

	REPORT TO CABINET TO BE HELD ON 11 SEPTEMBER 2018	
	Key Decision	Yes
	Forward Plan Ref No	
Corporate Priority - ALL	Cabinet Portfolio Holder	Cllr. Helen Mallory

REPORT OF THE DIRECTOR (NE) – 18/201

WARDS AFFECTED: ALL

SUBJECT: FINANCIAL MONITORING TO JULY 2018 (1st PERIOD)

RECOMMENDATION (S):

Cabinet is recommended to:

- i) Note the report and in particular that:
 - Despite the setting of an extremely challenging budget a year end surplus of £220k is currently expected to be achieved;
 - The surplus is primarily driven by one-off savings specifically in relation to business rates refunds
 - The majority of income targets are being achieved;
 - The majority of savings identified as part of the 2018/19 budget setting process are being achieved but there are a small number of areas that still require addressing (including some perpetual under achieved budgets). These will continue to be monitored.
 - The capital programme continues to operate within the overall parameters set in terms of contingency levels;
- ii) Note that a separate report on the Cabinet agenda (ref 18/195) proposes that Full Council be asked to consider utilising £150k of the anticipated surplus to fund the 2019 Tour de Yorkshire;
- iii) Approve acceptance of the following grants:
 - £4k from the NYCC Locality Budget towards the Yorkshire Coast Remembers project.

- iv) Approve allocation of £20,548 of Section 106 monies in order to make essential improvements to White Leys Play Area.
- v) Note that the Council is reviewing options to submit an application to become part of a 75% Business Rates Pool Pilot in 2019/20 alongside North Yorkshire County Council, East Riding of Yorkshire Council, Hambleton District Council, Craven District Council, Selby District Council, Richmondshire District Council and Ryedale District Council and potentially Harrogate District Council;
- vi) Delegate the authority for participating in the 75% Business Rates Pilot application, and entering into the scheme should the application be successful, to the Section 151 Officer in conjunction with the Portfolio Holder for Finance, Procurement and Legal;

REASON FOR RECOMMENDATION(S):

To provide information relating to the Council's financial performance for the 2018/19 year.

To maximise the Council's income from the Business Rates Retention scheme.

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.

There is a risk that the Council is financially worse off as a result of the business rates pooling application and / or fall-back position if the application is unsuccessful. This position will be carefully monitored and managed as part of the negotiation and application process.

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 and level of reserves are key components of the performance management framework.
- 1.2 This report covers the first four months of the 2018/19 financial year from April to July 2018. 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
- Business Rates Retention

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 £17.2m. Various factors can affect income levels and therefore they are closely monitored during the year.

3.1.3 Salaries and Wages

The Council is budgeted to spend nearly £21m 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	1,812	500	612	112	(34)
Director (Nick Edwards)	1.2	6,356	1,287	1,300	13	12
Director (Lisa Dixon)	1.3	(4,839)	(2,197)	(2,164)	33	(65)
Director (Richard Bradley)	1.4	(942)	(839)	(917)	(78)	(80)
Corporate	1.5	5,037	2,966	4,018	1,052	387

Total		7,423	1,717	2,849	1,132	220

3.1.6 The table above outlines that a surplus of £220k is expected to be achieved against the revenue budget for 2018/19.

3.1.7 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 and will therefore be reviewed as part of the 2019/20 budget setting proposals.

