

	REPORT TO CABINET TO BE HELD ON 13 SEPTEMBER 2016	
	Key Decision	Yes
	Forward Plan Ref No	3
Corporate Priority - ALL	Cabinet Portfolio Holder	Cllr. Helen Mallory

REPORT OF THE DIRECTOR (NE) – 16/207

WARDS AFFECTED: ALL

SUBJECT: FINANCIAL MONITORING TO JULY 2016 (1st PERIOD)

RECOMMENDATION (S):

Cabinet is recommended to:

- i) Note the report and in particular that:
 - Despite the setting of an extremely challenging budget a year end surplus looks likely to be achieved.
 - The majority of income targets are being achieved.
 - Although a current year surplus is positive news it can largely be attributed to areas which are one-off in nature and the Garden Waste scheme exceeding financial expectations
 - The capital programme continues to operate within the overall parameters set in terms of contingency levels.
 - The Capital Development Reserve is fully committed to progress schemes such as the Leisure Village

- ii) For Cabinet to note the loss of £50k squash grant funding for the Leisure Village scheme and approve that the squash court facilities included in the venue's original facilities mix be replaced by a multi-use activity area, which should significantly increase participation levels and improve the financial sustainability of the venue. The additional costs associated with these works (£57k) will be fully funded by Sports & Leisure Management Limited;

iii) Accept the following grants:

- £15,781.29 from Waste Recycling Environmental Ltd (WREN) for restoration work at Ayton Castle.
- £99,000 from the Environment Agency to monitor the retreat of cliffs at Cowbar Lane.
- £4,385 from Andrew McGowan Legacy Trust and up to £10,000 from RNLI towards the costs of beach safety signs.

REASON FOR RECOMMENDATION(S):

To provide information relating to the Council's financial performance for the 2016/17 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 four months of the 2016/17 financial year from April to July 2016. 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 £15.2m. Various factors can affect income levels and therefore they are closely monitored during the year. The current year end forecast anticipates a surplus of £132k against budget.

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	1	(8)	(11)	(2)	(20)
Director (Nick Edwards)	1.2	2	(3,367)	(2,898)	469	225
Director (Lisa Dixon)	1.3	3	(165)	(155)	11	(31)
Director (Trevor Watson)	1.4	4	(3,468)	(3,629)	(161)	(42)
Corporate	1.5		-	-	-	-
Total Sales, Fees and Charges and Rents			(7,009)	(6,692)	317	132

1. Chief Executive

Internal Audit

Additional income of £20k was included within the 2016/17 budget proposals and this was to be generated by providing a potential tenancy fraud and internal audit function to Yorkshire Coast Homes. Unfortunately the Council were unsuccessful in winning the tender and therefore this saving will not be delivered.

2. Director (Nick Edwards)

Refuse

The introduction of the Garden Waste scheme has been very successful and this has led to higher than expected income being achieved but in addition to this, the reduction in recycling credit income was not as severe as expected since garden waste tonnages remain high.

3. Director (Lisa Dixon)

Licencing

Reductions in the number of licences in recent years has led to unachievable income targets. Whilst this was highlighted as part of the 2016/17 budget setting process it was hoped that reviews of the services offered, changes to the licencing structure and a general increase in the numbers of licences would ensure that the target could be achieved. To date this has not occurred and a shortfall of £15k is expected this year.

Legal Services

Savings of £16k put forward as part of the 2016/17 budget proposals look unlikely to be delivered in this year. The savings were to be achieved by increasing the income generated by providing a legal service to external clients. Unfortunately some long term clients have reduced the amount of work that they look to have undertaken due to their own funding constraints. This position will continue to be reviewed during the remainder of the year to assess whether or not it is achievable in the future. The team continue to work to develop their client base to protect against future income loss.

4. Director (Trevor Watson)

Filey Brigg Caravan Park

Income from the caravan park looks likely to be £20k lower than budget this year due to waterlogged pitches at the start of the season. Management are looking to replace some of the areas that were affected with hardstanding during the closed season and hopefully this will help alleviate the problem going forwards.

The service is also in the process of introducing an online booking system and this is expected to lead to an increase in bookings especially during the evening and winter months when the reception area at the site isn't manned and available to take calls.

With investment also being made to 'tidy up' the site through new signage, repairs and decoration it is envisaged that visitor numbers will start to increase and that the shortfall outlined above will not recur in future years.

Cemeteries and Crematoria Income

Details of outstanding debt have not been received from the service as at the end of July and therefore the position shown in this report only outlines monies actually paid to date.

Information received on the number of services suggests that the market share within the area continues at recent rates 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 has been included within the 2016/17 budget proposals.

Indoor Market £70k

As expected, occupancy rates have fallen in recent months in the run up to the refurbishment of the Indoor Market (15/135). Slippage in the completion of the works has meant a delay in being able to attract new tenants to the market however and therefore this reduction in income will last longer than originally anticipated. An income shortfall of £70k is therefore expected this year rather than the £24k outlined in the original report.

Car Parking Income

Income from off street car parking was £98k higher at the end of July than the same period last year and this increase is continuing into August. Fees and charges were increased for 2016/17 (15/349) and this was expected to lead to additional income for the year of £250k (which was included within the budget). Continuing high usage of the sites is also a factor in the increase seen to date though and it is expected that income will exceed budget by at least £100k over the full year.

Offsetting this in part is a £50k saving put forward for the introduction of Winter parking. This is subject to a working group review and therefore won't be implemented this year.

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		553	562	9	2
Director (Nick Edwards)	1.2	1	2,613	2,604	(9)	32
Director (Lisa Dixon)	1.3	2	708	711	3	(23)
Director (Trevor Watson)	1.4	3	1,952	2,053	102	56
Corporate	1.5	4	2,192	2,118	(73)	(120)

Total Salaries and Wages			8,017	8,048	32	(54)

1. Director (Nick Edwards)

Forecasted underspend due to expected savings within the Corporate Finance function as the service continue to automate processes to enable staff leavers not to be replaced.

