



Report for:	Cabinet
Date of meeting:	24th November 2020
Part:	1
If Part II, reason:	

Title of report:	COVID-19 IMPACT PAPER
Contact:	<p>Andrew Williams, Leader of the Council and Portfolio Holder for Corporate & Contracted Services</p> <p>Author/Responsible, Officer:</p> <p>Claire Hamilton, Chief Executive</p> <p>James Deane, Corporate Director (Finance and Operations)</p> <p>Mark Gaynor, Corporate Director (Housing and Regeneration)</p> <p>Mark Brookes, Assistant Director (Corporate & Contracted Services)</p>
Purpose of report:	<ol style="list-style-type: none"> 1. To provide Cabinet with an update on the projected financial impact of Covid-19. 2. To highlight the work and support the Council has been carrying out across service areas in relation to Covid-19. 3. To seek approval for additional funding to Citizens Advice Dacorum
Recommendations	<ol style="list-style-type: none"> 1. That Cabinet receive and note: <ol style="list-style-type: none"> (a) The projected financial impact of Covid-19 for 2020/21 as set out in section 1. (b) The service updates provided in section 2. 2. That Cabinet recommend Council approve £76,000 (over two years) additional funding for Citizens Advice Dacorum.

Corporate objectives:	The financial impact and the Council's response to Covid-19 will impact all of the Council's Corporate Objectives.
Implications: 'Value for money' implications	<p><u>Financial</u></p> <p>Financial Implications are covered in section 1.</p> <p><u>Value for money</u></p> <p>Covid-19 will have various value for money implications which will be assessed as proposals develop to respond to the issues raised.</p> <p>The Council's initial response has focused on continuity of service provision and support for key groups and organisations – the measures implemented are aimed at assisting the recovery and minimising the long terms impacts as much as possible.</p>
Risk implications	Due to the significant impact of Covid-19, a new strategic risk has been entered into the Council's Strategic Risk Register.
Community Impact Assessment	The Council's response to date has tried to ensure minimal service disruption to the community. The recovery phase of the Council's response will continually assess its impact on the community to ensure a balanced and effective response and this will be directed through the various recovery groups.
Health and safety Implications	The Council has acted promptly and put in place appropriate measures to ensure that staff, councillors and the community are protected from Covid-19 whilst trying to ensure minimal service disruption. This will continued to be assessed through the recovery stages.
Monitoring Officer/ S.151 Officer Comments	<p><u>Monitoring Officer comments</u></p> <p>The Monitoring Officer continues to monitor the key issues raised by legislative changes and relevant government guidance and ensure that effective policies and procedures are in place to assist services to continue to deliver during the pandemic and subsequent recovery phase.</p> <p><u>S151 Officer comments</u></p> <p>The Financial Implications section of the report have been written by the S151 officer and will continue to be monitored as actual costs become clearer. Members will be regularly updated on the financial implications of Covid-19 as they develop.</p>
Consultees:	Leader of the Council, Councilor Andrew Williams
Background papers:	<p>Coronavirus Covid-19: Guidance for Local Government</p> <p>Procurement Policy Note 02/20 – Supplier Relief due to Covid-19</p>
Glossary of	None

acronyms and any other abbreviations used in this report:	
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1. **EXECUTIVE SUMMARY – FINANCIAL IMPLICATIONS**

- 1.1 This section provides an update on the Covid-related financial pressures detailed in the September Cabinet report. It does not include the business-as-usual pressures that emerge over the course of the year, which will continue to be reported to Members through the scheduled Budget Monitoring reports.
- 1.2 The forecasts in this report have been updated to reflect seven months' worth of current year data, as well as the most recent announcements from Government on the financial support that will be provided to councils over the course of the year.
- 1.3 As at the end of October, DBC is forecast to face a net General Fund pressure in the current financial year of around £2.2m (down from the £2.5m reported in September).

This is a net position, incorporating the following:

- £1.9m additional expenditure (see paragraph 1.12)
- £2.5m reduced income, net of government income support (see paragraphs 1.7 – 1.11)

Offset by:

- £2.2m of government grants, including £2m of Covid Support Grant and £170k of new burdens grant for Revenues and Benefits to support pandemic costs

- 1.4 The Medium-Term Financial Strategy recommended by Cabinet to Council at its October meeting proposed a strategy for managing Covid-related pressures as a time-limited pressure, distinct from the underlying savings challenges the Council faces to ensure it remains sustainable over the medium-term. This strategy relies on the use of earmarked reserves which, although ensuring the continuation of Council services, will inevitably reduce the capacity of the Council to deliver the ambitions for which the reserves were originally earmarked. In light of the significant and fast-changing budgetary implications of Covid, the MTFS will be kept under constant review and reported back to Members.
- 1.5 Falling collection rates for both Council Tax and Business Rates could create funding issues in future years. However, the technicalities of these funding streams means that the current year's budget will not be affected.
- 1.6 The HRA is currently forecasting a full-year surplus of c£900k. This is a net position, with an expected increase in the bad debt provision to be partially offset by reduced expenditure of £2.4m.

