

Finance and Resources Overview Scrutiny Committee Review 2020/2021

The 2020/21 financial year has been very much influenced by the impact of the Covid-19 pandemic, with all meetings being held remotely online via Microsoft Teams. No F&R meetings were held during March, April, and May 2020 remotely or in person due to COVID-19.

At the **June 2020** meeting the Officers reported on a balanced position at the previous financial year end, with surplus on HRA account on the year end results, and £2.4M overspend on three main capital projects which were nearing completion – namely Tring Swimming Pool, Berkhamsted Multi-Storey Car Park, and Bunkers Lane Cemetery. The cost overrun on the multi-storey car park was scrutinised and overspends and programme delays on capital projects was also queried by Members.

The Members of the Committee queried the impact of the pandemic on the apprentices' work and recruitment. The committee was informed that they continued to work remotely, non-being furloughed, and planning was being made for further mid-year recruitment requirements.

The spend on the leisure facilities, where and how the HRA surplus would be spent, spend on an aging vehicle fleet in and impact of post-Brexit procurement on new fleet purchase were some of the issues that were scrutinised under the financial outturn agenda item. The possible negative impact of Covid-19 on commercial waste was highlighted by the officers as local commercial businesses were seeing a detrimental COVID-19 impact, some closed, and this was impacting the service income stream.

In response to query from the meeting the officers explained that the reduced use of car parking was one of the first tangible income streams to be directly impacted due to the lockdown and a significant reduction in car parking income was to be expected for the coming financial year.

Items relating to future work programme spend, financial remodelling of income streams and future Covid-19 related risks were actively being undertaken by Officers.

The Corporate and Contracted Services Q4 performance report was presented to the Committee. The background to the decisions to take court proceedings and risk assessment of potential costs was queried, and further clarifications on Traffic Regulations Orders, card payment suspension, and response time on complaints were sought by the Committee.

The quarter 4 Performance, People and Innovation detailed the impact of Covid-19 as early as end of March 2020. Ways of tackling sickness, health and wellbeing were explained to the committee with majority of council staff now working from home.

The functioning of ICT and digital tools, such as Microsoft Teams, during the current working from home regime were explained to the Committee and were said to be working effectively. Digitisation of records and automation pilot projects implementation was explained. The response of Council staff to automation initiatives was explained as now being positive after some initial reluctance.

An update on recruitment of the Climate Emergence Officer was provided to the Committee. The meeting was concluded after discussion of Finance and Resources operation risk register.

The **July 2020** meeting started proceedings with an update of the Garage Survey Programme. Progress of which was reported as being impacted by Covid-19 furlough of staff by the Orchard supplier. This was overcome by utilisation of an Independent Surveyor to undertake mobile surveys. The garage allocation process continued to be processed in the meantime.

The issue of asbestos roofs, levelling of garages and replacing with surface parking, and a void rate of approximately 30% was discussed, with 5000 of the 7500 garages being occupied. The impact of mobile surveys on the original programme to complete this work was also queried by the Committee.

The much-anticipated paper on 'Covid-19 Impact' was next on the **July 2020** agenda and was presented by the Chief Executive Sally Marshall. The sudden switch from office working to home working, and its logistical demands, were explained to the Committee with a conclusion that despite the challenges satisfactory progress was being made in a short time. This was helped by the fact that over the preceding years the policy for working from home was being developed, and this facilitated the changeover in a timely manner.

During this time wider working with other services within the Borough and to the wider Hertfordshire Local Resilience Forum helped transform the pandemic crisis towards recovery of sorts. It was also reported to the Committee that measures to support the voluntary sector and core funded organisations, to limit covid-19 impact, was quickly progressed.

The Chief Executive also reported on how well the Government's business discretionary grants were distributed to local companies by joint effort of the Finance and Economic Development Teams. The importance of this financial support was to limit the increasing number of people being furloughed at 19,800 the time of reporting and to help restrict the rising local unemployment which had jumped from 1.9% to 5.2%. At the same time, it was acknowledged that efforts were being made across the board to help rough sleepers, delivering food parcels, and ensuring safety of the local public. The Chief Executive reiterated that the important role of scrutiny during these difficult times was to check, scrutinise and help ensure proper measures were being put in place and prudent financial management was being implemented, to mitigate the difficulties being posed by the pandemic.

The Director of Finance explained the short-and-medium term pressures the service was experiencing with forecasts of net pressure of £5 million and loss of income of £1 million, partly mitigated by the £1.6 million government grant and the promise to write off some of Council's losses, but not the rental losses from commercial properties and garages. It was also reported that there was an expectation of additional government funding in the future.

