

Report of: Executive Member for Finance and Governance; Strategic Director of Finance, Governance and Support

Submitted to: Executive - 16 June 2020

Subject: Strategic Plan 2020-23 - Progress at Year-End 2019/20

Summary

Proposed decision(s)

- That the Executive notes the key performance issues relating to the Council’s Strategic Plan 2020-23 arising in Quarter Four.
- That the Executive notes the potential impact of COVID-19 on the Council’s strategic priorities as set out in the Strategic Plan 2020-23, and receives a revised draft of the Strategic Plan for 2021-24 in November 2020 which will reflect findings and recommendations from recovery planning.
- That the Executive notes the 2019/20 revenue budget final outturn of £118,517,000, representing a £6,591,000 (5.89%) overspend, driven in the main by pressures within Children’s Services.
- That the Executive approves the use of the Council’s reserves to cover this overspend, noting that this reduces the Council’s General Fund Reserve to the minimum level (£9.4m) recommended by the Section 151 Officer.
- That the Executive notes that continuing pressures within Children’s Services, together with other pressures now faced by the Council (in particular the response to and recovery from COVID-19) pose a significant risk to the Council’s financial position, and approves a fundamental review of the Medium-Term Financial Plan by the Interim Section 151 Officer, to be considered by the Executive in September 2020.
- That the Executive notes the 2019/20 capital budget final outturn of £68,177,000, representing a £3,654,000 (5%) underspend, driven in the main by delays resulting from COVID-19, and approves the proposed revised Investment Strategy to 2022/23 at Appendix 1.
- That in light of the above, the Executive notes the Council’s updated strategic risk register at Appendix 2.

Report for:	Key decision:	Confidential:	Is the report urgent?
Decision	Yes – over the financial threshold (£150,000)	No	No

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
Quarterly monitoring, review and action planning plays a central role in ensuring that the Strategic Plan is delivered effectively.		

Ward(s) affected
None.

What is the purpose of this report?

1. This report advises the Executive of progress against the 2020-23 Strategic Plan and the Council's financial position and its strategic risks at Year-End 2019/20.

Why does this report require a member decision?

2. The Council's Scheme of Delegation gives the Executive collective responsibility for corporate strategic performance and financial management / monitoring, together with associated action. Standing Orders and Financial Procedures require the Executive's approval for major variations between revenue budgets, and in-year changes to the Council's capital Investment Strategy.
3. This report provides the necessary information to enable the Executive to discharge its performance and financial management responsibilities, setting out:
 - a first progress update against the 2020-23 Strategic Plan;
 - final revenue and capital budget outturns at Year-End 2019/20;
 - position statements in relation to the Council's borrowing and its reserves;
 - an update on the Council's Strategic Risk Register; and
 - actions that the Council has taken and plans to take to address the issues raised.
4. A revised Investment Strategy for the period to 2022/23 is attached at Appendix 1 for the Executive's consideration and approval.

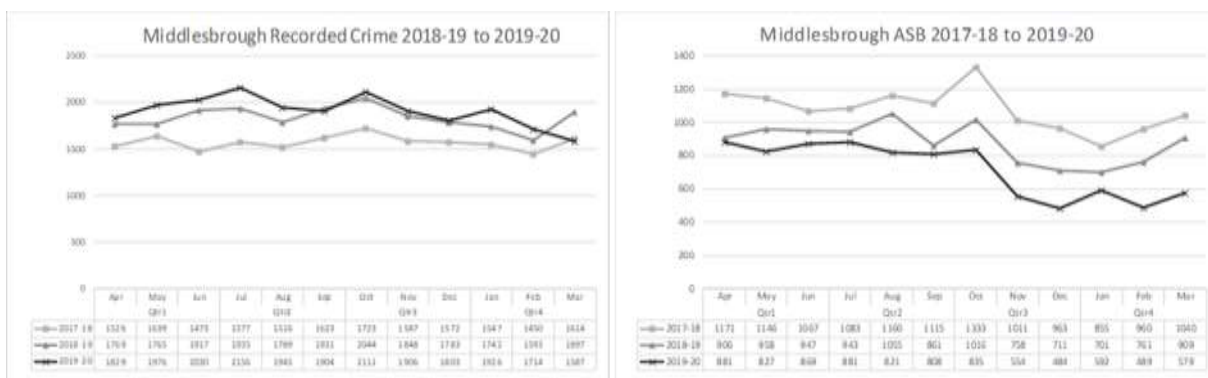
Report Background

Strategic Plan 2020-23

5. Full Council approved a Strategic Plan for the period 2020-2023 on 15 January 2020. The plan is organised around three strategic aims of People, Place and Business, setting out under each the priorities of the Elected Mayor of Middlesbrough and other key priorities of the Council. It sets out a comprehensive programme of activity to promote improved quality of life across Middlesbrough, which meets the Council's legal obligations and is within its financial means.
6. On 18 February 2020, the Executive approved a number of policy changes to maximise delivery of the revised Strategic Plan, and Leadership Management Team was in the process of developing an underpinning work programme for the plan when the COVID-19 outbreak began.
7. As the report on this issue to today's meeting of the Executive makes clear, COVID-19, the response to it, and the recovery from it, will have a significant impact on the local people and communities, the local economy and fundamentally change the way the Council does business in the future. As such, it is proposed that the Executive receives a revised draft of the Strategic Plan for 2021-24 in November 2020 which will reflect findings and recommendations from COVID-19 recovery planning.
8. The following paragraphs sets out in brief the key headlines from Quarter Four relating to the Council's strategic priorities.

