

	REPORT TO CABINET TO BE HELD ON 18 JULY 2017
	Key Decision NO Forward Plan Ref No
Corporate Priority – ALL	Cabinet Portfolio Cllr H Mallory Holder

REPORT OF THE DIRECTOR (NE) - 17/170

WARDS AFFECTED: ALL

SUBJECT: FINANCE AND TREASURY OUTTURN REPORT 2016/17

RECOMMENDATION (S):

Cabinet is recommended to:-

- (i) Note the report, and in particular:
 - the £603k underspend on the revenue budget for 2016/17;
 - the £1.733m funding that was identified in the 2017 Financial Strategy as likely being available but could not be quantified with certainty until the 2016/17 outturn had been finalised;
 - that additional funding of £537k has been identified from various sources and can now be directed towards funding areas of priority expenditure;
 - the outturn position for capital schemes completed in the period and capital receipts for the 2016/17 year; and
 - the outturn position of the Council’s Treasury Management function for the 2016/2017 year.

- (ii) Approve the utilisation of £40k from the existing £3m Coastal Protection Works budget in order to carryout load testing and flow readings at the Whitby Piers.

- (iii) Accept the following grants and contributions:
 - £10k from the Filey Lions for the provision of 5 pieces of outdoor gym equipment;
 - £75 from East Ayton Parish Council, £250 from West Ayton Parish

Council, £449 from North Yorkshire National Parks Authority and £325 from private contractors for the installation of an interpretation panel for Ayton Castle;

- £50k (plus indexation) per year (during the period of construction of the Woodsmith Polyhalite mine near Whitby and for the following ten years following its completion) from the North Yorkshire Moors National Park s106 contributions in respect of the development for the promotion of Whitby as a tourism destination;
- £40k (plus indexation) per year (during the period of the construction of the Woodsmith Polyhalite mine near Whitby) from the North Yorkshire Moors National Park s106 contributions in respect of the development for the purpose of preparing local people for opportunities arising from the development.

- (iv) Note that, following a competitive tender process, the Director (s151) has accepted monies for the naming rights to the Football Stadium at Scarborough Sports Village.

Recommend that Council:

- (ii) Approve the following schemes, to be funded from the £2.873m identified above (comprising the £603k, £1.733m and £537k identified in recommendation (i)):
- £30k: to upgrade boilers at the Town Hall;
 - £50k: for a replacement Building Management System at the Town Hall;
 - £250k: to fund permanent works to the 'little' stage at Scarborough Spa;
 - £300k: earmarked for works at Peasholm Park, including a new boat deck, kiosk, dredging of the lake and a play area, noting that this will be subject to further reports prior to the works commencing;
 - £125k: earmarked for the provision of a new waiting area at the Crematorium including a pathway and a lighting scheme which will allow later services in the Winter months;
 - £50k: to create a Community Fund, which will provide funding for 'small' improvement schemes across the Borough;
 - £68k: contribution to the Council's Investment Fund;
 - £2m: to fund the cost of Coast Protection Works across the Borough; increasing the Council's overall budgeted contribution towards the works to a total of £5m.
- (v) Approve the revised Prudential Indicators for Capital Expenditure and the Capital Financing Requirement.

REASON FOR RECOMMENDATION (S):

- (i) To utilise the year end surplus in a way that helps the Council to address essential, priority areas of expenditure and future year funding reductions.
- (ii) To earmark available resources for essential Coast Protection Works in

order to minimise future borrowing requirements.

- (iii) To comply with the CIPFA Code of Practice of Treasury Management in Local Authorities by informing Cabinet of the Council's treasury management activities before 30 September following the end of the financial year that the report relates.
- (iv) To keep Members informed of Treasury Management activities and performance.

HIGHLIGHTED RISKS:

- That the Council overcommits its available revenue and capital resources
- That reserve balances are not adequate
- The Council does not comply with the Code of Practice of Treasury Management in Local Authorities, which may result in adverse comment from the external auditors

1. INTRODUCTION

1.1 FINANCIAL OUTTURN

1.1.1 The Council is committed to a performance management culture which underpins a focus on continuous improvement. Regular monitoring of the Council's finances is a key component of the performance management framework and Cabinet are presented with financial monitoring reports throughout the year.

1.1.2 Cabinet were presented with a financial monitoring report covering the first 3 quarters of the 2016/17 financial year (April 2016 to December 2016) in February 2017.

1.1.3 This report provides an update on the final outturn position and reserve balances for 2016/17, a summary of how the outturn differs from the information provided to Cabinet in February 2017, and the outline proposals to utilise the in-year surplus.

1.2 UNFUNDED PRIORITY SCHEMES

1.2.1 The 2017 Financial Strategy set out that, at the time of presenting the 2017/18 budget, the following priority areas of expenditure had been identified but remained unfunded within the Council's budget. The Strategy detailed that these schemes would be addressed as the Council's first priority when capital receipts or other monies became available:

- Essential works at Peasholm
- Priority works at the crematorium
- Additional contribution towards Coast Protection works

- Additional funding for cemetery provision
- Town Hall Civic and asset management works

1.2.2 The Financial Strategy identified a number of areas that would likely provide resources to fund a significant proportion of the required expenditure however, for various reasons, at the time of its writing the amounts available could not be quantified with certainty.

1.2.3 Given the pressures on the Council's budgets moving forward and the need to restrict any increases in unplanned borrowing it was confirmed that an updated position on the available funding would be reported to Members following the finalisation of the 2016/17 outturn position, prior to any amounts being committed. This report provides that update.

1.2 **TREASURY MANAGEMENT**

1.2.1 Treasury Management in Local Government is regulated by the CIPFA Code of Practice on Treasury Management in Local Authorities (the Code), which this Council formally adopted and complies with; together with the CIPFA Code for Capital Finance in Local Authorities (the Prudential Code).

1.2.2 The primary requirements of the Code are:

- The creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury activities;
- The creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
- Reporting to Cabinet and/or Council of both the expected treasury activities for the forthcoming financial year (the annual treasury strategy statement) and subsequently the results of the Council's treasury management activities in that year (this annual treasury report);
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions;
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body which in this Council is the Audit Committee.

1.2.3 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's previously approved policies.

1.2.4 In accordance with the Code the treasury outturn was presented to the Audit Committee on 29 June 2017 for scrutiny prior to being presented to Cabinet.

1.2.5 Treasury Management in this context is defined as:

“The management of the Local Authority’s investments and cash flows; its banking; money market and capital market transactions; the effective control of the risks associated with these activities; and the pursuit of the optimum performance or return consistent with those risks.”

2. CORPORATE AIMS/PRIORITIES AND THE COMMUNITY PLAN

2.1 This report covers how the Council is performing financially in relation to all Corporate Objectives.

3. BACKGROUND AND ISSUES

3.1 REVENUE BUDGET

3.1.1 In February the Q3 forecast outturn for 2016/17 was presented to Cabinet. This was based on figures available to the end of December and showed a forecast uncommitted underspend against budget at that time of £490k. An in year decision committed £322k of the anticipated underspend to increase the balance of the Investment Fund taking the underlying underspend at the end of December to £168k.