During scrutiny the question about dipping into reserves was asked. The approach being adopted by financial officers was to wait and see how the situation pans out and dipping into reserves was the last resort. Also queried was the work Dacorum was doing on applications for government funding from LEP infrastructure spending, and the officers confirmed that several growth fund applications had been submitted.

The Committee acknowledged the work DBC staff had been putting into helping those in need of financial help with for example universal credit delays, rent arrears support and grants. The committee were informed that there was a desire from the staff to help to get the job done by going above and beyond when needed.

Clarification was sought on the reduced HRA spend over the recent period which was attributed to lockdown restrictions making it difficult to carry out the non-urgent repairs, which would need to be picked up in the future.

The supplier relief given to Everyone Active was also queried, and the response was that it was management fee being waived for the first five months of the pandemic.

The Committee took advantage of the Chief Executives presence to ask questions about future preparation for a potential second wave, lessons learnt, vaccine roll out as and when it arrives, libraries opening, desk screening provisions, climate emergency impact assessment on future reports to OSC, councils green strategy, local unemployment levels, vandalism and closure of public conveniences, all weather football pitches, working from home, mental health and wellbeing and working and living to the New Normal era now forced upon us by the pandemic.

Following the summers 'eat out and help out' activities the overview and scrutiny business resumed in **September 2020** with the quarter 1 budget monitoring and performance reporting.

The meeting started by addressing how previous meeting 'Action Points' can be closed out to the satisfaction of the Committee Members.

The Quarter 1 Budget Monitoring report contained similar pressures as discussed in July based on 'stark predictions' due to lot of uncertainty around with £5.8 million pressure on the General Fund namely from extra spend on waste collection due to the new social distance working requirements, loss of income from investment property side, car parking income losses and garages income reductions. There was a £0.9 million HRA surplus and expected receipt of lost income reimbursement grant of £1.2 million. The committee we assured that these financial predictions and movements were being monitored and updated on an ongoing monthly basis. The officers were asked if the predictions were based on a pessimistic worst-case scenario? The response was that the projections were prudent and realistic for the prevailing uncertainty.

In response to scrutiny it was explained that the cost increase on commercial waste vehicles fleet was due to length of procurement period and maintenance of older fleet waiting to be replaced; commercial rents were predicted to be 50% collection for the second half of the year; impact on the reserves was explained in the scenario that 'stark predictions' were realised; 85% loss of parking income from the first lockdown, and further 50% was predicted for the remainder of the year; the various fees breakdown paid to Everyone Active were queried; and the likely impact of any second lockdown were also discussed.

The Finance and Resources Q1 performance report included half a dozen red KPIs linked to the Covid-19. This then raised questions from the committee on dealing with and collection of bad debt, and timescales for debtors to pay under these difficult of times.

The issue of landlords acquiring DBC commercial properties, and then leasing them via sub-leases for both shops and flat was brought up by the committee. The Committee were assured that such practice did not take place and over the past 12 months action had been taken where tenants had tried to sublet commercial properties. This matter was requested to be continued to be monitored.

The first report for corporate and contracted services was once again dominated by covid-19 impact. The key points queried were redesign of the forum with socially distanced routes and seating, plans for reopening of leisure centres, holding of meetings virtually, and advising clients on safe re-opening of businesses.

In terms of performance of working from home, the officers assured the committee that it was working well and that a study on 'learning from lockdown' was being carried out. The options were available for those who did not find working from home ideal to come to the office to work and 160 seats were available at the Forum for DBC staff use. Also, health and wellbeing was being addressed with remote working and support network was available for all staff.

The issue of mental health with Covid-19 and home working was a constant theme and came up again during the Performance, People, and Innovation report.

DBC policy on equality, diversity and inclusion was queried. Leadership training and funded courses opportunities for wider staff were questioned, and the impact of the pandemic on sickness levels was also queried. Overall, the Committee were told that customer transactional contact via digital means (website) was constantly being reviewed and improved and that staff productivity and wellbeing was reported as good.

An update on the allotments policy was also provided during the evening proceedings.

The **October 2020** meeting was presented with the Medium-Term Financial Strategy (MTFS), the timing for which this year was later than normal again due to covid-19 related financial uncertainties. A presentation was made to the Committee on the headline elements of the MTFS by the Director of Finance.

The Members queried the scope for fee increases, the impact of the strategy on the reserves and the impact on the five-year capital spend programme approved last February. The limited interaction between the MTFS and HCC Alternative Integrated Financial Plan was explained, and it was noted that the waste efficiencies being introduced by HCC were not helping DBC financially. All these eventualities were factored into the MTFS presented.

