	REPORT TO CABINET TO BE HELD ON 15 NOVEMBER 2016	
	Key Decision	Yes
	Forward Plan Ref No	3
Corporate Priority - ALL	Cabinet Portfolio Holder	Cllr. Helen Mallory

REPORT OF THE DIRECTOR (NE) – 16/249

WARDS AFFECTED: ALL

SUBJECT: FINANCIAL MONITORING TO SEPTEMBER 2016 (2nd 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.
 - The majority of savings identified as part of the 2016/17 budget setting process are being achieved but there are some exceptions which still require addressing.
 - The £270k draw from the General Fund outlined within the Financial Strategy will not be required this year.
 - 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) Accept the following grants:
 - £11,000 from Durham University for the upgrade of the electricity supply to Whitby East Pier
 - £62,000 from the Environment Agency as additional funding towards the Whitby Harbour Piers Coast Protection Scheme.
 - £45,738 from various sources towards funding the Community Safety team.

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 half months of the 2016/17 financial year from April to September 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 report covers the following areas:
 - Financial Performance – Revenue Budget
 - Financial Performance – Capital Budget
 - Grants
 - Reserves

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.
- 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.

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.

3.1.4 Other High Risk Areas

In addition to the two areas above, the budget monitoring process has identified other areas of concern and budgetary surpluses that are anticipated in the year. These are categorised as high risk as a result of their size, volatility or previous years' outturn. Items get added to this section as the year progresses if the financial monitoring outlines any material in year shortfalls or surpluses.

3.1.5 The table below summarises the position, per Directorate, of the areas outlined above. All other areas of revenue income and expenditure within the Council are currently expected to be in line with budget. **Appendix 1** of this report outlines, in greater detail, the key areas that are reviewed as part of the monitoring process.

Director	Appendix	Full Year Budget	Year to Date			Year End Forecast
			Actual	Budget	Surplus/ (Deficit)	
			£k	£k	£k	£k
Chief Executive	1.1	1,926	935	990	55	(1)
Director (Nick Edwards)	1.2	3,908	278	808	530	392
Director (Lisa Dixon)	1.3	1,378	585	614	29	(24)
Director (Trevor Watson)	1.4	(1,118)	(2,001)	(1,872)	129	305
Corporate	1.5	2,450	2,246	2,256	10	(350)
Total		8,545	2,044	2,796	752	322

3.1.6 The table above outlines that a year end surplus of £322k is expected. The key variations from budget that are expected to occur this year are outlined below. Deficits to budget are shown in brackets and more details are provided in **Appendix 1** to this report. Aspects of those items highlighted with an * are expected to recur and will be included within the 2017/18 budget proposals.

Chief Executive

- (£20k) – external income savings put forward in the 2016/17 budget proposals for Internal Audit have not been achieved
- £17k – salary savings within Human Resources team *

Director (Nick Edwards)

- £111k – overall saving expected from the refuse service which includes higher than expected recycling credits and garden waste subscriptions offset, (in part), by higher staffing costs due to the success of the Garden Waste scheme.*
- £41k – increased income from property rental portfolio *

- £171k – reduced cost of administering the Housing Benefit Subsidy scheme *
- £93k – salary saving from support services (some of which will be available as a saving in 2017/18 but the majority relates to vacant posts within the Estates and Asset Management teams for which recruitment is required) *

Director (Lisa Dixon)

- (£38k) - capital salaries and salary budget shortfall within legal services
- (£15k) – income shortfall from licences
- (£20k) – legal services external income shortfall
- £54k – one off grant income within benefits section
- (£22k) – delay in review of licencing service means that 2016/17 budget savings will not be achieved in full this year
- £24k – saving in salaries within the Benefits service *

Director (Trevor Watson)

- (£70k) – reduced occupancy at Scarborough Indoor Market whilst the refurbishment works are carried out
- £40k – higher than expected planning fee income *
- £300k – increased income from off street car parking *
- £27k – salary saving within the planning service *
- £40k – reduced cost of homelessness *
- £37k – one-off business rate reductions on indoor leisure sites
- (£60k) – non achievement of capital salary recharges with the regeneration team

Corporate

- (£120k) – savings from transformation project board reviews are being accounted for in the services in which they are delivered.
- £40k – increased interest income from cash balances
- (£270k) – contribution from the General fund to balance the budget will no longer be drawn

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 above £250k. Updates are given on the Whitby Business Park Scheme highlighting a potential significant saving within the capital budget.