3.1.2 The underspend increased during the final three months of the year from £168k to £603k. The major variances, when compared to the Q3 forecast, are outlined in the table below.

	£'000	£'000
3.1. SURPLUS REPORTED IN Q3 MONITORING REPORT		490
Less: approved transfer to Investment Fund		<u>(322)</u>
Underlying underspend		168
MAJOR CHANGES DURING LAST QUARTER:		
One-off DCLG grants for administering HB / LSCT claims	80	
Interest receivable on investments	55	
Temporary scaffolding for the 'Little Theatre' at the Spa	(50)	
Savings in IT unit on salaries, training and hardware	50	
Expenditure on car parking machine equipment / repairs	(80)	
Various underspends in democratic expenses / hospitality budgets	37	
Staffing savings in Customer First and Community Partnership	20	
Parks income and underspends on fuel	100	
Net underspend at Scarborough Harbour	162	
Shortfall in licensing income (premises and taxis)	(50)	
Compensation payable on legal case	(111)	
Business rate refunds received in final quarter of the year	100	
Reduction in anticipated shortfall in legal capital salaries	20	
Planning - income (£69k) and salary savings	100	
Other (net)	2	435
HEADLINE OUTTURN SURPLUS		603

3 The final outturn position by Directorate is summarised below:

Directorate	2016/17 Actual £'000	2016/17 Budget £'000	Surplus / (Deficit) £'000
Chief Executive	2,193	2,291	98
Director (Nick Edwards)	3,072	3,859	787
Director (Lisa Dixon)	2,140	2,113	(27)
Director (Trevor Watson)	(32)	347	379
Corporate Budget Heads and Core Funding	(7,976)	(8,610)	(634)*
Net (Surplus) / Deficit	(603)	-	603

* shortfall on the corporate line includes £270k (not drawing from General Fund) and £321k (transfer to Investment Fund).

3.1.4 Appendix A provides further detail on the outturn position by Director and Service and compares the outturn position to the Q3 forecast projection.

3.1.5 The fact that the majority of the unidentified variances arose in the final quarter of the year and could not have been foreseen at the end of quarter three demonstrates that the Council has strong financial management controls in place and that the Council's budget monitoring procedures are working effectively. It should be noted that a number of the savings contributing to the year-end underspend were identified as part of the 2017/18 budget setting process and those that were expected to recur in future years have already been taken into account in the Council's budget.

3.1.6 Following completion of the year end accounts an exercise will be undertaken by Finance to highlight any recurring areas that have not already been taken into account and the outcome of this exercise will be fed into the 2018/19 budget setting process.

3.2 FUNDING IDENTIFIED FOR UNFUNDED PRIORITY SCHEMES

3.2.1 The 2017 Financial Strategy set out that the following resources would likely be available to fund a significant proportion of the unfunded priority schemes identified in Section 1.2.2 of this report:

- 2016/17 Business Rates Pool Dividend (estimated at £400k in Financial Strategy but could not be confirmed until year end outturn business rate figures for all pool members were finalised)
- Upfront payment of pension fund contributions (est at £270k saving over 3 years in Financial Strategy but at the time of writing the Strategy officers were investigating the accounting implications associated with the upfront payment so could not be certain of the saving)
- One off treasury management savings (potential savings identified but not quantified at the time of writing the Strategy as they were dependent on levels of cash balances and timings of future capital expenditure)
- Surplus interest received on the Waterpark loan
- Future capital receipts

3.2.2 Following completion of the year end accounts the amounts available from the above areas can be confirmed as follows:

	£'000
2016/17 Business Rates Pool Dividend	380
Upfront payment of pension contributions (2017/18 only. Further savings available in 18/19 and 19/20)	100
One-off treasury management / MRP savings (2016/17 and 2017/18)*	689
Waterpark loan interest (for period up to 31 March 2017)	564
	1,733

* These savings have partly arisen as, due to the current low rate interest environment, cash balances are being drawn down as a short term measure to fund capital expenditure rather than monies being borrowed. In addition budgeted borrowing and loan repayment costs on schemes such as Eskside Wharf are not required in 16/17, and 17/18 as the expenditure has not yet been incurred.

3.2.3 In addition the following additional monies have been identified:

	£'000	Note
Surplus on Whitby Harbour activities (car parking and filming)	128	1
NNDR Collection Fund surplus (can't be released until 18/19)	259	2
Local Plan SIF	150	3
	537	

1. Monies set aside due to the outstanding legal challenge on ring-fencing of Whitby harbour surpluses. Monies will be invested in Coast Protection Works, which will partly benefit the Whitby harbours regardless of the outcome of the challenge.
2. Higher than anticipated levels of NNDR surpluses in 2017/18. The surpluses are held in the Collection Fund and will be released via a Collection Fund surplus in 2018/19
3. Reserve monies proposed to be freed up due to Local Plan funds not being required

3.2.4 This provides £2.270m funding, in addition to the £603k revenue budget underspend identified in Section 3.1, which can be allocated to progress the unfunded priority works identified in the 2017 Financial Strategy.

3.3 CAPITAL BUDGET

3.3.1 Major capital schemes progressed in the year include the continuation of the new Leisure Village, infrastructure works within Middle Deepdale and the redevelopment of Scarborough Market

3.3.2 Coastal defence and flood protection investment continued through works such as the replacement of pilings within the Harbour. In addition significant schemes for Scarborough Spa Coastal Protection, Whitby Piers, Whitby

Church Street Flood Alleviation, Runswick Bay and Filey Flood Alleviation schemes all progressed.

3.3.3 Funding for coastal defence and flood protection works continue to be predominantly sourced through the Environment Agency. However the proportion of grants received to scheme costs continue to result in significant pressure being placed upon Council resources. All those major schemes previously highlighted, with the exception of Runswick Bay, require significant investment from Council resources.

3.3.4 The following schemes can now be reported as complete and removed from the Council's Capital Programme:

Scheme	Budget (£000's)	Actual (£000's)	Variance (£000's)	Impact on SBC resources (£000's)
Ayton Castle Phase 2 Restoration	136	136	-	-
North Street Car Park	25	-	25	25
Switch Programme	159	159	-	-
Manham Hill Play Area	44	44	-	-
Cinder Track	105	100	5	5
Whitby Lighthouse	86	83	3	3
Whitby Kiosks	94	95	(1)	(1)
Whitby West Cliff Crescent Gardens	12	12	-	-
Futurist Ground Investigations	50	50	-	-
Filey Brigg Electrical Works	65	63	2	2
Filey Tennis Courts	186	186	-	-
Disabled Facility Grants	1,145	988	157	157
Totals	2,107	1,916	191	191

3.3.5 Details of the completed schemes, which resultantly impact upon the Council's resources are detailed below.

North Street Car Park

A budget was established in order to pursue a previous, in principle decision to develop the car park. Cabinet subsequently rejected the decision to release the car park for development in order to retain it as a short stay parking facility therefore the budgeted allocation can be released back to the Capital Development Reserve and be made available for alternative investment.

