Statement of Accounts 2016/17 – Questions and Answers

The following questions and answers will help to demonstrate that the Council's Accounts were subject to robust member scrutiny prior to approval.

First some questions on the Narrative Report which is included in the Statement of Accounts and starts on Page 2.

Question No. 1 (Page 3)

Why is there non-financial information in the statement of accounts? Surely this document should be concerned with key financial information and nothing else?

Last year, a new requirement of 'Telling the Story' of the Statement of Accounts was to include non-financial information. This is intended to give the reader some broad context about the organisation, how it is run and what it does. We are asked to follow certain principles set down in CIPFA's code of practice but generally speaking we have flexibility to include whatever we think will most help the reader of the accounts. Our non-financial information covers aspects like the geographical nature of the borough, our business plan priorities and even extracts from our Life in Wyre survey, all intended to illustrate the nature of what we do.

Question No. 2 (Page 9)

Starting with the revenue variances, should we not be concerned to see increased spending/reduced income of nearly £1m and reduced spending/increased income of just under £2m?

Revenue slippage continues to grow year on year and in relation to 2016/17 the value (net of reserve funding) is £999,390. Approximately 10% of the slippage represents external funding that has not yet been spent so it would be counter-productive to refuse it on the basis that the money would ultimately be repaid to the funding body. As this expenditure still needs to be incurred, the saving is returned to balances to be spent in the following year.

Whilst we will explore the other variances in a bit more detail below, in summary, **additional income** from planning fees and new burdens grant, summons costs, housing benefit and interest totals £272,352. **Savings** in employee costs, utilities, fuel, vehicles, training, waste disposal, payment card processing fees, electoral registration, insurance, car park maintenance, community and sports development, air pollution and printing and stationery budgets total £583,155. These positive variances have been used to compensate for **overspends/reduced income** on Housing Renovation Grant Admin and Off Street Parking, – in total unbudgeted costs of £92,961. The net savings of £762,546 together with other miscellaneous under spends of £134,872 have been used to top up the capital investment reserve by £495,545 and the New Homes Bonus Reserve by £401,873.

When you consider that our gross expenditure on services for last year was £54m, a net saving of £897,418 equates to 1.7%.

Looking at the areas of increased spending or reduced income….

Question No. 3 (Page 9)

I've been hearing about the increase in our Disabled Facilities Grant funding but the statements show reduced admin fee income of £52,246. How can this be?

In 2016/17 we saw an increase in our Better Care Funding grant from £791,610 to £1,428,119. However at the end of March 2017 we had only spent £940,438. This meant that we slipped nearly £0.5m into 2017/18 as a result of a backlog of cases being held up by Lancashire County Council. Although more funding has been spent in 2016/17 than the previous year, owing to insufficient Occupational Therapist referrals from LCC, we were unable to process as many cases as we had funding available for and as such the revenue admin fee income did not achieve its target. What should happen is that in 2017/18 we will see an increase in the number of referrals coming forward and our fee income should increase and hopefully catch-up. Our Housing Team are looking at what we can do to reduce our reliance on LCC and this includes procuring Occupational Therapists in addition to those employed by LCC and changing the means testing requirements for some adaptations.

Question No. 4 (Page 9)

I see that we have a net overspend on enforcement/underachievement of income of £40,715 on Off Street Car Parking. What has happened to cause this deficit?

Two things. Firstly, back in September 2014 Cabinet made a decision to externalize our car parking enforcement to LCC following the transfer of the Teanlowe Car Park to Booths. This reduced our enforcement costs to nil which was then reflected in the budgets. Since the transfer of Teanlowe, despite efforts made by officers, no agreement has been signed and we have continued to operate with NSL providing our enforcement and LCC providing our back-office support. The Head of Engineering has come to the view that this is preferable to externalizing the whole service and losing control over the enforcement entirely and has taken a further update report to Cabinet to allow the service to continue to operate along similar lines to the current arrangement. There is a budget implication though, and either changes to the agreement will need to be made or alternative savings of around £4,000 found to prevent an overspend recurring.

Secondly, the pay and display income has been lower generally than forecast by just under £37,000. The impact of the free parking on the Booths and Aldi store car parks in Poulton has had a greater impact than predicted. The forecasting method for pay and display income and projections for 2017/18 will be updated to reflect the current baseline position.

Moving on to areas of reduced spending and increased income…

Question No. 5 (Page 9)

What is the reason for the saving of £10,000 on Community Development? Is this community safety related?

The £10,000 saving is in relation to a tackling Domestic Violence contribution which Wyre makes annually to a Lancashire-based solution (previously LCC Joint Commission of Domestic Abuse Services now Victim Support from 17/18). Late in 2016/17 we were informed that our contribution would not be needed as the service had sufficient balances built up to cover the cost of the measures. Whilst related to community safety, a separate budget exists for this and there were no significant savings in that area to report.

Question No. 6 (Page 9)

We have saved £11,270 on Air Pollution but I seem to recall this was a major concern in Poulton. What's changed?

In previous years, an area of Poulton around Chapel Street had been identified as being on the threshold for poor air quality requiring measures to be put in place to reduce harmful emission levels. Since then, we have invested £100,000 in a link road (the new Wheatsheaf Way) through Hardhorn Road car park and changes to the traffic flow in and out of the town centre have meant that the risk from air pollution has reduced. Other work to promote walking to school at local primary and secondary schools, improve signage around public footpaths and a contribution towards a cycle shed at Poulton Train station have also helped to reduce traffic in the area.

