FINANCE AND SERVICES SCRUTINY COMMITTEE

2 JULY 2019

PRESENT: Councillor M Rand (Chairman); Councillors B Everitt (Vice-Chairman), N Blake, J Bloom, R Newcombe, M Smith and A Waite.

APOLOGIES: Councillors J Chilver, S Lambert, M Stamp and R Stuchbury and Mrs J Ward.

1. ELECTION OF CHAIRMAN

RESOLVED –

That Councillor Rand be elected Chairman of the Committee for the ensuing year.

2. APPOINTMENT OF VICE CHAIRMAN

RESOLVED –

That Councillor Everitt be appointed Vice Chairman of the Committee for the ensuing year.

3. MINUTES

RESOLVED –

That the Minutes of the meeting held on 14 January, 2019, be approved as a correct record.

4. LEISURE CENTRES MANAGEMENT CONTRACT - ANNUAL REPORT 2018-19

The Committee received a report, as well as a short video presentation, on the key outcome and outputs achieved by the Leisure Management Contract in 2018/19 and which also provided key performance information and an overview of the key suggested actions for 2019/20.

Representatives from Everyone Active, who were responsible for the leisure management contract for Aqua Vale Swim and Fitness Centre and at the Swan Pool and Leisure Centre attended the meeting to support the presentation to Members and to answer questions. The current contract had commenced on 1 April 2013 for 10 years with a mutual option to extend for a further 5 years. This report looked at Year 6 of the contract.

Members were informed that the Leisure Management Contract realised betterment to AVDC of circa £620,000 per annum, £120,000 saving was achieved by no management fee being paid to the leisure centre operator as per the previous contract and £500,000 income was generated by EA paying the Council for the opportunity to manage the centres on AVDC's behalf. The management fee payable to the Council for the period 2017/18 was £547,379 which took into account the CPI annual increase.

AVDC provided a monitoring role as part of the contract arrangements and conducted monthly monitoring by holding Contract performance meetings and inspections. This was stepped up if there were areas of concern or an increase in complaints. The regular performance meetings examined a range of performance indicators which included information similar to that contained within Appendix A to the Committee report.

The information provided a baseline for future reports and for measuring contract outcomes and outputs.

The council had undertaken an extensive £2.7m modernisation project of Swan Pool and Leisure Centre between February 2015 and February 2016 which had delivered new and improved facilities and increased levels of customer satisfaction and usage. The last major modernisation project at Aqua Vale Swimming and Fitness Centre had been completed in 2012 at a cost of £6.7m.

Members were informed that £702,700 had been spent on updates and improvements of both leisure centres in the last financial year. Projects had included modernisation of the Aqua Vale pool side toilets, private showers and accessible changing. A state-of-the-art drowning detection system Pool view had also been installed. Investments at Swan Pool had included gym replacement equipment, new boilers, a range of lighting improvements and CCTV installation for the all-weather pitch. A list of all improvements undertaken last year and planned for this financial year was detailed in Appendix A to the Committee report.

Section 9 included a proposal to introduce a new soft play area to the Swan Pool centre in place of the climbing wall. Soft play areas have become increasingly popular whilst unfortunately, despite good marketing, demand for the climbing wall had reduced with users prepared to travel to bigger leisure centres or preferring instead to use dedicated climbing centres such as Big Rock in MK. The proposal was to apply for unallocated Section 106 money to provide the new facility. The climbing wall had been sold with the buyer also paying for the dismantling which would have cost AVDC between £5,000 and £10,000.

The crèche at Swan Pool would close this summer due to low take up. EA's efforts to promote the crèche have been scrutinised by officers and the Cabinet member for Civic Amenities. The current service did not require the crèche to be registered with Ofsted. This did, however, mean that its use is limited to users of the centre and for up to two hours. These terms had made it difficult to attract the numbers that would make the service sustainable.

The detailed performance information of the Aqua Vale Swimming and Fitness Centre and Swan Pool and Leisure Centre was detailed at Appendix A to the Committee report. This information provided a baseline for future reports and concentrated on the Leisure Management Contract outcomes and outputs for 2018/19.

A new General Manager had started at Aqua Vale in May 2018 and been instrumental in continuing to improve the quality of cleaning and customer service. A General Manager for the Swan Pool had also been appointed in November 2018. The second appointment had been a move to strengthen the management structure at that site and was not a replacement for a previous post holder. The EA Contract Management Team otherwise remains the same.