Cinder Track

As part of the 2013/14 Financial Outturn report (ref 14/241) £105k was allocated to carry out urgent resurfacing and drainage works to the track especially around the Ravenscar area. The Cinder Track forms part of the

National Cycle Network route which runs the length of the England/Scotland East Coast.

All works have been completed to specification and while a final invoice is outstanding for payment no subsequent costs are anticipated. Final costs for the works will produce a saving of £5k against budget. This saving will directly benefit Council resources and be retained within the Capital Development Reserve and be made available for alternative investment.

Whitby Lighthouse

This scheme of works followed a successful bid to the DCLG's Coastal Revival Fund for a funding contribution towards the refurbishment of the West Pier Lighthouse. Subsequently the Council received a grant of £50k to carry out the works together with an additional £36k contribution from Harbour Reserves. The main aspect of the works included repairing the internal staircase, repairing cracks within the structure, repairing structural steel bracings, re-facing and repointing the external blockwork where possible and repairing glazing, woodwork and ironwork; the objective being to make the structure safe and to re-open it to the public.

All works have been completed and the lighthouse has subsequently re-opened. The total cost of the works was £3k under budget. While the retention monies are still to be paid it is not anticipated that any further costs will be incurred. The saving made against budget on the scheme will be transferred back into Harbour Reserves.

Whitby Kiosks

These works evolved around the opportunity to generate new income through the provision of additional kiosk concessions within the Harbour at Whitby. Initial surveys demonstrated that an additional 7 kiosks could be allocated, however following a review of the size of the kiosks and the floor area available 6 kiosks were successfully completed in time for the main 2016/17 summer season.

The final costs of the works have come in £1k over the allocated budget. This shortfall will be funded through the Council's available capital resources. It is pleasing to report that rental income of £42.5k was received within the 2016/17 financial year from the new kiosks, and that all the kiosks are currently occupied.

Filey Brigg Electrical Works

Following on from several years, where at peak times the electric system tripped out due to overloading, the main incoming electricity supply was upgraded from 200KvA to 850KvA. This entailed replacing the existing Northern Power Grid transformer within the on-site substation which in turn required a new reinforced concrete base. The works were carried out during the winter months to minimise disruption and a self-contained diesel powered

generator was provided whilst the works were in progress to enable the café, yacht club and the site manager to continue normal operations. The new supply now not only provides enough power for all the caravan pitches at full capacity but would also cater for any future expansion of the site.

It is once again pleasing to note that these works came within budget resulting in a £2k direct benefit to Council resources.

Disabled Facility Grants

Within the Capital Programme the Council undertakes a rolling provision of Disabled Facility Grants (DFG's). The provision of these grants is budgeted as 100% externally funded. Funding is received via the Better Care Fund pool allocated to Upper Tier Authorities. It is vital that the entirety of these DFG allocations are passed down as the statutory duty to provide adaptations remains in place with District Councils.

The Grant allocation received in the year totalled £1,145k, being an increase of £460k from the previous year. This increase reflects a national commitment made by the Government to increase levels of capital funding in order to help Local Authorities enable disabled, elderly and vulnerable people to live independently.

As a response to the additional funding a number of changes to the Councils DFG policies were introduced (ref 16/86) including the removal of means testing for applicants under certain circumstances and the introduction of additional discretionary assistance within the policy.

Expenditure within the 2016/17 financial year totalled £1,011k. Non eligible works, which were fully funded by clients, accounted for £10k, while a further £13k of means tested contributions were received. In total therefore £988k of the £1,145k grant funding was utilised within the year. The remaining allocation of £157k (£1,145 - £988k) has been rolled forward to meet the anticipated levels of demand within the 2017/18 financial year.

3.3.6 Use of Capital Budget Underspends

As a result of the outturn position on the above capital schemes the Capital Development Reserve will hold a balance of £31k that can now be made available for alternative investment (£25k North Street Car Park, £5k Cinder Track, -£1k Whitby kiosks, and £2k Filey Brigg electrical works).

The 2017 Financial Strategy set out that a £3m budget had been earmarked for Coast Protection Works, and at the time of drafting the strategy all but £101k of the budget had been funded. The Strategy reported that the unfunded amount would be taken as a first call from any surplus capital receipts generated in the remainder of the 2016/17 and 2017/18 financial years.

It is proposed that the £31k capital underspends identified within this report be used to part fund the unfunded element of the £3m Coast Protection budget.

3.3.7 Capital Receipts

The capital plan incorporated within the 2017 Financial Strategy included a net capital receipts target of £1.52m for the 2016/17 financial year. This net figure incorporates the provision of a new tennis facility in Filey. Cash receipts in the year totalled £1.27m, which represents a shortfall against budget of £0.25m. The most significant receipts in the year were for the sales of land at Holbeck Hill and Newby Farm Scarborough.

A primary driver behind the shortfall is the slippage of capital receipts for the sale of land at Danes Dyke (0.15m). This receipt is still expected to be received. The £0.25m shortfall has been rolled forward to the 2017/18 year, resulting in a revised general capital receipts target for that year of £0.36m.

3.4 NEW CAPITAL SCHEMES AND FUNDING CONTRIBUTIONS

3.4.1 Whitby Piers Load Testing and Flow Readings - £40k

It was intended that the principle schemes that would be progressed with the existing Coast Protection works budget would be the Filey flood alleviation works and coastal protection and stabilisation works at Scarborough Spa and Whitby Piers.

In conjunction with the ongoing design and preliminary investigation aspects of the Whitby Pier project it has become clear that load testing and flow reading works are required.

The load testing is essential to ensure that the preferred method of carrying out the construction activities, which involves siting machinery on top of both the East & West pier structures is feasible. Alternative construction methods such as marine based plant have been explored in the design development but ruled out at this stage due to navigation restrictions.

The water flow data recording is required to better inform the Contractor on the available working time in which diving operations can be expected to be carried out and therefore increase cost certainty prior to commencement of the works.

It is recommended that Cabinet approve a £40k budget for these works; to be funded from the existing £3m Coast Protection budget.

3.5 ACCEPTANCE OF EXTERNAL FUNDING

3.5.1 Outdoor Gym Equipment Filey - £10k

Filey Lions have raised £10k for 5 items of outdoor gym equipment that they wish to have installed on SBC owned land to the east of The Beach, Filey.

The Lions have requested that SBC act as the accountable body for the implementation of the equipment.

Officers have confirmed that the ongoing maintenance cost of the equipment is not anticipated to be significant and can be accommodated within existing budgets. The equipment is to be finished in navy blue to match the surrounding street furniture and grass matting will be provided under the equipment to protect the grass from wear and tear.