Question No. 7 (Page 9)

One of our key business plan priorities is around Healthier Wyre so why have Sports Development underspent by over £20,000?

2016/17 was a year of change for the Sports Development service as it was the first year without permanent sports coaches employed directly by Wyre. When our two permanent coaches both left over the summer of 2015, a decision was made not to recruit but instead to seek an external partnership with local providers. A procurement exercise was undertaken and Fleetwood Town Football Club and others were successful in winning contracts to provide various activities such as Trysport. Underspends from 2015/16 had been carried forward to support bids with match funding but these were unsuccessful and the decision was taken not to carry any underspend forward into 17/18.

Question No. 8 (Page 9)

Why did Car Park maintenance underspend by £22,799 in 2016/17?

A budget provision of £46,420 was made for the installation of the new car park meters, which included a full year provision for ongoing back office support. Owing to delays in the installation of the new meters, these costs were subsequently invoiced for July 2016 to March 2017 only, generating a saving. Added to this, the estimated installation costs for the machines by an external contractor was less than anticipated. Finally, the new meters have one year's free maintenance and servicing, but the budget was retained as a contingency in case of unforeseen obstacles during the new meter installation. The net budget impact of all these changes was an underspend of £14,835. There was also a net underspend of £7,964 on car park maintenance in relation to planned works at Stanah which have been put back pending the outcome of a planned external funding bid.

Question No. 9 (Page 9)

I understand that there is a large variance on housing benefit payments (also known as rent allowances) of £70,000 and would like to understand what has contributed to this?

The improved financial position of £70,292 was the result of the following factors:

1. A reduction in benefit payments made £134,909;
2. A lower level of income from the government in terms of subsidy (£87,193) – whilst the budget assumed a rate of 99.5% the actual was 99.7% and when you consider that payments total nearly £31m, this small change in the % really does make a difference.
3. Debtors raised for overpayments of discretionary housing payments were £1,788 higher than expected.
4. Debtors raised for overpayments of housing benefit i.e. where somebody has been paid something to which they are not entitled were £35,397 higher than estimated; and finally;
5. The top up to the bad debt provision was (£14,609) higher than expected primarily because of receiving real time information from data sharing with the DWP, which has over the past two years identified new housing benefit overpayments caused by claimant error or fraud.

Question No. 10 (Page 9)

Income from planning fees is higher than we expected. Looking back over say the last six years – is there evidence to suggest that we are constantly underestimating income?

The estimated and actual income for 2016/17 and the previous 5 years can be seen below:

- 2011/12 - Actual income of £356,420 compared to a revised estimate of £400,000 – down £43,580
- 2012/13 - Actual income of £453,319 compared to a revised estimate of £375,000 – up £78,319
- 2013/14 - Actual income of £469,714 compared to a revised estimate of £420,000 – up £49,714
- 2014/15 - Actual income of £824,673 compared to a revised estimate of £786,690 – up £37,983
- 2015/16 - Actual income of £696,135* compared to a revised estimate of £602,580 – up £93,555
- 2016/17 - Actual income of £761,943 compared to a revised estimate of £670,000 – up £91,943

(*Prior to allocation of £41,350 used to fund future year additional costs)

Despite increasing the Revised Estimates to reflect the previous year's actual, £108,734 planning fee income was received in just the last two months of the financial year, long after the Revised Estimates had been set, demonstrating the unpredictability of when developers chose to submit their applications. The Head of Planning is of the view that many developers were submitting planning applications in advance of the adoption of the Local Plan which it is hoped will be towards the end of 2017. What this may mean for 2017/18 though is a slowing down of applications as the anticipated September publication date for the Local Plan draws nearer, developers will wait to see what he impact will be.

Question No. 11 (Page 9)

We are showing additional Planning Policy income of £14,645 but I wasn't aware of any fees and charges raised in this area. What does this relate to?

The additional income is a New Burdens Grant from central government in relation to developing a register of Brownfield sites in the borough. This work will be undertaken as part of the normal duties of the planning team and therefore the one-off grant was offered up as a saving.

Question No. 12 (Page 9)

With the Police and Crime Commissioner election in May 2016 and the EU Referendum in June 2016, why has Electoral Registration saved £11,150 in 2016/17?

Despite the two elections in 16/17, the team have been hard at work implementing the new Individual Electoral Registration system for a couple of years and had set aside £11,150 for any additional work required to complete the process. Owing to the efficient working practices of the team, any work on the IER was contained within existing budgets and so the contingency sum was not required and offered as a one-off saving instead.

Question No. 13 (Page 9)

Last year we reported increased spend on insurance by over £69,000 and this year we have underspent by nearly £36,000. Why is it so different year on year and can we improve our forecasting?

Each year there is an analysis produced by the Insurance Officer identifying the Council's potential liability in terms of outstanding claims. In April 2016 this identified 19 claims which were with our Insurers and had these required immediate settlement, they would have had an accumulated value of £400,366. However, our liability is restricted to our policy excess of £10,000 per claim and when this was applied our potential liability would have been reduced to £151,903. One of these claims had a potential value of £150,000 but this was successfully defended in Court. It only takes one large claim to reach settlement or to be successfully defended to skew the annual figure. Our liability going forward for 2017/18 is £139,919 with payments up to our policy excess standing at £116,030. It is impossible to predict the number or value of claims that we will receive on an annual basis and some claims may take up to 5 years to reach settlement.

