

**South Lakeland District Council**  
**Audit Committee**  
**Thursday, 17 September 2020**  
**Audit Committee Covid-19 Update**

---

<b>Portfolio:</b>	Not applicable
<b>Report from:</b>	Helen Smith – Finance Lead Specialist (Section 151 Officer)
<b>Report Author:</b>	Helen Smith – Finance Lead Specialist (Section 151 Officer)
<b>Wards:</b>	Not applicable
<b>Forward Plan:</b>	Not applicable

---

**1.0 Expected Outcome**

- 1.1 Covid-19 has had, and continues to have a widespread impact on local authority service demand, service delivery and spending throughout the country. This report reviews the changes to the Council's finances and governance arrangements as a result of Covid-19.

**2.0 Recommendation**

- 2.1 It is recommended that Audit Committee notes the actions taken as a result of the Covid-19 pandemic.**

**3.0 Background and Proposals**

- 3.1 Before the announcement of lockdown on 23 March 2020 the Council had started to change the way it operated to ensure we had effective internal control at a time of high demand and pressure across all areas.

**3.2 New Delegations**

- 3.2.1 the Cabinet meeting on approved delegations to the Chief Executive any executive decision in this COVID 19 Global pandemic emergency or that is urgent or that would be necessary or expedient, or which would otherwise protect the Council's interests, including key decisions (this would be in consultation with the Leader of the Council and Portfolio Holder) and that the relevant Director (or appointed Deputy) has the authority to award contract awards up to the value of £100,000 following consultation with relevant Portfolio Holder, Section 151 Officer and Monitoring Officer. All decisions taken under these emergency delegations are published on the Council website and reported to the next meeting of Cabinet (for executive decisions) or Council (for non-executive decisions).

**3.3 Elections**

- 3.3.1 The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 were made under the Coronavirus Act 2020. The Coronavirus Act 2020

postponed the scheduled local and mayoral elections and Police and Crime Commissioner elections due to take place on 7 May 2020 until 6 May 2021.

### **3.4 Virtual meetings**

- 3.4.1 These regulations also enable all local authority meetings to be held remotely, including allowing remote access by members of the public, and they remove the requirement for the annual meeting this year. The regulations are drafted very broadly, applying to different types of local authorities, and to different categories of meetings including annual meetings, cabinet and committee meetings. Under these powers the Monitoring Officer led a team which set up the Governance for virtual meetings to be held from May 2020 using Microsoft Teams. The Constitution was updated to permit these meetings. Meetings are live-streamed and are also available for viewing afterwards on the Council website.
- 3.4.2 Regular briefing sessions were arranged from officers and portfolio holders with Group Leaders, all Councillors and Parish and Town Councils in addition to the virtual Cabinet and Council meetings.

### **3.5 Remote Working**

- 3.5.1 When lockdown was introduced all staff were requested to work from home where possible. This remote working was enabled by the existing arrangements for flexible working introduced as part of the Customer Connect programme and using existing IT equipment for most staff. Staff showed great flexibility in transferring their workplace from the office to their home, especially where children were not at school. The intranet was used to keep staff updated and to share news, information and support including homeworking wellbeing and mental health resources.
- 3.5.2 For several years the business continuity plans have included staff working remotely if there was no access to South Lakeland House or other buildings. Because these systems were already in place and well tested there were already arrangements in place for authorising payments and online banking. There is one treasury management counterparty which stills requires signed authorisation forms to be scanned and emailed but all other regular payments can be made remotely. Virtually all payments were already made through the BACS system: when the current banking tender commenced in 2016 the decision was made to stop using cheques and although there is the facility to write a cheque when BACS payments are not possible we are still on the first cheque book. The Council had arrangements in place for printing and distributing annual Council tax and business rate bills and for election printing. These arrangements have been temporary extended to include other print jobs.
- 3.5.3 The reception area of South Lakeland House is now open again from 10am to 2pm daily with Covid-19 precautions in place but with a request that as much business as possible be sorted by phone or online.

