

	<b>REPORT TO CABINET TO BE HELD ON 16 JULY 2019</b>
	<b>Key Decision</b> <b>NO</b>  <b>Forward Plan Ref No</b>
<b>Corporate Priority – ALL</b>	<b>Cabinet Portfolio</b> <b>Cllr J Jefferson</b> <b>Holder</b>

## REPORT OF THE DIRECTOR (NE) - 19/138

**WARDS AFFECTED: ALL**

### SUBJECT: FINANCE OUTTURN REPORT 2018/19

#### RECOMMENDATION (S):

Cabinet is recommended to:-

- (i) Note the report, and in particular:
  - the £279k underspend on the revenue budget for 2018/19 after committing to following budgets during the year:
    - £150k for 2019 Tour de Yorkshire cycle event
    - £84k for the implementation of a trial residents car parking scheme for a period of 12 months;
  - that the £200k budgeted draw from the General Fund was not made during the year
  - the outturn position for capital schemes completed in the period and capital receipts for the 2018/19 year; and
- (ii) Note that Cabinet have previously agreed that any surplus achieved at year end will be transferred to reserves and set aside for the capital strategy / one off priorities;
- (iii) Accept the following grants and contributions:
  - £10k from Ministry of Defence (MoD) towards the costs of the 2019 Armed Forces Day Event;
- (iv) Approve an increase in the charge made to insurance companies for providing copies of CCTV footage to £100 per request.

- (v) Note the Council's partial exemption VAT percentage for 2018/19 was 1.17%, significantly below the 5% limit.
- (vi) Note that the updated Prudential Indicators for Capital Expenditure are included within report (19/151), which will be considered by Full Council on 12 July 2019.
- (vii) Approve entering in to contract for a corporate cash receipting product for the Council following procurement through the G-Cloud 10 framework. The contract will be for a period of two years with the potential for extensions of up to a further two years and the cost of this product will be no higher than the current available budget.

### **REASON FOR RECOMMENDATION (S):**

- (i) To update members on the final outturn position for 2018/19 and approve the acceptance of grants and use of funds in line with the requirements of the Council's constitution.
- (ii) To enable the Council to continue to take payments by card, to achieve PCIDSS compliancy across all payment channels and to improve the customer experience when making payments.

### **HIGHLIGHTED RISKS:**

- That the Council overcommits its available revenue and capital resources
- That reserve balances are not adequate

## **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 2018/19 financial year (April 2018 to December 2018) in February 2019 (19/36).

1.1.3 This report provides an update on the final outturn position and reserve balances for 2018/19, a summary of how the outturn differs from the information provided to Cabinet in March 2019, and confirms that the year end

uncommitted surplus has been transferred to reserves and set aside for the capital strategy / one off priorities as previously agreed by Cabinet.

## 1.2 CASH RECEIPTING SYSTEM

1.2.1 The council currently uses a cash receipting system provided by Civica ICON to take card payments from customers. The system is also used by officers to pay in cash and cheques and to allocate payments received from other sources such as our bank accounts and standalone systems within services.

## 2. CORPORATE AIMS / PRIORITIES

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 March the Quarter 3 (Q3) forecast outturn for 2018/19 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 £268k.

3.1.2 This underspend was after committing the following budget during the year:

- £150k for 2018 Tour de Yorkshire cycle event
- £84k for the implementation of a trial residents car parking scheme for a period of 12 months;

3.1.3 The forecasted underspend also assumed that the £200k budgeted draw from the General Fund would no longer be made in 2019/20 but instead delayed until 2020/21 due the uncertainty surrounding the Fair Funding Review.