3.5.2 S106 contributions towards the promotion of Whitby as a tourism destination - £50k (plus indexation) per year for ten years

The North York Moors National Park Authority is looking to transfer Section 106 monies relating to the development of the Woodsmith Polyhalite mine near Whitby to the Council. This money would be payable to the Council for the promotion of Whitby as a tourism destination for the period of construction and for the following ten years. The following terms apply to the payment:

- The money can only be used for the purposes of the promotion of Whitby as a Tourism Destination
- The money must be repaid to the North York Moors National Park Authority if the money is used for any other purpose than that outlined above
- Any money unspent must be repaid if it is not used within 12 months of receipt

This money will be used by the tourism service for the promotion of Whitby. The service will work alongside the Tourism Advisory Board to ratify any promotional activity.

3.5.3 S106 contributions towards preparing local people for opportunities - £40k (plus indexation) per year for ten years

The North York Moors National Park Authority is looking to transfer Section 106 monies relating to the development of the Woodsmith Polyhalite mine near Whitby to the Council. This money would be payable to the Council for the purpose of identifying and preparing local people for opportunities during the construction and operation of the development until the end of the construction period of the Woodsmith Mine. The following terms apply to the payment:

- The money can only be used for the purposes identifying and preparing local people for opportunities during the construction and operation of the development
- The money must be repaid to the North York Moors National Park Authority if the money is used for any other purpose than that outlined above
- Any money unspent must be repaid if it is not used within 12 months of receipt

This money will be used to support Scarborough Job match (job brokerage), for identifying supply chain activity and business engagements and to try to get local companies into the supply chain. The funding will also be used to support the work of the Employment and Skills manager.

3.5.4 Sports Village: Naming Rights for the Football Stadium

In May 2017 the Council invited bids for the naming rights to the football stadium at the recently constructed Scarborough Sports Village. Following receipt of bids Flamingo Land's bid has been selected as the successful bid that represents best value. The agreement between the Council and Flamingo Land covers a 5 year period and grants Flamingo Land exclusive naming rights to the Football Stadium in return for payment of their financial offer. The monies received will be held by the Council for investment into the Stadium (or as may be otherwise agreed with Flamingo Land).

3.6 RESERVES

3.6.1 The levels of corporate reserves as at the Balance Sheet date were within the optimum ranges set out in the Financial Strategy. Further details of the Council's reserves are provided in **Appendix C** to this report.

3.7 TREASURY MANAGEMENT

Investment and Borrowing Portfolios as at 31 March 2017

3.7.1 The Council's investment and borrowing position at the beginning and end of the financial year was as follows:

	31 March 17 Principal	Rate %	31 March 16 Principal	Rate %
Borrowings				
Fixed Rate Funding	11,896,419	3.3977	7,949,019	2.8682
Variable Rate Funding	0	0	4,000,000	4.4500
Total Borrowing	11,896,419	3.3977	11,949,019	3.3977
Investments				
In-house	16,000,000	0.5782	29,000,000	0.6300
Total Investments	16,000,000	0.5782	29,000,000	0.6300

3.7.2 The level of external borrowing is within the Authorised Limits established by the Treasury Management Prudential Indicators reported to Cabinet on 16 February 2016 (16/52) and Full Council on 26 February 2016 as part of the Financial Strategy for the 2016/2017 financial year.

The Strategy for 2016/2017

- 3.7.3 The treasury strategy for 2016/2017 was based on a low but rising Bank Rate, commencing in Q4 2016 and gradual rises in medium and long term fixed borrowing rates during 2016/2017. Variable, or short term rates, were expected to be the cheaper form of borrowing over the period.
- 3.7.4 The continued uncertainty in the financial markets promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, with emphasis being on security (protection of the capital sum invested) and liquidity (keeping money available for expenditure when needed), but taking advantage of favourable rates if available.
- 3.7.5 The Council would continue to maintain an under-borrowed position; using internal resources in lieu of external borrowing as the most cost effective means of financing capital expenditure. This would also avoid holding higher level of investments, thus reducing counterparty risk. The Strategy recognised that the short term savings to the General Fund by avoiding new long term borrowing has to be weighed against the potential for incurring additional long term extra costs by delaying unavoidable new external borrowing until later years when Public Works Loan Board (PWLB) rates may be significantly higher.
- 3.7.6 The Council's expansive capital programme for the forthcoming years identified that new external borrowing would be required at a future date. Any new borrowing would only take place in advance of need if the rates available were so favourable that the long term benefits significantly exceeded the short term costs.
- 3.7.7 Opportunities for the cost effective repayment or rescheduling of existing borrowing were to be constantly monitored and would be exploited if they emerged and were of favourable terms.

4. ASSESSMENT

4.1 REVENUE BUDGET – PROPOSALS FOR UTILISING THE IN YEAR SURPLUS AND OTHER IDENTIFIED RESOURCES

- 4.1.1 Sections 3.1 and 3.2 to this report set out that £2.873m funding is available to progress priority schemes.
- 4.1.2 As part of the year end process Directors and SUM's were asked to put forward funding requests for any priority areas of expenditure not currently identified within the Council's budget or Financial Strategy. It was explained that this bidding round should not be used to circumvent the annual budget setting process and that proposals put forward would undergo the same scrutiny as they would have had they come forward as part of the budget setting process.

4.1.2 Following this exercise DT have endorsed that the following areas be funded from the year-end underspend:

- £2m: to increase the available budget for Coast Protection works
- £30k: to upgrade boilers at the Town Hall;
- £50k: for a replacement Building Management System at the Town Hall;
- £250k: to fund essential permanent works to the 'little' stage at Scarborough Spa;
- £300k: earmarked for works at Peasholm Park, including a new boat deck, kiosk, dredging of the lake and a play area;
- £125k: earmarked for the provision of a new waiting area at the Crematorium including a pathway and lighting scheme;
- £50k: to create a Community Fund, which will provide funding for 'small' improvement schemes across the Borough;

4.1.3 Appendix D to this report sets out further details on each of these bids.

4.1.4 After allowing for these approved bids a balance of £68k remains uncommitted. It is proposed that this balance be transferred to the Councils Investment Fund to aid the Council's budget setting process from 2018/19 onwards.

4.1.5 It should be noted that after allowing for the above the following areas of priority expenditure, as identified within the 2017 Financial Strategy, remain unfunded:

- Additional funding for cemetery provision (previously est at £600k)
- Town Hall Civic and asset management works (est at £487k, although some works, eg. boilers, have been funded in the above proposals)

4.1.6 These areas of expenditure will need to be addressed in future year budgets.

4.2 CAPITAL BUDGET – PRUDENTIAL CODE REQUIREMENTS

4.2.1 The Financial Strategy, presented to Cabinet in February, set out the Prudential Indicators that are used in demonstrating that the Capital Programme is affordable, prudent and sustainable.

