

**South Lakeland District Council**  
**Council Tuesday, 22 February 2022**  
**Corporate Financial Update Quarter 3, 2021/22**

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**Portfolio:** Finance and Resources Portfolio Holder  
**Report from:** Section 151 Officer  
**Report Author:** Claire Read – Finance Specialist, Claire Chouchoulas – Finance Specialist  
**Wards:** All wards  
**Forward Plan:** N/A

**Links to Council Plan Priorities:** This is a corporate financial update which contributes to sound corporate governance and ensuring that financial resources are available to deliver the Council's corporate priorities. This works towards delivering all of the Council strategic policies of:

Working across boundaries

Delivering a balanced community

A fairer South Lakeland

Addressing the climate emergency

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## **1.0 Expected Outcome and Measures of Success**

1.1 It is expected that Members note the projected year end position based on performance to the end of Quarter 3 2021/22 and officers planned actions to ensure a balanced budget by the end of the financial year.

## **2.0 Recommendation**

**2.1 It is recommended that Council:-**

**(1) Note the contents of the report and Appendices 1-3**

## **3.0 Background and Proposals**

3.0.1 **Revenue – Appendix 1** sets out the revenue variances to date.

- a) Covid-19 - As part of the 2021/22 Budget report approved at Council in February 2021, a Covid-19 Contingency budget of £697.5k was approved.
- b) Currently the best estimate of additional costs and loss of income from Covid-19 for 2021/22 are £570.6k. This currently suggests a saving against the contingency budget of £126.9k, we will continue to review the effects the remaining winter months have on this variance particularly around high risk areas such as car parks.
- c) Under the Government Sales Fees and Charges Support Scheme we were able to submit one final claim for the period of April to July 2021. A claim was submitted for £116k, of which £65k is budgeted for in 2021/22. At the time of

writing this report, confirmation of approval of the claim by DLUHC has not yet been received.

- d) Business as Usual (BAU) – in order to fully understand the underlying position the business as usual position has been separately identified–excluding the impact of Covid-19. The approved net revenue budget for 2020/21 set by Council in February 2021 was £11.9m which included a vacancy factor savings target of £478.4k. Additionally, carry forward requests of £469.8k were approved by Cabinet on 23 June 2021. Expenditure budgets have been increased in accordance with those approved carry forwards along with the matching funding from reserves.
- e) The MTFP approved at Council on 27<sup>th</sup> July 2021 considered some of the longer term financial pressures/opportunities, including reinstating the pay award assumption for 2021/22 of 2% of £214k, removing the re-building of General Reserve no longer required for Covid-19 of £315.8k, expenditure relating Local Government Reorganisation of £250k and adjusting for Interest Payable of £130.3k. All these amendments are net to £17.9k additional expenditure and are indicative figures.

Overall, at the end of Quarter 3, budget monitoring has identified a forecast business as usual year-end overspend of £46k. This compared to a projected overspend at the same period in 2020/21 was £65k. We are still assessing the financial impact of damage during Storm Arwen, have requested assistance under the Bellwin Scheme from DLUHC and are awaiting a response.

3.0.2 **Capital – Appendix 2** sets out the position on the capital programme. The capital budget for 2021/22 approved by Council in February was £19.085m. The working budget has changed a number of times since being set, and following a review of the capital programme in the autumn the programme is now valued at £14.602m for 2021/22. As at 31/12/2021 nearly £5m had been spent and of the remaining £9.8m over £5m is for grants where agreements are close to being finalised, so we are confident that we should spend the majority of this before the end of the financial year.

3.0.3 **Treasury – Appendix 3** provides an update on Treasury management for the Quarter.

### **3.1 Business as Usual Revenue Variances by Leadership Team**

3.1.1 **Appendix 1** provides the detail of the 2021/22 Quarter 3 (Q3) revenue variances for service area grouped by lead officer. The projected out-turn is for a net overspend of c£46k for business as usual. Further detail of the current projections is provided below in Table 1 and paragraphs a. to f. At the same position last year (2020/21) there was a projected overspend of £65k.

