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

REPORT OF THE DIRECTOR (NE) – 17/237

WARDS AFFECTED: ALL

SUBJECT: FINANCIAL MONITORING TO SEPTEMBER 2017 (2nd QUARTER)

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 of £600k is currently expected to be achieved;
 - The majority of income targets are being achieved;
 - The majority of savings identified as part of the 2017/18 budget setting process are being achieved but there are some exceptions which still require addressing;
 - The capital programme continues to operate within the overall parameters set in terms of contingency levels;

- ii) Approve acceptance of the following grants:
 - £4,800 from Filey Lions towards the maintenance costs of five pieces of outdoor play equipment over a ten year period.
 - £20,000 towards the 2018 Tour De Yorkshire costs from the North Yorkshire Moors National Park Authority

- iii) Note the proposal to allocate £500k of the expected year end underspend to help balance the revenue budget for the period 2018 to 2021 and provide additional time for savings to be delivered. This will be factored into the 2018/19 budget proposals.

REASON FOR RECOMMENDATION(S):

To provide information relating to the Council's financial performance for the 2017/18 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 six months of the 2017/18 financial year from April to September 2017. It is important that all the data included within this report is carefully considered if we are to continue to embed the culture of continuous improvement within the organisation.
- 1.3 The report covers the following areas:
 - Financial Performance – Revenue Budget
 - Financial Performance – Capital Budget
 - Grants
 - Reserves

2. CORPORATE AIMS/PRIORITIES AND THE COMMUNITY PLAN

- 2.1 The Council's capital and revenue budgets cover all Corporate Objectives.

3. BACKGROUND AND ISSUES

3.1 Financial Performance – Revenue Budget

- 3.1.1 The Council's revenue monitoring process concentrates on areas that are categorised as high risk due to their size, volatility or previous year's outturn. This report summarises all areas of concern and budgetary surpluses that are anticipated for the year, which have been identified through the budget monitoring exercise.

3.1.2 Sales, Fees and Charges and External Rents (net of direct costs)

Sales, fees and charges and external rents (net of direct costs) have a full year budgetary target of £16.6m. 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	1,653	836	926	91	7
Director (Nick Edwards)	1.2	3,807	253	854	601	307
Director (Lisa Dixon)	1.3	1,314	638	703	65	42
Director (Vacant)	1.4	(1,783)	(2,384)	(2,271)	113	(12)
Corporate	1.5	2,153	1,620	2,053	433	257
Total		7,144	962	2,265	1,302	600

3.1.6 The table above outlines that a year end surplus of £600k is expected (£123k outlined in the previous report after providing funding for the 2018 Tour De Yorkshire). 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 * may recur (at least in part) and will therefore be reviewed as part of the 2018/19 budget setting proposals.

Chief Executive

- (£15k) - external income target put forward in the 2016/17 budget proposals for Internal Audit unlikely to be achieved during the year*
- £22k – staffing savings from a vacant post within the ICT service *

Director (Nick Edwards)

- £129k – overall saving expected from commercial waste service through increased income (£50k) * and staffing savings (£25k), garden waste income (£24k) and staffing savings from street cleansing (£30k).
- £58k – higher than expected administration subsidy for the administration of housing benefits and the localised support for council tax scheme *
- £101k – higher than budgeted income from Scarborough Harbour activities *

Director (Lisa Dixon)

- (£10k) – legal services external income shortfall *
- £60k – salaries savings within benefits team as a result of vacant posts and maternity leave *

Director (Vacant)

- (£60k) – reduced occupancy at Scarborough Indoor Market following the refurbishment works
- £40k – higher than expected planning fee income *
- £100k – increased income from off street car parking *
- (£21k) – non achievement of capital salary recharges with the regeneration team
- £78k – flexible homelessness support grant received from DCLG to compensate the Council for growth that had previously been built into base budget as a result of changes to the way that temporary leased accommodation is treated through the subsidy calculations
- (£150k) – funding for the 2018 Tour De Yorkshire as agreed by full Council (17/188)

Corporate

- £130k – delay in pension auto-enrolment for some staff members means budget not required this year
- £21k – surplus from universal credit funding
- £38k – surplus from new burdens funding
- £68k – 2016/17 contingency budget no longer required *

3.1.8 Other key opportunities / threats

The following items have not been adjusted for within this forecasted outturn however will be carefully monitored throughout the rest of the year:

Opportunities

- Revenue contingency budgets – 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. For this reason a contingency budget was created. At this stage it is assumed that this will be utilised in full throughout the year however this may not be the case.
- Business Rate revaluations - expenditure on business rates is below budget to date primarily as a result of one off refunds dating back to the

2010 valuation list. It is proposed that any one-off savings generated from successful business rate appeals will be invested within the Council's capital program.

