

	<b>REPORT TO CABINET TO BE HELD ON 16 FEBRUARY 2016</b>	
	<b>Key Decision</b>	<b>Yes</b>
	<b>Forward Plan Ref No</b>	<b>3</b>
<b>Corporate Priority - ALL</b>	<b>Cabinet Portfolio Holder</b>	<b>Cllr. Helen Mallory</b>

## REPORT OF THE DIRECTOR (NE) – 16/32

**WARDS AFFECTED: ALL**

**SUBJECT: FINANCIAL MONITORING TO DECEMBER 2015 (3<sup>rd</sup> 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 remaining problem areas that need to be addressed during the remainder of the year to ensure that they do not cause budget growth / overspends 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 the 2016 Financial Strategy looks to address this shortfall. 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 and £350k transferred to the Capital Development Reserve as part of the actions to address the overcommitted balance. Any other surplus generated will also be

transferred to the Capital Development Reserve to address the pressures on the reserve balance.

ii) Accept the following grants:

- £57,780.30 from Environment Agency for additional works on the Filey Flood Alleviation Scheme.
- £3,649.76 from Yorventure for the Manham Hill Play Area scheme.
- £805.17 from North Yorkshire Moors National Park for additional works at Ayton Castle.

## **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 nine months of the 2015/16 financial year from April to December 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 £112k shortfall (£202k shortfall in previous report) 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		(48)	(23)	24	23
Director (Nick Edwards)	1.2	1	(4,775)	(4,504)	271	44
Director (Lisa Dixon)	1.3		(509)	(501)	7	0
Director (Trevor Watson)	1.4	2	(6,570)	(6,984)	(414)	(179)
Corporate	1.5		0	0	0	0
<b>Total excluding Whitby Harbour Board</b>			<b>(11,901)</b>	<b>(12,013)</b>	<b>(111)</b>	<b>(112)</b>
Whitby Harbour Board Car Parking	1.6	3	(833)	(867)	(34)	0

<b>Total effect on Council's General Fund</b>			<b>(12,735)</b>	<b>(12,880)</b>	<b>(145)</b>	<b>(112)</b>
Whitby Harbour Board Harbour Activities	1.6	3	(800)	(794)	6	(8)
<b>Total Sales, Fees and Charges and Rents</b>			<b>(13,534)</b>	<b>(13,673)</b>	<b>(139)</b>	<b>(120)</b>

## 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 £67k.

Growth has been provided as part of the 2016/17 budget proposals to ensure that future year targets can be achieved.

### **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 £11k is expected, this is less than previously reported primarily as a result of one off property costs being funded from the increased rents. A £50k saving from increases in rental income has been included in the 2016/17 budget proposals.

### **Property Services Operating Unit**

Recharging of staffing time has been lower than expected this year following periods of absence within the team. This will lead to a £50k shortfall in the unit this year but management is confident that this is a one off issue and that budget will be achieved in 2016/17.

### **Credit Card Charges**

The 2015/16 Financial Strategy included a saving of £20k from the introduction of credit card charges for some transactions.

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. With the Council having recently tendered its Merchant Services contract, charging for payments by credit card has been delayed until the new pricing structure is known.

It is expected that this saving will be delivered in full in 2016/17.

### **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 (£48k).

## **2. Director (Trevor Watson)**

### **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 and funding for this is being included within the 2016/17 budget proposals. In the meantime however 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 £257k 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 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.

### **Car Parking Income**

Income from off street car parking was £116k higher at the end of December than the same period last year. This increase in income is primarily due to higher usage of car parks (rather than fee increases) and is expected to continue for the final three months of the year, a year end surplus of £150k is expected.

Savings from parking income have been included within the 2016/17 budget proposals and this was reported to Cabinet in December (15/349).

### 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 carparks 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	1,433	1,424	(9)	58
Director (Nick Edwards)	1.2		5,421	5,549	128	110
Director (Lisa Dixon)	1.3	3	1,477	1,503	26	17
Director (Trevor Watson)	1.4	4	4,831	4,890	59	23
Corporate	1.5		2,105	2,113	8	0
<b>Total excluding Whitby Harbour Board</b>		5	<b>15,267</b>	<b>15,479</b>	<b>213</b>	<b>208</b>
Whitby Harbour Board	1.6		344	350	6	0
<b>Total Salaries and Wages</b>			<b>15,610</b>	<b>15,829</b>	<b>219</b>	<b>208</b>

#### 1. Chief Executive

The forecast underspend is due to vacant posts / reduced hours within the Human Resources team and the resignation of the Council's Deputy Chief Executive. The HR posts 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.

The Deputy Chief Executive post will not be filled and savings from this have been included within the 2016/17 budget proposals.

## **2. Director (Nick Edwards)**

The utilisation of temporary staff, rather than recruiting permanent full time staff, within the Parks and Cleansing team will lead to a £75k saving this year. On-going resource requirements will be reviewed in conjunction with the changes to the garden waste service and, where these are deemed to be permanent savings, then they will be included within future budget savings proposals.

## **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) offset slightly by increases in salary costs within the Legal Services team (£8k).

## **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 an anticipated reduction in spend of £20k for the year. A full review of TIC provision is currently being undertaken and this will clarify future resource requirements.

