	REPORT TO CABINET TO BE HELD ON 14 FEBRUARY 2017	
	Key Decision	Yes
	Forward Plan Ref No	3
Corporate Priority - ALL	Cabinet Portfolio Holder	Cllr. Helen Mallory

REPORT OF THE DIRECTOR (NE) – 17/34

WARDS AFFECTED: ALL

SUBJECT: FINANCIAL MONITORING TO DECEMBER 2016 (3rd 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.
 - As previously agreed, £322k of the projected year end surplus will be transferred to the Council's Investment Fund.
 - The capital programme continues to operate within the overall parameters set in terms of contingency levels.
- ii) Accept the following grants:
 - £14,500 from the Arts Council towards the costs of the arts and cultural elements of Seafest Maritime Festival.
- iii) Allocate the following Section 106 monies:
 - £22,691.77 indexation payments to the Eastside Community and Open Space Improvement Programme

- £4,979.23 to off-site play areas within the Filey Area
- iv) Delegate Authority to Director (Nick Edwards), in conjunction with the Portfolio Holder for Finance, Procurement and Legal, to enter into agreement with the North Yorkshire Pension Fund to pay the backfunded element of the pension fund deficit for the next three years upfront thereby making interest savings.
- v) Note that, following the Tidal Surge on 13 January 2017, the Council has raised its intention to make a claim for costs through the Bellwin scheme with DCLG. The Government has not yet recognised the tidal surge as a scheme that is eligible for Bellwin support however and there is therefore a risk that the Council will not recoup all of the costs that it is expecting.

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 nine months of the 2016/17 financial year from April to December 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
 - Pension Deficit Prepayment
 - Bellwin Scheme
 - Open Air Theatre

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 £15.3m. 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	1,929	1,444	1,462	18	-
Director (Nick Edwards)	1.2	4,125	1,555	2,186	631	518
Director (Lisa Dixon)	1.3	1,345	925	910	(15)	(43)
Director (Trevor Watson)	1.4	(1,053)	(2,049)	(1,593)	457	365
Corporate	1.5	2,419	2,194	2,256	62	(350)
Total		8,765	4,069	5,221	1,152	490

3.1.6 The table above outlines that a year end surplus of £490k is expected, (a surplus of £322k was reported in the previous monitoring report). 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 have been 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 although this has been offset, in part (£12k) by staffing savings in the service.
- £12k – salary savings within Human Resources team *

Director (Nick Edwards)

- £272k – overall saving expected from the refuse service which includes higher than expected recycling credit, garden waste and holiday let subscriptions offset, (in part), by higher staffing costs due to the success of the Garden Waste scheme.*
- £36k – increased income from property rental portfolio *
- £171k – reduced cost of administering the Housing Benefit Subsidy scheme *
- £84k – 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) *
- (£47k) shortfall on Property Services Operational Unit due to reduced staffing in unit (and therefore lower than anticipated recovery of costs through charge out rates)

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)

- (£77k) – reduced occupancy at Scarborough Indoor Market whilst the refurbishment works are carried out
- £60k – 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
- (£83k) – 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.

3.2.2 Completed schemes

Whitby Business Park

Following the structural completion of this scheme all final contract negotiations have been concluded between the Councils Project Manager and the Contractors. Two new roads have been completed opening up new developable business land in Whitby.

Some minor works relating to boundary fencing and waterproofing are still progressing outside of the main contract value. Adequate provision for these works has been made within the final project cost.

Members will recall the initial funding budget for the scheme included a hybrid loan/grant from the York, North Yorkshire and East Riding Local Enterprise Growing Places Fund (GPF) of £2.5m. The first £1.9m of this loan/grant was repayable before 31 March 2018 with the final £0.6m only becoming repayable dependant on future capital receipts.

In addition a £1m grant was provided through the Coastal Communities Fund.

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. 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.

Following completion of these works total scheme costs will be £1.47m. Funding for the works will therefore be funded through the Coastal Communities Fund grant of £1m and £0.47m of the hybrid loan/grant provided by the York, North Yorkshire and East Riding Local Enterprise Growing Places Fund (GPF).

At the time of approving the scheme Members were aware of £0.41m of Section 106 monies which were already held for investment in the business

park. These monies will therefore be utilised to repay the GPF Loan together with £0.06m of SBC resources.

As previously highlighted a provision was made (£0.38m) from Council resources to cover the level of financial risk at that time. Therefore following repayment of the hybrid loan/grant £0.32m of earmarked council resources are not required for this scheme.

