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| Report of: | Executive Member for Finance and Governance – Cllr N Walker Strategic Director of Finance, Governance and Support – James Bromiley |
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| Submitted to: | Executive - 20 November 2018 |
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| Subject: | Strategic Plan Update, Medium-Term Financial Plan, Budget Proposals 2019/20, and Investment Strategy Review |
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Summary

Proposed decision(s)

That the Executive notes progress against the Strategic Plan 2018-22.
 That the Executive notes the Medium-Term Financial Plan position for 2019-22.
 That the Executive endorses proposed savings initiatives for 2019/20 and notes the proposed savings initiatives for 2020-22 which will require further development prior to being brought forward for approval (Appendices 1-3).
 That this report is presented to Council on 5 December 2018, allowing consultation on the proposed savings initiatives to commence, with any required changes arising from the discussion of the report at the Executive delegated to the Executive Member for Finance and Governance, as advised by the Strategic Director of Finance, Governance and Support.
 That Executive endorses the proposed changes to the Investment Strategy and that these are presented to Council on 5 December 2018 for approval and inclusion in the revised strategy for 2018-22.

| Report for: | Key decision: | Confidential: | Is the report urgent? |
|--------------------|---|----------------------|------------------------------|
| Decision | Yes – over the financial threshold (£150,000) and affects more than two wards | No | No |

| Contribution to delivery of the 2018-22 Strategic Plan | | |
|---|--|--|
| Business Imperatives | Physical Regeneration | Social Regeneration |
| The proposals in the report will ensure that the Council operates efficiently and effectively, so that Physical and Social Regeneration outcomes are maximised. | The proposals will ensure that investment is made in Middlesbrough to provide and improve facilities which act to increase the town's reputation, create social opportunity, and improve the Council's finances. | The proposals in the report will ensure that appropriate consultation and engagement is undertaken on proposals that impact on the social regeneration agenda. |

| Ward(s) affected |
|--|
| The savings proposals for this period will affect all wards. |

What is the purpose of this report?

1. This report:
 - provides an update on progress against the Strategic Plan 2018-22;
 - refreshes the Council's Medium-Term Financial Plan (MTFP) to 2021/22, reflecting and supporting delivery of the Strategic Plan;
 - sets out proposed savings initiatives for this period, which, subject to consultation, will inform the 2019/20 budget and those of future years; and
 - proposes changes to the Council's Investment Strategy for 2018-22.

Why does this report require a Member decision?

2. The Council has a legal obligation in relation to setting a balanced budget and to meet the challenging financial targets faced in the MTFP. This process requires Member involvement and approval.

Report Background

Strategic Plan to 2022

3. The Strategic Plan is the Council's overarching business plan, outlining its contribution to the Mayor's Vision for Middlesbrough and providing a broad overview of high-level improvement activity in the medium term, within the financial parameters outlined in its MTFP. The Plan is central to the Council's corporate governance framework and is updated annually. It is also the basis of the Council's performance management framework, with progress against the plan reviewed on a quarterly basis and reported to Executive and Overview and Scrutiny Board.
4. In March 2018, Council approved a streamlined Strategic Plan for 2018-22 focused on investment, growth and efficiency, and incorporating an MTFP and Investment Strategy for the same period.