This position is improved further by reduced hours / vacant posts over several areas (£40k) and where these are long term savings then they have been included within the 2016/17 budget proposals.

Offsetting these savings in part are overspends in Outdoor Leisure (£46k). Staffing costs have been in excess of budget over the last couple of years but management agreed as part of the 2015/16 budget proposals that the budget was sufficient and that growth was not required.

Following the overspend this year, the service have undertaken an exercise with finance to review the resource requirements per site and for each period of the season. This has confirmed that the budget is sufficient and management have agreed that this resourcing model will be implemented in 2016/17.

## **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
		Actual £k	Budget £k	Surplus/ (Deficit) £k	£k
Homelessness – B&B accommodation	1	82	123	41	72
Business Rates	2	939	955	17	8
Interest Receivable	3	(107)	(57)	50	60
Capital Salary Recharges	4	(235)	(266)	(31)	(32)
Property Repair Fund (total annual budget £612k)	5	309	360	51	0
Grounds Maintenance (Highways Hardstanding)	5	192	451	259	0
Grounds Maintenance (Coast Protection)	5	218	464	246	0
Contingency Budgets including transfer to CDR (as agreed in Q2 report)	6	0	(299)	(299)	(340)
VAT Mitigation	7	0	200	200	200
Utilities (Gas, Electric and Water)		501	517	16	-
Vehicle Repairs & Fuel	8	584	630	47	73
Council Tax Benefit (prior to 2013/14)	9	(28)	0	28	22
Housing Benefit (costs net of subsidy)	10	(84)	130	214	120
Audit Fees		11	28	17	18
One off DWP Grants	11	(59)	-	59	59
2014/15 Saving not yet achieved -					
Bin Only Garden Waste Collection	12	-	(18)	(18)	(18)
Procurement Savings	13	-	(23)	(23)	(23)
Other Areas (net) Identified by Budget Managers	14	427	525	98	11
<b>Total (excluding Whitby Harbour Board)</b>		<b>2,750</b>	<b>3,722</b>	<b>972</b>	<b>229</b>
Other Areas (net) Identified by Budget Managers – Whitby Harbour Board		(34)	(28)	6	(6)
<b>Total</b>		<b>2,716</b>	<b>3,694</b>	<b>978</b>	<b>223</b>

## 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. Following the positive steps outlined above, costs are expected to be £72k lower than the budget this year.



## **2. Business Rates**

The previous report highlighted that business rate expenditure was currently higher than budget following the upward rating assessment on some of the Council's assets over the last couple of years.

With Council officers believing that some of these assessments were inconsistent, Storeys Edward Symmons were engaged to challenge them on behalf of the Council. Pleasingly some of these challenges have been successful and refunds have been received, in some cases covering several years.

Whilst these appeals will have some impact on future years costs more successful appeals are required to ensure that the current budget is sufficient to fund business rates across all Council run assets. The outcome of further appeals should be forthcoming (although the timing depends on when the Valuation Office are able to assess the cases).

## **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 £25k lower than budget this year. This position may improve if timesheets not yet submitted identify time being spent on capital schemes although this continues to be a recurring issue and will continue to be closely monitored

In addition to the above, the parks service have not charged time to any capital projects this year and therefore there is a risk that their budget of £19k will not be achieved. It is currently assumed that if this isn't achieved then there will be a corresponding saving in salaries and therefore no adjustment has been made in this report.

## **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.

£24k has not yet been committed and £10k 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 £14k will be allocated during the remaining three months of the year.

The previous monitoring report (15/303) outlined that £350k of the year end surplus would be transferred to the Capital Development Reserve to help address the overcommitted balance of the reserve. This has been funded from the contingency budget and therefore this section shows an overall overspend of £340k.

## **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 previous monitoring reports) 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**

As anticipated in the previous report, reductions in the price of fuel have started to reduce the costs of running the Council's fleet and a year end surplus of £73k is now expected.

A review of the service is continuing and it is hoped that the outcomes of a recent external consultant report will allow some reductions in expenditure on vehicle repairs. Should this occur, then savings will be put forward accordingly.

## **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 £28k (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 surplus 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 claimant's 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 (£120k) is once again expected this year and this has allowed a saving to be included within the 2016/17 budget proposals. 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 continue to be included within the budget setting process.

## **11. One off DWP Grants**

The DWP have provided additional funding to the Council during the year for administering Universal Credit and other additional burdens.

The additional work being undertaken for these additional burdens is being funded from existing service budgets (additional hours etc) and no additional costs in excess of the current budget will be incurred.

## **12. 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 and the cleansing team are currently in the process of promoting the service to residents. Whilst this saving will not be achieved this year, it will be delivered as part of implementing the chargeable service.

### **13. 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 last year and 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, cleaning materials and telephony / Ipad charges and these will deliver full year savings of £29k (£17k in current year). 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.