Threats

- The transformation board continue to progress with reviews of services but at the time of writing this report the budget savings required to meet the £120k transformation savings target have not yet been identified. It is currently assumed that these will be delivered in the remainder of the year and some are included within the Commercial Waste surplus outlined above.

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

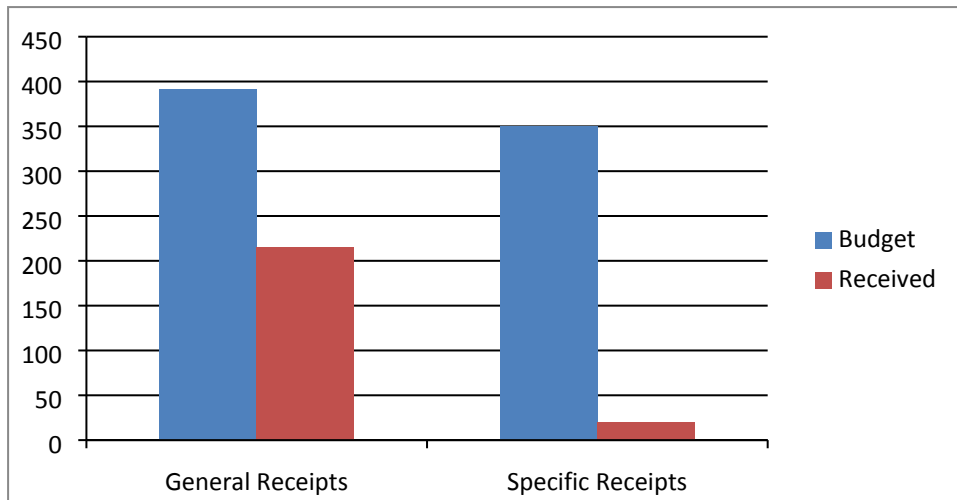
Cell 1 Strategic Regional Coastal Monitoring

It was reported in the last Financial Monitoring report (17/192) that an underspend of £26k had occurred on this scheme. This scheme was 100% funded through the Environment Agency and Officers had contacted the Environment Agency requesting that these savings be utilised by the Council to assist in the funding of other Coastal Protection schemes.

Unfortunately the Environment Agency has refused the request on this occasion stating that they are unable to reallocate funding which was originally approved prior to 2012. Officers have previously been successful in requests to reallocate funding derived from more recent Environment Agency funded schemes and will continue to seek similar approvals in order to assist Council resources in the maintaining its coastal assets

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 Councils capital strategy together with any specific disposals where appropriate. These levels of receipt must be generated in order to balance the Council's capital budgets.

The specific receipts target relates to the sale of land at Danes Dyke Scarborough and the sale of the former public toilets at Khyber Pass. These capital receipts are still expected to be received.

3.2.4 Section 106

The Council holds monies received under the terms of Section 106 of the Town and Country Planning Act 1990. These monies are received as contributions towards various infrastructure projects throughout the Borough.

There are no new allocations to approve as part of this report.

3.3 Grants

3.3.1 Revenue Grants

Outdoor Gym Equipment Filey

Previous approval was granted (17/170) for the acceptance of £10k from Filey Lions as a grant towards the provision of 5 pieces of outdoor gym equipment. The lions have subsequently offered to provide funding of £480 per annum towards the maintenance costs of this equipment over a 10 year period.

The Council does reserve the right to remove any of this equipment should it become beyond economic repair.

2018 Tour De Yorkshire

The North Yorkshire Moors National Park Authority are looking to contribute £20k towards the cost of the 2018 Tour De Yorkshire. Whilst there are conditions that need to be met as part of the grant, officers are confident that these can be achieved. It is envisaged that this contribution will directly

reduce the Council's contribution from that stated previously but final budgets are still being agreed and at present this report still assumes that the Council will contribute £150k towards the event.

