Report of:	Meeting	Date	Item no.
Clare James, Head of Finance	Overview and Scrutiny Committee	10 September 2018	8

Statement of Accounts 2017/18 – Questions and Answers

1. Introduction

1.1 The report on the Statement of Accounts 2017/18 was considered by the Audit Committee on Tuesday 24 July 2018.

1.2 In order to assist with the interpretation of the report and to demonstrate robust Member scrutiny prior to approval, the Head of Finance submitted a set of Questions and Answers, which were considered at the meeting.

1.3 The Scrutiny Officer has identified that the document may also be of interest to the Overview and Scrutiny Committee.

1.4 As a result, extracts from the Questions and Answers document, tabled at the Audit Committee meeting, are included in this report for the committee's consideration. The selected questions illustrate more of the operational and service based matters considered rather than the technical accounting matters discussed at Audit Committee. The full set of Questions and Answers are included in the minutes of the Audit Committee meeting 24 July 2018.

Statement of Accounts 2017/18 – 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.

EXTRACTS ONLY BELOW

Question No. 4 (Page 10)

Cemeteries were in a deficit position in 2016/17, how have they performed in 2017/18?

Performance (excluding any notional charges) across all of the cemeteries since 2010/11 is shown in the table below. Although cemeteries income outperformed budget by £20,513, overall the cemeteries operated at a deficit of £10,820, an improvement of nearly £5,000 on the previous year. This is largely owing to support services recharges incurred in generating the additional income and the increased cost of responsive maintenance at Fleetwood Cemetery.

The council will continue to monitor the situation in future years.

- 2010/11 - a deficit of £23,648
- 2011/12 - a deficit of £45,818
- 2012/13 - a deficit of £7,393
- 2013/14 - a surplus of £7,528
- 2014/15 - a surplus of £35,311
- 2015/16 - a surplus of £1,357
- 2016/17 - a deficit of £15,788
- 2017/18 - a deficit of £10,820

Question No. 5 (Page 10)

What is the subsidy position at Marine Hall and Thornton Little Theatre (TLT) and how is the reduced expenditure of £21,000 at Marine Hall explained?

In 2017/18 the overall subsidy at Marine Hall, excluding capital charges was £315,125 and the equivalent subsidy at TLT was £116,522. This compares to figures in 2016/17 of £252,918 and £117,957 respectively.

Whilst TLT is holding steady in terms of its subsidy level, Marine Hall has seen a worsening position over the last 12 months with an increased subsidy of nearly 20% compared to the previous year. This trend was reported to Audit Committee in May 2018 as part of the summary findings in Internal Audit's Annual Report.

2017/18 has seen significant changes to the staffing and management of the theatres following the sad death of the Head of Leisure and Culture in January 2017 and as such it should not be seen as a typical year. The savings of £21,000 mean that the subsidy was lower than anticipated with additional staffing and agency costs being offset by increased bar income.

The ten year average subsidy for Marine Hall is £309,146 and for Thornton Little Theatre this is £95,870. Subsidy levels can fluctuate year on year as a result of one off spend such as repairs and maintenance but a subsidy level of between £225K and £250K has been delivered in recent years and this should remain the target going forward.

Following the recent internal audit review, a number of actions have been documented and work continues to restore the subsidy to its previous lower levels.

Question No. 12 (Page 10)

An underspend of more than £27,000 has been reported in relation to Domestic Waste Containers. How does this compare to previous years and why have costs reduced?

The introduction in 2014/15 of a charge for the delivery and administration costs associated with providing replacement bins (not applicable to boxes) is likely to have encouraged residents to take good care of their waste containers, thus reducing the need for more frequent replacements. Developers have also become accustomed to the charge and many now build this into their development costs and request the full suite of containers in bulk. Replacement boxes continue to be provided free of charge. The table below shows the expenditure on containers, the annual underspend over the last three years and the total income generated from admin fees. It shows that we currently recover less than 40% of the cost of replacement containers from residents.

Description	**2017/18 £**	**2016/17 £**	**2015/16 £**
Expenditure on Containers (includes collection of spares)	108,733	125,609	126,447
Container Underspend	27,447	14,471	7,793
Administration Fee	(40,768)	(17,790)	(13,656)

Question No. 13 (Page 10)

Public Conveniences have achieved savings and additional income of nearly £12,500. Does this mean more people are 'spending a penny' in our award winning toilets?

