.

3.4 **Business Rates Retention Scheme (NNDR 1 form)**

3.4.1 The localised business rate retention scheme came into effect on 1 April 2013. Under the localised scheme the Council is set a baseline income level for rates collection in a year. The income collected against this baseline is distributed between Central Government, North Yorkshire County Council and North Yorkshire Fire and Rescue Service in predetermined levels.

3.4.2 If the Council's share of business rate income is less than the baseline set for the Council the shortfall must be funded from Council resources; however the Council retains a proportional benefit of any surplus income generated above the baseline.

3.4.3 Under the localised business rate scheme the Council must approve its NNDR1 Return and submit it to the Department of Communities and Local Government by the end of January 2018. It must also notify North Yorkshire County Council and North Yorkshire Fire & Rescue Service of their respective shares of anticipated business rate income by the same date. It is proposed that the approval of the NNDR1 Return be delegated to the Director (NE).

3.4.4 The NNDR 1 form will include details of the anticipated surplus or deficit on the 2017/18 localised business rate scheme as well as income projections for 2018/19. The business rate calculations have not yet been finalised, however will be reported in the final budget report.

4. CONSULTATION

4.1 It is important that the Council considers the views of its stakeholders in the budget setting process.

4.2 All Members have been invited to attend seminars to go through the budget proposals in detail and were asked to provide feedback at those sessions. Following the publication of this report a link will be added to the Council's website to allow all stakeholder and interested party feedback to be submitted via the web.

5. ASSESSMENT

5.1 The following appendices are attached to this report:

Appendix A - Revenue Budget 2018/19 to 2020/21

This appendix sets out the updated revenue budget proposals for the period 2018/19 to 2020/21, including ongoing investment in priority areas, efficiency and other savings proposals and proposed Council Tax levels.

In March 2018 Full Council will be asked to approve the revenue budget proposals and associated council tax levels for the 2018/19 year as well as endorse the high level proposals for 2019/20 and 2020/21.

Appendix B – Capital Budgets and proposals 2018/19

This appendix sets out the details of the capital resources and expenditure proposals for 2018/19.

Appendix C - Council Tax Base by Parish

This appendix sets out the Council Tax Base split by Parish area.

5.2 UPDATES TO THE REVENUE BUDGET PROPOSALS

5.2.1 The draft revenue budget proposals were originally presented to Cabinet in December 2017. At the time of presenting that report the budget showed a broadly balanced position over the 3 year period to 2020/21 if the savings set out within the proposals were achieved.

5.2.2 Since the publication of the December report the following additional information has become available:

5.2.3 National Employers Pay Offer

In December 2017 the National Employers for Local Government Services announced their final (two year) pay offer covering the 2018/19 and 2019/20 years. For this Council the pay offer equates to an average 3.2% increase on staffing budgets in 2018/19 and 3.0% for 2019/20. The pay awards are bottom loaded to ensure that the requirements to pay the Government's compulsory National Living Wage for lower paid employees are met.

The draft budget proposals presented in December assumed an average pay award of 1.5% in 2018/19 and 2% thereafter, therefore the final offer was much worse than anticipated and has increased the Council's funding gap by £320k in 2018/19 and a further £220k in 2019/20.

5.2.4 Provisional Settlement

On 19 December the government announced the provisional settlement. The funding announcements made within the settlement were largely as expected with the principle changes being as follows:

- The Council Tax referendum limit was expected to be set at the higher of 2% or £5 for a Band D equivalent property, which was in line with previous year limits and technical consultation papers issued by the government earlier in the year. The referendum limit laid out in the provisional settlement was increased to a maximum of 3% and it is understood that this limit will continue to be applied for 2019/20;

- National Rural Services Delivery Grant (RSDG) allocations were due to be reduced in 2018/19 but have been maintained at 2017/18 levels. The Council receives minimal funding from this source therefore this will increase the Council's grant by only £3k in 2018/19.

The provisional settlement did not provide any additional funding to cover the cost of the national employer's pay offer.
The December Cabinet report set out that the Council had submitted an application to the government to participate in the 100% business rates retention scheme pilot in 2018/19 alongside all members of the existing North Yorkshire Pool, Selby District Council and East Riding Yorkshire Council. The

successful applications were announced alongside the provisional settlement and confirmation was received that the East Riding and North Yorkshire bid was unsuccessful. The existing North Yorkshire business rates pool will however continue in its current form.

5.2.5 **Updated Funding Gap projections**

As the provisional settlement did not provide any additional funding to cover the higher than expected pay offer the Council must manage the associated budgetary funding gap through its existing resources.

To protect Council services as far as possible it is recommended that Council Tax be increased by the maximum 2.99% allowed under the newly proposed referendum threshold, as opposed to the 2.26% (£5 for a Band D charge) previously reported. This will generate additional annual income of £62k from 2018/19 onwards and will result in an increase of £6.62 on a Band D Council Tax charge.

The New Homes Bonus (NHB) figures included in the draft budget proposals presented in December were based on information available at end August 17. The final allocations are £5k higher. This additional funding, along with the additional £3k Rural Services Delivery Grant (RSDG) will be utilised to reduce the 2018/19 funding gap.

The draft budget proposals reported in December included a residual contingency budget of £48k, which at that time had not been allocated. This budget will be utilised in full to reduce the 2018/19 funding gap.

Table 1 below sets out the updated funding gap taking the above changes into account:

Table 1 – Updated Funding Gap Projections

	2018/19 **£'000**	**2019/20** **£'000**	**2020/21** **£'000**
Funding Gap reported in December	2,122	1,347	1,322
Increased pay award	318	220	-
Additional Council Tax revenue	(62)	-	-
Funding variations (NHB and RSDG)	(8)	4	
Removal of contingency budget	(48)		
Revised Funding Gap	**2,322**	**1,571**	**1,322**

Addressing the funding gap

The budget proposals covering the period up to 2020 assumed that £0.5m would be drawn from reserves to balance the revenue budget over the period.

The December budget report anticipated that £0.2m of this amount would be utilised in 2019/20 and £0.3m would be utilised in 2020/21. These contributions will now be re-profiled to address the more immediate budgetary issue in 2018/19.

Table 2 below summarises the impact of this proposal and the further budget shortfalls that now need to be addressed in 2019/20 and 2020/21.

Table 2 – Updated budgetary position

	2018/19 **£'000**	**2019/20** **£'000**	**2020/21** **£'000**
Funding Gap	2,322	1,571	1,322
Contributions from Reserves	(200)	(300)	-
Add back use of one-off reserves		200	300
Savings (as per December report)	(2,122)	(1,101)	(1,224)
Shortfall	**-**	**370**	**398**

The plan for addressing the budgetary shortfalls for 2019/20 and 2020/21 will be considered in the coming weeks and it is hoped that a proposed solution can be factored into the final Financial Strategy before it is presented to Council in March.

5.2.6 The above changes have been included within the draft revenue budget proposals attached at Appendix A. The remaining proposals remain largely unchanged from those presented in December.

5.3 REVIEW OF RESERVES

5.3.1 Each year the Council undertakes a review of its reserves. This review assesses the proposed optimum levels of reserve balances and also challenges the monies set aside in reserves.

5.3.2 The outcome of the 2017 review of reserves was published for the November 2017 Audit Committee (report reference 17/259). The key messages contained within the report are summarised below:

- The predetermined optimum levels of reserves will be maintained at 2017/18 levels;
- With the exception of the Capital Contingency Reserve all reserve balances are considered to be adequate;
- It was proposed that, although the minimum balance of the Capital Contingency Reserve (excluding Coast Protection contingency budgets) will continue to be set at £0.5million, the contributions to the reserve should be increased to maintain an uncommitted balance of £750k for the

2018/19 year. This is in recognition that the Council's capital programme for 2018/19 includes high value schemes such as coast protection works and the demolition and stabilisation of the Futurist site;

5.3.3 The Audit Committee report set out that capital budgets and monies held in operational reserves would be reviewed as part of the 2018/19 budget setting exercise with a view to freeing up monies that are no longer deemed to be required; and that any amounts identified would firstly be used to bring the Capital Contingency Reserve balance up to the £750k target, and thereafter be factored into the Council's future capital investment proposals.

5.3.4 The review of capital budgets has been undertaken and has identified a surplus budget of £205k on IT expenditure. The Capital Strategy for the 10 year period to 2026 provided £2.312m worth of investments in IT; including a base investment of £189k per annum to keep the Council's IT infrastructure up to date and compatible with modern working practices. The investment required up to the year 2021 has been critically reviewed and has identified that a saving of £205k can be taken from the available budget. This saving will be transferred to the Capital Contingency Reserve to bring the uncommitted balance up to the £750k level.