**Table 1: Summary by Service Area**

|  | Current Working Budget Full Year £000 | Expenditure Variance to Date £000 | Income Variance to Date £000 | Overall Variance to Date £000 | Out-turn projection BAU* £000 | Out-Turn projection Covid-19 £000 |
|--|---------------------------------------|-----------------------------------|------------------------------|-------------------------------|-------------------------------|-----------------------------------|
| Strategy, Innovation and Resources (a)     | 7,270                                 | (179)                             | 22                           | (157)                         | (334)                         | (640)                             |
| Customer and Locality Services (b)         | 2,298                                 | (30)                              | 5                            | (25)                          | (9)                           | 0                                 |
| Place and Environment (c)                  | 5,270                                 | 71                                | 156                          | 227                           | 269                           | 140                               |
| People Welfare and Income Maximisation (d) | 10,086                                | 62                                | (35)                         | 27                            | 54                            | 135                               |
| Delivery and Commercial Services (e)       | 4,498                                 | 57                                | 164                          | 221                           | 264                           | 238                               |
| Corporate Items (f)                        | (29,404)                              | (213)                             | 12                           | (201)                         | (198)                         | 0                                 |
| <b>Total GF</b>                            | <b>18</b>                             | <b>(232)</b>                      | <b>324</b>                   | <b>92</b>                     | <b>46</b>                     | <b>(127)</b>                      |

\*BAU = Business as usual

a. **Strategy Innovation and Resources**– the current projection is for a £334k saving against budget, due to:

- £144k transfer from the NNDR pool reserve to cover Economy and Culture permanent establishment and free up establishment budget to cover the cost of agency across multiple services due to issues with recruitment into service critical posts. This was approved at Council 11 November 2021. As this is across many services for simplicity the variance is shown within other general fund items;
- £60k projected underspend relating to the Debt Advisory growth bid;
- £60k projected underspend against car allowances corporately. This underspend is made up of various smaller underspends (less than £10k) across many services, therefore rather than reporting separately against each service, this has been highlighted within Strategy, Innovation and Resources. This will be highlighted across the various services at out-turn;
- £40k underspend on the Customer Connect Transition Training budget for which a carry forward has been requested. Some of the programmed training is currently going through procurement and it is unlikely that part of this training will be delivered in this financial year;
- £30k projected underspend on salaries for the Performance Innovation and Commissioning Lead Specialist post which had a period of vacancy and has subsequently been repurposed as a Principal Specialist;
- £25k projected underspend for corporate apprentice posts which are currently vacant and out for recruitment;
- £20k projected underspend against the corporate training budget; and
- £14.7k vacancy saving allowance which will not be achieved within Management Team; and
- £30k overspend on insurance mainly for premises and transport insurance. As with the underspend on car allowances this is across various services and therefore for simplicity has been highlighted in Strategy, Innovation and Resources.

- b. **Customer and Locality Services** – there is currently a £9k projected underspend within Customer and Locality Services, which is made up of small underspends on training, uniforms and the consultation budget.
- c. **Place and Environment Services** – The current projection is for a £269k overspend. The main reasons for the projected overspend are:
- £20k projected income surplus due to high demand earlier in the year for land search fees;
  - £20k projected surplus in building control income;
  - £5k projected shortfall in rental income at Mintworks due to reduced demand for office space at the property;
  - £15k shortfall in income for licences at gambling premises due to there being very few of these premises in the area;
  - £25k net shortfall in Private Water income;
  - £60k projected shortfall in planning income due to no major housing developments in the pipeline. There are still a high number of smaller applications on going, however the income from these is much less than what would be received for a major property development; and
  - £204k overspend on salaries within places and environment, £43k of which is the vacancy saving target which will not be achieved and the remainder due to the use of agency staff to fill vacant posts we are currently recruiting to in order to continue service delivery.
- d. **People, Welfare and Income Maximisation** – the current projection is for a £54k BAU overspend within this service, due to various variances. These are:
- £12k surplus income for funding received from Cumbria County Council towards Local Care Leaver Discounts applied to Council Tax in 2019/20 and 2020/21;
  - £30k projected additional income for housing benefit relating to emergency/temporary accommodation for homelessness which is not currently budgeted for; and
  - £96k deficit within rent allowances. Housing Benefit payments and the subsidy income relating to these payments have been reducing since the introduction of Universal Credits however current budgets don't reflect this reduction. The admin grant received for Housing Benefit has also reduced due to the reduction in case load. Additionally external audit fees have increased significantly nationally.
- e. **Delivery and Commercial Services** - the current projection is for a £264k overspend. This is made up of a number of variances across the service and these are:
- £10k surplus against budget on rental income from industrial units following rent reviews;
  - £10k expected surplus for litter bin supply and emptying;
  - £7k overspend on salaries at Town View Fields due to use of agency/casual staff to cover absence;
  - £13k anticipated shortfall in rental income for investment properties which are currently vacant;