Chief Executive

- (£10k) – 2016/17 budget proposals led to a small restructure of the Internal Audit team and the introduction of an external income target. This is unlikely to be achieved in full this year although the service are confident that it will be achieved in future years.*
- (£29k) – savings that were included in the Financial Strategy that are to be delivered from corporate modernisation reviews. Progress on a number of reviews is ongoing and it is hoped that savings opportunities will be identified during the financial year, however details have not yet been finalised. It is considered likely that the savings will be achieved in part in the current year and in full in future years.*

Director (Nick Edwards)

- £18k – reduction in external audit fee costs*
- £45k – increased income from court cost recharges, the costs of administering the debt recovery process are included within existing budget resources*
- (£37k) – security costs being incurred within Customer First are not included within current budget*
- (£110k) – rounds review (expected to generate saving of £70k) yet to be finalised and lower than expected recycling credit income primarily as a result of reduced levels of garden waste.
- (£21k) – higher than expected costs on repairing fleet vehicles (unfair wear and tear)*
- £116k – salaries savings within benefits team as a result of vacant posts and maternity leave* together with one-off grant from DWP in relation to changes in legislation
- £55k – higher than budgeted income from fish dues at Scarborough Harbour*
- (£56k) – a shortfall in income from Public Conveniences is forecasted, primarily as a result of removing charges for the usage of the St Nicholas Gardens facility and the subsequent knock on effect of reduced income from the West Pier facility. In addition new income budgeted as part of the Public Convenience review will not materialise due to delays in some of the related refurbishments. It should be noted that £200k savings have been included against the running costs for public convenience in the budget proposals leading up to the 2018/19

year therefore, despite this shortfall, it does mean that savings of £144k have been delivered.*

Director (Lisa Dixon)

- £22k – part year vacant posts in legal services
- £52k – in year vacant post within regulation and governance service
- (£50k) – shortfall from off street car parking primarily as a result of an early Easter and poor weather during April
- (£52k) – shortfall from Peasholm Park income partly due to a delay in Buttercup café becoming operational at the start of the year.
- (£10k) – reduced income from South Bay chalets as failure of retaining wall in the area means that some of them are no longer available for letting.
- (£33k) – income from Oliver’s Mount racing days will not be achieved this year as the circuit is not currently in use.

Director (Richard Bradley)

- (£50k) – saving put forward as part of the 2018/19 budget proposals for Data cleansing of asset register and rental streams and review of service charge process has not yet generated specific savings however the review has commenced and this will be reviewed as part of the next monitoring report.
- (£38k) – reduced rental income from vacant properties
- (£50k) – reduced occupancy at Scarborough Indoor Market following the refurbishment works*
- £65k – lower than budgeted salaries within the planning department due to part year vacancies and external income* from providing planning services to other authorities
- (£14k) – non achievement of capital salary recharges with the regeneration team*

Corporate

- £110k – delay in pension auto-enrolment for some staff members means budget not required this year
- £50k – budgeted salary increment costs not required this year
- £28k – additional saving from prepaying pension fund contributions *
- £15k – additional interest income due to higher than anticipated cash balances in the first half of the year
- £184k – lower than expected expenditure on business rates following one off refunds in relation to the Council’s off street car parks (£237k) offset, in part, by rates due on the Council’s old indoor leisure facilities* (indoor pool and sports centre) for which there is no budget.

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. This saving (£237k) has been included in the forecast outturn but further appeals could be successful during the remainder of the year and these have not been reflected within this report.
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Threats

- The introduction of the Homelessness Reduction Act has had, and will continue to have, far reaching implications upon the Councils approach to preventing and relieving homelessness within the Borough. The Council now has a responsibility for helping a much broader group of people which in turn increases the financial pressures upon the Council. Measures have been introduced to utilise available grant funding and therefore minimise the impact upon Council resources.
- Earlier this year North Yorkshire County Council put forward a proposal to reduce their annual funding contribution for CCTV by £54,000 from £76,000 to £22,000 with effect from 2019/20. This reduction would have significant budgetary implications for the Council and as such negotiations are ongoing with the County Council as to how the service would be jeopardised with such a significantly reduced level of external financial support. It is not certain at the moment whether or not this will affect the financial performance of the service this year however nothing has been included within this report.

3.2 Financial Performance - Capital Budget

3.2.1 An update on the capital program was presented as part of the Finance Outturn Report for 2017/18 (18/155). There are no updates to the program presented as part of this report.