5.3.5 Operational reserves have now been reviewed and an uncommitted balance of £790k has been identified. Table 3 below sets out the reserve balances making up this amount:

Table 3 – amounts freed up from the review of operational reserves

	£'000	
Bad Debt Provision	250	Improvements in the recovery of Housing Benefit overpayments in recent years has meant that monies previously earmarked to write debts off are no required
Housing grants and funding	110	This balance represents historic one-off grant funding that has been received but is no longer required as the funding obligations associated with the funding have been addressed through existing revenue resources.
Property repairs	240	These monies relate to historic annual underspends against the revenue budgets available for property repairs and demolitions. The Council is currently undertaking an exercise to obtain up to date condition surveys for all of its property holdings. The information from this exercise will allow a detailed, long term plan of property repairs and maintenance to be established and this plan will be factored into the Council's future capital budget proposals. The monies held in operational reserves can therefore be freed up.
New Burdens Funding		The government provides small, one-off pots of grant funding to recognise new burdens that fall on local authorities as a result of government

	30	initiatives. The burdens associated with these funding sources have been delivered via existing revenue resources therefore the funding can now be utilised for other purposes.
One-off flood funding not utilised	144	The Council received a fixed sum of funding in 2014 to address issues caused by flooding. This amount reflects sums that were not utilised due to some of the costs being funded via existing budgets.
Other	16	Other uncommitted reserve balances no longer required
	790	

5.3.6 It is proposed that the monies freed up from operational reserves be utilised as follows:

Table 4 - One off Priority Funding

	SBC Contribution £'000
Armed Forces Day 2018	20
Community Investment Fund	50
TOTAL	**70**

Further details of the one-off priority funding are provided at Appendix A2.2

Table 5 - Additions to the Capital Programme

	SBC Contribution £'000
Feasibility pot to develop capital priority projects	100
Crematorium office space	37
Paving at Dock End Whitby	200
3G Pitch at Whitby	85
Sports Facilities in Filey	200
TOTAL EXPENDITURE	**622**

Further details of the proposed capital additions are provided at Appendix B1

The remaining balance (£98k) will be held within capital reserves to take forward currently unfunded asset management works on the Council's property holdings.

CAPITAL BUDGET

Appendix B sets out the capital budget proposals for 2018. The key points are summarised below.

PROPOSED ADDITIONS TO THE 2018 CAPITAL PROGRAMME

It is recommended that new capital schemes for 2018/19 be restricted to the items shown within table 5 above. In addition the Council will continue to fund the cost of scheduled vehicle and equipment renewals, lighting column replacements and Disabled Facilities Grants from the Capital Development Reserve.

UPDATE ON UNFUNDED CAPITAL PRIORITIES IDENTIFIED IN THE 2017 FINANCIAL STRATEGY

The 2017 Financial Strategy set out that the capital budget proposals at that time did not address the following priority projects:

1. Essential works at Peasholm;
2. Priority works at the crematorium;
3. Additional contributions to coast protection works;
4. Additional contributions to address issues with cemetery provision across the Borough; and
5. Town Hall Civic asset management works

The 2017 Strategy set out that future capital receipts or other available monies would be allocated to progress the schemes in the above order of priority. During 2017/18 funding has been identified to address items 1 to 3. Items 4 and 5 will be incorporated into an updated Capital Strategy for 2018 onwards.

The capital reserve list for 2017 included the following schemes:

- Resurfacing works at Dock End, Whitby
- Contribution towards Sports Facilities in Filey

Both of the above schemes have been included within the proposed capital programme additions for 2018 therefore all capital reserve schemes have now been addressed.

CAPITAL STRATEGY 2018 ONWARDS

The Council wishes to develop a robust, long term capital investment strategy from 2018 onwards which recognises the need to fund essential infrastructure and maintenance works in a planned way as well as provide funding for schemes that can deliver future economic growth and commercial returns.

A number of one-off funding sources remain uncommitted within the Council's budget and can be earmarked to take forward this capital investment strategy, alongside £12m new borrowing that is factored into the budget proposal to fund investments that will generate a commercial return.

The capital investment strategy will integrate with the revenue budget projections as well as the Property Asset Management Plan, the Commercial Investment Strategy and the Priority Projects Plan which are all currently being developed and drafted and will be subject to future member approval. As these Strategies and Plans are still being developed the capital strategy cannot be finalised at this stage, however further reports will be presented to Members for approval later in the year.

6. IMPLICATIONS

6.1 Policy

There are no policy implications arising from this report

6.2 Legal

There are no legal issues arising from this report. An Equality and Impact Assessment on the proposals will be completed prior to the final budget report being presented in March.

6.3 Financial

The financial implications are set out in detail throughout the appendices to this report.

6.4 Staffing Implications

Appendix A3 to this report sets out the savings proposals for consideration in the 2018/19 budget. Any savings proposals that could impact staff will be closely managed and consultation will take place with Trade Unions. The Council has a strong commitment to try and minimise the impact on staff and number of compulsory redundancies by utilising natural wastage and providing some training for staff to support this.

All employees that could be directly affected by the changes will be notified of the proposals as soon as is reasonably practicable.

6.5 Planning Implications, Crime and Disorder Implications, Health and Safety implications, Environmental implications

I have considered whether implications arise from this report and am satisfied that there is no identified implication that will arise from this decision for this Council.

6.6 Communication

The budget proposals contained within this report will be disseminated to all staff within the Council via Service Unit Managers and all members have been invited to briefings on the proposals. The consultation will be included on the Council's website and will include links to this report.

Nicholas Edwards

Nicholas Edwards
Director

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Background Papers:

Financial Strategy 2017 (Council report ref 17/58 – March 2017)
Draft revenue budget 2018/19 to 2020/21 (Cabinet report ref 17/286 – Dec 17)
Review of Reserves (Audit Committee report ref 17/259 – Nov 17)

APPENDIX A

REVENUE BUDGET 2018/19 TO 2020/21 AND COUNCIL TAX 2018/19

1 INTRODUCTION

The Council's policy has always been to be as efficient as possible and protect front line services and since 2010 the Council has delivered savings of £17m from its annual revenue budget. Over that same period performance in many areas has increased.

As staffing resources reduce and savings become harder to identify it is becoming apparent that the length of time needed to deliver savings is increasing. With that in mind it is proposed that the Council now moves towards a more detailed 3-year budget setting programme, covering the financial years from 2018/19 to 2020/21.

The Budget Strategy for 2018 – 2021 will continue to build on the themes of the Council's existing Efficiency Plan.

This appendix sets out the revenue budget proposals for 2018/19 along with the indicative projections and proposals for the period up to 2020/21, along with the associated levels of Council Tax.

It provides details of:

- Projected funding gaps over the period;
- Cost pressures and additional investment;
- The level of revenue resources available to the Council;
- The Strategy for addressing the projected funding gap;
- Efficiency and other savings proposals; and
- Investment in one-off funding priorities

2 FUNDING GAP PROJECTIONS 2018 TO 2021

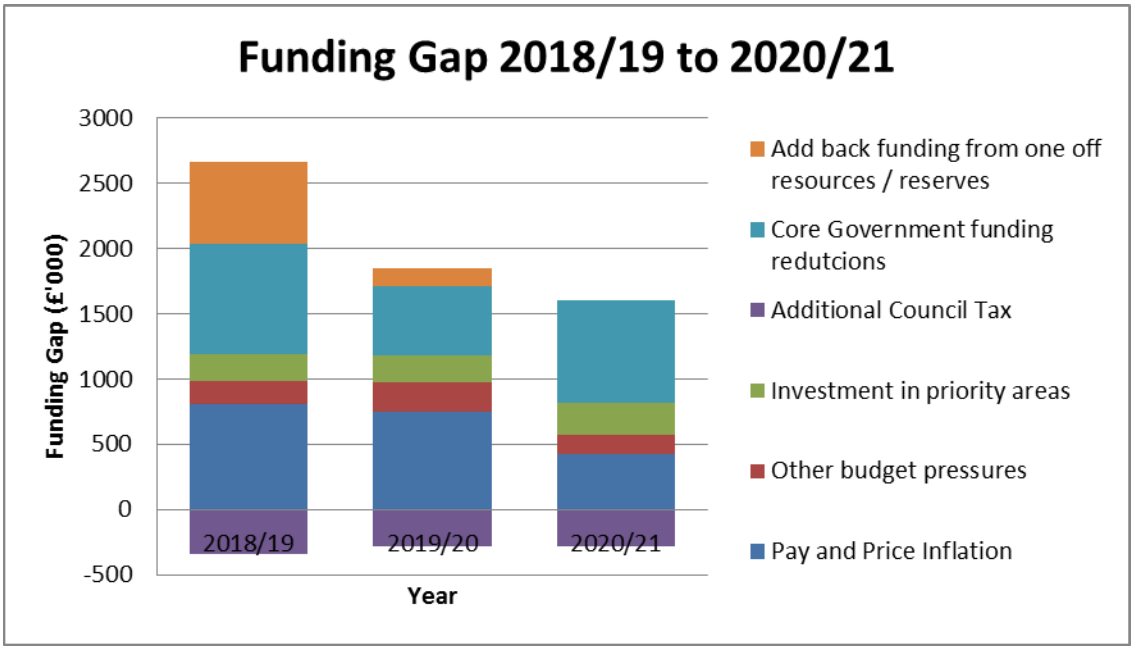
Each year the Council faces cuts in core government funding as well as cost pressures. In addition investment in priority areas must be factored into the revenue budget, resulting in annual funding gaps which need to be balanced through the identification of savings. Budgetary savings may be delivered through cost reductions or the achievement of additional income.

Table 1 and the chart below set out the anticipated funding gaps over the period from 2018/19 to 2020/21 based on current budget projections:

Table 1 – Revenue Budget Funding Gap

	2018/19 £'000	2019/20 £'000	2020/21 £'000	Cumulative Total £'000
Pay and Price Inflation	809	747	430	1,988

Other budget pressures	177	225	140	542
Investment in priority areas	199	209	253	661
Additional council tax revenue	(337)	(278)	(283)	(898)
Core government funding reductions	851	533	782	2,166
Add back funding from one off resources / reserves	623	135	-	758
	2,322	**1,571**	**1,322**	**5,215**



The projections show that savings of at least £5.215m will need to be identified from the current annual revenue budget to balance the funding gap over the period to 2021.

The sections below provide further details on each of the areas contributing to the funding gap.

3 COST PRESSURES AND ADDITIONAL INVESTMENT

3.1 PAY AND PRICE INFLATION

This increase reflects the inflationary allowances across budget heads along with salary increments and variations, net of inflationary increases on income targets.