The savings on this scheme will be used towards funding the £3m budget which has been allocated for Coast Protection Works (see 3.2.4 below).

Beach Signs

This scheme of works was established in order to implement warning and information signs around various beaches throughout the Borough.

The Council provided funding together with DEFRA, the RNLI and the Andrew McGowan Legacy Trust.

These works have now been completed at a total cost of £38.5k. Council contributions amounted to £20.3k which was within the designated budget.

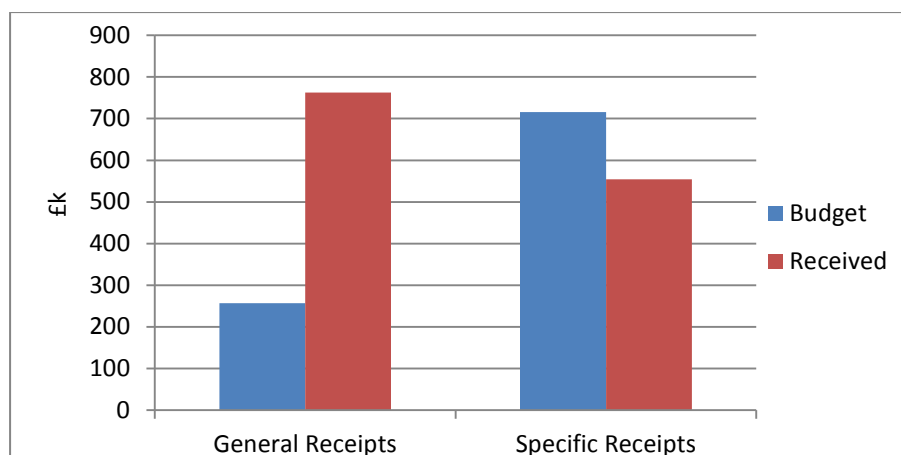
Heritage Lottery Fund Bid

Cabinet approved (ref 16/49) the allocation of £50k, (from the Council's £3m coastal protection budget), to enable the submission of a stage 1 bid to the Heritage Lottery Fund. The bid aimed to attract funding to provide environmental enhancements to the Spa Gardens over and above the like for like re-instatement provided by the Spa Coastal Protection Scheme.

This stage 1 bid has been successfully completed providing the opportunity to progress to Stage 2 in the bidding process.

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 was not therefore included within the specific capital receipts for the year. This receipt has therefore been included in the 'General Receipts' value above and is now included within the capital development reserve projections.

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 however and negotiations are underway with Home Group to take this development forward.

The additional capital receipts detailed above will be utilised to offset the shortfall in allocated Coastal Protection funding as detailed below.

3.2.4 Coastal Protection Works (£3m)

Members are aware that the 2016 Financial Strategy committed to identifying £3m of funding for Coast Protection Works. Of this budget, £1.577m was been funded through the borrowing allocations set out within the Financial Strategy whilst £1.423m was, at the time, unfunded. The strategy outlined that all future capital receipts over and above those budgeted would be earmarked towards the shortfall.

The £0.32m benefit deriving from the Whitby Business Park scheme (see section 3.2.2) will therefore be utilised to reduce this unfunded capital expenditure. As a result of this and the higher levels of general capital receipts received (see section 3.2.3 above) the current projected shortfall now stands at £0.1m.

3.2.5 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.

This report seeks approval for the following allocations of Section 106 monies currently held by the Council.

Eastside Community and Open Space Improvement Programme - £22,691.77

The Council has received Section 106 monies relating to the housing development at Eskdale Park, Larpool Lane, Whitby. Two of these agreements relate to the provision of a Play Area (£125k), together with off-

site sports provision (£115k). Members approved (ref 15/150) the allocation of these monies to the Eastside Community and Open Space Improvement Programme.

Under the terms of the agreement indexation payments of £11,994.79 and £10,696.98 became payable therefore increasing the amount of monies available to the Council. It is recommended therefore that Members approve the allocation of these indexation payments to the Eastside Park element of the Eastside Community and Open Space Investment Programme.