From 2016/17 an insurance reserve has been created to avoid the need to hold a contingency budget which is difficult to allocate to a particular service and can distort the VFM profiles.

Question No. 14 (Page 9)

Savings on the training budget have been offered in the past as part of the efficiency programme with a view to reducing the gap between expenditure and income. If we are reporting a saving in 2016/17 of £18,621 does this mean that further efficiencies will now be offered?

Essentially the saving is made up of the following items:

- an underspend on post entry/professional training of £2,337 - owing to the HR team reinforcing the criteria for approval i.e. that the professional qualification must ultimately benefit the council and there must be an intention to develop and retain the recipient.
- an underspend of £13,188 on technical training – £10,000 of this was achieved from non-participation in the Investors in People (IIP) Framework which was due to be renewed in January 2017. Further savings resulted from continued coordination with other councils to share the costs of routine training and from general reductions in training requirements throughout the year.
- an underspend of £2,140 on Civil Contingencies/Business Continuity Training was also identified owing to retention of key staff already trained.

The training budgets have been proactively managed to try and evidence ongoing efficiencies and a further review is taking place in 2017/18 which will capture the impact of the new Modern Apprentice Levy scheme with a view to reducing the overall budget again.

Question No. 15 (Page 9)

Council Tax summons fee income was greater than expected in 2015/16 and a positive variance has again been reported in 2016/17. Has our summons income stabilized and what other action can we take to pursue outstanding council tax debt?

In 2015/16 the council issued 5,718 summons earning income of £428,850 compared to 5,771 summons earning income of £432,825 in 2016/17. This is an increase in the number of summons issued of 53 or less than 1% and an increase in income of £3,975. The income is further reduced as a result of summonses which are subsequently withdrawn and bailiff costs. The net income for 2015/16 was £381,018 and for 2016/17 was £377,681.

The council must comply with legislation which states that the customer must receive a bill followed by a reminder for any missed payments. If the customer ignores the reminder then in effect the council has no option but to issue a summons and obtain a Liability Order through the Magistrates Court. Only then can we proceed to attach the debt to benefits or earnings or refer the debt to Enforcement Agents (previously referred as the Bailiffs). Other options include committal to prison, placing a charging order on their home or bankruptcy proceedings. All reminder notices clearly explain the consequences of not paying and offer assistance to the customer via the council's debt free advice service. Every time a summons is issued, costs of £75 are awarded to the council (£72 net of court fees) and added to the customer's council tax debt recognizing the administration costs incurred in chasing the payment. Challenges continue to be made in relation to the costs charged and any future decision to set a lower fee will impact significantly on the council's level of income.

A recent recovery case involved a non-payer who owed the council £7,018, a sum which had accumulated since 2010. Despite repeated attempts, the debtor had refused to engage with the council and had not made any offer of payment. The council was advised that the debtor did not own any property so a charging order was not appropriate but their income details were unknown. Bankruptcy proceedings were instigated. However, in order to avoid being made bankrupt, the debtor has now entered into a repayment plan. To date a total of £1,650 has been recovered. The council will continue to pursue non payers recognising the duty that it owes to the majority of residents who do pay.

Question No. 16 (Page 9)

What are Payment Card processing fees and why have we underspent if we no-longer encourage cash or cheques?

It's true to say that we steer our customers away from paying by cash and cheques wherever possible and plastic payment cards are sometimes issued to council tax payers as an alternative method of payment to say a direct debit. In August 2015 a new agreement was negotiated to reduce the processing fees we're charged but unfortunately the provider made errors in their billing and these were picked up in finance and the supplier notified. The problems recurred during 2016 and so a bank credit was issued by the bank to refund us the overpayment. This meant a saving against budget in 2016/17. Payment cards themselves are being reviewed as a targeted efficiency and it may be that we can dispense with these altogether in future.

Question No. 17 (Page 9)

Last year we reported savings on bulky household, clinical and hazardous waste of £13,657 and in 2016/17 this has increased to £25,260. Why haven't we reduced our forecasts if these savings are year-on-year?

Whilst there have been savings on bulky household, clinical and hazardous waste it should be noted that in 2015/16 each of these services operated at a loss. In 2016/17 both clinical and hazardous waste remained as operating at a loss. However, bulky household waste did generate a surplus for the first time. This is as a result of reduced costs in relation to vehicle maintenance and additional income from an increase in take-up of customers using the service. The net savings for each of the services were as follows:

- bulky household - £20,903 saving (£6,483 net surplus)
- clinical - £3,910 saving (£90 net subsidy)
- hazardous - £4,390 (£610 net subsidy: note - £2,454 slippage into 17/18 requested)

Question No. 18 (Page 9)

Employee Costs (including car allowances) show a saving of £347,984 – what % of the total salary budget does this equate to and why is this more than double last year's figure?

The updated revised estimate for staffing costs was £9.8m. The saving on employee costs across all services is £347,984 representing a saving against the budget of approximately 3.5%. The under spend reflects an awareness of the Council's financial position with many teams choosing not to fill established posts and seeing if they can manage but at the same time not feeling comfortable enough to offer up the savings in case things don't work out. A large part of the savings, just over £101,000 relates to a restructure which was only reported in March 2017 in the Contact Centre owing to the scale and complexity of both the internal developments and the national policy changes it responds to. Many of the other savings have already or will be formally declared via staffing reviews as part of the £2.2m target which the senior leadership team has committed to deliver.

