

South Lakeland District Council
Overview and Scrutiny Committee
Friday, 27 August 2021
Portfolio Holder Report - Finance & Assets

Portfolio Holder: 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.

To support the Leader of the Council and to deputise in his/her absence.

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
- Asset Management

Strategic Finance

The 2020/21 Outturn report has been considered by Cabinet and Council. The original budgets for Covid-19 expected the cost to the Council to be just under £2m, which would be funded by using reserves. Largely as a result of additional government grant the net cost to the Council of Covid-19 for 2020/21 was just over £0.25m and was largely offset by savings on business as usual activity. As a result, it was only necessary to use £48k of General Reserve in 2020/21. This leaves the Council in a much stronger and sustainable financial position.

The 2020/21 Statement of Accounts, including the Annual Governance Statement, was approved by the Finance Lead Specialist in June, well ahead of the revised statutory deadline of 31 July 2021, and is currently being reviewed by the Council's external auditors, Grant Thornton.

External auditors reviewed the Council's Statement of Accounts and provided an unqualified opinion on the Council's financial statements on 2 December 2020 following changes to the statutory deadlines due to Covid-19. 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 2020. Particular risks identified by the external auditor included the implications of Covid-19, improper recognition of revenue from fees and charges, valuation of land and buildings and valuation of pensions. The auditor reported, "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."

During the Coronavirus pandemic SLDC has distributed a variety of 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.

Budgets and Budget monitoring

The five-year budget for 2021/22 to 2025/26 was set at Council in February 2021. The Council is expected to deliver the priorities set out within the Council Plan therefore the five-year budget ensures the Council's resources allow these priorities to be achieved.

The route to deliver a balanced 2021/22 budget was presented through the Budget Book at Council in February 2021. The report set out the actions required to enable the Council's priorities to be delivered and was developed within the context of the Medium Term Financial Plan.

The Medium Term Financial Plan for 2021/22 – 2026/27 has been considered by Council. It updates the 5-year projections approved in February 2021 for the impact of Covid-19 in 2020/21 and the latest expectations around government financial reform. The Government originally planned to change the funding model for local authorities from April 2019: this has been delayed several times and it is now widely believed, although not confirmed, that the reform will not be implemented in April 2022. This delay is likely to increase substantially the funding available to the Council by just under £2m in 2022/23 and reduces the amount of savings to be found for 2022/23 from £2.3m to £0.3m. The assumptions used within the financial model will be closely monitored and updates provided during the 2022/23 budget setting process. Significant deficits of £2m or more remain from April 2023 onwards when the financial reforms are expected to be introduced.

The Q1 Corporate Finance Update is elsewhere on this agenda. As is often the case this early in the financial year there are a small number of budget variances: officers will work together over the coming months to manage these variances to ensure a balanced budget for

the year. There will also be significant work to identify the impact of Local Government Reorganisation including the immediate costs, the potential savings in the medium term and the impact that the additional work will have upon capacity to deliver the existing capital programme. An update will be presented in the autumn.

Treasury Management

The Treasury Management Framework 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 2021/22 budget. Finance staff will apply the investment strategy when making decisions on where, and for how long, investments are placed.

Council in February 2021 approved the Treasury Management and Capital Strategies for April 2021 onwards. These strategies included new indicators to monitor the impact of internal borrowing and approved a permanent increase in the limits of how much can be invested in individual Money Market Funds to reflect the higher levels of cash held by the Council as a result of early receipt of Covid-19 grants.

The Q1 Corporate Finance Update is requesting an amendment to this Treasury Management Strategy to temporarily increase the amount of money held as variable interest investment which has prevented officers fully utilising the higher limits for Money Market Funds. While interest rates are very low there is much lower risk to holding higher proportions in variable interest rate funds.

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).