Pressure on General Fund income streams

- 1.7 The most significant financial threat continues to be lost income due to falling demand for Council services. The table below shows the latest year-end forecasts for

key income streams. It should be noted that these projections could alter dramatically over the remainder of the year depending on factors that cannot be estimated within any certainty and are beyond the Council's control, e.g. the potential for future national or local restrictions/lockdown period and the unknown severity of any recession.

- 1.8 The income streams most exposed to potentially significant changes in later months are the two highest: Investment Property and Garages, which together comprise £9m of the Council's £16m key income streams. As rental income, neither are eligible for the Government's income protection scheme which limits the volatility of other, non-rental income by underwriting 72% of net losses. The risk of significant swings within the current year reduces with each month that passes where the expected recession has not taken effect.
- 1.9 In addition to these key, customer-facing income streams, the Council now faces a further £250k income pressure. Since the September Cabinet report, Hertfordshire County Council (HCC) has advised that its forecast Alternative Financial model (AFM) payment to DBC of c£300k is now likely to reduce to c£50k. The AFM is used by HCC to reward district councils for reducing its landfill disposal costs: effectively, the fewer tonnes of landfill waste that HCC needs to dispose of, the more it avoids disposal costs, and the greater the AFM payments it makes to districts.
- 1.10 One effect of lockdown has been the increased waste generated across the entire county, which has increased HCC's disposal costs and therefore reduced AFM payments. DBC is now one of the few districts which is still forecast to receive a payment, which is in part due to the Waste service continuing to provide its usual service and collect separate waste streams. The final payment amount will be determined at year-end, and the current forecast must be considered highly vulnerable.
- 1.11 The table below provides an update on the Council's key income streams highlighted in previous reports.

Income stream	Budget	May Forecast	August Forecast	October Forecast	Commentary
Investment Property	£5.4m	£2.7m	£4m	£4.4m	As at the end of October, 81.5% of rents due in the current year have now been collected compared with 90% at the same point last year. This represents an improvement in collection since September, when the year-on-year position was down 11%. There remains a significant risk that collection issues will escalate later in the year due to the attritional effect on tenants of sporadic trading restrictions and limited footfall. The forecast year-end position is based on 50% collection rate for the remaining 5 months of the year.
Garages Income	£3.6m	£2.7m	£3m	£3.1m	As at the end of October, the garage occupancy level has not reduced throughout the year, though the impact of Covid has impeded the realization of budgeted gains due to the delayed garage project and the redirection of corporate staffing resource. Future income remains exposed to the threat of potential recession, and this forecast assumes a 20% shortfall against the current position for future months.
Car Parking	£2.8m	£1.8m	£2.5m	£2.3m	As expected, the nationwide lockdown during the early months of the financial year had a dramatic impact on parking revenue, with income down at 15% of budget as at the end of May. The following months saw a positive trend with actual income gradually moving toward budget through subsequent months June (35%); July (63%); August (70%); Sept (78%); Oct (80%). This month, the full-year forecast has been updated to reflect the year-to-date receipts and the estimated impact of the November lockdown. The original May estimate of a £1m income shortfall is coming under some pressure, however, c72% of this will be offset by the Government income scheme.
Planning Fees	£1.2m	£0.9m	£1.1m	£1.1m	Over the first 7 months of the year income has been down around 5% against budget. Future income remains exposed to fluctuations in the property market and this forecast assumes a 25% under budget for the remainder of the year. The Government Income Guarantee Scheme will reimburse the Council around 72% of the planning income shortfall.
Commercial Waste	£1m	£0.75m	£0.9m	£0.9m	Forecast remains constant with the September position.
Temporary Accommodation	£950k	£950k	£950k	£950k	Demand has increased dramatically, but the Council is unlikely to see a significant increase in income as the Council's own TA capacity becomes fully utilised. The Council has budgeted capital resource to increase its supply of TA, which will result in increased income.
Leisure	£500k	£200k	£360k	£360k	The leisure sector has been hit dramatically by lockdown; revenues continue to be impacted as social distancing limits visitor capacity; and, membership numbers will take many months to recover to pre-Covid levels. It is unlikely that any management fee will be received this year, but £360k will instead be reimbursed through the govt. income scheme.
Civic/Sports/AP G hire	£300k	£150k	£260k	£260k	Income continues to be hit by social distancing. The original forecast of 50% reduction against budget is updated only by the partial offset under the Government scheme.
Search Fees	£230k	£120k	£190k	£200k	The housing market is likely to stagnate for at least the next 12 months as households await a clearer economic picture.
Total	£15.9m	£10.3m	£13.3m	£13.7m	Forecast shortfall of £2.2m (14% of budget)