Within the above underspend, car allowance savings of £5,249 were achieved against a budget of £77,170 which was a reduced budget based on savings achieved in 2015/16. Part of the saving will be attributable to vacant posts and general reductions in mileage.

<u>Question No. 19 (Page 9)</u>

I see that there is a saving on Gas and Electricity budgets of £29,309 – actual expenditure of £259,601 against a budget of £288,910 – do we know why?

The Council receives utility bills for over 70 Electric Sites and 6 Gas sites across the borough, with 61% of the cost incurred in 2016/17 being attributable to the three largest sites; the Civic Centre, Marine Hall and Fleetwood Market (57% Electricity - all three sites and 83% Gas - Civic Centre and Fleetwood Market only).

Our budgets reflect a worst case scenario taking into account the unpredictability of the weather conditions and the varying costs of fuel. However, a large factor in the 2016/17 underspend relates to the mothballing of Garstang Business Centre which meant a saving of nearly £11,000 against budget. Similarly, the cost of the utilities consumed by the Kite Club, Lower Light House, Sewerage Pump House, Valve House, Pitch & Putt and Beach Bungalows sites have come in less than estimated, based on actual readings in the year.

Wherever possible we obtain regular meter readings or have switched to smart meters. The main exception to this being the original Beach Bungalows where we struggle to obtain actual readings.

The underspend on gas of £3,344 is much lower than in previous years and is a result of tighter forecasting following the upgrading of the boiler system at the Civic Centre and both a mild winter and reduced maintenance issues.

<u>Question No. 20 (Page 9)</u>

We have made savings in fuel costs in 2014/15 and 2015/16 and are again reporting savings in 2016/17 of £16,843. Will we be declaring these now as ongoing savings?

Our average fuel saving over the last three years has amounted to £15,731. Overall fuel consumption has reduced (excluding fuel purchased on behalf of our waste contractor) with 2016/17 consumption being lower by just under 1,700 litres than the previous year. In 2015/16 the average fuel price for White Diesel, which makes up the majority of all fuel purchases, was 86p per litre and in 2016/17 it rose to 91p. Despite effective fleet management and the deployment of vehicles efficiently the volatility of fuel prices means that costs can vary beyond the control of managers. The fuel budget was reduced in 2015/16 by £10,000 and will continue to be monitored with a view to reducing the total budget further in 2017/18.

<u>Question No. 21 (Page 9)</u>

Printing and stationery (excluding elections and the Rossall scheme) has underspent by £13,287 against a budget of £59,100 – this is a significant saving equating to 22% of the budget - do we know the reasons for this variance?

This underspend can be broken down further as follows:

- Printing is £11,696 under budget with savings being reflected in Benefits Administration (£5,215) and Community Safety (£4,000) with several smaller underspends across a number of other cost centres;

- Stationery is £2,350 under budget due to a number of small under spends across many areas, the highest being Council Tax Collection (£697);

The 2016/17 actual expenditure is considered when reviewing future year budgets and wherever possible budgets will be reduced accordingly.

Question No. 22 (Page 9)

Savings in vehicle costs and sale income has resulted in an underspend of £10,576 – can you analyse this a bit further for me – is the majority of it down to efficiencies or have we had a number of vehicle sales that we weren't expecting?

The values achieved at auction for vehicle sales were slightly higher than anticipated by £1,200 largely down to the vehicle maintenance team ensuring that vehicles going to auction do so in the best possible condition to maximise the return. Whilst income from the sale of vehicles is usually applied to fund vehicle and plant replacements, occasionally underspends are offered as general savings. The balance of £9,376 reflects reduced repair and maintenance costs primarily as a result of the absence of any significant accident and repair costs. The vehicle replacement programme schedules each item of fleet for replacement recognising its useful life and this also avoids spending excessive amounts on maintenance of old fleet.

Question No. 23 (Page 9)

I see that there is additional interest received of £17,791 – why is this?

The interest received in the year was £95,871 compared to the revised estimate of £78,080. Whilst an improvement against the forecast, this was nearly £10,000 less than the £105,784 earned in 15/16 largely owing to reduced rates of interest. The increase in investment income over that budgeted is due to an improved cash-flow situation towards the end of the year, partly due to external grant monies being received in advance of expenditure and the efforts of the officers responsible for treasury management activity investing longer term when cash-flow allowed and securing higher interest rates than budgeted. The additional income was reported to Council on 15 June 2017 as part of the annual report entitled 'Treasury Management Activity 2016/17.

Looking now at Revenue slippage…

Question No. 24 (Page 10)

Can you explain what is meant by revenue slippage?

Spending officers ask for unspent budgets to be moved to the next financial year to avoid paying for previously committed works from their new year's budget. In other words they ask us to 'slip' the underspend against their budget so that next year they can spend their full budget and the underspend from the previous year. Often, the request relates to a one-off budget provision which has either been externally funded or met from earmarked reserves. A full list of revenue slippage for 2016/17 totalling £999,390 can be seen at Appendix 3b.

Slippage on capital schemes which were being funded by revenue totals £38,596 and after recognising that some of the slippage is funded from earmarked reserves the value of slippage that impacts on the level of balances going forward is £999,390. Essentially, this is the value of the apparent underspend in 2016/17 which will ultimately be incurred in 2017/18.

<u>Question No. 25 (Page 10)</u>

Looking at the table which summarises revenue slippage (with the full listing being shown at Appendix 3b), can I ask you to explain, the three highest requests hopefully giving me a better understanding of why slippage occurs?