3.3.2 Capital Grants

There are no capital 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 17	In year Forecast movement	Projected 31 Mar 18	
	Minimum	Maximum				
General Fund	2,000	3,000	2,676	(150)	2,526	●
Capital Contingency	500	1,500	610	141	751	●
Insurance Reserve	1,350	no max	1,571	149	1,720	●
Pension Reserve	100	750	891	149	1,039	●
Capital Development Reserve (including useable capital receipts)	Resources matched to investments over 10 yrs		11,606	(8,365)	3,241	●
Other Reserves	no min	no max	13,468	(3,587)	9,881	●
Total			30,822	(11,663)	19,158	

3.4.3 **General Fund** - the balance of the General Fund at 31 March 2017 was £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.

3.4.4 **Capital Contingency Reserve** – whilst the projected balance at 31 March 2018 is expected to be £751k, £200k of the balance is earmarked for the Futurist redevelopment (should it be required) and therefore the uncommitted balance is £551k.

3.4.5 **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 balance of the reserve is currently considered adequate.

3.4.6 **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.

3.4.7 **Capital Development Reserve** – this reserve aims to match resources to investments over a ten year period. The £3,241k projected balance as at 31 March 2018 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.

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

3.5 Budget Strategy 2018 to 2021

3.5.1 The budget strategy 2018 to 2021 is also being presented on this agenda (17/254) and within this report it outlines that £500k of one-off funding will be required to balance the revenue budget during this period and provide additional time for savings to be delivered.

3.5.2 Rather than draw this funding from the Council's General Fund, which would reduce the balance to just slightly above the minimum optimum operating criteria, it is recommended that the £500k be funded from the in year projected underspend.

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 2017/18 that are not being achieved (in full) and these will need to be addressed during the final six months of the year or through the 2018/19 budget setting process.

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

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Director

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Background Papers:

17/58 – Financial and Property Asset Management Strategy and Council Tax Setting 2017/18

17/192 – Financial Monitoring to July 2017

FINANCIAL PERFORMANCE - REVENUE BUDGET

1. Introduction

This is the second monitoring summary for the 2017/18 financial year covering the period **1 April to 30 September 2017**. 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.

Following the appointment of a new Director, reporting lines for some of the Council's services have changed. The tables below are still based on the old structure but will be updated for the next monitoring report once the Director has commenced employment.

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	835	912	910	(2)	1,830	1,823	7
Director (Nick Edwards)	(700)	(808)	(646)	161	1,022	850	171
Director (Lisa Dixon)	684	644	739	95	1,520	1,468	52
Director (Vacant)	(2,735)	(3,201)	(3,279)	(77)	(3,061)	(3,137)	77
Corporate	2,192	1,694	1,811	117	1,836	1,706	130
Total	276	(759)	(465)	294	3,147	2,711	437

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	53	(77)	16	93	(176)	(176)	0
Director (Nick Edwards)	350	1,061	1,501	439	2,785	2,650	135
Director (Lisa Dixon)	(12)	(7)	(36)	(30)	(206)	(196)	(10)
Director (Vacant)	8	817	1,007	190	1,278	1,367	(89)
Corporate	1,528	(74)	242	316	316	189	127
Total	1,927	1,721	2,730	1,008	3,996	3,833	164

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	888	836	926	91	1,653	1,646	7
Director (Nick Edwards)	(347)	253	854	601	3,807	3,500	307
Director (Lisa Dixon)	672	638	703	65	1,314	1,272	42
Director (Trevor Watson)	(2,730)	(2,384)	(2,271)	113	(1,783)	(1,771)	(12)
Corporate	3,720	1,620	2,053	433	2,153	1,896	257
Total	2,203	962	2,265	1,302	7,144	6,543	600

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	77	73	76	4	153	153	-
HR and Health & Safety	141	149	154	5	304	304	-
Capital and Procurement Unit	166	189	189	-	382	382	-
Internal Audit	73	62	64	2	127	142	(15)
Public Relations	22	23	23	-	47	47	-
Senior Management Team and Support	68	71	71	-	142	142	-
IT Services	265	264	260	(4)	535	513	22
Corporate	21	81	72	(9)	140	140	-
Total	835	912	910	(2)	1,830	1,823	7

Key points to note about performance year to date:

- Internal Audit** - Additional income of £20k was included within the 2016/17 budget proposals and is unlikely to be achieved in full this year. This has been offset in part by staffing savings during the year. With the service concentrating on GDPR in 2018/19 (and beyond) the external income target is being reduce to £10k as part of the 2018 budget proposals and the service have confirmed that this will be achievable.
- ICT Services** – Salary saving from part year vacant post.