3.2.2 Completed schemes

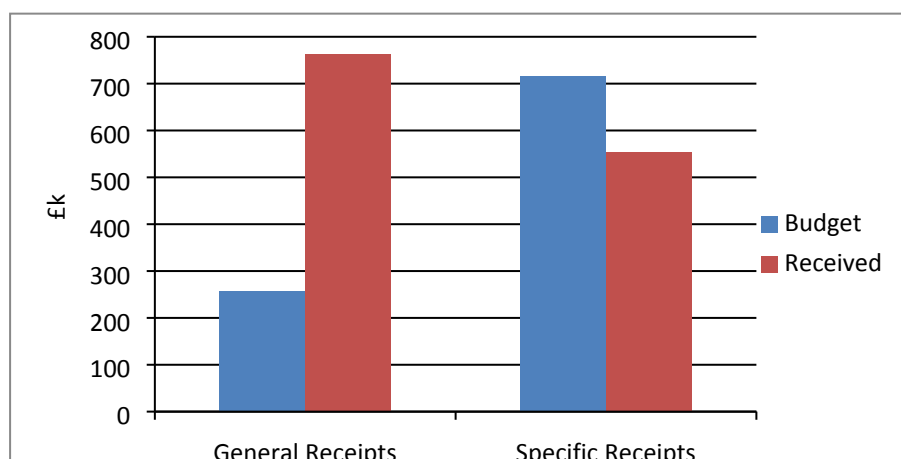
Runswick Bay Coastal Strategy

The main objective of the scheme was to identify the risks from sea flooding, coastal erosion and coastal slope instability in the Runswick Bay area. This scheme has been delivered with 100% Environment Agency funding based on an original approved sum of £196k which included contingency of £18k.

The scheme has now been completed at a total cost of £171k. The savings are a direct result of the tender received through the YORConsult Framework being below the estimate in the initial business case. The Environment Agency have agreed that the Council can retain £7k of the funding for this scheme (ie total agreed amount excluding contingency less amount expended) and this amount will be applied towards a coastal scheme for which the Council is a contributor. This will therefore reduce the Council's contribution to a scheme by the equivalent value.

3.2.3 Capital receipts

The graph below details the current levels of capital receipts within the year.



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

The Council has recently completed the sale of Land at Holbeck. This sale was not specifically budgeted within the capital programme and is therefore included in the 'General Receipts' total above.

The specific receipts target shortfall relates to the sale of land at Danes Dyke Scarborough. This scheme was delayed due to Government changes to housing benefit regulations. These issues now appear to be on their way to becoming resolved and negotiations are underway with Home Group to take this development forward.

Members should be aware that the Financial Strategy identified that all future capital receipts over and above those budgeted should be utilised to fund the £3m allocated for Coast Protection Works. £1.423m of this budget remains unfunded and therefore any surplus receipts generated will be utilised to reduce the unfunded amount.

3.3 Grants

3.3.1 Revenue Grants

Durham University - Electric Supply to Whitby Lighthouse (£11k)

In 2014 Durham University installed coastal monitoring equipment on Whitby East Pier. With the electrical infrastructure not being sufficient to carry the level of current required, they installed fuel cells to power the equipment. These have proved expensive for them to maintain and run and therefore they have asked that the infrastructure be upgraded to allow mains electric to supply their equipment. New control equipment will also be required in the lighthouse. The cost of these works is £11k and will be funded in full by the university.