2. Director (Lisa Dixon)

Forecasted salary shortfall due to a delay in delivering the restructure within the Licencing service that was agreed during the 2016/17 budget setting process. This restructure is currently underway and the saving should be delivered in full in 2017/18.

3. Director (Trevor Watson)

Outdoor Leisure

Significant work to address the continuing overspend on Outdoor Leisure staffing has been undertaken this year. Whilst service has been maintained, costs compared to spend in 2015/16 have fallen by £50k to date and it is expected that reduced costs will continue to be seen for the rest of the season. Savings against budget of £18k are expected this year.

Tourist Information Centres

Scarborough Harbourside and Filey Tourist Information Centres have recently closed and Whitby is due to relocate to the harbour offices during the last quarter of 2016. Whilst these closures were identified as part of the 2016/17 budget process no budget savings were attributed to the proposal since costings were still being worked through. Whilst staffing costs will be lower than budgeted this year, this saving will be required to offset the reductions in profit margins on the sale of goods at those sites and potential closure and relocation costs. No forecasted surplus is therefore recognised as part of this report.

4. Corporate

A £120k saving was included within the 2016/17 budget for Transformation Project Board reviews across all services. Although this saving is identified as not being delivered, the transformation review of refuse has highlighted that savings arising from the garden waste scheme will be significantly higher than expected and will sufficiently cover the shortfall arising on this saving. It is also hoped that transformation work underway to charge all business rated holiday let customers for the collection of their waste will generate further income in the financial year and make further contributions towards this saving.

5. Other Areas

It is usual for forecast salary savings to increase as the year progresses. Vacant posts and turnover of staff, along with 2017/18 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 are as 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 accommodation	1	18	66	48	40
Business Rates	2	862	895	33	37
Interest Receivable	3	(128)	(91)	38	40
Interest Payable	4	136	136	-	-
Capital Salary Recharges		(109)	(134)	(25)	-
Property Repair Fund (total annual budget £612k)	5	143	239	96	-
Grounds Maintenance (Highways Hardstanding)	5	171	254	83	-
Grounds Maintenance (Coast Protection)	5	161	541	380	-
Contingency Budgets	6	-	233	233	-
VAT Mitigation	7	-	-	-	-
Utilities (Gas, Electric and Water)		156	192	36	-
Vehicle Repairs & Fuel		89	93	4	-
Council Tax Benefit (prior to 2013/14)	8	(9)	-	9	9
Housing Benefit (costs net of subsidy)	9	Note 1	63	Note 1	171
Audit Fees		-	-	-	6
One off DWP Grants	10	(86)	(32)	54	54
Procurement Savings	11	-	(8)	(8)	-
CCG External Contract	12	(33)	(32)	2	(12)
Other Areas (net) Identified by Budget Managers	13	5	(1)	(6)	(64)
Total		1,376	2,414	977	281

Note 1: Due to system issues with the Council's Housing Benefits system (I-World), it has not been possible to provide accurate figures to 31 July 2016. The issue was resolved during August and accurate figures will be available again as at 31 August 2016.

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 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 £40k lower than the budget this year and the service is reviewing whether this is an on-going saving (and can therefore be included as a saving in the 2017/18 budget proposals).

2. Business Rates

Expenditure on business rates is below budget to date primarily as a result of one off (backdated) refunds on the Council's leisure sites.

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. The recent base rate reduction will however reduce the interest that the Council is able to generate in the later part of the year and this over achievement of income is not expected to get any higher in the remainder of the year.

4. Interest Payable

Slippage in capital schemes and a reducing interest environment has led to a delay in some of the new borrowing outlined in both the 2015/16 and 2016/17 budgets taking place. It is currently envisaged that £145k of the budget made available will not be required this year but, should this be the case, this will be set aside to contribute towards the unfunded coast protection schemes outlined in the 2016 Financial Strategy. Whilst it was expected that these could be funded from future capital receipts, contributing towards the costs now will allow the Council to place less reliance upon these receipts going forwards.

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 2016/17 budget proposals and, in addition, some of the monies provided within the 2015/16 budget for the same purpose were still available for allocation.

£234k has not yet been committed but at this stage it is assumed that this will be earmarked during the remainder of the year.

The budget is primarily used to fund unavoidable increases in costs where, for example, contracts have built in inflationary increases, since the 2016/17 budget made no provision for increases to service budgets.

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 2016 the council's partial exemption level was 3.19% which is lower than the 2014/15 outturn of 3.57%. This reduction is principally due to lower capital spend on sites generating exempt income together with the outsourcing of the Council's indoor leisure sites.

The indoor leisure facilities generated a relatively high proportion of exempt income and therefore the outsourcing of these sites has significantly reduced the risk of a breach occurring. The 2016/17 budget has therefore been transferred to the Capital Development Reserve to help address the overdrawn capital balance and will be included as a saving in the 2017/18 budget proposals.

8. 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 2016/17 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 £9k (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 will become less and less likely to recur going forwards.

9. Housing Benefit (costs net of subsidy)

Collection of housing benefit debt has improved significantly over the last three years, which is particularly encouraging given the economic climate and recent changes to the benefits system. The improvements were 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 savings of £147k have been included in the

Council's budget proposals over the last three years, (£40k 2014/15, £57k 2015/16 and £50k 2016/17).

Given the above, it is pleasing that a surplus (£100k) is once again expected this year and this should allow further savings to be put forward as part of the 2017/18 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.

In addition to the above, growth of £71k was provided in the 2016/17 budget for changes to the amounts that DWP pay for Temporary Leased Accommodation, which were originally announced as part of the Autumn Statement. These changes are now not expected to be introduced until 2017 and therefore this budget will not be required this year.

10. One off DWP Grants

The DWP have provided additional funding to the Council during the year for welfare reform, 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.

11. 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 many of these have been against specific savings outlined within the budget proposals.

The team are now working to deliver the remainder of this saving and it is hoped that this will be delivered in full in 2016/17.

12. CCG External Contract

The contract for undertaking this work has now been signed and whilst it won't deliver a full saving in 2016/17 it will in future years.