Non salary expenditure budget heads have been fixed at 2017/18 levels and any cost increases will therefore need to be absorbed within individual service area budgets. A contingency of £200k has been retained to cover unavoidable or corporate inflationary cost increases and this will be allocated to budget heads throughout the 2018/19 year as areas of growth are identified.

Following the announcement of the final (two year) pay offer from the National Employers for Local Government Services the budget makes provision for an average 3.2% pay award in 2018/19 and 3.0% for 2019/20 (2% thereafter). These pay awards are bottom loaded to ensure that the requirements to pay the Government's compulsory National Living Wage for lower paid employees are met.

The budget assumes a 2% inflationary increase on income budgets.

As in previous years the 2018/19 budget does not include a corporate provision for salary savings. This reflects that staffing savings are not expected to accrue due to a slowdown in staff turnover. The Council does not budget for recruitment costs therefore it is also assumed that any short term staffing savings will be required to fund associated recruitment and advertising costs.

3.2 OTHER BUDGET PRESSURES

Table 2 below summarises the budget pressures that are factored into the Council's revenue budget projections:

Table 2 – Other Budget Pressures

	2018/19 £'000	**2019/20 £'000**	**2020/21 £'000**
Benefits and Localised Support for Council Tax Administration Subsidy	30	30	30
Business Rates revaluation	130	185	110
Removal of credit card surcharge	17	-	-
Loss of commuted sum baseline funding	-	10	-
TOTAL	**177**	**225**	**140**

Further details are included within Appendix A1 to this report.

3.3 INVESTMENT IN PRIORITY AREAS

The areas proposed for additional priority investment are summarised in Table 3 below, with further details provided in Appendix A2.1.

Table 3 - Meeting Priorities

Bid	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**
Increase in ongoing revenue contributions to capital and borrowing costs	86	109	53
Reductions in street trading income	28	-	-

Increase in OAT Security	15	-	-
Contingency	-	100	200
Enhanced grass cutting	70	-	-
	199	**209**	**253**

4 REVENUE RESOURCES

4.1 COUNCIL TAX

For the 5-year period between 2011/12 to 2015/16 the Government awarded grants to those Council's that opted to freeze or reduce their council tax levels. The Council elected to freeze its council tax at 2010/11 levels in each of those years.

The Localism Act includes the powers to allow local residents to veto excessive council tax rises and in 2012/13 the Government introduced arrangements for council tax referendums where an authority sets a council tax which exceeds principles endorsed by Parliament (i.e. is "excessive").

The council tax referendum threshold principles for 2018/19 for District Councils have been confirmed as the higher of a raise of up to 3% or £5 for a Band D equivalent property.

The level of council tax income generated by the Council is principally affected by two factors; the level of council tax charge and the council tax base.

4.1.1 Proposed Council Tax Charge

Given the funding pressures the Council faces it is proposed that a 2.99% increase be applied for a Band D property for the 2018/19 year; being the maximum allowed increase. This will generate additional income of approximately £254k per annum. The government has indicated that the referendum threshold may continue to be set at the higher 3% level for 2019/20, although this will not be confirmed until next year's provisional settlement. The budget projections for 2019/20 and 2020/21 currently assume a £5 increase for a Band D equivalent property, although given the Council's financial position the maximum increase allowed under the referendum threshold will be recommended for approval.

Table 4 below shows the resultant Scarborough Borough Council element of the Council Tax levy by band if Council Tax levels are increased by this amount.

Table 4 – Council Tax levy per band

Band	2017/18	2.99% Increase			
	£	2018/19 £	Increase £	2019/20 £	2020/21 £

A	147.54	151.95	4.41	155.29	158.62
B	172.13	177.28	5.15	181.17	185.06
C	196.72	202.60	5.88	207.05	211.49
D	**221.31**	**227.93**	**6.62**	**232.93**	**237.93**
E	270.49	278.58	8.09	284.69	290.80
F	319.67	329.23	9.56	336.45	343.68
G	368.85	379.88	11.03	388.22	396.55
H	442.62	455.86	13.24	465.86	475.86

4.1.2 **Increase in Council Tax Base and Collection Fund Surplus**

Each year the Council calculates its tax base based on the number of properties listed on the Council Tax system. This calculation takes into account chargeable properties, discounts, and exemptions listed in the system as well as projected changes for the following year.

The tax base increase in 2018/19 will generate additional income of approximately £83k. The budget projections for future years assume that the tax base will rise by 1% per annum; which is in line with the increases achieved in recent years.

In addition to the increase in the tax base the Collection Fund position at the end March 2017 showed a surplus, which will be available for distribution in 2018/19. The Council's share of this surplus is £135k and this has been taken as a contribution towards the revenue budget shortfall in 2018/19. It is anticipated that further surpluses will be achieved during the 2017/18 financial year, however projections have not yet been finalised. Any additional surpluses will be factored into the final budget setting proposals.

4.2 **CORE GOVERNMENT FUNDING**

4.2.1 **Sources of Core Government Funding**

The Council's core government funding streams comprise revenue support grant, a share of retained business rates income, new homes bonus and rural service and transitional grant. Table 5 below sets out the projected levels of these core funding sources up to 2020/21 and shows that annual net funding is expected to reduce by £2.17m over the period.

Table 5 – Anticipated government funding reductions

	2017/18 £'000	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**TOTAL £'000**
Revenue Support Grant Rural Services and Transitional Grant	1,231 18	672 16	49 16	-	
Funding sources covered by the	1,249	688	65		

Multi-Year Funding Offer				-	
Retained Business Rates – baseline	4,000	4,120	4,243	4,251	
Retained Business Rates - growth	770	770	770	300	
New Homes Bonus	1,112	702	669	414	
TOTAL GOVERNMENT FUNDING	**7,131**	**6,280**	**5,747**	**4,965**	
Net Government Funding Reduction		851	533	782	2,166

4.2.2 **Multi Year Funding Offer**

In December 2015 the Government announced the provisional finance settlement for 2016/17, alongside an indicative multi-year settlement offer for the years up to and including 2020. The government indicated that the settlement figures would be fixed for those authorities that chose to accept them and published an efficiency plan. This council made the decision to accept the offer, and the Efficiency Plan (2017 to 2020) was approved by Cabinet in September 2016.

The funding streams covered by the multi-year settlement offer comprise Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG) and Transitional Grant and the levels of the funding streams over the multi-year settlement offer period are show in table 6 below.

Table 6 – Multi-Year Settlement Offer Funding Streams

	2016/17 £'000	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**
Revenue Support Grant	2,129	1,231	672	49
RSDG / Transitional Grant	23	18	16	16
TOTAL FUNDING	**2,152**	**1,249**	**688**	**65**
In year reduction		903	561	623
Total reduction				2,087

The table shows that these sources of funding will reduce by £2.087 million over the period to 2020 (£903k in 2017/18, £561k in 2018/19 and £623k in 2019/20). The projections for the funding sources covered by the multi-year offer are based on the indicative figures provided in the 2016/17 and 2017/18 provisional settlements. As the Council accepted the Government's funding offer it is considered unlikely that the figures for 2019/20 will change.

4.2.3 **Retained Business Rates – baseline funding to 2020**

In addition to the funding streams contained within the multi-year offer the Council also retains a share of business rates income.

The current localised business rates scheme came into effect on 1 April 2013 and at that time represented a fundamental change in local government funding policy. Prior to its introduction all business rates income was paid over to central government. The income was pooled nationally and was then redistributed back to councils in the form of revenue support grant, based on the government's assessment of each authority's deemed funding need.

Under the current scheme business rates income is split equally into a local and central share. The central share is paid to central government and continues to be redistributed to councils in the form of revenue support and other grants, and the local share is retained by local authorities. A tariff and top-up mechanism exists within the system to balance an authority's target local share of annually retained business rates income with the amount of funding the government deems it needs to fund its services (its funding baseline). Where an authority's target retained share of business rates exceeds their deemed funding need a tariff is payable back to Central Government and where an authority's retained share is less than its deemed funding need a top-up payment is received. This council is a tariff paying authority.

The business rates funding baseline is determined within the Local Government Finance Settlement. When the retained business rates scheme was introduced the government confirmed that funding baselines would not be reset until at least 2020. Historically business rate multipliers and baselines have been increased by RPI each year, however the budget announcements made in November 2017 confirmed that from 1 April 2018 they will be inflated by CPI.

The budget projections assume that Council's business rates funding baseline will increase by 3% in both 2018/19 and 2019/20 (being the CPI rate in Sept 17).

4.2.4 **Retained Business Rates post 2020**

In the 2015 Autumn Statement the Government announced that by 2020 local authorities will retain 100% business rates income under the Business Rates Retention scheme (as opposed to the current 50% scheme), and alongside the 2016/17 Local Government Finance Settlement announced the Fair Funding Review, which will determine the baseline levels of business rates income retained by each local authority (funding baseline).

Alongside the 2018/19 provisional settlement announcements the locally retained share for 2020 was adjusted to 75%, however the government have confirmed that they remain committed to bringing in a 100% scheme post 2020.

The Fair Funding review will assess how much funding each authority is deemed to need; taking into account factors such as population, demographics, deprivation, sparsity, rurality and ability to generate Council Tax revenue. The last funding needs assessment was carried out in 2013/14, however was largely focussed on updating the data used in the assessment rather than revising the areas included within the calculation. The needs formula has not been thoroughly reviewed for over a decade and is now considered to be outdated.

The outcome of the Fair Funding Review will establish the Council's baseline funding levels under the updated Rates Retention Scheme therefore is an extremely important determining factor in the levels of funding post 2020. A Fair Funding Review: Call for evidence paper was published in 2016 and asked for feedback and suggestions for areas to be considered within the revised needs assessment.