- £22k projected shortfall in income for Town View Fields Hostel due to occupancy levels;
  - £23k overspend for 2020/21 Kendal Museum management fee which was not paid until 2021/22;
  - £37k shortfall in income for other homelessness accommodation, original budget based on more units than we were able to develop. An budget pressure has been put in the 2022/23 budgets to reflect this;
  - £52k vacancy saving target will not be achieved within the waste/recycling collection service due to requirement to keep the service running;
  - £60k deficit within the Transport service, of which £40k relates to a shortfall in income for works to contract vehicles and the remaining £20k relates to an overspend on repairs and maintenance to the fleet; and
  - £70k shortfall for Braithwaite Fold Caravan Park due to delays with lease until there was further clarity on Covid-19.
- f. **Corporate** – there is currently an underspend of £198k within corporate items. The main reasons for this being:
- £213k underspend for Minimum Revenue Provision. This is due to lower capital expenditure and timing of the completion of some capital schemes; and
  - £15k shortfall on interest from investments due to low interest rates throughout the financial year.

### Analysis of employee budgets

3.1.2 The position on employee costs at Quarter 3 is summarised in Table 2 below

3.1.3 The total variance is an overspend of £91k, 0.8% of the year to date budget. This includes the 4% vacancy saving built in to all direct employee cost budgets. The figure has reduced when compared to the overspend of £121k reported at Quarter 2. This is following the transfer from NNDR Pool Reserve to fund £144k of salary costs for Economy and Culture Specialists within the current establishment in order to free up establishment funding to cover use of agency for service critical posts while out for recruitment. This was agreed at Council on 11 November 2021.

**Table 2: Employee costs**

| Full year budget<br>£000 | Profiled budget<br>£000 | Actual to date<br>£000 | Variance<br>£000 | Variance<br>% |
|--------------------------|-------------------------|------------------------|------------------|---------------|
| 14,959                   | 11,084                  | 11,175                 | 91               | 0.8%          |

3.1.4 Included in Table 2 above is expenditure on contract and agency staff. The total spend on this element of employee costs is £777k against a profiled budget of £382k. This expenditure on contract and agency staff equates to 6.95% of the total spend on employee costs in Quarter 3. The majority of this relates to:

- Specialist-Place (£159k) which is for development control specialists;
- Case Management Welfare and Income Maximisation (£126k) mainly to cover revenue and benefits response to Covid-19;

- Waste/Recycling service (£103k) to cover sickness and vacancies in order to deliver the service;
- Specialists Environment (£91k) which is for environmental protection specialists backfilling current establishment which are working on the Covid-19 response;
- Specialists Welfare and Income Maximisation (£57k) mainly to cover revenue and benefits response to Covid-19;
- Community Housing Fund (£54k) for Community Led Housing Officer;
- Covid-19 (£44k) to cover the response to the pandemic e.g. Compliance;
- Case Management People (£38k) to cover the homelessness response to Covid-19;
- Specialists People (£35k) to cover Housing Support; and
- Town View Fields (£21k) to cover the hostel while staff have been shielding/self-isolating.