13. Other Savings (net) Identified by Budget Managers

The table above outlines a shortfall of £60k however the majority of this relates to refuse costs which are more than offset by the additional income outlined within section 3.1.2 of this report.

3.1.5 Revenue Budget Summary for 2016/17

The overall revenue forecast (see table below) shows that a £359k year end surplus is expected. Although this appears to be positive news some of these savings are driven by one-off factors and will not recur in future years. The Council's Budget Strategy 2016 to 2020 is a separate report on this agenda. The report sets out that one of the key areas of the Council's strategy will be

to undertake an exercise to identify those savings that are expected to recur so that they can be included in the 2017/18 budget proposals.

The anticipated year end surplus of £359k is generated as follows:

Budgetary Area	Report Section	Budget Surplus / (Shortfall)	
		31-July-16 £k	Year End Forecast £k
Sales, Fees and Charges and External Rents	3.1.2	317	132
Salaries	3.1.3	32	(54)
Other Areas	3.1.4	977	281
			359

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

Directorate Responsibility	Surplus / (Deficit) £k
Chief Executive	(18)
Director (Nick Edwards)	203
Director (Lisa Dixon)	(4)
Director (Trevor Watson)	42
Corporate	137
359	

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

Details of completed schemes have been included within the Financial Outturn Report (reference 16/206) which is also on this agenda.

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 2016/17 is £400k. This figure includes disposal values for land at Danes Dyke and Newby Farm. To date the sale regarding land at Newby Farm road has been completed.

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 £257k in the year. This receipts target includes an element for the disposal of fleet vehicles as part of the Councils ongoing fleet replacement programme.

General capital receipts to date total £23k. 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.

Further capital receipts are anticipated to be received within the financial year. It is currently anticipated that in total the 2016/17 capital receipts target will be achieved.

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 £1,646k current off-site obligations, a total of £302k has not yet been allocated to specific schemes. A working group 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	576	4	197
Education	9	-	-
Middle Deepdale	174	-	-
Off-site Open Spaces	308	-	105
Transport	579	-	-
Off Site Agreements	1,646	4	302
On Site Agreements	122	-	-
Total Agreements	1,768	4	302

Proposed Schemes

Officers have been working in conjunction with the 'Friends of the Old Railway' group to develop a scheme of works for the design and installation of a new information panel for the start of the track at Sainsbury's car park.

The scheme has attracted strong local support and officers now plan to seek permission from the land owners for the panel to be erected.

The total costs of the works are budgeted at £3,793 with £1,500 of NYCC Locality match funding being secured.

The Council are currently holding s106 commuted sum monies of £11,250.85 for investment in off-site open space relating to a previous development at Norwood Street. It is proposed to utilise £2,293 of these commuted sum monies to complete the funding for the scheme.

Adjustments from Previous Report

The following agreements have been added since the previous financial monitoring report (reference 16/32).

The Crescent	£15k Affordable Housing
Coventry University	£15k Transport

3.3 Grants

3.3.1 Revenue Grants

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

3.3.2 Capital Grants

Ayton Castle Restoration Phase 2

In conjunction with the local friends group additional funding of £15,781.29 has been attracted in order to carryout repairs / reconstruction of the North East corner of the castle. Acceptance of this grant will result in a revised scheme budget of £131,847.

COWBAR Coastal Monitoring

The Environment Agency has agreed the award of £99k to manage a 3 year monitoring programme of the cliffs at Cowbar Lane. This follows on from a previous scheme managed by Redcar & Cleveland District Council.

Beach Signs

Both the RNLI and Andrew McGowan Legacy Trust have kindly agreed to provide funding towards the implementation of warning and information signs to various beaches throughout the Borough.

Trustees of the Andrew McGowan Legacy Trust have agreed to make a contribution of £4,385 towards the purchase of signs for Scarborough South Bay and Cayton Bay.

In addition the RNLI have agreed in principle to making a contribution of towards the costs of signs for the beaches which they lifeguard (this being 50% of the total costs).

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. It was previously reported that the Capital Development Reserve was overcommitted over the ten year period and that this would be addressed through the 2016 Financial Strategy. Whilst the reserve is no longer overcommitted there are still periods of time over the ten-year period where the projections show an overdrawn balance. The balance held in the reserve as at 31 March 2016 was £6.784m. This amount is fully committed to progress schemes such as the leisure village. All other reserves are above the predetermined levels set out in the 2016 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 2017/18 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 July 2016	Actual % collected	Target % collected	Performance against target (%)
Council Tax	42.15%	42.45%	-0.30%
Business Rates	41.48%	43.19%	-1.71%

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 July 2016	Actual % of arrears collected	Target % collected	Performance against target (%)
Council Tax	13.54%	14.05%	-0.51%
Business Rates	8.19%	20.65%	-12.46%

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: -

	2016 £'000	2015 £'000
Invoices not yet due	773	808
Overdue invoices	1,874	1,148
Total Outstanding Balance as at 31 December	2,647	1,955

The current recovery rate of non-disputed debts owed is 76.8%. It should be noted that there is currently one invoice raised for approximately £1.1m which is distorting the figures. It is anticipated that this will be paid in full during September.

The cost of raising and recovering small amounts can be significant and therefore a lot of work had previously been done to reduce the number of low value invoices being raised by exploring payment in advance and the use of

technology. However, the number of low value invoices being raised is increasing again and the Transformation Group are looking into areas of work that should lead to a reduction in low value invoices. Year to date figures show that in 2015/16 there were 156 low value invoices (£50 or under) to date compared to 205 in 2016/17. 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 August, but held in abeyance, for the current and preceding years is shown below: -

	2016 £'000	2015 £'000	2014 £'000
Disputed	5	4	40
Service Hold	156	79	67
Legal Services	224	320	319
Miscellaneous Held	53	15	Not collated
Total Held in Abeyance	438	418	426

The council aims to ensure that no more than 20% of the overdue invoices are held in abeyance and the cases held currently are approximately 23.4% of the overdue debt. The proportion for 31 August 2014 was 36%.

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 then resume if necessary.