The Government has recognised in recent years that additional costs are associated with service delivery in rural areas and has introduced rural services grant funding to compensate authorities for these additional costs. These additional costs will likely be factored into the updated needs assessment. Worryingly, the sparsity weightings used to calculate historic rural grant allocations have meant that, despite the Borough containing large expanses of rural areas, the Council's share of the rural services grant funding is negligible (£16k in 2017/18). The Council therefore made representations to try to address this shortcoming as part of the review of the needs assessment.

Being a coastal resort the Council is also affected by additional cost pressures arising from tourism visitors (e.g. higher street cleansing costs) and coast protection schemes. This was also factored into the Council's response to the Call for Evidence paper in the hope that these areas will be considered in the revised assessment.

The Government has recently confirmed that the Fair Funding Review will be implemented in 2020/21. The financial projections show that by that time the Council's baseline funding need will be in the region of £4.2m. The projections built into the Council's Medium Term Financial Plan assume that the assessed baseline need will not change dramatically as a result of the Fair Funding Review, however there is a significant risk that this figure could vary substantially. A consultation paper on the Review was issued alongside the 2018/19 provisional settlement.

4.2.5 **Retained Business Rates - growth**

Within the current system local authorities that successfully increase business rates income and exceed their target funding baseline keep up to 50% of the growth, with tariff paying authorities becoming liable to pay a levy of up to 50% on that growth. The money raised from this levy is used to fund a safety net system, which protects councils that see significant reductions in their business rates income and do not achieve their funding baseline in any one year.

Table 7 below sets out Scarborough Borough Council's anticipated share of business rate income for 2017/18 compared to the business rate baseline.

	£'000
Projected Net Yield from Business Rates in 2017/18	35,791
Scarborough Borough Council Share (40%)	14,316
Anticipated grant to cover the Borough Council's share of the cost of government initiatives	1,182
Borough Council Tariff (payable to Central Government)	(9,876)
Retained Business Rates	**5,622**
Business Rate Baseline (per the LGFS)	(4,003)
Surplus Business Rates	**1,619**
50% levy	(809)
Anticipated Retained Growth in Business Rates Income	**809**

The table will be updated for 2018/19 once figures are available. After accounting for the 50% levy, the Council's share of retained business rates in 2017/18 is projected to be £809k higher than the business rates baseline.

£770k of this additional funding has been committed to provide baseline funding to balance the revenue budget and the remainder (£39k) has been set aside as a contingency to mitigate the risks and uncertainties arising from the national business rates revaluation, which came into effect on 1 April 2017.

Any additional surpluses that arise in 2018/19 and future years will be earmarked for priority capital schemes or investment in the Council's regeneration or transformation programme or be used to balance the Council's revenue budget funding gap.

The Council's Retained Business Rates funding projections for the years up to 2019/20 are based on the current 50% Business Rates Retention scheme and the Government's assessment of the Council's deemed funding need and business rate baselines.

In 2020/21 it is expected that the 100% Business Rates Retention Scheme will be introduced. At this point business rate and funding baseline figures will be reset therefore it is anticipated that the Council's share of business rates growth will reduce.

4.2.6 **Business Rates Pooling – North Yorkshire Business Rates Pool**

In 2014/15 the Council entered into a business rate pool with North Yorkshire County Council, Ryedale District Council, Craven District Council, Hambleton District Council and Richmondshire District Council. The Borough Council is the lead authority for the pool.

Under the pooling regime authorities within a pool are treated as a single authority for the purposes of the localised Business Rates Retention scheme.

Individually each District Council would be required to pay a 50% levy on their share of growth in business rates income. The major advantage of creating a pool under the current Rates Retention Scheme is that the overall pool levy is reduced to nil when each of the authorities are treated collectively as a single authority. The levies saved through the North Yorkshire Pooling arrangements are distributed back to pool members through a pool dividend.

The key aim of the North Yorkshire pool is that no participant will receive less funding than if they had not pooled. The first call on any net pool surplus will be to put each authority in the position it would have been in had the pool not existed. Any residual surplus will be distributed as follows:

- 20%, upto a maximum of £250k, will be allocated to an economic development fund which will be administered by the Chief Executives and Leaders of the pool authorities as a function of an established subgroup of the NYLEP.

Any remaining pool dividend will be distributed as follows:

- 30% to NYCC
- 35% to districts in proportion to their growth above DCLG baselines
- 35% to districts in proportion to their funding targets

The Council's projected dividend for 2017/18 is £540k, however this is predicated upon each authority within the pool achieving their business rates targets. Historically the outturn position for business rates has been significantly lower than original projections due to higher than expected levels of business rate appeals.

The potential dividends have not yet been committed in the Council's budgets, however it is proposed that they be earmarked for capital investment.

4.2.7 **Business Rates Pooling – 100% Rates Retention Scheme Pilot Application**

In September 2017 the government published an invitation document offering all local authorities in England the opportunity to apply to pilot the 100% Business Rates Retention scheme, prior to it coming into effect in 2020/21. The pilot will take place in the 2018/19 year and will expand on 5 existing pilots, which are already in place and will continue in 2018/19.

The pilots will be used to help the government design the national system of business rates retention and test more technical aspects of the system, such as tier splits in two-tier areas; which are not currently covered by the existing pilots.

The Council submitted a pilot application with all members of the existing North Yorkshire Pool, plus Selby and East Riding however the application was unsuccessful.

4.2.8 **New Homes Bonus**

In February 2011 the government published the proposals for New Homes Bonus (NHB); a scheme that was designed to incentivise local authorities to increase housing supply by rewarding them with a 6-year grant for each new house created within the area.

In its Spending Review and Autumn Statement 2015 the Government announced that it aimed to reduce NHB funding nationally by £800m over the Spending Review period and redirect those resources to adult social care. A technical consultation paper on the proposed changes to the distribution method was issued alongside the provisional settlement in December 2015, and the final proposals were announced alongside the 2016 provisional settlement.

The revised proposals determined that the period of grant allocations would be reduced from six to five years in 2017/18 then to four years in 2018/19, and that future payments would only be made for housing delivery above an annually determined national baseline figure. This baseline was set at 0.4% in 2017/18.

The NHB figures built into the Council's funding projections take into account the reduction of funding allocations from five to four years and are based on the funding allocations set out in the provisional settlement. The baseline figure applied for 2018/19 remains at the 0.4% level applied in 2017/18.

4.3 FUNDING FROM ONE OFF RESOURCES AND RESERVES

Each year the Council aims to set a balanced budget without the need to rely on the use of one off funding or reserves. Where one off funding is used to balance the budget it increases the funding gap for the following year.

In 2016/17 the Council's budget relied on a £500k contribution from the General Fund balance and factored in the use of one off Collection Fund surpluses. Similarly the 2018/19 budget factors in the use of £135k Collection Fund surplus, which increase the funding gap in 2019/20.

5.0 STRATEGY FOR ADDRESSING THE FUNDING GAP

The budget strategy for addressing the funding gap will continue to build on the themes of the existing Efficiency Plan, which is attached at Appendix K of the Financial Strategy. The core themes can be summarised as follows:

- Transformational efficiencies and commercialisation;
- Investment to support economic growth;
- Strategic review of the Council's role in the delivery of services and use of assets; and
- Planned use of reserves and Investment Fund

Each of these areas are dealt with in turn in the sections below.

5.1 TRANSFORMATIONAL EFFICIENCIES AND COMMERCIALISATION

Several years ago it was acknowledged that the historic ‘salami slicing’ approach to budgeting, which applied the same % savings targets across all service areas, was not a sustainable long term strategy for the Council. Although this approach ceased it was not replaced with an alternative, consistent strategy for the identification of savings therefore what resulted was an annual, piecemeal approach to budgeting.

To alleviate this issue the Council established a Transformation Working Group, which aimed to challenge existing working practices and put new processes and systems in place to create future efficiencies. It was always intended that the transformation programme would form the cornerstone of the Council’s budget savings agenda.

The Transformation Working Group is led by the Council’s Chief Executive and, alongside a project lead officer, includes Services Unit Manager representatives from finance, audit, human resources, customer services, commercialisation and IT. A Transformation Board consisting of officers and members oversees the work of the group.

A number of business analysts have been seconded from service areas within the Council to assist the Transformation Working Group and undertake service reviews.

The overarching themes of the transformation programme are as follows:

- **Digitalisation** (to reduce the costs and administration associated with paper storage);
- **Customer self-service** (by offering easy to use, 24 hour access to online information and request forms for those customers that wish to use them);
- **End to end paperless solutions** (ensuring that online customer requests seamlessly integrate with back office systems to avoid the re-keying of information);
- **Single Truth databases** (to stop duplicate, contradictory information being maintained across the Council);
- **Improved Customer Service** (by keeping customers informed when they request information or services from the Council and make more services available online);
- **Commercialisation and Joint Working** (to determine whether service areas could increase existing income sources or sell their services to external customers)

As the internal transformation review approach was a new concept to all those involved it was acknowledged that it would take some time for the programme to develop, and that the ways in which reviews were delivered would evolve. The outcomes from early reviews have been critically assessed and the Transformation Team have now introduced a standardised approach which builds on best practice and will be adopted for future reviews.

The new standardised review approach incorporates the following stages:

Pre Review: The pre-review stage is largely consultative and involves affected staff being notified of the imminent commencement of the review.

Scoping and Objective Setting: Business Analysts gathers relevant data from the service area and the transformation team use that information to set out the proposed scope of a review. This initial scoping exercise is expected to be completed in 4-6 weeks and should identify the transformational benefits that could potentially be delivered if a full review is progressed. The proposed review scope is approved by DT and at that point a decision may be made not to pursue the review any further. The introduction of this stage means that the project's limited resources are not tied up with reviews that will deliver minimal benefits.