The highest value of slippage (£236,170) relates to Local Plan Consultancy fees. As the slippage reflects the rescheduling of works relating to the Local Plan, the savings have been earmarked to meet future unbudgeted costs.

The second highest value of slippage (£231,180) relates to a potential VAT adjustment that the Council may be required to pay concerning disabled facilities grants i.e. a potential declaration of unpaid VAT for which confirmation is currently being sought. Several local authorities have submitted appeals to the VAT Tribunal concerning the VAT treatment of DFG agency fees. These cases are currently standing behind the case concerning Cheshire Independent Living, to be heard in December 2017, which will consider arguments potentially relevant to the DFG position for local authorities. The result of the appeals will obviously dictate whether the service is vatable going forward but may also result in Wyre declaring unpaid VAT which will also incur a penalty charge and interest.

The third highest value of slippage (£150,000) relates to Planning Enforcement and reflects the uncertainty around the unauthorised travellers' site at Preesall and the potential legal and enforcement costs should it be re-occupied.

<u>Question No. 26 (Page 10)</u>

Just before we leave revenue slippage and looking at the full list at Appendix 3b (page 106), can you tell me about the item regarding the Care and Repair Service where we show projects subject to re-phasing of £235,011 which is met by external grant funding of the same amount. This seems a large amount to be carrying forward and has increased slightly on last year's value (£229,560) – why haven't we managed to spend the money?

Care and Repair have been extremely successful in securing external funding to support a number of ongoing projects that include Winter Warmth initiatives, a social isolation project, a project to help prevent hospital admissions for patients with long term health conditions, a dementia project, a gas safety project and a project to provide increased security for vulnerable households. These projects will have various start dates, with some having commenced in and prior to 2016/17 and others commencing in 2017/18. The timescales for delivery and reporting requirements are agreed with the funders in advance. The money is ring-fenced within the council's accounts and is used only for the purpose intended.

Care and Repair have to date managed to provide these projects without additional staffing resource and the flexibility of funders around delivery timescales is therefore a key factor. In order to continue to attract external funding we must make the best use of the funds provided and ensure that they have a positive impact on recipients.

Project	Amount
	£
Affordable Warmth	81,802
Social Isolation / Affordable Warmth	50,000
Long Term Conditions	40,000
Warm Homes Healthy People	34,190
Winter Warmth Initiative	11,345
Dementia Initiative	4,323
Gas Safe Scheme	1,115
Other Projects	12,236
TOTAL	**235,011**

Question No. 27 (Page 10)

I see that at 31 March 2017 we have over £10.5m in our revenue balances – why are we still trying to find efficiency savings?

The Council prepares a 4 year Medium Term Financial Plan which forecasts what we expect our income and expenditure to be in each of those years and shows the impact on our revenue balances. The latest update reflects a gap between expenditure and income in 2020/21 of approximately £2.1m and in effect, our level of balances only allows the Council to continue with its current spending plans until March 2024 before it runs out of money. In 2019/20 our Revenue Support Grant ceases and following the absence of a Finance Bill in the Queen's Speech there is even greater uncertainty around what will replace this critical funding stream. There is an action in the Council's Business Plan (2017 Update) to 'progress our programme of efficiency savings to ensure a balanced budget' and regular progress reports will be provided to both Cabinet and Overview and Scrutiny in order to bring the expenditure and income projections back into balance.

Moving on to Capital Expenditure…

Question No. 28 (Page 10)

It is clear from the table on page 10 that our main item of expenditure, accounting for 87% of our capital outturn at £19m, is Sea Defences. What exactly does this include?

Schemes categorised as sea defences for the 2016/17 financial year are as follows:

Scheme	**Value** **£**
Cell Eleven Monitoring – External costs/In house fees	10,092
Rossall Sea Wall Improvement Works – External costs/In house fees	18,965,353
Total	18,975,445

The cell eleven monitoring attempts to assess the impact of the tides – with the scheme title being a reference to the particular region of the coastline, namely, Wales and the North West of England; Rossall Sea Wall Improvement Works are being funded by the £63.2m award from the Environment Agency, with contributions from Fleetwood Town Council and Regenda, running until the end of 2017 with landscaping to be completed in early 2018.

A business case is being prepared for submission to the Environment Agency for another Wyre Beach Management Scheme and if successful this could result in a further £17.6m scheme to maintain beach levels between Cleveleys and Fleetwood.

Question No. 29 (Page 10)

I see that we have spent £763,303 on Cultural and Leisure Facilities in 2016/17. This reminds me that as a result of improving the Poulton and Thornton Leisure Centres in 2014/15 we were meant to reduce our revenue subsidy by approximately £130,000 in 2015/16 to £225,229 and a further reduction of £25,000 was set for 2016/17. This would result in a reduced operational subsidy (excluding the management fee) for 2016/17 of around £200,000. What does the final position look like?

The expenditure has been routinely monitored throughout the year and the final outturn reported by the YMCA for 2016/17 is just under £200,000. This is £2,000 less than the estimate and £27,540 higher than last year's actual (£170,460). You will note that whilst the subsidy target has reduced, the actual outturn achieved has increased and there are several reasons for this. Firstly, although the YMCA performed better than the target set in 15/16 this was helped by the novelty of the new facilties and the reduced maintenance costs. Since then, in 16/17 the YMCA have taken over the operational running of the Splash Pad in Fleetwood and the both of the facilities in Garstang have been forced to close temporarily either fully or partially over the summer to allow refurbishment works to take place. Although these changes have been scheduled their full impact on the accounts was estimated and the reduced target of £200,000 thought to be achievable taking into account the Splash Pad in particular which was predicted to make a loss.