Cleanliness and cleaning standards remained a focus for the Cabinet Member for Civic Amenities and AVDC. Any complaints were followed up and discussed with the EA Contract Manager and the cleanliness of the site formed part of the monthly monitoring. The cleaning of the leisure centres remained in-house by EA who now had complete control of the staff, processes and performance. There were understandably, some occasions when standards fell short but EA had been quick to resolve these as soon as possible.

Vandalism and wilful damage whilst not excessive, was apparent from time to time. Notably, each year, for the past four years, the front elevation glazing had been deliberately smashed causing approximately £15,000 of damage. This year the same culprit had undertaken to cause more damage and had been caught on CCTV. The culprit had been charged with this and other offences but, unfortunately, no compensation is likely.

Attendance across the contract had risen by 60,808 users on the previous year equating to a 5.7% overall increase. The Committee was informed that EA were placing greater focus on the customer journey at the centres and continued to use technology to gain insight and improve the centre experience. One means of doing this was by introducing a pre-booking system for casual swimming. This had reduced the number of customers queuing, improved the customer experience and was a means to increase footfall.

Members sought additional information and were informed:-

(i) that the footfall at the Swan Pool had been impacted when a budget gym had opened in a warehouse down the road. EA stated that they believed that the Swan Pool had a better and more varied offering than the budget gym. As such, while the Swan Pool was looking at pricing points and other initiatives to regain customers who had left, e.g. gym only memberships for 16-21 year olds, it was not trying to compete solely on price.

(ii) that the reason for the increase in the number of staff accidents at Aqua Vale was due to a more rigorous reporting regime being introduced. Very small issues that had not been reported in the past were now being captured and recorded.

(iii) that the increased in the accident rate at Aqua Vale from 5.03 to 6.20 accidents per 10,000 visits was due to sporting injuries and natural causes. All other types of injury had remained static.

(iv) that the accidents per 10,000 visits and RIDDOR reportable incidents at Swan Pool had reduced significantly over the year. While there were no trends to identify the reason for this, the Swan Pool facilities and café were better laid out than Aqua Vale which could be a factor.

(v) that the Swan Pool General Manager would investigate why the mushroom fountain had not been working on occasions over the previous months. It was possible that some features had been turned off at non-peak times but they should have been operating during family time.

(vi) that EA and AVDC would continue to invest in Aqua Vale and the Swan Pool to ensure the facilities continued to evolve and gave the public what they wanted.

RESOLVED –

That the representatives from EA be thanked for attending the meeting and for the positive progress that continued to be made in managing and improving the Council's leisure centres.

5. QUARTERLY FINANCE DIGEST

The Committee received the Quarterly Financial Digest for the period to 31 March 2019, which represented the final outturn position for the Council for the financial year 2018-19. The digest was attached as Appendix 1 to the Committee report, and was based on the actual income and expenditure for the 12 month period from April 2018 to March 2019. The Council's financial statements for this period had been submitted to the external auditors although their audit work had not yet been completed.

As at the end of March 2019, the Council was reporting a surplus of £432,000 for the financial year 2018-19, before the transfer from general fund balances. The outturn was better than planned by £192,000 and better than forecast by £353,000. A planned surplus of £240,000 had been assumed in budget plans for 2018-19.

The year end position represented an overspend against the Portfolios of £740,000 that was offset by a favourable variance of £932,000 across the Corporate level budgets. The Committee report at Appendix 1 detailed the forecast outturn for each Portfolio and Digest.

A total spend of £150.702m had been incurred in the delivery of the Council services in 2018-19, and income levels of £151.134m had been generated.

As a consequence of the outturn, General fund balances would be marginally higher than predicted as at the end of March 2019. The level of general balances for the financial year was now £2.353m, and above the minimum assessed level of balances of £2.0m.

The financial outturn position is also consistent with that used in budget planning for 2019/20. Members noted that the draft annual accounts would be presented to the Audit Committee meeting on 15 July 2019. The accounts had been completed by the deadline of 31 May 2019 to allow for external audit and final approval of the accounts by the 31 July 2019 statutory deadline. However, the Council had been informed by the External Auditors that due to their resourcing issues at their end this would not be possible and the final audit of the accounts would not be undertaken until September 2019.

The year end position within the statutory accounts contained transactions that were required by the accounting regulations. The statutory accounts only present actual expenditure and income, without reference to budgeted levels. Therefore, whilst the accounts presented the definitive position on the Authority by way of its financial resources, they did not inform Members as to whether this was a planned or expected position.