People

9. **Community safety:** The onset of self-isolation advice and social distancing measures throughout Quarter Four leading to the national lockdown announced on 23 March, contributed to a 3.5% reduction from 2018/19 in the combined recorded crime and anti-social behaviour measure. Compared with 2018/19, combined crime and ASB was down in 16 of the town's 20 wards, and up in 4. Twelve wards showed combined reductions of 3%+ on March 2019, with significant reductions in actual terms in Central, Marton East, Newport, North Ormesby, Park and Park End and Beckfield wards.



10. In line with the Mayor's community safety pledges, an anti-social behaviour crackdown commenced in Pallister Park and North Ormesby during Quarter Four.
11. **Children's Services:** Since Quarter Three, a 12-week improvement plan has been delivered in immediate response to Ofsted's judgement that the Council's Children's Services were 'inadequate'.
12. The Department of Education (DfE) appointed a Commissioner to further scrutinise services and make a recommendation to the Minister as to whether the Council should retain control of these services or whether there should be an alternative model of delivery, and make an early assessment of the Council's capability to deliver the 'No Wrong Door' project, Futures for Families.
13. The Commissioner's report to the DfE was published on 4 June 2020 and can be found at <https://www.gov.uk/government/publications/middlesbrough-childrens-services-commissioners-report>.
14. The Commissioner confirmed that the Council would retain control of the service, writing that, '*there are reasonable grounds to conclude that this is not an LA where alternative delivery models are needed at this stage. It is recommended that the LA and its partners are afforded the opportunity to further enhance their improvement activity to date. To be given the chance to create the conditions where over time we will increasingly see the improvements in practice which are needed.*'
15. The report notes that '*challenges faced in delivering high quality services to an area with the scale of social and economic challenges as those seen in Middlesbrough, should not be underestimated*'.

16. The Commissioner commended the Council for the way political leaders and senior officers have responded to Ofsted's feedback. He describes a *'full acceptance of responsibility and a recognition of the need for change'*.
17. Failings should not be viewed as the responsibility of any one individual, the commissioner writes, but instead were *'the product of deficiencies across the wider system'*.
18. The commissioner notes that there is evidence that the Council's immediate assurance plan is addressing some of the most concerning issues. The report states the improvement activity is well structured and that a *'stronger, whole Council approach is evident and relationships have been enhanced between corporate and departmental staff'*.
19. The report highlights key areas where more progress is required. These include the need for further evidence that the new Improvement Plan is delivering the improvements required and that political oversight and challenge is effective.
20. The report notes that the new leadership team has made strong progress but highlights some staff are on interim contracts and warns against losing momentum.
21. The report states all opportunities must be taken to enhance the children and young people's agenda and that Middlesbrough's economic and regeneration ambitions should be judged on how well they transform communities and support improved outcomes for young people.
22. The Council must prioritise decision making to ensure only the right children are in care and that when in care they remain local, the report states. The commissioner also says that caseload levels must be carefully monitored and reduced, particularly in the assessment teams.
23. In respect of 'No Wrong Door', the Commissioner notes the project has the potential to *'both deliver and contribute to key improvement priorities in Middlesbrough'* and contribute to *'the heightened ambition for improvement on a partnership basis'*. He has made several suggestions of areas for the project to focus on.
24. The Commissioner will continue to work with the Council for three days per month and will present further reports to the DfE in November 2020 and May 2021.
25. While this is very positive progress, it is just the start of the improvement journey for the Council and its partners. A longer-term improvement plan has now been signed off by the Multi-Agency Strategic Improvement Board, and a separate report will be presented to July's meeting of the Executive outlining the progress made to date in improving the Council's Children's Services, and the next steps.
26. **Children subject to statutory intervention:** More local children became subject to statutory intervention by Children's Services during the quarter, continuing the trend evident throughout 2019/20.
27. The impact of the Ofsted inspection, in particular the findings that services were not responding to risk effectively and leaving children and young people in situations of potential harm for too long, has meant that in starting to address these concerns and

challenges the number of children becoming looked after has continued to increase monthly since that point. Subsequent threshold reviews and audit in January and February 2020 has also impacted on these numbers ensuring the right children are accessing this provision and has cumulatively resulted in 72 more children requiring a placement in care since November 2019.