The Eastside Park element of the scheme includes the following proposals:

- Relocation of existing toddler and junior play area to main play area, replacement of existing equipment, with the creation of a new low maintenance natural play zone.
- Creation of a 5 a side football pitch and events area
- Remodelling and refurbishment of car park and entrances
- Renovation of existing hard landscaping areas, paths and lighting
- Improved signage and replacement street furniture
- Improved landscape interface with Calla Beck wildlife area

Filey Play Equipment £4,979.23

Approval is requested to allocate Section 106 monies received specific to off-site play areas within the Filey Area. Officers have consulted with Members of Filey Town Council on the use of these funds in order to:

- Provide a new piece of play equipment in the toddler area within the Glenn Gardens.
- Provide a new larger rubber safety area in order to meet current safety standards.
- Utilise any remaining balance on the provision of new picnic table sets.

3.3 Grants

3.3.1 Revenue Grants

Seafest

A £14,500 grant has been offered by the Arts Council towards the costs of the arts and cultural elements of Seafest Maritime Festival. The funding will be spent to enhance the festival programme and engage with local and regional arts and cultural providers.

3.3.2 Capital Grants

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

3.4 Reserves

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

3.4.2 The criteria for assessing the adequacy of reserves are set out each year in the Council's Financial Strategy. The 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	(230)	922	●
Capital Development Reserve (including useable capital receipts)	Resources matched to investments over 10 yrs		11,710	(7,884)	3,826	●
Other Reserves	no min	no max	10,933	(3,711)	7,222	●
Total			28,498	(11,739)	16,759	

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 **Insurance Reserve** – the balance of this reserve is £63k in excess of its minimum balance however there is a risk that funding will be required to support the costs incurred in the aftermath of the Tidal Surge on 13 January 2017. See section 3.6 for further details.

3.4.5 **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.

3.4.6 **Capital Development Reserve** – this reserve aims to match resources to investments over a ten year period. The £3,826k projected balance as at 31 March 2017 is fully committed over the ten year period.

The Financial Strategy 2017 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.

3.4.7 At present the balance of other earmarked reserves is considered adequate

3.5 Pension Deficit Prepayment

3.5.1 Following the 2016 triennial pension valuation, the Council is exploring the opportunity of prepaying the backfunded element of the pension scheme contributions.

3.5.2 Making a one off payment, rather than payments spread over the three year period, would generate a cash saving that could be invested in priority areas identified as part of the 2017/18 budget setting process.

3.5.3 Officers have obtained external legal advice to ensure that the Council has the powers to make advance pension contributions payments and have consulted with its external auditors.

3.5.4 The upfront payment would be £5.278m and would be paid in April 2017. Should this be deemed the beneficial option for the Council then Cabinet is asked to delegate authority Director (Nick Edwards), in conjunction with the Portfolio Holder for Finance, Procurement and Legal, to enter into agreement with the North Yorkshire Pension Fund to pay the backfunded element of the pension fund deficit in April 2017.

3.6 Tidal Surge

3.6.1 The tidal surge in the evening of 13 January 2017 caused significant damage throughout the borough with the communities of Whitby and Scarborough particularly affected. The incident led to a significant threat to life due to flooding although thankfully there was no loss of life as a result of the incident.

3.6.2 Given the severity of the incident the Council has informed the Government of its intention to raise a claim under the Bellwin scheme. The Council have also applied to the Environment Agency for help towards funding the costs.

3.6.3 Initial estimates of the costs that will be incurred by the Council are £250k. This includes costs incurred before the event warning residents and business owners of the threat of the surge (and associated risk to life and property) and also the clean up in the immediate aftermath of the Surge and repairing and making safe areas affected by the incident.

3.6.4 Some of the costs incurred will not be eligible for reclaim under the Bellwin Scheme and the Council is also required to fund the first £33k of any claim. It is currently envisaged therefore that the cost to the Council will be £50k.

3.6.5 Whilst the Council has submitted its intention to make a claim under the scheme, the Government has not yet recognised the tidal surge as a scheme that is eligible for Bellwin support. There is a risk therefore that the Council will not recoup any of the costs that it is incurring as a result of the Tidal Surge.

3.7 Open Air Theatre

3.7.1 During 2015/16 the Open Air Theatre was hired by an outside promoter for one concert (Tom Jones). Following the huge success of the hire, it was agreed that Cuff and Taylor will programme and produce events at the venue from 2016/17 (for a period of 5 years). At the time it was explained that the arrangement would significantly reduce the financial risk to the Council.

3.7.2 Cuffe and Taylor put on 10 shows in the Summer 2016 and the shows attracted over 50,000 visitors. 42% of the visitors were from outside the Borough and therefore the economic benefit to the Borough as a whole is significant.