3.6.4 Status of the Remaining Invoices

At present the value of overdue invoices is £1,874k and £438k of this balance is held or disputed (see above). This leaves a balance of £1,436k which is being actively recovered by the Accounts Receivable section. Last year the balance being actively recovered was £730k.

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 Benefit remain recorded in the Housing Benefit system (including those being recovered by the DWP). The table below shows the outstanding balance of overpaid Housing Benefit at the end of December in the current and preceding year:

	Aug 2016 £'000	Aug 2015 £'000
Outstanding in Sundry Debts	1,117	1,213
Outstanding Housing Benefit	650	710
Total Debt Outstanding	1,767	1,923

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 were implemented during 2015/16 and currently 78% 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 all overpaid Housing Benefit to the end of August:

	2016/17	2015/16	2014/15
Year to Date Collection Rate	17.67%	18.24%	16.01%
% Recovered as a Proportion of debt raised in year	125.23%	74.30%	90.59%

During 2014/15 there was an average of £85k per month of new overpayments. This figure rose during 2015/16 to £93k per month as a result of government initiatives and data matching exercises. The average value of overpayments created during 2016/17 is now £61k per month to the end of August.

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 does include one off sources of funding and savings.
- 4.2 There are some savings that were put forward for 2016/17 that are not being achieved and these will need to be addressed during the remainder of the year. On a positive note however the Garden Waste scheme is exceeding financial projections and, as originally envisaged, additional savings will be achieved from this project next year.
- 4.3 The Capital Programme continues to operate within the overall parameters set in terms of contingency levels.

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:

16/57 - Council Tax Setting and Finance Property Strategy
16/206 – Financial and Treasury Outturn Report 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 July 2016**. 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 1.5 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)	(8)	(11)	(2)	(32)	(12)	(20)
Director (Nick Edwards)	(3,240)	(3,367)	(2,898)	469	(6,279)	(6,504)	225
Director (Lisa Dixon)	(167)	(165)	(155)	11	(592)	(561)	(31)
Director (Trevor Watson)	(3,819)	(3,468)	(3,629)	(161)	(8,287)	(8,245)	(42)
Corporate	-	-	-	-	(9)	(9)	-
Total Sales, Fees and Charges and Rents	(7,240)	(7,009)	(6,692)	317	(15,198)	(15,330)	132

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	623	553	562	9	1,731	1,729	2
Director (Nick Edwards)	2,637	2,613	2,604	(9)	7,711	7,679	32
Director (Lisa Dixon)	684	708	711	3	2,053	2,076	(23)
Director (Trevor Watson)	2,286	1,952	2,053	102	5,854	5,799	56
Corporate	2,105	2,192	2,118	(73)	2,120	2,240	(120)
Total Sales, Fees and Charges and Rents	8,335	8,017	8,048	32	19,469	19,523	(54)

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	50	18	66	48	179	139	40
Business Rates	1,134	862	895	33	895	858	37
Interest Receivable	(42)	(128)	(91)	38	(434)	(474)	40
Interest Payable	136	136	136	0	554	554	0
Capital Salary Recharges	(127)	(109)	(134)	(25)	(483)	(483)	0
Property Repair Fund	(5)	143	239	96	578	578	0
Grounds Maintenance (Highways Hardstanding)	72	171	254	83	483	483	0
Grounds Maintenance (Coast Protection)	89	161	541	380	647	647	0
Contingency Budgets	0	0	233	233	236	236	0
VAT Mitigation	0	0	0	0	0	0	0
Utilities (Gas, Electric and Water)	190	156	192	36	586	586	0
Vehicle Repairs & Fuel	280	89	93	4	313	313	0
Council Tax Benefit (prior to 2013/14)	(16)	(9)	0	9	0	(9)	9
Housing Benefit (costs net of subsidy)	3	(1,869)	63	1,931	191	20	171
Audit Fees	0	(9)	0	9	75	68	6
One off DWP Grants	(29)	(86)	(32)	54	(32)	(86)	54
Procurement Savings	0	0	(8)	(8)	(8)	(8)	0
CCG External Contract	0	(33)	(32)	2	(48)	(36)	(12)
Other Areas (net) Identified by Budget Managers	50	5	(1)	(6)	(1)	63	(64)
Total High Risk Areas	1,785	(503)	2,415	2,917	3,729	3,448	281

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	General Fund Total
Sales Fees and Charges and Rent	(20)	225	(31)	(42)	-	132
Salaries and Wages	2	32	(23)	56	(120)	(54)
<u>Other High Risk Areas</u>						
Homelessness - B&B accommodation				40		40
Business Rates					37	37
Interest Receivable					40	40
Council Tax Benefit (prior to 2013/14)					9	9
Housing Benefit (costs net of subsidy)					171	171
Audit Fees		6				6
One-Off DWP Grants			54			54
CCG External Contract				(12)		(12)
Other Items Identified by Budget Managers		(60)	(4)			(64)
Overall Total	(18)	203	(4)	42	137	359

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)	0	(7)	(7)	(20)	0	(20)
Electoral Services	(0)	0	(1)	(1)	(2)	(2)	0
HR and Health and Safety	(3)	(8)	(3)	5	(10)	(10)	0
IT Services	(0)	(0)	0	0	0	0	0
Totals Sales, Fees and Charges and Rents	(14)	(8)	(11)	(2)	(32)	(12)	(20)

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	288	205	205	(0)	618	618	0
Electoral Services	47	52	56	4	165	163	2
HR and Health and Safety	97	104	107	3	318	318	0
IT Services	178	178	180	2	585	585	0
PR and Marketing	14	15	15	(0)	45	45	0
Total Salaries and Wages	623	553	562	9	1,731	1,729	2

Key points to note about performance year to date:

Sales, Fees and Charges and External Rents

- **Support Units (Internal Audit)** - Additional income of £20k was included within the 2016/17 budget proposals and this was to be generated by providing a tenancy fraud and internal audit function to Yorkshire Coast Homes. Unfortunately the Council were unsuccessful in the tender and therefore this saving will not be delivered.