### **14. Other Savings (net) Identified by Budget Managers**

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

- £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
- £40k – lower (net) spend on homelessness bonds following assessment of all cases against the Discretionary Housing Payment (DHP) policy and funding through that route if possible.
- (£53k) – increase in provision for historic Municipal Mutual Insurance (MMI) claims following recent correspondence from scheme administrator

#### **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 two reports, 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 £319k year end surplus is expected, after transferring £350k into the Capital Development Reserve as outlined within the previous monitoring report (15/303). 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 where savings will recur in future years then these have all been taken in full as part of the savings included within the 2016/17 budget setting process.

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.

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 will lead to a shortfall this year however reviews undertaken during the year have provided confidence that the budgets will be achieved in future years:

- Staffing costs at Outdoor Leisure sites – full review of resource requirements undertaken and management have agreed to implement new staffing structure for 2016 season.
- Bin Only Garden Waste - saving not yet implemented (see Section 3.1.4.11) but will be delivered as part of the chargeable service in 2016/17.

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

- Income from Trade Waste – still behind target and new staffing resource to promote the service doesn't appear to be increasing significantly the income generated
- Legal Services Capitalised Salaries – shortfall once again expected in 2015/16 and there is therefore still an underlying issue.

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 £325k is generated as follows:

Budgetary Area	Report Section	Budget Surplus / (Shortfall)	
		31-Dec-15 £k	Year End Forecast £k
Sales, Fees and Charges and External Rents	3.1.2	(145)	(112)
Salaries	3.1.3	219	208
Other Areas	3.1.4	918	229
			<b>325</b>

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

Directorate Responsibility	Surplus / (Deficit) £k
Chief Executive	131
Director (Nick Edwards)	175
Director (Lisa Dixon)	28
Director (Trevor Watson)	(37)
Corporate	28
<b>325</b>	

### 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 £k	Budget £k	Variance £k	Impact on SBC Resources £k
Futurist Theatre Closure	25	25	-	-
Printer Replacement	27	27	-	-
<b>Total</b>	<b>52</b>	<b>52</b>	<b>-</b>	<b>-</b>

#### Futurist Theatre Closure

Funding was previously provided from Council resources relating to costs incurred in the closure of the Futurist. These costs related to the boarding up of the building and the ongoing works required ensuring it is safe and secure.

This budget has now been fully utilised, and while further costs may be incurred these will be funded through the ongoing revenue resources.

## **Printer Replacement**

This programme provided for two new commercial mono printers within Print Plus. The previous machines had become outdated and expired their maintenance agreements.

## **Summary of impact**

Both schemes have been completed in line with budget and therefore do not provide any variations in the projected balance of 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 previous monitoring report committed to transferring any in year surplus to the Capital Development Reserve to address this shortfall. Following the transfer of £350k of the in year surplus, the current projected overdrawn balance on the Capital Development Reserve stands at £197k over the equivalent period. A full revised capital programme incorporating the latest 10 year period will be presented to Council in February 2016 as part of the Financial Strategy and shows a surplus balance over the 10 year period to 2026.

### **3.2.3 Capital receipts**

A general level of capital receipts are anticipated each year and are built into the Councils 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 Land at Danes Dyke, Land at Newby Farm, Weydale cottages and land at Helredale Gardens and St Peters Rd, Whitby. To date the budgeted monies for Weydale Cottages (£100k) and the Land at Helredale Gardens and St peters Rd (£380k) have been received.

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 £275k. 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, £1,300k and £1,358k has been received from the University Technical College and Coventry University respectively and a total of £2,056k

from the sale of land at Seamer Rd 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 £323k worth of outstanding obligations owed to the Council.

Of the £2,305k current obligations, a total of £312k 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.

<b>Agreement Type</b>	<b>Value of Agreements £'000</b>	<b>Outstanding Balances £'000</b>	<b>Uncommitted Balances £'000</b>
Affordable Housing	611	4	205
Education	380	-	-
Middle Deepdale	187	-	-
Off-site Open Spaces	430	280	107
Transport	540	39	-
<b>Off Site Agreements</b>	<b>1,808</b>	<b>323</b>	<b>312</b>
On Site Agreements	157	-	-
<b>Total Agreements</b>	<b>1,965</b>	<b>323</b>	<b>312</b>

#### **Adjustments from Previous Report**

The following agreements have been added since the previous financial monitoring report (ref 15/244).

**Eskdale      £240k Open Spaces**  
**£39k Transport**

This agreement relates to payments set out in the Section 106 agreement relating to Eskdale Park, Whitby. These agreements have currently been invoiced for 50% of their total with added indexation. The Open Space agreements have been previously allocated to the Eastside Community and Open Space Improvement Programme (ref 15/150).



Discussions are currently taking place between Officers and representatives from NYCC who are responsible for the scheme investment relating to the transport infrastructure monies.

### **Blueberry Way - £50k**

Following recent a development a section 106 agreement was entered into relating to the payment of £50k contribution towards equipped play and green space at Oliver's Heights. The Council and the developer have agreed that the monies are to be paid in 10 monthly instalments starting from December 2015.

## **3.3 Grants**

### **3.3.1 Revenue Grants**

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

### **3.3.2 Capital Grants**

#### **Filey Flood Alleviation Scheme**

The Council has previously accepted £406k of funding from the Environment Agency to promote the Filey Flood Alleviation Scheme. It has now become apparent that additional work is required around waste acceptance criteria. The Environment Agency has agreed to fund this additional work in full and have therefore offered an additional grant of £57,780.30.

