

REPORT TO: CABINET

DATE: 10 SEPTEMBER 2020

TITLE: JOINT FINANCE AND PERFORMANCE REPORT,
QUARTER 1 2020/21

PORTFOLIO HOLDER: COUNCILLOR MIKE DANVERS, PORTFOLIO
HOLDER FOR RESOURCES

LEAD OFFICER: SIMON FREEMAN, HEAD OF FINANCE AND
PROPERTY AND DEPUTY TO THE CHIEF
EXECUTIVE
(01279) 446200

CONTRIBUTING OFFICERS: SENIOR MANAGEMENT BOARD (01279) 446004
POLICY AND PERFORMANCE TEAM

This is not a Key Decision

It is on the Forward Plan as Decision Number I011367

The decision is not subject to Call-in Procedures for the following reason:

The recommendations are within the scope of the original budget and Corporate Plan approved by Full Council in February 2020.

This decision will affect no ward specifically.

RECOMMENDED that:

- A** Cabinet acknowledges the outturn position for the first quarter (April – June) of 2020/21 as follows:
- i) Financial – The forecast as currently predicted is for an in year pressure of £513k driven as a result of the Covid crisis and the impact it has had mainly on the Councils income streams but also as a result of additional costs incurred as a result of the crisis. This will be managed through the year and further updates provided to Cabinet in the normal way.
 - ii) Risk -The report highlights the key corporate risks facing the Council at the current time and inevitably this includes the Covid 19 Crisis and the ongoing impacts it has and continues to have on the Council and the wider town.
 - iii) The impact of the Covid-19 pandemic on the completion of the Council business and operational performance planning for 2020/21

REASON FOR DECISION

- A** To ensure that Cabinet receives a position statement on the impact of Covid 19 on reporting performance against the Council's approved General Fund Budget and Corporate Plan for 2020/21.

BACKGROUND

1. On the 16 March 2020, the Government issued advice on how to prevent the spread of the virus. From 18 March 2020, and in conjunction with the needs of our services, all staff that could work from home were asked to do so; and changed (with immediate effect) the way the Council provide its services.
2. On 23 March 2020, the Prime Minister announced more measures to mitigate the virus in order to protect the NHS, with wide-ranging restrictions made on the freedom of movement for a planned "lockdown".
3. Responding to the Covid-19 pandemic was the Council's number one priority. By taking these steps we protected the health and wellbeing of our staff and residents.

Impact on Services

4. From Monday 23 March 2020, the Civic Centre was closed to the public, meaning that residents were unable to come into the Centre to make payments or get face-to-face advice. A difficult decision, but it enabled the Council to focus resources on providing a full call centre to assist our residents in this difficult time. Advice to was issued our residents on how to contact the Council.
5. Other services operated on a reduced service. Individual plans were produced by Heads of Service and Managers to include a review of homeworking, service requirements, preparation for potential absences due sickness, self-isolation, quarantine/school closures. The plans were incorporated into the Council's Business Continuity Plan (BCP).
6. The Prime Minister also announced that he expected councils to provide Community Hubs to help out. In accordance with Government guidance Harlow's Community Hub was set up, supported, and answered by Council staff five to six days per week for four and a half months.
7. The Council's main focus in responding to this pandemic was to keep essential services running.

SUMMARY OF QUARTER ONE FINANCIAL PERFORMANCE – 2020/21

8. Since the start of the financial year the Council has been dealing with the initial and potential ongoing impacts of Covid-19. Having dealt with the initial response phase and lock down, the Council has switched its focus to the recovery stage of

its work. A report elsewhere on the Cabinet agenda provides more information regarding this work.

9. During the first quarter of 2020/21 there have been two key issues facing the Council from a financial point of view. Firstly, spending pressures associated with technology, support to the community, PPE, housing rough sleepers. Secondly, and more significantly, has been the loss of income to the Council across a range of services. The current forecast of the impact of Covid-19 on the budget for 2020/21 is set out below.
10. The forecasts take a prudent view of the impacts on the Council's finances. However, the position is an ever changing one with new Government announcements regarding both financial support and expected local response continuing to be made. Whilst it is clear that, over the period of the current Medium Term Financial Strategy, the Council will need to take action to bring the longer term forecast back into line, the Council retains the ability to manage its financial response in a controlled way over the medium term. This is an important message in dealing with the current situation.
11. The full impact of Covid-19 on the Revenue Budget will not be fully known until the impact particularly on income becomes clearer later in the financial year and subject to any further action nationally or locally to restrict the spread of the virus.
12. The summary table below highlights the key areas that are currently impacting the revenue budget and is based on current forecasts to 31 March 2021:

Table 1 – Current Forecast on Key Areas Impacting Revenue Budget

	£'000	£'000
Sales Fees & Charges (SFC) -		
Car Parking (including enforcement)	753	
Playhouse income*	1,033	
Departure Fees	10	
Planning/Building control	14	
Land Searches	20	
Lettings (LB)	38	
Other SFC	21	
SFC Total		1,889
		(Cont'd...)
Commercial Income -	£'000	£'000
Commercial Rental	250	
Enterprise Zone	500	
Total Commercial Income loss		750
Other Income		27
Current Estimate of at Risk Income		2,666
Budget Pressures -		

Rough sleepers	152	
Technology	65	
PPE	10	
Community Hub	29	
Covid Compliance (signage etc.)	25	
Total current Pressures		281
Current estimate of at risk income/Pressures		2,947

**Current forecast for the Playhouse is for no income other than limited revenue from studio hire for the rest of the year – this will be kept under review as further government announcements are made.*

13. There will be other areas of the budget that will be affected, but the above intends to highlight the key areas that we are currently being monitored. There will be other areas of income and expenditure which collectively will impact the overall position particularly areas like recycling and waste charges/income, investment income and garage income. Further updates will be included in future reports to Cabinet as the situation becomes clearer.
14. The Council has currently received Covid-19 funding from the government in three tranches:

Table 2 – Covid-19 Related Funding Received by the Council

	£'000
Share of initial £1.6 billion	55
Share of second £1.6 billion	864
Share of additional £500 million	165
Total received as at 31 July 2020	1,084

15. In addition to the above the Council is also aware that there is currently a bidding process funding to help meet costs of housing rough sleepers (Next Steps Accommodation Programme) which if successful could help reduce the pressures reflected in Table 1 above.
16. The Government, having recognised the significant impact the loss of Sales Fees and Charges income is having for local authorities has also outlined high level proposals for an income loss compensation scheme. There is little detail available on exactly how this scheme would work and exactly what income losses would be included. However, based upon the outline scheme that has been announced there may be further funding to be distributed which for the Council could be as much as £1.35 million to further help and support the budgetary position reported above (based on £1.889 million SFC losses in Table 1 and the indicative levels of support the government has proposed that it could meet.)
17. The summary General fund position as at the time of writing this update is therefore:

Table 3 – General Fund Summary

	£'000
Income losses/Pressures (Table 1)	2,947
Government Support to date (Table 2)	(1,084)
Current net projected deficit -	1,863
Government income support (Estimate)	1,350
Net anticipated budget pressure	513

18. Assuming that Government announced income support scheme delivers the anticipated additional grant highlighted in table 3, and subject to there being no further significant adverse variations in expenditure or income pressures, the position forecast at the current time remains broadly consistent with the report presented to Cabinet in July.

Council Tax and Business Rates

19. There will be a number of implications for the Council's council tax and non-domestic rate income. The Government has made funding available for:

- a) Small Business Grants, the Retail, Hospitality and Leisure Grants and Discretionary Grants Fund (£11.7 million). We've currently paid all of the funding allocation of £11.7 million to nearly 900 local businesses and are seeking to claim a top up for the additional funds from the Government.
- b) The local Discretionary Grants Scheme (£515,000) has paid out £330,000 to date and anticipates paying the full £515,000 allocation by September.
- c) Extended retail Relief Reliefs given to business rate payers (estimated to be £17.8 million for Harlow businesses).
- d) Hardship Grant (£933,000) which will provide an additional £150 support for those of working age who are entitled to Local Council Tax Support (LCTS) with an in year increase of over 500 claimants for LCTS support compared with the numbers used when setting the 2020/21 budget.

20. Impacts on collection rates will feed through the Collection Fund to hit financially in 2021-22 as will any impacts on the underlying Council and non-domestic rates tax bases. Council Tax collection rates are currently down by about two per cent at the end of July. Some reductions in the collection rates at the start of the year may recover later in the year. Whilst reductions in Council Tax collection rates feed through into the Collection Fund and ultimately the General Fund in the following year, this is shared proportionally between the Council and the precepting authorities.