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	(3)	(4)	(4)	(0)	(49)	(49)	0
Corporate Management	(0)	(3)	(7)	(5)	(22)	(17)	(5)
Local Taxation	(158)	(153)	(147)	6	(279)	(279)	0
Industrial Units	(86)	(84)	(86)	(1)	(187)	(187)	0
Allotments	(1)	(1)	(1)	(0)	(5)	(5)	0
Highways	0	0	0	0	(24)	(24)	0
Street Seats and Nameboards	(21)	(29)	0	29	0	0	0
Property Services Operational Unit	(110)	(125)	(150)	(26)	(447)	(447)	0
Administrative Buildings	(31)	(32)	(16)	16	(63)	(63)	0
Land and Property Rentals	(595)	(611)	(570)	41	(1,457)	(1,465)	9
Scarborough Harbour	(477)	(426)	(461)	(34)	(737)	(737)	0
Whitby Harbour	(570)	(623)	(632)	(9)	(1,009)	(1,009)	0
Depots and Admin Buildings	(4)	(5)	(4)	0	(13)	(13)	0
Environmental Health - Safety	(3)	(2)	(2)	1	(9)	(9)	0
Cleansing	(1,041)	(1,094)	(671)	423	(1,683)	(1,905)	221
Fleet	0	0	0	0	(17)	(17)	0
Public Conveniences	(88)	(78)	(90)	(12)	(185)	(185)	0
Parks and Open Spaces	(52)	(98)	(57)	41	(93)	(93)	0
Totals Sales, Fees and Charges and Rents	(3,240)	(3,367)	(2,898)	469	(6,279)	(6,504)	225

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	462	440	489	49	1,459	1,427	32
Property Services Operational Unit	107	99	105	7	316	316	0
Administrative Buildings	4	5	5	1	14	14	0
Scarborough Harbour	87	82	79	(3)	237	237	0
Whitby Harbour	151	167	159	(8)	473	473	0
Depots and Admin Buildings	7	7	7	(0)	21	21	0
Environmental Health - Safety	17	19	20	1	55	55	0
Cleansing	971	908	874	(35)	2,611	2,611	0
Fleet	104	111	116	5	342	342	0
Public Conveniences	147	156	148	(8)	385	385	0
Parks and Open Spaces	581	619	602	(17)	1,798	1,798	0
Total Salaries and Wages	2,637	2,613	2,604	(9)	7,711	7,679	32

Key points to note about performance year to date:

Sales, Fees and Charges and External Rents

- **Corporate Management** - Income from charging for the use of a credit card to make payments looks likely to be £5k lower than target. This charge

recoups the Council for the cost of credit card surcharges imposed by third parties so will be at least partially offset by cost savings in that area.

- **Cleansing** - The introduction of the Garden Waste scheme has been very successful and this has led to higher than expected income being achieved but in addition to this, the reduction in recycling credit income was not as severe as expected since garden waste tonnages remain high

Salaries and Wages

- **Support Units (Corporate Finance)** - Salary Saving due to expected savings within the Corporate Finance function as the service continue to automate processes to enable staff leavers not to be replaced.
- **Cleansing / Parks and Open Spaces** – overspend to date on salaries not expected to crystallise over full 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	(74)	(48)	(56)	(8)	(167)	(151)	(16)
Democratic Representation and Management	0	0	0	0	0	0	0
Local Land Charges	(38)	(28)	(26)	3	(77)	(77)	0
Licensing	(56)	(89)	(74)	16	(349)	(334)	(15)
Totals Sales, Fees and Charges and Rents	(167)	(165)	(155)	11	(592)	(561)	(31)

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	562	607	625	18	1,827	1,827	0
Democratic Representation and Management	36	39	38	(1)	93	94	(1)
Local Land Charges	10	10	10	(0)	30	30	0
Licensing	51	52	38	(14)	103	125	(22)
Total Salaries and Wages	658	708	711	3	2,053	2,076	(23)

Key points to note about performance year to date:

Sales, Fees and Charges and External Rents

Support Units (Legal Services) – Savings of £16k put forward as part of the 2016/17 budget proposals look unlikely to be delivered in this year. The savings were to be achieved by increasing the income generated by providing a legal service to external clients. Unfortunately some long term clients have reduced the amount of work that they look to have undertaken due to their own funding constraints. This position will continue to be reviewed during the remainder of the year to assess whether or not it is achievable in the future. The team continue to work to develop their client base to protect against future income loss.

-
- **Licensing** - Reductions in the number of licences in recent years has led to unachievable income targets. Whilst this was highlighted as part of the 2016/17 budget setting process it was hoped that reviews of the services offered, changes to the licensing structure and a general increase in the numbers of licences would ensure that the target could be achieved. To date this has not occurred and a shortfall of £15k is expected this year.

Salaries and Wages

- **Licencing** - Forecasted shortfall due to a delay in delivering the restructure within the Licencing service that was agreed during the 2016/17 budget setting process. This restructure is currently underway and the saving should be delivered in full in 2017/18.

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	(0)	0	0	0	0	0	0
Corporate Management	(0)	(32)	(12)	20	(13)	(13)	0
Economic Development	(8)	(8)	(9)	(2)	(28)	(28)	0
Planning	(351)	(326)	(221)	105	(608)	(608)	0
Parking Off Street	(2,170)	(2,267)	(2,253)	14	(4,873)	(4,923)	50
Markets	(59)	(33)	(64)	(32)	(189)	(119)	(70)
Community Development	(5)	0	(25)	(25)	(25)	(25)	0
CCTV	(46)	(47)	(43)	4	(100)	(104)	4
Environmental Health - Safety	(2)	(0)	(2)	(1)	(3)	(3)	0
Environmental Health - Health	(1)	(2)	(7)	(5)	(9)	(9)	0
Cemeteries and Crematorium	(288)	(145)	(309)	(164)	(962)	(962)	0
Private Sector Housing	(2)	(7)	(7)	(0)	(14)	(14)	0
Home Improvement Agency	(22)	(25)	(40)	(15)	(131)	(131)	0
Environmental Health	(0)	(2)	(0)	2	(0)	(0)	0
Miscellaneous							
Burial of Destitute Persons	(3)	(1)	(11)	(9)	(12)	(12)	0
Tourism and Leisure							
Administration Units	0	(0)	0	0	0	0	0
Theatres	225	49	58	8	69	69	0
Catering	0	0	0	0	(27)	(27)	0
Indoor Leisure Sites	(426)	(4)	(3)	1	(12)	(12)	0
Outdoor Leisure Sites	(510)	(481)	(516)	(35)	(923)	(897)	(26)
Museums	0	0	(5)	(5)	(5)	(5)	0
Community Centres and Grants	(55)	(60)	(54)	6	(163)	(163)	0
Marketing and Events	(22)	(33)	(26)	6	(80)	(80)	0
Customer Services	(0)	(0)	0	0	0	0	0
Tourist Information Centres	(73)	(44)	(78)	(35)	(177)	(177)	0
Totals Sales, Fees and Charges and Rents	(3,819)	(3,468)	(3,629)	(161)	(8,287)	(8,245)	(42)