#### **Manham Hill Play Area**

Groundwork North Yorkshire have managed to attract additional funding of £3,649.76 from Yorventure for the Manham Hill Play Area scheme. This will take total funding for the project to £44,240.

#### **Ayton Castle**

In conjunction With the Friends of Ayton Castle the North Yorkshire Moors National Park Authority has agreed to provide funding of £805.17. This funding is for the provision and installation of a new information panel and plinth at the castle and will be carried out in conjunction with the other ongoing restoration works at the castle..

## **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 the previous report, any year end underspend will be transferred into this reserve to reduce the overdrawn position. This report outlines that £350k has already been transferred into the reserve from expected in year surpluses and the 2016/17 Financial Strategy is based on this assumption. 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 has been undertaken as part of the budget setting process for 2016/17 to ensure that balances earmarked for specific schemes are still relevant. This review identified £448k of one-off monies that were available for allocation and full details of this review were included within the 'Draft Revenue and Capital Budget 2016/17' report that was presented to Cabinet in January (16/27).

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 25 January 2016	Actual % collected	Target % collected	Performance against target (%)
Council Tax	94.08%	94.57%	-0.49%
Business Rates	89.71%	90.72%	-1.01%

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 December 2015	Actual % of arrears collected	Target % collected	Performance against target (%)
Council Tax	27.11%	28.54%	-1.43%
Business Rates	31.03%	25.87%	+5.16%

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.

### 3.6 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	352	495
Overdue invoices	1,229	982
<b>Total Outstanding Balance as at 31 December</b>	<b>1,581</b>	<b>1,477</b>

The current recovery rate of debts owed is **90.1%**. 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 and the use of technology. Year to date figures show that in 2015/16 there have been 311 low value invoices (£50 or under) to date compared to 331 in 2014/15. This shows that low value invoicing continues to be an issue and different types of low value invoices continue to occur despite it being against Council policy to issue invoices below £50.00 for non-statutory charges.

#### 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 December, but held in abeyance, for the current and preceding year is shown below: -

	<b>2015 £'000</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Disputed	21	13	148
Service Hold	120	86	162
Legal Services	208	332	405
<b>Total Held in Abeyance</b>	<b>349</b>	<b>431</b>	<b>715</b>

The council aims to ensure that no more than 30% of the overdue invoices are held in abeyance and the cases held currently are approximately 28% of the overdue debt. The proportion for December 2014 was 43%.

As these debts are held or subject to legal review / proceedings the Accounts Receivable section is not taking recovery action against them. The Service does however closely monitor and manage 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 £1,229k and £349k of this balance is held or disputed (see above). This leaves a balance of £880k which is being actively recovered by the Accounts Receivable section. Last year the balance being actively recovered was £555k.

## 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 December in the current and preceding year:

	<b>Dec 2015 £'000</b>	<b>Dec 2014 £'000</b>
Outstanding in Sundry Debts	1,242	1,100
Outstanding Housing Benefit	716	654
<b>Total Debt Outstanding</b>	<b>1,958</b>	<b>1,754</b>

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 December:

	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>
Year to Date Collection Rate	76.32%	73.53%	74.91%

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 £148k 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 overspends do not occur again in 2016/17.
- 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 has been addressed by transferring £350k into the reserve this year and as part of the 2016 Financial Strategy. Whilst this is positive news, there are still unfunded essential and aspirational capital schemes that are not included within that plan

## **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:**

15/303 – Financial Monitoring to September 2015 (2<sup>nd</sup> Period)  
15/53 – Financial & Property Asset Management Strategy and Council Tax Setting  
2015/16

## FINANCIAL PERFORMANCE - REVENUE BUDGET

### 1. Introduction

This is the third monitoring summary for the 2015/16 financial year covering the period **1 April to 31 December 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 1.6 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	(20)	(48)	(23)	24	(30)	(53)	23
Director (Nick Edwards)	(4,645)	(4,775)	(4,504)	271	(5,248)	(5,292)	44
Director (Lisa Dixon)	(520)	(509)	(501)	7	(592)	(592)	0
Director (Trevor Watson)	(7,005)	(6,570)	(6,984)	(414)	(7,888)	(7,709)	(179)
Corporate	0	0	0	0	(9)	(9)	0
<b>Total excluding Whitby Harbour Board</b>	<b>(12,190)</b>	<b>(11,901)</b>	<b>(12,013)</b>	<b>(111)</b>	<b>(13,767)</b>	<b>(13,655)</b>	<b>(112)</b>
Whitby Harbour Board - Car Parking *	(778)	(833)	(867)	(34)	(958)	(958)	0
<b>Total effect on Council's General Fund</b>	<b>(12,968)</b>	<b>(12,735)</b>	<b>(12,880)</b>	<b>(145)</b>	<b>(14,725)</b>	<b>(14,613)</b>	<b>(112)</b>
Whitby Harbour Board - Harbour Activities *	(854)	(800)	(794)	6	(901)	(893)	(8)
<b>Total Sales, Fees and Charges and Rents</b>	<b>(13,823)</b>	<b>(13,534)</b>	<b>(13,673)</b>	<b>(139)</b>	<b>(15,626)</b>	<b>(15,506)</b>	<b>(120)</b>