5. Supported by public consultation undertaken during 2017/18 (including the most recent Middlesbrough Community Survey), the Plan established a range of priorities for the period to 2022, representing the Council's approach to delivering the Mayor's Vision for Middlesbrough in 2025 – *Fairer, Safer, Stronger* ordered under three strategic aims:
 - **Business Imperatives** – Ensuring that the Council operates efficiently and effectively, so that Physical and Social Regeneration outcomes are maximised.
 - **Physical Regeneration** – Investing in Middlesbrough to provide and improve facilities which act to increase the town's reputation, create social opportunity, and improve the Council's finances.
 - **Social Regeneration** – Working with our communities and other public service organisations to improve the lives of Middlesbrough's residents.
6. In June 2018, the Executive agreed a revised, streamlined approach for reporting progress against the Plan and the Council's financial position, using infographics and focusing on the measures of success (and other information deemed relevant). Both Quarter One and Two updates for 2018/19 have been presented in the new format, and have been well-received. New performance clinic arrangements were introduced at Quarter Two to ensure that Executive Members are integral to the quarterly performance process going forward.
7. The most recent quarterly report to Executive sets out positive progress in many areas, with 26 of the 30 priorities within the Plan currently on target to be achieved, and 17 of 28 measures of success showing improvement. Notably:
 - All Business Imperatives priorities are on target to be achieved, bar that of revenue budget performance. The Quarter Two Plan update report sets out plans to mitigate the potential overspend projected at Quarter Two in-year, and the MTFP update below addresses structural budget pressures to mitigate against a recurrence of such issues in the current Plan period.
 - The Council has received an unqualified Value for Money opinion for 2017/18 from its external auditor after systematically and effectively addressing governance issues raised in respect of its project management, capital programme and asset disposals over the past three years.
 - All Physical Regeneration priorities and KPIs within the Middlesbrough Investment Prospectus remain on target, and the Council has made continued good progress in delivering its capital investment strategy in support of physical regeneration in the town.
8. In addition, the Council is currently developing a Social Regeneration Prospectus, responding to a programme of community conversations undertaken during this year, for publication in early 2019.
9. Given the timeframe of the Strategic Plan, it would only be prudent to fundamentally revise it in the event of a change of political will, or in response to major performance or resource issues. None of these things have occurred to date, so the next revision of the plan will be the annual update to Council in March 2019. This iteration of the plan will pick up any changes to priorities as a result of the Social Regeneration Prospectus, and update it following approval of 2019/20 revenue and capital budgets.

Medium Term Financial Plan to 2022

10. The Council maintains a MTFP that:

- accurately analyses the current financial climate and the medium-term horizon, including the range of spending pressures facing the Council;
- addresses the savings requirements for 2019/20 to 2021/22 through transformational efficiency initiatives managed through Phase 3 of the Council's Change Programme;
- focuses investment on growing the town's economic base to improve local prosperity, and secure a robust and independent income stream to fund the Council's services; and
- utilises accumulated balances in a planned and prudent way to smooth out savings required year-on-year, and to pump prime transformational activity.

11. The following table summarises anticipated changes to the Council's financial position in the period to 2021/22:

| | 2019/20 £ms | 2020/21 (Indicative) £ms | 2021/22 (Indicative) £ms | Total £ms |
|---|----------------|--------------------------------|--------------------------------|-----------------|
| Spending pressures | 13.545 | 9.115 | 4.942 | 27.602 |
| Government funding reductions | 3.272 | 1.331 | 0.866 | 5.469 |
| Local funding increases | (4.030) | (1.775) | (1.834) | (7.639) |
| Budget gap | 12.787 | 8.671 | 3.974 | 25.432 |
| Planned Savings | (4.608) | (3.701) | (2.582) | (10.891) |
| Savings proposed | (5.717) | (4.627) | (1.661) | (12.005) |
| Savings proposed - Invest to Save projects | 0.000 | (0.388) | (0.090) | (0.478) |
| <i>Use of reserves</i> | (2.462) | 0.000 | 0.000 | (2.462) |
| In-year budget position | 0.000 | (0.045) | (0.359) | (0.404) |

12. The following assumptions have been applied in refreshing the Council's MTFP.

Spending pressures

Pay awards and inflation

13. Provision has been made in 2019/20 for the Local Government Employers Pay Award made in December 2017. In the previous MTFP £2.7m was included in 2019/20 for the effect of this, but following further work this has been reduced to £2.5m. For future years an overall 2% pay award has been assumed with an estimated impact of £1.7m in both 2020/21 and 2021/22.

14. Contractual inflation at a total cost of £5.1 million has been assumed in the period. No provision has been made for inflation for supplies and services; it is expected that any inflationary pressures in this area will be met from efficiency savings.

15. Income from fees and charges has been assumed to increase on average by 2.5% p.a. This excludes car parking and statutory charges.