The Council's Leisure Management Contract includes an incentive for the operator to reduce costs by allowing the YMCA to keep 50% of any savings below the operational subsidy and pay a 50% share of any expenditure incurred above the operational subsidy. In 16/17, it was agreed that owing to the uncertainty around the closures and the new facility any saving would be retained by the council and used to top up the Leisure Management reserve and as such this has been increased by £2,000.

This Reserve provides future funding for continued investment in the council's leisure facilities and the balance on the reserve at 31 March 2018 is expected to be £192,398.

Question No. 30 (Page 11)

Staying with Capital Expenditure, I can see that we've spent £195,535 on Flood Grants. How many households that were flooded in Storm Desmond and Storm Eva between December 2015 and January 2016 does this represent?

In the winter of 2015/16 Wyre experienced severe flooding with the greatest concentration of properties flooded in Churchtown, St Michaels and Garstang although other outlying properties were also affected. A Bellwin incident was declared and the council submitted a claim to central government to recover the proportion of costs which were eligible that had been incurred in 2015/16. Further funds were made available to households for Resilience grants of up to £5,000 per property and these were promoted by the council on our website, letters to affected properties and via house-to-house visits. Prior to the closure of the scheme we had received 89 applications for the resilience grants of which 84 were approved. So far we have paid out on nearly 50 of the applications but with a limited number of suitable contractors in the area, it is taking time for all the properties to schedule their repairs. We estimate that we will have paid out a total of £353,973 in resilience grants by the end of 2017/18 with successful take-up by over 86% of affected properties (97 in total).

Question No. 31 (Page 11)

In the table showing reasons for the variance to the Updated Revised Estimate, why is there £2.3m of capital slippage into future years?

The individual schemes making up this value can be seen in Appendix 2 Table 2. The largest three items are:

Scheme	Slippage £'000	Reason
Rossall Seawall Improvement Works	1,735	Risk monies that have not yet materialised.
Disabled Facilities Grants	488	Better Care Funding slipped owing to backlog of referrals.
Vehicle Fleet Replacement Programme	38	Replacement of four vehicles delayed to 2017/18.

Question No. 32 (Page 11)

It is useful to see the different grants and contributions in the financing table but when the Capital Programme is financed from Revenue to the tune of £0.86m what does this mean?

Revenue funding of £859,036 has been made during the year reflecting a number of contributions including:

- Capital Investment Reserve (£574,784) – used primarily for the Leisure Centre Improvements, Beach Bungalows and improvements to Memorial Park;
- Vehicle Replacement/Street Cleansing Maintenance Reserve (£204,464) - used for the rolling replacement of the vehicle fleet;
- IT Reserve (£12,000) – used for CCTV;
- Leisure Management Reserve (£23,828) – used for Garstang Leisure Centre and Pool improvements; and
- Savings on relevant revenue budgets (£43,959) – used for Town Centre CCTV and two handyperson vehicles.

And finally, some questions on the rest of the Statement of Accounts:

Question No. 33 (Page 33)

The Comprehensive Income and Expenditure Statement shows that our gross income and expenditure on Neighbourhood Services and Community Safety accounted for 83% of our total gross income and two-thirds of our total gross expenditure. This seems disproportionate, why is it so different compared to the other Portfolios?

The biggest element of the £36m in 2016/17 relates to Housing Benefit on which we spent £31m and received just under 99.7% subsidy in government grant. Once this element is stripped out the Portfolio's income and expenditure is in line with the others.

Interestingly, the Portfolio with the highest net spend is Street Scene, Parks and Open Spaces at £3.6m with Waste Management and Parks and Open Spaces being the two most expensive elements accounting for approximately 90% of the net expenditure in this portfolio.

Question No. 34 (Page 33)

The Comprehensive Income and Expenditure Statement (CIES) appears to show that we have made a surplus on the Provision of Services of £21,958,385 but the Narrative Report on page 9 shows a contribution to balances of £2,509,468. Why is the contribution to balances not £22m?

Note 8 commencing on page 54 illustrates the adjustments that are needed to reconcile the Accounts prepared in accordance with proper accounting practice to the resources available as specified by statutory provisions which ultimately influences the level of council tax that we levy from our residents.

The total comprehensive income and expenditure which can be seen on page 33 of £21,397,033 is reflected in both usable and unusable reserves and is analysed in the Movement in Reserves Statement on page 34. The first column of this statement shows the General Fund Balance (including Earmarked Reserves) which increases from £14,383,152 at the start of the year to £18,000,828 at the end of the year, an increase of £3,617,676. Of this, £2,509,468 relates to the General Fund Balance and the remaining £1,108,208 can be seen at Note 9 on page 59 which, if you take the net of the 'transfers in and out' columns for 2016/17, other than a £1 rounding adjustment agrees to the difference.

And now turning to the Balance Sheet on page 35…

Question No. 35 (Page 35)

Looking at the Investment Property line, why has this increased by nearly 2.5m?