3.2.2 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.

The Council have received a sum of £20,547.95 from the developers of the former highways depot in Whitby. The conditions of the Section 106 agreement state that the monies shall be “towards the provision, improvement and/or enhancement of play areas”

A scheme has been developed which would see the remodelling of the White Leys play area by removing and replacing extensive timber retaining walls damaged by rot. Recycled plastic palisades will be used as the replacement which will have a much longer life than the timber equivalent. The work will involve excavation to remove existing concrete foundations, re-edging of footpaths and the moving of topsoil. Any balance in funding that remains following this work will be used for new play equipment and / or street furniture to enhance the site.

3.3 Grants

3.3.1 Revenue Grants

NYCC Locality Fund (Yorkshire Coast Remembers)

Yorkshire Coast Remembers is a community project to remember and mark the centenary of WW1 armistice. It consists of a number of elements which will culminate in a community lantern remembrance parade leading into a WW1 Service of Commemoration on the 10th November 2018 at Scarborough Spa.

The Locality Fund has offered £4,000 towards a series of community participation and engagement workshops to make a life sized wire sculpture of a WW1 soldier surrounded by a sea of handmade poppies. These workshops will also include the making of individual poppy lanterns for the parade, two feature lanterns – illuminated giant poppy wreaths, a soundscape of original poetry and medical and security provision.

Total costs of the event are expected to be £13k and other funding routes for the remaining £9k are being explored.

3.3.2 Capital Grants

There are no capital grants to approve 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 18	In year Forecast movement	Projected 31 Mar 19	
	Minimum	Maximum				
General Fund	2,000	3,000	3,026	(200)	2,826	●

Capital Contingency	500	1,500	705	100	805	●
Insurance Reserve	1,350	no max	1,977	(48)	1,929	●
Pension Reserve	100	750	1,091	101	1,192	●
Capital Development Reserve (including useable capital receipts)	Resources matched to investments over 10 yrs		14,152	(8,445)	5,707	●
Other Reserves	no min	no max	10,217	(3,077)	7,140	●
Total			31,168	(11,569)	19,599	

3.4.3 **General Fund** - the balance of the General Fund at 31 March 2018 was £3.026m. £200k of this balance is, however, being used to support the revenue budget in 2018/19 with a further £300k being required in 2019/20. The uncommitted balance of the reserve is therefore £2.526m.

3.4.4 **Capital Contingency Reserve** – whilst the balance at 31 March 2018 was £705k, £200k of the balance is earmarked for the Futurist redevelopment (should it be required) and therefore the uncommitted balance, after taking into account the base budget contribution into the reserve during the year of £100k, is £605k.

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 particularly given that base budget contributions into the reserve have been reduced (from £201k to £101k) as part of the 2018/19 budget setting process.

3.4.7 **Capital Development Reserve** – this reserve aims to match resources to investments over a ten year period. The current projections show that the resources available are broadly balanced over the 10 year period to 2028; however there are overcommitted balances in some of the later years of the plan and not all essential expenditure is included in the projections (e.g. asset management backlog works). Proposals to commit monies from the reserve have therefore been restricted in 2018/19.

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

3.5 Business Rates Retention

3.5.1 The Council receives a significant proportion of its annual core funding via the localised business rates retention scheme. Under the current rates retention scheme local government retains 50% of business rates income. The

remainder is paid back to Central Government and is redistributed to local authorities in the form of grants. Business rates growth is distributed in the same proportions.