3.1.4 **The underspend increased slightly during the final three months of the year from £268k to £279k.**

3.1.5 Whilst the overall position is broadly in line with that reported in Q3 there are some variations against projections at a service level. The outturn position by Directorate is outlined below (Appendix B provides further details):

Directorate	2018/19 Actual £'000	2018/19 Budget £'000	Surplus / (Deficit) £'000
Chief Executive	2,276	2,363	87
Director (Nick Edwards)	7,291	7,399	108
Director (Lisa Dixon)	(2,905)	(3,012)	(107)
Director (Richard Bradley)	518	766	248
Corporate Budget Heads and Core Funding	(7,693)	(7,516)	177

<b>Outturn Position</b>	(513)	-	513
Tour de Yorkshire Cycle Event	84	-	(84)
Residents Parking Scheme	150	-	(150)
<b>Year End Underspend Earmarked for Priority Areas</b>	(279)	-	279

3.1.6 Following completion of the year end accounts, an exercise will be undertaken by Finance to highlight any recurring areas of savings and overspends that have not already been taken into account. The outcome of this exercise will be fed into the 2020/21 budget setting process.

### 3.2 PROPOSALS FOR UTILISING THE IN YEAR SURPLUS

### 3.3 ALLOCATION OF YEAR END SURPLUS

3.3.1 Cabinet have previously agreed that any surplus achieved at year end will be transferred to reserves and set aside for the capital strategy / one off priorities and therefore this balance has increased Earmarked Reserves at the year end.

### 3.4 CAPITAL BUDGET

3.4.1 Amongst the many regeneration, investment and improvement schemes carried out by the Council throughout the year, three major capital schemes progressed. The works to the Futurist site have provided an ideal development space for an all year round attraction, while significant investments in the Whitby Piers and Spa Coast protection schemes have continued.

3.4.2 Other coastal defence and flood protection investments progressed including the Runswick Bay coastal protection works, Filey Flat Cliffs slope stabilisation and various coastal monitoring schemes. Filey Flood Alleviation and Whitby Church Street are both in a position to start construction in 2019/20.

3.4.3 The Council also approved its Commercial Strategy, a framework to ensure the necessary financial sustainability to safeguard the continued delivery of, and investment in, front line services. The first investment within the strategy saw the purchase of the Travelodge Hotel on St Nicholas Cliff in Scarborough. This asset has now been added to the Councils commercial property portfolio.

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

Scheme	Actual (£000's)	Budget (£000's)	Variance (£000's)	Impact on SBC resources (£000's)
North Wharf Strengthening	159	159	-	-
In Cab Software	49	55	6	6

Pindar Sports Pitch	239	287	48	14
Disabled Facility Grants	1,419	1,558	139	139
Totals	2,059	1,866	193	159

3.4.5 Details of the completed schemes, which have had an impact upon the Council's resources are detailed below.

### **In Cab Software**

As part of the 2017 Financial Strategy (ref 17/58) approval was granted for the allocation of £55k from the Councils Investment Fund for the implementation of In Cab devices for refuse freighters. The In Cab system provides Officers with the tools for better managing the refuse collection service.

The system has been fully rolled out across the refuse freighter fleet and is proving extremely effective in improving efficiencies within the service. The final cost was £6k below the allocated budget, providing a direct benefit to Council resources.

### **Pindar Sports Pitch**

The replacement of the artificial grass pitch at Pindar School was approved in line with the needs identified in the Playing Pitch Strategy (2014). The strategy identified latent demand for two and half 3G pitches in the Scarborough area. These facilities therefore complement the half size facility on the Filey Road campus and the full size facility at the Scarborough Leisure Village.

The new surface has been laid and is proving very popular with users. Retention monies are still being held by the Council with some minor landscaping works still outstanding. However the works are structurally complete with a final cost established.

The final costs for the works at £239k are £48k below budget. The budget allocation incorporated a provisional sum for repairs to the base of the pitch which couldn't be determined until the old pitch was lifted. These costs did not materialise and were subsequently offset by reduced funding from the FA and Everyone Active.

As a result the final scheme saving relating to SBC resources will be £14k. It is proposed that these savings be added to the sinking fund previously established for replacement 3G pitches.