\* 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	1,489	1,433	1,424	(9)	1,898	1,839	58
Director (Nick Edwards)	5,358	5,421	5,549	128	7,268	7,158	110
Director (Lisa Dixon)	1,385	1,477	1,503	26	2,005	1,989	17
Director (Trevor Watson)	4,994	4,831	4,890	59	6,226	6,204	23
Corporate	2,022	2,105	2,113	8	2,113	2,113	0
<b>Total excluding Whitby Harbour Board</b>	<b>15,249</b>	<b>15,267</b>	<b>15,479</b>	<b>213</b>	<b>19,511</b>	<b>19,303</b>	<b>208</b>
Whitby Harbour Board	340	344	350	6	466	466	0
<b>Total Sales, Fees and Charges and Rents</b>	<b>15,589</b>	<b>15,610</b>	<b>15,829</b>	<b>219</b>	<b>19,977</b>	<b>19,770</b>	<b>208</b>



#### 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	111	82	123	41	183	111	72
Business Rates	1,080	939	955	17	955	947	8
Interest Receivable	(74)	(107)	(57)	50	(70)	(130)	60
Capital Salary Recharges	(254)	(235)	(266)	(31)	(372)	(340)	(32)
Property Repair Fund	393	309	360	51	612	612	0
Grounds Maintenance (Highways Hardstanding)	197	192	451	259	543	543	0
Grounds Maintenance (Coast Protection)	225	218	464	246	587	587	0
Contingency Budgets including transfer to CDR (as agreed in Q2 report)	0	0	(299)	(299)	(335)	(345)	(340)
VAT Mitigation	0	0	200	200	200	0	200
Utilities (Gas, Electric and Water)	617	501	517	16	671	671	0
Vehicle Repairs & Fuel	629	584	630	47	845	772	73
Council Tax Benefit (prior to 2013/14)	(26)	(28)	0	28	0	(22)	22
Housing Benefit (costs net of subsidy)	(210)	(84)	130	214	180	60	120
Audit Fees	14	11	28	17	92	75	18
One off DWP Grants	(38)	(59)	0	59	0	(59)	59
Savings not yet achieved							
'Bin Only' Garden Waste	0	0	(18)	(18)	(18)	0	(18)
Procurement Savings	0	0	(23)	(23)	(23)	0	(23)
Other Areas (net) Identified by Budget Managers	342	427	525	98	667	656	11
<b>Total (excluding Whitby Harbour Board)</b>	<b>3,007</b>	<b>2,750</b>	<b>3,722</b>	<b>972</b>	<b>4,718</b>	<b>4,139</b>	<b>229</b>
Other Areas (net) Identified by Budget Managers – Whitby Harbour Board	(7)	(34)	(28)	6	(29)	(23)	(6)
<b>Total High Risk Areas</b>	<b>3,000</b>	<b>2,716</b>	<b>3,694</b>	<b>978</b>	<b>4,689</b>	<b>4,116</b>	<b>223</b>

## 5. Overall Quarterly Outturn split by Directorate

The following table outlines the quarterly outturn by Directorate responsibility.

£k	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	23	44	-	(179)	-	(112)	(8)
Salaries and Wages	58	110	17	23	-	208	
Other High Risk Areas							
Homelessness				72		72	
Business Rates					8	8	
Interest Receivable					60	60	
Capital Salary Recharges	12	(19)	(25)			(32)	
Contingency Budgets					(340)	(340)	
VAT Mitigation					200	200	
Vehicle Repairs & Fuel		73				73	
Council Tax Benefit (prior to 2013/14)					22	22	
Housing Benefit (costs net of subsidy)					120	120	
Audit Fees		18				18	
One-Off DWP Grants			59			59	
Bin Only Garden Waste Collection		(18)				(18)	
Procurement Savings			(23)			(23)	
Other Items Identified by Budget Managers	38	(33)		47	(42)	10	8
<b>Overall Total</b>	<b>131</b>	<b>175</b>	<b>28</b>	<b>(37)</b>	<b>28</b>	<b>325</b>	<b>-</b>

## 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	(13)	(39)	(17)	22	(21)	(44)	23
Electoral Services	(2)	(2)	(1)	1	(2)	(2)	0
HR and Health and Safety	(5)	(7)	(6)	1	(8)	(8)	0
IT Services	0	(0)	0	0	0	0	0
<b>Totals Sales, Fees and Charges and Rents</b>	<b>(20)</b>	<b>(48)</b>	<b>(23)</b>	<b>24</b>	<b>(30)</b>	<b>(53)</b>	<b>23</b>

### 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	693	655	669	15	890	846	44
Electoral Services	100	119	104	(15)	138	138	0
HR and Health and Safety	265	221	232	11	310	296	14
IT Services	399	406	387	(19)	516	516	0
PR and Marketing	32	32	32	0	43	43	0
<b>Total Salaries and Wages</b>	<b>1,489</b>	<b>1,433</b>	<b>1,424</b>	<b>(9)</b>	<b>1,898</b>	<b>1,839</b>	<b>58</b>

