

South Lakeland District Council
Council
Tuesday, 14 December 2021
Finance and Assets Portfolio Holder Report

Portfolio: 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 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. The Council's external auditors, Grant Thornton, reviewed the Council's Statement of Accounts and provided an unqualified opinion on the Council's financial statements on 30 September 2021, following changes to the statutory deadlines due to Covid-19. The External Auditors are still reviewing the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended

31 March 2021, and are expected to issue their Value for Money opinion to Audit Committee on 8 December 2021. 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.

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 was approved by Council on 27 July 2021. 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.

Detailed budget figures for 2022/23 onwards have been prepared based on the Budget Strategy approved as part of the MTFP. The Government Budget and Spending Review included little detail concerning local authority funding with details to be provided as part of the Provisional Local Government Finance Settlement which is due to be published in early-to mid-December. The assumptions used within the financial model are being closely monitored and an update is provided elsewhere on this agenda.

While it should be relatively straightforward to produce a balanced budget for 2022/23, significant deficits of £2m or more would remain from April 2023 onwards when the financial reforms are expected to be introduced. A separate MTFP from 2023/23 onwards will be prepared for the new Westmorland and Furness Council based on figures disaggregated from the Cumbria County Council budgets combined with budgets for each of the Westmorland and Lonsdale district councils.

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 the 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.

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 capital programme for 2020/21 to 2025/26 was approved by Council in February 2021, with minor subsequent adjustments. This outlined investments of over £23m for 2020/21, including a number of projects re-profiled into this financial year as a result of Covid-19. Good progress is being made on a number of key projects including the South Lakeland House/Kendal Town Hall project and work at Grange Lido and Grange Prom are expected to start in January 2022. With the ongoing impact of the Covid-19 pandemic and the impact of Local Government Reorganisation, it has been necessary to challenge the capital programme. The result of this review is presented in the draft budget for 2022/23, which has been updated for new funding, re-profiling to reflect expected commencement dates and to remove schemes no longer prioritised.

Procurement and Value for Money

A revised Procurement Strategy was approved by Council on 27 July 2021 and a Procurement update was approved by Council on 11 November 2021. 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. There has also been a review of the Council's Contract Procedure Rules with amendments also approved by Council on 11 November 2021 to provide further delegation and clarity relating to procurement and contracting processes.

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.

Officers are currently working on the Procurement Schedule for 2022/23 and are part of the Commissioning, Procurement and Contract Management Work stream for LGR.

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 included the delivery of Covid-19 grant

programmes quickly, efficiently and with minimal additional costs. The savings proposals for 2021/22 are on track for delivery.

Savings are proposed in the draft budget report for 2022/23; including proposals to for one-off budget reductions where LGR will reduce the need for spend.

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 has levelled out. The Benefits Team, have dealt with 250 new claims in the last quarter, this is a 100 less than last year and 50 less than the year before. Changes of circumstances dealt with for the last quarter were 4417, 1742 less than the same quarter last year and 1129 less than 2019-20. 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 Housing Benefit caseload continues to decrease slightly 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 2453 live Housing Benefit claims, which is a reduction of 50 claims. The number of Council Tax Reduction claims have also decreased slightly to 4714 compared to 4839 last year. 56% of Council Tax Reduction claims relate to working age claimants, and the remaining 44% 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. Recovery of overpayments has now fully recommenced, and arrangements are being made with customers to repay outstanding debts, attachment of earnings and deductions from benefits are now being applied for where all other recovery options have been exhausted, whilst the team continues to apply sensitivity to individual financial circumstances.

The council continues 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, 82% being awarded a payment. For the first half of this year this year, there have been 287 applications in comparison to 315 application for the same period in 2020/21. From the 2021/2022 £104,467 allocation of Discretionary Housing Payment funding, £44,934.29 is remaining for the rest of the financial year. Careful management of this budget ensures that vital support can be allocated to those in need for the remainder of the financial year.

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 below target at 55.18% (64.65% in 2019/20) however, this is misleading. Expanded Retail Relief and Nursery relief applied at 100% until 30 June 2021. Thereafter relief either reduced to 66% or businesses were outside of the scheme due to a cash cap being introduced that limited the amount of relief businesses can receive. As we had to rebill over 2000 businesses at the beginning of July with increased bills this has adversely affected the collection rate. Also direct debit mandates have expired with the bank in the interim and businesses have needed to set these up if they wish to pay by this method once more. Reminder Notices have been issued to those ratepayers that have not paid in line with their new bills and that has prompted more businesses to set up new direct debit instructions more recently and instalment plans will have extended into February and March. It is expected that we will continue to get nearer to target during the remainder of the year.

