

South Lakeland District Council
Council
Tuesday, 30 June 2020
Finance and Resources Portfolio

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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

External auditors reviewed the Councils Statement of Accounts and provided an unqualified opinion on the Council's financial statements on 30 July 2019. The External Auditors were satisfied that the Council had proper arrangements in place 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."

Work on the 2019/20 year-end is well progressed. However, due to the Covid-19 crisis the government have pushed back deadlines, and we now expect the final accounts to be completed by the end of June and the audit to take place in September 2020.

As reported in the Economy, Culture and Leisure Portfolio, due to Coronavirus SLDC has distributing business support grants across the District. It launched an online application process for businesses to submit an application which were validated in accordance with the guideline from Central Government.

On 25 March 2020 an emergency decision was taken for the Council to administer a new package of discretionary funding for businesses who were not eligible for grant support under the Small Business Rates or Extended Retail, Leisure and Hospitality Grants. The Discretionary Grants prioritised small and micro businesses with fixed property related costs who could demonstrate that they have suffered significant fall in income due to Coronavirus, dependant on this successful applicants could receive a grant of between £2,500 and £10,000.

Budgets and Budget monitoring

The five year budget for 2020/21 to 2024/25 was set at Council in February 2020. The Council is expected to deliver the priorities set out within the Council Plan therefore the five year budget ensures the Councils resources allow these priorities to be achieved.

The options to deliver a balanced 2021/20 budget were presented through the Budget Book at Council in February 2020. The report set out the actions required to enable the Council's priorities will be delivered and had been developed within the context of the Medium Term Financial Plan.

The delivery of the Customer Connect Programme has substantially reduced future budget deficits, however savings options still need to be developed to mitigate the expected further funding reductions from April 2021. The financial model assumes the overall funding from Government through general grants or retained business rates will continue to decline by the same rate as has been seen during the current multi-year settlement excluding one-off adjustments such as the negative Revenue Support Grant.

The Medium Term Financial Plan (MTFP), which includes the Council's Financial Strategy, looks at projected income and expenditure over the next five years. All future estimates will be reviewed as part of the MTFP to ensure saving plans are sufficient to set balanced budgets. Any future additional budget pressures or discretionary fixed term growth items would need to be funded by savings in existing budgets.

The delays in issuing a new Local Government Financial Settlement, the government have rolled over funding from 2019/20 to 2020/21. This left the Council in a comparatively strong position, as savings have been put in place and now we get the benefit of these before falls in income occur. It permitted a balanced budget for 2020/21, while at the same time

undertaking measures to protect key priorities and our future financial position. However, in light of the financial impacts of Coronavirus the delays are expected to be pushed back further however the Council will face financial uncertainty. In the report presented to Cabinet in May, it was estimated that the Council will face an additional deficit of around £2m by the end of Quarter 1, despite additional government support. Thanks to our strong reserves position we are able to bear this cost at present – although continuation of the lockdown beyond the end of June will put significant additional pressure on finances. A fuller view of the impact on both 2020-21 and subsequent financial years will be presented to the July and Council.

As a result of the new leadership structure from April 2019, the budgets had been reallocated and split against the new Operational Leads and Lead Specialists.

The approved revenue budget for 2019/20 set at Council in February 2019 was £14m which included a Customer Connect saving target of £740k. 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.

Treasury Management

The Treasury Management Framework Report for 2020/21 was approved at Council in February 2020. The strategy ensures that the Council have robust arrangements for potential future investing and borrowing where appropriate and affordable.

The strategy includes the Capital Strategy to clearly link a Council's spending and financing plans for the medium/long term in line with the 2020/21 budget. Finance staff will apply the investment strategy when making decisions on where, and for how long, investments are placed.

The 2019/20 Annual Treasury Management Report was considered at Cabinet on 24 June. The Council is required to produce an annual report under the Local Government Act 2003 which includes a review of activities and the actual prudential and treasury indicators for 2019/20.

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 informed the long-term requirements and phasing for capital expenditure based on input from Lambert Smith Hampton (LSH).

