

South Lakeland District Council
Council
17 December 2019

Portfolio: Finance and Resources Portfolio

Report from: Cllr Andrew Jarvis

The development of strategic policy to ensure that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, i.e. Value for Money.

To ensure that the Council has proper arrangements in place for securing financial resilience and the management of the Council's resources.

Policies, Plans and Strategies

- Medium Term Financial Strategy
- Budget Framework
- Procurement Strategy
- Discretionary Benefit and Rate Relief Policies
- Council Tax Reduction Scheme
- Asset Management Strategy
- Commercial Strategy

Key Areas

- Strategic Finance
- Budget monitoring
- Treasury Management
- Capital Programme
- Value for money
- Procurement
- Savings programme
- Payments and Sundry Debtors
- Insurance and risk management
- Benefits Administration
- Council Tax Collection
- Resource Management

Strategic Finance

By the end of May 2019 officers had prepared the council statutory accounts, the Statement of Accounts, in line with statutory requirements. External auditors reviewed these accounts and provided an unqualified opinion on the Council's financial statements on 30 July 2019. External Audit was satisfied that the Council had in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2019. The auditor reported that "the Council presented us with draft financial statements in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit."

Budgets and Budget monitoring

The budget for 2019/20 was set at the full Council in February 2019, with progress towards the budget formally reviewed every three months. The Medium Term Financial Plan (MTFP), which includes the Council's Financial Strategy, looks at projected income and expenditure over the next five years and was presented at Council in July 2019.

Budget monitoring to the end of Q2 (April – September 2019) is reported elsewhere on this agenda. Although there are variances in a number of areas, overall the outturn projection if an overspend of £422k of £158k is expected to be met from savings arising from phase 2 of Customer Connect from January 2020 onwards and a further £204k of Customer Connect transition costs will now be met from the Customer Connect programme budget leaving an underlying potential overspend of £60k. Officers continue to work to identify savings in-year to offset this potential overspend.

As part of the 2019/20 budget process, further Customer Connect savings of £740k were identified. We are currently showing a saving from phase 1 of the staff programme of £582k in salary savings. Costs of Phase 2 are currently being finalised following recruitment and the full savings for 2019/20 of £740k is expected once the final structure for phase 2 is in place.

The budget setting process for 2020/21 onwards is progressing well with the preparation of the Medium Term Financial Plan (MTFP) and the approval of the Budget Strategy by Council on 23 July 2019. It was anticipated that options to deliver a balanced 2020/21 budget would be presented to Cabinet on 27 November 2019 but with the General Election being called this has now been postponed until 20 December 2019. These options will include the impact of future budget pressures and any potential recurring savings that are identified from the 2019/20 budget monitoring.

There is higher than usual uncertainty around future funding from the Government from April 2020 when the current multi-year settlement expires. The Government carried out a single-year Spending Review in September 2019 which will delay the major changes to local government funding for 12 months with the expected material drop in funding for this Council now expected from April 2021 rather than April 2020, subject to the result of the General Election. The funding for 2020/21 is now expected to be broadly similar to 2019/20 including Rural Services Delivery Grant and New Homes Bonus

Treasury Management

The Treasury Management Framework Report for 2019/20 was approved at Council in February 2019. The framework includes a Capital Strategy to clearly link a Council's spending and financing plans for the medium/long term, by ensuring the Council have robust arrangements for investing and only borrows where it is appropriate and affordable. Finance staff will apply the investment strategy when making decisions on where, and for how long, investments are placed. Updates are included in the quarterly Corporate Financial Update reports.

Capital Programme

The MTFP includes the Capital Strategy which sets out the sources of funding of capital expenditure, any restrictions on how that funding should be applied and the process for considering new bids for the capital programme. The Property and Land Management Strategy has informed the long-term requirements and phasing for capital expenditure based on input from LSH.