The budgets agreed in February 2020, with subsequent amendments, outlined a capital programme with investments of over £23m for 2020/21. As a result of Covid-19 a number of projects were de-prioritised and re-profiled into this financial year. Good progress is being made on a number of key projects including the South Lakeland House/Kendal Town Hall project. The capital programme for 2020/21 to 2025/26 was approved by Council in February 2021 and revised in March 2021. The MTFP presents the latest capital programme which has been updated for requested carry-forwards from 2020/21 and other minor budget changes and reflects the projected levels of resources. The latest approved programme for 2021/22 is £26.8m.

Procurement and Value for Money

A revised Procurement Strategy has been considered by Overview and Scrutiny and approved by Council. The Strategy sets out how the procurement function will improve through a more strategic approach, balancing the delivery of sustainable outcomes with value for money and reflecting the Council Plan Priorities. The previous procurement strategy was a combined Sustainable Commissioning and Procurement Strategy which was to run from 2013-2018. A temporary revision was made in 2019. Subsequently the Commissioning side of the strategy was separated into its own document and approved by Council in 2020. This Procurement Strategy should be viewed as a companion piece.

Pressures of the Covid-19 pandemic have reinforced the requirement for the Council to seek Value for Money from their procurement process as well as accountability that we are being fair and transparent in our invitations to tender.

Strategic Council Plan Priorities mean that there is a shift towards a more holistic view of the outcomes of our procurement, very much taking into account sustainability, net carbon neutrality and localism. Although since Brexit, there is some legislation change to assist with localism, much of how we approach this is down to how we can legally form our invitations to tender, being encouraging to local businesses but not excluding the wider business community where they can still benefit the District.

The mid-year review of the Procurement Schedule for 2021/22 is elsewhere on the agenda for this meeting.

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 has delivered 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 but which enabled the Council to deliver the Covid-19 grant programmes quickly, efficiently and with minimal additional costs. The savings proposals for 2021/22 are on track for delivery.

Local Government Reorganisation

Finance officers are working to understand the financial implications of Local Government Reorganisation, both in terms of the transition to the new Council and in the constraints upon our own spending and actions over the next 18 months.

Insurance and risk management

The Council has a Strategic Risk Register, which is 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.

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.

Benefits Administration

Following the influx of claims in 2020/21 due to Covid 19, the workload is levelling out. The Benefits Team, this quarter have dealt with 282 new claims, this is a 44% reduction compared to the same period last year and 5373 changes of circumstances which is a 15% increase.

The team are continuing 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. Additional temporary support continues to be in place to meet the increased demand and to ensure that residents receive the support that they require in a timely manner.

The whole district now falls under Universal Credit full service. As a result of this the Housing Benefit caseload continues to decrease as all new working age claimants, with exemptions, are required to claim Universal Credit for the housing element, which replaces Housing Benefit. There are currently 2503 live Housing Benefit claims. The number of Council Tax Reduction claims have decreased slightly to 4839. 57% of Council Tax Reduction claims relate to working age claimants, and the remaining 43% to Pensionable age claimants. . The recovery of Housing Benefit overpayments was halted during the height of the pandemic, although recovery from ongoing benefit entitlement continued. The team has recommenced recovery, and arrangements are being made with customers to repay outstanding debts, whilst applying sensitivity to individual financial circumstances.

The Council has continued to work in close partnership with the Department of Work and Pensions (DWP), Citizens Advice and other partner organisations to ensure that provision is in place to provide additional, support, assistance and advice to those residents who need it. 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.

There has been no further guidance or measures of assistance from the Government in relation to additional support to those in receipt of Council Tax Reduction for 2021/2022 hence, the Council Tax Discretionary Relief Scheme ceased on 31/03/2021. .

The Discretionary Housing Payment for 2020/21 budget was spent, with 603 applications, 83% being awarded a payment. For quarter 1 this year, there have been 164 applications in comparison to 197 application for the same period in 2020/21

Following Brexit, the regulations have been amended to regularise the immigration status of EEA nationals who were already resident before 31st December 2020. To enable them to continue to receive their rights, two new statuses have been introduced: Settled status and Pre settled status. All EEA Nationals will have to register by 30th June 2021 and attain a status to confirm their right to remain in the UK. Unless exempt, any EEA National without leave under the EU Settlement Scheme after 30th June 2021 will be subject to Immigration Control and will be deemed 'overstayers'. EU/EEA nationals who arrive after the 31st December 2020 are now considered a person subject to immigration control, which will usually mean no access to HB/CTS. There are currently 83 recipients in our district, 41 have attained settled status, and 5 pre settled status.