A major review of phasing of the Capital Programme by portfolio holders and officers 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. The phasing of capital expenditure in 2020/21 and beyond will be reconsidered during the financial year in the light of the impact of Covid-19.

Procurement and Value for Money

The Sustainable Procurement & Commissioning Strategy 2020/21 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 linking to the draft commissioning framework. An updated Commissioning Strategy is to be brought to the July Council

The Procurement Schedule has been under regularly reviewed through the year and was approved at Council in February 2020. The 2020/21 procurement schedule contains 109 procurement projects. Should a procurement process present as over budget then approval will sought in accordance with the Financial Procedure Rules.

Current procurements include the Kendal markets, Energy Saving Enhancements, Grange Lido and Playground Improvements.

Savings programme

The Council is heavily focused on achieving savings, primarily through efficiencies. During the budget and planning process there was 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 helps balance service demand and income generation.

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.

Insurance and risk management

The Council has a Strategic Risk Register, which has been reviewed by Audit Committee, and describes how the Council identifies and manages operational and strategic level risks both above and below the line of risk tolerance. 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 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.

Currently 5 strategic risks remain above the level of tolerance however, the Council is continuing to work to mitigate and monitor against those risks on a quarterly basis, and over 66% of risks are positioned below risk tolerance.

In light of Coronavirus, the Council will be undertaking a review the risks appropriately and identify how the virus will impact on the economy, environment health and financial status of the Council.

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. In March 2019 the Council concluded a procurement exercise 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 for the Council.

Benefits Administration

The performance of the benefits team have continued 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 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 2891 live Housing Benefit and 4637 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.

Throughout 2019/20 the council has been working in partnership with 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 continues to strive to ensure that it maximises benefit entitlement through Council Tax Reduction and will continue to provide additional support to the most vulnerable residents, particularly as the impact on the economy of the Covid-19 pandemic is felt.

In order to help those experiencing financial hardship as a result of the Coronavirus outbreak the Council used its emergency delegation powers to introduce a Council Tax Discretionary Relief Scheme. The Council recognises that it must be able to respond to the needs of the communities

Council Tax Collection

The Council has run the Local Council Tax Reduction Scheme which reduces the amount of Council Tax paid by the most vulnerable people in South Lakeland since 2013. In February 2020 the Council agreed the continuation of this scheme to support eligible residents on low incomes. The scheme will continue to support the Councils commitment to alleviate poverty.

At Council in February 2020 a 2% Council Tax increase was approved which was consistent with expectations from Central Government set out within the final financial settlement for 2020/21. Following this approval the Council is now working to undertake the annual Council Tax billing process ahead of year end.

Resource Management

The delivery of the Council Plan require continuous balancing of competing demands for resources. The Council has a number of policies and strategies which have guided 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 and alongside the Council Plan were used to assist the leadership team in preparing service activity plans.

Asset Management

The strategic land and property management board was set up to provide clear direction on the Councils 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 were considered at Council in February 2020.

At Planning Committee in December 2019, the Council was granted planning permission for 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. (Known as the places element of Customer Connect).

Future 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 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 refurbishment works have now commenced with the contractors adhering to social distancing and sanitation requirements.

Other projects soon to commence include Photovoltaics to Mintworks and Town View Fields, of which the Council will benefit from the new feed in tariffs.

A planning application for the new hostel accommodation in Grange over Sands was considered at Planning Committee in December 2019. Full approval was obtained and 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' was submitted for planning approval in February 2020. 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. The application was approved by Planning Committee.

Work is also ongoing to finish the design for the Grange Promenade. A public consultation event was held in early March 2020 as well as a 3 week online consultation to update Grange residents and businesses of the works planned for the Promenade and Lido.

The operation of Kendal market is currently out to tender. The Council is seeking an operator who is innovative and has the relevant experience to help secure the markets future and help it to become an economic driver for the Town. It is expected that the Council will have results of the tender in July 2020 – although this will require careful review given the possible impact of Covid-19.