3.7.3 Under the agreement with Cuffe and Taylor the Council incur costs at the venue such as providing the box office, security on show nights, stage and rigging costs and other venue costs such as business rates and utility costs. Income is received from renting out the venue on show nights and from other activities around the venue. The net budget for 2016/17 is £146k and projections are that budget will be achieved this year.

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 final three months 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

16/249 - Financial Monitoring to September 2016

FINANCIAL PERFORMANCE - REVENUE BUDGET

1. Introduction

This is the third monitoring summary for the 2016/17 financial year covering the period **1 April to 31 December 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	1,338	1,283	1,289	7	1,699	1,695	5
Director (Nick Edwards)	188	238	348	110	1,396	955	441
Director (Lisa Dixon)	1,015	1,012	1,012	(0)	1,433	1,491	(58)
Director (Trevor Watson)	(2,577)	(3,095)	(2,725)	370	(2,470)	(2,783)	312
Corporate	2,105	2,192	2,128	(64)	2,120	2,240	(120)
Total	2,069	1,630	2,053	423	4,179	3,599	580

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	(100)	87	146	59	174	159	15
Director (Nick Edwards)	814	273	664	391	1,011	960	51
Director (Lisa Dixon)	(72)	(119)	(102)	16	(121)	(137)	15
Director (Trevor Watson)	98	65	124	58	169	153	16
Corporate	2,620	2,132	2,337	205	3,353	3,541	(187)
Total	3,360	2,439	3,169	730	4,587	4,676	(90)

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	1,238	1,370	1,435	66	1,874	1,854	20
Director (Nick Edwards)	1,002	511	1,013	501	2,408	1,916	492
Director (Lisa Dixon)	944	894	910	16	1,312	1,355	(43)
Director (Trevor Watson)	(2,479)	(3,029)	(2,602)	428	(2,301)	(2,630)	329
Corporate	4,725	4,323	4,465	142	5,473	5,781	(307)
Total	5,429	4,069	5,221	1,152	8,765	8,275	490

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	117	128	119	(9)	158	158	-
HR and Health & Safety	214	212	231	19	306	294	12
Benefit Fraud Investigation Unit	57	-	-	-	-	-	-
Capital and Procurement Unit	241	249	249	-	333	333	-
Internal Audit	79	104	96	(8)	129	136	(8)
Public Relations	32	34	34	-	45	45	-
Senior Management Team and Support	192	103	103	-	137	137	-
IT Services	406	396	404	8	539	539	-
Corporate	-	57	54	(4)	54	54	-
Total	1,338	1,283	1,289	7	1,699	1,695	5

Key points to note about performance year to date:

- **Human Resources** – Salary saving from vacant post in year which is 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 income will not be generated. This is partially offset by staffing savings this year and in full from staffing savings in future years.

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	(1)	(6)	(16)	(10)	(22)	(17)	(5)
Local Taxation	37	3	49	46	97	90	7
Industrial Units	(150)	(148)	(148)	-	(187)	(187)	-
Property Services Operational Unit	(53)	(50)	(101)	(51)	(131)	(84)	(47)
Scarborough Harbour	(541)	(601)	(462)	139	(500)	(555)	55
Whitby Harbour	(456)	(506)	(495)	11	(549)	(561)	12
Depots and Admin Buildings	(53)	(60)	(30)	30	(40)	(48)	8
Accountancy	207	208	224	15	296	280	16
Accounts Receivable and Payable	122	126	132	6	176	170	7
Cash Collection and Administration	40	31	38	7	50	43	7
Environmental Health and Safety	29	30	33	3	45	45	-
Estates and Asset Management	273	240	309	70	408	354	54
Refuse Collection and Street Cleansing	505	604	480	(123)	961	689	272
Rental Properties	(1,213)	(1,243)	(1,209)	34	(1,475)	(1,511)	36
Senior Management Team and Support	70	71	71	-	95	95	-
Street Seats, Lighting and Name Boards	(48)	(59)	-	59	-	-	-
Transport and Vehicles Maintenance	241	257	257	-	325	325	-
Public Conveniences	145	164	144	(20)	200	215	(15)
Parks and Open Spaces	1,032	1,177	1,070	(107)	1,647	1,612	35
Total	188	238	348	110	1,396	955	441