### **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, via the Better Care Fund.

The Grant allocation received in the year totalled £1,486k, being an increase of £128k 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. In addition to the grant funding received in year a further £72k of unallocated funds were carried forward, resulting in available funds of £1,558k.

Total expenditure within the 2018/19 financial year was £1,458k, of this £39k related to non-eligible works fully funded by clients. Net expenditure against available funds therefore totalled £1,419k.

A balance of £139k of unallocated funds has therefore been carried forward to supplement 2019/20 available resources. Grant determination details for 2019/20 show grant funding in the year of £1,446k, resulting in total available resources of £1,585k.

#### 3.4.6 Use of Capital Budget Underspends

As a result of the outturn position on the above capital schemes the Investment Fund will be replenished with the £6k saving from the In Cab project, while the Pindar Pitch saving will be allocated to the Pitch Replacement Sinking Fund.

#### 3.4.7 Capital Receipts

The capital plan included a net capital receipts target (excluding the leisure village and Manor Road Nursery assets) of £234k for the 2018/19 financial year. This capital receipts target included specific receipts for the disposal of the old public conveniences at Khyber Pass in Whitby (£180k) and the reclamation of expenditure incurred on Whitby Golf Club (£25k).

These planned disposals are now expected to be completed in 2019/20 and therefore the capital receipts associated with them have been rolled forward into the 2019/20 financial year. Conversely a disposal value of £100k for the Skinner Street offices was budgeted for 2019/20 but this sale completed in 2018/19. As a result of the above the revised capital receipts target for 2018/19 was £129k.

Capital receipts of £366k were achieved in year from the sale of the former Whitby Depot site. These monies were originally included within the Capital Plan as a contribution towards the costs of the relocated Whitby Depot site, however were subsequently removed as the sale was delayed.

The table below details the 2018/19 capital receipt details:

<b>Asset</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
<b>As per Financial Strategy</b>	<b>64</b>	<b>234</b>	<b>35</b>
Adjustment for slippages:			
Kyber Pass		(180)	
Whitby Golf Club		(25)	
Skinner Street	250	100	150

Other disposals:			
Former Whitby Depot	366	-	366
Land at Whitby Business Park	39	-	39
Other	5	-	5
<b>Revised Total</b>	<b>724</b>	<b>129</b>	<b>595</b>

Cash receipts in the year totalled £724k, representing an in year surplus against budget of £595k. In line with Councils policy funds raised through asset disposals will be retained within the Capital Development Reserve and incorporated into the long term capital programme.

### 3.5 NEW CAPITAL SCHEMES AND FUNDING CONTRIBUTIONS

3.5.1 There are no new capital schemes seeking approval as part of this report

### 3.6 SECTION 106 GRANTS

3.6.1 There are no changes to the Section 106 program as part of this report.

### 3.7 ACCEPTANCE OF EXTERNAL FUNDING

#### Armed Forces Day

3.7.1 The Ministry of Defence (MoD) have agreed to provide £10k of funding towards delivering the Armed Forces Day programme for 2019. This funding will be used to support the overall costs of delivering the activities on the day.

### 3.8 RESERVES

3.8.1 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.

### 3.9 REVIEW OF FEES AND CHARGES (CCTV)

3.9.1 Fees and charges have been reviewed within the CCTV Service. Currently a charge of £10 is made for providing CCTV footage to insurance companies, under schedule 2, part 1 (5) of the Data Protection Act 2018. This charge has been in place for many years and has not recently been reviewed. A new charge of £100 for the provision of footage is recommended and this charge reflects the level of work required and is in line with the charges applied by other Councils for this service.

### 3.10 VAT – PARTIAL EXEMPTION

3.10.1 Local Authorities can normally recover all VAT that they incur on expenditure under the special partial exemption regime for 'Section 33 bodies'. This is on the condition that VAT on costs relating to exempt business activities (e.g. cremation services, some sports facilities, some harbour facilities) is not more

than 5% of all VAT incurred (input VAT). If the limit is breached, the VAT on all costs relating to exempt activities becomes payable to HMRC.