- 3.5.2 In December 2017 the government announced its aim of increasing the share retained by local authorities to 75% with effect from April 2020. It is intended that the initiative will be cost neutral for central government therefore the increased business rate funding proportion for local government will be accompanied by corresponding reductions in other funding sources and / or the transfer of additional responsibilities, rather than providing additional income to fund local service provision. The scheme will however benefit local authorities that have historically delivered above baseline business rates growth by allowing them to retain 75% of that growth rather than the current 50% share.
- 3.5.3 In July 2018 the government published an invitation document offering all local authorities in England the opportunity to apply to pilot the 75% Business Rates Retention scheme in 2019/20. The purpose of the pilot scheme is to test increased business rates retention and to aid the government's understanding of the required funding transition prior to its introduction in April 2020.
- 3.5.4 Since 2014/15 the Council has been a member of the North Yorkshire Business Rates Pool, which comprises this Council as well as North Yorkshire County Council and Ryedale, Craven, Hambleton and Richmondshire District Councils. Scarborough is the lead authority for the pool.
- 3.5.5 Under the pooling regime authorities within a pool are treated as a single authority for the purposes of the localised Business Rates Retention scheme.
- 3.5.6 Under the current rates retention scheme each District Council would be required to pay a 50% levy on their share of growth in business rates income. The pooling mechanism allows this levy to be reduced by treating authorities within the pool as a single authority. In the case of the current North Yorkshire Pool the levy rate is reduced to nil.
- 3.5.7 The levies saved through the North Yorkshire Pooling arrangements are distributed back to pool members through a pool dividend. Projections for the 2018/19 financial year show that the overall pool dividend will total £3.8m if net business rates income is in line with expectation. Had the pool not have existed these monies would have been paid back to Central Government rather than being retained in North Yorkshire.
- 3.5.8 The Council's revenue budget for 2018/19 does not recognise the potential receipt of any pool dividends due to the uncertainties relating to business rates revaluation and the settlement of business rate appeals across the pool. The Financial Strategy details that any dividends received will be committed for investment within the capital programme. The Medium Term Financial Plan however commits a sum of approximately £400k of Scarborough's anticipated

share of business rates growth / pool dividend to balance the 2019/20 revenue budget.

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 of £220k is expected. Whilst this is positive news it should be noted that this does include one off savings of £237k relating to refunds of business rates on the Council's car parks.
- 4.2 There are a small number of savings that were put forward for 2018/19 that are not being achieved (in full) and these will continue to be monitored throughout the year. In addition there are a small number of areas that still require addressing (including some perpetual under achieved budgets) and these will continue to be carefully monitored.
- 4.3 With no major changes to the Capital Programme since it was reported to Cabinet in July, the Capital Programme continues to operate within the overall parameters set in terms of contingency levels.
- 4.4 **Business Rates Retention – Pooling and 75% Pilot Application**
- 4.4.1 In July 2018 the government published an invitation document offering all local authorities in England the opportunity to apply to pilot the 75% Business Rates Retention scheme, which is expected to come into effect in 2020/21. The pilot will allow authorities to retain 75% of business rates growth in 2019/20 as opposed to the 50% provided for within the current scheme.
- 4.4.2 A similar pilot invitation was issued in 2017 and ten areas were successful in their applications. These ten pilots ran alongside five pilots that had already been announced in devolution deal areas and a pilot covering London. The 2018 invitation document sets out that the government is having separate discussions with the devolution deal area and London pools; the remaining 10 pilots have to reapply for the 2019/20 programme.
- 4.4.3 Scarborough submitted an application for the 2017 pilot programme alongside the existing members of the current North Yorkshire Business Rates Pool, East Riding of Yorkshire Council and Selby District Council, however the bid was unsuccessful. Harrogate District Council participated in a Leeds City Region Pool pilot application, which was successful in 2018/19 and is currently in operation.
- 4.4.4 The services of Pixel Financial Management have been commissioned to provide advice and to undertake the financial modelling required to assess pooling opportunities for 2019/20. Pixel already provides advice to the North Yorkshire Chief Finance Officers Group, and is well placed to understand the complexities that we have within the North Yorkshire area.