APPENDIX 1.2

Director (Nick Edwards)

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

Service	Prev YTD Actuals	Year to Date			Estimated Year End Outturn		
		Actual £k	Budget £k	Surplus/ (Deficit) £k	Full Yr Budget £k	Full Yr Forecast £k	Surplus/ (Deficit) £k
Corporate Management	(4)	(5)	(9)	(4)	(18)	(18)	-
Local Taxation	(9)	41	14	(27)	113	107	6
Industrial Units	(95)	(101)	(108)	(7)	(192)	(192)	-
Property Services Operational Unit	(16)	(104)	(61)	43	(119)	(119)	-
Scarborough Harbour	(476)	(494)	(422)	72	(562)	(663)	101
Whitby Harbour	(482)	(483)	(483)	-	(565)	(506)	(59)
Depots and Admin Buildings	(41)	(27)	(28)	(1)	(56)	(56)	-
Accountancy	138	146	149	3	297	297	-
Accounts Receivable and Payable	83	87	92	5	185	170	15
Cash Collection and Administration	21	24	22	(2)	45	47	(2)
Environmental Health and Safety	25	28	24	(4)	48	48	-
Estates and Asset Management	172	172	210	38	411	387	24
Refuse Collection and Street Cleansing	(191)	(390)	(212)	179	760	631	129
Rental Properties	(928)	(867)	(939)	(72)	(1,592)	(1,572)	(20)
Senior Management Team and Support	48	49	49	-	99	99	-
Street Seats, Lighting and Name Boards	(44)	(37)	-	37	-	-	-
Transport and Vehicles Maintenance	170	151	163	12	306	306	-
Public Conveniences	91	63	67	4	150	150	-
Parks and Open Spaces	839	940	825	(116)	1,712	1,734	(22)
Total	(700)	(808)	(646)	161	1,022	850	171

Key points to note about performance year to date:

- **Scarborough Harbour** – income from core harbour activities continues to exceed expectation despite additional targets being set as part of the 2017/18 budget proposals.
- **Whitby Harbour** – reduced income offset by reduced costs (see appendix 1.6)
- **Estates and Asset Management** – vacant post will lead to savings this year.
- **Refuse Collection** – The amount invoiced for holiday let waste collections has exceeded the original target by £22k; taking the annual savings delivered from the transformation project to £90k. A post to assist with the pro-active selling of the Council's Commercial Waste service currently stands vacant (£25k in year saving), and will be filled once work has been completed to

streamline processes and data held within the service. Despite the post being vacant significant improvements have already been made within the service and amounts billed for the year to date exceed the previous year's total and are expected to exceed budget by £28k. In addition to in year savings from street cleansing staff are expected.

- **Rental Properties** – reduced income from property rental portfolio as a result of void occupancies at both Skinner Street and the former Whitby Tourist Information Centre building, (the latter is now let) offset in part by short term let for High Eastfield Farm.
- **Parks and Open Spaces** – increased use of temporary staff during the year will lead to an overspend on staffing budgets

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	(30)	(48)	(27)	22	(53)	(53)	-
Licensing	(169)	(159)	(158)	1	(225)	(222)	(3)
Housing Benefits administration	441	451	483	32	965	905	60
Legal Services	99	77	118	41	190	200	(10)
Member & Mayoral Expenses	11	1	1	-	2	2	-
Print Plus	27	37	37	(1)	73	73	-
Regulatory, Governance, Performance & Admin	229	205	206	1	409	404	5
Senior Management Team and Support	76	80	80	0	160	160	-
Total	684	644	739	95	1,520	1,468	52

Key points to note about performance year to date:

- **Licensing** - Reductions in the number of licences in recent years has led to unachievable income targets. Whilst this was highlighted as part of the 2016/17 budget setting process it was hoped that reviews of the services offered, changes to the licensing structure and a general increase in the numbers of licences would ensure that the target could be achieved. To date this has identified additional income of £12,500 and a shortfall of £2,500 is therefore expected this year. This review is continuing to identify additional income streams.
- **Housing Benefit Administration** – 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 2018/19 budget proposals.
- **Legal Services** - Savings put forward as part of the 2016/17 budget proposals look unlikely to be delivered this year. The savings were to be achieved by increasing the income generated by providing a legal service to external clients. Unfortunately some long term clients have reduced the amount of work that they look to have undertaken due to their own funding constraints. This position will continue to be reviewed during the remainder of the year to assess whether or not it is achievable in the future. The team continue to work to develop their client base to protect against future income loss.