Key points to note about performance year to date:

- Additional income from 'Fraud' penalties generated prior to the transfer of staff to DWP.
- The forecast underspend on salaries is due to vacant posts / reduced hours within the Human Resources team. The posts 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.
- Resignation of the Council's Deputy Chief Executive has led 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	(327)	(12)	(24)	(12)	(51)	(31)	(20)
Corporate Management	(0)	(1)	(1)	(1)	(2)	(2)	0
Local Taxation	0	(263)	(287)	(24)	(359)	(292)	(67)
Industrial Units	(138)	(150)	(143)	8	(185)	(185)	0
Allotments	(2)	(2)	(3)	(2)	(5)	(5)	0
Highways	(24)	0	0	0	(24)	(24)	0
Street Seats and Nameboards	(19)	(48)	0	48	0	0	0
Property Services Operational Unit	(364)	(290)	(350)	(60)	(463)	(413)	(50)
Administrative Buildings	(53)	(69)	(49)	21	(65)	(65)	0
Land and Property Rentals	(1,178)	(1,211)	(1,196)	15	(1,452)	(1,463)	11
Scarborough Harbour	(703)	(721)	(627)	94	(721)	(765)	44
Depots and Admin Buildings	(9)	(10)	(9)	0	(13)	(13)	0
Environmental Health - Safety	(9)	(11)	(7)	4	(9)	(9)	0
Cleansing	(1,360)	(1,578)	(1,429)	150	(1,653)	(1,779)	126
Fleet	(3)	0	0	0	(17)	(17)	0
Public Conveniences	(180)	(176)	(172)	3	(187)	(187)	0
Parks and Open Spaces	(274)	(235)	(206)	29	(42)	(42)	0
Marketing and Events	0	2	0	(2)	0	0	0
<b>Totals Sales, Fees and Charges and Rents</b>	<b>(4,645)</b>	<b>(4,775)</b>	<b>(4,504)</b>	<b>271</b>	<b>(5,248)</b>	<b>(5,292)</b>	<b>44</b>

## 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	994	1,026	1,057	31	1,398	1,360	38
Property Services Operational Unit	244	238	254	16	339	339	0
Administrative Buildings	9	10	11	0	14	14	0
Scarborough Harbour	173	180	176	(4)	234	240	(6)
Depots and Admin Buildings	15	16	16	0	21	21	0
Environmental Health - Safety	39	40	38	(1)	52	52	0
Cleansing	2,092	2,083	2,114	31	2,782	2,782	0
Fleet	237	241	244	3	325	322	3
Public Conveniences	299	321	311	(10)	377	377	0
Parks and Open Spaces	1,255	1,267	1,329	62	1,726	1,651	75
<b>Total Salaries and Wages</b>	<b>5,358</b>	<b>5,421</b>	<b>5,549</b>	<b>128</b>	<b>7,268</b>	<b>7,158</b>	<b>110</b>

Key points to note about performance year to date:

- Court Cost income expected to be £67k behind budget due to charges in the charges levied
- High occupancy levels and rent reviews expected to lead to a surplus of £11k
- Credit charges saving not expected to be delivered this year

- 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
- Overall shortfall expected from Property Trading unit of £50k due to reduction in hours chargeable to jobs.
- Saving in Parks service due to employing temporary staff instead of permanent full time staff.

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	(161)	(148)	(122)	27	(159)	(159)	0
Democratic Representation and Management	0	0	0	(0)	0	0	0
Local Land Charges	(74)	(81)	(58)	24	(77)	(77)	0
Licensing	(285)	(279)	(322)	(43)	(356)	(356)	0
<b>Totals Sales, Fees and Charges and Rents</b>	<b>(520)</b>	<b>(509)</b>	<b>(501)</b>	<b>7</b>	<b>(592)</b>	<b>(592)</b>	<b>0</b>

## 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	1,123	1,204	1,225	21	1,633	1,616	17
Democratic Representation and Management	69	81	85	4	114	114	0
Local Land Charges	25	22	22	(0)	29	29	0
Licensing	113	114	115	1	154	154	0
Policy and Performance and Best Value etc	55	57	57	0	76	76	0
<b>Total Salaries and Wages</b>	<b>1,385</b>	<b>1,477</b>	<b>1,503</b>	<b>26</b>	<b>2,005</b>	<b>1,989</b>	<b>17</b>

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 although there may be a slight shortfall on premise licences
- Saving on salaries due to reduced hours being worked within Benefits service and a vacant post within the Admin unit offset slightly be increased Legal Service budgets