21. Non-domestic rate collections are to a large extent being held up by the enhanced small business and retail, hospitality, and leisure rate reliefs. The longer term

impact is harder to predict and it is very likely that there could be business failures as a result of the current crisis.

General Fund Balance

22. The situation will continue to be monitored closely and further updates will be provided in the planned quarterly updates to Cabinet.

SIGNIFICANT RISKS / OPPORTUNITIES

23. The Council continues to operate in a period of major change driven by both worldwide economic conditions and legislative changes being introduced by the Government at the end of Quarter 4 2019/2020. There has also been significant impact from Covid-19. Key changes that will or continue to be impact on the Council include:

- a) Variations in income from fees and charges and other specific grants;
- b) Ongoing low staff turnover rates which put at risk the achievement of the vacancy savings targets allocated to each service within the Council's budget;
- c) The uncertainty regarding the future financial settlements including the end of the current four year funding deal beyond the current spending review period from 2021/21 onwards;
- d) Short and medium term impacts of the Brexit process following the UK's exit of the European Union and the transition period through to December 2020; and
- e) Effects of Covid-19 pandemic. The Council has been working with key partners and businesses throughout lockdown and is now well into recovery phase, working with all key stakeholders affected by the pandemic.

24. Significant opportunities continue to arise and develop to benefit the town and its residents. The Council must ensure it continues to work with all stakeholders to realise those benefits. Examples where opportunities arise include:

- a) Harlow and Gilston Garden Town;
- b) Enterprise Zone delivery and skills plan to support development of a skilled workforce;
- c) Public Health England relocation to Harlow including partnership working to address employment skills development and supply chain opportunities.

d) Road and transport infrastructure including M11 Junction 7a which is now in the build phase.

25. At end of Quarter 1, there were no exceptional strategic risks (rated 20 or higher – high likelihood, high impact) recorded in the Council’s Risk Register.
26. The Senior Management Board (SMB) continues to review strategic risks on a regular basis. A full review of risks has been undertaken for Quarter 1 2020/21. The SMB will continue to assess the future impact and the necessary controls required to keep risks at acceptable levels compared to the Council’s risk appetite.

SUMMARY OF QUARTER ONE OPERATIONAL PERFORMANCE – 2020/21

27. The Cabinet has previously received performance information against targets for 54 Key Performance Indicators (KPI’s).
28. The Council’s operational performance for Quarter 1 was significantly impacted by the pandemic. Service Milestones and Key Performance Indicators (KPIs) being prepared for finalisation in mid-March 2020, were paused due to the national lockdown, and the refocusing of the Council’s resources to respond. However, officers have provided the following commentary for the KPI’s for which they are responsible

Finance

29. The service area has continued to perform well during the first quarter of the financial year with all services largely being delivered as normal despite Covid and the lockdown.
30. The areas of performance normally reported across Revenues and Benefits (processing of claims) and Property Services (occupation rates for premises etc.) have all continued to perform well and actual performance data will be reported at Quarter 2.
31. Accounts closure for 2019/20 has proven to be a significant challenge under the new working arrangements with draft accounts to be published on 31 August (as opposed to the original reporting date of 31 May) and the audit to be completed by November.
32. Invoice payments within 30 working days continue to be a challenge but with a training plan and new processes in place improvement is anticipated by Quarter 2 this year.

Housing

Increase in temporary accommodation

33. Thirty-six new rough sleepers have been “temporarily” housed as requested by Government. Significantly, an increase from the formal count in March 2020 of “0”.

The increase, since March, is largely due to “hidden homeless” not easily able to be identified.

34. As we move forward, plans have been established by Officers with input from the Ministry that all rough sleepers temporarily housed will receive care and support, developing individual plans to assist in their “move on” arrangements.
35. The Housing needs register was closed to new applications in Quarter 1, although this was re-opened in Quarter 2 in July.
36. The numbers in temporary accommodation increased in Quarter 1 by 25 per cent. There has also been an increase in those approaching the Council as homeless, and requiring housing advice of which the following was triggered:
 - a) Homeless relief duty of 79 applicants;
 - b) Prevention Duty of 15 applicants; and
 - c) Successful in assisting 11 applicants in the full prevention of homelessness by way of securing a home and not requiring temporary accommodation.

