

	REPORT TO CABINET TO BE HELD ON 17 NOVEMBER 2015	
	Key Decision	Yes
	Forward Plan Ref No	3
Corporate Priority - ALL	Cabinet Portfolio Holder	Cllr. Helen Mallory

REPORT OF THE DIRECTOR (NE) – 15/303

WARDS AFFECTED: ALL

SUBJECT: FINANCIAL MONITORING TO SEPTEMBER 2015 (2nd QUARTER)

RECOMMENDATION (S):

Cabinet is recommended to:

- i) Note the report and in particular that:
 - Despite the setting of an extremely challenging budget and, despite lower than expected levels of income in some areas, a year end surplus will be achieved.
 - The majority of income targets are being achieved but shortfalls will occur at the Open Air Theatre.
 - Although a current year surplus is positive news it can be attributed to areas which are one-off in nature. There are a few problem areas that need to be addressed during the year to ensure that they do not cause budget growth in future years.
 - The capital programme continues to operate within the overall parameters set in terms of contingency levels.
 - The Capital Development Reserve is overcommitted over the ten year period however this is expected to be addressed in the short term through slippage in capital expenditure. The target is to address this shortfall over the short to medium term. All other reserves are in line with their parameters and are considered adequate.
 - £40,000 of the anticipated year end surplus has already been earmarked towards funding the 2016 Tour de Yorkshire event. Any other surplus generated will be transferred to the Capital Development Reserve to address the shortfall outlined within the report.

ii) Accept the following grants:

- £40,000 (£25,000 from NYCC Stronger communities and £15,000 from Scarborough and Ryedale Clinical Commissioning Group) to support the development of five Community Well Being Hubs at locations across the Borough.
- £78,000 (£60,000 from Welcome to Yorkshire, £8,000 from Ryedale District Council and £10,000 from the North York Moors National Park) to support the delivery of a Local Area Office marketing campaign for 2015/16.

REASON FOR RECOMMENDATION(S):

To provide information relating to the Council's financial performance for the 2015/16 year.

HIGHLIGHTED RISKS:

There are risks in respect of financial matters, primarily in respect of potential additional costs or underachieved income. These risks are mitigated by the monitoring procedures that are in place throughout the Council.

1. INTRODUCTION

- 1.1 The Council is committed to a strong financial management culture that underpins the focus on continuous improvement. Regular monitoring of the Council's capital and revenue budgets, income collection and recovery of arrears, and level of reserves are key components of the performance management framework.
- 1.2 This report covers the first six months of the 2015/16 financial year from April to September 2015. It is important that all the data included within this report is carefully considered if we are to continue to embed the culture of continuous improvement within the organisation.
- 1.3 The information contained within the appendices is derived from the same information that is delivered to managers desktops on a monthly basis and it is hoped that this consistency will aid the understanding and further embed the budget monitoring process across the authority.
- 1.4 The report covers the following areas:
 - Financial Performance – Revenue Budget
 - Financial Performance – Capital Budget
 - Grants
 - Reserves
 - Income Collection and the Recovery of Arrears

2. CORPORATE AIMS/PRIORITIES AND THE COMMUNITY PLAN

2.1 The Council's capital and revenue budgets cover all Corporate Objectives.

3. BACKGROUND AND ISSUES

3.1 Financial Performance – Revenue Budget

3.1.1 The Council's revenue monitoring process concentrates on areas that are categorised as high risk due to their size, volatility or previous year's outturn. This report summarises all areas of concern and budgetary surpluses that are anticipated for the year, which have been identified through the budget monitoring exercise.

Appendix 1 of this report outlines in greater detail, by Directorate responsibility, the key areas that are reviewed as part of the monitoring process. The first section outlines key areas of income, the second salaries and wages and the third other areas across the authority which, by their nature, are deemed to be high risk. The following paragraphs consider each of these areas in turn.

3.1.2 Sales, Fees and Charges and External Rents (net of direct costs)

Sales, fees and charges and external rents (net of direct costs) have a full year budgetary target of £14.7m (excluding income associated with the Whitby Harbour Board core activities). Various factors can affect income levels and therefore they are closely monitored during the year. The current year end forecast anticipates a £202k shortfall against budget (excluding Whitby Harbour Board core activities).

The table below outlines this income by Directorate and the notes provide further information where material year end surpluses or deficits are expected. **Appendix 1** of this report provides additional information to accompany this summarised data.

Director	Appendix	Note	Year to Date			Year End Forecast £k
			Actual £k	Budget £k	Surplus/ (Deficit) £k	
Chief Executive	1.1		(22)	(16)	6	-
Deputy Chief Executive	1.2		(5)	(4)	-	-
Director (Nick Edwards)	1.3	1	(3,149)	(2,972)	177	92
Director (Lisa Dixon)	1.4		(371)	(357)	14	-
Director (Trevor Watson)	1.5	2	(6,022)	(6,258)	(236)	(295)
Corporate	1.6		-	-	-	-
Total excluding Whitby Harbour Board			(9,568)	(9,606)	(38)	(202)
Whitby Harbour Board Car Parking	1.7	3	(663)	(712)	(48)	-

Total effect on Council's General Fund			(10,232)	(10,318)	(87)	(202)
Whitby Harbour Board Harbour Activities	1.7	3	(668)	(644)	24	(27)
Total Sales, Fees and Charges and Rents			(10,899)	(10,962)	(63)	(229)

1. Director (Nick Edwards)

Court costs

On 30 April 2015 the judgement in a High Court case which concerned the legality of the process undertaken by the Magistrates to award the Council costs against a charge payer for non-payment of Council Tax resulted in a review of Scarborough Borough Council's process.

Scarborough Borough Council has followed the advice given by the Judge in this case and as a result is now requesting a reduced amount of costs for each Council Tax liability order. The Council previously had £100 costs approved by the Magistrates but is now requesting £60 costs. The costs requested for a Business Rate liability order remain unchanged at £130 per case. This will result in a shortfall to budget of £82k.

Rental Income

The Council's rental portfolio continues to perform well and the majority of Council premises are currently let. Recent rent reviews have increased the income from the portfolio and a surplus of £54k is expected.

Credit Card Charges

The 2015/16 Financial Strategy included a saving of £20k from the introduction of credit card charges for some transactions. This additional charge has not been introduced by the Council yet and therefore is only expected to deliver income of £10k this year, (a shortfall of £10k to budget).

The Council is only able to pass on the costs that it incurs in processing card payments and an EU directive has recently changed the charging structure levied by card providers. Whilst some of these changes to the charging structure have already been reflected in the Council's billing some will not be amended until November. The introduction of charges will not therefore be introduced until the revised charges are known.

Refuse

Recycling credits relating to 2014/15 are expected to be higher than anticipated and that will lead to additional income of £168k this year. This is partially offset by reduced trade waste income (£60k).

2. Director (Trevor Watson)

Tourist Information Sites

Net income from TIC sites has been an issue over the last few years however it is pleasing that a change in focus has reversed this trend and that budget is expected to be achieved this year.

Cemeteries and Crematoria Income

The service continues to hold market share within the area however capacity is running out for burial plots at Woodlands, Whitby and Filey cemeteries. Due to the shortage, it is not currently possible to reserve graves at Whitby and it is likely that the same will happen at Woodlands shortly. Additional suitable land is being sought but in the meantime this is likely to have a detrimental effect on income targets.

Indoor Market

As expected, occupancy rates have fallen in recent months in the run up to the refurbishment of the Indoor Market (15/135). This will continue to be closely monitored however, at present, is in line with the original assumptions.

Open Air Theatre

Net income at the Open Air Theatre is expected to be around £255k lower than budget, (including cost underspend reported within section 3.1.4 of this report).

This year twelve concerts were booked for the OAT, which is greater than any previous year since re-opening although some of the shows were not as well attended as anticipated. Alongside the concerts 'Free Summer Shows' were once again provided during the main school holiday period, these proved to be hugely successful with well in excess of 600 people attending each event.

It is important to note that over 44,000 people attended one of the shows at the theatre this year many of whom were from outside the Borough and therefore the economic benefit to the Borough as a whole is significant. In addition this year the venue was hired to an outside promoter for one concert (Tom Jones). Following the huge success of this hire, it has recently been agreed that Cuff and Taylor will programme and produce events at the venue from 2016/17 (for a period of 5 years). This arrangement will significantly reduce the financial risk to the Council.

3. Whitby Harbour Board

Income generated from Whitby Harbour assets is the responsibility of the Whitby Harbour Board and does not therefore directly affect the Council's general fund balance. The Harbour Board have reserves in place to meet income shortfalls and, when appropriate, these will be utilised to fund any shortfalls for Harbour related activities.

The Council have, to date, agreed to fund shortfalls relating to car parking since the inception of the Board. With other car parks outperforming their

target in recent years, the income has been re-profiled across them reducing the targets for car parks within the Whitby Harbour remit and increasing those at other sites. The reduced targets at Whitby Harbour car parks this year are currently expected to be achieved.

3.1.3 Salaries and Wages

The Council is budgeted to spend nearly £20m on salary and wages this year and therefore these costs are monitored closely. The table below outlines the costs by Directorate and the notes provide further information where material year end surpluses or deficits are expected. **Appendix 1** of this report provides additional information to accompany this summarised data.

