STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

Resources Overview & Scrutiny Panel

15 July 2020

TITLE:	**COVID-19 Pandemic - Financial Recovery & Positive Legacy**
PORTFOLIO HOLDER:	**Councillor Sybil Ralphs - Council Leader SMDC**
CONTACT OFFICER:	**Tanya Cooper - Head of OD and Transformation** **Claire Hazeldene - Executive Director (Finance and Customer Services)**
WARDS INVOLVED:	**All**

1. **Reason for the Report**

1.1 The purpose of this report is to identify the impact of COVID-19 on service delivery and note the plans that are being put in place for recovery.

2. **Recommendation**

2.1 It is recommended that the Resources Overview and Scrutiny Panel:

- Note the details of the Council's recovery to the COVID-19 pandemic as outlined in the report
- Support the proposed recovery plans outlined in the report
- Identify any areas of activity which require further consideration

3. **Executive Summary**

3.1 Whilst some elements of the COVID-19 response continue to be ongoing, a recovery response was initiated so services would be ready as lockdown restrictions began to be eased. Work therefore commenced in the planning of the Council's recovery in late April.

3.2 The proposed response has been categorised into five work streams. These work streams are:

- Reinstating services;
- Economic recovery;
- Community recovery;
- Financial recovery; and
- Taking advantage of the positive legacy.

3.3 The purpose of this report is to consider the recovery process as it has been developing so far for the following work streams relative to this committee's area of activity:

- Financial Recovery,
- Positive Legacy.

3.4 The report sets out the recovery work that has been undertaken to date and the planned work going forward. The Committee is encouraged to highlight any areas that require further consideration.

4. **How this report links to Corporate Priorities**

4.1 The successful delivery of all corporate priorities is dependant upon effective delivery of services in line with the targets established in the Council's performance framework.

4.2 Concerning the impact of COVID-19 on performance indicators, in a small number of cases, the effect has been positive, e.g. carbon emissions, social media activity. The overall position, however, can be summarised as follows:

- Negative impact – 61%
- No Impact – 28%
- Positive impact – 11%

4.3 There will also be disruption to the individual actions committed in each of the service plans to deliver the priority actions set out in the Corporate Plan.

4.4 It has been agreed to bring forward the annual review of the Council's Medium Term Financial Plan to begin in July. The impact on service plan performance and priority actions will need to be understood in more detail alongside this to ensure that this review is effective.

5. **Options and Analysis**

5.1 There are no options to consider at this stage.

6. **Implications**

6.1 Community Safety - (Crime and Disorder Act 1998)
The Council has been and will continue to support agencies in ensuring compliance with social distancing regulations.

6.2 Workforce
The COVID-19 pandemic has impacted significantly on the working arrangements for the Council's employees.

The response to the pandemic has seen the following changes in working practices:

- Where possible staff are working from home;
- Frontline staff are working safely with the appropriate PPE;
- Staff have been redeployed from time to time in order to support the additional demand created by several new service functions, e.g. small business and discretionary grant processing; providing support for vulnerable people etc.

The Council has maintained and continues to maintain a good dialogue with staff representatives and trade unions and they have and continue to be supportive of the Councils approach.

The Council must now establish a recovery plan that ensures the safety of staff as we look to reinstate services.

6.3 Equality and Diversity/Equality Impact Assessment
This report has been prepared in accordance with the Council's Equality and Diversity policies.

It is particularly important during the current crisis to ensure the safeguarding of our most vulnerable residents. It is also noted that the scope of vulnerabilities has widened from the usual cohort of individuals to include financial health/clinical and the impact of isolation, especially for those with care and support needs. The Council cannot deliver such a comprehensive and flexible support package on its own.

A risk based approach has therefore been developed to balance the need to bolster the community and neighbourhood efforts and managing any risks to the individuals most at risk of their vulnerabilities being exploited. This approach is aligned to and supported by the County Council and the NHS response.

An Equalities Impact Assessment (EIA) will need to be developed it identify specific implication for protected groups moving forward.

6.4 Financial Considerations
The crisis is having a significant financial impact on the Council's General Fund. The financial impact is arising from additional expenditure in dealing with the crisis both externally and organisationally, lost income and savings targets that will not be met within the same timeframe due to resources being diverted elsewhere.
Costs and reductions in income are being monitored and updated on an ongoing basis in line with a full financial risk assessment. Details of the potential impact have been presented in a separate report.

The financial impact on the Council's General Fund in 2020/21 is currently predicted to be up to £2.3m – this will be continually reviewed via the quarterly reporting process. This impact will be partially offset by emergency government funding of approximately £1,021,594. Government have also announced a further funding package on 2nd July. With this government support, it is anticipated that the financial effect on the current financial year will be able to be managed with the use of the Authority's contingency reserves.