Pressure on General Fund expenditure

1.12 The areas forecasting significant expenditure pressure remain the same as those reported in September, and, at present, the total remains within the £2m of Government grant funding received. The updated figures are as below:

Expenditure Type	Pressure	Commentary
Waste Services	£900k	The heightened restrictions and increasing infection rates are placing increasing cost pressures on the service – agency staff usage has again increased and additional trucks are being hired to cope with increased tonnages, the need to separate crews on rural rounds, and access challenges due to increased homeworking and a resultant increase in cars parked on roads.
Supplier Support Packages	£525k	This comprises payments to key suppliers that were subject to approval under Part 2 legislation. Members can find more detail under PH Decision Sheets dated 31 March and 20 July 2020.
Office-based staff	£200k	Estimated additional staffing costs to meet Covid-related increases in service demand across the Council over the course of the year.
Facilitate compliant ways of working	£250k	This includes modifications to Council buildings e.g. screen dividers for desks; automatic door installations; investment in mobile IT, etc.
Total	£1.9m	

Pressure on Council Tax collection

1.13 At the end of September, year-on-year collection rates were down 1.8%, with 64.5% of the annual total having been collected, compared to 66.3% at the same stage last year. This represents an improvement on the 2% shortfall at the end of September, and the general trend has not deteriorated since the end of June. It is expected that at this stage collection rates would be down on last year due to the number of taxpayers rearranging their payments for later in the year. The final year-end position will depend on the extent to which re-profiled payments catch up in February and March.

1.14 The mechanics of the Council Tax Collection Fund mean that a short-fall in the current year collection rate will not result in a budgetary pressure for the Council until next financial year.

Pressure on Business Rates collection

1.15 From a budgetary perspective, DBC will not be impacted in the current financial year by falling collection rates. This is because the grant DBC receives from Government is based on 'assessment of need', with a maximum of 7.5% of the grant at risk if Business Rates collection falls below a baseline level. The at-risk element is based on the previous year, so any contraction of the local economy won't impact DBC until next financial year. Members will be kept updated on the emerging position.

Summary of General Fund budgetary position and potential mitigations

- 1.16 Based on the forecasts in this report, DBC faces a potential in-year Covid-related budgetary pressure of:
- | | |
|-----------------------------------|----------------|
| Increased expenditure | £ 1.9m |
| Net income pressure | £2.5m |
| Less additional Government grants | <u>(£2.2m)</u> |
| Net budgetary pressure | £ 2.2m |
- 1.17 The MTFs reported to Cabinet in October 2020 recommended a strategy of managing Covid-related pressures through the use of earmarked reserves. This enables the protection of Council services, but is unavoidably at the expense of the future projects the reserves were created to support, (in some cases to finance schemes which are fundamental to meeting future savings requirements). This strategy will be kept under review in light of changing pressures and any Government announcements on future funding.

Housing Revenue Account

- 1.18 As at the end of October, the Covid-related impact on the HRA is a forecast surplus of c£1m, consistent with the position at the end of August, reported to Cabinet in the September report. The principle areas of variance are an increase of the bad debt provision of c£1.1m, offset by reduced expenditure of £2.2m on the repairs budget due to reduced access to tenants' homes. The threat to the HRA is significantly lower than the General Fund, as delays to rental income are likely to be short term whilst tenants transfer to Universal Credit.

2 RESILIENCE AND RECOVERY SUPPORT

- 2.1 Members will note that this is the third update report on the Council's response to Covid-19 and this part of the report will highlight some of key work and support that the Council has provided across its various services to ensure continuity of service and recovery resilience. This report covers the period September to November 2020.