Community Safety

The Community Safety service rely on external grants to run the service. The following grants have been made available to the service and require acceptance:

- £7,846 from the Police and Crime Commissioner for target hardening work
- £8,000 from North Yorkshire Police for delivery of NPS awareness raising activity
- £25,350 from North Yorkshire Police for proactive multi-agency targeting of hotspot areas
- £4,542 from from the Police and Crime Commissioner to raise community safety awareness

3.3.2 Capital Grants

Whitby Harbour Piers Coast Protection Phase 1

Environment Agency funding of £295k has previously been approved (14/156) in order to employ a specialist consultant to procure a contractor and project manage the delivery of the project. The initial part of these works is to project manage the construction tender stage of the scheme and then procure a contractor for the works.

The Environment Agency has subsequently agreed to provide a further £62k of funding in order to finish the design and obtain a firm price for the scheme. It is therefore recommended within this report that Members accept this additional funding in order to allow these works to progress.

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 table below outlines the balances of the reserves at the start of the year and also the projected year end balances:

Reserve	Optimum Criteria		Balance at 1 April 16	In year forecast movement	Projected 31 Mar 17	
	Minimum	Maximum				
General Fund	2,000	3,000	2,676	-	2,676	●
Capital Contingency	500	1,500	600	100	700	●
Insurance Reserve	1,350	no max	1,428	(14)	1,413	●
Pension Reserve	100	750	1,152	(25)	1,127	●
Capital Development Reserve	Resources matched to investments over 10 yrs		6,785	(5,878)	907	●
Other Reserves	no min	no max	10,933	(4,492)	6,441	●
Total			23,573	(10,579)	13,264	

3.4.3 **General Fund** - the 2012/13 outturn earmarked £420k to the General Fund to pay for costs of potential legal proceedings and insurance risks. £253k of the amount originally set aside has been utilised however and the remaining balance of £167k remains within the General Fund.

In addition to the above, the 2016 Financial Strategy (reference 16/57) earmarked £270k of the General Fund to balance the 2016/17 budget. As outlined within this report, it is unlikely that this draw will be required and therefore the projected year end balance is £2,676k.

3.4.4 **Pension Reserve** – 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.

3.4.5 **Capital Development Reserve** – this reserve aims to match resources to investments over a ten year period. The £907k projected balance as at 31 March 2017 is fully committed over the ten year period.

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.

3.4.6 A review of Other 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. At present the balance of other earmarked reserves is considered adequate

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
16/207 - Financial Monitoring to July 2016

FINANCIAL PERFORMANCE - REVENUE BUDGET

1. Introduction

This is the second monitoring summary for the 2016/17 financial year covering the period **1 April to 30 September 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.

Appendices 1.1 to 1.6 provide additional information on Sales, Fees and Charges, External Rents, Salaries and Wages and Other High Risk areas analysed by Directorate responsibility.

Sales, Fees and Charges, External Rents and Salaries and Wages

Director	Prev YTD Actuals	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	894	835	847	13	1,697	1,703	(6)
Director (Nick Edwards)	(434)	(697)	(399)	298	1,414	1,183	231
Director (Lisa Dixon)	654	684	701	17	1,471	1,505	(34)
Director (Trevor Watson)	(2,627)	(2,738)	(2,774)	(36)	(2,428)	(2,738)	309
Corporate	2,105	2,192	2,119	(73)	2,117	2,237	(120)
Total	591	275	494	219	4,270	3,890	380

Other High Risk Areas

Director	Prev YTD Actuals	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	(34)	101	143	42	229	224	5
Director (Nick Edwards)	1,151	975	1,206	232	2,495	2,333	161
Director (Lisa Dixon)	(40)	(99)	(87)	12	(92)	(102)	10
Director (Trevor Watson)	1,065	738	902	164	1,311	1,316	(5)
Corporate	130	55	137	83	333	563	(230)
Total	2,272	1,769	2,301	532	4,275	4,334	(58)