4.2.2 The outturn indicator and estimates for capital expenditure and for the capital financing requirement are revised as follows:

Prudential Indicators	2016/17 Outturn (£000's)	2017/18 Estimate £000's)	2018/19 Estimate (£000's)
Capital Expenditure per Financial Strategy	33,460	24,465	13,617
Revised	21,941	39,494	13,876
Closing Capital Financing	21,361	24,000	23,173

Requirement per Financial Strategy			
Revised	20,831	24,356	23,542

- 4.2.3 The lower capital expenditure in the outturn figure for 2016/17 is primarily a result of slippage in scheme expenditure of £11.552m, while £33k relates to changes in the budget on current schemes.
- 4.2.4 The increase in expenditure estimates for 2017/18 reflects scheme slippage from 2016/17 together with the addition of new schemes identified since the publication of the Financial Strategy and variations to existing schemes. An appropriate set aside of grants, contributions and capital receipts are matched to the variations in expenditure.
- 4.2.5 The decrease in the capital financing requirement for 2016/17 is primarily a result of lower borrowing undertaken in the year due to slippage in expenditure primarily driven by the Leisure Village redevelopment and the replacement of the Pindar Sports Pitch. Future year movements relate to the differences in timings on the repayment of borrowings.

4.3 TREASURY

4.3.1 Economic Outturn for 2016/2017

The two major landmark events that had a significant influence on financial markets were the UK EU referendum on 23 June and the election of President Trump on 9th November 2016.

The referendum result had an immediate effect in terms of market expectations of when the first increase in Bank Rate would occur, pushing it back to Q4 2019. In fact, at its August 2016 meeting the Monetary Policy Committee (MPC) reduced Bank Rate from 0.50% to 0.25% against a backdrop of forecasts warning of a significant shock to economic activity, with growth to fall in the H2 of 2016.

The MPC also warned that it would consider reducing Bank Rate further if needed to support growth.

The actual UK economic growth for 2016 was 1.80% and therefore the MPC did not reduce Bank Rate again. By the close of the financial year market expectations for the first increase in Bank Rate had moved forward to Q3 2018 in response to increasing concerns around inflation.

The European Central Bank (ECB) cut rates into negative territory, provided tranches of cheap financing and continued with their quantitative easing programme of purchases of Eurozone government and other bonds. This action resulted in economic growth improving significantly in the Eurozone to an overall figure of 1.70% for 2016.

Although economic growth in the US has been volatile, overall growth for 2016 was 1.60%, which coupled with rising inflation prompted the Federal Reserve into raising rates in December 2016 and March 2017.

4.3.2 Investment Outturn for 2016/2017

The Council's investment policy is governed by Communities and Local Government guidance, which has been implemented in the Annual Investment Strategy approved by Full Council on 26 February 2016 as part of the Financial Strategy. This policy sets out the approach for selecting counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks and credit default swaps).

The Council manages its investments in-house and invests with the institutions that meet the minimum creditworthiness criteria approved by Full Council. During the year, as well as using short term instruments, such as liquidity accounts, the Council invested in fixed term deposits up to 6 month duration with strong rated institutions, including those benefiting from the UK Government's sovereign rating. The selection of period and type of instrument is dependent on the Council's cashflows, its interest rate view and the interest rates on offer.

The Council can, dependant on cash levels, invest for periods greater than 1 year, but given the economic instability this was not considered a prudent approach. In addition to making investments to generate interest the in-house team must also ensure that the Council's day-to-day cashflow requirements are aligned to support the Capital Strategy and revenue expenditure.

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

In applying stringent credit criteria, which has reduced the number of counterparties available, the Council demonstrated its adherence to the overriding principles of security and liquidity which are the cornerstone of its investment policy and objective. The Council accepted the diminution in investment return from investing with highly rated counterparties as an acceptable risk-reward trade-off. Due to the limited counterparties available, the Council had increased the maximum investment limits with certain institutions, which enabled greater flexibility in implementing the investment strategy.

The un compounded 7-day LIBID rate investment benchmark for the year was 0.200% and the 3-month LIBID un compounded was 0.315%. The Council achieved an investment return of 0.5872%, against a budget forecast of 0.60%. This does not take allowance of the savings achieved through paying the pension fund contribution in one payment at the commencement of the year.

No institutions in which investments were made had any difficulty in repaying investments and interest in full during the year.

4.3.3 Borrowing Outturn for 2016/2017

At the beginning of the financial year the Council had £11.949 million in external borrowing spread over three loans as detailed beneath:

Principal £	Lender	Date Taken	Type of Loan	Rate %	Loan Period (Years)
4,000,000	Barclays	15 Sept 2003	LOBO	4.45	40
4,000,000	PWLB	2 February 2015	Maturity	2.59	15
3,949,019	PWLB	2 March 2015	Annuity	3.15	40

Two of the loans are with the PWLB, with the other being a £4.00 million six monthly callable LOBO (Lenders Option, Borrowers Option) with Barclays Capital, with a maturity date of 15 September 2043.

A LOBO is a money market loan where the Lender can exercise its Option to vary the terms of the loan, principally the interest rate, and then the Borrower exercises its Option to either accept the new terms or repay the loan without penalty. The callable dates are 15 March and 15 September each year.

On 28 June 2016 Barclays informed the Council that it had taken the decision to waive their right to change the applicable rate of the loan in the future. Therefore, as of that date the LOBO effectively became a fixed rate loan at its current rate.

The annuity loan has a fixed annual repayment amount over the duration of the loan (40 years) which incorporates an amount for principal as well as interest. Over the course of the 2016/2017 financial year £52,600 of principal has been repaid. As an element of principal is being repaid with each instalment the interest payable on debt outstanding reduces annually throughout the loan term.

No opportunities of rescheduling any of the existing loans arose during the financial year.

4.3.4 RISK MANAGEMENT

The much publicised events of recent years surrounding the difficulties faced by Sovereign nations and individual financial institutions illustrate the risks associated with investment and borrowing activity and these are addressed within the Council's Treasury Management Strategy which is reviewed each year by Council. That report also refers to the controls that are operated on a daily basis and are designed to mitigate the risks associated, particularly with investment institutions.

Clearly for borrowing decisions the nature of risk is different in that the Council owes money to institutions rather than the reverse scenario. Nonetheless, there are risks in that decisions made could have an adverse effect upon the

overall financial position of the Council such as choosing to borrow, restructure or repay debt at an inopportune time.

To mitigate the possibility of erroneous judgement the Council employs Capita Asset Services (CAS) to provide specialist advice to support such decisions. The year commencing 1 April 2016 was the last year of this contract. However, their contract has been extended to enable a joint procurement exercise to be conducted with other District Councils within North Yorkshire. This process is on-going and should be completed within the next two months.

On 8th December 2016 Capita plc announced its intention to sell CAS as it is no longer considered core to Capita plc's strategy of focusing on technology enabled outsourcing solutions. The Council will be kept informed as the process of the sale progresses.

The Council's treasury activities were subject to an external audit by Mazars, and an internal audit review during the financial year, resulting in an opinion of High Assurance.

5. IMPLICATIONS

(a) Policy

5.1 No direct implications.

(b) Financial

5.2 The financial implications are set out in the report.

(c) Risk

5.4 Risk Matrix attached (**Appendix A**).

(d) Legal

5.5 This report fulfils the requirement to inform Members of the Council's treasury management activities in accordance with the CIPFA Code of Practice on Treasury Management in Local Authorities.