### **3.6 Procurements and Acceptance of Tenders**

- 3.6.1 As well as the delegations approved by Cabinet to Directors to accept tenders, the Monitoring Officer has established a Contract Management Board to include a review of all Covid-19 related contracts. This group have also reviewed existing contracts and future requirements with an update to the Procurement Schedule considered by Cabinet on 9<sup>th</sup> September 2020. The Monitoring Officer has updated the Constitution to clarify requirements for tender acceptance, key decisions and the forward plan to ensure transparent decisions have taken place.
- 3.6.2 The impact of Covid-19 on strategic partners has been of particular interest: for example the Council has worked with GLL on leisure provision including the arrangements for Kendal Leisure Centre to become a temporary recovery centre for

the NHS and providing additional funding to enable GLL to pay fixed costs while they were collecting no income from customers.

- 3.6.3 On 20 March 2020 Cabinet endorsed the decision to delay the deadline for receipt of Right to Buy receipts from South Lakes Housing, to assist with their cash flows, until 30 June 2020 rather than the 30 April 2020 as set out under the Housing Transfer agreement of March 2012. This request was carefully considered and the risks evaluated before agreement. The cash was duly received by this revised deadline.

### **3.7 Grants Schemes**

- 3.7.1 The Government made a Small Business Grant Scheme and a Retail, Hospitality and Leisure Grant Scheme available. This was announced by the Government in March 2020 and the Council's participation, and budgets for the receipt and payment of grant, were approved in the Emergency Delegated Executive Decisions and Emergency Non-Executive Decisions 001 on 30 March 2020. The Council received £74.8m of grant on 1 April 2020 and had paid £46.9m by the end of April 2020. Total payments to date (4/9/20) are 5,334 grants totalling £62.2m in the original scheme and 504 grants totalling £3.6m under the discretionary scheme. Officers contacted eligible businesses to encourage them to apply for the grants. This government funding is earmarked for these grants: anything not spent will need to be repaid. These grant schemes were initially for business rate payers but later extended to non-rate payers to assist businesses struggling with fixed costs and a loss of income.
- 3.7.2 Councils were encouraged to distribute the funding as quickly as possible with guidance gradually tightened on eligibility and expected checks before payments. The ESB system recently introduced by SLDC as part of Customer Connect was used for the application and administration of the scheme and will provide a full audit trail for each application with all businesses asked to provide their business rate reference to prove their identity and a copy bank statement to verify the payment details.

### **3.8 Treasury Management**

- 3.8.1 Council approved the Treasury Management Strategy for 2020/21 – 2024/25 and the Capital Strategy for 2020/21 -2033/34 on 25 February 2020. These strategies reflected the 2020/21 budget and capital programme being considered as part of this agenda and included the Investment Strategy which set out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.
- 3.8.2 On 1 April 2020 the Government paid the Council a grant of £74.5m to fund the costs of grants to businesses who pay rates. This was too high for the treasury management counterparties both available for use and approved in February 2020 for the 2020/21 financial year. The Emergency Non-Executive Decision Treasury Management Strategy – Investment Counterparties Update was approved on 30 March 2020 and approved higher counterparty limits for Money Market Funds (from £5m to £10m) and that the grant funding from government to be redistributed in relation to Covid-19 will be disregarded when applying the counterparty limit with the Councils own bankers (Nat West).
- 3.8.3 Since the start of the pandemic the Bank of England has twice cut interest rates down to 0.10% from 0.75%, these have seen investment returns fall as they are reflected in the money market. Due to the need for increased flexibility and liquidity in our cash flows, this has led to investments being refocused into the very short term end of the market resulting in increased use of instant access accounts and limited short term deposits.