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.
- **Scarborough Harbour** – income from core harbour activities continues to exceed expectation and has been 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. With the scheme having a much high take up rate than envisaged, staffing costs are higher than budget offsetting slightly the saving. In addition, a project has recently been undertaken to review holiday lets throughout the Borough to ensure that they are paying for their waste collection. This has led to increased income during the year and has been included within the 2017/18 budget setting process.
- **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	(59)	(49)	(35)	14	(47)	(47)	-
Licensing	(165)	(231)	(245)	(13)	(243)	(205)	(37)
Housing Benefits administration	661	653	647	(6)	868	868	-
Legal Services	95	138	122	(16)	162	182	(20)
Member & Mayoral Expenses	26	12	11	(1)	12	13	(1)
Print Plus	47	41	61	19	74	74	-
Regulatory, Governance, Performance & Admin	309	334	336	2	453	453	-
Senior Management Team and Support	101	115	116	1	154	154	-
Total	1,015	1,012	1,012	-	1,433	1,491	(58)

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 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.

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.

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	360	382	376	(5)	513	513	-
Economic Development	126	160	155	(5)	210	220	(10)
Planning	146	(0)	160	160	268	181	87
Parking Off Street	(3,766)	(4,025)	(3,835)	190	(4,140)	(4,440)	300
Markets	(113)	(61)	(129)	(67)	(169)	(95)	(74)
CCTV	103	107	94	(13)	128	124	4
Cemeteries and Crematorium	(596)	(655)	(610)	45	(846)	(836)	(10)
Home Improvement Agency	135	152	125	(27)	172	172	-
Cash Collection and Administration	32	30	38	7	47	47	-
Choices 4 Energy	(1)	(49)	3	52	7	7	-
Community Centres	(30)	(24)	(28)	(4)	(36)	(36)	-
Environmental Health and Safety	454	353	374	21	501	501	-
Housing and Homelessness	317	424	417	(8)	560	560	-
Outdoor Playing Fields and Amenities	(12)	(8)	(21)	(13)	(21)	(9)	(12)
Outsourced services	(26)	(21)	(21)	(0)	(21)	(21)	-
Rental Properties	(21)	(9)	(9)	-	(39)	(39)	-
Senior Management Team and Support	78	71	71	-	95	95	-
Sports Development	29	50	59	9	79	79	-
Beaches	118	82	107	25	115	102	13
Beach Chalets	(163)	(172)	(168)	4	(168)	(172)	4
Theatres	270	110	105	(5)	113	113	-
Indoor Leisure Sites	(106)	-	-	-	-	-	-
Outdoor Leisure Sites	(341)	(431)	(435)	(4)	(442)	(444)	2
Marketing and Events	167	164	154	(10)	206	206	-
Customer Services	251	256	268	12	361	353	9
Tourist Information Centres	11	21	25	4	37	37	-
Total	(2,577)	(3,095)	(2,725)	370	(2,470)	(2,783)	312

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, 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 £245k higher at the end of January. 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** - Recent staff resignations and sickness have meant that external (contract) staff have had to be recruited, in the short term, to ensure that the service can continue to function in a professional manner. A review of the staffing requirements for the service have recently been undertaken and pleasingly the service have managed to recruit a manager and assistant manager who should be in post by the end of the financial year. The net cost of these temporary staffing arrangements will be £10k this year. Invoicing at the site is now up to date and shows that income is exceeding target. No forecast surplus has been recognised within this report however since the number of services that can be undertaken have had to be reduced in the final three months of the year due to staffing shortages.
- **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 has relocated to the harbour offices. 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	2,128	(64)	2,120	2,240	(120)
Total	2,105	2,192	2,128	(64)	2,120	2,240	(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.

Transformation work undertaken to charge all business rated holiday let customers for the collection of their waste has generated further income in the financial year and made 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	82	80	128	48	179	139	40
Business Rates	939	686	906	220	906	843	63
Interest Receivable	(107)	(167)	(226)	(58)	(434)	(474)	40
Interest Payable	306	168	307	138	554	554	0
Capital Salary Recharges	(235)	(252)	(329)	(77)	(483)	(381)	(102)
Property Repair Fund	309	305	456	151	546	546	0
Grounds Maintenance (Highways Hardstanding)	192	283	417	134	524	524	0
Grounds Maintenance (Coast Protection)	218	371	434	63	647	647	0
Insurance	480	483	70	(413)	738	738	0
Contingency Budgets	0	0	235	235	202	202	0
Utilities (Gas, Electric and Water)	501	374	441	67	587	587	0
Vehicle Repairs & Fuel	584	369	206	(163)	312	267	45
Council Tax Benefit (prior to 2013/14)	(28)	(15)	0	15	0	(9)	9
Housing Benefit (costs net of subsidy)	(84)	(155)	143	298	191	20	171
Audit Fees	11	33	10	(23)	75	68	6
Tidal Surge Costs	0	0	0	0	0	50	(50)
Other Areas (net) Identified by Budget Managers	192	(124)	240	364	313	354	(41)
Draw from General Fund no longer required	0	0	(270)	(270)	(270)	0	(270)
Total High Risk Areas	3,360	2,439	3,168	729	4,587	4,676	(90)