5.6 None.

(e) Environmental and Sustainable Development

5.7 No specific implications, though many of the Corporate priorities are linked to Economic and Sustainable Development.

Nicholas Edwards

Nicholas Edwards
Director

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Background Papers:

Previous Monitoring reports (Cabinet September 2016), November 2016, February 2017), Financial Strategy (Council February 2017)

IF YOU HAVE ANY QUERIES ABOUT THIS REPORT OR WISH TO INSPECT ANY OF THE BACKGROUND PAPERS, PLEASE CONTACT KERRY METCALFE ON 01723 383542 e-mail kerry.metcalfe@scarborough.gov.uk or MARTIN PEDLEY ON 01723 232359 e-mail martin.pedley@scarborough.gov.uk

Risk Matrix

Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/ Responsible Officer	Action Plan
1	July 2017	Resources are overcommitted	<ul style="list-style-type: none"> - Cuts in Services - Non delivery of priorities - Insufficient reserves 	<ul style="list-style-type: none"> - Long-term Financial Strategy - Strong budget monitoring procedures - Pre-determined minimum levels for reserve balances 	B4	B4	DBS / CFM	None
2	July 2017	Financial Management arrangements not in place	<ul style="list-style-type: none"> - Overspends and requirement to draw from General Fund Reserve - External Auditor criticism 	<ul style="list-style-type: none"> - Robust budget monitoring process - Quarterly monitoring reports to Cabinet 	B4	B4	HFAM / CFM	None
3	June 2017	The Council does not comply with the Code of Practice of Treasury Management in Local Authorities.	It may lead to a detrimental comment from the external auditors.	Report presented to Audit Committee/Cabinet prior to the 30 September 17.	B2	A1	Asset & Risk Manager	Presentation of reports in line with required deadline

DBS – Director of Business Support
CFM – Corporate Finance Manager

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

FINANCIAL OUTTURN BY SERVICE

The following tables outline the year end outturn by Director and Service.

Service	Actuals	Budget	Outturn Surplus / (Deficit)	Q3 Forecast
DIR01 - Chief Executive				
S404 Capital and Procurement Unit	77	77	-	-
S901 Corporate	94	94	-	-
S004 Electoral Services	235	236	1	-
S301 HR and Health and Safety	329	357	28	17
S416 Internal Audit	117	129	12	3
S802 IT Services	895	945	50	-
S028 Land Drainage and Coast Protection	259	254	(5)	-
S424 Public Relations	46	52	6	-
S430 Senior Management Team and Support	141	147	6	-
	2,193	2,291	98	20
DIR06 - Director (Nick Edwards)				
S401 Accountancy	311	337	26	16
S402 Accounts Receivable and Payable	180	198	18	7
S405 Cash Collection and Administration	106	122	16	7
S003 Corporate Management	228	184	(44)	1
S043 Decorative Lighting	4	3	(1)	-
S065 Depots and Admin Buildings	180	177	(3)	8
S410 Emergency Planning	17	21	4	-
S411 Energy Management	131	131	-	-
S412 Environmental Health and Safety	65	65	-	-
S413 Estates and Asset Management	332	397	65	54
S415 Housing Benefits administration	(204)	(124)	80	9
S055 Housing Benefits Subsidy	(484)	(306)	178	171
S012 Industrial Units	(111)	(63)	48	43
S028 Land Drainage and Coast Protection	211	172	(39)	(50)
S006 Local Taxation	(55)	(75)	(20)	(16)
S704 Parks and Open Spaces	1,379	1,480	101	35
S033 Property Services Operational Unit	(13)	(105)	(92)	(47)
S027 Public Clocks and Fountains	1	-	(1)	-
S703 Public Conveniences	279	264	(15)	(15)
S425 Redevelopment Projects	41	40	(1)	-
S426 Refuse Collection and Street Cleansing	1,882	2,044	162	260
S428 Rental Properties	(1,434)	(1,439)	(5)	36
S061 Scarborough Harbour	(459)	(297)	162	-
S430 Senior Management Team and Support	100	109	9	-
S432 Street Seats, Lighting and Name Boards	21	21	-	-
S433 Transport and Vehicles Maintenance	581	720	139	-
S062 Whitby Harbour	(217)	(217)	-	-
	3,072	3,859	787	519

FINANCIAL OUTTURN BY SERVICE

Service	Actuals	Budget	Surplus / (Deficit)	Q3 Forecast
DIR07 - Director (Lisa Dixon)				
S409 Corporate Costs	6	7	1	-
S415 Housing Benefits administration	858	921	63	54
S417 Legal Services	250	222	(28)	(29)
S205 Licensing	(128)	(220)	(92)	(37)
S005 Local Land Charges	(21)	(16)	5	-
S419 Member and Mayoral Expenses	331	335	4	(1)
S422 Print Plus	207	213	6	-
S423 Procurement Unit	51	46	(5)	-
S427 Regulatory, Governance, Performance and Admin	473	497	24	(1)
S430 Senior Management Team and Support	113	108	(5)	(29)
	2,140	2,113	(27)	(43)
DIR08 - Director (Trevor Watson)				
S438 Beach Chalets	(154)	(154)	-	4
S437 Beaches	204	222	18	13
S405 Cash Collection and Administration	47	52	5	-
S064 CCTV	211	213	2	4
S204 Cemeteries and Crematorium	(768)	(783)	(15)	(10)
S406 Choices 4 Energy	-	(1)	(1)	-
S407 Community Centres	(1)	(1)	-	-
S009 Community Partnerships and Safety	446	458	12	(7)
S803 Customer Services	359	367	8	9
S043 Decorative Lighting	44	48	4	-
S011 Economic Development	234	144	(90)	(93)
S412 Environmental Health and Safety	614	599	(15)	-
S007 Grants	263	263	0	-
S210 Home Improvement Agency	15	14	(1)	-
S414 Housing and Homelessness	741	883	142	121
S706 Indoor Leisure Sites	15	14	(1)	-
S028 Land Drainage and Coast Protection	-	-	-	-
S710 Marketing and Events	217	213	(4)	-
S060 Markets	(73)	(142)	(69)	(74)
S707 Outdoor Leisure Sites	(336)	(355)	(19)	(13)
S420 Outdoor Playing Fields and Amenities	(3)	(20)	(17)	(12)
S421 Outsourced services	1,534	1,500	(34)	-
S024 Parking Off Street	(4,148)	(3,893)	255	300
S013 Planning	224	417	193	87
S428 Rental Properties	(39)	(37)	2	-
S430 Senior Management Team and Support	104	106	2	-
S431 Sports Development	35	36	1	-
S702 Theatres	117	111	(6)	-
S804 Tourist Information Centres	66	73	7	-
	(32)	347	379	329