- 4.4.5 Discussions are being held with Harrogate to determine whether they wish to be included in a North and East Yorkshire Pooling application, if one is made, or remain within the Leeds City Region application. The pilot invitation document suggests that bids which include two tier authorities may have more chance of being successful if all authorities within the two tier area are included within the submission.
- 4.4.6 If Harrogate are included within the North and East Riding application they wish to be included in the current North Yorkshire Pool as a fall-back position if the 75% bid is unsuccessful. The inclusion of Harrogate within the pool increases the pool's levy rate from nil to 11%. This levy would reduce the pool distributions for existing North Yorkshire Pool members therefore the fall-back position needs to be carefully considered before an application is made.
- 4.4.7 Pooling applications must be made by 25 September 2018. As the details of the pooling submission are in their early stages and are still being negotiated it is proposed that the decision on the application be delegated to the Section 151 Officer, in consultation with the Portfolio Holder for Finance, Procurement and Legal.
- 4.4.8 The pilot invitation states that the 2019/20 pilot programme will likely be smaller than the one in 2018/19 therefore the fall-back position needs to be carefully considered as part of the process to ensure that the Council is not at risk of financial detriment if an application is made but is unsuccessful. The Council's overall financial position under the 75% scheme and fall-back position will be the core focus of officer negotiations, with the aim that the Council will be no worse off under either scenario.

5. IMPLICATIONS

5.1 Policy

No direct implications.

5.2 Legal

No direct implications.

5.3 Financial Implications

Set out in this report.

5.4 Staffing Implications, Planning Implications, Crime and Disorder, Health & Safety and Environmental Implications

No specific implications, through many of the Corporate Priorities are linked to Economic and Sustainable Development.

Nicholas Edwards

Nicholas Edwards
Director

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Background Papers:

18/43 – Financial and Asset Management Maintenance Strategy and Council Tax
Setting 2018/19
18/155 – Finance Outturn Report 2017/18

FINANCIAL PERFORMANCE - REVENUE BUDGET

1. Introduction

This is the first monitoring summary for the 2018/19 financial year covering the period **1 April to 31 July 2018**. The information contained within these appendices is derived from the same information that is delivered to managers desktops on a monthly basis and it is hoped that this consistency will aid the understanding and further embed the budget monitoring process across the authority.

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

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

Director	Prev YTD Actuals	Year to Date			Estimated Year End Outturn		
		Actual £k	Budget £k	Surplus/ (Deficit) £k	Full Yr Budget £k	Full Yr Forecast £k	Surplus/ (Deficit) £k
Chief Executive	608	604	624	20	1,877	1,871	6
Director (Nick Edwards)	861	917	964	47	5,327	5,200	128
Director (Lisa Dixon)	(2,193)	(2,215)	(2,153)	62	(4,767)	(4,716)	(51)
Director (Richard Bradley)	(928)	(934)	(901)	34	(811)	(779)	(32)
Corporate	1,694	1,760	2,022	262	2,015	1,828	188
Total	42	132	556	424	3,642	3,403	238

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	(88)	(104)	(12)	92	(65)	(25)	(40)
Director (Nick Edwards)	244	370	336	(34)	1,028	1,144	(115)
Director (Lisa Dixon)	(5)	18	(11)	(28)	(72)	(58)	(14)
Director (Richard Bradley)	26	95	(17)	(112)	(131)	(83)	(48)
Corporate	1,219	1,206	1,996	790	3,022	2,823	199
Total	1,397	1,585	2,293	708	3,782	3,800	(18)

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	521	500	612	112	1,812	1,846	(34)
Director (Nick Edwards)	1,106	1,287	1,300	13	6,356	6,343	12
Director (Lisa Dixon)	(2,198)	(2,197)	(2,164)	33	(4,839)	(4,774)	(65)
Director (Richard Bradley)	(902)	(839)	(917)	(78)	(942)	(863)	(80)
Corporate	2,912	2,966	4,018	1,052	5,037	4,650	387
Total	1,439	1,717	2,849	1,132	7,423	7,204	220

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	48	47	56	9	168	163	6
HR and Health & Safety	100	101	104	3	311	311	-
Capital and Procurement Unit	125	133	133	-	398	398	-
Internal Audit	41	51	49	(2)	142	142	-
Public Relations	16	16	16	(0)	47	47	-
Senior Management Team and Support	47	48	48	-	145	145	-
IT Services	178	177	185	7	565	565	-
Corporate	54	31	33	2	100	100	-
Total	608	604	624	20	1,877	1,871	6

Key points to note about performance year to date:

- **Electoral Services** – Salary saving expected from temporary staffing budget.