Overall Summary

Director	Prev YTD Actuals	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	860	935	990	55	1,926	1,927	(1)
Director (Nick Edwards)	717	278	808	530	3,908	3,516	392
Director (Lisa Dixon)	614	585	614	29	1,378	1,402	(24)
Director (Trevor Watson)	(1,562)	(2,001)	(1,872)	129	(1,118)	(1,422)	305
Corporate	2,235	2,246	2,256	10	2,450	2,800	(350)
Total	2,863	2,044	2,796	752	8,545	8,223	322

Chief Executive

Sales, Fees and Charges, External Rents and Salaries and Wages

Service	Prev YTD Actuals	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
Electoral Services	65	77	82	4	163	161	2
HR and Health & Safety	142	141	155	14	306	294	12
Benefit Fraud Investigation Unit	46	-	-	-	-	-	-
Capital and Procurement Unit	159	166	165	(1)	333	333	-
Internal Audit	53	73	64	(9)	129	149	(20)
Public Relations	22	22	22	-	45	45	-
Senior Management Team and Support	138	68	68	-	137	137	-
IT Services	269	265	270	4	539	539	-
Corporate	-	21	20	(0)	46	46	-
Total	894	835	847	13	1,697	1,703	(6)

Key points to note about performance year to date:

- **Human Resources** – Salary saving from vacant post in year which will be included as a saving in the 2017/18 budget proposals.
- **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.

APPENDIX 1.2

Director (Nick Edwards)

Sales, Fees and Charges, External Rents and Salaries and Wages

Service	Prev YTD Actuals	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
Corporate Management	-	(4)	(11)	(7)	(22)	(17)	(5)
Local Taxation	(2)	(9)	6	15	97	90	7
Industrial Units	(107)	(95)	(106)	(12)	(187)	(187)	-
Property Services Operational Unit	(49)	(16)	(68)	(52)	(131)	(84)	(47)
Scarborough Harbour	(455)	(476)	(419)	57	(500)	(555)	55
Whitby Harbour	(438)	(482)	(458)	24	(536)	(536)	-
Depots and Admin Buildings	(38)	(41)	(20)	21	(40)	(48)	8
Accountancy	141	138	148	10	296	277	19
Accounts Receivable and Payable	80	83	87	4	176	170	7
Cash Collection and Administration	30	21	26	5	50	43	7
Environmental Health and Safety	21	25	28	4	45	45	-
Estates and Asset Management	191	172	212	41	408	354	54
Refuse Collection and Street Cleansing	117	(191)	35	226	961	894	66
Rental Properties	(895)	(928)	(888)	40	(1,471)	(1,511)	41
Senior Management Team and Support	47	48	48	-	95	95	-
Street Seats, Lighting and Name Boards	(37)	(44)	-	44	-	-	-
Transport and Vehicles Maintenance	155	170	172	2	325	325	-
Public Conveniences	75	91	68	(24)	200	215	(15)
Parks and Open Spaces	732	839	739	(100)	1,647	1,612	35
Total	(434)	(697)	(399)	298	1,414	1,183	231

Key points to note about performance year to date:

- **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.
- **Property Services Operational Unit** – reduced staffing levels in the unit has led to lower than anticipated recovery of costs through charge out rates. This overspend is offset by a lower than expected staffing spends in Estates and Asset Management this year and will be reviewed as part of the 2017/18 budget setting process.

- **Scarborough Harbour** – income from core harbour activities continues to exceed expectation and will be included as a saving in the 2017/18 budget proposals.
- **Support Services** - salary costs from support service areas (such as Local Taxation, Accountancy and Estates) are expected to be lower than budget. Some of these savings will be included in the 2017/18 budget proposals but the majority of the saving is due to vacant posts within the Estates and Asset Management teams for which recruitment is required.
- **Cleansing** - The introduction of the Garden Waste scheme has been very successful and this has led to higher than expected income being achieved in terms of both recycling credits and subscriptions. Current figures assume that, due to the success, seasonal staffing costs will not be reduced compared to previous years and therefore will overspend. A review of these staffing assumptions is currently under review and may lead to additional savings.
- **Rental Properties** – rental reviews during the year have led to increased income from the Council's property portfolio.
- **Public Conveniences** – higher than expected spend on salaries during the year
- **Parks and Open Spaces** – net income from external contracts is expected to be higher than budgeted this year as a result increasing the level of work and this will be included as a saving in the 2017/18 budget proposals .