The partial exemption calculation is materially affected by the level and types of capital expenditure incurred in any one year. If capital expenditure is not undertaken when expected (ie it is delayed into future years), the level of input tax will reduce and this could cause the Council to breach the 5% limit. Similarly if unplanned capital works are carried out on items that generate exempt income this could also cause the limit to be breached.

Following the outsourcing of the Indoor Leisure sites and the 'opting to tax' of the Indoor Market, the underlying percentage is now low and if capital expenditure continues to be carefully managed / timed then a breach should not occur.

The Council's partial exemption % for 2018/19 was 1.17%. This is lower than originally budgeted due to reduced levels of capital spend on assets that generate exempt income (in particular the delay to building works at the crematorium).

### **3.11 CASH RECEIPTING SYSTEM**

3.11.1 The council has entered the fifth and final year of a cash receipting contract with Civica ICON. This product allows the council to take card payments from customers but has become outdated and is no longer fit for purpose for customers choosing to pay from a mobile or tablet device.

3.11.2 The company have stopped providing enhancements to the version of the product that the council uses and therefore this is an ideal time to review the different products that are available in the marketplace before deciding to either upgrade with Civica ICON or procure a new system.

3.11.3 Officers are looking to procure from the G-Cloud 10 framework and to make a direct award. Through discussions with potential suppliers (including the incumbent one) officers are confident that a system can be procured that will enhance the customer experience, ensure compliancy with legislative requirements and make a saving when compared to current costs.

3.11.4 Implementation of a new product (or upgrade to the current system) will mean changes to some of the processes used by customer advisors to take payments from customers. ICT Services have been involved throughout this process and have factored in the time required to make these changes in their workforce planning.

## **4. ASSESSMENT**

### **4.1 REVENUE BUDGET – PROPOSALS FOR UTILISING THE IN YEAR SURPLUS**



4.1.1 Sections 3.1 of this report outlines that a surplus of £279k was generated during 2018/19k. Cabinet have previously agreed that any surplus achieved at year end will be transferred to reserves and set aside for the capital strategy / one off priorities and therefore this balance has increased Earmarked Reserves at the year end.

#### 4.2 **CAPITAL BUDGET – PRUDENTIAL CODE REQUIREMENTS**

4.2.1 The Financial Strategy, presented to Full Council in March, 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 have been revised following the finalisation of the outturn position and the potential investment in the redevelopment of the former Argos building in Scarborough (Council report ref 19/151). The investment will be considered by Full Council on 12<sup>th</sup> July 2019, therefore the updated Prudential Indicators are included within that report.

#### 4.3 **Cash Receipting Software**

4.3.1 Approving the procurement of a new corporate cash receipting product will enable the Council to continue to take card payments from customers whilst also enhancing the customer experience, ensuring compliancy with legislative requirements and making a saving when compared to current costs.

### 5. **IMPLICATIONS**

#### 5.1 **Policy**

No direct implications.

#### 5.2 **Financial**

Set out in this report.

#### 5.3 **Legal**

No direct implications.

#### 5.4 **Staffing Implications, Planning Implications, Crime and Disorder, Health & Safety, Equalities & Diversity and Environmental & Sustainable Development Implications**

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

*Nicholas Edwards*

**Nicholas Edwards**  
**Director**

**Authors:**

**Neil Hughes**

Telephone No: (01723) 232357

E-mail address: [neil.hughes@scarborough.gov.uk](mailto:neil.hughes@scarborough.gov.uk)

**Background Papers:**

Previous Monitoring reports (18/201 Cabinet September 2018, 18/266 November 2018, 19/36 March 2019)

Financial Strategy (19/55 Council March 2019)