FINANCIAL OUTTURN BY SERVICE

Service	Actuals	Budget	Surplus / (Deficit)	Q3 Forecast
Corporate Budget Headings				
S901 Corporate	346	346	-	-
S409 Corporate Costs	4,347	4,201	(146)	(120)
S425 Redevelopment Projects	226	226	-	-
S008 Treasury Management	(133)	(43)	90	40
Insurance	811	813	2	-
Treasury Management	23	26	3	3
Business Rates	713	847	134	37
MRP (Minimum Revenue Provision) & Finance leases	603	604	1	-
Property Repairs	501	493	(8)	-
Hard Standings	467	468	1	-
Utilities	571	586	15	-
Telephony	162	138	(24)	(20)
Employment Litigation	111	-	(111)	-
Other	(607)	(604)	3	-
Transfer to Investment Fund	-	(321)	(321)	-
Draw from General Fund	-	(270)	(270)	(270)
Core Funding				
Revenue Support Grant	(2,129)	(2,129)	-	-
Retained Business Rates Income and Transfer to SIF	(4,405)	(4,417)	(12)	-
Council Tax Precept	(7,989)	(7,989)	-	-
New Homes Bonus	(1,297)	(1,288)	9	-
Other DCLG Core Funding and Transfer	(60)	(60)	-	-
Collection Fund (Surplus) / Deficit and Transfer to SIF	(237)	(237)	-	-
	(7,976)	(8,610)	(634)	(330)

OPERATIONAL RESERVES

The 2017 Financial Strategy outlined the forecasted level of reserves at 31 March 2017 and a summary of these expected balances together with the draft outturn is outlined below:

	Fin Strat Forecast £'000	Outturn Position £'000	Variance	Note
General Reserve	2,676	2,676	-	1
Insurance Reserve	1,413	1,571	158	2
Capital Contingency Reserve	611	611	-	4
Capital Development Reserve (including Usable Capital Receipts Reserve)	3,891	11,606	7,715	4
Pension reserve	939	891	(48)	
Section 106 and Commuted Sums	1,397	2,134	737	4
Operational Reserves	3,740	7,371	3,631	3
Specific Reserves (including Harbours)	2,501	2,675	174	
	17,168	29,535	12,367	

Note 1 – General Fund

The balance of the General Fund at 31 March 2016 was £2.676m. The 2016 Financial Strategy (16/57) earmarked £270k of the General Fund to balance the 2016/17 budget. As part of the 2017 strategy however it was recognised that this draw would not be required and therefore the projected balance remained at £2.676m.

With £150k being drawn from the General Fund in 2017/18 to fund the costs associated with the Tour De Yorkshire cycle event (16/246), the uncommitted balance on the General Fund is currently £2.526m.

Note 2 – Insurance Reserve

The Insurance Reserve covers risks which are by their nature difficult to insure such as cliff slippage and certain storm damage, and risks which are generally uneconomic to insure such as damage due to leakage from water pipes and the theft of small items of equipment. The fund also meets the cost of some insurance excesses and risk management expenditure.

The principle reason for the year end balance being higher than expected is due to monies being transferred to the reserve (from in year insurance budgets) to fund on-going public liability claims which have yet to be assessed / settled.

Note 3 – Operational Reserves (SIF)

Appendix C1 provides additional information on year end operational reserves (SIF balances) and compares the draft outturn position to the forecast provided within the Financial Strategy.

OPERATIONAL RESERVES

Operational reserves are intended to be used to support future operational requirements and specifically include funding that has been received towards the end of 2016/17 to support services and activities during 2017/18 (and beyond).

The majority of operational reserves remain fully committed and will be required to fund future year liabilities, however a review will be undertaken later in the year to determine whether any balances are no longer required. The outcome of this review will be reported to Members and be fed into the 2018/19 budget setting process.

Note 4 – Capital Reserves

The in-year variations compared to the budgeted position primarily relates to slippage in capital expenditure. The balances available over the 10 year investment programme have not changed substantially from those previously reported and the amounts held in the reserve as at 31 March 2017 are fully committed to fund future year capital expenditure.

OPERATIONAL RESERVES

Operational Reserves (SIF)	Forecast Balance 31 March 2017	Outturn 31 March 2017	Variance
X751 - SIF HR and Customer Services			
Choices for Energy	(32,285)	(75,579)	43,294
	(32,285)	(75,579)	43,294
X752 - SIF Finance and Asset Management			
Disposal or Transfer of Unused Assets	(139,814)	(139,814)	-
Property Repairs	(200,946)	(361,266)	160,320
Hard Grounds	(164,299)	(220,028)	55,729
Relocation costs for Estates Staff	-	(20,000)	20,000
DCLG Transparency Code	(25,511)	(25,511)	-
	(530,569)	(766,619)	236,049
X753 - SIF Legal and Democratic			
Replacement Print Equipment	(32,736)	(32,736)	-
LLC Surplus/Deficit	(29,412)	(30,193)	781
Register of Electors - Replace major hardware/software	(7,000)	(7,000)	-
	(69,148)	(69,929)	781
X755 - SIF Head Of Environmental Health			
Cemetery Risk Survey	(51,316)	(36,271)	(15,045)
Homelessness Grant	(79,585)	(92,181)	12,596
Dog Warden Service	(22,000)	(22,000)	-
Local Plan	(292,472)	(236,884)	(55,588)
HIA General account	(16,445)	(56,191)	39,746
Allotments	(10,000)	(10,000)	-
Crem Schemes	(16,000)	(148,000)	132,000
	(487,819)	(601,528)	113,709

OPERATIONAL RESERVES

Operational Reserves (SIF)	Forecast Balance 31 March 2017	Outturn 31 March 2017	Variance
X757 - SIF Head Of Tourism and Leisure			
Filey Brigg Caravan Park	(20,132)	(16,566)	(3,566)
Scarborough Spa Premises Costs	-	(50,000)	50,000
Armed Forces Day	(8,694)	(8,694)	-
Museums Bequest	(38,597)	(38,597)	-
Pindar Pitch Reserve	(6,121)	(6,121)	-
MUGA at Hinderwell School	(36,338)	(36,338)	-
Cont To Peasholm Dredging Fund	(153,675)	(153,675)	-
CIC Retained Profit (Ringfenced)	(56,296)	(58,090)	1,794
Spa Orchestra Donations	(7,161)	(7,161)	-
Whitby Beaches	-	(13,000)	13,000
Car Park Machine Replacement	(100,000)	(100,000)	-
Marketing	(40,312)	(25,698)	(14,614)
Street Furniture and bins (precinct)	(40,000)	(40,000)	-
Sport England (3 year funding)	45,030	-	45,030
Business Rates DBid	-	(15,000)	15,000
Tour De Yorkshire 2017	-	3,895	(3,895)
	(462,296)	(565,044)	102,748
X758 - SIF Engineers			
Commuted Sums Hopper Hill Balancing Pond	-	(6,300)	6,300
SIF Hard Grounds	-	(59,558)	59,558
	-	(65,858)	65,858
X759 - SIF Corporate			
Bad Debt Surplus	-	(250,000)	250,000
Apprentice Match Funding	(40,000)	(80,000)	40,000
Business Rates Contingency	(67,198)	(379,927)	312,729
Interest	(547,431)	(784,784)	237,353
Sands	(56,590)	(56,590)	-
JD - Events Budget	(28,798)	(30,501)	1,703
Town Hall Works	-	(20,000)	20,000
Offshore Wind Project	-	(37,524)	37,524
Year End Rollovers	(4,639)	(1,060,984)	1,056,345
Sands Freehold	(28,155)	(28,120)	(35)
New Depot Dual Running Costs	(175,000)	(185,000)	10,000
HIA Handyman	(16,296)	(65,909)	49,613
DEFRA and DCLG Ringfenced Grants	(150,786)	(180,431)	29,645
LGYH funding for member expenses	(39,048)	(39,048)	-
Staithes Dredging Reserve	(7,000)	(7,000)	-
Neighbourhood Planning Grants	-	(15,000)	15,000
	(1,160,941)	(3,220,818)	2,059,877