Living Wage

16. In line with the Mayor's 2025 Vision for Middlesbrough, the Council is committed to ensuring that its lowest paid employees benefit from being paid the Living Wage Foundation hourly rate. The implementation of the Local Government Employers Pay Award in December 2017 ensures that the Council's pay rates would remain above the current Living Wage Foundation Rate for the MTFP period.
17. In addition, increases in the rebranded minimum wage (the National Living Wage), will impact upon organisations – principally care providers – who are contracted to carry out functions on behalf of the Council. A further £2.8m has been allocated over the period to cover the increases in costs expected as a result of these pressures.

| Statutory minimum wage (National Living Wage) | 2019/20 £ms | 2020/21 £ms | 2021/22 £ms |
|--|------------------------|------------------------|------------------------|
| Additional in-year | 0.794 | 1.040 | 1.040 |

Demand pressures

18. In line with national trends safeguarding children and young people continues to be an area of increasing pressure, with resultant financial risk to the Council. An assessment of these pressures has been based on assumptions in respect of increased level of need in relation to looked after children and an increase in the cost of providing care. The gross impact of the increased demand on the service is shown below:-

| Safeguarding and Children's Care – Net Pressures | 2019/20 £ms | 2020/21 £ms | 2021/22 £ms |
|---|------------------------|------------------------|------------------------|
| Additional in-year | 1.745 | 1.479 | 1.478 |

19. The Believe in Families Transformation Programme which started in 2018/19 and which will continue for the period 2019/20 to 2021/22 is expected to deliver savings by reducing the number of children who require care and the unit cost of care packages. It is envisaged that these savings will mitigate the above costs as follows:

| Safeguarding and Children's Care – Net Savings | 2019/2020 £ms | 2020/2021 £ms | 2021/2022 £ms |
|---|--------------------------|--------------------------|--------------------------|
| Mitigation of Demand | (1.500) | (1.500) | (1.500) |
| Additional Savings | (0.631) | (0.599) | (0.292) |

20. The revised MTFP includes an anticipated recurring pressure from 2018/19 of £3.395m, principally relating to pressures in Children's and Adults' Social Care in line with national trends in these areas. This has been based on projections following the Q2 Strategic Plan update and will be monitored throughout the rest of 2018/19. Action plans have been produced by Directorates and agreed with the Strategic Director of Finance, Governance and Support in order to attempt to mitigate this pressure, however at this stage in light of the need for prudence the full amount has been included in the revised MTFP. Any increases in the 2018/19 recurring pressure would create a budget gap in the MTFP.

National Context

21. In the wake of the financial crisis in Northamptonshire County Council resulting in a Section 114 notice stating that the Council had insufficient resources to meet its needs and the subsequent vote to abolish the Council, there is increasing evidence of the major issues around financial sustainability in local government. Other Councils, including Somerset County Council, East Sussex County Council, Birmingham City Council, Lancashire County Council, Suffolk County Council, Torbay Council, West Sussex County Council, Hartlepool Borough Council, and Oxfordshire County Council have all reported that they are suffering from major financial pressures.
22. The Public Accounts Committee of the House of Commons published a report on 4 July 2018 which set out the urgency of the issues faced by Northamptonshire County Council and its view that the continued use of its reserves was not sustainable.
23. Middlesbrough Council acted pro-actively and undertook an assessment of its own position relative to the issues raised in Northamptonshire and reported that to the Corporate Affairs and Audit Committee on 29 May 2018. In summary the Council's view was that while there was considerable pressure on finances, the Council had financial management processes in place which meant that it was in a much better position to deal with those pressures than Northamptonshire.
24. It is likely that financial resilience will become one of the key components of external audit work in future years, potentially on the back of a proposed CIPFA financial resilience index for local authorities.
25. According to figures from the National Audit Office, the impact on spending power has been felt most acutely in local authorities such as Middlesbrough with relatively high levels of deprivation. While Middlesbrough has faced a 36% decrease in overall spending power since 2010, the national average is 29% and some authorities have seen lower reductions, for example Wokingham has reduced by only 15%. The decrease in Middlesbrough Council's overall spending power would be higher than 36% if the Council had not achieved significant Housing Growth and increased Council Tax.

Government funding reductions

26. Government funding for local government as a whole has fallen substantially since 2010. Since changes were made to the Local Government Finance System in 2013/14 Middlesbrough Council has suffered a significant reduction in Government funding, with a reduction of £38.6m (48%) from £81.2m received in 2013/14 to £42.6m in 2018/19.
27. The Government provided greater certainty by providing what was in principle a four year settlement for local government from 2016/17 to 2019/20. However, there is still a very high level of uncertainty about funding levels from 2020/21 onwards.
28. Government funding has been assumed to fall further during the period to March 2020. No further funding reductions post April 2020 have been assumed, and any further reductions would cause an MTFP gap. While it seems clearer than it did in Spring 2018 that the Government is intending to bring in a system of 75% local business rates

retention (instead of the 100% suggested previously), it is not yet clear how this system will operate and what the detailed provisions will be.