Director	Appen -dix	Note	Year to Date			Year End Forecast £k
			Actual £k	Budget £k	Surplus/ (Deficit) £k	
Chief Executive	1.1	1	576	591	15	14
Deputy Chief Executive	1.2	2	556	544	(12)	32
Director (Nick Edwards)	1.3		3,589	3,647	58	10
Director (Lisa Dixon)	1.4	3	1,200	1,229	29	33
Director (Trevor Watson)	1.5	4	3,239	3,267	28	25
Corporate	1.6		2,105	2,122	18	0
Total excluding Whitby Harbour Board		5	11,265	11,400	135	114
Whitby Harbour Board	1.7		230	233	4	0
Total Salaries and Wages			11,494	11,633	139	114

1. Chief Executive

The forecast underspend is due to vacant posts / reduced hours within the Human Resources team. These have now been filled on a temporary basis and on-going requirements will be assessed once phase 2 of the payroll project (self-service) is implemented.

2. Deputy Chief Executive

A delay in implementing a restructure agreed as part of the 2015/16 budget has caused additional costs in the first couple of months of the year but this has now been implementing this. Offsetting this is an expected saving in the final four months of the year following the resignation of the Council's Deputy Chief Executive.

3. Director (Lisa Dixon)

Forecasted salary saving due to reduced hours being worked within the Benefits service (£15k) and a vacant post within the Admin unit (£10k).

4. Director (Trevor Watson)

Following the transfer of the TIC sites to the Tourism service, shift patterns (particularly those at Harbourside TIC) are now being covered by Tourism Bureau staff. This has led to a reduction in spend (£8k) in the first four months of the year and this may improve further as the year progresses.

This position is improved further by reduced hours in planning (£8k) and a vacant post within Environmental Health (position recruited but awaiting officer to commence employment).

5. Other Areas

It is usual for forecast salary savings to increase as the year progresses. Vacant posts and turnover of staff, along with 2016/17 budget savings which may be implemented early, are all reasons as to why the position may improve this year.

3.1.4 Other High Risk Areas

This section highlights any other areas of concern and budgetary surpluses that are anticipated in the year, which have been identified through the budget monitoring process. These areas are categorised as high risk as a result of their size, volatility or previous years' outturn. Items will also be added to this section as the year progresses if the financial monitoring outlines any material in year shortfalls or surpluses. These items are outlined in the table below:

High Risk Area	Note	Year to Date			Year End Forecast £k
		Actual £k	Budget £k	Surplus/ (Deficit) £k	
Homelessness – B&B accomm	1	54	95	41	-
Business Rates	2	1,014	955	(59)	
Interest Receivable	3	(67)	(35)	32	50
Capital Salary Recharges	4	(175)	(179)	(3)	(8)
Property Repair Fund (total annual budget £629k)	5	40	10	(30)	-
Grounds Maintenance (Highways Hardstanding)	5	82	324	242	-
Grounds Maintenance (Coast Protection)	5	139	400	261	-
Contingency Budgets	6	-	105	105	41
VAT Mitigation	7	-	200	200	200
Utilities (Gas, Electric and Water)		354	376	23	-
Vehicle Repairs & Fuel	8	407	416	9	12
Council Tax Benefit (prior to 2013/14)	9	(22)	0	22	22
Housing Benefit (costs net of subsidy)	10	29	81	52	60
Audit Fees		1	18	17	18
2014/15 Saving not yet achieved -					
Bin Only Garden Waste Collection	11	-	(18)	(18)	(18)
Procurement Savings	12	-	(28)	(28)	(28)
Other Areas (net) Identified by Budget Managers	13	242	394	152	93
Total (excluding Whitby Harbour Board)		2,098	3,116	1,018	442

High Risk Area	Note	Year to Date			Year End Forecast £k
		Actual £k	Budget £k	Surplus/ (Deficit) £k	
Other Areas (net) Identified by Budget Managers – Whitby Harbour Board		8	5	(3)	21
Total		2,106	3,121	1,015	463

1. Homelessness

Whilst overall demand for the Council's housing options and homelessness service remains high, (and has in recent years been steadily increasing), the Council's spending in this area has reduced slightly in recent years. The reduction in expenditure can be attributed to a number of factors including the replacement of bed and breakfast with more affordable forms of temporary accommodation, the continued emphasis the Council and its partners place on homeless prevention and the maximisation of potential income through housing benefit subsidy.

Whilst expenditure is lower than budget to date, the service is aware of potential additional costs towards the end of the year and therefore the outturn is expected to be in line with budget.

2. Business Rates

Business rate expenditure is currently higher than expected following upward rating assessments on some of the Council's assets over the last couple of years. Council officers believe some of these assessments to be inconsistent and have engaged Storeys Edward Symmons to challenge them on behalf of the Council.

A number of appeals have been submitted and a couple of these have been settled in the Council's favour. This has led to one-off savings during the year of £52k which has helped reduce the in year overspend.

Both of the settlements to date have no impact on the future ratings and therefore will not help address the underlying shortfall on the budget but it is envisaged that future appeals will.

A forecast year end shortfall has not been included within this report since it is expected that appeals settled in the remainder of the year will address this.

Whilst there is a risk that the Valuation Office will not review the outstanding appeals until 2016/17, or that they may not deem a rating reduction to be appropriate, it is currently assumed that there will be no overspend by the year end.

3. Interest Receivable

Despite a low interest rate environment, interest receivable is higher than target due to larger than expected cash balances with which to invest. These higher cash balances are due predominantly to borrowing funds for both the

leisure village and waterpark in advance of the monies being required to take advantage of low interest rates.

4. Capital Salary Recharges

Capital and Procurement recharges are expected to be higher than target due to more officer time being spent on capital schemes.

Legal Services continue to spend less time on capital projects than expected and therefore their recharges are expected to be £20k lower than budget this year. This position may improve if timesheets not yet submitted identify time being spent on capital schemes. With this being a recurring issue, this will continue to be closely monitored during the remainder of the year.

5. Property Repair Fund and Grounds Maintenance

Whilst the actual spend to date over the three areas is below budget, it is envisaged that all of this money will be spent on essential repairs during the remainder of the year.

6. Budget Contingencies

As part of the budget setting process it was noted that inflationary pressures and the general state of the economy would exert pressures on many areas of the council during the year. A contingency of £200k was therefore included within the 2015/16 budget proposals and, in addition, some of the monies provided within the 2014/15 budget for the same purpose were still available for allocation.

£74k has not yet been committed and £50k of this is not expected to be required. It has therefore been included as an underspend within this report and will also be included as a budget saving within the 2016/17 budget setting process. It is envisaged that the remaining £24k will be allocated during the second half of the year.

In addition to the above, a £31k saving has been made in the year by prepaying the backfunded element of the pension scheme. Whilst officers were aware of this when the budget was set, the pension scheme actuaries have only currently agreed to this for a three year period (currently in year two) and therefore it is not an on-going saving. The £31k has therefore not been earmarked and is included as a one-off saving this year.

Partially offsetting the above is the earmarking of £40k towards the costs of the 2016 Tour De Yorkshire. When Full Council approved (15/245) a £40k draw from the General Fund to fund Scarborough's inclusion in the event it was too early to determine whether a year end surplus would be achieved. With this now being likely, these costs will be funded through this year's revenue budget.

7. VAT Partial Exemption

Local Authorities can normally recover all VAT that they incur on expenditure under the special partial exemption regime for 'Section 33 bodies'. This is on the condition that VAT on costs relating to exempt business activities (e.g. cremation services, some sports facilities, some harbour facilities) is not more than 5% of all VAT incurred (input VAT). If the limit is breached, the VAT on

all costs relating to exempt activities (approximately £200k) becomes payable to HMRC.

Several factors affect the partial exemption calculation, particularly the levels and type of capital expenditure incurred during the year. For the year ended 31 March 2015 the council's partial exemption level (excluding capital spend at the crematorium, the effect of which was outlined in the previous monitoring report) was 3.57% which is lower than the 2013/14 outturn of 4.68%. This reduction is principally due to lower capital spend on sites generating exempt income.

On 7 September Council agreed (15/246) to the outsourcing indoor leisure facilities from 1 October 2015. As indoor leisure facilities generate relatively high proportions of exempt income this decision has significantly reduced the risk of a breach occurring.

Following the outsourcing, the Council's base annual position (with minimal spend on assets generating exempt income) is between 3.25% and 3.50%, however investment in venues generating VAT exempt income could cause the limit to be breached and will continue to be carefully managed.

8. Vehicle Repairs and Fuel

The previous report highlighted an expected overspend on vehicle repairs and fuel of £100k. This has been an issue over the last few years and, despite purchasing a number of new refuse freighters which should have reduced repair spend, doesn't look like it is rectifying itself. With this looking like a base budget issue, £100k of the Council's contingency budget has been used to address this overspend and bring the budget back in line with actual spend.

The Council has engaged an external consultant to review the service and the outcome of this will be assessed shortly. It is hoped that the outcomes will allow some reductions in expenditure and, should this occur, then savings will be put forward accordingly. In addition, the cost of fuel has recently fallen and, if this continues, should deliver reduced costs in the remainder of the year.