Director (Lisa Dixon)

Sales, Fees and Charges, External Rents and Salaries and Wages

Service	Prev YTD Actuals	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
Local Land Charges	(42)	(30)	(24)	7	(47)	(47)	-
Licensing	(133)	(169)	(170)	(1)	(246)	(208)	(37)
Housing Benefits administration	444	441	468	27	921	897	24
Legal Services	61	99	83	(16)	165	185	(20)
Member & Mayoral Expenses	18	11	11	(1)	12	13	(1)
Print Plus	34	27	28	-	55	55	-
Regulatory, Governance, Performance & Admin	206	229	229	-	456	456	-
Senior Management Team and Support	65	76	77	1	154	154	-
Total	654	684	701	17	1,471	1,505	(34)

Key points to note about performance year to date:

- **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.

In addition, a shortfall in salaries is expected due to a delay in delivering the restructure within the Licensing 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.

- **Housing Benefit Admin** – Salary savings, due to both vacant posts (including additional hours not being required) and officers on maternity leave, will occur this year. Any on-going savings will be included as a saving in the 2017/18 budget proposals.
- **Legal Services** - Savings 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.

APPENDIX 1.4

Director (Trevor Watson)

Sales, Fees and Charges, External Rents and Salaries and Wages

Service	Prev YTD Actuals	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
Community Partnerships & Safety	232	250	238	(11)	513	513	-
Economic Development	83	102	98	(5)	206	216	(10)
Planning	15	(31)	106	137	268	201	67
Parking Off Street	(3,184)	(3,399)	(3,333)	66	(4,128)	(4,428)	300
Markets	(78)	(35)	(87)	(51)	(169)	(102)	(67)
CCTV	37	56	59	4	128	124	4
Cemeteries and Crematorium	(379)	(230)	(396)	(166)	(846)	(846)	-
Home Improvement Agency	115	128	103	(24)	202	202	-
Cash Collection and Administration	23	20	24	3	47	47	-
Choices 4 Energy	6	(32)	(2)	30	8	8	-
Community Centres	(18)	(17)	(22)	(5)	(36)	(36)	-
Environmental Health and Safety	302	235	252	18	501	501	-
Housing and Homelessness	210	287	273	(14)	560	560	-
Outdoor Playing Fields and Amenities	(7)	(1)	(15)	(14)	(21)	(9)	(12)
Outsourced services	(19)	(15)	(21)	(6)	(21)	(21)	-
Rental Properties	(18)	(6)	(6)	-	(39)	(39)	-
Senior Management Team and Support	48	48	48	-	95	95	-
Sports Development	17	35	39	4	79	79	-
Beaches	100	65	84	19	115	102	13
Beach Chalets	(165)	(172)	(168)	4	(168)	(172)	4
Theatres	280	83	103	19	113	113	-
Indoor Leisure Sites	(155)	-	-	-	-	-	-
Outdoor Leisure Sites	(353)	(407)	(444)	(38)	(439)	(441)	2
Marketing and Events	125	115	102	(13)	206	206	-
Customer Services	168	173	178	5	364	356	9
Tourist Information Centres	(12)	10	13	2	38	38	-
Total	(2,627)	(2,738)	(2,774)	(36)	(2,428)	(2,738)	309

Key points to note about performance year to date:

- **Economic Development** – rents from Town Centre pitches will not achieve target this year due to redevelopment of the precinct.
- **Planning** – large value planning applications have been received at the start of the year and this, coupled with continuing high levels of applications (391 to 30 September), will lead to higher than expected income this year. Salary

savings are also expected this year as the Planning team is currently not staffed to capacity. The Service Unit Manager is looking to absorb workload within the current structure and therefore an underspend will occur this year and this will be put forward (in part) within the 2017/18 budget savings proposals.