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	(3)	(0)	(1)	(0)	(2)	(2)	-
Local Taxation	3	(38)	(7)	31	125	76	49
Property Services Operational Unit	(56)	(12)	(38)	(26)	(111)	(111)	-
Scarborough Harbour	(386)	(420)	(380)	40	(558)	(613)	55
Whitby Harbour	(468)	(497)	(460)	37	(563)	(576)	13
Depots and Admin Buildings	(9)	(13)	(12)	1	(56)	(56)	-
Home Improvement Agency	54	60	39	(21)	86	86	-
Accountancy	97	100	103	3	308	308	-
Accounts Receivable and Payable	60	62	62	-	185	185	-
Cash Collection and Administration	15	14	14	-	43	43	-
Choices 4 Energy	(9)	(13)	(1)	11	(4)	(4)	-
Environmental Health and Safety	18	17	18	1	51	51	-
Estates and Asset Management	68	87	85	(2)	255	255	-
Housing and Homeless	179	199	215	15	671	671	-
Housing Benefits Administration	302	300	324	24	958	901	57
Refuse Collection and Street Cleansing	122	107	156	49	1,531	1,530	1
Rental Properties	44	54	(1)	(55)	(5)	(5)	-
Senior Management Team and Support	33	33	34	1	101	101	-
Street Seats, Lighting and Name Boards	(26)	(24)	-	24	-	-	-
Transport and Vehicles Maintenance	109	78	116	38	326	317	9
Public Conveniences	50	49	10	(39)	79	135	(57)
Parks and Open Spaces	664	774	690	(84)	1,906	1,906	0
Total	861	917	964	47	5,327	5,200	128

Key points to note about performance year to date:

- **Local Taxation** – increased income from court cost recharges, the costs of administering the recovery process are included within existing budget resources
- **Scarborough Harbour** – higher than budgeted income from fish dues
- **Whitby Harbour** – increased income offset by increased costs (see appendix 1.6)

- **Housing Benefit Admin** – salaries savings within benefits team as a result of vacant posts and maternity leave
- **Transport and Vehicles Maintenance** – saving on salaries due to vacant apprentice position
- **Public conveniences** – a shortfall in income from Public Conveniences is forecasted, primarily as a result of removing charges for the usage of the St Nicholas Gardens facility and the subsequent knock on effect of reduced income from the West Pier facility. In addition new income budgeted as part of the Public Convenience review will not materialise due to delays in some of the related refurbishments. It should be noted that £200k savings have been included against the running costs for public convenience in the budget proposals leading up to the 2018/19 year therefore, despite this shortfall, it does mean that savings of £144k have been delivered.