The Quarterly Financial Digest was the primary reporting tool for in-year financial management and provided management information to help explain significant financial events that had occurred during the year by comparing them with the expected or budgeted equivalent figures.

The financial position for the year was largely being driven by above budgeted levels of staff costs. Spending on agency staff, in particular, had been a priority area in terms of focused financial management. Granular detail of spend was reviewed to support on-going financial decision making. Agency staff had been employed during the year in a number of key operational areas to support project work and service delivery. The reasons for this included:

- To support funded project work e.g. Connected Knowledge programme and GDPR.
- To support service delivery where there are vacancies or activity related pressures.
- To provide flexibility of service provision

The use of agency to support vacancies and activity pressures incurred a premium cost and adverse variance to agreed budgets. The spend had been largely as forecast.

Graphical information on the agency spend (at Sector level) of £3.716m across the organisation was provided, along with comparative information for 2017/18. A significant proportion of agency spend (66%) related to staffing provision within the planning service. Staff vacancies and demands on workload continued to drive agency spend in this area.

Agency staff had also been used for:-

- Housing Benefit administration and Enforcement teams as a result of staff vacancies from sickness and turnover.
- Digital (IT) Services (16% of total agency spend), to support the Connected Knowledge programme, and to cover a number of in-year vacancies.
- People and Payroll department to support both vacancies and prolonged periods of sickness absence, and at the Depot where agency loaders provided flexibility to meet staffing patterns.

The dependency on using high cost agency staff continued to be targeted to reduce risk of further in–year overspends. Plans had being developed to address spend and mitigating actions were being taken. Budgets for some areas e.g. planning have been adjusted in 2019-20 to address recurrent budgetary pressures in relation to staffing. Despite these known pressures on staff costs (adverse variance of £1.8m to budget), it has been possible to largely offset agency costs with additional efficiencies and income. These included:

- savings against budget in relation to transitional relief for business rates.
- increased income from commercial rents particularly at Pembroke Road, and for garden waste and commercial waste services.
- savings on vehicle costs at the depot due to previous capital investment.
- general efficiencies in the running costs of departments including savings on GDPR implementation provisions.
- savings on interest charges due to lower than planned level of borrowing.
- Revision downwards of minimum revenue position required as a result of prudent borrowing position.
- Higher than planned income on Business rates and collection fund.

Forecast Outturn

The outturn had been better than planned by £192,000 and better than forecast by £353,000. A planned surplus of £240,000 had been assumed in budget plans for 2018-19. A table detailed the changes from the forecast made at December 2018 was included in the Committee report.

In preparing forecasts, best estimates of income and expenditure were made in line with known expectations and intelligence on emerging issues in liaison with budget managers. Inevitably, organisational changes could lead to variation in spending patterns from the forecast set. Where this happens, action is required and taken to address variations across both portfolios and also within corporate budgets.

The changes to the forecast include:

- an increase of £96K on portfolio spend. A number of factors contributed to this change across all portfolios including increased levels of staff costs and also revision to income targets and other spend levels. The impact of staff changes across the organisation had been difficult to assess with precise accuracy. For operational issues, some changes didn't happen as quickly as forecast.
- Lower than anticipated collection fund levy
- Realisation of dividend payments had not previously been forecast
- Above planned levels of business rates income particularly retained enterprise zone relief.
- lower than forecast spend against contingency budget. It had been previously assumed that the budget would be fully utilised.
- Higher than planned interest payments and lower borrowing costs.

The Council was working in a dynamic financial environment. To ensure forecasting was as accurate as possible, members of the finance team regularly engaged with budget holders to ensure that any emerging issues for finance and related activities were flagged as early as possible to allow corrective action to be taken.

Reserves and Provisions

Detail of the reserves and provisions currently held by the Council were detailed on page 14 of the Digest. These reserves were held against specific risks and commitments. The closing balance for the financial year was £30.608m. This represented a decrease of £3.391m over the balance held at the end of the previous financial year.

In year, a decision had been taken to utilise reserves to support the financial impact of the unitary decision. An ear-marked reserve of £5m had now been created.

Capital Spend

The Digest at page 15 also reported on the level of capital spend for the financial year. The Council had reported a total spend on its capital plans of £9.166m. This included £3.024m to create new assets including the Public Realm Waterside North and the Pembroke Road depot scheme. A further £6.142m had been spend to support capital development in relation to financing for the Public Realm Waterside North scheme and also the Enterprise Zone at Silverstone.