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 this saving has been 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. Whilst the year to date expenditure is lower than target, additional costs are expected in the remainder of the year.

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. A recent base rate reduction has meant however that the average return on the Council's portfolio is reducing and therefore interest income is expected to reduce in the remainder of the year.

Capital Salary Recharges

Economic Development (83k) 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.

£86k 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. An element of the budget has been utilised this year to fund the costs of the recent employment tribunal and subsequent external investigation.

Any budget that is not required this year will be transferred into the Capital Development Reserve to help progress currently unfunded priority capital schemes identified within the 2017 Financial Strategy.

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.

Tidal Surge

The minimum costs to be incurred by the Council in the aftermath of the Tidal surge on 13 January 2017 are £50k. There is a risk however that costs could be substantially more than this and section 3.6 of this report provides further details on this.

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 31 December 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	412	2.80%	14,711	
Waterpark development (excludes developer costs)	8,990	8,660	96.33%	8,990	
Leisure Village - Dry Construction	18,076	11,395	63.03%	18,076	
Filey Flood Alleviation Constructiton	4,370	-	0.00%	4,370	
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	178	6.14%	2,903	
Scarborough Market redevelopment	2,780	2,183	78.53%	2,780	
Cell 1 Strategic Regional Coastal Monitoring Programme	2,596	2,479	95.51%	2,596	
Eastfield Regeneration (Middledeepdale receipt)	2,317	-	0.00%	2,317	
Vehicles Plant & Equipment *(2016/17 expenditure only)	2,143	1,231	57.46%	2,143	
Neighbourhood & Communities Programme	1,785	472	26.43%	1,785	
Disabled Facilities Grants	1,145	665	58.05%	1,145	
Spa Roof Replacement	1,140	1	0.09%	1,140	
Runswick Bay Coast Protection Scheme	1,140	26	2.28%	1,140	
Pathfinder Grant	1,023	848	82.98%	1,023	
Whitby Church Street Flood Alleviation	979	67	6.87%	979	
Purchase of Empty Homes for Homelessness Accommodation	750	693	92.34%	750	
Unidentified Coastal Protection Works	627	-	0.00%	627	
Lighting Columns	970	308	31.73%	970	
Robin Hoods Bay Sea Wall	582	-	0.00%	582	
Leisure Village - Demolition of Ryndle Crescent	500	-	0.00%	500	
Filey Flood Alleviation Scheme	464	415	89.38%	464	
Property Asset Management Works - 2016/17	458	87	19.00%	458	
IT Infrastructure Investments *(2016/17 expenditure only)	446	179	40.02%	446	
Spa Heritage Lottery Funding Works	424	-	0.00%	424	
Hard standings - Ground Maintenance	416	54	12.89%	416	
Filey and Cayton Bay Coastal Strategy	400	161	40.14%	400	
Cemetery Provision in Whitby	400	-	0.00%	400	
Pindar School Sports Pitch Replacement	387	-	0.00%	387	
Eastside Green Spaces	398	43	10.81%	398	
Whitby Harbour Piers Coast Protection - Phase 1	357	109	30.56%	357	

Discover Filey	300	22	7.45%	300	
Peasholm Lake De-silting	251	0	0.00%	251	
Whitby Dredger Equipment Replacement	250	186	74.42%	250	
Kyber Pass Public Conveniences	250	-	0.00%	250	
Other current schemes <£250k	3,691	1,797	48.69%	3,691	
Total	88,672	35,288	39.80%	88,672	-

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

Schemes over £250k

There are currently no major variations to report.

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	[Hatched]				
	4	[White]	[White]	[Hatched]		
	3	[Grey]	[White]	[White]	[Hatched]	
	2	[Grey]	[Grey]	[White]	[White]	[Hatched]
	1	[Grey]	[Grey]	[Grey]	[White]	[White]
		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