The majority of the above cover the use of agency while we carry out recruitment to vacant posts and continue service delivery during the Covid-19 pandemic.

### 3.2 Capital programme

- 3.2.1 The 2021/22 budget for capital was initially £19.085m, and following a review of the programme in the autumn the results of which was agreed by Council on 14 December 2021, the value of the Capital Programme now stands at £14.603m. Spend at the end of Quarter 3 was £4.922m, with a further £1.797m of committed expenditure through purchase orders.

**Table 3: Summary of capital programme and expenditure**

| Lead                                  | Full Year Budget<br>£000 | Expenditure<br>£000 | Budget Remaining<br>£000 |
|---------------------------------------|--------------------------|---------------------|--------------------------|
| Digital                               | 264                      | 140                 | 124                      |
| Place and Environmental Services      | 6,579                    | 794                 | 5,785                    |
| People, Welfare & Income Maximisation | 2,090                    | 484                 | 1,606                    |
| Delivery and Commercial Services      | 5,262                    | 3,221               | 2,041                    |
| Strategy                              | 147                      | 103                 | 44                       |
| Customer and Locality Services        | 261                      | 180                 | 81                       |
| <b>Grand Total</b>                    | <b>14,603</b>            | <b>4,922</b>        | <b>9,681</b>             |

- 3.2.2 Included in the remaining budget is £4.5m in grants payments due on completion of the legal agreements which we expect to be completed before 31 March, along with another claim based grant for which we are expecting a claim for £1m for the last quarter.
- 3.2.3 The scheme for South Lakeland House and Kendal Town Hall reconfiguration is expected to be overspent. Officers are currently working on determining the exact level of the overspend and this will also be funded through borrowing as per the scheme as a whole.

3.2.4 **Appendix 2** contains further comments and updates on all capital schemes.

### 3.3 Treasury Management

3.3.1 **Appendix 3** contains an overview of the Council's position against the agreed indicators and limits.

3.3.2 To date the Council's investments have performed well against market expectations, with all investments performing in excess of their benchmarks.

3.3.3 There has been no increase in borrowing this year and following a review of the capital programme internal borrowing as a percentage of reserves has fallen to 35.58% from 46.8% reducing the pressure to borrow.

### 3.4 Collection Fund

3.4.1 **Table 4** below sets out the performance on local tax collection. The Council Tax Collection rate at 31 December 2021 was 85.94%, which is 0.54% below the level target. This is an increase against Quarter 2 and is as a result of SLDC being more flexible with payment arrangements to enable Council Tax payers to recover from the effects of Covid-19. The team are continuing to monitor this.

3.4.2 The Non-Domestic Rates (NDR) collection rate figure is 76.18% which is 6.54% below target. This is an improvement on Quarter 2 where it was 9.81% below target. There has been an increase recently in direct debit payments and more payment plans have been extended until March 2022, therefore it is expected there will be a continued improvement in the collection rate against target for the remainder of the year.

#### 3.4.3 **Table 4: Local Taxation Collection rate**

| Percentage Collected Quarter 1 | 2016/17 % | 2017/18 % | 2018/19 % | 2019/20 % | 2020/21 % | 2021/22 % |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Council Tax                    | 86.14     | 86.18     | 86.36     | 86.48     | 84.81     | 85.94     |
| Business Rates                 | 82.55     | 82.35     | 82.29     | 82.72     | 75.94     | 76.18     |

3.4.4 Government have now enacted legislation which states Covid-19 is not a valid reason for a material change in circumstances (MCC) appeal against the rateable value of business properties and have instead put in place a Covid-19 Additional Relief Fund to assist business rate payers affected. The Council is currently working up a relief scheme. Further details will be published once this has been agreed.

