

South Lakeland District Council
Council
Wednesday, 13 July 2022
Finance & Assets Portfolio Holder Report

Portfolio: Finance and Assets Portfolio Holder
Report from: 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 2021/22 Statement of Accounts, including the Annual Governance Statement, was approved by the Finance Lead Specialist on 30th June 2022, well ahead of the revised statutory deadline of 31st July 2022, and submitted it to the Council's external auditors, Grant Thornton, for review. The accounts include 2 prior-period adjustments:

- it is necessary to produce comparable figures for 2020/21 on the same departmental structure as for 2021/22 following the reorganisation of services in May 2022 under the Operational Lead – Place and Environment and Operational Lead – People, Welfare and Income Maximisation; and
- to recognise the review and re-categorisation of some assets from investment properties to better reflect the use of those assets.

Although the final opinion on the 2020/21 accounts was issued in September 2021 and the Value for Money Annual auditors report was issued in December 2021 the Audit certificate, which signifies the closure of the audit, has not been issued to date due to delays with the Whole of Government Accounts return. The auditors are required to certify the accounts are consistent with the WGA return but the return was not published by the Government until May 2022. The Councils 2020/21 WGA is now ready for audit and will be reviewed alongside the 2021/22 accounts.

The 2021/22 Outturn report is elsewhere on this agenda and reports a very small underspend for 2021/22 after taking into account movements to and from reserves.

Budgets and Budget monitoring including Capital Programme

The five-year budget for 2022/23 to 2026/27 was set at Council in February 2022. Officers are still finalising the initial financial monitoring results for 2022/23 but there are a number of budget pressures expected for 2022/23 onwards, including utilities, fuel prices, staff pay and inflation-linked payments to contractors.

Normally a Medium Term Financial Plan for the five years from 2023/24 would be under preparation for consideration by Cabinet and Council in July. This year there is not the need to prepare this future-look at the Council's finances to set the structure for the 2023/24 budget setting process. Instead, the Finance Team will prepare budgets on behalf of the Westmorland and Furness Council based on assumptions and principles agreed by the Westmorland and Furness S151 Officer and Shadow Cabinet. It is expected that a first draft of these budgets will be ready for October 2022. The latest SLDC MTFP financial projections, approved in February 2022, predicted a budget deficit for 2023/24 of £2.3m assuming the Government would reform certain elements of local government funding. This review is not expected to apply until at least April 2024 so it is now expected that the deficit will be reduced by £2.9m. The W&F Council MTFP from 2023/23 onwards will be prepared based on figures disaggregated from the Cumbria County Council budgets combined with budgets from Eden District Council, Barrow Borough Council and this Council.

Budget monitoring reports for Q1 of 2022/23 (1 April 2022 to 30 June 2022) will be prepared during July 2022 and reported to Overview and Scrutiny Committee on 26th August, Cabinet on 31 August and Council on 4th October 2022.

Treasury Management

The Treasury Management Framework strategy ensures that the Council have robust arrangements for potential future investing and borrowing where appropriate and affordable and was approved by Council in February 2022.

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 2022/23 budget. Finance staff will apply the investment strategy when making decisions on where, and for how long, investments are placed. Levels of investments and bank balances have been higher than normal over the last couple of years due to patterns of receipt and payment of Covid-19

grants from Government. The majority of unclaimed grant has now been repaid to Government and investment levels are returning to more normal levels. Further grant of £5.4m was received in March 2022 for the Council tax energy rebate, of which £5.2m relates to the statutory scheme for residents of properties in council tax band A, B, C and D and £191,250 relates to a discretionary scheme to be set up by the Council to support households who are in need are not eligible for the statutory Council tax rebate.

Capital Programme

The capital programme has now been updated for 2021/22 actual expenditure and re-profiling requests have been rolled forward along with the related financing. Full details are included in the 2021/22 outturn report elsewhere on this agenda.

Procurement and Value for Money

A revised Procurement Strategy was approved by Council on 27 July 2021 and 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 procurement schedule for 2022/23 was approved in February 2022 alongside the budget report.

Pressures from rising inflation 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. 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 part of the Commissioning, Procurement and Contract Management Work stream for LGR which has identified a procurement pipeline list.