Investment property has been valued at £7.2m in 2016/17 and Note 15 on page 64 shows a more detailed breakdown. The three key differences year-to-year are as follows:

1) that we disposed of a property at The Links in Thornton under which we had a 30% claw-back provision were it to be re-sold (£32,250);
2) our net gain from revaluations in the year was £754,050 and this was mainly owing to upwards revaluations on Teanlowe Car Park, Garstang Business Centre and The Links at Thornton;
3) the reclassification from Property, Plant and Equipment to Investment Property of Teanlowe Car Park (£1,366,459) owing to the arrangement with Booths Supermarket and the Marine Boating Lake Store and Landing Stage (£234,279) where we lease the property to the Outdoor Adventure Group and Blackpool and Fylde College. Because these assets no longer deliver a service for the council they have been reclassified as investment properties.

<u>Question No. 36 (Page 37)</u>

There is a new Expenditure and Funding Analysis (EFA) Note to the financial statements. What is it meant to be telling me that's different to say, the CIES on page 33?

There are some similarities between the two…

- Both the CIES and the EFA are presented according to the organisation's structure so in our case, the Cost of Services sections are both shown by Portfolio and both net to £12,229,875 in 2016/17.

- Both the CIES and the EFA also show the surplus or deficit on the provision of services and again they both net to £21,958,385 in 2016/17.

Where they differ is that the CIES includes all the notional adjustments or 'book entries' that accountants make to comply with our Generally Accepted Accounting Practices (GAAP). This means that the CIES includes entries for capital charges and accruals for instance so whilst it is useful for comparing to budgets and performance during the year it doesn't show the amount to be funded from taxation.

The EFA on the other hand takes the council's annual expenditure and reconciles the position on the CIES to the position on the General Fund, stripping out the accounting adjustments made for capital charges etc. In addition to showing the Surplus or Deficit in 2016/17 as £21,958,385 it also shows the reconciliation to the General Fund which confirms that we have £10,531,480 in balances as per our earlier Question 27. The EFA therefore shows a truer picture of what expenditure has been allocated where for decision-making purposes.

<u>Question No. 37 (Page 59)</u>

Looking at Note 9 on page 59 'Movements in Earmarked Reserves', the New Homes Bonus Reserve is significant at almost £3.1m – what is it being used for and why have we topped it up?

The Government introduced New Homes Bonus to provide a financial incentive to reward and encourage local authorities to help facilitate housing growth. The first payment was made in 2011/12 and was based on the number of additional homes added to the council tax base which in effect reflected new houses built and long term empties returned to use. Payments were based on the national average council tax relevant to each property and were originally paid for a period of 6 years although following consultation this will reduce to 4 years from 2018/19. There is an additional payment of £350 for each affordable home delivered, again originally for a 6 year period (or 4 years from 2018/19). In two tier areas, 80% is paid to the District and 20% to the County.

Receipts in respect of the 2011/12, 2012/13 and 2013/14 financial years have been used to fund the shortfall in future income which results from the Council's acceptance of the Council Tax Freeze Grant in earlier years. The impact of a 5 year council tax freeze i.e. council tax income foregone is £569,000pa. By topping up the New Homes Bonus Reserve by £401,873 this will not be used up until the end of March 2023 and will therefore cushion us for a further 6 years, giving us more time to find the necessary savings.

The increased scale of the funding distributed by the Government in the form of New Homes Bonus effectively meant that payments needed to be financed by reductions in formula grant. As a result, at Wyre the New Homes Bonus from the 2014/15 financial year onwards has been used to compensate for the loss of formula grant. Whilst the Government has awarded New Homes Bonus for 2017/18 they have reduced the legacy payments from 6 to 4 years (with 2017/18 acting as a bridge year in which legacy payments would be awarded for 5 years) and introduced a threshold below which no NHB will be paid. In 2017/18 the impact of this threshold is almost a 50% reduction on what we would have received had it not been implemented.

The Government have also signaled that from 2018/19 the award of any New Homes Bonus may be contingent on a Local Plan being in place and may only be paid on planning applications granted in the first instance, so no bonus would be paid for planning applications only granted on appeal. These changes have not yet been confirmed and we await further information.

Question No. 38 (Page 59)

Can you explain what the Non-Domestic Rates Equalisation Reserve is for and how is this affected by our joining the Lancashire Business Rates Pool in 2016/17?

The new Business Rates Retention scheme was introduced in 2013/14 and this reserve was established because of the volatility of business rate income and the fact that the safety net support provided by the Government does not kick in until we have suffered a loss in business rates income of approximately £234,000. In fact, now that Wyre have joined the Lancashire Business Rates Pool, we have foregone our right to access the Government's safety net and must bear any loss in business rates income without limit. It was therefore critical that the forecast showed income levels above the safety net when determining whether to join the Pool or not. The advantage of being in the Pool is that we get to retain the levy that we would have paid over to Central Government, less 10% which goes to Lancashire County Council. If you turn to Note 42 on page 88 you will see that in 2016/17 this amounts to £319,521 less 10% which leaves a net benefit of £287,569 which had we not been in the Pool would have been payable to Central Government.

The top-up each year has been funded using the Section 31 Grant paid by the Government to compensate for additional Reliefs awarded after the baseline funding level was established, net of the levy which is calculated on income received above the previously notified baseline.