APPENDIX 1.4

Director (Vacant)

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	250	275	282	7	564	555	9
Economic Development	102	85	114	29	229	229	-
Planning	(31)	27	106	79	260	220	40
Parking Off Street	(3,399)	(3,416)	(3,610)	(195)	(4,462)	(4,572)	110
Markets	(35)	(87)	(116)	(29)	(229)	(169)	(60)
CCTV	56	73	72	-	145	145	-
Cemeteries and Crematorium	(230)	(406)	(432)	(26)	(906)	(881)	(25)
Home Improvement Agency	128	75	66	(9)	134	134	-
Cash Collection and Administration	20	25	25	-	50	50	-
Choices 4 Energy	(32)	(9)	(3)	6	(6)	(6)	-
Community Centres	(17)	(22)	(20)	3	(38)	(33)	(5)
Environmental Health and Safety	235	251	263	12	531	524	7
Housing and Homelessness	287	122	153	31	406	406	-
Outdoor Playing Fields and Amenities	(1)	(7)	(15)	(8)	(21)	(14)	(7)
Outsourced services	(15)	(10)	(21)	(11)	(21)	(21)	-
Rental Properties	(6)	(6)	(6)	-	(39)	(39)	-
Senior Management Team and Support	48	26	49	24	99	99	-
Sports Development	35	36	37	1	74	74	-
Beaches	65	71	47	(24)	68	68	-
Beach Chalets	(172)	(170)	(172)	(1)	(172)	(172)	-
Theatres	84	57	63	5	86	92	(6)
Outdoor Leisure Sites	(407)	(518)	(484)	34	(481)	(494)	13
Marketing and Events	115	128	122	(6)	253	253	-
Customer Services	173	183	183	(1)	374	374	-
Tourist Information Centres	10	14	17	3	41	41	-
Total	(2,735)	(3,201)	(3,279)	(77)	(3,061)	(3,137)	77

Key points to note about performance year to date:

- **Community Partnerships and Safety** – salary savings due to additional hours budget not being required.
- **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.

- **Parking Off-Street** – Despite being behind the budgeted profile to date, income from off street car parking is projected to be £100k higher than budget this year. In addition to this, a £10k saving is expected on salaries from within the operational team.
- **Markets** – Following a delay in the refurbishment project, reductions in occupancy rates have lasted longer than originally anticipated. Whilst several new tenants have now opened shops within the site it is expected to take a further few months before target occupancy is achieved.
- **Cemeteries and Crematoria Income** – Income from the service is lower than target (and on a like for like basis lower than at the same point in the previous year). Whilst a shortfall is currently expected, the transformation team have recently looked to diversify income streams at the venue and it is hoped that this will deliver additional income in the remainder of the year.
- **Outdoor Leisure Sites** – Significant work to address the continuing overspend on Outdoor Leisure staffing was undertaken last year and this is now addressed. Spend is on target this year and the position is being closely managed by the service. The focus has now shifted to increasing income at the sites and pleasingly this has started to be reflected in the income being generated. Additional savings have been proposed by the service for 2018/19.
- **Filey Brigg Caravan Park (part of outdoor leisure)** – Low levels of investment have been made at the site over the last twelve months to make the customer offering more attractive. This has included putting hard ground standings in place in areas that are prone to flooding and this has meant that pitches that were previously unlettable during certain parts of the year are now available to customers. These works have led to a direct increase in revenue this year. There is still however work to do at the site, some of which is required to ensure that fire regulations continue to be met put more work is also required to ensure that further pitches are not prone to localised flooding. This work will be funded, were possible, from additional income generated by the site during the year.

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	2,192	1,694	1,811	117	1,836	1,706	130
Total	2,192	1,694	1,811	117	1,836	1,706	130

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.