Tackling the Voids backlog

37. Void turn round has increased to 44 days as at end of Quarter 1 2020/21 compared to 16 days in Quarter 1 2019/20.
38. Significantly, there were no lettings in April 2020, with a phased re-establishment in May 2020 following Government guidance. The number of empty properties has increased by 100 per cent during lockdown from normal levels of movement. With new working procedures introduced aligned to Government guidance and limited facilities during lockdown, there remain ongoing supply chain issues with materials. With the high volumes of voids being returned during Quarter 1, it is expected the backlog will be normalised by end of September 2020, with phasing of an implementation plan regarding allocations, offers and mutual exchanges.
39. The backlog of voids will have an ongoing impact on the loss of income forecasted for 2020/21 outlined in HRA Business Plan Quarter 1 finance update.

Rent and Service Charges Recovery

40. Income figures for rent and service charges were below recovery targets in Quarter 1 during lockdown. Changes having an effect were the Government restriction on recovery procedures, closure of Council cash office, an increase in Universal Credit claimants which takes time to flow from claim to payments.
41. The Government has indicated they will review recovery arrangements at the end of September, and have recently advised of further restrictions in court application requirements for the recovery of rent arrears and tenancy enforcement.

42. The measure of rent collected at Quarter 1 is 94.6 per cent compared to 98 per cent for same quarter last year. There have been significant increases in arrears balances for arrears over £1000 and £2000 and in residents using alternative payment methods during lock down.
43. Housing officers will continue with the “can’t pay/won’t pay” approach; making contact, seeking information, signposting, making payment plans, with normal recovery routines being used from July 2020. A review of the Welfare Panel will be undertaken in September, aligned to new Government guidance, and Court protocol requirements.
44. The reduction in Service Charge recovery between Quarter 1 2019 and 2020 has been five per cent. Support for leaseholders has been established, where requested, with their housing issues and help and support provided to those who cannot pay leaseholder-related bills at this time, re-profiling payments where appropriate. The phased re-introduction of the Capital Programme, focusing on External Works means we will be engaging processes with leaseholders to outline plans.

Tackling the Repairs backlog

45. It is expected for HTS (Property and Environment) Ltd (HTS) to be in a position now to respond to all repairs requests with repairs requests being dealt with as normal and for productivity to be at required speed and Covid Secure. During Quarter 1 HTS have reported they achieved 84 per cent success rate across their major and minor KPI’s. Standard repairs requests – routine void works performance, dropped in Quarter 1 due to restricted operations under Covid-19 national lockdown.
46. Current backlogs include planned repairs and work in progress.
47. HTS is working to analyse the “work in progress” and those repairs currently deferred. HTS continues to respond to their major/minor performance targets and reports are starting to come through, with a number of improvement plans required.

Provision of Tenancy Support

48. Housing officers continue to provide support responding to tenancy issues, anti-social behaviour reports, and general wellbeing.

Careline Service

49. Tunstall Response Ltd calls answered within 60 seconds has decreased slightly during Covid-19 lockdown. 97.71 per cent in June 20 compared to 98.17 per cent in June 2019 due to increased calls at this time and reduced staffing. This remains within acceptable Telecare Services Association guidelines.
50. The Careline Service continues to operate 24 hours a day to provide support for

the wellbeing of the most vulnerable residents.

51. There were no safeguarding issues in Quarter 1 identified at present, although due to the nature of the clients there has been a number of Covid-19 issues and diagnosis. These include a small number of fatalities in supported housing schemes. Communal facilities remain closed for the time being with a review in Quarter 2 aligned to Government guidance.

Delivering the Housing investment Programme (HIP)

52. The HIP has been recommenced from original health and safety activities. External works continue to focus on planned repairs and replacements and Internal works have yet to commence due to limitations with Covid-19 guidance for 'working in the home'. It is anticipated that HTS will commence internal work surveys in Quarter 2 with Internal Works starting to be planned, ensuring safe environments for all.