Council Tax/NDR Collection

At Council in February 2021 a £5 Band D (2.51%) Council Tax increase was approved which was consistent with expectations from Central Government set out within the final financial settlement for 2021/22.

Collection rates for both Council Tax and Non Domestic Rates are being monitored against 2019/20 performance due to the impact of Covid last year. Non Domestic Rates collection rate is showing as ahead of target at 33.22% (29.75% in 2019/20) however, this is misleading. Expanded Retail Relief and Nursery relief apply at 100% until 30 June 2021. There are challenges with regards to non-payment in the pub and hotel sector and at the moment those businesses do not have any liability to pay. Revised bills will shortly be issued for the reduced

Expanded Retail Relief and Nursery Relief at 66% effective from 1 July 2021. As instalments for payment of Non Domestic Rates will not be due until 1 August 2021, it is expected that there will be a reduction in the collection rate. Also direct debit mandates have expired with the bank in the interim and businesses will need to set these up if they wish to pay by this method once more.

Council Tax collection compared to 19/20 is 0.16% down 30.08% (30.23% in 2019/20). Customer Services continue to check on eligibility for Council Tax Reduction, discounts and exemptions whenever contacted about recovery notices, in order to maximise the financial assistance available to tax payers.

The Liability Order hearings are now established on a remote basis with Barrow Court. Summonses for the current year's council tax debt were issued 21 June 2021. This is the main run for the year and picks up the habitual non-payers. There has been significant number of council tax payers contacting the Council to make a payment arrangement.

The Recovery Specialist is working with the Case Management Team to identify cases where recovery action can be taken such as Attachment to Earnings and Benefit Orders and shortly, debts will start to be referred to Enforcement Agents, where these options aren't possible, starting with the outstanding debt for last year from the Court Hearings since January this year.

Whilst there is, still a significant backlog of outstanding work in the Case Management and Specialist teams for both Council Tax and Non Domestic Rates this is now starting to reduce. This backlog will also have an effect on collection rates due to the delay in the issue bills to new council tax payers/ratepayers.

Asset Management

Work to South Lakeland House First Floor and Kendal Town Hall was completed on 8th May 2021. Work to the remaining ground floor and second floor of South Lakeland House is now underway and due to completed in autumn 2021.

Projects recently completed include:

- New homeless accommodation for families. 3 family units completed in Grange-over-Sands.
- Re-surfacing works to Red Bank car park, Grasmere.
- Energy saving building enhancements to Mintworks and Town View Fields through installation of photovoltaics.
- Insurance work to Town View Fields hostel to refurbish bedrooms following an arson attack.
- Capital grant support given in support of flood remedial measures at Main Street Car Park, Grange-over-Sands.
- Extension and partial resurfacing of Braithwaite Fold Car Park.

Works due to start in the near future:

- Structural repair works to Westmorland Shopping Centre Multi Storey car park – Tender has been returned and in evaluation.
- New photovoltaic scheme at Ferry Nab Marina, Bowness on Windermere – Out to Tender.
- New pathways around Kendal Castle -Tender has been returned and in evaluation.

The assets team continues to monitor service contracts, undertake planned and reactive maintenance on the Council's estate. The Asset board has recently met to consider masterplan studies undertaken for North Lonsdale Road Depot in Ulverston, The Glebe in Bowness -on-Windermere and the Arnside Parking study.

Signed off by	Date sent	Date Signed off
Section 151 Officer	N/A	
Monitoring Officer	N/A	
CMT	11/08/2021	15/08/2021

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Lead Specialist	11/08/2021
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	11/08/2021
Ward Councillor(s)	N/A
Committee	N/A
Executive (Cabinet)	N/A
Council	N/A