29. The potential impact of Brexit on the local economy remains a considerable risk to the Council's strategic objectives.
30. The Government is consulting on the implementation of a new "fair funding" formula for local government from 2020/21. Some of the data on which the formulae are based are now historic and need updating. However the key will be in how the new formulae are derived. There is a risk that Middlesbrough sees further reduction in funding both in real terms and in relation to other local authorities. This is not currently planned for and would result in a requirement for further budget savings.
31. Uncertainty exists around the publication of the Social Care Green Paper which will set out the government's proposals on improving care and support for older people and tackling the challenge of an ageing population.
32. There is also a proposal to revise the formula for the Public Health grant for 2020/21. This has previously been ringfenced; the proposal is to roll it into the main Revenue Support Grant. Again the key will be what factors are considered in the formula. While the Council may gain some greater flexibility in how this grant is applied, under some scenarios the level of the grant will be considerably lower.
33. On the back of the fair funding review, it is highly likely there will be a full Spending Review implemented for the 2020/21 financial year onwards. It is unlikely that we will know full details of the figures until Autumn 2019 so the timescales for implementation will be extremely short. This uncertainty represents a further risk; however officers are regularly in touch with Ministry of Housing, Communities and Local Government through various channels to ensure that the latest information is factored in at a strategic level.
34. Notwithstanding these high levels of uncertainty, the Council's budgetary assumptions are based on the most up to date reliable information. At this stage, it is therefore assumed that any changes will not result in a further reduction in Council funding for 2020/21 and 2021/22:

| Funding Stream | 2019/20 £ms | 2020/21 (Indicative) £ms | 2021/22 (Indicative) £ms | Total £ms |
|---|------------------------|---|---|----------------------|
| Revenue Support Grant | 4.575 | 11.959 | 0.000 | 16.534 |
| Business Rates Top Up | (0.801) | (11.959) | 0.000 | (12.760) |
| New Homes Bonus | 0.042 | 0.631 | 0.166 | 0.839 |
| Housing Benefit Administration Grant | 0.150 | 0.000 | 0.000 | 0.150 |
| Education Services Grant | 0.000 | 0.000 | 0.000 | 0.000 |
| Public Health Grant | 0.443 | 0.700 | 0.700 | 1.843 |
| Improved Better Care Fund | (1.611) | 0.000 | 0.000 | (1.611) |
| 2018/19 Adult Social Care Support Grant | 0.474 | 0.000 | 0.000 | 0.474 |
| Total: | 3.272 | 1.331 | 0.866 | 5.469 |

35. The Government has announced that the Troubled Families Programme will cease at the end of March 2020. The grant funding has helped to support key preventative and early help services for children and families within Children's Services. Provision of £486,000 p.a. has therefore been made within the revised MTFP to continue the provision of essential services following the removal of the grant from 2020/21.

36. The Government's Budget Statement of 29 October 2018 announced a number of new measures and potential additional funding for local government. Full details of these have not yet been received, and at this stage no assumptions have been made for these in this revised MTFP. The effects of these will be incorporated in the future revision of the MTFP as part of the 2019/20 budget report to Council in March 2019.

Local funding increases

37. Local funding has been assumed to increase during the MTFP period:

| Funding Stream | 2019/20 | 2020/21 | 2021/22 | Total £ms |
|--------------------------------------|----------------|---------------------|---------------------|----------------|
| | £ms | (Indicative) £ms | (Indicative) £ms | |
| Council Tax Core | (2.293) | (1.775) | (1.834) | (5.902) |
| Council Tax : Adult Social Care Levy | (1.038) | 0.000 | 0.000 | (1.038) |
| Local Share of Business Rates | (1.039) | 0.000 | 0.000 | (1.039) |
| Collection Fund Surplus / (Deficit) | 0.340 | 0.000 | 0.000 | 0.340 |
| Total: | (4.030) | (1.775) | (1.834) | (7.639) |

38. While there is a direction of travel towards self-funding for local authorities, as noted above there is now increased uncertainty in respect of how and when this will be implemented. Previous assumptions in relation to local funding have therefore been maintained i.e. that from 2020, Government support to local government through the Revenue Support Grant will no longer exist, and councils will need to be self-funding, through Council Tax, Business Rates, and other localised sources of income.