There has also been an increase to the Rating List of 200 hereditaments with an increase in RV of 400k during this financial year. A significant number of these are self-contained holiday lets that will be entitled to either small business rate relief or expanded retail relief. Application forms are issued to ratepayers but are not always received until after we have issued the bills. This again has an impact on the collection rate.

Council Tax collection compared to 19/20 is below target at 67.33% (67.83% 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. Due to the pandemic, we also relaxed our payment arrangement parameters to allow council taxpayers a longer period to get caught up. This will be having an effect on collection rates.

The Liability Order hearings are continuing on a remote basis with Barrow Court. There has been significant number of council taxpayers 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 where those actions are not possible debts are being referred to Enforcement Agents. The Recovery Specialist has streamlined the process in that post Liability Order we previously wrote to all council tax payers ahead of the debts being sent to the Enforcement Agents. Now, once Liability Orders have been obtained, those cases are referred to the Enforcement Agents straight away and they send the letter. This is at no cost to ourselves, which means

we save on staff time, printing and postage costs. The customer also has a window in which to contact the Enforcement Agents to make arrangements to pay without incurring and Enforcement Fees. We are now starting to look through debts for prior years with a view to passing those over the Enforcement Agents for collection.

Significant inroads have been made into the Taxation backlog and this means that we have been able to end one of our Agency workers contracts. It is hoped that by the improvements we have made to our processes we can maintain the current workload position.

As of the end of quarter 2, there was £1,124,674.95 of outstanding debt. From 1.4.21 - 30.9.21 £131,226.84 was raised in Housing Benefit overpayment and £176,488.84 recovered. There are currently 125 claims with agreements in place.

Asset Management

Work to the majority of South Lakeland House is due to be completed by January 2022. Works to the District Council Chamber are now complete and the Town Hall is now fully completed.

Projects recently completed include

- Braithwaite Fold Car Park extension as part of the Tactical Visitor Management Group work.
- Dredging to Ferry Nab.

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 energy efficiency measures at Ferry Nab Marina, Bowness on Windermere
- New pathways around Kendal Castle -Tender has been returned and in evaluation.
- EV Charging Points installed to 10 No. Car Parks
- Refurbishment to Abbot Hall Gallery.
- Grange Lido and Promenade works
- Changing Places Toilet and Refurbishment to existing PC at Rayrigg Meadow.

Detailed work has also started around Local Government Reform with the Estate/ Assets work package programme well underway with all baseline data now collated.

Local Government Reorganisation

Although the Local Government Reorganisation will abolish this Council from 1 April 2023, all the income, expenditure, assets and liabilities of this Council will transfer to the new Westmorland and Furness Council on that date to be merged with the amounts for Barrow Borough Council, Eden District Council and part of Cumbria County Council.

There are significant costs to implement the new authorities: both the 2022/23 Budget report and the LGR funding report elsewhere on this agenda give more details on the estimated costs identified to date. The Government makes no additional funding available for Councils undergoing LGR so all additional costs must be met either from existing resources or from delivering future savings. During 2022/23 there is expected to be a further request for funding for transition and transformation preparation work to be undertaken before vesting day.

The Chief Finance Officers, (CFOs) of all seven councils within Cumbria are working collectively to both identify future income and expenditure and to propose a methodology for splitting budgets for Cumbria County Council between the two new unitary authorities. Once

this is complete, a Medium Term Financial Plan and financial projections can be produced for the two new unitary authorities. The CFOs are also working to ensure that the new Councils have suitable systems, processes and people in place so they are able to make payments, collect income and monitor budgets from day 1 of the new authorities.

There are also specific rules for harmonisation of Council taxes for new authorities following LGR. Proposals for this and for the splitting of existing Government funding streams will need to be agreed with the Department of Levelling Up, Housing and Communities (DLUHC) by October 2022.

Tracking Information

| Signed off by | Date sent | Date Signed off |
|---------------------|-----------|-----------------|
| Section 151 Officer | N/A | N/A |
| Monitoring Officer | N/A | N/A |
| CMT | N/A | N/A |

| Circulated to | Date sent |
|---------------------------------|-----------|
| Lead Specialist | 01/12/21 |
| Human Resources Lead Specialist | N/A |
| Communications Team | N/A |
| Leader | N/A |
| Committee Chairman | N/A |
| Portfolio Holder | 01/12/21 |
| Ward Councillor(s) | N/A |
| Committee | N/A |
| Executive (Cabinet) | N/A |
| Council | N/A |