The Secretary of State made a direction under s24 of the Local Government and Public Involvement in Health Act 2007, providing that a predecessor Council may not, without the written consent of the Shadow Authority, enter into capital contracts under which the consideration exceeds £1m or non-capital contracts under which the consideration payable exceeds £100,000, where the period of the contract extends beyond vesting day or where under the terms of the contract the period may be extended beyond that date. A schemes of delegation and a general consent was approved by Westmorland and Furness Shadow Cabinet on 10 June 2022 and will require any contracts over £2m to be reviewed by the W&F Council.

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.

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. Cover for the 2022/23 financial year has been finalised by officers who are now assisting with the procurement of cover for 2023/24 onwards for Westmorland and Furness Council.

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 261 new claims in the last quarter which is 30 less than last year in the same quarter but only 7 less than the quarterly average across the whole year. Changes of circumstances dealt with for the last quarter were 4,903 which is 616 less than the same quarter last year and 19 more than the quarter average for last year.

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. As of 27 June 2022, the combined caseload is 4908, 166 less than the same time last year and 318 less than 2020. There are also 2285 live Housing Benefit claims, which is a reduction of 215 claims from the same time last year.

The number of Council Tax Reduction claims has also decreased to 4666 compared to 4830 last year. 57% of Council Tax Reduction claims relate to working age claimants and the remaining 43% to Pensionable age claimants.

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. Increases in new claims are anticipated due to the pressures on households and the increasing cost of living.

Recovery of overpayments continues with the team continuing to apply sensitivity to individual financial circumstances. Arrangements are being made with customers to repay outstanding debts and attachment of earnings and deductions from benefits are being applied for where all other recovery options have been exhausted.

The Council continues to work in close partnership with the Department for 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 the 2022/23 financial year.

The Discretionary Housing Payment budget for 2021/22 was spent in its entirety, with 85% of the 557 applications being awarded a payment. As of 27 June 2022, there have been 169 applications in comparison to 164 application for the same period in 2020/21.

For the first quarter of the 2022/23 financial year, £22,999 has already been granted indicating the continued need for this support. The allocation from Central Government has reduced by almost £32,000 this year to £72,538 however an amount of £2m has been reserved by government for allocation later in the year which may mean additional funding is made available to the Council. As in previous years, careful management of this budget continues to ensure that vital support can be allocated to those in need for the remainder of the financial year.

Council Tax/NDR Collection

During the 2021/22 financial year, collection rates for both Non Domestic Rates and Council Tax were measured against 2019/20 actual performance due to the impact of the pandemic.

This year's collection rate (2022/23) for Council Tax is now being monitored against last year's (2021/22) actual performance. As at the end of May 2022, the collection rate was 20.61% against a target of 20.66%, down 0.05%.

Due to significant increases in demand on the service over a prolonged period of time, there is currently a processing backlog of changes for Council Tax dating back to March 2022 meaning that some new and existing taxpayers will be waiting for bills from the Council to enable them to make payment which will be affecting the collection rate. This workload has been prioritised and additional resources identified with a view to reducing the backlog significantly over the next month.

As we recover from the pandemic, recovery activity is now focussed on encouraging taxpayers to return to payments in-year wherever possible. During 2021/22, customers who had fallen behind and were carrying forward arrears were allowed extended payment arrangements on their full outstanding balances continuing beyond 31 March where appropriate. From April 2022, only amounts subject to a summons will be included in a payment arrangement with the flexibility to adjust the instalment profile for 2022/23 charges over the remainder of the year where needed.

Additionally, the Recovery Specialist is reviewing recovery action which was postponed due to the pandemic and recommencing this where appropriate. The team continue to review debts for prior years with a view to passing those over the Enforcement Agents for collection as resources allow.

Customer Service Advisors continue to check on eligibility for Council Tax Reduction and discounts and exemptions whenever contacted about recovery notices in order to maximise the financial assistance available to taxpayers.

Reminder notices were not issued during April 2022 but we have now restarted issuing those.

Liability Order hearings continue on a remote basis for the time being although a review meeting is to be held with the Courts Service to address any issues with the hearing process for the future.

Significant numbers of Council Tax payers are contacting the Council to make a payment arrangement on receipt of a Summons.