### **3.9 Income Collection**

- 3.9.1 The Government announced various initiatives to assist with financial pressures, including additional business rate relief and additional council tax hardship support. All income collection by direct debit was stopped for April while business rate reliefs were awarded and new bills sent. New payment arrangements were made, mainly delaying council tax payments where most payments are still in 10 instalments to move back from April and May but to be extended to February and March. Direct debit collection of all debt is now back to normal schedules.
- 3.9.2 Cabinet and Council have approved both a temporary and permanent Council tax hardship scheme to implement the Government requirement to increase support to claimants of Council Tax Reduction Scheme (CTRS). Claimants have been awarded additional relief to reduce their Council Tax bill by £300 or to zero, whichever is the lesser amount. Although there was a wait for software, the hardship relief has now been awarded and new Council Tax bills issued.
- 3.9.3 Collection rates are lower than normal: at the end of August 2020 41.01% of NNDR had been collected which is 5.84% below target and 47.20% of Council tax had been collected which is 1.73% below target. For business rates the net collectible debit this year is vastly reduced due to many businesses either getting Small Business Rate Relief (SBRR) or the expanded retail relief. This means that the effect of any business that is not paying their bill will have a greater impact on the collection rate. Officers have approached larger debtors and agreed instalment plans. The grant scheme has seen a significant properties added to the rating list. Whilst the majority of these will be eligible for SBRR or expanded retail relief, not all will be and there will be a lag in the payments coming through.
- 3.9.4 Officers have sought to balance income collection with an understanding of customer positions. Social media messages were used to ask those that can pay to do so and those that were struggling to contact the Council to make arrangements as soon as possible. This included the #OK2ask message. Soft reminders have been sent out for all new debt, and the usual recovery processes are now being reintroduced. Additional temporary debt recovery officers are to be recruited to assist with this area of work.

### **3.10 Accounting and Budgeting**

- 3.10.1 As reported elsewhere in this agenda, the deadlines for preparing and auditing the annual accounts were revised to allow more time. The Council's accounts were approved for issue on 24 June 2020 and the audit of the accounts commenced shortly after.
- 3.10.2 Regular updates are provided by various bodies, including CIPFA, on suggested changes to financial management, procurement, risk management and fraud. This includes events, training and guidance such as how the Annual Governance Statement needed to reflect the impact of Covid-19. CIPFA advice on the impact of Covid-19 on Audit Committee is:

It is not the role of the audit committee to manage risks, but they should understand the significant and strategic risks their organisation is facing. Many local authorities are signalling that their response to the pandemic is augmenting the financial pressures they are facing. For each authority there will be differences according to their service obligations and their financial resilience prior to the start of the pandemic. The following list highlights the main factors, but there may be additional local issues too:

- additional expenditure on critical service areas such as social care or homelessness and purchase of protective equipment

- loss of income from income generation activities (car parking revenue, income from leisure activities such as leisure centres and theatres, other commercial operations)
- delays in receipt of income from fees and charges (eg planning fees, licences, deferral of council tax instalments or non-payment of rent or business rates)
- longer-term risks around a downturn in local business activity, investment and economic development
- reduced return on investments following the reduction in interest rates
- impact of interruption to the property market
- delays in the implementation of savings programmes which are required to balance the budget in the current financial year
- supply chain risks and concern about the failure of key suppliers or partners.

The impact of these risks have lead some chief financial officers (CFOs) to raise concerns about their organisation's ability to achieve their budget for 2020/21. This was acknowledged in evidence presented to the Housing, Communities and Local Government inquiry. Section 114 of the Local Government Finance Act 1988 (and Section 108 of the Local Government (Scotland) Act 1973 and Section 93(3) of the Local Government Finance Act 1992 for Scottish authorities) requires the CFO to inform the authority where they believe that the authority's expenditure is likely to exceed available resources. The authority is prevented from entering into any agreements incurring expenditure until the council has considered the report. The CIPFA Statement on the Role of the Chief Financial Officer in Local Government explains this responsibility in more detail. CIPFA will be publishing additional guidance on this area shortly.

It would normally be expected that detailed financial scrutiny of performance against the authority's budget would be carried out by the appropriate scrutiny mechanism. Scrutiny would also play its role in reviewing changes to the policies and priorities of the authority. The audit committee should be made aware of the risks and how they are being managed. In particular the audit committee will focus on any changes to internal controls and financial governance that are taken to enable the authority to manage its resources more effectively. These issues are also likely to feature in the narrative report that will form part of the financial statements which will come before the audit committee for review.