IF YOU HAVE ANY QUERIES ABOUT THIS REPORT OR WISH TO INSPECT ANY OF THE BACKGROUND PAPERS, PLEASE CONTACT NEIL HUGHES ON 01723 232357 e-mail [neil.hughes@scarborough.gov.uk](mailto:neil.hughes@scarborough.gov.uk)

Risk Matrix

<b>Risk Ref</b>	<b>Date</b>	<b>Risk</b>	<b>Consequences</b>	<b>Mitigation</b>	<b>Current Risk Score</b>	<b>Target Score</b>	<b>Service Unit Manager/ Responsible Officer</b>	<b>Action Plan</b>
1	July 2019	Resources are overcommitted	<ul style="list-style-type: none"> <li>- Cuts in Services</li> <li>- Non delivery of priorities</li> <li>- Insufficient reserves</li> </ul>	<ul style="list-style-type: none"> <li>- Long-term Financial Strategy</li> <li>- Strong budget monitoring procedures</li> <li>- Pre-determined minimum levels for reserve balances</li> </ul>	B4	B4	Director NE / Corporate Finance Manager	None
2	July 2019	Financial Management arrangements not in place	<ul style="list-style-type: none"> <li>- Overspends and requirement to draw from General Fund Reserve</li> <li>- External Auditor criticism</li> </ul>	<ul style="list-style-type: none"> <li>- Robust budget monitoring process</li> <li>- Quarterly monitoring reports to Cabinet</li> </ul>	B4	B4	Director NE / Corporate Finance Manager	None

## 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 (£000)	Actuals	Budget	Surplus / (Deficit)	Q3 Forecast
<b>Chief Executive</b>				
Capital and Procurement Unit	91	93	2	-
Corporate	46	35	(11)	(29)
Electoral Services	241	238	(3)	(13)
HR and Health and Safety	342	352	10	4
Internal Audit	147	141	(6)	(9)
IT Services	925	1,026	101	35
Land Drainage and Coast Protection	268	271	3	-
Public Relations	50	54	4	-
Redevelopment Projects	(2)	(2)	-	-
Senior Management Team and Support	168	155	(13)	-
	<b>2,276</b>	<b>2,363</b>	<b>87</b>	<b>(12)</b>
<b>Director (Nick Edwards)</b>				
Accountancy	327	350	23	-
Accounts Receivable and Payable	200	200	-	-
Cash Collection and Administration	95	106	11	-
Choices 4 Energy	10	8	(2)	-
Corporate Management	151	170	19	19
Decorative Lighting	(2)	(2)	-	-
Depots and Admin Buildings	300	264	(36)	(37)
Emergency Planning	25	21	(4)	-
Energy Management	105	105	-	-
Environmental Health and Safety	71	71	-	(5)
Estates and Asset Management	245	246	1	-
Home Improvement Agency	(42)	(7)	35	-
Housing and Homelessness	909	820	(89)	-
Housing Benefits administration	572	785	213	153
Housing Benefits Subsidy	(422)	(401)	21	-
Land Drainage and Coast Protection	22	22	-	-
Local Taxation	(166)	(68)	98	34
Parks and Open Spaces	1,952	1,862	(90)	(55)
Property Services Operational Unit	(63)	(63)	-	-
Public Clocks and Fountains	-	-	-	-
Public Conveniences	169	127	(42)	(41)
Redevelopment Projects	13	-	(13)	-
Refuse Collection and Street Cleansing	2,668	2,638	(30)	(34)
Rental Properties	3	6	3	-
Scarborough Harbour	(393)	(346)	47	55
Senior Management Team and Support	97	96	(1)	-
Street Seats, Lighting and Name Boards	(4)	(4)	-	-
Transport and Vehicles Maintenance	765	698	(67)	(21)
Whitby Harbour	(316)	(305)	11	-
	<b>7,291</b>	<b>7,399</b>	<b>108</b>	<b>68</b>