The longer term impact will be reviewed via an early update of the Medium Term Financial Plan.

6.5 Legal

There have been and continue to be a significant number of regulatory changes during the response and recovery from the pandemic. These are highlighted throughout the report.

6.6 Climate Change

The COVID-19 response has resulted in some positive benefits in respect of carbon reduction, including:

- Reduced employee travel during lockdown;
- Reduced energy consumption in public buildings due to building closures and reduced use; and
- Improved air quality due to general reductions in travel.

It is important that these areas are reviewed to identify potential new ways of working as part of the recovery process that will have a positive legacy on the climate change challenge.

Although there is a positive environmental impact on the borough due to reduced emissions, there has been an increase in environmental crime which the Council is continuing to monitor and enforce if necessary.

6.7 Consultation

The implementation of the Council's recovery plans will need to include extensive engagement with residents and communities.

6.8 Risk Assessment

The pandemic has resulted in an number of risks that need to be assessed and managed these include:

- Inability to deliver critical services due to loss of staff,
- Inability to maintain the financial stability of the Council,
- Failure to deliver health and safety responsibilities,
- Safeguarding issues arise through the enhanced level of community support,
- Staff are at increased risk of the disease in certain services,
- Increased risk of fraud and cyber security,
- Lack of PPE for key workers,

- Increase in community safety issues which are difficult to respond to due to capacity,
- The economy is deflated post-recovery leading to ongoing economic problems in town centres and the broader economy,
- Increased demand on certain services e.g. Benefits and economic support.

Risk assessments have been completed for all services and mitigation measures have been built into the Council's recovery plans.

Neil Rodgers
Executive Director (Place)

**Web Links and
Background Papers**

Contact details

Tanya Cooper,
Head of Organisational Development and Transformation,

Claire Hazeldene
Executive Director (Finance and Customer Services)

7   Introduction & Background

7.1   At its meeting held on 16th June the Cabinet considered a report which detailed the Council's response to COVID-19 and provided an initial outline of the plans that are being put in place for recovery.

7.2   Whilst some elements of the COVID-19 response continue to be ongoing, a recovery response was also needed as lockdown restrictions began to be eased. Work therefore commenced in the planning of the Council's recovery in late April.

7.3   The proposed response has been categorised into five work streams. These work streams are:

- Reinstating services;
- Economic recovery;
- Community recovery;
- Financial recovery; and
- Taking advantage of the positive legacy.

7.4   The recovery process will need to be a significant focus for the Council in both the short and longer term. A large amount of decision-making will consequently flow from this. The Cabinet will regularly need to consider both changes in and the implementation of policy to address the impact on residents and communities. Similarly the work programmes for the Council's Overview and Scrutiny Panels needs to reflect the recovery and involve the engagement of all councillors in this significant programme of work.

7.5   As a starting point it is was agreed that each of the Overview and Scrutiny Panels receive a report on each of the work streams that are relative to their area of business at the first cycle of meetings that follow the reintroduction of meetings.

7.6   The purpose of this report is to consider the recovery process for the following work streams relative to this committee's area of activity:

- Financial Recovery
- Positive Legacy

8   Financial Recovery

8.1   The development of the recovery response in this stream has been underpinned by the assessment of the overall financial impact of COVID-19. The key priorities that have been identified as:

- Developing revised financial plans take account of the financial impact and plan for the ongoing implications;
- Accounting for the significant treasury impact e.g. on reserves and ongoing cash flow;

- Identifying and planning for the additional costs of new service demands; and
- Providing for the additional costs arising from recovery.

8.2 The recent Delegated Cabinet Report (released 4th June 2020) identified the forecast immediate financial consequences of COVID-19 on the 2020/21 financial position. A risk matrix was completed identifying potential financial risks – which were then rated dependent on current status:-

Rating	Description
IMPACT EMERGING	Costs already being incurred
IMPACT LIKELY	Costs likely to occur – as yet unidentified
POTENTIAL RISK	Remains a risk – not emerged to date

8.3 Each risk was then reviewed and an attempt made at forecasting the financial impact (where possible) - an 'impact range' of **LOW – MEDIUM – HIGH** has been applied taking into account length of lockdown and recovery period

8.4 A summary of the current estimated financial impact of COVID 19 on the 2020/21 budget position is shown below:-

General Fund	Impact Range based on Timescales		
	Low	Medium	High
	£	£	£
Impact Emerging	416,055	634,253	1,001,190
Impact Likely	340,458	552,492	808,112
Potential Risk	121,168	247,106	503,754
TOTAL	877,681	1,433,851	2,313,056

8.5 In terms of funding the financial impact of COVID-19, the Council has received two allocations of funding from Government - £1,021,594 in total. In addition, the reserves position allows for some drawdown during 2020/21 before reaching the 'minimum contingency level' as set out in the MTFP. Based on the 'high' impact forecast, this would result in the following anticipated funding:-