39. Therefore, in accordance with changes introduced by central government in 2015 on the limits for such increases, it had been assumed that the Council would increase Council Tax by 1.99% per annum and also apply the Adult Social Care Precept (as introduced by the then Chancellor of the Exchequer George Osborne in the November 2015 Spending Review) in every year of the period to meet anticipated demand for social care. In the December 2017 Provisional Local Government Finance Settlement the government increased their assumption on council tax rises by 1% to a 2.99% increase in 2018/19 and 2019/20. These assumptions of a 2.99% increase in core Council Tax in 2019/20 and then a 1.99% increase in 2020/21 and 2021/22 are now reflected in the MTFP and are in line with the Government's own assumptions within the Local Government Finance Settlement.

40. In the 2017/18 Settlement the Government introduced the flexibility for Councils with responsibility for Adult Social Care to increase Council Tax by up to 3% in each year as long as the precept does not total more than 6% in the period 2017 to 2020. Middlesbrough has opted to continue with increases of 2% in each financial year up to

2019/20 as previously assumed in order to help protect residents from sharp Council Tax increases.

Use of Reserves and Balances

41. Over the period to 2022, the Council plans to utilise £2.5m of its general balances in order to smooth the budget savings requirement. This will allow time to plan future savings effectively to ensure that there is the minimum possible impact on residents and service users.
42. The Strategic Director of Finance, Governance and Support has reviewed the proposed level of balances held in the general reserve and advised that he considers it is appropriate to continue to maintain a minimum of £9.4 million over the medium term. This advice is based on an assessment of financial risks against criteria set out by the Chartered Institute of Public Finance and Accountancy and the extent to which specific provisions are available to meet known and expected liabilities.
43. The main high level factors affecting this assessment are the degree of uncertainty in the financial and economic climate for local government, notably the introduction of a new funding formula for 2020/21 and the potential impact of Brexit; the continued potential for increased demand and costs in children's and adults social care; and the reduction in the level of specific reserves and provisions over the last two years.
44. The level of balance in the general reserve would be affected by any overspend that occurs in 2018/19, and also potentially by any changes to the anticipated 2018/19 recurring pressure provided for in the revised MTFP.
45. Over the MTFP period, the Council intends to use £2.7m from its Change Fund in order to support transformational activity. The intention is to plan to hold a negligible amount in the Change Fund by 2022 in light of the need to invest in projects in the meantime.

Contingency

46. Following a review of the achievability of the proposed savings and the requirement to balance the MTFP over the period the previously agreed contingency of £1.2m per annum provided for 2019/20, 2020/21 and 2021/22 has now been removed. A robust programme plan for achieving the savings is being developed following the Council's Project Management Framework to maximise the chances of achieving savings over this period.

Savings requirement and proposals

47. The refreshed MTFP identifies that total savings of £22.9m are required for the MTFP period 2019/20 to 2021/22. Savings of £10.9m are planned for the MTFP period following approval by Council in March 2018. Further savings proposals totalling £12.0m (including £5.7m for 2019/20) for the MTFP period have been derived from further work undertaken to date within Phase 3 of the Council's Change Programme. These have been categorised as set out below and in Appendices 1-3 of this report:

| Appendix | Description |
|----------|--|
| 1 | <p><u>Initiatives that are considered to have minimal or no effect on front line service delivery levels -</u> These initiatives require no, or no further public consultation or impact assessment prior to consideration by Full Council as part of the 2019/20 revenue budget for implementation in 2019/20 or future years. Some internal consultation may be required prior to implementation if the initiatives have a significant impact on employees, and this will be undertaken by management as appropriate</p> |
| 2 | <p><u>Initiatives considered to potentially affect front line service delivery levels -</u> These initiatives will form part of the 2019/20 revenue budget, and will be subject to the impact assessment process and consultation either prior to consideration by Full Council as part of the 2019/20 revenue budget, or during 2019/20 for implementation in that year or future years.</p> |
| 3 | <p><u>Initiatives requiring further development prior to being brought forward for approval -</u> These are initiatives that will be subject to the impact assessment process (where necessary) and on which the Council will consult prior to consideration via either member or officer decision (as appropriate) either during 2019/20 or in future years. The likely relevant decision making body and provisional timing is listed for each proposal, which may change depending on the nature of the final proposal.</p> |