The £130k saving relates growth that was provided as part of the 2017/18 budget setting process for pension auto-enrolment. October 2017 was to see the next phase of the Council employees auto-enrolled into the pension scheme. Legislative changes mean that this won't now happen until October 2019 although employees who are not currently in the scheme are actively encouraged to join. Whilst this money won't be required this year it is expected that it will be required in the future.

APPENDIX 1.6

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	29	64	61	(3)	124	124	-
Business Rates	791	897	1,069	172	1,069	1,069	-
Interest Receivable	(149)	(278)	(260)	18	(522)	(522)	-
Interest Payable	203	202	204	2	408	408	-
Capital Salary Recharges	(147)	(171)	(249)	(77)	(1,066)	(1,045)	(21)
Property Repair Fund	203	187	336	149	580	580	-
Grounds Maintenance (Highways Hardstanding)	217	131	333	201	505	505	-
Grounds Maintenance (Coast Protection)	213	90	219	129	419	419	-
Insurance	(6)	(18)	41	59	697	697	-
Contingency Budgets	0	0	203	203	201	133	68
One-off grants	-	-	59	59	59	-	59
Utilities (Gas, Electric and Water)	270	231	273	42	558	558	-
Vehicle Repairs & Fuel	306	314	297	(17)	592	592	-
Council Tax Benefit (prior to 2013/14)	(9)	(12)	0	12	0	0	-
Housing Benefit (costs net of subsidy)	(85)	90	46	(45)	91	91	-
Tour De Yorkshire (2018)	-	-	-	-	-	150	(150)
Other Areas (net) Identified by Budget Managers							
Admin Support Grant Adjustment	-	-	58	58	58	-	58
Homelessness Grants	-	(227)	(149)	78	(160)	(238)	78
Other	91	221	190	(31)	385	313	71
Total High Risk Areas	1,927	1,721	2,730	1,008	3,996	3,833	164

Key points to note about performance year to date:

Business Rates

Expenditure on business rates is below budget to date primarily as a result of one off (backdated) refunds. Whilst it is expected that one-off savings will be generated during the year any savings that do crystallise will be invested within the Council's capital program.

Capital Salary Recharges

Economic Development continues to under recover on their capital salary targets for the year.

Property Repair Fund and Grounds Maintenance

These budgets are fully committed however timings in when the expenditure takes place may cause variances during the 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 2017/18 budget proposals and, in addition, some of the monies provided within the 2016/17 budget for the same purpose were still available for allocation.

£133k of the 2017/18 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 2017/18 budget made no provision for increases to service budgets.

£155k of contingency budgets from previous years were not required for allocation and have been included as savings in the draft 2018/19 budget proposals. In the current year, £87k of this saving has been transferred into the Capital Development Reserve to help progress unfunded priority capital schemes identified within the 2017 Financial Strategy and the remainder has been included as a forecasted year end surplus in the above table.

One off Grants

One off grants from DCLG to reimburse the Council for extra costs in relation to new burdens and universal credit have been received during the year. The costs of delivering these schemes have been included within the service headings (sometimes by the reallocation of existing resource) however rather than against this specific funding line and this budgeted expenditure won't therefore be incurred this year.

Housing Benefit (costs net of subsidy)

Collection of housing benefit debt has improved significantly over the last four years, which is particularly encouraging given the economic climate and recent changes to the benefits system. Whilst the position to the end of September showed an overspend against budget, this has reversed during October and it is expected that the year end target will be achieved.

Other Areas Identified by Budget Managers

£58k – higher than expected administration subsidy for the administration of housing benefits and the localised support for council tax scheme

£78k – flexible homelessness support grant received from DCLG to compensate the Council for growth that had previously been built into base budget as a result of changes to the way that temporary leased accommodation is treated through the subsidy calculations

£71k - Whitby Harbour reduced costs (offset by lower income above).

APPENDIX 2

FINANCIAL PERFORMANCE - CAPITAL BUDGET

The following table shows, for ongoing schemes and schemes anticipated to commence in 2017/18, the budget, and expenditure incurred to date as at 30 September 2017, anticipated forecast outturn and the resultant impact on Borough Council Resources.