Managing the pandemic

Linkages to Wider Local Resilience Forum Recovery Structure

- 2.2 In respect of the current pandemic, a Hertfordshire wide Recovery Coordinating Group (RCG) has been established. The RCG is a multi-agency officer group with clear linkages and reporting lines to the Strategic Co-ordinating Group (SCG). The Covid-19 Health Protection Board also meets weekly to work on implementation of the Covid- 19 Outbreak Plan, this has representation from the SCG, RCG, County, Public Health England, Police, CCG and Health Service. There are a number of specific cells coordinating operational activity and supporting these Groups and Boards.
- 2.3 The Dacorum incident and recovery continues to be managed by the Incident Management Team (IMT) which has been managing the pandemic to date and meets at least twice weekly to review all key issues.
- 2.4 There is continued and effective liaison between work streams at county and borough levels and daily updates are received from the Health Protection Board including infection rates for the county and borough, which enables targeted and coordinated work to be undertaken to manage any local outbreaks.

- 2.5 The Environmental and Community Protection team continues to be engaged in local Track and Trace, and dealing with complaints and requests for advice surrounding businesses' Covid Secure Status. The intensity of the work continues to rise and during October to 11 November the team has contact traced 34 positive cases of Covid 19 and investigated a number of business outbreaks. The Team has visited 7 workplaces with multiple cases, to check Covid compliance and ensure close workplace contacts of the cases have also been isolating, in a bid to halt the spread of the disease in the Dacorum area. Cases have been located across the Borough with concentrations in populated areas such as Hemel Hempstead, Berkhamsted and Tring. The cases initially were with younger adults, (August and September reflecting the national trend,) but now cover the whole spectrum of age groups, with increases being seen in the over 60's.
- 2.6 From 1st December, a local Dacorum Track and Trace call centre and contact tracing service will operate within the Environmental and Community Protection Team with initial anticipated numbers of 50 cases per week linking into the County and National schemes. With local knowledge and contact visits on the ground, it is expected that the service will be more effective in reaching local cases and contacts.
- 2.7 Four internal recovery groups have now been established to focus and develop action plans for the recovery stage of the pandemic, which will focus on the following key areas:-
- ❖ Communities, Housing, Health and Wellbeing
 - ❖ Finance and Corporate Assets
 - ❖ Growth and Economy
 - ❖ Organisational Development

Support to Communities

- 2.8 Officers continue to liaise with community and charitable organisations which provide services to residents in the borough to assess the short, medium and long term impacts of Covid-19. A monthly meeting has been arranged to discuss key issues, and this has highlighted the financial challenges faced by organisations, as well as providing invaluable insights into community issues arising from Covid-19. Partnership working between charitable and community organisations has increased and many organisations have demonstrated significant flexibility in using their resources in different ways to meet the needs and demands of residents as well as supporting Council services
- 2.9 Officers have supported the Hertshelp project which aims to support our most vulnerable residents. Support for the food delivery process has now concluded as this service is no longer offered by Hertfordshire County Council. The focus from Hertshelp now is to utilise local charity support to help our vulnerable clients, from volunteers delivering food to picking up urgent medical supplies. DBC is responsible for supporting the County-led advertising campaigns and having the relevant information publicised on our media platforms. This messaging will form a significant part of our new weekly electronic Digest to support the Covid recovery. All relevant staff have also been briefed on signposting information for when residents contact us.
- 2.10 The Council has reviewed the financial support provided to Citizen Advice Dacorum (CAD), given the recent and projected demand on the service. According to the figures from CAD, the demand for advice in areas of employment, debt, benefits and food vouchers is increasing as we move through 2020 and is likely to increase when the Government's furlough scheme concludes. It is also evident that clients in

Dacorum have increasing need for advice regarding divorce and separation, which will create future housing issues. There is also a reported increase in advice regarding private sector properties, and the fact fewer jobs are available, will result in increased debts and ultimately, housing issues for these clients.

- 2.11 Despite the support from the Council and National bodies, the demand on CAD services still remains high with a significant likelihood that this demand will grow.
- 2.12 To ease the demand on CAD, and provide the Council with the assurance that vulnerable residents are supported during these unprecedented times, it is proposed to support CAD by providing them with an additional £38,000 per year, (with a 2% uplift added to additional years). This will be for a provisional term of two years with a formal review after one full year to ensure that the contract is benefiting local residents and is value for money.
- 2.13 The Dacorum Health and Wellbeing board has changed its agenda to focus on Covid-19 recovery with our key partners – Police, Community and Voluntary Sector, etc. This is to ensure that, as a group, we are supporting each other and utilizing resources to support the community recovery.
- 2.14 Officers have continued to support residents' physical and mental health through our sports and culture action plans, albeit delivered through virtual means.