3.10.3 The pandemic has had a material impact on the Council's financial position. This is reflected in the Medium Term Financial Plan reported to Cabinet and approved by Council in July 2020. Expected deficits have increased in the current and future years, mainly as a result in reduction in income. The current position is monitored regularly as the Government announces changes in requirements and funding and as the situation around the district changes: for example income from car parking has recovered to pre-Covid-19 levels in some parts of the district for August 2020.

### 3.11 **Service Delivery and Working Collaboratively**

3.11.1 The Council continues to work with others to delivery ambitions. A joint committee has been established with Barrow Borough Council and Lancaster City Council to shape and drive economic development across the Lancaster and South Cumbria Economic Region through the Lancaster and South Cumbria Joint Committee. New policies and strategies continue to be prepared and applied, including the Commissioning Strategy approved July 2020.

3.11.2 The Council worked with voluntary groups, parish and town councils and other organisations to support communities and businesses. Elected members became community champions in identifying and coordinating support and relief where required with particular focus on poverty and hardship. The Council also has provided additional accommodation for those who are homeless and supported Cumbria County Council in Covid-19 outbreak control.

#### **4.0 Consultation**

4.1 Updates on emergency actions have been reported to Cabinet and Council: consultation with Portfolio Holders has taken place as required by the Constitution. Delegated decisions are reported on the website in accordance with the Constitution.

#### **5.0 Alternative Options**

5.1 This is an update of actions that have been taken: for each decision reported here, alternative options were considered and reported as required.

#### **6.0 Links to Council Priorities**

6.1 This is an update of actions that have been taken to ensure that the Council's priorities, as set out in the Council Plan, were delivered during the Covid-19 epidemic while still ensuring suitable internal controls were considered.

#### **7.0 Implications**

##### **Financial, Resources and Procurement**

7.1 There are no direct financial implications to this report. Updates on the financial implications of Covid-19 have been provided to Cabinet and Council through specific reports, the 2019/20 Revenue and Capital Outturn, the Medium Term Financial Plan and Quarterly Finance Updates.

##### **Human Resources**

7.2 There are no direct human resources implications to this report.

##### **Legal**

7.3 There are no direct legal implications to this report, which summarises actions taken. Individual decisions have been individually reviewed by legal staff to ensure robust decision-making processes have been followed.

##### **Health, Social, Economic and Environmental**

7.4 Have you completed an Health, Social, Economic and Environmental Impact Assessment? No

7.5 If you have not completed an Impact Assessment, please explain your reasons: This report summarises actions already taken and has no direct health, social, economic or environmental implications.

##### **Equality and Diversity**

7.6 Have you completed an Equality Impact Analysis? No

7.7 If you have not completed an Impact Assessment, please explain your reasons: This report summarises actions already taken and has no direct equality and diversity implications.

### Risk

Risk	Consequence	Controls required
Poor internal control as a result of new and increased demands arising from the Covid-19 pandemic	Inability to prove value for money in delivery of services	Monitor changes in processes and delivery.

### Contact Officers

Helen Smith, Finance Lead Specialist, 01539 793147, h.smith@southlakeland.gov.uk

### Background Documents Available

Name of Background document	Where it is available
Council Agenda: 30 June 2020 and 28 July 2020: Emergency decisions	<a href="https://tinyurl.com/yxr2usg9">https://tinyurl.com/yxr2usg9</a> <a href="https://tinyurl.com/y3lz82yr">https://tinyurl.com/y3lz82yr</a>

### Tracking Information

Signed off by	Date sent	Date Signed off
Legal Services	07/09/2020	07/09/2020
Section 151 Officer	N/A	N/A: report from S151 officer
Monitoring Officer	07/09/2020	07/09/2020
CMT	07/09/2020	07/09/2020

Circulated to	Date sent
Lead Specialist	Report author
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	N/A
Ward Councillor(s)	N/A
Committee	17/09/2020
Executive (Cabinet)	N/A
Council	N/A