- **Parking Off-Street** - Income from off street car parking was £131k higher at the end of October. 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 £350k 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 September (or as previously reported in July) and therefore the position shown in this report only outlines monies actually paid to date. Accountancy continue to work with the service to address how the information can be supplied in a timely manner.
- **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 significantly to date and reduced costs will continue to be seen for the rest of the season. Overall outdoor leisure is expected to be on target this year but pleasingly further savings will be made next year and these will be put forward as part of the 2017/18 budget proposals.
- **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. This will create on-going savings and these will be put forward as part of the 2017/18 budget proposals.

Corporate**Sales, Fees and Charges, External Rents and Salaries and Wages**

Service	Prev YTD Actuals	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
Corporate	2,105	2,192	2,119	(73)	2,117	2,237	(120)
Total	2,105	2,192	2,119	(73)	2,117	2,237	(120)

Key points to note about performance year to date:

- **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.

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	54	29	85	56	179	139	40
Business Rates	1,014	797	905	108	905	868	37
Interest Receivable	(67)	(149)	(111)	38	(434)	(474)	40
Interest Payable	204	203	204	1	554	554	-
Capital Salary Recharges	(175)	(147)	(219)	(73)	(483)	(394)	(89)
Property Repair Fund	40	203	324	121	578	578	-
Grounds Maintenance (Highways Hardstanding)	82	217	306	89	499	499	-
Grounds Maintenance (Coast Protection)	139	213	289	76	647	647	-
Insurance	7	(6)	70	76	738	738	-
Contingency Budgets	-	-	233	233	236	236	-
Utilities (Gas, Electric and Water)	354	270	284	14	586	586	-
Vehicle Repairs & Fuel	407	306	138	(168)	313	268	45
Council Tax Benefit (prior to 2013/14)	(22)	(9)	-	9	-	(9)	9
Housing Benefit (costs net of subsidy)	29	(85)	95	180	191	20	171
Audit Fees	1	(8)	-	8	75	68	6
Other Areas (net) Identified by Budget Managers	206	(65)	(32)	33	(38)	10	(48)
Draw from General Fund no longer required	-	-	(270)	(270)	(270)	-	(270)
Total High Risk Areas	2,272	1,769	2,301	532	4,275	4,334	(58)

Key points to note about performance year to date:

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).

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.

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.

Capital Salary Recharges

Economic Development (60k) and Legal Services (£29k) are both expected to see under recovery of their capital salary targets this year.

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.

£236k 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.

Vehicle Repairs and Fuel

Lower fuel costs will lead savings this year across the Council's fleet.

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.

Draw from General Fund

The 2016/17 Financial Strategy relied upon a draw from the General Fund to balance the budget. As previously reported, this would not be drawn unless required and pleasingly this is no longer deemed to be necessary.

APPENDIX 2

FINANCIAL PERFORMANCE - CAPITAL BUDGET

The following table shows, for ongoing schemes and schemes anticipated to commence in 2016/17, the budget, and expenditure incurred to date as at 30 September 2016, anticipated forecast outturn and the resultant impact on Borough Council Resources.