The £12k saving identified relates to reduced expenditure on vehicles specifically funded through the Home Improvement Agency which is a joint working arrangement with Ryedale District Council.

9. Council Tax Benefit

Council Tax Benefit (CTB) was replaced in 2013/14 by the Localised Support for Council Tax Scheme (LSCT). The major difference between these schemes is that the CTB scheme was fully funded by Central Government whereas the LSCT is funded through a fixed grant with any over or under spends being the responsibility of local authorities.

During 2015/16 transactions are still being processed that relate to 2012/13 (and earlier) and to the CTB scheme. Whilst in the past this scheme was

funded centrally, any transactions relating to the scheme from 1 April 2013 will become the responsibility of the local authority.

To date in 2015/16 £22k (net) of benefit has been reclaimed from local residents as a result of backdated changes to their claims. As the year progresses, changes are going to become less frequent and whilst the £22k outlined above will have a direct benefit to council resources, this is unlikely to recur in future years.

10. Housing Benefit (costs net of subsidy)

Collection of housing benefit debt improved significantly during 2013/14 and 2014/15 and this was particularly encouraging given the economic climate and recent changes to the benefits system. This was largely driven by the introduction of new working practices within the recovery section and the introduction of Direct Earnings Attachments (allowing payments to be recovered directly from claimants employers). With the improved collection rates expected to continue, a saving of £40k was included within the 2014/15 budget proposals and an additional £57k was included in 2015/16.

Given the above, it is pleasing that a surplus (£60k) is once again expected this year. Development of the monitoring processes for this complex area will continue and, where practical, will be used to ensure that subsidy gap is reduced and that the net cost to the Council of the scheme is minimised. Where officers are confident that savings are long-term they will also be included within the budget setting process.

11. Bin Only Waste Collection

Changes to the garden waste collection system were not introduced due to on-going work developing a proposal to move from bin only collection to a fully chargeable garden waste service.

Cabinet having recently approved a chargeable service for 2016/17 although this decision has been 'called in'. An urgent scrutiny meeting has been scheduled with a view of returning the outcome of the 'call in' to Cabinet as part of this meeting.

This saving will be reviewed once a final decision has been reached regarding the proposed chargeable service.

12. Procurement Savings

As part of the budget setting exercise for 2014/15 the procurement team were tasked with identifying £40k of savings from existing contracts. The team have worked hard to deliver savings however, during the initial part of the year, these were predominantly against specific savings outlined within the budget proposals.

Additional savings have now been delivered relating to fuel and cleaning materials and these will deliver full year savings of £17k. The team are now working to deliver the remainder of this saving and whilst it is hoped that this

will be delivered in 2015/16 it will be included as a projected overspend until full details are received.

13. Other Savings (net) Identified by Budget Managers

The table above outlines an additional £93k (net) of in year savings. These include:

- £29k – one-off grants from DWP for changes to the administration of housing benefit.
- £13k – one off payment from DCLG for New Homes Bonus Returned Funding (national underpayment returned to Councils)
- £37k – of ICT licence and telephony / comms costs including Idox Corporate Workflow licence costs (included as growth in 2015/16 budget) not required as system not yet implemented

3.1.5 Revenue Impact of Leisure Village and Waterpark

As part of the 2015/16 budget, revenue budgets were created for repayment of the borrowing and the associated interest on both the Leisure Village and the Waterpark. As reported in the previous report, these budgets are no longer required in their entirety in the current year and the unrequired budget has been transferred to the Capital Development Reserve to reduce the overcommitted balance.

3.1.6 Revenue Budget Summary for 2015/16

The overall revenue forecast (see table below) shows that a £354k year end surplus is expected. Although this appears to be positive news, the 2015 Financial Strategy set out that prudent levels of contingency budgets were retained within the 2015/16 budget and it should be noted that this surplus includes £409k savings from one-off items that will not recur in future years (income from recycle income and the non-utilisation of the VAT partial exemption contingency budgets).

Whilst the headline outturn figure is therefore showing a surplus, the underlying position this year (excluding contingency budgets) is a shortfall.

The 2015/16 budget provided growth for a number of areas of budgetary concern. There were however some areas where growth was not provided and service management committed to resolve any shortfall this year. Monitoring to date suggests that the following areas have been / are being addressed:

- Income at Tourist Information Sites – now on target
- Planning Income – now on target
- Off-street parking at Whitby Harbour – now expected to be on target following the re-profile across all carparks of budgets
- Business Rates on Council owned properties – rating appeals submitted and savings expected to cover overspend

The areas below are still a concern and require additional reviews during the year

- Income from Trade Waste – still behind target but gap closing and new staffing resource seems to be increasing income generated
- Staffing costs at Outdoor Leisure sites
- Legal Services Capitalised Salaries – shortfall once again expected in 2015/16 and there is therefore still an underlying issue.
- Bin Only Garden Waste - saving not yet implemented (see Section 3.1.4.11)

Whilst the headline outturn figure is therefore showing a small surplus, the underlying position this year (excluding contingency budgets) is a shortfall.

The anticipated year end surplus of £354k is generated as follows:

Budgetary Area	Report Section	Budget Surplus / (Shortfall)	
		30-Sept-15 £k	Year End Forecast £k
Sales, Fees and Charges and External Rents	3.1.2	(87)	(202)
Salaries	3.1.3	135	114
Other Areas	3.1.4	1,018	442
			354

The above surplus can be broken down by Directorate as follows:

Directorate Responsibility	Surplus / (Deficit) £k
Chief Executive	26
Deputy Chief Executive	62
Director (Nick Edwards)	108
Director (Lisa Dixon)	14
Director (Trevor Watson)	(242)
Corporate	386
354	

3.2 Financial Performance - Capital Budget

3.2.1 **Appendix 2** sets out detailed information in relation to areas identified in the capital monitoring process and schemes with a value of above £250k.

3.2.2 Completed schemes

The following schemes can now be reported as completed.

Scheme	Actual	Budget	Variance	Impact on SBC
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	£k	£k	£k	Resources £k
Cell 1 Sediment Transport Study	150	150	-	-
Holiday Accommodation – Whitby Old Harbour Offices	103	95	(8)	(8)
Whitby Beach Chalet CCTV	17	21	4	4
Total	270	266	(4)	(4)

Cell 1 Sediment Transport Study

The objective of this study was to improve our understanding of the sediment transport processes between St Abbs Head in Scotland and Flamborough Head in the East Riding of Yorkshire. Understanding the sediment processes is important as the actions in one area of the coast can be considered in relation to the effect they may have on other areas.

During the course of the study the sedimentological character of the sea bed and shore was investigated. The study found a limited number of bed forms and that a somewhat limited bedload transport potential exists.

The principle finding of the study was to confirm that the present scope and frequency of beach inspection, measurement and surveying that is undertaken as part of the Cell 1 Strategic Monitoring Programme, is in the main, suitable for describing the characteristic changes in morphological behaviour of the frontage within Cell 1, while being proportionate to the nature of the risks from erosion or sea flooding that are present.

Holiday Accommodation – Whitby Old Harbour Office

This scheme was established with the aim of creating 4* holiday accommodation through the conversion of the former Harbour Offices in Whitby.

The original budget for the scheme was established at £60k funded on an Invest to Save basis. In addition approval was granted for the disposal of an adjacent property with the proceeds utilised to partially offset the cost of the refurbishment works.

The budget was revised to £95k in June 2014 (ref 14/170) to allow the accommodation to be fitted out to a 5* standard which sleeps up to eight people as opposed to the original plan of six. The costs to refurbish and fit out the premises were therefore increased to implement a much higher specification of furniture and fixtures and fittings.

Final costs for the refurbishment and conversion total £103k, being £8k higher than budget. Allocations have been made within the Councils current property maintenance budgets for the completion of the works.

Although the amount funded on an Invest to Save basis has increased officers still believe any outstanding borrowings will be repaid within the original 10

year period. Surveys on the adjacent property are currently being assessed with the view to disposal. Any capital receipts from this sale will go directly to reducing the outstanding borrowings on the scheme.

Whitby Beach Chalet CCTV

The Council contracted external suppliers at £15k per annum to carry out security provision around the site of the Council's chalets throughout the summer months.

These works were to introduce a system of monitoring through CCTV in line with similar areas across the Borough, resulting in significant savings to the council's budget. It is pleasing to report that this system has been installed at a total cost £4k under budget.

Summary of impact

Overall the completed schemes have led to additional costs of £4k against budget. The Cell 1 Sediment Transport Study was 100% funded through the Environment Agency, while the Holiday Accommodation scheme was funded on an Invest to Save Basis. The higher costs incurred on the Holiday Accommodation scheme have been funded through the Council's revenue maintenance budgets and therefore do not impact capital resources. The savings made against budget on the Whitby CCTV schemes does however provide a direct benefit. This saving will be retained within the Capital Development Reserve.

The Financial Strategy highlighted that the Capital Development Reserve showed an overdrawn balance, and subsequently committed to a reduction in the overdrawn balance to at least £500k by 31 December 2015.

The current projected overdrawn balance on the Capital Development Reserve stands at £566k and this does not include outlined £17.668m of unfunded infrastructure and asset management works outlined within the 2015 Financial Strategy.

Given the above, any year surplus generated in 2015/16 will be transferred to the Council's Capital Development Reserve to start to address this shortfall.