### 3.5 Sundry Debts

3.5.1 The aim of this section is to describe the current debt position and to provide assurance over collection performance. **Table 5** below summarises the current collection rate on sundry debts:

### 3.5.2 Table 5: Summary of collection

|  | 2016/17<br>and<br>earlier<br><br>£000 | 2017/18<br><br>£000 | 2018/19<br><br>£000 | 2019/20<br><br>£000 | 2020/21<br><br>£000 | 2021/22<br>to date<br><br>£000 |
|--|---------------------------------------|---------------------|---------------------|---------------------|---------------------|--------------------------------|
| Debt outstanding                                 | 57                                    | 22                  | 41                  | 59                  | 167                 | 430                            |
| Total value of invoices<br>/ credit notes raised | 33,648                                | 5,086               | 5,696               | 6,138               | 6,003               | 4,341                          |
| <b>Collection Rate (%)</b>                       | <b>99.83</b>                          | <b>99.57</b>        | <b>99.27</b>        | <b>99.04</b>        | <b>97.23</b>        | <b>90.09</b>                   |

3.5.3 An analysis of outstanding sundry debts reveals that over 99% of debts have been recovered in years up to 2019/20.

3.5.4 In the current year to date, 90.09% of debt has been recovered this is an increase compared to 84.44% at the same time in 2020/21. The table below splits down in more detail the age profile of the current outstanding debts. 15% of the current year debt relates to invoices which are less than a month old and therefore not overdue.

**Table 6: Age profile of 2021/22 invoices**

| 2021/22 Invoices              | £000         |   |
|-------------------------------|--------------|---|
| 7 months or more overdue      | 48.2         | 37% of this debt relates to market rents where instalment arrangements have been made. 28% relates to lake encroachments which are being pursued by Legal |
| 6 months overdue              | 17.5         |   |
| 5 months overdue              | 6.2          |   |
| 4 months overdue              | 48.8         | 40% of this debt relates to moorings and is going through the recovery process  |
| 3 months overdue              | 22.7         | This relates to one invoice and an instalment plan is currently being arranged  |
| 2 months overdue              | 199.4        | 82% of this debt relates to one invoice for recycling credits which is usually paid within six weeks  |
| 1 month overdue               | 22.3         |   |
| Not yet due                   | 64.9         |   |
| <b>Total end of Quarter 3</b> | <b>430.0</b> |   |

## 3.6 Creditors

3.6.1 At Quarter 3 the council had made 15,120 payments to creditors totalling over £313m, of this 97.63% were paid within 30 days as can be seen in Table 7 below

**Table 7: Creditors Performance**

| Payment Method | Paid Within 30 days |                | Over 30 days |              | Total         |                |
|----------------|---------------------|----------------|--------------|--------------|---------------|----------------|
|                |                     | £000           |              | £000         |               | £000           |
| BACS           | 14,161              | 50,871         | 345          | 1,215        | 14,506        | 52,086         |
| CHAPS          | 154                 | 254,043        | 0            | 0            | 154           | 254,043        |
| Direct Debit   | 447                 | 7,134          | 13           | 29           | 460           | 7,162          |
| <b>Totals</b>  | <b>14,762</b>       | <b>312,048</b> | <b>358</b>   | <b>1,244</b> | <b>15,120</b> | <b>313,291</b> |
| <b>%</b>       | <b>97.63%</b>       | <b>99.60%</b>  | <b>2.37%</b> | <b>0.40%</b> |               |                |

3.6.2 As at 31 December 2021 there were 34 invoices/credit notes outstanding, this can be analysed as follows:

**Table 8: Outstanding Invoices/Credit Notes**

|                                   |           | £                 | %             | Average Days outstanding |
|-----------------------------------|-----------|-------------------|---------------|--------------------------|
| Invoice in dispute                | 6         | 76,697.58         | 36.41         | 306                      |
| Credit notes                      | 8         | -4389.15          | -2.08         | 883                      |
| Ready for payment on next pay run | 3         | 1,059.57          | 0.50          | 47                       |
| Awaiting Goods Received Note      | 2         | 790.22            | 0.37          | 75                       |
| Paid since end of Dec             | 15        | 136,494.40        | 64.80         | 60                       |
|                                   | <b>34</b> | <b>210,652.62</b> | <b>100.00</b> |                          |

3.6.3 Further work is being undertaken by officers to understand why invoices are in dispute. Since running the Quarter 3 figures one of the disputed invoices valuing £58,681.00 has been cancelled as it was confirmed it was a duplicate. The credit notes relate to suppliers which are no longer in use and we are perusing refunds to settle these.