Delivering the £150 Council Tax Energy Rebate scheme announced in February 2022 for over 34,000 households in bands A - D has been a significant piece of work for the Revenues Specialists, diverting resources away from recovery activity to publicising, testing and implementing the scheme to assist households as quickly as possible. As at 28 June 2022, £3,628,800 of the £5,193,450 allocated to SLDC has been awarded to 24,192 households which represents just under 70% of the funding allocation for the mandatory scheme.

The work on the energy rebates continues and is likely to continue in the coming months as bank details are collected from around 8000 taxpayers not currently paying by Direct Debit and more eligible households are awarded their rebate as the processing backlog is brought up to date.

The Discretionary Energy Rebate Scheme is due to be tested, launched and implemented over the coming months in order to distribute the £191,250 of discretionary funding before the deadline of 30 November 2022.

The increased cost of living is also expected to affect both collection rates and workloads over the coming few months due to some households struggling with higher costs of domestic energy, fuel and food and in increased customer contacts for assistance including

enquiries from some residents on the cost of living package announced by the Chancellor, the majority of which is not expected to be administered by the Council.

Recent updates from the Institute for Revenues, Rating and Valuation indicate that additional Household Support Fund may be allocated in the autumn of 2022.

During 2021/22 collection of Non Domestic Rates (NNDR) was monitored against that actually collected for 2019/20 due to the impact of the pandemic. It would seem sensible to continue to monitor against 2019/20 for current year collection due to the effects of the mid-year split for retail relief from 2 July 2021 which had an impact on the collection rates with collection dipping to -10% at one point last year.

As at the end of May 2022, the collection rate was 20.32% against a target of 20.09%, up 0.23%. However, in 2019/20 retail relief was awarded at 33% of the net rates bill for qualifying businesses. This year relief is awarded at 50% of net rates bill and it is still extended to hospitality and leisure businesses following the pandemic so this means that we have less to collect from ratepayers.

There is also a processing backlog of NNDR changes dating back to March 2022 with the same issues as for Council Tax highlighted earlier. There are a number of applications for Small Business Rate and Retail Relief awaiting processing which once considered could reduce the overall amount collectable.

Reminders have not yet been issued for NNDR accounts and accounts are being reviewed on an individual basis. Recovery was stopped from January 2022 whilst consideration was given to administering the Covid-19 Additional Relief scheme for NNDR. A report will be presented at Cabinet on 4 July 2022 to approve the proposed scheme for administering our allocation of £2.1 million relief.

Whilst any award under the CARF scheme is restricted to 2021/22 ratepayers who have already paid their bill will still be able to apply and as part of the application process, some may opt to have any resulting credit to be refunded or credited to the current year which, again, may reduce the overall collectable amount.

Asset Management

- Work to South Lakeland House is completed.
- Structural repair works to Westmorland Shopping Centre Multi Storey car park is currently underway and due for completion August 2022.
- New energy efficiency measures (installation of a new water source heat pump) at Ferry Nab Marina, Bowness on Windermere are currently out to tender.
- New pathways around Kendal worked have been completed.
- Refurbishment to Abbot Hall Gallery – currently in agreement with Lakeland Arts. Works intended to be complete by December 2022.
- Changing Places Toilet and Refurbishment to existing PC at Rayrigg Meadow are due to start August 2022.
- Grange Lido and Promenade design works are progressing, with the onsite concrete survey nearing completion. This will allow the completion of final architectural construction information, enabling commentary and design input from the structural engineers and Building Control. Discussions continue with Save Grange Lido.

Detailed work has also started around Local Government Reform with the Estate/ Assets work package.

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. Officers are currently working on disaggregating and aggregating the revenue budgets for 2022/23 as a basis for the 2023/24 budgets and on assets and capital programmes. On top of the usual budget work around identifying budget pressures and savings, it is necessary to combine potential budget changes arising from the splitting and combining of services as identified through the service baseline blueprint process. Work is also progressing on collating and reviewing fees and charges for all Councils to identify where there may need to be changes in charges for 2023/24 (other than BAU changes for inflation etc).

There are significant costs to implement the new authorities, funded from contributions from each existing authority which have been included in budgets. 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 of all authorities 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	01/07/22	01/07/22

Circulated to	Date sent
Lead Specialist	N/A
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	01/07/22
Ward Councillor(s)	N/A
Committee	N/A
Executive (Cabinet)	N/A
Council	13/07/22