3.2.3 Capital receipts

A general level of capital receipts are anticipated each year and are built into the Council's capital strategy together with any specific disposals where appropriate. These levels of receipt must be generated in order to balance the Council's capital budgets.

The capital receipts target relating to specific disposals for 2015/16 is £880k. This figure includes disposal values for Stakesby Depot and Holly Tree Nursery, Weydale cottages and land at Helredale Gardens and St Peter's Road, Whitby.

To date the monies for Weydale Cottages (£100k) and the Land at Helredale Gardens and St Peters Road (£380k) have been received and these are in line with budget.

In addition a general level of receipt is incorporated within the Councils capital budgets. These general receipts relate to the disposal of assets unidentified at the start of the year and are currently budgeted at £291k in the year.

General capital receipts to date total £196k. In addition the Council has also received 10% deposits for 2 additional land disposals. In order to be prudent and avoid the over commitment of resources these values will not be included until completion of sale has taken place.

In addition, £2,659k has been received from land sales at Weaponess to the University Technical College and Coventry University in relation to the Leisure Village development.

3.2.4 Section 106

The Council holds monies received under the terms of Section 106 of the Town and Country Planning Act 1990. These monies are received as contributions towards various infrastructure projects throughout the Borough.

Under the terms of some agreements, particularly transport, the obligation exists under the request of the County Council. In these cases the County Council is responsible for the scheme of investment although Scarborough Council receives and administers the funds. There is currently £4k worth of outstanding obligations owed to the Council.

Of the £1,966k current obligations, a total of £397k has not yet been allocated to specific schemes. A working group, consisting of Officers from planning, finance, housing and parks continue to discuss potential schemes, monitor the progress of schemes and ensure the Council continues to meet its legal obligations in respect of allocating s106 monies.

Agreement Type	Value of Agreements £'000	Outstanding Balances £'000	Uncommitted Balances £'000
Affordable Housing	611	4	350
Education	380	-	-
Middle Deepdale	187	-	-
Off-site Open Spaces	130	-	47
Transport	501	-	-
Off Site Agreements	1,809	4	397
On Site Agreements	157	-	-
Total Agreements	1,966	4	397

Proposed Schemes

There are currently no new Section 106 funded schemes for approval.

Adjustments from Previous Report

The following agreements have been added since the previous financial monitoring report (15/244) and have either been approved through separate reports or are monies available for County Council schemes.

Manham Hill - £22k

Following the development at the Manham Hill Garage site approval has been granted (ref 15/166) to utilise £21,795 of related section 106 funding in order to develop a new play facility. The scheme, to address the deficiency in children's play provision in the area, has also attracted external funding totalling £16,300, resulting in total funding of £38,065

West Garth Cayton - £126k

The final instalment of the agreement has been received relating to the provision of education facilities. This agreement exists under the request of the County Council therefore, whilst the Borough Council receives and administers the funds, NYCC is responsible for allocating the investment.

Weaponess Valley Traffic Regulation Order - £20k

A non-standard sum has been received which is available to NYCC to monitor surrounding roads following the opening of the Coventry University Campus and introduce any Traffic Regulation Orders that may be required.

Helredale Pedestrian Crossing - £10k

The payment relates to a contribution from Yorkshire Coast Homes towards the provision of a new pedestrian crossing accessing the cinder track / Saint Peters Park in Whitby. These works will be carried out as part of the wider Eastside Community and Open Space Improvement Programme.

3.3 Grants

3.3.1 Revenue Grants

Community Well Being Hubs

This is a partnership project to invest in those communities that have an identified building that is / can be used as a hub of information, activity and support by their community. Hubs are informal settings that deliver or facilitate the delivery of services in such a way as to overcome the traditional barriers to engagement including distance, confidence, fear, and cost.

While all hubs should incorporate a level of digital access together with a programme of digital inclusion work, the range of activities and services will be tailored to local needs but is likely to include activities around social inclusion, activities that reduce isolation and bring people together, healthy lifestyle activities or localised and informal education and learning.

This will be funded by grants of £40,000, (£25,000 from NYCC Stronger communities and £15,000 from Scarborough and Ryedale Clinical Commissioning Group) together with one off funding of £10k from the existing service budgets (from additional income generated by the Customers and Communities Unit). Communities are invited to apply by the end of November and it is anticipated Hubs will be up and running by the end of March 2016.

Local Area Office Marketing Campaign

Grants of £78,000 (£60,000 from Welcome to Yorkshire, £8,000 from Ryedale District Council and £10,000 from the North York Moors National Park) have been offered to support the delivery of a Local Area Office marketing campaign for 2015/16. Service level agreements will be put in place with each of the organisations which will highlight the activity that needs to be delivered for the funding.

3.3.2 Capital Grants

There are no grants to accept as part of this report.

3.4 Reserves

3.4.1 Reserves form an important part of the Council's financial planning process and retaining an optimum level of reserves is integral to the budget setting process. The level of reserves are monitored throughout the year to ensure that they are on target and are deemed to be adequate, taking into account the risks identified in the budget monitoring process.

3.4.2 The criteria for assessing the adequacy of reserves are set out each year in the Council's Financial Strategy. The Capital Development Reserve is overcommitted over the ten year period however this is expected to be addressed in the short term through slippage in capital expenditure. The target is to address this shortfall over the short to medium term and, as outlined within this report, any year end underspend will be transferred into this reserve to reduce the overdrawn position. All other reserves are above the predetermined levels set out in the 2015 Financial Strategy and are considered to be adequate.

3.4.3 A review of reserves will be undertaken as part of the budget setting process for 2016/17 to ensure that balances earmarked for specific schemes are still relevant.

3.4.4 **Appendix 3** provides further details on the levels of individual reserves.

3.5 Local Taxation - Income Collection and the Recovery of Arrears

3.5.1 A range of targets has been set for measuring the collection of both the current year and the recovery of arrears for Council Tax and Business Rates. These include Best Value and Local Performance Indicators measured monthly and reported quarterly to Members

The main measures are:

- The percentage of Council Tax and Business Rates collected in-year.
- The percentage of debts from previous years collected since 1 April, for Council Tax and Business Rates.

3.5.2 The following table outlines the current year collection rates:

As at 31 October 2015	Actual % collected	Target % collected	Performance against target (%)
Council Tax	70.48%	70.82%	-0.34%
Business Rates	68.23%	68.30%	-0.07%

Both Council Tax and Business Rates current year collection is slightly behind target (based on previous year's collection rates). The popularity of paying by 12 instalments instead of 10 continues to increase and this coupled with continually improving recovery processes are predicted to result in collection rates for both taxes that are on target by the end of the financial year.

3.5.3 The following table outlines the arrears collection rates:

As at 31 October 2015	Actual % of arrears collected	Target % collected	Performance against target (%)
Council Tax	24.94%	28.63%	-3.69%
Business Rates	38.76%	31.84%	+6.92%

Other welfare reforms continue to make this a very challenging target to maintain as we try to assist charge payers in keeping current year payments up to date to avoid additional recovery processes.

3.5.4 The Local Taxation service engaged 'Inform CPI' who offer a service to identify any undervalued or missing Business Rates due to the authority. The charge to the Council is 10% of any Rateable Value identified. So far only seven amendments have been referred to the Valuation Office for investigation and the increase in Rateable Value is expected to not exceed £400 in each case giving the Council some reassurance that the systems it has in place to maximise Business Rate income are effective.

3.6 Sundry Debtors - Income Collection and the Recovery of Arrears

3.6.1 Sundry debts are monies outstanding on a diverse range of types of charges collected by sundry invoice and this can include, for example, trade waste, harbour dues and commercial rents.

3.6.2 Overall Debt and Recovery Rate

The Council offers standard terms of fourteen days for repayment of invoices. The balance outstanding therefore includes invoices which are not yet due for repayment. The table below shows the total outstanding Sundry Debtor balance at the end of September for the current and preceding year split by invoices that are overdue and not yet due: -

	2015 £'000	2014 £'000
Invoices not yet due	708	601
Overdue invoices	906	961
Total Outstanding Balance as at 31 September	1,614	1,562

The current recovery rate of debts owed and raised in year is **82.1%**. This recovery rate is expected to increase throughout the year as scheduled instalments are paid against outstanding invoices.

The cost of raising and recovering small amounts can be significant and therefore a lot of work has gone into reducing the number of low value invoices being raised by exploring payment in advance, use of technology etc. Year to date for 2015/16 there have been 175 low value invoices (£50 or under) compared to 246 year to date for 2014/15.

3.6.3 Invoices Currently Held in Abeyance

A number of invoices included within the overdue debtor balance are currently held in abeyance at the request of the debt raising service, are disputed by the customer, or are being dealt with by Legal Services. The value outstanding at 31 September, but held in abeyance, for the current and preceding year is shown below: -

	2015 £'000	2014 £'000	2013 £'000
Disputed	113	17	146
Service Hold	111	78	100
Legal Services	322	341	404
Total Held in Abeyance	546	436	650

The increase is mainly due to one large invoice in the sum of £105k being held as it has been formally disputed.

The council aims to ensure that no more than 30% of the overdue invoices are held in abeyance; however, the cases held currently are approximately 60% of the overdue debt. The proportion for September 2014 was 45%.