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
Corporate Management	(0)	(13)	(36)	(24)	(36)	(36)	0
Economic Development	(17)	(19)	(21)	(2)	(28)	(28)	0
Planning	(428)	(478)	(480)	(3)	(587)	(587)	0
Parking Off Street	(3,417)	(3,478)	(3,398)	80	(3,726)	(3,876)	150
Markets	(141)	(128)	(144)	(16)	(189)	(167)	(22)
Community Development	0	(5)	(29)	(25)	(4)	(4)	0
CCTV	(97)	(93)	(143)	(50)	(190)	(185)	(5)
Environmental Health - Safety	(2)	(3)	(1)	2	(2)	(2)	0
Environmental Health - Health	(14)	(2)	(7)	(5)	(9)	(9)	0
Cemeteries and Crematorium	(649)	(676)	(688)	(12)	(913)	(878)	(35)
Homelessness	0	0	0	(0)	0	0	0
Private Sector Housing	(10)	(12)	(11)	1	(14)	(14)	0
Home Improvement Agency	(70)	(85)	(66)	19	(89)	(77)	(12)
Environmental Health	(0)	(0)	(0)	(0)	(0)	(0)	0
Miscellaneous	(6)	(6)	(12)	(6)	(12)	(12)	0
Burial of Destitute Persons	38	228	(75)	(303)	(54)	201	(254)
Catering	0	0	0	0	(27)	(27)	0
Indoor Leisure Sites	(963)	(621)	(677)	(55)	(679)	(679)	0
Outdoor Leisure Sites	(847)	(839)	(852)	(13)	(905)	(904)	(1)
Museums	(5)	(5)	0	5	(5)	(5)	0
Community Centres and Grants	(123)	(123)	(124)	(1)	(163)	(163)	0
Marketing and Events	(109)	(62)	(60)	2	(78)	(78)	0
Customer Services	(0)	(0)	0	0	0	0	0
Tourist Information Centres	(144)	(151)	(161)	(9)	(177)	(177)	0
<b>Totals Sales, Fees and Charges and Rents</b>	<b>(7,005)</b>	<b>(6,570)</b>	<b>(6,984)</b>	<b>(414)</b>	<b>(7,888)</b>	<b>(7,709)</b>	<b>(179)</b>

## 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	456	518	523	5	695	685	10
Corporate Management	8	11	10	(1)	13	13	0
Community Partnerships and Safety	55	56	56	0	75	75	0
Economic Development Planning	172	175	177	2	236	236	0
Parking Off Street	595	624	631	7	841	833	8
Parking On Street	51	60	56	(4)	62	62	0
Markets	12	6	0	(6)	0	0	0
Community Development	15	15	15	(0)	20	20	0
CCTV	125	189	192	3	258	258	0
Cemeteries and Crematorium	210	195	201	6	266	266	0
Community Safety	76	80	80	1	107	107	0
Homelessness	82	89	101	12	138	138	0
Private Sector Housing	277	311	286	(25)	381	381	0
Home Improvement Agency	23	24	23	(1)	31	31	0
Environmental Health	217	221	230	9	306	293	13
Miscellaneous	557	537	576	40	768	759	9
Tourism and Leisure Administration Units	52	47	48	0	60	60	0
Theatres	10	21	24	3	27	26	1
Indoor Leisure Sites	715	506	492	(14)	492	492	0
Outdoor Leisure Sites	382	381	339	(42)	368	414	(46)
Museums	0	0	0	(0)	0	0	0
Community Centres and Grants	113	122	118	(5)	157	157	0
Marketing and Events	210	228	239	11	321	321	0
Customer Services	344	252	265	14	354	346	8
Tourist Information Centres	238	163	207	45	251	231	20
<b>Total Salaries and Wages</b>	<b>4,994</b>	<b>4,831</b>	<b>4,890</b>	<b>59</b>	<b>6,226</b>	<b>6,204</b>	<b>23</b>

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
- Parking income expected to exceed budget due to increased usage
- 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 expected to be £257k behind budget.
- Caravan Park income is behind target to date and this a review of this income stream is being undertaken prior to the 2016 season.
- 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).
- Overspend on Outdoor Leisure staffing has been reviewed and management have an agreed resourcing model for 2016 which will be implemented to ensure that it doesn't recur.

## 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
<b>Totals Sales, Fees and Charges and Rents</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9)</b>	<b>(9)</b>	<b>0</b>

## 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	2,022	2,105	2,113	8	2,113	2,113	0
<b>Total Salaries and Wages</b>	<b>2,022</b>	<b>2,105</b>	<b>2,113</b>	<b>8</b>	<b>2,113</b>	<b>2,113</b>	<b>0</b>

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	(778)	(833)	(867)	(34)	(958)	(958)	0
Whitby Harbour	(854)	(800)	(794)	6	(901)	(893)	(8)
<b>Totals Sales, Fees and Charges and Rents</b>	<b>(1,632)</b>	<b>(1,633)</b>	<b>(1,661)</b>	<b>(28)</b>	<b>(1,859)</b>	<b>(1,851)</b>	<b>(8)</b>

### 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	340	344	350	6	466	466	0
<b>Total Salaries and Wages</b>	<b>340</b>	<b>344</b>	<b>350</b>	<b>6</b>	<b>466</b>	<b>466</b>	<b>0</b>

Key points to note about performance year to date:

- Core harbour activity will generate a year end surplus of £49k. This is a result of increased income from Harbour Parking and storage.
- Dredger unlikely to be hired this year and therefore income (£57k) won't be achieved.
- Salaries costs expected to be broadly in line with budget.
- Other cost savings will be achieved, some of which are as a result of not having the dredger on hire
- Overall position of the Whitby Harbour Board is a £25k surplus against budget which will be transferred into Whitby Harbour Reserves.