A major review of phasing of the Capital Programme by portfolio holders has resulted in a major re-alignment of spend with over £10m being moved from 2019/20 to 2020/21 and later years. This more accurately reflects the balancing of timing risks across the entirety of the investment programme, enabling us to better plan our borrowing and make best use of our revenue budget.

Procurement and Value for Money

SLDC's Sustainable Procurement & Commissioning Strategy 2019-20 was agreed by full Council in February 2019. This sets the framework for the Council to purchase goods, services, and works to deliver value for money and to meet the needs of local citizens. Officers are working on a new strategy for 2020 onwards to link to the draft commissioning framework.

The Procurement Schedule remains under regular review with additions approved by Cabinet in November 2019. The 2020/21 procurement schedule is currently being drafted. Current procurements include the arboricultural framework, Lightburn Park play area, Braithwaite Fold caravan site, Kendal markets, professional services framework and preparatory work on Kendal Town Hall/South Lakeland House and Grange Lido.

Savings programme

The Council is focused on achieving savings, primarily through efficiencies. During the budget and planning process there is an emphasis on ensuring resources are directed to priority areas in line with the Council Plan, with service efficiencies monitored and reviewed highlighting where further savings can be made. The introduction of a commissioning framework and a Commercial Strategy will help balance service demand and income generation.

The Budget Strategy for 2020/21 must concentrate on closing budget deficits from April 2021 onwards, either through increases in income or reductions in expenditure. Where capital expenditure is required or able to generate future revenue savings it should be prioritised.

The Customer Connect programme will deliver savings of £740k in 2019/20 and then on-going revenue savings, initially of £1.55m per year. There are also likely to be indirect savings as a result of new ways of working which have not yet been identified. The programme includes the preparation and implementation of a commissioning framework to review the need for services and to review how services should be provided, including de-commissioning of services where necessary.

Insurance and risk management

The Council has a Risk Management Process, which is reviewed annually by Audit Committee, which describes how the Council identifies and manages operational and strategic level risks. There were no changes required as part of the review approved by Audit Committee in April 2019. The Portfolio Holder with responsibility for risk management and the Chief Executive jointly have overall responsibility for risk management throughout the Council.

Corporate Management Team identifies and reviews existing risks and ensures mitigations to determine which risks are included on the Strategic Risk Register. Corporate Management Team reviews the risks along with corporate plan performance on a quarterly basis which are included in quarterly performance reports to Overview and Scrutiny Committee and Cabinet.

Where appropriate the Council arranges insurance to mitigate the financial impact of risks. The insurance cover and administration are set out in the Finance Procedure Rules within the Constitution. The Council concluded a procurement exercise in March 2019 for insurance for 3 years with Zurich Municipal with an option to extend for up to 2 years. This exercise achieved generated significant savings and extended cover.

Benefits Administration

The performance of the benefits team continues to maintain a high level of administration in new claims and changes in circumstances for both housing benefit and council tax reduction being processed within the target times contained in previous service plans.

The most recent new claims processing statistics are as follows:-

- July 2019 – 16.7 days
- August 2019 – 19.1 days
- September 2019 – 16.3 days

The most recent change of circumstances processing statistics are:-

- July 2019 – 3.6 days
- August 2019 – 4 days
- September – 4 days

The whole district now falls under Universal Credit full service. As a result of this there has been a reduction in the number of new claims made for Housing Benefit (as all new working age claimants, with exemptions, are required to claim Universal Credit for the housing element, which replaces Housing Benefit), and an increased number of claims for council tax reduction. There are currently 3024 live Housing Benefit and 4360 Council Tax Reduction claims in payment in South Lakeland. Workload has remained consistent and with additional support received, efforts have been concentrated on housing benefit overpayment recovery.

The council is continuing to work in partnership with colleagues at the Department of Work and Pensions (DWP), Citizens Advice and other partner organisations to ensure that the transition to Universal Credit for customers is as seamless as possible. The council strives to ensure that it maximises benefit entitlement through Council Tax Reduction and despite a reduction of over £20,000 in 2019/2020 Discretionary Housing Payments funding allocation, will continue to provide additional support to the most vulnerable residents.