Leisure

- 2.15 On 31st October, the Prime Minister announced that further restrictions would be applied on a nation-wide basis for the period 5th November to 2nd December. The new restrictions included a requirement that all leisure centres should remain closed during that period, which means that the Hemel Hempstead and Berkhamsted leisure centres together with Jarmans Park athletics track are required to close until the 2nd December as a minimum.
- 2.16 This was a set-back for the leisure service which had done an excellent job ensuring that that the centres were Covid secure. The member base and casual user numbers have begun to recover from re-opening in late July, and efforts to rebuild this will need to recommence once restrictions are lifted.
- 2.17 This further closure period and required health and safety measures, together with changes in customer behaviour, continue to significantly affect the income generated by the centres. A support package with Everyone Active was agreed for July, August and September to enable the centres to open, provide continuity of service and protect local jobs. Discussions are currently taking place to ascertain the level of support required to the end of the financial year and this will be presented to a special Finance and Resources Overview and Scrutiny on 25th November with feedback provided to the Chief Executive who will consider exercising her delegated powers to provide further support.

New Build

- 2.18 Work on the housing schemes which were on-site at the time of lockdown ceased for a relatively short period of around three weeks but then re-started with a reduced capacity to ensure social distancing and safe working. In addition to the two schemes that were completed earlier - Williams House and Howe Grove House (Northend and Westerdale) providing twelve new homes – we have successfully completed Martindale (65 homes) and Magenta Court (29 homes) which are in the process of

being let. Offers have been accepted on 19 of the 21 homes for sale on Martindale. The Paradise Fields site is going to Development Management Committee on 26 November and work has continued in getting several new schemes out to tender.

Support to Individuals

- 2.19 Supported housing officers have made face to face, doorstep visits to all tenants in sheltered schemes and this has continued for those tenants who felt that face to face contact was still needed. The majority have opted for regular telephone contact. Having met with over 1600 tenants back in July/September, referrals were made to support agencies such as AgeUK, adult care or citizens advice for 128 individuals, who had been negatively impacted throughout the lockdown and this support has continued for those that need it.
- 2.20 The income and tenancy sustainment teams have continued to provide advice and support to those households in financial difficulty or with complex needs through the impact of Covid-19 and the numbers requiring support continue to increase month on month.
- 2.21 The number of presentations to the Homelessness service reduced slightly in July, but increased in August, which is ordinarily a quiet month. The Council submitted a bid to the Ministry of Housing, Communities and Local Government for Next Steps Accommodation Funding, to assist with move on accommodation and the recovery plan. The bid is currently being assessed and, if successful, will provide funding for up to 38 additional units. Dacorum was initially allocated £29,000 of MHCLG funding specifically to assist with homelessness, however to date we have spent in excess of £79,000 on the immediate and ongoing response. The number of presentations have increased again, with 197 approaches in September and 262 approaches in October compared to 123 at the same time last year. This is likely to increase further with the ongoing requirement to 'Protect' those at risk of homelessness and provide accommodation irrespective of eligibility or priority need.
- 2.22 At the time of writing this report, there are currently 163 households in temporary accommodation with a further 13 referrals to be assessed. To date we have given assistance and support to 1685 households since the start of the pandemic. Of the 163 cases, 52 were as a result of domestic abuse and 29 had a serious offending background.
- 2.23 In the second quarter of the year, the number of anti-social behaviour cases have decreased to 6.25 from 8.38 per 1000 properties in September. It seems likely that this was as a result of the easing of lockdown restrictions and opportunities to spend more time away from the home.
- 2.24 Domestic Abuse cases have been prevalent since the start of lockdown and, even with the easing of restrictions, the team continue to support a number of individuals fleeing domestic abuse. In September there had been 123 cases in the first seven weeks, since the end of March. There has now been 228 new Domestic Abuse cases since the last report.

Forum/staff occupied buildings

- 2.25 In accordance with the further restrictions announced by the Prime Minister on 31st October, office based staff have been advised to work from home until the restrictions are lifted if they can perform their roles effectively from home. There will continue to be a core group of staff in the Forum with appropriate leadership support in place.

- 2.26 The Clean, Safe and Green team continues to run services from the depots with appropriate Covid protection measures in place.

3. SUMMARY AND CONCLUSION

- 3.1 Members will note that this report comprehensively sets out the actions taken in response to the COVID-19 pandemic during the last quarter. The report also summarises the financial impact on the Council as currently forecast.
- 3.2 Officers will keep under review any impact on service delivery and associated financial implications arising from the pandemic, particularly leading into the period of preparation for any impact resulting from winter pressures. Officers will continue to provide appropriate briefings and reports to Portfolio Holders and elected members on a regular basis.