OPERATIONAL RESERVES

Operational Reserves (SIF)	Forecast Balance 31 March 2017	Outturn 31 March 2017	Variance
X760 - SIF Specifics			
SIF Hackney Carriage Reserve	(30,000)	(103,793)	73,793
HLF - Pannett Pk 10 year funding	(36,240)	(40,786)	4,546
Community Housing Fund	(930,366)	(1,860,672)	930,306
	(996,606)	(2,005,251)	1,008,645
Overall Total	(3,739,664)	(7,370,626)	3,630,962

EXPENDITURE TO BE FUNDED FROM YEAR END UNDERSPEND

This appendix provides additional details of the schemes that have been endorsed by the Director's Team.

1. Coast Protection Works - £2m

The 2017 Financial Strategy set out that officers from Finance, together with the Council's Coastal Protection Engineers, had undertaken an exercise to identify those infrastructure assets and forthcoming coastal defence works requiring funding over the medium term.

The major schemes identified within the review were flood alleviation works at Filey and coastal defence and stabilisation schemes at Scarborough Spa, Whitby Piers and Eskside Wharf. The 2016 Financial Strategy established a fully funded budget of £1.5million to provide match funding towards the works required at Eskside Wharf and proposed that a capped £3m Council contribution be established to progress the remaining essential Coast Protection and flood alleviation works across the Borough. The £3m contribution was to be funded from borrowing factored into the 2017/18 budget and future capital receipts, in equal proportions.

As the scheme designs, costings and tendering processes across the various coastal protection schemes progressed it became apparent that the £3m capped contribution would not be sufficient to deliver the Whitby Pier stabilisation scheme and the Council's contribution would need to be increased. The funding shortfall on Coast Protection works was identified as one of the Council's top funding priorities within the 2017 Financial Strategy.

It is hoped that, along with partner contributions, the revised £5m Council contribution towards the works will be sufficient to complete all essential Coast Protection works across the Borough.

2. Town Hall Boilers - £30k

The Town Hall buildings are supplied in the main by three gas fired boilers, two condensing and one atmospheric. All three boilers are beyond their projected serviceable life and are becoming prone to breakdowns and increasingly costly to service. The atmospheric boiler in particular is very inefficient and its use would not be allowed under the current Building Regulations in a new build. The most economical way of replacing the boilers would be with a cascading array which would automatically be set to use only the minimum amount of burners to achieve the required heat output at any one time. The existing external flue arrangement is not to current standards and would also need to be replaced as part of the works. A budget cost has been given of £60k and it is anticipated that the £30k provided from the year end outturn will be used to match fund a £30k contribution from the SALIX energy efficiency fund.

If the works are pursued the boilers and heating system will be out of service for approximately 1 month, therefore the works ideally need to be undertaken during the Summer period.

3. Building Management System (BMS) - £50k

APPENDIX D

EXPENDITURE TO BE FUNDED FROM YEAR END UNDERSPEND

The BMS at the Town Hall is now over 20 years old and is beyond its design life. The BMS controls both the Heating and Lighting at the Town Hall, Evron Centre, Falsgrave Community Centre and both Scarborough and Whitby Pools

The system still utilises dial up modems to communicate with each outstation and they are now failing on a regular basis

The current set up does not allow the premise managers to alter the controls, all requests for setting alterations have to be made to Asset Management at the Town Hall. This is particularly problematic for Whitby Leisure Centre, which is open 7 days per week, and is now operated by an external service provider.

The solution would be to replace the old Satchwell 2000 system with a modern Schneider set of controls. Scarborough pool would no longer need to be included and Whitby Leisure Centre could be provided with its own controls on site.

5 Permanent works to the 'little' stage at Scarborough Spa £250k

Temporary works have been undertaken on the structure of the Little Theatre at Scarborough Spa Complex to make it safe and permit the continued operation of the Theatre.

This is not a long term solution, and there is a requirement to determine a permanent solution to provide long term stability to this part of the building. As part of the process discussions will be conducted with the Planning Authority and Historic England.

The Council is presently in the process of appointing an external engineer accredited in building conservation to provide support during the development of a solution and a budget of £250k has been earmarked to undertake the works. Further updates on the costings and budget requirement of the works will be reported as the scheme progresses.

5. Peasholm Works - £300k

The timber covered boat deck is failing due to being within a wet environment and a number of the timber coverings are not adequately screwed into the joists and are constantly come loose; creating potential trip hazards to both staff and users of the boat deck.

The building, which is sited on the boat deck itself, is listing due to the failure of the timber joists. Repairs are constantly being carried out to the timbers, however it is becoming increasingly difficult to secure them effectively and the financial cost of this approach will continue to escalate. The required works to the boat deck and building provide an opportunity to consider the overall layout and offering of the boat deck and nearby catering establishments, and will sustain a significant and important income stream for the Council.

EXPENDITURE TO BE FUNDED FROM YEAR END UNDERSPEND

It is envisaged that the £300k earmarked budget will resolve the problems with the existing boat deck, sustain income level, providing longevity to a replacement; rationalise and modernise the buildings within the Park and create a small play area. The works will also provide an opportunity to streamline the operations of the various functions within the Park and provide efficiencies within the service area.

A further report will be brought to Members setting out the detailed proposals and costings for the scheme before the works commence.

6. New Waiting Room and Lighting at the Crematorium - £125k

The existing waiting area at Woodlands Crematorium is of inadequate size to accommodate the number of people waiting to attend services at the Chapel, especially during inclement weather conditions. As a result the experience of crematorium staff is that those arriving for services go directly to the chapel and wait outside; which can cause disruption and operational issues for staff if a service is already taking place within the chapel.

By creating an extended waiting area and a proper pedestrian pathway leading to it, this will separate overlapping funeral parties and remove the subsequent operational issues caused.

Undertaking these works is also the ideal opportunity to include much needed lighting at the site. During Winter months it isn't possible to have services outside of daylight hours and this means that some mourners are having to use the services of other crematoria sites. By putting lighting in place on both the road and pathways it will be possible to increase the number of services that the site is able to offer and therefore increase income. This increase in income is currently being assessed by the transformation team and will form part of any savings that they deliver from their current review.

7. Community Fund - £50k

This budget will provide a funding source for small scale improvement projects across the Borough. The allocation of the fund will be determined by the Council's Director's Team.