Review: The review stage will involve more detailed analysis of business processes within a service area and more extensive data gathering. The approved review scope will give focused direction for the review work and the review will culminate in the production of a fully detailed report on the findings, recommendations and potential outcomes.

Implementation: A business case will be pulled together to take forward the actions identified from the review. If the business case is approved an implementation project team will be established to take the review recommendations forward.

The new review format delivers the benefit of giving Business Analysts clear timescales to complete work and a clear focus and direction for reviews. In turn the introduction of defined timescales has allowed a 3-year Transformation Review Programme to be established; which links with the 2018 – 2021 budget strategy and savings. Standard action plans, which will be utilised during the review and implementation stages, will feed into the overall transformation programme so that resources can be managed and programme slippages can be identified.

Every service area across the Council has now been categorised into a high, medium or low priority for transformation review purposes and all reviews identified as high or medium priority have been incorporated in the 3-year programme.

Like many other local authorities the Council is keen to purse commercial opportunities to alleviate budget pressures, rather than relying purely on cuts in service or expenditure. To facilitate this the Council has recently employed a Commercial Director and a Commercial Manager.

There are significant overlaps between the transformation and commercialisation agenda therefore all commercialisation work streams will feed through the Transformation Programme to ensure that they are managed via one overarching, high level process. This will also ensure that commercialisation projects follow the same governance structure as transformation projects and that the corporate resources needed to deliver projects are aligned.

From 2018/19 onwards all budgetary savings will be managed via the transformation process and will be overseen by the Transformation Board.

5.2 **INVESTMENT TO SUPPORT ECONOMIC GROWTH AND THE STRATEGIC REVIEW OF THE COUNCIL'S ROLE IN THE DELIVERY AND USE OF ASSETS**

The Council will continue to prioritise and invest in economic growth and this will play an integral part in the Council's budget strategy going forward. This in turn should deliver significant financial benefits for the Borough in terms of retained business rates income and job creation.

It is proposed that any business rate pool dividends will be earmarked to provide investment in the Council's regeneration or transformation programme. This will assist the Council in delivering its key transformational and economic growth aspirations.

One of the commercial themes within the Council's budget strategy is the proposal to invest in assets to generate a revenue return. This investment may be in the form of improvement sums to redevelop assets already in the Council's ownership or the purchase of new assets to expand the Council's existing property portfolio.

This commercial work stream will be complemented by a transformation review of the Council's estates service, which has recently commenced.

5.3 **PLANNED USE OF RESERVES**

The Council's Medium Term Financial Plan projections assume that £0.5m will be drawn from reserves over the period to 2021. This £0.5m will be used to balance the revenue budget and provide additional time for savings to be delivered.

This £0.5m will be funded from one-off budgetary underspends anticipated in the 2017/18 financial year.

The 2016 Financial Strategy established an Investment Fund to provide one-off funding for schemes that will help the Council to deliver revenue savings in 2016/17 and beyond. The uncommitted balance of the reserve currently stands at £0.5m and future expenditure from the reserve will be driven by the Council's transformation and savings programme. The authority to approve expenditure from the Investment Fund is delegated to the Director's Team in consultation with the portfolio holder for Finance, Legal and ICT.

6.0 PROPOSED SAVINGS OPTIONS

The proposed savings for the 2018/19 year are attached at Appendix A3. Indicative savings proposals for 2019/20 and 2020/21 are attached at Appendices A3.1 and A3.2, although these are still being developed and may be subject to change.

7.0 STAFFING IMPLICATIONS

The Council has recognised that to achieve efficiency savings that minimise the impact on the delivery of front line services there will be a need to reduce staffing numbers, which will inevitably result in redundancies.

Where possible, all employees that could be directly affected by the changes will be notified prior to this report being published. Any savings proposals affecting staff will be closely managed and consultation will take place with all Trade Unions. The Council has a strong commitment to try and minimise the impact on staff and number of compulsory redundancies by utilising natural wastage and providing some training for staff to support this.

8.0 SUMMARY OF THE BUDGET POSITION

Table 8 summarises the net budgetary position as detailed in this report.

Table 8 – Summary of Budget Position

	Report Table Reference	2018/19 £'000	2019/20 £'000	2020/21 £'000
Funding Gap	Table 1	2,322	1,571	1,322
Contributions from Reserves	Table 5	(200)	(300)	-
Add back use of one-off reserves in 2019/20			200	300
Savings	Append A3	(2,122)	(1,101)	(1,224)
Shortfall		**-**	**370**	**398**

The above budgetary position assumes that all savings included within the Medium Term Financial Plan are delivered, including the transformation and commercialisation savings and shows that further savings need to be made to address cost pressures arising from the national employer's pay offer announced in December 2017.

It should be noted that a large proportion of the savings included within the projections have not yet undergone a detailed assessment as the transformation reviews have not yet commenced. This position will be reviewed and updated as the transformation reviews and scoping exercises take place and the budgetary position will be governed and overseen by the Transformation Team and Board.

In order to set a balanced budget for 2018/19 there is a requirement to approve all of the savings proposals identified within Appendix A3 of this report. Where savings are not deemed to be acceptable alternative savings of an equivalent value will need to be identified.

The plan for addressing the budgetary shortfalls for 2019/20 and 2020/21 will be considered in the coming weeks and it is hoped that a proposed solution can be factored into the final Financial Strategy before it is presented to Council in March.

8.0 INVESTMENT IN ONE-OFF FUNDING PRIORITIES

Each year the Council undertakes a review of its reserves to challenge the monies set aside and free up monies that are no longer deemed to be required. The 2018 review of operational reserves has identified uncommitted sums of £790k. £70k of this amount will be utilised to fund the following one-off funding priorities in 2018/19, with the remainder being transferred to capital reserves:

	SBC Contribution £'000
Armed Forces Day 2018	20
Community Investment Fund	50
TOTAL	**70**

Further details of the above expenditure are provided in Appendix A2.2

9.0 ASSESSMENT

Central Government have provided provisional grant settlement figures for the four year parliamentary period to 2019/20 and, although the principle of a four-year settlement is welcomed and will aid the Council's longer term financial planning, the level of the funding cuts proposed are extensive and show that in cash terms the Council's core annual funding from central government in 2019/20 will be £8.264m (66%) less than the funding received in 2010/11. These funding cuts are exacerbated by the Council's decision to aid its tax payers by freezing Council Tax levels between the periods from 2010/11 to 2015/2016 and forego the associated ongoing revenue streams that Council Tax increases could have secured.

The extent of the Council's budget shortfall each year is not only dependent on cuts in funding, but also by the level of growth required in the revenue budget. Unavoidable cost and inflationary pressures continue to put strain on the Council's budget position. As funding sources reduce, and budgets get tighter, it will become increasingly important to restrict growth in budgets and be mindful that any growth allowed in budget will need to be funded from corresponding cuts in other service areas.

Over the financial years 2010/11 to 2017/18 ongoing savings of circa £17m have had to be made from the Council's annual revenue budget. As staffing resources reduce and savings become harder to identify it is becoming apparent that the length of time needed to deliver savings is increasing.

Like many other local authorities the Council is also keen to pursue commercial opportunities, which can generate financial returns to support the revenue budget, rather than relying purely on cuts in service or expenditure. It is acknowledged that this approach may require a longer planning period and lead in time to deliver the required financial returns and with that in mind the Council has moved towards a 3-year budget setting programme. The budget strategy for the period from 2018/19 to 2020/21 continues to build upon the success of the existing Financial Strategy, which is now clearly embedded throughout the Council.

As resources become tighter it becomes even more important to ensure that the budgets approved in a year are robust and achievable. Directors and Service Unit Managers receive a high level of support from the finance team however it is acknowledged corporately that the responsibility for setting, monitoring and controlling budgets must lie with the managers and directors responsible for running the services. Directors will be asked to sign off the savings included within this report for the 2018/19 year to confirm that they believe them to be deliverable and both Service Unit Managers and Directors will be required to sign off the final budget figures for their service areas.

BUDGET PRESSURES

		2018/19 £'000	2019/20 £'000	2020/21 £'000
Benefits and Localised Support for Council Tax Administration Subsidy	The Council receives an annual subsidy for Housing Benefit and Local Support for Council Tax Administration. In 2017/18 the grant allocation totalled £630k; £173k of which was for administering the Localised Support for Council Tax (LSCT) Scheme and £457k was for administering the Housing Benefit Scheme. In similar vein to recent years we are anticipating a reduction in the amounts of funding for these activities over the next 3 years. The funding announcements for the grants are made on an annual basis and the details of the 2018/19 grant will not be made available until later in the year.	30	30	30
Business Rates revaluation	The amounts of business rates payable on commercial properties are periodically revalued nationally to take into account variations in market rents across the country. A new ratings list came into effect on 1 April 2017 and resulted in increases of approximately £0.5m over the period to 2021. This increase is partially mitigated in the earlier years through transitional relief. Where appropriate business rate appeals will be submitted to try to reduce the cost of the Council's overall business rates bill.	130	185	110
Removal of credit card surcharge	In 2016/17 the Council introduced a 1.5% credit card surcharge to pass the cost of processing credit card transactions on to customers. New regulations, which come into effect in January 2018, remove the ability to make these surcharges therefore they will be removed prior to that date and the Council will need to fund the cost of these transactions in their entirety.	17	-	-
Loss of commuted sum baseline funding	A housing development at Crab Lane, Crossgates resulted in the creation of a large area of public open space within the vicinity. The maintenance of this space has been undertaken by the SBC Parks service and a commuted sum was received from the developer to support this ongoing maintenance over a ten year period. This commuted sum ends in 2019/20.	-	10	-
TOTAL		**177**	**225**	**140**