Yes, income has been greater than expected by nearly £7,300 (£47,278), an improvement on 2016/17 of around £6,300. The highest income earning facility was at Rough Lea Road Car Park and it was also the most improved compared to 2017.

Added to this, when the contract was outsourced to DANFO, a fixed element was paid annually for pension obligations to staff that transferred across under TUPE (Transfer of Undertakings (Protection of Employment)) Regulations. As former council staff have retired or left the company, these costs have reduced and we ceased having to pay the £9,090 annual sum in 2017/18 with a part year impact saving us £5,200.

Question No. 14 (Page 11)

Last year we reported savings on bulky household, clinical and hazardous waste of £25,260 and in 2017/18 this has been replicated with a similar saving of £25,507. Why haven't we amended 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 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.

In 2017/18 a similar picture has emerged with both clinical and hazardous waste operating at a loss and bulky household waste generating a modest surplus.

This is a combination of reduced costs in relation to vehicle maintenance, additional income from an increase in the charge from £18 to £19.50, with demand holding steady and additional income from an increase in take-up of Regenda customers using the service (paid for by Regenda).

The net savings for each of the services were as follows:

- bulky household - £21,520 saving (£11,100 net surplus)
- clinical - £1,040 saving (£2,960 net subsidy)
- hazardous - £2,950 saving (£2,050 net subsidy)

<u>Question No. 24 (Page 11)</u>

Just before we leave revenue slippage and looking at the full list at Appendix 3b (page 125), can you tell me about the item regarding the Care and Repair Service where we show projects subject to re-phasing of £180,285 which is met by external grant funding of the same amount. This seems a large amount to be carrying forward although it has reduced compared to last year's value (£235,011) – why haven't we managed to spend more of 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 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 2017/18 and others commencing in 2018/19. The timescales for delivery and reporting requirements are agreed with the funders in advance. The money is usually ring-fenced although some grants have a greater degree of flexibility in how they are spent.

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	98,227
Social Isolation / Affordable Warmth	21,000
Long Term Conditions	40,000
Winter Warmth Initiative	5,260
Dementia Initiative	4,320
Other Projects	11,482
TOTAL	**180,285**

<u>Question No. 25 (Page 11)</u>

I see that at 31 March 2018 we have nearly £11.8m 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 2021/22 of approximately £2m and in effect, our level of balances only allows the Council to continue with its current spending plans until 2024/25 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 last year there is even greater uncertainty around what will replace this critical funding stream. There is an action in the Council's Business Plan (2018 Update) to 'progress our programme of efficiency savings to ensure a balanced budget' and regular progress reports will be provided to Cabinet and Overview and Scrutiny in order to bring the expenditure and income projections back into balance.

Question No. 27 (Page 12)

I see that we have spent £100,431 on Cultural and Leisure Facilities in 2017/18. 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 (£356,239) by approximately £130,000 in 2015/16 to £225,229, with a further reduction of £25,000 in 2016/17 to £200K and an agreed two-year average subsidy of £172,500 in 2017/18 and 2018/19. Bearing in mind the 2015/16 and 2016/17 subsidy targets were both met (and improved upon), what does the final position in 2017/18 look like?

The expenditure has been routinely monitored throughout the year and the final outturn reported by the YMCA for 2017/18 was £238,505 which is £66,005 more than the agreed subsidy and £40,507 more than the subsidy level achieved in 2016/17. Late costs reported in May 2018 but not previously consulted on with the council related to a management restructure at the end of the financial year. This resulted in one-off termination costs for one Director with an impact on Wyre's subsidy of approximately £15,000.

As reported last year, although the YMCA performed better than the targets set in 2015/16 and 2016/17 this was helped by the novelty of the new facilities and the reduced maintenance costs. The Splash Pad continues to operate at a loss, increasing from £13,520 in 2016/17 to £19,385 in 2017/18 and this is built into the agreed subsidy target although not formally part of the contract.

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 2017/18, it was agreed that owing to the uncertainty around the reduced subsidy level any under or overspend would be carried forward and the overall impact assessed at the end of March 2019. In other words, over two years a total subsidy of £345,000 has been agreed and based on the 2017/18 outturn, only £106,495 remains for 2018/19.

In January 2018, the YMCA agreed to present various options for consideration by the Service Director for Health and Wellbeing, for substantially reducing the subsidy and these are currently awaited. However the 2018/19 forecast has been produced and this shows a reduced subsidy target of around £100K which if achieved would bring them back in balance over the two year period.