48. Savings initiatives for 2019/20 considered to potentially affect front line service delivery levels and which will be subject to the impact assessment process and consultation, are summarised below with details, including their impact, shown in Appendix 2:

- Restructure Libraries and Hubs to ensure more efficient working practices, including reduction in reception service, and reduction in the book fund by maximum of £30k.
- Implement wild flower bedding throughout town.
- Cease Green Waste collections in October, as opposed to November currently.
- Increase charges in Bereavement Services by 2.5% above agreed annual inflationary increase (5% in total), to ensure average charges are more in-line with overall Tees Valley averages for burials and cremations.
- Increase income from Newham Grange Farm, due to increased visitors, ticket prices and secondary sales, reflecting the improved offer.
- Review all contracts with warden support providers to release efficiencies.
- Implement charge for Connect Service to recipients in receipt of Pension Credit Guarantee, historically funded by Supporting People Grant (which has now been removed by Central Government), in line with other users of the service in Middlesbrough and in line with other councils.
- Increase administration charge (to the deceased's estate) for deferred payments, in line with other councils nationally.
- Reduction in wrap-around support services for substance misuse across prevention and early intervention.
- Review council services that the Public Health grant currently contributes to, with a view to reducing non-core Public Health expenditure by 30%.

49. It should be noted that that there may be some movement between appendices. If it becomes clear that this is necessary, further work will be undertaken as appropriate.

Investment Strategy

50. Full Council approved an Investment Strategy for the period 2018-21 on 7 March 2018. This has been reprofiled by Executive throughout 2018/19 following quarterly monitoring, in line with its constitutional powers.

51. Following a review of existing commitments within the current Investment Strategy it is proposed that the following schemes are removed from the current Investment Strategy as they are no longer required during the period to 2021/22:

| Scheme | Value £ms |
|-------------------------------------|----------------------|
| Hemlington Grange Business Park | 1.441 |
| The Big Screen | 0.480 |
| Gresham Phase 2a | 1.150 |
| Teesside Media & Innovation Village | 0.240 |
| Purchase of Former County Depot | 0.371 |
| Total: | 3.682 |

52. Also “business as usual” schemes which are essential to the delivery of Council services have been reviewed and it is proposed that the following amounts are added to the Investment Strategy in relation to these schemes, which will also extend these schemes to 2021/22 in the Investment Strategy:

| Scheme | Value £ms |
|--|----------------------|
| Capitalisation of Major Scheme Salaries | 0.440 |
| Purchase of New Vehicles | 0.300 |
| Capitalisation of Wheeled Bin Replacement | 0.100 |
| Capitalisation of Street Furniture/Dog Fouling & Litter Bins | 0.055 |
| Capitalisation of Highways Maintenance | 0.275 |
| Property Services Building Investment | 0.340 |
| Chronically Sick & Disabled Persons Act | 0.610 |
| Capitalisation of Staying Put Salaries | 0.050 |
| ICT - Essential Refresh & Licensing | 4.415 |
| ICT - Infrastructure for Benefits | 0.133 |
| Derisking Sites | 0.284 |
| Civic Centre Campus Fit out Costs | 4.000 |
| Members Small Schemes | 0.060 |
| Total: | 11.062 |

53. After providing for the above, £14.6m of resources are available for use within the current MTFP period 2019-22 from existing resources and without any additional borrowing costs. An appraisal process has taken place and the new schemes that are proposed to be included in the revised Investment Strategy are shown in the table below, with further details being provided in Appendix 4. Schemes where capital investment are required to achieve existing Change Programme 3 savings have been shown separately.