APPENDIX A2.1

MEETING PRIORITIES – BASE BUDGET GROWTH

BID	DETAILS	2018/19 £'000	2019/20 £'000	2020/21 £'000
Increase in revenue contributions to fund capital expenditure and borrowing costs	The council must increase its annual contributions into the Capital Development Reserve to make provision for future projected capital expenditure and borrowing costs, particularly in respect of vehicle replacements, asset management and coast protection works.	86	109	53
Street trading income	Changes to the Council's street trading laws, and tighter controls over the allocation of space to street traders, has resulted in a reduction in income from these activities.	28	-	-
Open Air Theatre Security	Provision of additional security at Open Air Theatre shows following recent terror attacks.	15	-	-
Contingency	Budget contingency to fund unknown costs / budget pressures / one off priority expenditure	-	100	200
Enhanced grass cutting	This budget will fund enhanced grass cutting across the Borough for a 1 year period only. During 2018/19 consultation will take place with Parish and Town Councils to review future provision.	70	-	-
TOTAL		**199**	**209**	**253**

APPENDIX A2.2

MEETING PRIORITIES – ONE OFF INVESTMENT

BID	DETAILS	£'000
Community Investment Fund	A £50k Community Investment Fund was created as part of the 2016/17 outturn (17/170). This budget has provided a funding source for small scale improvement projects across the Borough. The allocation of the fund is determined by the Council's Director's Team and has proved a popular way of funding small scale projects. The allocation of a further £50k to this fund will allow new schemes to progress and the Directors Team will continue to direct this funding to those projects deemed to add the most value (resource or financial).	50
Armed Forces Day 2018	To provide one-off funding to support the Armed Forces day centenary event in 2018.	20
TOTAL		**70**

EFFICIENCY AND OTHER SAVINGS PROPOSALS 2018/19

DESCRIPTION	WORKING GROUP	SERVICE AREA	Total	High Risk	Medium Risk	Low Risk	Comment
Review of Minimum Revenue Provision (internal loan repayments)		Corporate	66,236			66,236	Savings arising from the repayment of outstanding internal borrowing
Extension of payback period on internal borrowing		Corporate	45,000			45,000	Extension of all internal borrowing repayments to 40 years
Invest to Save scheme repayments		Corporate	17,045			17,045	Savings following full repayment of prior year Invest to Save investments
Contingency budget savings from 2016/17 and 2017/18		Corporate	254,982			254,982	Contingency budgets of £200k p.a were established in the 2016/17 and 2017/18 budget to fund the cost of inflationery cost pressures. This saving reflects the amounts that are not deemed likely to be needed
Budget used to fund one-off costs in 2017/18		Corporate	150,000			150,000	£150k was utilised in the 2017/18 budget to fund one-off areas of expenditure. This budget will not be required in future years therefore can be taken as a saving
Grant funding for the administration of the Localised Support for Council Tax		Corporate	58,316			58,316	Since the introduction of the Localised Support for Council Tax (LSCT) scheme the Council has received one-off annual funding to cover the costs of a number of new burdens that passed to the Council (additional recovery costs, postage etc.). It was uncertain whether this funding would continue on a longer term basis however funding announcements made in 2017/18 confirmed that it would be rolled into the admin grant payable for administering the LSCT scheme
Contributions to the Investment Fund Reserve		Corporate	42,000			42,000	The Council received confirmation of a number of sources of additional grant funding late in the 2016/17 budget setting process. This funding was utilised in 2016/17 and 2017/18 to provide one-off contributions to the Investment Fund. The additional contributions will not be required in future years there can be taken as a saving

EFFICIENCY AND OTHER SAVINGS PROPOSALS 2018/19

DESCRIPTION	WORKING GROUP	SERVICE AREA	Total	High Risk	Medium Risk	Low Risk	Comment
Funding of one-off capital expenditure in 2017/18		Corporate	258,031			258,031	The 2017/18 budget provided base budget growth to fund one-off capital expenditure. As this expenditure will not be incurred in future years the amount can be taken as a budget saving
Changes in homelessness funding covered by housing benefit subsidy		Corporate	78,000			78,000	The 2016 Financial Strategy provided budgetary growth for the potential loss of Housing Benefit subsidy income paid on temporary leased accommodation. At the time the announcements were made it was uncertain whether local authorities would be reimbursed for this loss of income, however recent funding announcements have confirmed that the Council will receive grant funding to compensate for the loss of income
Transformation savings		Corporate	(119,542)			(119,542)	The 2017/18 budget included a transformation savings target of £119,542. At the time of writing the 2017 Financial Strategy these savings had not been identified. The savings identified to cover this target are identified separately within this list
GIS Staffing saving	Transformation	Depot	17,500			17,500	The post holder responsible for the Council's GIS duties has recently left the authority. The Depot transformation review has freed up resource and enabled some of the GIS workload to be absorbed within existing resources.
Trade Waste income	Transformation	Commercial Waste	100,000			100,000	Additional commercial waste and holiday let income resulting from the transformation review of the service. The majority of this saving is already being achieved in the current financial year
Rounds Review	Transformation	Refuse and Recycling	70,000	70,000			The Council has procured an external consultant to undertake a rounds review. It is hoped that the review will identify savings in the form of improved vehicle utilisation and more efficient garden waste and refuse collection collections. The outcome of the review is still awaited therefore there is a risk that this saving will not materialise.

APPENDIX A3

EFFICIENCY AND OTHER SAVINGS PROPOSALS 2018/19

DESCRIPTION	WORKING GROUP	SERVICE AREA	Total	High Risk	Medium Risk	Low Risk	Comment
Public Conveniences Review	Public Convenience Working Group	Public Conveniences	100,000		60,000	40,000	£40k of this saving already identified from Phase 1 of the programme (i.e. transfer of pub cons to Whitby Town Council). Phase 2 of the review proposes closures of some facilities and roll out of pay on entry facilities
Remaining budget saving from the removal of the vacant conservation officer post		Planning	15,864			15,864	This saving is the full year effect of a saving originally put forward in 2017/18. The work of the conservation officer has been absorbed within existing resources
Outsourcing of Leisure Facilities and removal of Partial Exemption VAT contingency budget	Leisure Village	Leisure Services	100,000			100,000	Net saving from outsourcing of indoor leisure following completion of Leisure Village (after adjusting for upfront costs in early years of the operating contract)
Restructure of Tourist Information Centres		Tourism	9,000			9,000	Year 2 effect of closure of the Council's TIC sites, rental of buildings and refocus of resources. This proposal has already been approved by Members - report reference 15/336 (December 2015).
Increased financial return from outdoor leisure sites		Outdoor Leisure	24,296			24,296	Reductions in outdoor leisure staffing costs. The savings are already being achieved in the current year
Reductions in voluntary sector grants		Grants	3,000			3,000	Voluntary sector grants are being phased out over a 3 year period. These grant reductions were approved in 16/17 and grant recipients have been notified
Upgrade cameras to Wifi and cancel BT line contract (upfront £15k funded from Investment Fund)		CCTV	5,000			5,000	Works are in progress
Additional net income from crematorium	Transformation	Crematorium	18,500			18,500	Additional income opportunities identified via the transformation review of the crematorium, net of increased staffing costs.

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EFFICIENCY AND OTHER SAVINGS PROPOSALS 2018/19

DESCRIPTION	WORKING GROUP	SERVICE AREA	Total	High Risk	Medium Risk	Low Risk	Comment
Upfront payment of pension fund contributions		Corporate	90,000			90,000	Reductions in pension fund contributions following the decision to pay 3 year's contributions upfront.
Additional income in Print Plus	Transformation	Print Plus	20,000	20,000			Net income opportunities identified via the transformation review of the service.
E-billing: Business Rates	Transformation	Local Taxation	0				E-billing for business rates will be rolled out as part of the 2018/19 annual billing process. It is anticipated that the project will be cost neutral in the first year, however savings should be delivered in future years as take up increases and e-billing for Council Tax bills is rolled out.
Reductions in contributions to the Pension Reserve		Corporate	100,000			100,000	Reductions in the annual contributions to the Pension Reserve
Reductions in contributions to the Insurance Reserve		Corporate	50,000			50,000	Reductions in the annual contributions to the Insurance Reserve
External income from cash collections		Cash Collections	4,000			4,000	Generation of external income from cash collections
Car Parking income		Car Parking	150,000	150,000			Based on income taken to date in current financial year plus tariff adjustments that will come into effect in March 18. The tariff changes have been endorsed by the Council's car parking working group but are still subject to member approval
Estates and Asset Management	Transformation	Estates and Asset Management	50,000	50,000			Data cleansing of asset register and rental streams and review of service charge process
Income from Filey Brigg / Scalby Manor		Outdoor Leisure	15,500		7,750	7,750	Increased income from caravan sites