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	234	235	243	9	729	729	0
Corporate Management	4	7	7	0	21	21	0
Community Partnerships and Safety	25	26	26	0	77	77	0
Economic Development	77	82	81	(0)	244	244	0
Planning	277	288	292	4	875	848	27
Parking Off Street	31	34	33	(1)	64	64	0
Parking On Street	3	1	0	(1)	0	0	0
Markets	7	7	7	(1)	20	20	0
Community Development	83	87	102	15	305	305	0
CCTV	88	89	88	(2)	224	224	0
Cemeteries and Crematorium	36	39	39	(0)	116	116	0
Community Safety	27	46	48	2	144	144	0
Homelessness	134	187	184	(3)	552	552	0
Private Sector Housing	11	11	11	0	34	34	0
Home Improvement Agency	99	104	113	8	333	333	0
Environmental Health	238	200	211	12	609	609	0
Miscellaneous							
Tourism and Leisure	24	16	16	(0)	32	32	0
Administration Units							
Theatres	9	7	12	5	28	28	0
Indoor Leisure Sites	332	0	0	0	0	0	0
Outdoor Leisure Sites	202	138	162	24	378	358	20
Museums	0	0	0	0	0	0	0
Community Centres and Grants	51	66	69	2	206	206	0
Marketing and Events	110	111	93	(19)	286	286	0
Customer Services	112	117	121	3	358	350	9
Tourist Information Centres	73	52	97	46	220	220	0
Total Salaries and Wages	2,286	1,952	2,053	102	5,854	5,799	56

Key points to note about performance year to date:

Sales, Fees and Charges and External Rents

- **Planning** – large value planning applications have been received at the start of the year this is likely to even itself out over the year
- **Parking Off-Street** - Income from off street car parking was £98k higher at the end of July than the same period last year and this increase is continuing into August. Fees and charges were increased for 2016/17 (15/349) and this was expected to lead to additional income for the year of £250k (which was included within the budget). Continuing high usage of the sites is also a factor in the increase seen to date though and it is expected that income will exceed budget by at least £100k over the full year.
Offsetting this in part is a £50k saving put forward for the introduction of Winter parking. This is subject to a working group review and therefore won't be implemented this year.
- **Markets** - As expected, occupancy rates have fallen in recent months in the run up to the refurbishment of the Indoor Market (15/135). A delay in the completion of the works has meant a delay in being able to attract new tenants to the market however and therefore this reduction in income will last longer than originally anticipated.

- **Cemeteries and Crematoria Income** - Details of outstanding debt have not been received from the service as at the end of July and therefore the position shown in this report only outlines monies actually paid to date.
- **Outdoor Leisure Sites** - Income from the caravan park looks likely to be £20k lower than budget this year due to waterlogged pitches at the start of the season.
- **Tourist Information Sites** - Scarborough Harbourside and Filey Tourist Information Centres have recently closed and Whitby is due to relocate to the harbour offices during the last quarter of 2016. Whilst income targets will therefore not be achieved there are compensating savings in staffing and premise costs.

Salaries and Wages

- **Planning** – the Planning team is currently not staffed to capacity but the Service Unit Manager is looking to absorb workload within the current structure and therefore an underspend will occur this year. It is likely that this will be available as a saving for the 2017/18 budget setting process.
- **Outdoor Leisure Sites** – Significant work to address the continuing overspend on Outdoor Leisure staffing has been undertaken this year. Whilst service has been maintained, costs compared to spend in 2015/16 have fallen by £50k to date and it is expected that reduced costs will continue to be seen for the rest of the season. Savings against budget of £18k are expected this year.
- **Tourist Information Sites** - Scarborough Harbourside and Filey Tourist Information Centres have recently closed and Whitby is due to relocate to the harbour offices during the last quarter of 2016. Whilst staffing costs will be lower income targets will not be achieved (as outlined above).

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	2,105	2,192	2,118	(73)	2,120	2,240	(120)
Total Salaries and Wages	2,105	2,192	2,118	(73)	2,120	2,240	(120)

Key points to note about performance year to date:

Salaries and Wages

- **Corporate**
 - 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.
 - A £120k saving was included within the 2016/17 budget for Transformation Project Board reviews across all services. Although this saving is identified as not being delivered, the transformation review of refuse has highlighted that savings arising from the garden waste scheme will be significantly higher than expected and will sufficiently cover the shortfall arising on this saving. It is also hoped that transformation work underway to charge all business rated holiday let customers for the collection of their waste will generate further income in the financial year and make further contributions towards this saving.

FINANCIAL PERFORMANCE - CAPITAL BUDGET

The following table shows, for ongoing schemes and schemes anticipated to commence in 2016/17, the budget, remaining unspent budget as at 31 July 2016, anticipated under spend or over spend and the resultant impact on Borough Council Resources.