Capital expenditure was financed by revenue contributions and capital receipts (which includes planned use of New Homes Bonus). It was anticipated during the year that a significant element of the programme would be funded from prudential borrowing. The Council had taken a prudent approach to financing the capital programme by deploying revenue reserves and cash balances instead of using external borrowing where possible as this produced a lower net cost. The change in funding had therefore reduced the on-going financing cost of the capital programme.

It was anticipated that any slippage in spend from 2018-19 would be carried forward to 2019-20. There was no perceived risk on the delivery of the overall schemes.

Investment and Borrowing

The Digest at page 16 included information on the level of investments and borrowings over the twelve months of the financial year. No new borrowing has been taken out so the current level remains at £18.5m. The council had £35.66m invested at the end of March 2019, in a combination of banks, building societies and money market funds.

With interest rates still at low levels, the actual amount of deposit income generated had been £376,000, £16,000 higher than planned. This was due to the high level of money available for deposit from unspent reserves and balances held to meet capital programme obligations.

Budget Management

As a final summary, Members were informed that the Council's financial performance in 2018/19 continued to be good, as reported to the meeting. The financial environment for 2019/20 would remain challenging, particularly as the Council would have to manage the uncertainty in relation to becoming a unitary organisation. In particular, it was recognised that the uncertainty from the unitary decision on staff retention and recruitment could potentially lead to further reliance on agency and temporary staffing arrangements. As a direct response to emerging financial risks, the Council would continue to identify where things could be done more efficiently, and at reduced cost, maximise all opportunities to increase income to the Council, and reduce spend on non-pay items where possible.

Escalation processes had been put in in place, during 2019-20, to monitor performance in year against the agreed plan. The key financial management messages, based on the forecast outturn for 2018-19 and the financial plan for 2019-20 were:

- To reduce agency spend and dependency on temporary staffing solutions.
- To identify where things could be done more efficiently, and at reduced cost.
- To maximise all opportunities to increase income to the Council.
- To reduce spend on non-pay items where possible.

The focus of the Council continues to be delivering financial stability and a balanced position for the new unitary Council. As a part of routine financial management arrangements, budget holders' were asked to regularly review all of their areas of responsibility to assess areas where spend can be minimised and income opportunities optimised. Budget managers were encouraged to review anticipated staff costs and agency costs over the coming months, with an emphasis to manage within budget whilst still maintain service delivery.

Members sought additional information and were informed:-

(i) that the significant savings against the Civic Amenities portfolio was mainly due to car park management where there had been savings from transition relief in business rates and additional pay and display income. This had been partially offset by higher buildings insurance premiums for Hampden House and lower service charge income. An undertaking was given to provide Members with a breakdown of the savings.

(ii) that the reduced income from Land Charges work was directly attributable to a lack of staff.

(iii) that the budget variances in the Legal Services area were due to timing of receipts in relation to Section 106 income and increased spend on agency staff and consultancy.

(iv) that the realisation of dividend payments not previously forecast mentioned at paragraph 4.5 of the report related to Aylesbury Vale Estates paying the Council a dividend in full for the year.

(v) that approximately 8% of agency staff engaged by the Council were used to cover vacancies. Approximately two-thirds of the agency staff were employed in planning.

(vi) that the housing benefits anticipated provision for bad debts figure was based on a calculation on the aging of debt over 180 days old.

(vii) that the lower costs during the year for abandoned vehicles and land drainage related to a number of savings across a range of services.

(viii) that the higher costs for the Planning Service was due to consultancy and agency staff fees currently employed to reduce the high number of planning applications backlog.

(ix) that AVDC had repaid borrowings to a Local Authority in April 2018 which had reduced the total amount of borrowings now owed

Members expressed concerns over the Finance and Resources portfolio where it appeared that most areas had increased employee/agency staff, although it was accepted that this was partly due to the organisation having to manage the result of the unitary council decision on staff retention and recruitment. The Committee requested that a report be submitted to the next meeting in September on how staffing retention, recruitment and the use of agency staff was being managed, including a breakdown of the financial impacts in different Service areas.

RESOLVED –

(1) That the contents of the Digest and the final outturn position for the Council for the financial year 2018-19 be noted.

(2) That staff be congratulated for their efforts and contributions to the better than planned outturn position for the last financial year.

(3) That a report on staffing be submitted to the next meeting in September 2019, as detailed above.

6. FUTURE WORK PROGRAMME

RESOLVED –

That the future work programme as submitted to the meeting be noted.