As these debts are held or subject to legal review or proceedings the Accounts Receivable section is not taking recovery action against them. The Accounts Receivable manager however closely monitors and manages the cases to ensure that, where possible, disputes are resolved in a timely manner and recovery actions can recommence.

3.6.4 Status of the Remaining Invoices

At present the value of overdue invoices is £906k and £546k of this balance is held or disputed (see above). This leaves a balance of £360k which is being actively recovered by the Accounts Receivable section. Last year the balance being actively recovered was £525k. The volume and value of invoices being raised fluctuates.

3.7 Overpaid Housing Benefit - Income Collection and the Recovery of Arrears

3.7.1 Overall Debt

Housing Benefit overpayments are either recovered by making deductions from Housing Benefit payments or by issuing an invoice. If an invoice remains unpaid then the Council will pursue other methods of recovery but the debt will remain in its Housing Benefit Sundry Debt system. Only overpayments which are being recovered by deductions from on-going Housing Benefit remain recorded in the Housing Benefit system. The table below shows the outstanding balance of overpaid Housing Benefit at the end of July in the current and preceding year:

	Sept 2015 £'000	Sept 2014 £'000
Outstanding in Sundry Debts	1,230	1,163
Outstanding Housing Benefit	723	611
Total Debt Outstanding	1,953	1,774

The Housing Benefit debt is predominantly recovered at rates set by the government but some debtors will have negotiated lower rates based on their circumstances. The recovery of overpaid Housing Benefit is managed by the Accounts Receivable section. New procedures for monitoring rates have been implemented during 2015/16 and currently 76% of all claims with deductions from Housing Benefit are now being recovered at the maximum rates.

3.7.2 The following table outlines the collection rates for overpaid Housing Benefit to the end of September:

	2015/16	2014/15	2013/14
Year to Date Collection Rate	68.40%	65.16%	66.45%

Collection rates are still improving despite there being a significant increase in the number of overpayments being created as a result of government initiatives and data matching exercises. The average value of overpayments created during 2014/15 was £118k per month compared to £162k per month for 2015/16

4. ASSESSMENT

- 4.1 Despite severe funding cuts the revenue budget for the year is expected to be achieved and current projections envisage a year end surplus. Whilst this is positive news it should be noted that this is a result of the non-utilisation of the VAT partial exemption contingency budget and one-off savings / income streams (sale of recyclates).
- 4.2 Whilst the 2015/16 budget provided growth for a number of areas of budgetary concern that looked likely to recur, there were some areas where growth was not provided. These are areas where Directors and Service Unit Managers committed to resolve any shortfall this year. This has been the case in some areas (notably the Tourist Information Centres) however there are couple of areas still to resolve. It is important that these are resolved to ensure that growth is not required within the 2016/17 budget setting process.
- 4.3 The Capital Programme continues to operate within the overall parameters set in terms of contingency levels and, whilst the levels of reserves show an overcommitted balance over the ten year period, this is expected to be addressed in the short term through slippage in capital expenditure. The target is to address this shortfall over the short to medium term.

5. IMPLICATIONS

5.1 Policy

No direct implications.

5.2 Legal

The Council will need to enter into agreements in respect of the grant funding referred to in this report.

5.3 Financial Implications

Set out in this report.

5.4 Staffing Implications, Planning Implications, Crime and Disorder, Health & Safety and Environmental Implications

No specific implications, through many of the Corporate Priorities are linked to Economic and Sustainable Development.

Nicholas Edwards

Nicholas Edwards
Director

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Background Papers:

15/244 – Financial Monitoring to July 2015 (1st Period)

15/53 – Financial & Property Asset Management Strategy and Council Tax Setting
2015/16

FINANCIAL PERFORMANCE - REVENUE BUDGET

1. Introduction

This is the first monitoring summary for the 2015/16 financial year covering the period **1 April to 30 September 2015**. The information contained within these appendices is derived from the same information that is delivered to managers desktops on a monthly basis and it is hoped that this consistency will aid the understanding and further embed the budget monitoring process across the authority.

Areas of budgetary concern, or where surpluses are expected, are explained in greater detail in the main body of this report.

Appendices 1.1 to 1.7 provide additional information on Sales, Fees and Charges, External Rents and Salaries and Wages analysed by Directorate responsibility.

2. Sales, Fees and Charges and External Rents

Directorate	Prev Yr Actual to Date £k	Year to Date			Estimated Year End Outturn		
		Actual £k	Budget £k	Surplus/ (Deficit) £k	Full Yr Budget £k	Full Yr Forecast £k	Surplus/ (Deficit) £k
Chief Executive	(14)	(22)	(16)	6	(29)	(29)	0
Deputy Chief Executive	0	(5)	(4)	0	(29)	(29)	0
Director (Nick Edwards)	(3,014)	(3,149)	(2,972)	177	(4,575)	(4,668)	92
Director (Lisa Dixon)	(376)	(371)	(357)	14	(593)	(593)	0
Director (Trevor Watson)	(6,071)	(6,022)	(6,258)	(236)	(8,548)	(8,253)	(295)
Corporate	0	0	0	0	(9)	(9)	0
Total excluding Whitby Harbour Board	(9,475)	(9,568)	(9,606)	(38)	(13,783)	(13,581)	(202)
Whitby Harbour Board - Car Parking *	(621)	(663)	(712)	(48)	(958)	(958)	0
Total effect on Council's General Fund	(10,096)	(10,232)	(10,318)	(87)	(14,741)	(14,539)	(202)
Whitby Harbour Board – Harbour Activities *	(683)	(668)	(644)	24	(901)	(874)	(27)
Total Sales, Fees and Charges and Rents	(10,779)	(10,899)	(10,962)	(63)	(15,642)	(15,412)	(229)

* The monitoring for Whitby Harbour is considered by the Whitby Harbour Board and shortfalls are funded from Harbour Reserves rather than the General Fund. The Council have, however, agreed to fund shortfalls relating to car parking income since the inception of the Board and this is likely to continue.

3. Salaries and Wages

Directorate	Prev Yr Actual to Date £k	Year to Date			Estimated Year End Outturn		
		Actual £k	Budget £k	Surplus/ (Deficit) £k	Full Yr Budget £k	Full Yr Forecast £k	Surplus/ (Deficit) £k
Chief Executive	599	576	591	15	1,185	1,171	14
Deputy Chief Executive	524	556	544	(12)	1,108	1,076	32
Director (Nick Edwards)	3,504	3,589	3,647	58	7,002	6,992	10
Director (Lisa Dixon)	1,212	1,200	1,229	29	2,447	2,414	33
Director (Trevor Watson)	3,087	3,239	3,267	28	5,675	5,650	25
Corporate	2,023	2,105	2,122	18	2,123	2,123	0
Total excluding Whitby Harbour Board	10,950	11,265	11,400	135	19,540	19,426	114
Whitby Harbour Board	222	230	233	4	466	466	0
Total Sales, Fees and Charges and Rents	11,172	11,494	11,633	139	20,006	19,892	114

4. Other High Risk Areas

High Risk Area	Prev Yr Actual to Date £k	Year to Date			Estimated Year End Outturn		
		Actual £k	Budget £k	Surplus/ (Deficit) £k	Full Yr Budget £k	Full Yr Forecast £k	Surplus/ (Deficit) £k
Homelessness - B&B accommodation	87	54	95	41	183	183	0
Business Rates	1,070	1,014	955	(59)	955	947	8
Interest Receivable	(50)	(67)	(35)	32	(70)	(120)	50
Capital Salary Recharges	(149)	(175)	(179)	(3)	(372)	(364)	(8)
Property Repair Fund	200	40	10	(30)	629	629	0
Grounds Maintenance (Highways Hardstanding)	158	82	324	242	514	514	0
Grounds Maintenance (Coast Protection)	108	139	400	261	587	587	0
Contingency Budgets	0	0	105	105	105	64	41
VAT Mitigation	0	0	200	200	200	0	200
Utilities (Gas, Electric and Water)	409	354	376	23	671	671	0
Vehicle Repairs & Fuel	435	407	416	9	845	833	12
Council Tax Benefit (prior to 2013/14)	(20)	(22)	0	22	0	(22)	22
Housing Benefit (costs net of subsidy)	(52)	29	81	52	180	120	60
Localisation of Business Rates							
Localised Business Rates Surplus transferred to IMP							
Audit Fees	(8)	1	18	17	92	75	18
Savings not yet achieved							
'Bin Only' Garden Waste	0	0	(18)	(18)	(18)	(0)	(18)
Procurement Savings	0	0	(28)	(28)	(28)	0	(28)
Other Areas (net) Identified by Budget Managers	248	242	394	152	540	446	93
Total (excluding Whitby Harbour Board)	2,436	2,098	3,116	1,018	5,014	4,563	450
Other Areas (net) Identified by Budget Managers – Whitby Harbour Board	11	8	5	(3)	34	21	13
Total High Risk Areas	2,447	2,106	3,121	1,015	5,048	4,584	463

5. Overall Quarterly Outturn split by Directorate

The following table outlines the quarterly outturn by Directorate responsibility.