NDR income collected by the Council increased by £130K in 2016/17 mainly as a result of a reduction to the provision for appeals and bad debts £931K offsetting the reduction in NDR income from ratepayers (£746K) and transitional protection due to central government (£60K). The impact on Wyre was an increase of business rates income of £52K when compared to the 2016/17 Revised Estimate. This gain impacts in the 2018/19 financial year and will be used to fund General balances. When comparing the increase in 2016/17 to Wyre's reduction of income in 2015/16 of £1.1M, which will be funded from the reserve in 2017/18, this volatility supports the need for such a reserve going forward. The 2013/14 s.31 grant net of levy was released and used to fund revenue expenditure in 2015/16, 2014/15 s.31 grant net of levy was applied to reduce expenditure in 2016/17 and 2015/16 will be used to contribute to the collection fund deficit in 2017/18. The 2016/17 s.31 grant net of levy will again be used to fund revenue expenditure in 2018/19. The delay in the release of the reserve is considered to be a prudent approach and ensures that funds are not released or utilised until they have been confirmed by Central Government.

Question No. 39 (Page 64)

Looking again at Note 15 but this time at the table on the top of page 64 showing rental income from investment properties. Why has this increased by nearly £230,000 since 2015/16.

The main reasons for the increase relate to Fleetwood Marsh Landfill site which achieved £120,000 more in royalty income than the previous year based on increased tipping undertaken at the site. Other increases include the re-categorisation of Teanlowe and Windsor Road Car Parks as investment properties (£68,000), the new beach bungalows (£13,000) and increased occupancy at Butts Close Industrial Estate (£16,000).

Question No. 40 (Page 75) - BR

Turning to Note 29 on Trading Operations, I notice that whilst we've looked at industrial sites under investment properties we haven't mentioned Fleetwood Market. The table shows that the market made a deficit in 2015/16 but a surplus in 16/17. Does this mean that the financial outlook for the market is improving?

It is correct to state that on the surface this looks like an improving picture. However, once we strip out the notional accounting entries the true position is a surplus in 2015/16 of £210,696 and a surplus in 2016/17 of £152,197, which is a reduction of £58,499. Increased premises costs account for the main change on direct expenditure (£23,782), followed by staffing (£6,507) and supplies and services (£5,119). Recharges have reduced by £14,288 but income overall has also reduced by £36,993 with service charges down by £15,247 and general stall charges down by £16,766.

A bid for external funding from the Local Government Association was successful at the end of March 2017 for £6,000 of Productivity Experts Programme support to fund feasibility work to stabilize and improve the offer at Fleetwood Market.

Question No. 41 (Page 77) - PJ

The officers' remuneration at note 32 on page 77 shows six employees earning more than £50,000 in 2016/17 but only five are listed in the Senior Officers' table – why is this?

The officers' remuneration table includes payments to all staff regardless of their position or grade within the organisation and therefore includes officers who are not considered to be 'senior employees'. The Accounts and Audit Regulations describe 'senior employees' as an employee whose salary is £50,000 a year or more and who is either:

- A head of paid service or a chief officer;
- A head of staff; or
- A person who has responsibility for the management of the relevant body to the extent that the person has power to direct or control the major activities of the body (in particular activities involving the expenditure of money).

Salary costs for the Head of Engineering along with standby allowance for occasions when the post holder acts as the Severe Weather Officer, mileage, expenses and election fees has meant that the total remuneration in the year was slightly above the £50,000 limit at £51,427 16/17 equivalent.

Question No. 42 (Page 81)

Note 38 shows termination benefits and on page 81 it seems to suggest that we have had 14 redundancies during 2016/17, nearly double the number in 2015/16. I wasn't aware of any – can you let me know which officers this affected?

The closure of Garstang Business Centre resulted in the cleaner/caretaker post being made redundant and this is the one compulsory redundancy identified. The other 13 redundancies are classed as voluntary with the majority (ten) being made in the Contact Centre, Recovery and Contact Centre Systems Support Teams as part of a review of the impact of new legislation and new systems on staffing requirements but also include a temporary post in finance, an IT officer and an externally funded post in electoral registration.

Question No. 43 (Page 90)

Looking at the Collection Fund on page 90, how much do we collect in council tax and business rates and how much do we retain in Wyre?

Beginning with council tax…

In 2016/17 we collected over £58m in council tax, of which Wyre retained just over £7m (including Parish and Town precepts, see Note 10, pg 60, £603,430) which relates to our 12% of the overall council tax bill. The largest share of the £58.2m goes to Lancashire County Council (LCC) (£41.5m) with Police and Fire receiving the balance (£5.7m and £2.3m respectively). Under statute the regulations require the authority to pay the preceptors the estimated (surplus)/deficit in the year. The actual (surplus)/deficit will be reflected in the precepts paid in 2018/19.

Moving on to business rates…

In 2016/17 we collected just over £27m in business rates, of which 50% or £13.5m is paid over to Central Government, 40% or £10.8m to Wyre, 9% or £2.4m to LCC and 1% or £0.3m to the Lancashire Combined Fire Authority. Again, the difference between the estimated and actual (surplus)/deficit in the year will be reflected in 2018/19.

And if you want to see a summary of the detail then if you look at page 9 of the narrative statement, you can see that our actual council tax income in 2016/17 increases by £140,304 in prior year surplus and our actual NDR income, net of the tariff, was just £3.4m.

And finally…

Question No. 44

Are there any recommendations from last year's audit that remain outstanding?

There was one recommendation made in the External Auditor's Report to those charged with governance, which was considered by the Audit Committee at their meeting 20 September 2016, which was awarded a priority three rating. Priority three ratings refer to: "issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them". The recommendation concerned the full completion and signing of senior officer Declaration of Interest forms which had not been correctly completed by one Head of Service.

The current procedure now requires the Head of Finance to countersign the Declaration of Interest forms after checking that they are complete and signed by the relevant member of staff and this addresses the recommendation.