Description	Budgeted Expenditure	Expenditure to Date	Budget Expended	Forecast Outturn	Impact on Council Resources
	£000	£000	%	£000	£000
Scarborough Spa Coast protection Scheme	14,711	640	4.35%	15,909	1,198
Leisure Village - Dry Construction	9,882	9,027	91.35%	9,882	
Leisure Village - Wet Construction	8,194	7,522	91.80%	8,194	
Filey Flood Alleviation Construction	4,370	16	0.38%	4,370	
Futurist - Demolition and Redevelopment	4,090	287	7.01%	4,090	
Middle Deepdale Infrastructure works	3,254	3,163	97.19%	3,254	
Eskside Wharf Parkol works	3,000	1	0.03%	3,000	
North East Strategic Regional Coastal Monitoring Programme 2	2,903	363	12.50%	2,903	
Eastfield Regeneration (Middledeepdale receipt)	2,317	1	0.05%	2,317	
Coastal Protection Funding towards Whitby Piers	2,000	-	0.00%	2,000	
Community Housing	1,861	50	2.69%	1,861	
Neighbourhood & Communities Programme	1,785	483	27.04%	1,785	
Disabled Facilities Grants	1,399	605	43.24%	1,399	
Spa Roof Replacement	1,140	11	0.99%	1,140	
Runswick Bay Coast Protection Scheme	1,140	131	11.53%	1,140	
Pathfinder Grant	1,023	850	83.14%	1,023	
Vehicles Plant & Equipment *(2017/18 expenditure only)	1,011	129	12.79%	1,011	
Whitby Church Street Flood Alleviation	979	95	9.70%	979	
Lighting Columns	970	365	37.59%	970	
Purchase of Empty Homes for Homelessness Accommodation	750	693	92.34%	750	
Open Air Theatre Permanent Decking	650	4	0.62%	650	
Robin Hoods Bay Sea Wall	618	-	0.00%	618	
Unidentified Coastal Protection Works	587	-	0.00%	587	
Flat Cliffs Urgent Slope Stabilisation Scheme	572	8	1.38%	572	
Dean Road Depot Redevelopment	560	-	0.00%	560	
Leisure Village - Demolition of Ryndle Crescent	500	-	0.00%	500	
Property Asset Management Works - 2017/18	476	161	33.86%	476	
Filey Flood Alleviation Scheme	464	437	94.15%	464	
IT Infrastructure Investments *(2016/17 expenditure only)	453	30	6.57%	453	
Eastside Green Spaces	424	113	26.59%	424	
Spa Heritage Lottery Funding Works	424	36	8.49%	424	
Remedial Works to Pilings at Endeavour Wharf	419	58	13.75%	419	
Hard standings - Ground Maintenance	416	65	15.59%	416	
Whitby Dredger Equipment Replacement	402	333	82.88%	402	

Description	Budgeted Expenditure	Expenditure to Date	Budget Expended	Forecast Outturn	Impact on Council Resources
	£000	£000	%	£000	£000
Filey and Cayton Bay Coastal Strategy	400	164	41.08%	400	
Cemetery Provision in Whitby	400	1	0.30%	400	
Whitby Harbour Piers Coast Protection - Phase 1	357	286	80.15%	357	
Discover Filey	300	22	7.45%	300	
Peasholm Park Boat Deck	300	1	0.20%	300	
Homelessness Accommodation Phase 2	260	80	30.77%	260	
Peasholm Lake De-silting	251	-	0.01%	251	
Kyber Pass Public Conveniences	250	207	82.79%	250	
Other current schemes <£250k	2,390	1,076	45.00%	2,390	
Total	78,653	27,514	34.46%	79,851	1,198

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

Spa Coastal Protection Scheme

Following completion of the early contractor involvement stage Members have recently been informed (17/245) of the latest position with regard to the stabilisation of the cliff behind the Spa. The proposed budget to commence the works is £15.909m showing an increase of £1.198m from the previous cost advised to Cabinet in February 2016 (16/49). This additional cost is being funded from the Council's £5m allocation for coast protection schemes.

This increase in costs is driven by a change in design. Original designs showed the application of deep piles with retaining walls complemented with a limited amount of soil nails. This method would allow the occasional occurrence of smaller slips which would continue to be managed internally by the Council's engineers. Subsequent designs and investigations raised concerns that smaller scale slips may aggregate causing issues with the structural integrity of the pilings. As a result a significant increase in both the number and size of soil nails has been included in the latest scheme design in order to pin back the slopes.