£k	Chief Executive	Deputy Chief Executive	Director (Nick Edwards)	Director (Lisa Dixon)	Director (Trevor Watson)	Corporate (inc WHB Parking)	General Fund Total	Core Whitby Harbour Activities
Sales Fees and Charges and Rent	-	-	92	-	(295)	-	(202)	(27)
Salaries and Wages	14	32	10	33	25	-	114	-
Other High Risk Areas								
Interest Receivable						50	50	
Capital Salary Recharges	12			(20)			(8)	
Contingency Budgets						41	41	
VAT Mitigation						200	200	
Vehicle Repairs & Fuel (HIA)					12		12	
Council Tax Benefit (prior to 2013/14)						22	22	
Housing Benefit (costs net of subsidy)						60	60	
Audit Fees			18				18	
Bin Only Garden Waste Collection			(18)				(18)	
Procurement Savings				(28)			(28)	
Other Items Identified by Budget Managers		30	6	29	16	13	93	21
Overall Total	26	62	108	14	(242)	386	354	(6)

Chief Executive

Sales, Fees and Charges and External Rents

Service	Prev Yr Actual to Date	Year to Date			Estimated Year End Outturn		
		Actual	Budget	Surplus / (Deficit)	Full Yr Budget	Full Yr Forecast	Surplus / (Deficit)
Support Units	(10)	(17)	(11)	6	(20)	(20)	0
Electoral Services	(0)	(0)	(1)	(0)	(2)	(2)	0
HR and Health and Safety	(3)	(5)	(4)	1	(8)	(8)	0
Totals Sales, Fees and Charges and Rents	(14)	(22)	(16)	6	(29)	(29)	0

Salaries and Wages

Service	Prev Yr Actual to Date	Year to Date			Estimated Year End Outturn		
		Actual	Budget	Surplus / (Deficit)	Full Yr Budget	Full Yr Forecast	Surplus / (Deficit)
Support Units	336	342	346	4	693	693	0
Electoral Services	53	66	69	3	138	138	0
HR and Health and Safety	190	146	154	7	310	296	14
PR and Marketing	21	22	22	0	43	43	0
Total Salaries and Wages	599	576	591	15	1,185	1,171	14

Key points to note about performance year to date:

- The forecast underspend on salaries is due to vacant posts / reduced hours within the Human Resources team. These have now been filled on a temporary basis and on-going requirements will be assessed once phase 2 of the payroll project (self-service) is implemented.

Deputy Chief Executive

Sales, Fees and Charges and External Rents

Service	Prev Yr Actual to Date	Year to Date			Estimated Year End Outturn		
		Actual	Budget	Surplus / (Deficit)	Full Yr Budget	Full Yr Forecast	Surplus / (Deficit)
Community Development	0	(5)	(4)	0	(29)	(29)	0
IT Services	0	(0)	0	0	0	0	0
Totals Sales, Fees and Charges and Rents	0	(5)	(4)	0	(29)	(29)	0

Salaries and Wages

Service	Prev Yr Actual to Date	Year to Date			Estimated Year End Outturn		
		Actual	Budget	Surplus / (Deficit)	Full Yr Budget	Full Yr Forecast	Surplus / (Deficit)
Support Units	73	71	61	(9)	123	91	32
Community Partnerships and Safety	37	37	37	0	75	75	0
Community Development	83	124	125	2	258	258	0
Community Safety	55	55	62	7	137	137	0
IT Services	277	269	258	(11)	516	516	0
Total Salaries and Wages	524	556	544	(12)	1,108	1,076	32

Key points to note about performance year to date:

- A delay in implementing a restructure agreed as part of the 2015/16 budget has caused additional costs in the first couple of months of the year but this is now in place and costs are expected to be on target for the remainder of the year.
- Resignation of the Council's Deputy Chief Executive will lead to a saving in the final 4 months of the year
- Staffing in Community Development and Community Safety is partly temporarily funded and therefore if savings are generated then this will not be a direct saving to the Council.
- ICT staffing costs expected to be in line with budget at year end.

Director (Nick Edwards)

Sales, Fees and Charges and External Rents

Service	Prev Yr Actual to Date	Year to Date			Estimated Year End Outturn		
		Actual	Budget	Surplus / (Deficit)	Full Yr Budget	Full Yr Forecast	Surplus / (Deficit)
Support Units	(286)	(4)	(14)	(10)	(50)	(40)	(10)
Corporate Management	(0)	(0)	(1)	(0)	(2)	(2)	0
Local Taxation	0	(204)	(207)	(4)	(359)	(277)	(82)
Industrial Units	(98)	(107)	(104)	3	(185)	(185)	0
Allotments	(2)	(1)	(1)	(0)	(5)	(5)	0
Highways	(24)	0	0	0	(24)	(24)	0
Street Seats and Nameboards	(2)	(37)	0	37	0	0	0
Property Services Operational Unit	(259)	(208)	(291)	(82)	(577)	(577)	0
Administrative Buildings	(38)	(49)	(33)	17	(65)	(65)	0
Land and Property Rentals	(874)	(894)	(842)	52	(1,397)	(1,452)	54
Depots and Admin Buildings	(6)	(6)	(6)	0	(13)	(13)	0
Cleansing	(1,059)	(1,333)	(1,205)	129	(1,653)	(1,783)	130
Fleet	(3)	0	0	0	(17)	(17)	0
Public Conveniences	(159)	(157)	(156)	0	(187)	(187)	0
Parks and Open Spaces	(204)	(149)	(112)	37	(42)	(42)	0
Marketing and Events	0	2	0	(2)	0	0	0
Totals Sales, Fees and Charges and Rents	(3,014)	(3,149)	(2,972)	177	(4,575)	(4,668)	92

Salaries and Wages

Service	Prev Yr Actual to Date	Year to Date			Estimated Year End Outturn		
		Actual	Budget	Surplus / (Deficit)	Full Yr Budget	Full Yr Forecast	Surplus / (Deficit)
Support Units	658	695	722	27	1,418	1,418	0
Property Services Operational Unit	163	159	169	10	339	339	0
Administrative Buildings	6	7	7	0	14	14	0
Depots and Admin Buildings	10	10	10	0	21	21	0
Cleansing	1,415	1,450	1,428	(22)	2,782	2,782	0
Fleet	162	155	164	9	325	325	0
Public Conveniences	211	232	221	(10)	377	377	0
Parks and Open Spaces	880	881	925	45	1,726	1,716	10
Total Salaries and Wages	3,504	3,589	3,647	58	7,002	6,992	10

Key points to note about performance year to date:

- Court Cost income expected to be £82k behind budget due to charges in the charges levied
- High occupancy levels and rent reviews expected to lead to a surplus of £54k
- Credit charges saving not expected to be delivered in full
- Recycling credits relating to 2014/15 are expected to be higher than anticipated and that will lead to additional income of £168k this year
- Trade waste and bulky collection income behind target

- Any staffing saving from the Property Services Trading Unit will be required for external contractors.
- Saving in Parks service due to unpaid parental leave.
- Remaining underspends on salaries to date not expected to crystallise and will be required during the remainder of the year.

Director (Lisa Dixon)

Sales, Fees and Charges and External Rents

Service	Prev Yr Actual to Date	Year to Date			Estimated Year End Outturn		
		Actual	Budget	Surplus / (Deficit)	Full Yr Budget	Full Yr Forecast	Surplus / (Deficit)
Support Units	(122)	(106)	(85)	20	(160)	(160)	0
Democratic Representation and Management	0	0	0	(0)	0	0	0
Corporate Management	0	(1)	0	1	0	0	0
Local Land Charges	(50)	(56)	(38)	18	(77)	(77)	0
Licensing	(204)	(208)	(233)	(25)	(356)	(356)	0
Customer Services	(0)	(0)	0	0	0	0	0
Totals Sales, Fees and Charges and Rents	(376)	(371)	(357)	14	(593)	(593)	0

Salaries and Wages

Service	Prev Yr Actual to Date	Year to Date			Estimated Year End Outturn		
		Actual	Budget	Surplus / (Deficit)	Full Yr Budget	Full Yr Forecast	Surplus / (Deficit)
Support Units	776	842	860	18	1,708	1,683	25
Democratic Representation and Management	49	54	56	2	114	114	0
Corporate Management	4	7	7	0	13	13	0
Local Land Charges	17	15	14	(0)	29	29	0
Licensing	75	76	77	1	154	154	0
Policy and Performance and Best Value etc	54	38	38	0	76	76	0
Customer Services	237	168	177	9	354	346	8
Total Salaries and Wages	1,212	1,200	1,229	29	2,447	2,414	33

Key points to note about performance year to date:

- Local Land charges income ahead of target to date but projected to be in line with full year budget
- Licencing income to date should recover over the remaining months of the year
- Saving on salaries due to reduced hours being worked within Benefits service and a vacant post within the Admin unit.