	Capital Schemes - Ongoing or due to commence in 2016/17	Total Budget £k	Uncommitted Budget £k	Anticipated (Under) / Overspend £k	Anticipated Impact on Council Resources £k
	Investment Management Plan Schemes				
	Whitby Business Park – Construction	1,795	320		
	Middle Deepdale	3,254	1,794		
	Waterpark	14,100	1,219		
(a)	Leisure Village	18,860	12,426		
	Futurist	4,000	3,998		
	Pindar All Weather Pitch	387	387		
		42,396	20,144		
	Vehicles, Plant & Equipment* <i>*(2016/17 budget only)</i>	2,200	1,064		
	Pathfinder – Knipe Point	1,023	161		
	Purchase of Empty Homes for Homelessness Accommodation	750	57		
	Cell 1 Strategic Coastal Monitoring	2,596	199		
	Disabled Facilities Grants	685	487		
	Lighting Columns	970	662		
	Neighbourhood & Communities Programme	1,785	1,313		
	Discover Filey	300	278		
	Filey Flood Alleviation Scheme	464	76		
	Whitby Church Street Flood Alleviation	979	940		
	Whitby Harbour Piers Coast Protection - Phase 1	357	260		
	Filey & Cayton Bay Coastal Strategy	400	239		
	Hard Standing – Ground Maintenance	416	362		
	Eastside Green Spaces	416	399		
	Property Asset Management Works	421	334		
(b)	Scarborough Market	2,780	2,218		
	Robin Hoods Bay Sea Wall	582	582		
	Eskside Wharf	3,000	3,000		
	Spa Roof	1,140	1,139		
	Cemetery Provision in Whitby	400	400		
	Runswick Bay Coastal Protection Scheme	1,140	1,126		
	Spa Coastal Protection Scheme	14,711	14,591		
	North East Strategic Coastal Monitoring Programme 2	2,903	2,869		
	Eastfield Infrastructure	2,317	2,317		
	Coastal Protection works	996	996		
	Other current schemes ≤£250,000	3,048	1,675		
	Total	89,175	57,888	-	-

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) Leisure Village

The construction of the Leisure Village continues to make excellent progress, with costs and the programme being on target. Completion and opening of the facility is on track to take place in summer 2017.

The approved funding package for the Leisure Village included an anticipated grant of £50k from England Squash and a £2.211m Iconic Facilities grant from Sport England. One of the original criterion of Sport England's Iconic Facilities funding bids was that they must be supported by three national sporting bodies. For the Scarborough Leisure Village the chosen sports were swimming, football and squash.

On 12 June 2015 the Council received a letter of commitment from England Squash which confirmed their provisional agreement to support the project, and provide the £50k grant, from Year 4 of their current Capital Funding Programme (2016/17). Unfortunately the Council has subsequently been advised that England Squash are no longer in a position to provide the funding.

Members will be aware that the Council undertook a competitive dialogue exercise to select an operator for the Leisure Village and that, as part of that process, Sports and Leisure Management Limited (SLM) were selected as the Council's preferred bidder. During the dialogue process several of the prospective bidders, including SLM, raised that the three squash court areas included within the original plans for the Leisure Village could be replaced with alternative sporting use areas that would increase participation levels and, in turn, the income generating potential of the facility. This option was not pursued at that time given the Sport England Iconic Facilities grant criteria.

Following the withdrawal of the squash funding officers contacted Sport England to determine whether they would consider the possibility of replacing the designated squash courts at the Leisure Village with other sporting use areas. Sport England stated that they may be open to the suggestion if a case could be made which supported improvements in both commercial and sporting outcomes.

On receipt of this advice SLM pulled together a feasibility study on behalf of the Council which reviewed current squash provision in the Scarborough Borough area as well as quantitative data to compare current squash participation levels against average trends in the UK. SLM demonstrated within the document that participation in squash is falling and that bookings at the current Sports Centre courts are lower than for other courts they manage. In addition there are no local teams playing competitive squash in the Hull League or York League, and the internal ladder has ceased.

Five other squash court facilities are within a reasonable 18 miles (30 minute drive) radius of the current Scarborough Sports Centre, although realistically only the

facilities at Baron's Fitness Centre at the Rugby Club are within close proximity to Scarborough town centre (10 minute drive).

SLM's feasibility study showed that a feature of many modern sports facilities is the provision of multi activity spaces. These spaces reflect the changing nature of sports by providing flexible facilities which enhance use and benefit the community by increasing access to a wide range of physical activity programmes. This type of space could not be accommodated in the original Leisure Village plans but could be incorporated within the facility in place of the currently designated squash courts area. SLM's projected participation figures for a multi activity area are in excess of 3,000 per month, compared to a monthly average of 450 visits per month for squash; representing a six-fold increase in the number of participants for the area of space. SLM are confident that the projections for the multi activity space usage are extremely prudent based on current performance levels and the capacity of sessions possible within the available area. The increased participation should result in higher levels of income generation at the facility so SLM are eager to pursue this option, and under the terms of the operating contract with SLM the Council will retain a share of this additional income.

SLM officers have met with the management of Scarborough Rugby Club who have agreed to work with SLM and England Squash to develop squash at the club and welcome all squash players from Scarborough Sports Centre. SLM has also undertaken to support the redevelopment of a constituted Squash Club at the Rugby Club, to re-affiliate them with England Squash, and enter them into the county leagues. They will also support revenue funding opportunities to deliver and host squash programmes and run a Squash Leaders and L1 Coaching Course. This is a much advanced position from that currently being offered locally. Consultation on the potential change of facilities mix has taken place with a significant number of people and organisations, including local squash players and England Squash.

Naturally the squash community are very disappointed with the proposal to replace the squash courts at the Leisure Village, however officers consider that players will not be significantly disadvantaged by the change as evidence suggests that there are sufficient existing courts available locally to meet demand.

Sport England has been provided with a copy of SLM's feasibility study and has confirmed that it has no objections to the proposed change to the facility mix. They are encouraged by the projected increases in participation arising from the change as it will clearly support a number of the key outcomes in their new strategy – 'Towards an Active Nation'.