Investment required to achieve Change Programme 3 savings

| Scheme | Value £ms |
|----------------------|----------------------|
| Edge Of Care Project | 0.900 |
| GIS Upgrade | 0.404 |
| Total : | 1.304 |

Other new schemes

| Scheme | Value £ms |
|---|----------------------|
| Connect & Telecare IP Digital Switchover | 0.330 |
| North Ormesby Resource Centre Refurbishment | 0.150 |
| Hemlington Library and Community Hub - additional works | 0.175 |
| Asset Management Capital - Block Budget | 3.279 |
| Newham Grange Leisure Farm | 0.900 |
| Bereavement Services Investment | 0.412 |
| Play Area Infrastructure Improvements | 0.180 |
| East Middlesbrough Community Hub | 2.500 |
| ICT Innovation Budget | 0.500 |
| Replacement of Pay & Display Parking Ticket Machines | 0.189 |
| City Centre Public Realm | 3.800 |
| Primary / Secondary Sufficiency Scheme | 0.864 |
| Total : | 13.279 |

54. A number of Invest to Save schemes are proposed as follows, subject to business case development, and these will cover the capital financing costs of the capital investment and also generate the following projected additional savings during the MTFP period for inclusion in the revised MTFP :

| Scheme | Value £ms | Projected Revenue Savings £ms |
|---------------------------------------|----------------------|--|
| The Live Well Centre expansion | 0.800 | (0.083) |
| Housing Growth Infrastructure | 3.100 | 0.000* |
| Boho Car Park | 0.600 | (0.046) |
| LED Street Lighting Upgrade (phase 2) | 3.219 | (0.159) |
| Housing Delivery Vehicle | 9.000 | (0.180) |
| Total: | 16.719 | (0.468) |

*This produces revenue savings in future years outside of the current MTFP period, i.e. 2022/23 onwards

55. The proposed changes to the Investment Strategy are within the Council's overall borrowing limits and prudential indicators required as part of the Prudential Code.

56. Executive are requested to endorse the proposed changes to the Investment Strategy. If these are approved by Full Council on 5 December 2018 the Investment Strategy will be revised to include these new schemes.

What decision(s) are being asked for?

57. That the Executive notes progress against the Strategic Plan 2018-22.

58. That the Executive notes the Medium-Term Financial Plan position for 2019-22.

59. That the Executive endorses proposed savings initiatives for 2019/20 and notes the proposed savings initiatives for 2020-22 which will require further development prior to being brought forward for approval (Appendices 1-3).

60. That this report is presented to Council on 5 December 2018, allowing consultation on the proposed savings initiatives to commence, with any required changes arising from the discussion of the report at the Executive delegated to the Executive Member for Finance and Governance, as advised by the Strategic Director of Finance, Governance and Support.

61. That Executive endorses the proposed changes to the Investment Strategy and that these are presented to Council on 5 December 2018 for approval and inclusion in the revised strategy for 2018-22.

Why is this being recommended?

62. To enable the Council to meet its statutory responsibility to set a balanced revenue budget for the financial year 2019/20 and to ensure that a proper framework is in place for the medium term financial management of the Council, which will enable the Council to take a systematic, coherent and controlled approach to addressing ongoing financial challenges over the medium-term, while maximising its contribution to the Mayor's 2025 Vision for Middlesbrough.

Other potential decisions and why these have not been recommended

63. The Council has no option but to address its savings challenges. The revised Medium-Term Plan for 2019-22 will provide the means to achieve this in a proactive and systematic manner, while continuing to reshape the Council to lead the delivery of the 2025 Vision for Middlesbrough.

64. The approach outlined in this report requires the planned and prudent use of reserves and balances over the period to 2022. Failure to utilise these reserves would jeopardise the deliverability of transformational savings.

Impact(s) of recommended decision(s)

Legal

65. The Council has a legal duty to set a balanced budget. The Medium-Term Financial Plan, which is a part of the Strategic Plan, forms part of the Council's core policy framework, as set out in its constitution. The approach outlined within the document will enable the Council to operate within the resources available and continue to meet its many statutory duties, including the Duty of Best Value.

Financial

66. This report sets out proposed savings initiatives for 2019/20 and notes the proposed savings initiatives for 2020-22 which will require further development prior to being brought forward for approval. It is proposed that savings initiatives in Appendix 2 will now be the subject of consultation. Those in Appendix 3 will be consulted upon prior to approval in 2019/20 or in future years. Savings proposed for 2019/20 in this report total £5.7m, and these are in addition to planned savings of £4.6m for 2019/20 already approved by Council in March 2018. The 2019/20 Budget will be presented to Executive on 26 February 2019, and Council on 6 March 2019.