In response to Committee question regarding the difference between the General Fund Reserve (which are earmarked for spending on certain areas) and the Working Balance Reserve (contingency for unforeseen eventualities) was clarified. It was also stated that it was the Council decision on which reserve to use when budget setting each year, and when it is clear which reserves have been already tapped into. The Committee also sought clarity on the Youth Provision Reserve spend to date.

The Director of Finance also confirmed that the grants received this year will be factored into the 2021/22 budget but could not say whether more grant funding would be forthcoming. The issue of pension payment salary allocations for future years was also clarified.

The second Covid-19 update report emphasised the unpredictability of the times we are currently in with further waves of the virus insurgency, winter approaching, potential lockdowns, impact on services that the council is delivering, closure of businesses and ongoing liaison with county and government administrations to get through this virus impact together. The Committee were reassured that the DBC Incident Management Team were ensuring all preparations were in place for these difficult circumstances and for any foreseeable eventuality, which included potential leisure centre closures during another lockdown and ensuring universal credit claims recipients were being supported.

The committee further queried the financial plans and provisions for the ongoing pandemic. Lobbying of government was ongoing for more support and the Committee was reassured that due to prudent financial management DBC finances were in much better position than most councils, although the future was still difficult to predict.

The Committee were promised further update of the breakdown of support being provided to leisure centres by email.

On the garages, the committee were informed that the financial loss predicted was being avoided by the continuing demand from the public for garages, although this could be impacted by the severity and duration of any future recession.

The final report on the agenda for October was the 'New Normal' provisions in both premises and services terms. The apprenticeship wetted the Committee's appetite again and questions relating to number of apprentices in various departments, their mentoring, supervision, training, and future recruitment provisions was discussed.

The officers were questioned on digital working provisions to support better home working, supporting staff with technology provisions, and training needs and focussing on rolling out future hybrid (physical and virtual) meeting provisions.

November 2020 meeting centred around the quarter 2 reports. The budget monitoring team reported headlines figures of £3 million revenue pressure having taken into £2 million funding received to date, continuing surplus in the HRA due to much Covid-19 impact and limited non-essential improvement work being undertaken, and with underspends on the capital programme. The loss of income from commercial investment property was being absorbed by DBC and was included in the pressures being reported. The report had been prepared prior to the current second lockdown and was a snapshot of finances at a point in time, hence will require further projections update to incorporate current lockdown impact.

The Committee queried staff absenteeism and agency costs, increased planning staff costs, neighbourhood, and delivery cost pressures. The agency staffing costs for waste services continue to irk the Members and explanation was provided on the reasons for use of additional agency staff during the pandemic when some regular staff were shielding.

The issue of installation of electrical charging point provisions in car parks being refurbished was raised. The costs related to delivery network operator provisions and electrical infrastructure capacity issues were hampering roll out in some cases – however the main obstacle remains cost. The officers would be preparing a report on EV charging provisions in the Borough in due course.

Further debate of new burdens grants usage and spend on cemeteries took place.

The Q2 performance of Finance and Resources received scrutiny on the KPIs that had turned 'red' during the pandemic, in particular processing of benefit claims and the hardship that could result for local recipients. It was clarified that DBC only administer Universal Credit, although help on council tax payment hardship was offered where needed, and those in financial hardship directed to the relevant agencies. Some of the performance indicators were impacted by temporary accommodation provisions for rough sleepers who had to claim through DBC.

The DBC investment strategy was queried, the impact of the current poor returns on investment due to the low interest rates, and its impact on fiscal policy going forward. The committee were told that the investment strategy was based on the Treasury Management Team guidelines, which are reviewed annually.

Clarification on challenges faced for collection of commercial rents was sought from the officers, and the committee were informed that all collection strategies were based on current government guidelines which take cognisance of Covid-19 related hardship for businesses, and that recent rent collection had been better than expected.

The Committee were also informed that during the current COVID-19-climate the Medium-Term Financial Strategy would be updated more often considering the ongoing pandemic dynamics and their financial impact on DBC finances.

The Corporate and Contracted Service reported on their first legal prosecutions for a breach of the town centre public space protection order. This was for cycling through the town offence. The second legal issue was of a more concern as it related to the small fine being issued by the magistrates' court to a developer who had cut down trees to facilitate a housing development.