## FINANCIAL OUTTURN BY SERVICE

Service (£000)	Actuals	Budget	Surplus / (Deficit)	Q3 Forecast
<b>Director (Lisa Dixon)</b>				
Beaches (including Beach Chalets)	69	41	(28)	(7)
Cash Collection and Administration	53	58	5	-
CCTV	173	202	29	25
Cemeteries and Crematorium	(779)	(886)	(107)	(62)
Community Centres	(34)	(31)	3	-
Corporate Costs	5	7	2	-
Environmental Health and Safety	566	659	93	50
Legal Services	255	277	22	16
Licensing	(213)	(196)	17	-
Local Land Charges	(22)	(22)	-	-
Marketing and Events	114	114	-	-
Member and Mayoral Expenses	335	336	1	-
Outdoor Leisure Sites	(300)	(374)	(74)	(66)
Outdoor Playing Fields and Amenities	(5)	(17)	(12)	-
Parking Off Street	(4,091)	(4,178)	(87)	3
Print Plus	87	194	107	29
Procurement Unit	50	48	(2)	-
Regulatory, Governance, Performance and Admin	586	620	34	16
Rental Properties	(23)	(68)	(45)	(35)
Senior Management Team and Support	128	77	(51)	(35)
Theatres	141	127	(14)	25
	<b>(2,905)</b>	<b>(3,012)</b>	<b>(107)</b>	<b>(41)</b>
<b>Director (Richard Bradley)</b>				
Community Centres	7	10	3	-
Community Partnerships and Safety	296	328	32	13
Customer Services	423	443	20	-
Decorative Lighting	48	48	-	-
Economic Development	288	325	37	9
Estates and Asset Management	178	172	(6)	23
Grants	240	245	5	5
Indoor Leisure Sites	59	59	-	-
Industrial Units	(86)	(87)	(1)	-
Land Drainage and Coast Protection	4	0	(4)	-
Marketing and Events	219	220	1	-
Markets	(123)	(186)	(63)	(45)
Outsourced services	1,588	1,558	(30)	-
Planning	217	321	104	121
Commercial Waste	(1,023)	(822)	201	150
Rental Properties	(1,995)	(2,054)	(59)	(41)
Senior Management Team and Support	105	111	6	-
Sports Development	42	41	(1)	-
Tourist Information Centres	31	34	3	-
	<b>518</b>	<b>766</b>	<b>248</b>	<b>235</b>

## FINANCIAL OUTTURN BY SERVICE

Service (£000)	Actuals	Budget	Surplus / (Deficit)	Q3 Forecast
<b>Corporate Budget Headings</b>				
Corporate	343	343	-	-
Corporate Costs	3,412	3,352	(60)	38
Treasury Management	234	265	31	30
Insurance	830	832	2	-
Treasury Management	44	53	9	-
Business Rates	897	1,060	163	184
MRP (Minimum Revenue Provision) & Finance leases	655	649	(6)	-
Property Repairs	452	452	-	-
Hard Standings	392	392	-	-
Utilities	607	581	(26)	-
Telephony	136	124	(12)	-
Other Staffing Costs (including apprentice levy)	136	113	(23)	-
Other	(695)	(618)	77	-
<b>Core Funding</b>				
Revenue Support Grant	(672)	(672)	-	-
Retained Business Rates Income and Transfer to SIF	(4,866)	(4,866)	-	-
Council Tax Precept	(8,663)	(8,663)	-	-
New Homes Bonus	(702)	(702)	-	-
Other MHCLG Core Funding	(38)	(16)	22	-
Collection Fund (Surplus) / Deficit	(195)	(195)	-	-
	<b>(7,693)</b>	<b>(7,516)</b>	<b>177</b>	<b>252</b>
<b>Outturn Position</b>	<b>(513)</b>	<b>-</b>	<b>513</b>	<b>502</b>
Expenditure Committed In Year	234	-	(234)	(234)
<b>Uncommitted Year End Underspend</b>	<b>(279)</b>	<b>-</b>	<b>279</b>	<b>268</b>