53. Fire safety and compliance works were maintained in Quarter 1.

Environment and Planning

54. Tree maintenance works are showing as red with performance significantly below that expected. In part this is due to the inability to attend to most tree related issues during lockdown since these were not classified as priority works. Additionally, HTS have suffered from some staffing issues in this area and have now engaged a professional tree consultancy to provide assistance as well recruiting additional staff members. This will take some time to have an effect and it is not expected that performance will recover during Quarter 2. The Environment Team are working with HTS to achieve full recovery of service delivery in relation to tree work by the end of Quarter 3.
55. The Covid-19 lockdown has also inevitably caused some shortfall in the performance of street cleansing activities. However, it is now considered that this, along with the grass cutting regime, is back on track with performance expected to be met for Quarter 2.
56. The Planning KPIs, relating to the meeting of national targets for the processing of planning applications, have all been exceeded for Quarter 1. In fact, it is notable that the Planning Team has increased its performance during the lockdown period. In part this is due to a tighter focus on performance management, but it is also felt that remote working has actually enabled higher productivity.

HTS (Property and Environment) Ltd

57. HTS has achieved an average success rate of 93 per cent against the full suite of performance measures that govern the contract for Quarter 1.
58. This was the first full quarter reporting of performance for HTS highlighting the impact of the Covid-19 virus and as a result of the national lockdown imposed by the Government. HTS operations were initially significantly reduced during this six

week period. As restrictions were slowly lifted HTS began to re-introduce services based on revised Risk Assessments extended to cover a wider range of services. Subsequently with further relaxation of restriction, HTS began to increase operations and implement a Recovery Plan, alongside the Council, to manage the backlog of works that had built up during the period.

59. Consequently, a range of performance targets fell short resulting in 11 per cent going into red and five per cent into amber. HTS has applied for and has been granted a Relief Event by the Council as this pandemic, and the national control measures imposed by the Government, were beyond our control and directly prevented the performance of HTS operations.

Complaints

60. The Council recently received its annual performance report from the Ombudsman for Local Government & Social Care complaints. For the period ending 31 March 2020, the Council had “0% of complaints investigated were upheld. Compare to an average of 45% in similar authorities”.
61. There was a significant reduction in the amount of complaints closed in April and May compared to previous years. This predominantly was due to delays in complaints being answered but also as services were reduced, there were simply less complaints raised. The figures increased in June as the vast majority of the backlog was dealt with as set out in Table 4 below.

Table 4 – Complaints in Quarter 1 2020/21

	No of complaints	In Target	Out of Target	% in	PI Outturn	
Apr 2020	46	22	24	47.83%	Q1	65.45%
May 2020	45	28	17	62.22%		
Jun 2020	74	58	16	78.38%		

62. The amount of complaints answered within the time limits (10 days for stage 1 and 2 and 15 days for stage 3) were also significantly lower than normal meaning that performance failed to reach the quarterly target of 85 per cent.
63. This is the first time the target has been missed since Quarter 2 2017/18. This can be attributed to the corona virus pandemic and SMB prioritising the corporate response which affected the ability to deal with stage 2 and 3 complaints as quickly as normal.
64. A total of 55 per cent of complaints were not upheld, 18 per cent were partially upheld and 28 per cent were upheld. Full details of all complaints (with analysis) are sent to SMB on a monthly basis.

Council Milestones

65. As part of recovery planning, the Council business planning process has resumed for Quarter 2 (2020/21) and will reflect the activities that can be undertaken (linked to the Corporate Plan) for the remaining three quarters of 2020/21.
66. Work is currently being undertaken within services to quantify the effect on February's Corporate Plan aspirations and to ensure that there is alignment to the emerging Recovery Plan which seeks to add a further Corporate Priority of 'Recovery and Resilience' (see report of the Working Group elsewhere on this agenda) and associated actions.
67. A Joint Finance Performance Report (JFPR) will be produced for Quarter 2 2020/21 and presented to Cabinet in December 2020.

IMPLICATIONS

Environment & Planning (Includes Sustainability)

As contained within the report.

Author: Andrew Bramidge, Head of Environment & Planning

Finance (Includes ICT)

As contained within the report.

Author: Simon Freeman, Head of Finance and Property and Deputy to the Chief Executive

Housing

As contained within the report.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

As contained within the report.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

As contained within the report.

Author: Simon Hill, Head of Governance

Appendices

Appendix 1 – Financial Performance - Major Variances Q1 (2020/21)

Background Papers

None.

Glossary of terms/abbreviations used

BCP – Business Continuity Plan

HAF – Homeless Assessment Form

HIP – Housing Investment Programme

HTS – HTS (Property and Environment) Ltd

KPI – Key Performance Indicator

SMB – Senior Management Board