Director (Trevor Watson)

Sales, Fees and Charges and External Rents

Service	Prev Yr Actual to Date	Year to Date			Estimated Year End Outturn		
		Actual	Budget	Surplus / (Deficit)	Full Yr Budget	Full Yr Forecast	Surplus / (Deficit)
Support Units	(1)	(0)	0	0	0	0	0
Economic Development	(11)	(13)	(14)	(1)	(28)	(28)	0
Planning	(290)	(400)	(293)	107	(587)	(587)	0
Parking Off Street	(2,832)	(2,893)	(2,881)	12	(3,701)	(3,701)	0
Markets	(96)	(89)	(97)	(8)	(189)	(173)	(16)
Scarborough Harbour	(560)	(583)	(529)	54	(721)	(750)	29
CCTV	(50)	(93)	(95)	(2)	(190)	(185)	(5)
Environmental Health - Safety	(6)	(7)	(5)	3	(11)	(11)	0
Environmental Health - Health	(13)	(1)	(7)	(6)	(9)	(9)	0
Cemeteries and Crematorium	(447)	(433)	(462)	(29)	(913)	(878)	(35)
Private Sector Housing	(10)	(8)	(9)	(1)	(14)	(14)	0
Home Improvement Agency	(36)	(34)	(44)	(10)	(89)	(84)	(5)
Environmental Health	(0)	(0)	(0)	(0)	(0)	(0)	0
Miscellaneous							
Burial of Destitute Persons	(6)	(3)	(11)	(8)	(12)	(12)	0
Theatres	23	245	(77)	(322)	(53)	203	(257)
Catering	0	0	0	0	(27)	(27)	0
Indoor Leisure Sites	(670)	(667)	(674)	(6)	(679)	(679)	0
Outdoor Leisure Sites	(795)	(788)	(799)	(11)	(905)	(899)	(6)
Museums	(5)	(5)	0	5	0	0	0
Community Centres and Grants	(81)	(80)	(87)	(7)	(163)	(163)	0
Marketing and Events	(64)	(44)	(39)	5	(78)	(78)	0
Tourist Information Centres	(120)	(125)	(134)	(10)	(177)	(177)	0
Totals Sales, Fees and Charges and Rents	(6,071)	(6,022)	(6,258)	(236)	(8,548)	(8,253)	(295)

Salaries and Wages

Service	Prev Yr Actual to Date	Year to Date			Estimated Year End Outturn		
		Actual	Budget	Surplus / (Deficit)	Full Yr Budget	Full Yr Forecast	Surplus / (Deficit)
Support Units	280	347	347	1	695	695	0
Economic Development	114	116	118	2	236	236	0
Planning	394	416	421	5	841	833	8
Parking Off Street	42	49	49	0	62	62	0
Parking On Street	4	4	0	(4)	0	0	0
Markets	9	10	10	(1)	20	20	0
Scarborough Harbour	117	128	117	(11)	234	240	(6)
CCTV	140	129	134	4	266	266	0
Environmental Health - Safety	28	26	28	2	52	52	0
Cemeteries and Crematorium	50	54	54	0	107	107	0
Homelessness	184	205	191	(14)	381	381	0
Private Sector Housing	15	16	15	(1)	31	31	0
Home Improvement Agency	144	149	153	5	306	301	5
Environmental Health Miscellaneous	365	354	385	31	768	759	9
Tourism and Leisure Administration Units	35	36	36	0	60	60	0
Theatres	10	20	27	7	27	26	1
Indoor Leisure Sites	479	506	492	(14)	492	492	0
Outdoor Leisure Sites	304	316	288	(29)	368	368	0
Museums	0	0	0	(0)	0	0	0
Community Centres and Grants	75	79	79	(0)	157	157	0
Marketing and Events	136	167	170	3	330	330	0
Tourist Information Centres	164	112	154	41	242	234	8
Total Salaries and Wages	3,087	3,239	3,267	28	5,675	5,650	25

Key points to note about performance year to date:

- Net income from TIC sites has been an issue over the last few years however it is pleasing that a change in focus has reversed this trend and that budget is expected to be achieved this year
- Income at Scarborough Harbour exceeding expectations due predominantly to fish dues
- Cemeteries income projected to be behind target due to not being able to reserve graves at Whitby (due to shortage of plots)
- Market occupancy levels have fallen in recent months in the run up to the refurbishment of the Indoor Market (15/135). This is in line with the original assumptions.
- Open Air Theatre income (net of direct costs) £257k behind budget with other savings reducing this shortfall slightly to £255k.
- Caravan Park income is behind target to date and this will continue to be reviewed during the next quarter.
- Indoor leisure Site income and expenditure broadly in line with budget
- Underspend on TIC salaries due to cover being provided by the Tourism service
- Reduced hours currently being worked by planning officer will lead to year end underspend
- Part year vacant post within Environmental Health (officer appointed and commenced employment).

Corporate

Sales, Fees and Charges and External Rents

Service	Prev Yr Actual to Date	Year to Date			Estimated Year End Outturn		
		Actual	Budget	Surplus / (Deficit)	Full Yr Budget	Full Yr Forecast	Surplus / (Deficit)
Corporate	0	0	0	0	(9)	(9)	0
Totals Sales, Fees and Charges and Rents	0	0	0	0	(9)	(9)	0

Salaries and Wages

Service	Prev Yr Actual to Date	Year to Date			Estimated Year End Outturn		
		Actual	Budget	Surplus / (Deficit)	Full Yr Budget	Full Yr Forecast	Surplus / (Deficit)
Corporate	2,023	2,105	2,122	18	2,123	2,123	0
Total Salaries and Wages	2,023	2,105	2,122	18	2,123	2,123	0

Key points to note about performance year to date:

- The budget for the back funded element of the pension scheme is included within the 'Corporate' Service and this expenditure is in line with budget.
- The 2015/16 pay award has been agreed for all members of staff (and Councillors) and is fully funded.

Whitby Harbour Board

The performance of Whitby Harbour activities are monitored by the Whitby Harbour Board and surpluses and deficits are funded from harbour reserves rather than the General Fund. The financial performance of Whitby Harbour Board would not normally therefore have a direct effect on the Council's resources. Members will remember however that the Council agreed to fund car parking deficits that have arisen since inception of the Board. The performance is therefore included in this report for information purposes only.

Sales, Fees and Charges and External Rents

Service	Prev Yr Actual to Date	Year to Date			Estimated Year End Outturn		
		Actual	Budget	Surplus / (Deficit)	Full Yr Budget	Full Yr Forecast	Surplus / (Deficit)
Parking Off Street	(621)	(663)	(712)	(48)	(958)	(958)	0
Whitby Harbour	(683)	(668)	(644)	24	(901)	(874)	(27)
Totals Sales, Fees and Charges and Rents	(1,305)	(1,331)	(1,356)	(25)	(1,859)	(1,832)	(27)

Salaries and Wages

Service	Prev Yr Actual to Date	Year to Date			Estimated Year End Outturn		
		Actual	Budget	Surplus / (Deficit)	Full Yr Budget	Full Yr Forecast	Surplus / (Deficit)
Whitby Harbour	222	230	233	4	466	466	0
Total Salaries and Wages	222	230	233	4	466	466	0

Key points to note about performance year to date:

- Core harbour activity will generate a year end surplus of £27k. This is a result of increased income from Harbour Parking and storage.
- Dredger unlikely to be hired this year and therefore income won't be achieved.
- Salaries costs expected to be broadly in line with budget.
- Other cost savings of £21k are broadly offset reduced income outlined above, (some of which are as a result of not having the dredger on hire)
- Overall position of the Whitby Harbour Board is a £6k surplus against budget.

FINANCIAL PERFORMANCE - CAPITAL BUDGET

The following table shows, for ongoing schemes and schemes anticipated to commence in 2015/16, the budget, remaining unspent budget as at 30 Sept 2015, anticipated under spend or over spend and the resultant impact on Borough Council Resources.

	Capital Schemes - Ongoing or due to commence in 2015/16	Total Budget	Uncommitted Budget	Anticipated (Under)/Overspend	Anticipated Impact on Council Resources
		£k	£k	£k	£k
	Investment Management Plan Schemes				
	Whitby Business Park – Construction	1,795	520		
	Middle Deepdale Waterpark	935	935		
	Leisure Village	14,100	5,964		
	Futurist Theatre Closure	17,672	17,044		
		25	9		
		34,527	24,472		
(a)	Vehicles, Plant & Equipment* *(2015/16 budget only)	1,783	1,749		
(b)	Spa Options Appraisal	886	-		
	Disability Discrimination Act	363	70		
	Pathfinder – Knipe Point	1,023	163		
	Purchase of Empty Homes for Homelessness Accommodation	750	91		
(c)	Cell 1 Strategic Coastal Monitoring	2,596	489		
	Disabled Facilities Grants	685	359		
	ICT Replacement and Development* *(2015/16 budget only)	422	395		
	Lighting Columns	970	901		
	Neighbourhood and Communities Programme	1,778	1,462		
	Discover Filey	300	278		
	North Bay Urgent Works	653	67		
	Filey Flood Alleviation Scheme	406	62		
	Whitby Church Street Flood Alleviation	979	974		
	Whitby Harbour Piers Coast Protection - Phase 1	295	135		
	Filey & Cayton Bay Coastal Strategy	400	307		
	Eskside Wharf	261	261		
	Hard Standings – Ground Maintenance	396	381		
	Eastside Green Spaces	412	412		
	Property Asset Management Works	423	336		
	Scarborough Market	2,780	2,703		
	Other current schemes ≤£250,000	2,289	1,100		
	Sub total	55,377	37,167		

Comments are made in order to provide updates and commentary on key schemes or to report a change in budget or budget variation:

Investment Management Plan Scheme

There are no material variations or comments to report on schemes since the last report.