Description	Budgeted Expenditure £000	Expenditure to Date £000	Budget Expended %	Forecast Outturn £000	Impact on Council Resources £000
Scarborough Spa Coast protection Scheme	14,711	296	2.01%	14,711	
Waterpark development (excluding developer costs)	8,990	7,692	85.56%	8,990	
Leisure Village	18,360	8,989	48.96%	18,360	
Futurist - Demolition and Redevelopment	4,000	6	0.16%	4,000	
Middle Deepdale Infrastructure works	3,254	2,609	80.18%	3,254	
Eskside Wharf Parkol works	3,000	1	0.03%	3,000	
North East Strategic Regional Coastal Monitoring Programme 2	2,903	57	1.96%	2,903	
Scarborough Market redevelopment	2,780	1,022	36.78%	2,780	
Cell 1 Strategic Regional Coastal Monitoring Programme	2,596	2,448	94.28%	2,596	
Eastfield Regen (Middle Deepdale receipt)	2,317	0	0.00%	2,317	
Vehicles Plant & Equipment *(2016/17 expenditure only)	2,200	931	42.32%	2,200	
Whitby Business Park - Construction	1,795	1,293	72.06%	1,413	381
Neighbourhood & Communities Programme	1,785	472	26.43%	1,785	
Disabled Facilities Grants	1,145	350	30.58%	1,145	
Spa Roof Replacement	1,140	1	0.09%	1,140	
Runswick Bay Coast Protection Scheme	1,140	21	1.85%	1,140	
Pathfinder Grant	1,023	845	82.66%	1,023	
Unidentified Coastal Protection Works	996	0	0.00%	996	
Whitby Church Street Flood Alleviation	979	39	4.01%	979	
Purchase of Empty Homes for Homelessness Accommodation	750	693	92.34%	750	
Lighting Columns	970	308	31.73%	970	
Robin Hoods Bay Sea Wall	582	0	0.00%	582	
IT Infrastructure Investments *(2016/17 expenditure only)	513	154	30.08%	513	
Leisure Village - Demolition of Ryndle Cres	500	0	0.00%	500	
Filey Flood Alleviation Scheme	464	386	83.13%	464	
Property Asset Management Works - 15/16	421	87	20.67%	421	
Hard standings - Ground Maintenance	416	54	12.89%	416	
Filey and Cayton Bay Coastal Strategy	400	156	38.92%	400	
Cemetery Provision in Whitby	400	0	0.00%	400	
Pindar School Sports Pitch Replacement	387	0	0.00%	387	
Eastside Green Spaces	375	43	11.47%	375	
Whitby Harbour Piers Coast Protection	357	103	28.93%	357	
Discover Filey	300	22	7.45%	300	
Other current schemes <£250k	3,484	1,569	45.04%	3,484	
Total	85,431	30,646	35.87%	85,050	381

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

Whitby Business Park

The basis of this scheme is to provide developable business land in Whitby which is deemed to be critical to the towns future prosperity. In order to open up this land significant infrastructure works are required including highways works and the upgrading of services. As a result the expansion of the park was not seen as viable by the current land owners.

Cabinet subsequently approved a scheme to carry out these works through a £1m grant from the Coastal Communities Fund and a £2.5m hybrid grant/loan from the York, North Yorkshire and East Riding Local Enterprise Partnership Growing Places Fund (GPF).

All outstanding monies in relation to the first £1.9m of the hybrid grant/loan are payable before 31 March 2018. The final £0.6m of the available hybrid grant/loan only becomes payable should the Council's future capital receipts from the development exceed £1.9m.

At the time of approving the scheme Members were aware of £0.4m of s106 monies which were already held for investment in the Business Park, and a proposed land transaction between Marston/Cummings/SBC which would result in a capital receipt of £0.2m. These monies were earmarked to repay any outstanding loan monies to the GPF and subsequently Members acknowledged maximum financial risk to the Council of £1.3m.

Cabinet were updated on the revised scheme position (ref 14/292) advising of a reduced construction plan and subsequent reduction in the financial risk to the Council. This reduction in project scope further reduced the anticipated scheme costs. In order to act in a prudent manner and ensure the Council's capital resources were not overcommitted in the medium to longer term, a provision was made from Council resources to cover the value of the financial risk.

The works on the revised scheme have now been completed resulting in two new access roads within the Business Park and all related services.

Negotiations are required with the contractors in order to agree a final contract settlement figure. While these details are still to be finalised, it is anticipated that the total costs of the scheme will not result in a requirement to utilise Council funding, which were budgeted at £381k.

Schemes under £250k

There are currently no major variations to report.

New Schemes

There are currently no new schemes seeking approval as part of this report.

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