APPENDIX 1.3

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	(31)	(22)	(29)	(7)	(64)	(64)	-
Parking Off Street	(2,113)	(2,122)	(2,141)	(19)	(4,542)	(4,492)	(50)
CCTV	59	73	53	(20)	151	151	-
Cemeteries and Crematorium	(277)	(329)	(315)	14	(985)	(985)	-
Licensing	(24)	(30)	(22)	8	(218)	(218)	-
Cash Collection and Administration	18	18	19	1	53	53	-
Community Centres	(17)	(23)	(18)	5	(46)	(46)	-
Environmental Health and Safety	166	161	175	14	540	540	-
Legal Services	58	23	67	44	201	179	22
Member & Mayoral Expenses	1	1	1	-	2	2	-
Outdoor Playing Fields and Amenities	(1)	(1)	(3)	(2)	(19)	(19)	-
Print Plus	25	26	19	(7)	56	56	-
Regulatory, Governance, Performance & Admin	138	152	157	5	470	414	57
Senior Management Team and Support	53	53	54	1	163	163	-
Beaches	40	53	35	(18)	75	75	-
Beach Chalets	(168)	(164)	(169)	(5)	(175)	(165)	(10)
Theatres	187	141	206	65	62	62	-
Outdoor Leisure Sites	(313)	(240)	(265)	(25)	(560)	(490)	(70)
Marketing and Events	7	16	23	7	70	70	-
Total	(2,193)	(2,215)	(2,153)	62	(4,767)	(4,716)	(51)

Key points to note about performance year to date:

- **Parking Off-Street** – shortfall from off street car parking primarily as a result of an early Easter and poor weather during April
- **Legal Services** – part year vacant posts in legal services
- **Regulatory, Governance, Performance & Admin** – in year vacant post.
- **Rental Properties & Outdoor Leisure Sites** – shortfall from Peasholm Park income partly due to a delay in Buttercup kiosk becoming operational at the start of the year, delayed re-opening of the boat deck, poor weather in the early season and reduced rental income from cafe.
- **Beach Chalets** - reduced income from South Bay chalets as failure of retaining wall in the area means that some of them are no longer available for letting.

Director (Richard Bradley)

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	183	132	139	7	407	407	-
Economic Development	84	126	135	9	392	392	-
Industrial Units	(71)	(61)	(66)	(5)	(189)	(189)	-
Planning	3	(1)	42	43	188	133	55
Markets	(55)	(66)	(76)	(10)	(222)	(172)	(50)
Community Centres	(1)	-	2	1	2	2	-
Estates and Asset Management	39	60	66	6	195	193	2
Outsourced services	(10)	(9)	(13)	(4)	(22)	(22)	-
Refuse Collection and Street Cleansing	(766)	(750)	(826)	(77)	(824)	(824)	-
Rental Properties	(596)	(629)	(598)	31	(1,630)	(1,592)	(38)
Senior Management Team and Support	26	33	34	1	101	101	-
Sports Development	24	27	32	4	95	95	-
Marketing and Events	82	64	80	16	242	242	-
Customer Services	121	136	141	6	424	424	-
Tourist Information Centres	11	4	10	7	31	31	-
Total	(928)	(934)	(901)	34	(811)	(779)	(32)

Key points to note about performance year to date:

- **Planning** – lower than budgeted salaries within the planning department due to part year vacancies and external income from providing planning services to other authorities
- **Markets** – Following a delay in the refurbishment project, reductions in occupancy rates have lasted longer than originally anticipated. Whilst the mezzanine and the vaults are performing well, vacancy rates are too high on the main trading floor. In addition to the income shortfalls utility costs are expected to exceed budget by a minimum of £17k.
- **Rental Properties** - reduced rental income from vacant properties as a result of void occupancies at both Skinner Street and High Eastfield Farm.

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	1,694	1,760	2,022	262	2,015	1,828	188
Total	1,694	1,760	2,022	262	2,015	1,828	188

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. There is a £28k saving (in addition to that included as a saving in the 2018/19 budget proposals) from prepaying the pension fund contributions this year.
 - A £110k saving relates to 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 but legislative changes mean that this won't now happen until October 2019. Whilst there has been a delay, 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.
 - £50k of corporately provided increment costs will not be required this year.