Schemes over £250k

(a) Spa Options Appraisal

The Spa Options Appraisal scheme, which is 100% externally funded by the Environment Agency (EA), was established in order to produce a Project Appraisal Report (PAR). The report has been completed and submitted to the EA for technical and financial approval as a prelude to addressing the cliff instability issues behind the Spa Complex.

The PAR was submitted to the EA's Large Project Review Group (which reviews all flood and coastal erosion projects exceeding £10m nationally) in February 2015. This process robustly reviews projects from a technical, environmental and economic standpoint.

Although the budget has been fully allocated the review is ongoing and therefore the scheme cannot currently be reported as complete. One technical issue remains and, once resolved, will result in the approval of the PAR and the subsequent closure of the scheme.

It is not anticipated that this final issue will result in further significant project expenditure over and above the current commitments. Whilst the timeframe is difficult to predict it will require a revision of calculations and reissuing of documentation as the PAR moves from a draft document to a final version.

(b) Vehicles Plant & Equipment

Capital provision exists within the Capital Development Fund for the replacement of essential, operational vehicle, plant and equipment items. The current budget for replacements within the 2015/16 financial year is £1,783k. This budget is made up of fleet replacements totalling £1,521k and equipment replacements totalling £262k.

Vehicle replacements are budgeted on a rolling programme with the expected useful life being dependant on each individual vehicle. The current fleet budget provides for the scheduled replacement of 43 vehicles, the most material being 5 refuse vehicles with a budgeted replacement value of £803k. The equipment budget is primarily made up of bin replacements totalling £179k.

A full review is currently being carried out analysing the effectiveness of each vehicle and their optimum replacement period. This information will inform budget setting going forward and allow the Council to achieve best value from its investment.

Reflecting on the levels of investment required by the Council in its vehicle fleet it is important that replacement decisions are carefully considered. As a result, no vehicles have yet been replaced during 2015/16. It should be recognised however that, following the completion of the review, these funds will be needed in order to meet the operational vehicle requirements of the Council.

Further details of the review and the financial implications on both the capital fleet replacement and annual running cost budgets will be detailed as part of the 2016/17 budget setting process.

(c) Disabled Facility Grants

The Council has a statutory responsibility for the provision of Disabled Facility Grants (DFG's) across the Borough. Within the 2015 Financial Strategy the Council established an annual budget for DFG's of £685k. This is 100% funded through grants from the Department for Communities and Local Government (DCLG) via the Better Care Fund which is administered by NYCC.

The level of DCLG funding saw an increase of £125k from the previous year. As a result of this increase the Council was able to remove its budgeted contribution which provided annual revenue savings of £99k as detailed within the 2015/16 budget.

It should be noted that the provision of DFG's is the statutory responsibility of the Council and therefore any expenditure incurred in the provision of grants over and above the level of funding received is the Council's liability.

Current expenditure on DFG's in the year is broadly in line with budget, however there are significant levels of referral and commitment within the system. These are driven by a higher level of high value referrals and new systems reducing the time taken from referral to completion. These are creating a concertina effect within the current financial year.

Resultantly a higher level of completions may materialise in the year resulting in expenditure being in excess of the level of funding received. Officers are analysing the data in order to ascertain the likelihood and materiality of this risk. An update will be provided to Members as part of the next quarterly monitoring report.

Any expenditure incurred above the level of external funding will need to be funded from the Council's capital resources.

Schemes under £250k

There are no material variations or comments to report on schemes with a budgeted value below £250k at this time.

New Schemes

There have been no new schemes added to the capital programme since the last quarterly monitoring report.

Affordability Indicators

The indicators of affordability address the revenue implications of the Council's capital investment programme. These indicators have been revised from those presented in the 2015 Financial Strategy to incorporate the 2014/15 final outturn position and the revised Leisure Village Funding profiles (as reported Sept 15 - report ref 15/246).

	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	£000s	£000s	£000's
Opening Capital Finance Requirement	14,282	34,249	34,713
a) Capital Expenditure	49,252	5,441	3,737
Sources of finance:			
Grants/other contributions	(15,812)	(2,101)	(937)
Capital receipts & reserves set aside	(12,904)	(1,841)	(1,300)
Net Repayment of Borrowing			
Minimum Revenue Provision	(569)	(1,035)	(3,953)
b) Net Borrowing Indicator and Closing Capital Finance Requirement	34,249	34,713	32,260

Summary

Overall the capital programme continues to operate within the parameters set in terms of contingency levels.

RESERVES

The criteria for assessing the adequacy of the Council's Reserves and balances are set out in the Financial Strategy, as follows:

General Fund Balance	the balance be maintained within the range of £2.0m to £3.0m.
Capital Contingency	the balance to be maintained within the range of £0.5 m to £1.5 m
Insurance Reserve	a minimum balance to be maintained in the medium term of £1.350m
Pension Reserve	the balance be maintained within the range of £0.1m to £0.75m
Capital Development	the approved expenditure from the fund will match its resources over a 10 year planned period.

General Fund – the year end General Fund balance stood at £2.676m.

Included within this balance is £167k, provided as part of the 2012/13 year end outturn, to provide a contingency against known risks facing the Council in respect of insurance and legal proceedings.

Although it was not anticipated that there would be any requirement to draw monies from the General Fund Reserve during 2015/16 monies may need to be drawn to settle the claims outlined above. Whilst Full Council have approved (15/245) a £40k draw from the General Fund to fund Scarborough's inclusion in the Tour De Yorkshire route in 2016 this has now been funded from the in-year underspend instead.

The uncommitted balance of the reserve is therefore £2.509m.

Capital Contingency Reserve – as at 31 March 2015 the balance on the capital contingency reserve was £500k. A revenue contribution of £100k has been made into the reserve in 2015/16 and therefore the balance is currently £600k.

With no commitments against this balance, it is currently within the pre-determined range.

Insurance Reserve – as at 31 March 2015 the balance on the insurance reserve was £1.694m. Contributions of £136k have been made into the reserve this year for self-insurance and draws from the reserve of £35k have been made. The current balance of the reserve is therefore £1,795k.

The 2015/16 Financial Strategy also earmarked £405k of this reserve to resurface a number of footways across the Borough. Funding for this work was not available from existing resources but the works are required to ensure that the Council is not exposed to increased numbers of insurance claims as a result of poor quality infrastructure. One such scheme (£9k) was undertaken towards the end of 2014/15 with the remainder to be carried out over a five year period as the assets reach the end of their lives. These remaining funds (£396k) have now been transferred to the Capital Development Reserve. An additional £11k has also been transferred re some additional grounds maintenance work that is required to be undertaken.

The balance of the reserve is therefore £1.379m, slightly above the minimum balance. The balance of the reserve is therefore considered to be adequate.

Pension Reserve – as at 31 March 2015 the balance on the pension reserve was £1,180k.

After allowing for expected draws / base budget contributions into the reserve in 2015/16 the unallocated balance on the reserve currently stands at £1,170k. This does not, however, include any termination costs that will be incurred to ensure that 2016/17 budget savings targets can be achieved.

Whilst this balance is in excess of the optimum range, it is recognised that this reserve will be subject to a particular strain over the short to medium term as the Council delivers the high level of savings targets needed to balance its revenue budget. The current balance is therefore considered to be appropriate.

Capital Development Reserve – as at the 31 March 2015 the balance on the capital development reserve was £4,064k.

Current projections show an overcommitted balance on the reserve of £566k over a ten year period and a number of unfunded essential and aspirational capital schemes. The 2015 Financial strategy sets out that this shortfall needs to be addressed over the short to medium term and the target is to reduce this shortfall to £500k by 31 December 2015. Any year end underspend achieved during 2015/16 will be transferred to this reserve to reduce the overcommitted balance.

Other Reserves

A review of reserves will be undertaken as part of the budget setting process for 2016/17 but at present the balance of other earmarked reserves is considered adequate.

RISK MATRIX

Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/ Responsible Officer	Action Plan
A	Sept 2011	Service and Financial Planning not integrated	Poor service planning, not achieving VFM. Resources not allocated in line with priorities. Affects Use of Resources Score	Financial Strategy Corporate Strategy group. Clear procedures and timescales. Resource allocation procedures that link directly to priorities.	B3	B3	Dir (NE)	-
B	Sept 2011	Financial pressures not planned and managed effectively	Cuts in services Non-achievement of efficiency targets Not delivering priorities	Long term Financial Strategy Efficiency Targets set over a number of years	B4	B3	Dir (NE)	Action Plans for areas not achieving budget
C	Aug 2012	Service Unit Managers do not supply timely and accurate financial information for inclusion within the monitoring report	Information provided within the report will be inaccurate and the forecast position reported may be misleading	Service Unit Managers undertook mandatory training.	C3	B3	Dir (NE)	On-going training and support planned for Service Unit Managers

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

Impact	5					
	4					
	3					
	2					
	1					
		A	B	C	D	E
	Likelihood					

- | | |
|--------------------|---------------|
| <u>Likelihood:</u> | <u>Impact</u> |
| A = Very Low | 1 = Low |
| B = Not Likely | 2 = Minor |
| C = Likely | 3 = Medium |
| D = Very Likely | 4 = Major |
| E = Almost Certain | 5 = Disaster |