APPENDIX A3

EFFICIENCY AND OTHER SAVINGS PROPOSALS 2018/19

DESCRIPTION	WORKING GROUP	SERVICE AREA	Total	High Risk	Medium Risk	Low Risk	Comment
Increase in income from Peasholm Kiosk being brought back in-house		Outdoor Leisure	34,500		34,500		Peasholm Kiosk being rebuilt and brought back-in house for the 2018 season
Review of postage	Transformation	Postage	1,000			1,000	Reduction in the numbers of benefit documents returned to customers by post.
Transformation reviews	Transformation	Unidentified	59,000	59,000			Additional savings from ongoing transformation reviews including an additional review of the provision of enhanced income generating opportunities at Scarborough Crematorium
Planning income		Planning	80,000	80,000			Additional income generated within the planning service due to an upturn in planning applications
Business rates on Falsgrave CRC and Filey Evron Centre		Estates	20,000		20,000		SBC have historically paid the rates on behalf of tenants at these sites. New leases will make tenants liable (many will get SBRR), however responsibility will revert to SBC for any vacant periods.
Utilities / Street Lighting / SALIX		Corporate	34,894			34,894	Base budget savings derived from energy efficiency schemes delivered in recent years.
Savings on recycling contract		Refuse and Recycling	70,000			70,000	Reductions in the processing costs of recyclate following annual price negotiations
Staffing efficiencies and additional grant funding within the Housing Benefits service		Housing Benefits	30,000	30,000			Staffing efficiencies are already being delivered and will not impact on service delivery.
TOTAL			**2,122,122**	**459,000**	**122,250**	**1,540,872**	

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APPENDIX A3.1

EFFICIENCY AND OTHER SAVINGS PROPOSALS 2019/20

DESCRIPTION	WORKING GROUP	SERVICE AREA	Total	High Risk	Medium Risk	Low Risk	Comment
Public Conveniences Review	Pub Cons Working Group	Street Scene	100,000	100,000			Phase 3 of the review of public convenience provision across the Borough.
Invest to Save scheme repayments		Corporate	24,000			24,000	Savings following full repayment of prior year Invest to Save investments
Reductions in voluntary sector grants		Grants	3,000			3,000	Voluntary sector grants are being phased out over a 3 year period. These grant reductions were approved in 16/17 and grant recipients have been notified
Savings on Leisure Operator Contract	Leisure Village		220,000			220,000	Additional net saving from outsourcing of indoor leisure following completion of Leisure Village (after adjusting for upfront costs in early years of the operating contract)
E-billing - further rollout	Transformation		5,000	5,000			Rollout of e-billing to cover NNDR and Council Tax
Reductions in annual Service Level Agreement contributions to Scarborough Museums Trust		Museums	100,000	100,000			Saving still to be agreed / negotiated with the Trust
Utilities / Street Lighting		Estates	0				Replacement of concrete columns and subsequent transfer to NYCC will lead to savings in energy costs. Savings still to be quantified
Relocation of Manor Road to Dean Road and purchasing of plants	Manor Road working group		80,000		80,000		Net savings based on the ADAS (external consultant) report on the proposal
Transformation and Commercialisation	Transformation	Various	318,500	318,500			Efficiencies and additional income identified through transformation reviews and commercialisation work.
Commercialisation of asset portfolio	Transformation	Estates	250,000	250,000			The capital budget will factor in £5m investment for commercial assets, which will be expected to generate a net ROI of 5%.
Overall Total (excluding those where savings not known)			1,100,500	773,500	80,000	247,000	

EFFICIENCY AND OTHER SAVINGS PROPOSALS 2020/21

DESCRIPTION	SERVICE AREA	Total	High Risk	Medium Risk	Low Risk	Comment
Savings on Leisure Operator Contract	Leisure Village	150,000			150,000	Additional net saving from outsourcing of indoor leisure following completion of Leisure Village (after adjusting for upfront costs in early years of the operating contract)
Transformation and Commercialisation	Transformation	723,500	723,500			Efficiencies and additional income identified through transformation reviews and commercialisation work.
Commercialisation of asset portfolio	Transformation	350,000	350,000			The capital budget will factor in a further £7m investment in commercial assets, which will be expected to deliver a net ROI of 5%
		1,223,500	**1,073,500**	**0**	**150,000**	

APPENDIX B

CAPITAL BUDGET

1 INTRODUCTION

This appendix focuses on the Council's Capital Strategy which is underpinned by the Capital Development Reserve and Investment Management Plan.

It provides details of:

- Capital reserve projections
- Additions to the Capital Programme 2018
- Future capital strategy proposals and resource availability

2 CAPITAL RESERVE PROJECTIONS

2.1 CAPITAL DEVELOPMENT RESERVE (CDR)

The Capital Development Reserve identifies the capital funding available to the Council to progress:-

- Planned vehicle and equipment replacements
- Planned infrastructure works and replacements
- Asset Management works; and
- Statutory requirements (such as the provision of disabled facility grant funding)

The reserve aims to match available capital resources to scheduled investment over a 10 year period to ensure that capital resources are not over committed. It provides a mechanism by which capital spending is controlled, and ensures that the implications of capital spending in terms of the revenue impact are planned and minimised.

In order for Members to have confidence when making the major strategic decisions required on capital investments, clear direction is required on the availability of resources and the impact of decisions made.

The 2017 Financial Strategy set out that the CDR projections at that time showed that resources were broadly balanced over the 10 year period to 2027; however the reserve showed overcommitted balances in some of the later years therefore proposals to commit monies from the reserve in 2017/18 were restricted. This continues to be the case for 2018/19.

2.2 INVESTMENT MANAGEMENT PLAN (IMP)

Despite significant financial constraints in recent years the Council has developed, and continues with, an ambitious investment and regeneration plan for the Borough.

The Investment Management Plan (IMP) provides a structured approach to support the delivery of major investment and regeneration schemes over the medium term. The key aim of the IMP is to focus on making continuous well balanced, affordable investments in order to improve and change the face of the Borough; with a clear focus upon economic regeneration, employment and new homes.

In the same way the Capital Development Reserve identifies the funding available to progress scheduled and essential expenditure the IMP details those monies available and earmarked for regeneration projects.

The following schemes are included or have been delivered through the IMP in recent years.

- Waterpark
- Leisure Village
- Whitby Business Park
- Futurist/Town Hall
- Middle Deepdale
- Pindar All Weather Sports Pitch

The resources available in the Investment Management Plan are currently fully committed.

2.3 CAPITAL CONTINGENCY RESERVE (CCR)

The current uncommitted balance on the CCR is £551k and a draw of approximately £100k is anticipated for the Leisure Village project. A further £100k revenue budget contribution will be added to the reserve in 2018/19.

The optimum balance of the reserve (excluding coast protection contingency budgets) has been set at a range of between of £0.5m to £1.5m therefore the uncommitted balance is currently at the lower end of this range.

The Council will have an extensive capital programme in 2018/19 given the imminent commencement of significant capital schemes such as the Futurist and coast protection works, therefore it is deemed prudent to make additional contributions into this reserve as part of the 2018/19 budget setting process to increase the uncommitted reserve balance to £750k.

The Capital Strategy for the 10 year period to 2026 provided £2.312m worth of investments in IT; including a base investment of £189k per annum to keep the Council's IT infrastructure up to date and compatible with modern working practices. The investment required up to the year 2021 has been critically reviewed and a saving of £205k has been identified against the available budget. This saving will be transferred to the Capital Contingency Reserve to bring the uncommitted balance up to the £750k level.

3 ADDITIONS TO THE CAPITAL PROGRAMME 2018

Given the pressures on the revenue budget it is essential that the Council does not over commit its capital resources, therefore the new schemes proposed for investment in 2018/19 have been restricted to the following:

	SBC Contribution £’000
Feasibility pot to develop priority capital projects	100
Crematorium office space	37
Paving at Dock End Whitby	200
3G Pitch at Whitby	85
Sports Facilities in Filey	200
TOTAL EXPENDITURE	**622**

As capital reserves are currently fully committed this expenditure will be funded from one-off monies identified through a review of operational reserves.

In addition to the above the Council will continue to fund the cost of scheduled vehicle and equipment renewals, lighting column replacements and Disabled Facilities Grants from the Capital Development Reserve.

4 UNFUNDED PRIORITY CAPITAL EXPENDITURE AND 2017 CAPITAL RESERVE LIST

The 2017 Financial Strategy set out that the capital budget proposals at that time did not address the following priority projects:

1. Essential works at Peasholm;
2. Priority works at the crematorium;
3. Additional contributions to coast protection works;
4. Additional contributions to address issues with cemetery provision across the Borough; and
5. Town Hall Civic asset management works

The Strategy set out that future capital receipts or other available monies would be allocated to progress the schemes in the above order of priority. Funding has now been identified to address items 1 to 3.

Items 4 and 5 will be incorporated into the Capital Strategy for 2018 onwards (see section 5 below).

The capital reserve list for 2017 included the following schemes:

- Resurfacing works at Dock End, Whitby
- Contribution towards Sports Facilities in Filey

Both of the above schemes have been included within the proposed capital programme additions for 2018/19.

5 CAPITAL STRATEGY 2018 ONWARDS

It is recognised that the Council has delivered an extremely ambitious regeneration programme in recent years and, as a result, has benefited from increased funding from the localised business rates scheme.

The revenue budget proposals attached at Appendix A set out that the Council wishes to continue with its strategy of prioritising and investing in economic growth and that this will play an integral part in the Council's budget strategy going forward. Future capital investment proposals will link with the schemes included in the Council's Priority Project Plan, which will be presented to members for approval in the coming months.

The revenue budget proposals attached at Appendix A also sets out that the council is keen to pursue commercial opportunities, which can generate financial returns to support the revenue budget. To support this the Financial Strategy factors in new borrowing of £12m over the 2018/19 and 2019/20 financial years and the revenue budget projections assume a net 5% return on this investment after funding the associated financing costs. This expenditure will be allocated and governed in accordance with a separate Commercial Investment Strategy, which is currently being drafted, and may alternatively be utilised to provide Invest to Save funding for schemes included within the Priority Projects Plan detailed above. All capital expenditure will however continue to be managed via the overall capital investment strategy.

In order to ensure that capital resources are not overcommitted over the longer term period investment in economic growth must be considered alongside the requirements to fund essential maintenance and infrastructure backlog works on the Council's existing asset portfolio.