The 2019 Financial Strategy outlined the forecasted level of reserves at 31 March 2019 and a summary of these expected balances together with the draft outturn is outlined below:

	Fin Strat Forecast £'000	Outturn Position £'000	Uncommitted £'000	Note
General Reserve	3,026	3,026	2,526	1
Insurance Reserve	1,929	1,975	1,745	2
Capital Contingency Reserve	705	705	505	3
Capital Development Reserve (including Usable Capital Receipts Reserve)	8,655	10,619	-	4
Section 106 and Commuted Sums	3,101	3,161	-	4
Monies Earmarked for Capital Investment	4,302	6,351	4,625	5
Pension reserve	1,174	1,172	850	6
Operational Reserves	3,131	4,714	-	7
Specific Reserves (including Harbours and Revenue Grant Contributions Unapplied)	1,775	3,322	37	8
	<b>27,798</b>	<b>35,045</b>	<b>10,288</b>	

#### **Note 1 – General Fund**

The General Fund Balance at 31 March 2019 stood at £3.026m. The Medium Term Financial Plan incorporates a planned £500k draw from the General Fund balance over the period to 2021, therefore the uncommitted balance on the General Fund is currently £2.526m which is within the optimum range set out within the Financial Strategy.

#### **Note 2 – Insurance Reserve**

The Insurance Reserve balance at 31 March 2019 was £1.975m; £230k of which is committed. The uncommitted balance of £1.745m is considered to be adequate.

#### **Note 3 – Capital Contingency Reserve**

The Capital Contingency Reserve balance at 31 March 2019 is £705k; £200k of which is currently committed for the Futurist scheme. Contributions of £100k are scheduled to be paid into the reserve during the 2019/20 year therefore the balance is considered to be adequate.

#### **Note 4 – Capital Reserves**

The variations compared to the budgeted position largely relates to slippage in capital expenditure.

#### **Note 5 – Monies Earmarked for Capital**

This reserve is being created from one-off funding sources that are not currently committed within the Financial Strategy. The monies available from these sources will be used to develop a robust, long term investment strategy for the Council. The strategy will integrate with the Council's revenue budget projections as well as the Property Asset Management Plan, Commercial Investment Strategy and Priority Projects Plan which are all currently being developed and drafted.



To date £1.726m of these funds have been earmarked, £150k for the four critical junctions project and £1.576m for the South Cliff Gardens project.

**Note 6 – Pension (employee termination) reserve**

The Pensions Earmarked Reserve balance at 31 March 2019 was £1.172m, which is above the predetermined range. Whilst it is recognised that the requirement to make high levels of savings to balance the revenue budget may put a particular strain over this reserve in the short to medium term an analysis of future year indicative savings shows that the savings identified to date are largely driven via the Council's commercialisation agenda so should not result in large scale staffing reductions.

On that basis the 2019 Financial Strategy approved that £300k of the uncommitted reserve balance be transferred to the Investment Fund in 2019/20. This, together with some known termination costs yet to be incurred, has reduced the uncommitted balance of the Reserve to £850k

**Note 7 – Operational Reserves (SIF)**

Operational reserves are intended to be used to support future operational requirements and specifically include funding that has been received towards the end of 2018/19 to support services and activities during 2019/20 (and beyond).

A review will be undertaken to determine which reserves are no longer required later in the year and the outcome of this will be reported to Members and be fed into the 2020/21 budget setting process.

**Note 8 – Specific Reserves (including Harbour Reserves)**

These balances include the Investment Reserve, which provides funding for projects that will deliver future savings and revenue grants that were unapplied at year end but that are for specific projects, such as coast protection schemes, that will be undertaken in 2019/20. The uncommitted balance of the Investment Reserve is currently £37k with an additional £300k due to be transferred into the reserve from the Pension reserve during 2019/20.

Also included within this heading are reserves to fund to fund cyclical events (such as Borough elections) and harbour reserves which are ringfenced for investment within the Borough's harbours.