Council Tax Collection

At the end of September 2019, council tax collection rates were ahead of target. It is expected that collection rates will remain close to target however they will continue to be monitored closely.

The most recent statistics for council tax collections rates at 30 September 2019 was 58.25%, which is 0.02% above the target of 58.23%. With additional support we have now been able to target recovery procedures.

Resource Management

The delivery of the Council Plan requires the balancing of competing demands for resources. The Council has a number of policies and strategies to guide resource allocation including:

- People: Workforce Plan
- Money: Medium Term Financial Plan and Procurement and Commissioning Strategy
- Assets: Property and Land Management Strategy, Parks and Open Spaces Strategy

These strategies are reviewed regularly. During 2019/20 a Commissioning Framework and a Commercial Strategy are planned to complement the existing strategies.

These strategies and the Council Plan are used to assist the leadership team in preparing service activity plans.

Asset Management

The strategic land and property management board has been set up to provide clear direction on the Council's land and building portfolio and drive a 10 year programme. All future investments will be focussed on where it meets council priorities, service requirements/ efficiency or maintenance requirements. The most recent meeting sought approval from the board for the next round of Capital and Revenue Bids in line with the asset strategy. The schemes put forward will now progress for Council approval in February 2020.

The Council is continuing to explore the remodelling and reconfiguration of South Lakeland House and Kendal Town Hall as part of the Customer Connect Programme with the aim of creating a scheme which is fit for purpose, fit for the future and maximises the use of the available space. This is known as the places element of Customer Connect. Income will be generated through the rental of surplus space and the creation of a 'Mintworks 2' in space vacated by SLDC. Along with operational savings and the avoidance of capital expenditure this will cover the cost of the project and give an income stream to the council. As a result it is expected that the accommodation requirements will not just be reduced in terms of the number of workspaces, but the type of workspace will change with the new accommodation supporting the ways of working to move away from silo working and towards one of flexible working, where boundaries between persons doing different tasks are removed, as multi-skilled working predominates. The planning for South Lakeland House was submitted at the start of September 2019 with the Listed Building application being submitted in October 2019. It is expected that schemes will go to the November Planning Committee. The tenders continue to be prepared so that if planning is approved, we are able to proceed to tender in December 2019 with view that tenders will be returned to 31.01.20.

Work is expected to start in February 2020 for the new Parkside Road car park as will the re-surfacing works to SLDC's car park in Grasmere. Other projects starting in the New Year include Photovoltaics to Mintworks and Town View Fields. The tender for the photovoltaic panels is currently out and work is due to start in January 2020 so that SLDC can benefit from the new feed in tariffs.

A planning application has also been submitted for the new hostel accommodation in Grange over Sands and the tenders are currently being drawn up so that work can also commence in the New Year. The new hostel will address some safeguarding concerns within the existing hostel and will offer safe family accommodation for those in need.

Grange Lido 'Phase 1 Light touch refurbishment' has also been submitted for planning approval. SLDC officers have been working hard to ensure that the scheme is supported by those who may wish to see a pool in the future. The scheme has been designed to accommodate a pool in the future and the design is as such that there will be minimal abortive works if the necessary Capital funds can be raised to introduce a pool on the back of a viable business case. Work is also ongoing to finish the design for the Grange Promenade. Meetings are to be held with Grange Town Council and an open day for the public to view the designs will be undertaken prior to Planning being submitted in December 2019.

The Kendal market review is underway with permission sought from Cabinet to proceed to the next stage of procurement to look for a new market management operator who is innovative and has the relevant experience to help secure the market's future and help it to become an

economic driver for the Town. Kendal market traders have expressed an interest in running the market as a co-operative and therefore SLDC has delayed the tender in order to give the trader's time to form a co-operative and to prepare a bid for submission.