As a result of these changes, the construction costs of the scheme have increased by £4m. As a result of the increased ground investigations having been carried out and a more comprehensive stabilisation solution within the design it is considered acceptable to reduce the associated contingency levels by £2.8m and the net increase in cost is therefore £1.198m. The contingency levels included within the scheme are now £2m and this is equivalent to 15% of the budgeted construction costs.

The contingency budget outlined above is currently unfunded. Negotiations are currently ongoing with North Yorkshire County Council regarding the funding profile for the works but should no further funding contributions be forthcoming from other beneficiaries this will result in a £3.1m funding requirement by SBC from the allocated £5m coastal protection budget.

Disabled Facility Grants

The previous Financial Monitoring Report ref (17/192) detailed the financial position with regard to the statutory provision of Disabled Facility Grants (DFG's). It was highlighted that the budget allocation for 2017/18 stood at £1,238k and that any demands in excess of this level must be met from Council resources. The levels of demand are out of the control of officers with cases being referred via County Council occupational therapists.

Expenditure relating to DFG's to the end of September 2017 is £524k and, taking into account the current levels of pipeline cases, it is expected that the budget allocation for 2017/18 will be sufficient. Officers will continue to monitor the situation closely and provide any necessary updates within future monitoring reports.

Vehicles Plant & Equipment

Capital provision exists within the Capital Development Reserve for the replacement of essential operational vehicle, plant and equipment items. Vehicle replacements are budgeted on a rolling programme with the expected useful life being dependant on each individual vehicle. The equipment budget incorporates ongoing requirements such as replacement bins and investment in new boats at Peasholm Lake.

Reflecting on the levels of investment required by the Council in its vehicle fleet it is important that replacement decisions are carefully considered. A full review has therefore been carried out analysing the cost implications of each vehicle over its useful life. This data has been analysed to establish an optimum replacement period for each vehicle type allowing the Council to achieve best value from its investments.

As a result of this review, all vehicle replacements have been re-profiled and this, together with a reduction in the number of fleet vehicles, has resulted in a revised in year budget of £1m (£1.652m of costs previously expected in 2017/18). The Councils Fleet Manager is currently prioritising those vehicles due for replacement in order to best support service provision.

The work undertaken has resulted in a £600k saving in vehicle replacement costs over the 10 year period of the capital programme and this saving has primarily derived from the following areas.

- reduction in fleet vehicles and cost estimates following standardisation of the fleet.
- extension to the replacement period of some large parks equipment such as tractors following life cycle costing works.
- extension to replacement period of some road sweepers and smaller refuse vehicle.

The life cycle costing works have provided a direct link on an individual vehicle basis between the annual running costs and the age / replacement profile of each vehicle.

The 2017 Financial Strategy identified a £100k annual revenue savings target relating to transport. As a direct consequence of the works carried out and the resultant savings in the capital programme, an annual reduction of £60k per annum to the Capital Development Reserve has been achieved. This leaves a further £40k savings to be identified through the modernisation of processes and implementation of the findings from an external review of the transport service.

Schemes under £250k

There are currently no major variations to report.

New Schemes

There are 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 2017	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 2016/17 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 2018/19 budget setting process

Glossary of Terms

Risk	An event which may prevent the Council achieving its objectives
Consequences	The outcome if the risk materialised
Mitigation	The processes and procedures that are in place to reduce the risk
Current Risk Score	The likelihood and impact score with the current mitigation measures in place
Corporate Objectives	An assessment of the Corporate Objectives that are affected by the risk identified.
Target Risk Score	The likelihood and impact score that the Council is aiming to achieve
Service Unit Manager	The Service Unit or Officer responsible for managing the risk
Action Plan	The proposed actions to be implemented in order to reduce the risk to the target score

Risk Scoring

Impact	5					
	4					
	3					
	2					
	1					
		A	B	C	D	E
	Likelihood					

- | | |
|--------------------|---------------|
| <u>Likelihood:</u> | <u>Impact</u> |
| A = Very Low | 1 = Low |
| B = Not Likely | 2 = Minor |
| C = Likely | 3 = Medium |
| D = Very Likely | 4 = Major |
| E = Almost Certain | 5 = Disaster |