Policy Framework

67. The revenue and capital budgets form part of the Council's Policy Framework and as such must be agreed by Full Council.

Equality and Diversity

68. As stated above, savings proposals for 2019/20 and beyond have been initially assessed and categorised in Appendices 1-3, as outlined at paragraph 47.

69. The Council must ensure that, in line with the Public Sector Equality Duty, initiatives thought to impact on those with protected characteristics are assessed, mitigated where possible and/or justified. As such impact assessments for specific proposals will be completed prior to consideration by the appropriate decision-making body, where required. This will be either prior to the presentation of the 2019/20 budget report to Council in March 2019 (in the case of Appendices 1 and 2), or during 2019/20 or future years prior to the decision to implement the initiative being taken (Appendix 3).

Risk

70. The proposed approach will ensure continued compliance of the Council to meet its statutory duty to set a balanced budget. The proposals also mitigate the risk on the Council's Strategic Risk Register of MTFP process failures e.g. inaccurate assumptions resulting in unforeseen/unmitigated funding gap, and failures to deliver savings required to meet the MTFP gap.

Actions to be taken to implement the decision(s)

71. Consultation in respect of proposed initiatives for 2019/20 in Appendix 2 will commence on 6 December 2018 and conclude on 18 January 2019, with appropriate impact assessments undertaken, incorporating responses to the consultation. The same approach will be adopted for initiatives proposed in Appendix 3 relating to 2020-22, with consultation taking place in 2019/20 or future years.

72. This will involve:

- general public consultation on the Council's website, with explanatory material where required;
- publicising the consultation to the Council's Citizen's Panel, the Council's partners, and to the general public via local media and social media;
- specific consultation with the business sector (a statutory requirement);
- briefings for all elected members; and
- provision of promotional material in community hubs;
- provision of promotional material to elected members; and
- direct emails to community councils.

73. In addition, a targeted approach will be adopted for proposals within Appendices 2 and 3 where specific groups and / or individuals may potentially be adversely affected e.g. the closure of an age-targeted service. These approaches will be bespoke to the proposal at hand but may include:

- specific online consultation;
- public meetings;
- targeted focus group work, and
- face-to-face consultations.

74. The output of this process will be reported in the report to Executive on 26 February 2019, and Council on 6 March 2019, which will:

- again refresh the MTFP following the Local Government Finance Settlement, set the 2019/20 budget, and associated savings initiatives and targets;
- identify when and how decisions relating to proposals in Appendix 3 will be made; and
- comply with the Public Sector Equality Duty and set out any impacts identified from initiatives proposed to meet savings targets for 2019/20.

Appendices

- Appendix 1: Initiatives that are considered to have minimal or no effect on front line service delivery levels -
These initiatives require no, or no further public consultation or impact assessment prior to consideration by Full Council as part of the 2019/20 revenue budget for implementation in 2019/20 or future years. Some internal consultation may be required prior to implementation if the initiatives have a significant impact on employees, and this will be undertaken by management as appropriate.

- Appendix 2: - Initiatives considered to potentially affect front line service delivery levels -
These initiatives will form part of the 2019/20 revenue budget, and will be subject to the impact assessment process and consultation either prior to consideration by Full Council as part of the 2019/20 revenue budget, or during 2019/20 for implementation in that year or future years.
- Appendix 3: Initiatives requiring further development prior to being brought forward for approval -
These are initiatives that will be subject to the impact assessment process (where necessary) and on which the Council will consult prior to consideration via either member or officer decision (as appropriate) either during 2019/20 or in future years. The likely relevant decision making body and provisional timing is listed for each proposal, which may change depending on the nature of the final proposal.
- Appendix 4: New schemes proposed for inclusion in the revised Investment Strategy to 2021/22.

Background papers

| Body | Report title | Date |
|---------|---|---------------|
| Council | Revenue Budget, Council Tax, Medium Term Financial Plan and Prudential Indicators 2018/19 | 7 March 2018 |
| Council | Strategic Plan 2018-22 | 28 March 2018 |

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