Given the above it is recommended that Cabinet approve that the facilities mix for the Leisure Village be amended and the three squash courts and associated spectator seating area be replaced with a multi activity space. The additional cost of omitting the squash courts from the development and replacing them with the multi activity space is £57k and SLM have confirmed that they will cover the cost of this variation in full. A decision on this change is needed urgently to avoid delays to the construction programme and associated cost overruns.

Irrespective of the decision on whether to include squash courts within the Leisure Village, the squash grant offer of £50k has been withdrawn and will result in a funding shortfall for the scheme. It is hoped that this shortfall might be offset through cost savings on highways works however the scope and cost of these works is still being negotiated. Further updates will be provided in future monitoring reports.

Schemes over £250k

(b) Scarborough Market

Report 15/135 approved the redevelopment of Scarborough Indoor Market with the cost of £2.78m being funded by a grant from the Coastal Communities Fund (CCF). The construction phase of the contract is now underway and the steel work for the mezzanine floor is now in place. Whilst the contractor is still finalising the cost of some of the items, it is envisaged that the project can be delivered within the original budget.

The first of the new units will start to be occupied by tenants from late September with all existing tenants having moved to their newly refurbished units by mid December. Whilst this is later than originally anticipated, it will allow all traders to be in their units in time for the important Christmas trading period. This delay in the works has however had a negative impact on the revenue budget this year and that is outlined in greater detail in section 3.1.2 of this report.

Works to specific units within the market have been identified that could help increase revenue in future years. The cost of these works (£20k) cannot currently be absorbed within the existing budget for the scheme but this may become possible as other costs are finalised. It is more likely however that the costs will need to be met from Council resources if the works are to progress. If this is the case then approval will be sought through the next monitoring report and details will also be provided of the income that this investment will achieve.

Schemes under £250k

Ayton Castle

Works on the initial element of the scheme are structurally complete. These initial works consisted of stonework conservation to the ground level and the securing of the undercroft with new grills and a gate. With these works having been completed, this ancient monument is now safe for public enjoyment and is in a suitable condition for a Friends Group to carry out future maintenance.

Following on from works carried out by the local friends further additional funding of £15,781.29 has been secured from Waste Recycling Environmental Ltd (WREN). This funding has been awarded for the repair / reconstruction of the North East corner of the castle.

These works are almost complete and awaiting sign off from the project architect. Upon completion and sign off all final funding claims can be made and the project reported as complete.

Beach Signs

This scheme of works was established in order to implement warning and information signs around various beaches throughout the Borough. Previous DEFRA funding of £4,474 was awarded as a contribution towards the cost of works.

The Council has been informed by the Trustees of the Andrew McGowan Legacy Trust that they wish to make a contribution of £4,385 towards the purchase of signs for Scarborough South Bay and Cayton Bay.

In addition the RNLI have agreed in principle to making a contribution of 50% of the costs of signs for the beaches which they lifeguard.

Total projected costs to implement the signs at nine beaches throughout the Borough are £31,871. This will result in a Council contribution of between £16,000 and £20,000 depending on the amount of monies received from RNLI. This is in line with the current budgets.

New Schemes

COWBAR Coastal Monitoring - £99k

This scheme is a continuation of the 2010-16 Cowbar Monitoring project which was managed by Redcar & Cleveland District Council. Cowbar is located at the southern boundary of Redcar and Cleveland District Council near Staithes and falls under the Yorkshire Regional Flood and Coastal Committee area. Cowbar is situated approximately 10 miles north of the town of Whitby and 9 miles south of Salburn by the Sea.

This 100% Environment Agency Funded scheme is required to monitor the retreat of cliffs at Cowbar Lane. This data will continue to be used to better inform the medium term requirements (if any) of reinforcing the existing defences in an effort to better protect the community of Cowbar Cottages from loss to the sea.

The monitoring is for a period of three years and a management fee of £3k will be provided to the Council as part of the scheme budget.

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.

The 2012/13 outturn earmarked £420k to the General Fund to pay for costs of potential legal proceedings and insurance risks. £228k of the amount originally set aside was utilised in 2013/14 and a further £25k in 2014/15. The remaining balance of £167k looks unlikely to be required however and therefore this will be released as part of the 2017/18 budget setting process.

In addition to the above, the 2016 Financial Strategy (reference 16/57) earmarked £270k of the General Fund to balance the 2016/17 budget.

The uncommitted balance of the reserve is therefore £2.239m which is within the pre-determined range.

Capital Contingency Reserve – as at 31 March 2016 the balance on the capital contingency reserve was £600k. A revenue contribution of £100k has been made into the reserve in 2016/17 and therefore the balance is currently £700k.

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

Insurance Reserve – as at 31 March 2016 the balance on the insurance reserve was £1.428m. Contributions of £136k will be made into the reserve this year for self-insurance and draws from the reserve of £166k have already been identified.

The current balance of the reserve is therefore £1.398m, which is slightly above the minimum balance. The reserve balance and future contributions to the reserve will be assessed as part of the 2017/18 budget setting process.

Pension Reserve – as at 31 March 2016 the balance on the pension reserve was £1,152k.

After allowing for expected draws / base budget contributions into the reserve in 2016/17 the unallocated balance on the reserve currently stands at £1,046k. This does not, however, include any termination costs that will be incurred in 2016/17 to ensure that 2017/18 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 2016 the balance on the capital development reserve was £6,784k.

The Capital Development Reserve aims to match resources to investments over a ten year period. Whilst the balance of the reserve appears to be high, this is due to slippage on planned capital schemes. The amount held is fully committed to deliver schemes such as the Leisure Village.

The Financial Strategy 2016 details that the Council still has a number of unfunded essential and aspirational capital schemes to address and the Capital Development Reserve projections show overdrawn balances in some years of the ten year plan.

Other Reserves

A review of reserves will be undertaken as part of the budget setting process for 2017/18 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
D	Sept 2016	That budget managers are overly prudent and recurring savings are not taken into account in future year budgets	Budgets are overstated and services are unnecessarily reduced.	Exercise to review 2015/16 outturn and in-year monitoring projections as part of the budget strategy	C3	B3	Dir (NE)	Finance to undertake a critical assessment of previous years outturn position as part of 2017/18 budget setting process

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