Further point of discussion related to CCG delayed planned return to the Forum due to the ongoing pandemic and the impact this delay may have on rental income for DBC. The committee were told CCG would be expected to honour the terms of their lease and pay rent.

The setting of KPIs duration was questioned by the Committee, in particular the 15-day time to respond to complaints. The officers advised that these are set annual with input from management, the Leader and Chief Executive.

Clarification was sought on issuing of temporary licences specifically for pavements to be use as outside seating area to meet current social distancing requirements by hospitality businesses. Also, the Committee queried the timing of the taxi licensing consultation, and the financial impact with Electrical Vehicles requirements, bearing in mind how the local taxi trade had suffered financially during the pandemic. The Officer stated that there would be some time for some of the measure to be implemented and hence financial impact on hard hit taxi business may be mitigated to some extent.

For the Performance, People, and Innovation team the Members scrutiny first centred on Sickness Scrutiny Committee's role and its workings.

Considerable amount of discussion centred on safe provisions of IT services, backup provisions, internet of things and cyber security. The Committee were assured by Officers that the system was resilient at every layer with backup data lines and servers in place. It was also reported that officers are looking into cloud computing to take further advantage of its in-built resilience. The Committee raised concerns on whether there was sufficient budget for ICT currently and were assured that provisions were in place to meet the current needs. The Committee were further assured that regular independent audit of cyber security, business continuity and disaster recovery were giving an independent assessment of system resilience and help to mitigate IT related risks. Request was made to make the DBC website more user friendly and informative for residents, through better coordination between IT Department and Comms Team.

At Committee request an additional Part II confidential meeting was called for later in November to discuss the leisure contract financial impact, once the financial figures have been updated by Everyone Active to reflect the latest prevailing situation and covid-19 impact.

This additional **November** meeting was held under Part II confidential rules and the meeting was very useful because Members had emailed their detailed costing related questions in advance, ensuring an informative and fruitful discussion took place to everyone's satisfaction. Indeed, advance notification on detailed financial questions was a benefit to getting detailed responses from officers. Maybe something to consider at times for future scrutiny?

The **December 2020** Joint Scrutiny Meeting discussed the budget papers in detail, which encompassed the year-to-date financial impact of the pandemic and planned accounts outcomes for the year 2020/21.

As previous years, the early **January 2021** meetings did not place for several Committees, including the Finance and Resources Committee. The annual meeting timings are always set around March each year, and the January meeting is always kept on the diary in case of a call-in or any emergency report scrutiny. Also, it's easier to cancel a meeting then to arrange a new one with timing to suit all. Often, the January meeting has ended up as being cancelled due to no pressing Agenda item existing, and non-urgent items are deferred to then ensuing February meeting. The cancellation can also provide a Christmas break for officers, after the first presentation of budget papers during the first week in December, as otherwise reports would need to be compiled and then submitted over the Christmas break. Members can request agenda items to be placed on the January Meeting agenda if they feel putting back to February meeting is counter-productive to scrutiny needs.

The **February 2021** Joint Budget presentation was followed by F&R specific scrutiny discussion.

The Committee asked what operational and financial scenario planning was taking place to mitigate for Covid-19 impact and were informed that the Incident Management Team was meeting regularly for both short term and long-term operation strategic planning, and priority would be given to frontline services when return to the Forum does happen, and hybrid model of working was being looked at – some attendance in physical presence and some virtual online.

In terms of financial scenario planning the Committee were informed that financial planning modelling on the short and medium terms was being undertaken and updated on monthly basis whilst a COVID-19 response paper was being produced to outline risks and impact on DBC services on a quarterly basis to update Members, on both financial and operational impact.

The provisions for bad debt were queried and the Committee was assured that some long-term bad debts do exist, and despite COVID-19 this has not increased significantly in recent months. However, an increase could happen during the next financial year in some unknown areas, apart from commercial asset sector for which bad debt provisions are already included in next year's budget. Thus, an increase in bad debt could not be ruled out for next financial year at this point in time. The government grants and support to business had helped limit bad debt.

Also, income streams were being analysed for next year to see where significant changes (reductions) to income may occur and adjustments being made. The Committee were told that DBC have not had to reduce expenditures in its core services due to that fact that the DBC management team understand the fundamental nature of the services needed to support the local economy and the local community during such exceptional circumstances.

The Committee also queried if DBC were able to source funding for the key role of the Climate Emergency Officer. Whilst no funding was available to pay for the officer, there are grants and funding for future green initiatives that DBC may be able to bring in which will outweigh the officer salary costs.

With regards to the Leisure Contract the budgeting was projecting no income at currently and the impact of pandemic means that the situation will continue to be monitored.