#### 4.0 Appendices Attached to this Report

| Appendix No. | Name of Appendix                      |
|--------------|---------------------------------------|
| 1            | Revenue Monitoring Q3 2021-22         |
| 2            | Capital Monitoring Q3 2021-22         |
| 3            | Treasury Management Update Q3 2021-22 |

#### 5.0 Consultation

5.1 Senior management, budget holders and the Finance Portfolio Holder have been consulted.

5.2 This report went to Overview and Scrutiny Committee on 4<sup>th</sup> February 2022 and a verbal update of any comments will be given.

#### 6.0 Alternative Options

6.1 There are no alternative options for Appendices 1-3

#### 7.0 Implications

## Financial, Resources and Procurement

7.1 Finance and resource information is contained within the report.

## Human Resources

7.2 This report has no direct impact on the staffing of the Council.

## Legal

7.3 There are no direct legal implications arising from this report.

## Health and Sustainability Impact Assessment

7.4 Have you completed a Health and Sustainability Impact Assessment? No

7.5 If you have not completed an Impact Assessment, please explain your reasons: This report is an historic view of financial performance. The overall impact assessment of the choices and decisions required to set the annual budget is undertaken at budget setting time.

7.6 There are no additional health, social, economic and environmental impacts as a result of the report.

## Equality and Diversity

7.7 Have you completed an Equality Impact Analysis? No

7.8 If you have not completed an Impact Analysis, please explain your reasons: This report is an historic view of financial performance. The overall impact assessment of the choices and decisions required to set the annual budget is undertaken at budget setting time.

| Risk   | Consequence   | Controls required   |
|--|---|---|
| Not effectively managing budgets could lead to overspending. | Possible legal challenge, audit qualification and ultra vires expenditure.          | Scrutiny of budgets through review of monitoring reports.                                   |
| Recurring pressures or savings are not identified            | Medium Term Financial Planning may not reflect the future impact of current issues. | Regular monitoring of budgets in year to inform the MTFP and annual budget setting process. |

## Contact Officers

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## Background Documents Available

| Name of Background document                    | Where it is available   |
|--|---|
| 2021/22 Budget Book including MTFP projections | <a href="https://tinyurl.com/vtst3ez4">https://tinyurl.com/vtst3ez4</a> |
| Budget Setting Report                          | <a href="https://tinyurl.com/uuyt8wte">https://tinyurl.com/uuyt8wte</a> |
| Medium Term Financial Plan 2021/22-2026/27     | <a href="https://tinyurl.com/rf3na7k3">https://tinyurl.com/rf3na7k3</a> |
| Corporate Financial Update Quarter 2, 2021/22  | <a href="https://tinyurl.com/yc5cn7ac">https://tinyurl.com/yc5cn7ac</a> |

## Tracking Information

| Signed off by       | Date sent  | Date Signed off |
|---------------------|------------|-----------------|
| Section 151 Officer | 07/02/2022 | 07/02/2022      |
| Monitoring Officer  | 07/02/2022 | 10/02/2022      |
| CMT                 | 19/02/2022 | 21/02/2022      |

| Circulated to                   | Date sent  |
|---------------------------------|------------|
| Lead Specialist                 | 07/02/2022 |
| Human Resources Lead Specialist | N/A        |
| Communications Team             | N/A        |
| Leader                          | N/A        |
| Committee Chairman              | N/A        |
| Portfolio Holder                | 17/01/2022 |
| Ward Councillor(s)              | N/A        |
| Committee                       | 04/02/2022 |
| Executive (Cabinet)             | 09/02/2022 |
| Council                         | 22/02/2022 |