### 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 31 December 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
	<b>Investment Management Plan Schemes</b>				
	Whitby Business Park – Construction	1,795	428		
(a)	Middle Deepdale Waterpark	3,254	3,254		
	Leisure Village	14,100	10,038		
		18,860	17,799		
		<b>38,009</b>	<b>31,519</b>		
	Vehicles, Plant & Equipment* <i>*(2015/16 budget only)</i>	1,773	1,734		
	Spa Options Appraisal	886	-		
	Disability Discrimination Act	363	18		
	Pathfinder – Knipe Point	1,023	163		
	Purchase of Empty Homes for Homelessness Accommodation	750	60		
	Cell 1 Strategic Coastal Monitoring	2,596	216		
	Disabled Facilities Grants	685	204		
	IT Replacement and Development* <i>*(2015/16 budget only)</i>	422	372		
	Lighting Columns	970	901		
	Neighbourhood and Communities Programme	1,778	1,462		
	Discover Filey	300	278		
(b)	North Bay Urgent Works	653	29		
	Filey Flood Alleviation Scheme	464	89		
	Whitby Church Street Flood Alleviation	979	873		
	Whitby Harbour Piers Coast Protection - Phase 1	295	135		
	Filey & Cayton Bay Coastal Strategy	400	309		
	Eskside Wharf	261	261		
	Hard Standings – Ground Maintenance	416	362		
	Eastside Green Spaces	412	412		
	Property Asset Management Works	403	316		
	Scarborough Market	2,780	2,587		
	Other current schemes ≤£250,000	2,441	900		
	<b>Sub total</b>	<b>59,059</b>	<b>43,200</b>		

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**

### **(a) Middle Deepdale**

Within the capital programme a scheme of works exists representing the acceptance of £935k as a grant contribution towards infrastructure works on Council owned land at Middle Deepdale (Ha1).

In association with the sale of Ha1, approval has been granted to enter into a funding agreement for £2,319k with the York North Yorkshire and East Riding Local Enterprise Partnership (LEP). This grant together with the £935k previously highlighted form part of the Ha1 conditional sale agreement. These monies will be utilised towards enabling infrastructure for the first phase of housing, namely access roads and related drainage and services.

Although the grants are awarded to the Borough Council, the Council will not be undertaking any of the works. As part of the sales agreement the grants will be made available to Keepmoat Homes who will be responsible for carrying out the construction of the infrastructure. These monies will be paid out periodically and in arrears upon completion of outputs and the independent certification of any works.

The Councils capital programme has therefore been updated to reflect the terms of the sale agreement for Ha1. The infrastructure works will be an asset of the Council and accounted for accordingly until an S38 agreement is completed and the roads formally adopted by NYCC.

### **Schemes over £250k**

#### **(b) Filey Flood Alleviation**

The Council previously received 100% Environment Agency (EA) funding of £406k to prepare a business case in order to promote the Filey Flood Alleviation Scheme.

Works on the business plan began in 2013 and are nearing completion, however it became apparent that further works were required. These works include waste acceptance criteria testing to confirm whether inert material can be taken offsite and the production of a waste hierarchy report. This report will determine options for where the material might go and additional modelling to further improve the outline design of the scheme due to issues with the original concept.

It is recommended as part of this report that Cabinet accept additional funding of £57,708.30 that has been approved by the EA. This funding will provide 100% cover for the costs and fees associated with these additional activities. No Council funding will therefore be required to complete these works.

## **Schemes under £250k**

### **Manham Hill**

This scheme of works was previously approved (ref 15/166) to utilise £21,795 of related s.106 funding together with £16,300 of external funding to address the identified deficiency in children's play provision in the area.

Following approval of the scheme the final s106 commuted sum totalled £24,290 following indexation increases. In addition the Council entered into a license with Groundwork North Yorkshire for the project management of the works, who have subsequently attracted further external funding from Yorventure of £3,649.76. These values have therefore been added to the scheme providing a revised budget of £44,240 in order to provide additional facilities.

### **New Schemes**

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

### **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.

The uncommitted balance of the reserve is therefore £2.509m however the draft budget proposals for 2016/17 include using £270k of the General Fund to balance the budget. This would reduce the uncommitted balance of the reserve £2.239m.

**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.

In addition, 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 £20k has also been transferred re some additional grounds maintenance work that is required to be undertaken.

The current 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.

The Capital Development Reserve aims to match resources to investments over a ten year period and projections during the year highlighted that this balance was overcommitted during the period. The previous monitoring report therefore committed to transferring any in year surplus to the Capital Development Reserve to address this shortfall. Following the transfer of £350k of the in year surplus (as agreed in 15/303), the current projected overdrawn balance on the Capital Development Reserve stands at £197k over the equivalent period.

In addition to the above, the Financial Strategy for 2016, which projects the Capital Development Reserve through to 2025/26 shows a surplus in the fund of £349k at the end of that period. Whilst this is positive news, there are still unfunded essential and aspirational capital schemes that are not included within that plan and some overdrawn balances in the latter years of the projections.

### **Other Reserves**

A review of reserves has been undertaken as part of the budget setting process for 2016/17 and 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					

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