On the operational sides the setting up of Corporate Board was queried, and the Committee were told that this was currently an ongoing item.

On the operational side, the ongoing recruitment of apprentices, works experience, staff health and wellbeing, digitalisation and Robotics Process Automation transformation programmes were discussed by the Committee.

The final report for the financial year 2020/2021 in March 2021 covered the bread butter quarterly monitoring reports and the Members' remuneration update.

The high-level summary to end of December 2020 for quarter 3 showed General Fund pressure of £3.2 million of which £2.9 million related to COVID-19, HRA surplus of £2.5 million as ongoing repair-work fell victim to COVID-19 restrictions, and the reductions in various income streams putting further pressure on the General Fund. Members of the Committee sought further clarifications on impact on roll out of flats recycling, insurance costs and requested a further updated report on Everyone Active and leisure provisions for the next meeting.

The various slippages (work to be done and to be funded) and underspends (works completed and which cost less than budget) were scrutinised by the Committee. The Committee were also informed that the Commercial Assets Team fully staffed, and the likelihood of future agency staff and costs were reduced in this service. Also, with government grants now having been distributed to businesses, impact on future commercial rental income and debt remained a risk going into next financial year. The risk was being managed by applying the RAG principles to each business and managing the potential financial difficulties accordingly.

Clarity was sought by the Committee on costs of agency staff when compared with employees' costs. The Committee were informed that there was little difference between the two as higher agency rates included sickness pay, holiday entitlement, pension etc. Overall cost was similar.

The Finance and Resources Q3 report covered the performance and operation risks of the department. With the knowledge of Q1 and Q2 at hand the risks were being managed and better mitigated for Q3.

Further clarifications were sought on reduction of investment income which had dropped from 0.8% to 0.2% and this was put down to the low interest rates, and the investment cash balance was lower due to impact on the income stream from covid-19. These lower interest payments impacted both the General Fund and Housing Revenue Account. The officer explained despite the challenges the Council was a 'marketing leader' with lower debts and lower level of vacancies than other councils.

The Q3 Corporate and Contracted Services reported two successful cases relating to environmental health prosecution and taxi licencing prosecution. The service also reported that they had achieved a 95% canvas return which was deemed a success under current climate. The Berkhamsted Leisure Centre feasibility study was completed, and appointment of consultants and detail design was to follow, and then public consultation possibly around summertime. It was reported that backlog delays to court cases was still around due to covid-19 restrictions, despite some courts trialling week-end court sittings.

Performance, People, and Innovation Team reported that the Leadership Transformation Programme would be progressed with a trusted training partner organisation. The Programme was seen to support management as the Council plans for coming out of the shadow of covid-19. The overall sickness levels were reported as being lower than the same time last year and the ongoing support was being provided to staff working from home.

The KPIs show the ICT support service as performing well with provision of digital services to staff and customers alike. There has been increase in website traffic and number of users, which was helping to improve customer and staff communication.

The final item on the agenda for year 2020/21 was the report of the Independent Remuneration Panel Report on Members' Allowances to ensure the legal requirement to have a policy in place by

financial year end. In summary, the panel recommended an increase of 0.5% to the basic and special responsibility allowances and this is in line with the consumer price index figure for September 2020 and the increase also reflected the pay scale in neighbouring local authorities.

The Finance and Resources Overview and Scrutiny Committee benefits from a having Members with both financial background knowledge and having a keen eye for scrutiny, and thus ensures it meets its duty to “promote service improvement, influence policy development and hold the executive to account for the benefit of the Community of Dacorum”.

The Committee has during its meetings often put on record appreciation for the good work the council officers do and acknowledges their good financial management during one of the most difficult of years for all of us – a truly annus horribilis, if there ever was one.

The willingness and contribution of Members from both sides of the Chamber, Portfolio Holders and Officers to engage in open and effective scrutiny, no doubt continues to improve the Finance and Resource service management at DBC, for the benefit of the both the residents of Dacorum and the Council. Thanks to the Committee Vice Chair Cllr Townsend.

Special thanks to the Committee’s Support Officer Trudi Angel and Member Support. Trudi has once again supported the Committee admirably with her meticulous meeting minute taking and for regular email communication and coordination.

F&R OSC Committee looks forward to 2021/22 season, when further financial fallout from the coronavirus pandemic (hopefully having been defeated by the vaccine family) will once again will need to be managed meticulously.

Councillor Suqlain Mahmood,

Chairman, Finance and Resources Overview and Scrutiny Committee

April 2021