An exercise is currently being undertaken to obtain up to date condition surveys for all properties owned by the Council. The information from this exercise will be used to prioritise future maintenance expenditure and asset holdings and allow a detailed, long term plan of property repairs, maintenance and asset sales to be established. This maintenance plan will be factored into the Council's future capital budget proposals and any proposed asset sales will be factored into capital receipt projections.

5.1 Uncommitted Capital Resources

In addition to the £12m new borrowing detailed above the Council is aware of the following funding sources that are not currently committed within the current budget proposals.

- Business Rates pool dividends and surpluses
- Business Rates refunds (from successful appeals lodged against the 2010 rateable values of Council owned properties)
- Commercial return on the loan for the Sands Waterpark
- Residual monies freed up from a review of operational reserves

- One off Treasury management savings
- Future capital receipts

The monies available from the above sources will be utilised to develop a robust, long term capital investment strategy from 2018 onwards. The capital investment strategy will integrate with the revenue budget projections as well as the Property Asset Management Plan, the Commercial Investment Strategy and the Priority Projects Plan, which are all currently being developed and drafted. The establishment of a more robust capital investment strategy should ensure that capital resources are utilised in a planned and structured way and provide funding to take forward priority schemes that will deliver the Council’s longer term strategic priorities and objectives.

The Capital Strategy will be subject to further reports to Members during 2018.

CAPITAL EXPENDITURE PROPOSED FOR INCLUSION IN 2018/19

SCHEME	DETAIL	SBC CONT £'000
Feasibility pot to develop priority capital projects	This budget will provide funding to take forward feasibility works for priority capital projects prior to specific capital sums being made available for the schemes. Examples of expenditure might include, but is not restricted to, the development of business cases for schemes such as improvements to Peasholm Park, enhanced beach chalet provision, business planning for Whitby and Scarborough harbour etc.	100
Extension at Crematorium for additional office space	The existing office accommodation at Woodlands Crematorium does not provide any privacy to hold confidential, private or sensitive discussions with either customers or staff. The current configuration means that members of the public have direct access to all areas of the main office. It is not uncommon for staff to have to temporarily stop meetings with customers and relocate to another area. This has become very challenging, a source of embarrassment, looks unprofessional and can be perceived as discourteous. The provision of an extended (segregated) office space, dedicated to hold regular staff and customer meetings, would remove the operational challenges mentioned above and provide a much improved image of the service.	37
Dock End Paving	Dock End is a heavily pedestrianised area and is poorly surfaced in 'Indian' stone. The site requires temporary repairs on a continuing basis and is proving difficult to adequately maintain. A number of accidents (trips and falls) have occurred, and continue to occur in the area, which have resulted in numerous claims against the Authority. The proposal is to repave the whole area in new / reclaimed Yorkstone to both improve the appearance of the area but, more importantly, ensure the surface is fit for purpose to reduce the ongoing risk to pedestrians and the Authority. There are cheaper options available (using a flexible bitumen base and coating with resin or a combination of this with the Yorkstone) but the area has significant footfall with both residents and visitors and it is felt important that the surfacing is robust in nature to deal with the level of use it	

	attracts and also to ensure it is aesthetically attractive and visually appropriate within the Whitby Conservation Area. Whilst resurfacing works do not require planning permission, the Council's Conservation Officer has previously advised on the use of Yorkstone paving and has further advised that if any move away from resurfacing in stone were to be considered this should be the subject of public consultation and liaison with Historic England.	200
• Whitby 3G Pitch Development	The Playing Pitch Strategy (2013) identified that the Borough of Scarborough required 3½ 3G pitches to satisfy the demand for football. The ½ pitch is on the Scarborough TEC site (Filey Road), the Sports Village has a full size pitch and the potential refurbishment of the pitch at Pindar will provide another full size pitch. Whitby was strategically identified as the location for the remaining pitch but, at the time, no specific site was identified. There is a sand based astro turf facility at Caedmon College Whitby, which hosts both football and hockey and a new pitch would complement this existing facility and also allow for the further development of hockey. The delivery of a full size 3G pitch in Whitby will have daytime curriculum use, community access on an evening and training and match play opportunities on a weekend. The pitch will also have a positive effect of football / sports development within the local area and assist clubs with player development and retention Whilst total costs are expected to be £600k, the majority of the funding has already been identified: • £350k – Football Foundation Grant and Eskdale School • £133k – Section 106 receipts (Sneaton Castle and Eskdale Park) • £34k – unallocated capital receipts (ringfenced for Eastside Open Spaces and Larpool playing field project) Eskdale school will maintain the facility and therefore there will be no on-going revenue implications.	85
• Contribution to Filey Sports Facilities (Phase 3)	Phase 1 of this project was the refurbishment of the existing tennis hard courts. This has been completed and was fully funded by the Ebor Academy. Phase 2 of the project is the refurbishment of the former swimming pool building and conversion to a Sports Hall for the use of the school but also available for community use outside of school hours.	

	Phase 3 of the project is the construction of an extension to the Phase 2 building to contain a Fitness Suite and Dance Studio. This area would predominantly be for the use of the community but also available to the school to hire. A £130k capital receipt from the sale of Southdene has been allocated to Phase 2 of the project and a bid for external funding has been submitted to Sport England by Ebor Academy. This additional £200k contribution is to progress phase 3 if sufficient funding can be secured to complete the project. Phase 2 is not expected to progress without a viable business case for phase 3. At present it is not known if this project will progress but earmarking the monies will allow the business case to be progressed with the certainty that the money will be available if required. Should this project not have progressed by July 2020 then the monies will be reallocated to a new project as part of the 2021 Financial Strategy.	200

PARISH	Tax Base adjusted for non collection
AISLABY	149.35
AYTON EAST	594.21
AYTON WEST	361.35
BARNBY, ELLERBY & MICKLEBY	121.16
BORROWBY, ROXBY, NEWTON MULGRAVE	80.60
BROMPTON	221.00
BURNISTON	589.50
CAYTON	892.33
CLOUGHTON	284.75
DANBY GROUP	695.78
EASTFIELD	1,245.01
EGTON	210.12
ESKDALE CUM UGGLEBARNBY	994.70
FILEY	2,980.44
FOLKTON	185.37
FYLINGDALES	683.32
GLAISDALE	471.60
GOATHLAND	231.46
GRISTHORPE & LEBBERSTON	227.93
GROSMONT	153.02
HACKNESS & HARWOOD DALE GROUP	209.49
HAWKSER CUM STAINSACRE	278.39
HINDERWELL	799.91
HUNMANBY	1,120.89
HUTTON BUSCEL	141.74
HUTTON MULGRAVE & UGTHORPE	96.47
IRTON	135.62
LYTHE	259.12
MUSTON	122.51
NEWBY & SCALBY	3,660.73
NEWHOLM CUM DUNSLEY	110.09
OSGODBY	473.52
REIGHTON	149.09
SEAMER	1,470.06
SNAINTON	374.94
SNEATON	76.91
STAINTONDALE	141.07
WHITBY	4,850.31
WYKEHAM	96.93
SCARBOROUGH	12,066.07
TOTAL	**38,006.85**

Risk Matrix

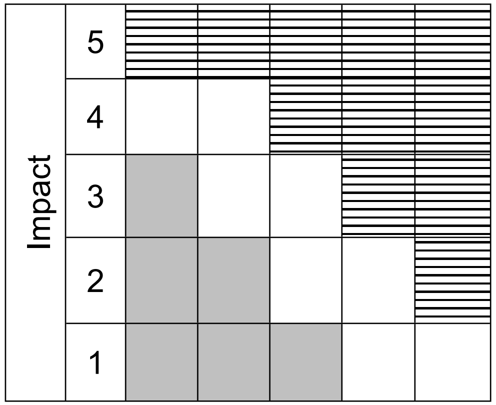
Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/ Responsible Officer	Action Plan
1	January 2017	That the Council does not set a robust budget	Potential overspends and unforeseen draws from reserves.	Review of savings proposals to ensure that they are achievable. Regular programme of budget monitoring Responsibility for achieving savings allocated to members of the Senior management team. Transformation Team and Board governance structure	B4	B4	Director of Business Support / Corporate Finance Manager / Chief Executive	None
2	January 2017	That the Council's medium to long term budget provision is not sustainable	Cuts in front facing and priority services	Strong Financial Strategy and embedding of a 5 year Medium Term Financial Plan which identifies savings targets at an early stage. Transformation Programme	D4	D4	Director of Business Support / Corporate Finance Manager / Chief Executive	None
3	January 2017	That capital resources are overcommitted	Increases in the required levels of borrowing	Long term capital plan Capital contingency Reserve	B4	B4	Director of Business Support / Corporate	None

Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/ Responsible Officer	Action Plan
			Increased pressure on the revenue budget				Finance Manager	

Glossary of Terms

Risk	An event which may prevent the Council achieving its objectives
Consequences	The outcome if the risk materialised
Mitigation	The processes and procedures that are in place to reduce the risk
Current Risk Score	The likelihood and impact score with the current mitigation measures in place
Corporate Objectives	An assessment of the Corporate Objectives that are affected by the risk identified.
Target Risk Score	The likelihood and impact score that the Council is aiming to achieve
Service Unit Manager	The Service Unit or Officer responsible for managing the risk
Action Plan	The proposed actions to be implemented in order to reduce the risk to the target score

Risk Scoring



		A	B	C	D	E
		Likelihood				

Likelihood:
A = Very Low
B = Not Likely
C = Likely
D = Very Likely
E = Almost Certain

Impact
1 = Low
2 = Minor
3 = Medium
4 = Major
5=Disaster