	SMDC (£)
'High' Impact	2,313,056
Government Funding	(1,021,594)
Reserves drawdown*	(1,291,462)
Remaining shortfall	-

*incorporates the 2019/20 outturn position impact on reserves (see separate report on this agenda)

8.6 On 2nd July 2020, the Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG) announced a further package of financial support for local government, providing three central pillars of support:

COVID-19 related expenditure - A further £500 million non ring-fenced allocation - taking the total support provided by Government to £4.3 billion

Irrecoverable income loss - recognises that Councils have lost income from sales, fees and charges since the start of the pandemic and looks to reimburse 75p in every £1 of irrecoverable losses (losses over and above 5% of planned income).

Losses in tax revenue - Tax deficits can be repaid over three years rather than the usual one year

8.7 There is more information on the funding package within the Financial Planning Process report (a separate report on this agenda). The latest funding package will hopefully assist the Council's financial position further, reducing the requirement on reserves to fund the shortfall

8.8 Whilst the Council appears to be in a position to offset the majority of the impact of COVID-19 on the 2020/21 budget via Government funding and use of reserves, there is concern about the longer-term financial impact this will have on the delivery of corporate plan objectives. Therefore to attempt to understand and forecast this and to allow more time to effectively plan the longer term response , a review of the MTFP as approved in February 2020 will commence in July.

8.9 The Financial Planning report focuses on the process for progressing the MTFP update.

8.10 On completion of the MTFP update, it is likely that an updated Treasury Management Strategy will be presented to Audit Committee in September.

9 **Taking Advantage of the Positive Legacy**

9.1 The purpose of this stream of work is to ensure that where there has been a positive impact on the Council's service delivery this is reflected in the proposals for recovery. For example the pandemic has prompted a wave of critical reflection with issues of sustainability and longer term consumer behaviour being considered in greater depth. This may result in a step forward in the following areas:

- Green Infrastructure delivery,
- Digital infrastructure,
- Transport e.g. Increase in walking and cycling to work.

9.2   These will need to be key considerations for the Council's Climate Change Sub Committee.

9.3   Other key opportunities that have been identified for this work stream are:

- Realising future benefits from the remote / home working arrangements that have worked effectively,
- Realising the benefits from the additional 'channel shift' – access to services,
- Reassessing priorities in light of the new demands for services,
- Using new business contact understanding to realise local procurement ambitions,
- Opportunity to remove unnecessary bureaucratic governance arrangements,
- Continue the enhanced communication dialogue with partners.

9.4   The following areas are already under investigation:

Action	Possible output
Review internal processes that have already had to change as a result of home working / office closures.	Identify processes that have been forced to change and already improved as a result of COVID. We want to retain these improved working practices, so they are not disregarded in the future, and an old way of working re-introduced.
Review of other internal service processes to remove manual, paper based processes that have created hurdles during lockdown.	Opportunity to positively steer our Digital Transformation direction further. Goal to digitise where possible & needed to improve overall efficiency - Reduced manual/ paper processes will also improve service area efficiency. Introduce electronic only copies of planning applications to Parish and Town Councils.
Reduce our staff carbon footprint (travelling / printing) by improved & increased use of technology & a delivery of a digital workplace	Opportunity to embrace this digital direction with implementation of Microsoft 365 suite, enabling access for Teams, Sharepoint, Stream etc. Video conferencing for staff meetings will result in reduction in travel to attend meetings and participation in online training courses. Reduce Post Distribution - we can be more green and generate less paper. And reduction in collection and distribution of post frequencies = reduction in contract costs.
Increase the number of services that	Drive & promote online payments/alternative

Action	Possible output
customers can make payments online for.	payment channels. Potential to reduce no. of chip and pin machines on receptions = Consider impact on reception opening hours, agree to removal of existing (and costly) cash/cheque channels. This will enable us to promote online payments/DDs as customers will choose to transact with us in different ways.
Improve/enhance council functions/ services that currently available online to public.	Review of transactions/services that are not currently available online (Waste / Repairs / Pest Control / Licensing / NDR) and make improvements to those that are already (CT / Benefits). Analyse queries that are/were historically handled face-to-face (if not since lockdown, why?). Drive 'do it online' - Delivery of more end-to-end transactions for customers to self-serve, this will include/improve automation of back office processes.
Develop OD strategy & ICT / Digital Transformation strategy enabling Agile working as a focus.	Increase in Agile working and access to flexible working arrangements, skills & structure to support new ways of working – Increased productivity from homeworking. New / amended policy required - will ensure aligned with corporate plans. Understand our new way of working, assessing the IT requirements to support agile working
Virtualisation of Committee Meetings	Hold & stream public meetings via Teams Issue of Committee Reports and introduction of information digests to members