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	45	38	50	12	124	124	-
Business Rates	887	953	1,150	196	1,162	979	184
Interest Receivable	(152)	(169)	(145)	24	(562)	(577)	15
Interest Payable	135	135	136	2	540	540	-
Capital Salary Recharges	(119)	(147)	(171)	(24)	(1,020)	(1,007)	(14)
Property Repair Fund	123	60	222	163	540	540	-
Grounds Maintenance (Highways Hardstanding)	110	45	173	128	433	433	-
Grounds Maintenance (Coast Protection)	63	29	194	165	434	434	-
Insurance	(20)	(17)	41	58	679	679	-
Contingency Budgets	-	-	253	253	251	251	-
Utilities (Gas, Electric and Water)	135	215	181	(34)	544	544	-
Vehicle Repairs & Fuel	215	284	187	(96)	562	617	(55)
Council Tax Benefit (prior to 2013/14)	(4)	(3)	-	3	-	(3)	3
Housing Benefit (costs net off subsidy)	(11)	15	4	(11)	13	13	-
Audit Fees	(14)	(3)	-	3	75	56	19
2018/19 saving - Refuse Rounds Review	-	-	-	-	-	70	(70)
Other Areas (net) Identified by Budget Managers:							
DWP one of housing benefit grants	(46)	(89)	(34)	55	(47)	(106)	59
Estates Corporate Modernisation saving	-	-	(50)	(50)	(50)	-	(50)
Corporate Modernisation	-	-	(29)	(29)	(29)	-	(29)
Whitby Harbour costs	5	10	-	(10)	8	21	(13)
Refuse costs	18	114	95	(19)	195	253	(58)
Other	26	116	34	(81)	(70)	(61)	(9)
Total High Risk Areas	1,397	1,585	2,293	708	3,782	3,800	(18)

Key points to note about performance year to date:

Business Rates

Lower than expected expenditure on business rates following one off refunds in relation to the Council's off street car parks (£237k) offset, in part, by rates due on the Council's old indoor leisure facilities (indoor pool and sports centre) for which there is no budget.

Interest Receivable

Additional interest income due to higher than anticipated cash balances in the first half of the year

Capital Salary Recharges

Non achievement of capital salary recharges with the regeneration team.

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.

Insurance

The insurance renewal is due imminently and costs are expected to be in line with budget.

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 2018/19 budget proposals and, in addition, some of the monies provided within the 2017/18 budget for the same purpose are still available for allocation.

It is currently assumed that the 2018/19 budget contingencies will be utilised in full. It is proposed that the residual contingency remaining from 2017/18 (£86k) be earmarked for one-off investment in the capital programme in 2018/19 and be taken as a budget saving in 2019/20.

Vehicle Fuel and Repairs

Higher than expected costs of repairing fleet vehicles has been incurred during the year to date, primarily as a result of unfair wear and tear.

Audit Fees

Reduction in external audit fees agreed for 2018/19 (and beyond).

2018/19 saving - Refuse Rounds Review

The rounds review included as a saving in the 2018/19 budget proposals has yet to be finalised.

Other Areas Identified by Budget Managers

£59k – one-off grants received from DWP in relation to changes in legislation
(£50k) – saving put forward as part of the 2018/19 budget proposals for Data cleansing of asset register and rental streams and review of service charge process has not yet generated specific savings however the review has commenced and this will be reviewed as part of the next monitoring report.
(£29k) - savings that were included in the Financial Strategy that are to be delivered from corporate modernisation reviews. Progress on a number of reviews is ongoing and it is hoped that savings opportunities will be identified during the financial year, however details have not yet been finalised. It is considered likely that the savings will be achieved in part in the current year and in full in future years.*

(£13k) – Whitby Harbour increased costs (offset by higher income above).

(£78k) – Increased refuse costs and lower than expected recycling credit income primarily as a result of reduced levels of garden waste.

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 2018	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 2017/18 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 2019/20 budget setting process
E	Sept 2018	The Council is financially worse off as a result of the 75% business rates pilot application	Less resources available to fund the cost of services and capital programme.	Consultants procured to offer advice on the application Decision delegated to s151	B3	B3		

				officer to provide sufficient time to negotiate the terms of the application ahead of the deadline				
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RISK MATRIX

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