28. As such, the local Looked After Children rose from 175.0 per 10,000 at Quarter Three to 191.9 at Year-end, and the Child Protection Plan rate also rose, from 93.2 per 10,000 to 98.4.



29. The Improvement Plan has identified the activity required to mitigate this rise in future, however it should be stated that the legacy of poor practice, management oversight and drift and delays now starting to be addressed are all contributing to this number currently and will continue to contribute to demand over the next six months at least. As previously reported, this continuing trend contributes directly to the Council's financial position, outlined below.
30. **Life expectancy:** Recently-released healthy life expectancy data for gap to national average, and gap between most and least affluent wards in the town again shows variable movement; with the gap to national for males increasing, and the gap between wards increasing for females. Excess deaths relating to COVID-19 will impact on life expectancy and, if unmitigated, contribute to poor health outcomes and increased health inequalities within Middlesbrough. This will be a key focus of the Council's Recovery Plan.
31. **Economic activity:** The number of economically active people in Middlesbrough began to decline during the quarter, and it is now known that due to COVID-19 claimant count increased by 47% in Middlesbrough through April. Restarting the local economy will again be key to recovery from COVID-19.

Place

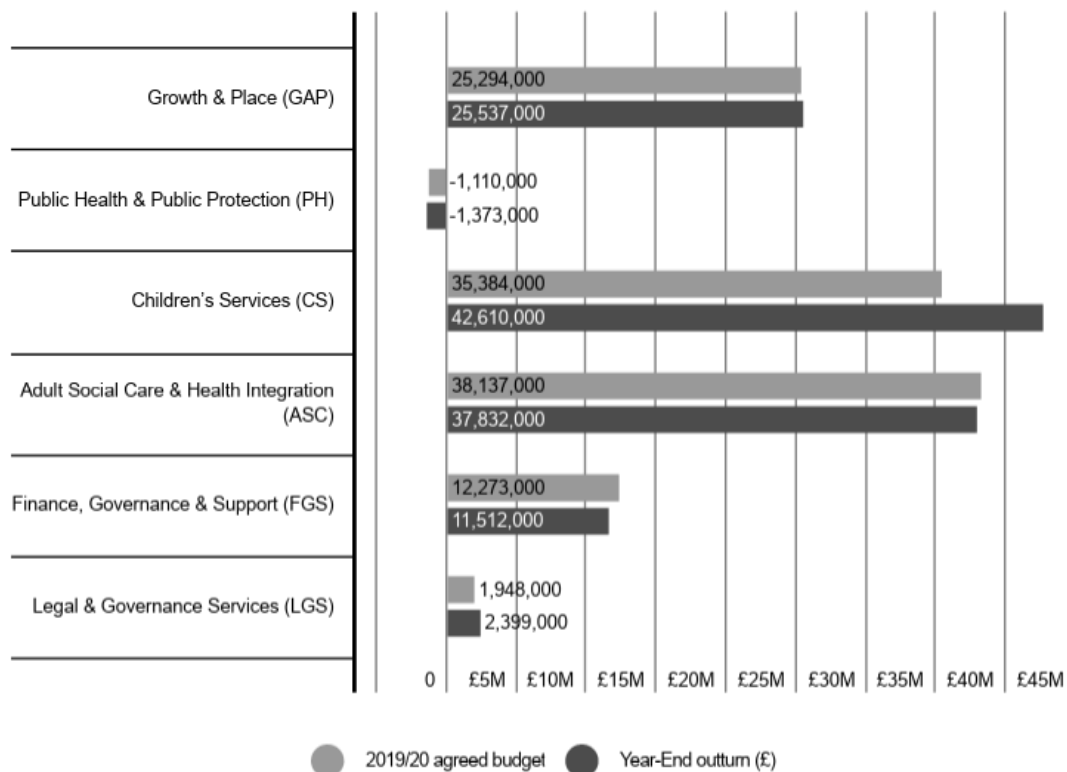
32. The number of new homes built continued to increase, as did the number of new jobs created, with 29.51% and 22.43% of the overall Investment Prospectus targets achieved respectively.

Business

33. Commercial and housing investment in Middlesbrough continued to increase in line with targets, with 47.19% of the overall Investment Prospectus targets achieved at year-end. In Quarter Four, work commenced on the Boho Zone North development, which includes 40 apartments, in the Middlehaven regeneration area.
34. COVID-19 resulted in the rapid implementation and adoption of digital solutions by both Council employees and customers, with almost four times as many employees working from home at the end of the quarter than at the beginning, and many customer-facing services, such as Revenues and Benefits, completing suspending face-to-face contact, yet operating effectively. The potential opportunities offered by this enforced change will be explored as part of COVID-19 recovery.
35. Employee sickness absence increased in the quarter due mainly to COVID-19, and this is covered in detail on the report on response and recovery presented to today's meeting of the Executive.
36. The Council's spending with local businesses continued to increase in the quarter, and the 'Buy Boro' campaign was launched in the quarter to protect and promote Middlesbrough's small businesses through the COVID-19 outbreak and beyond.

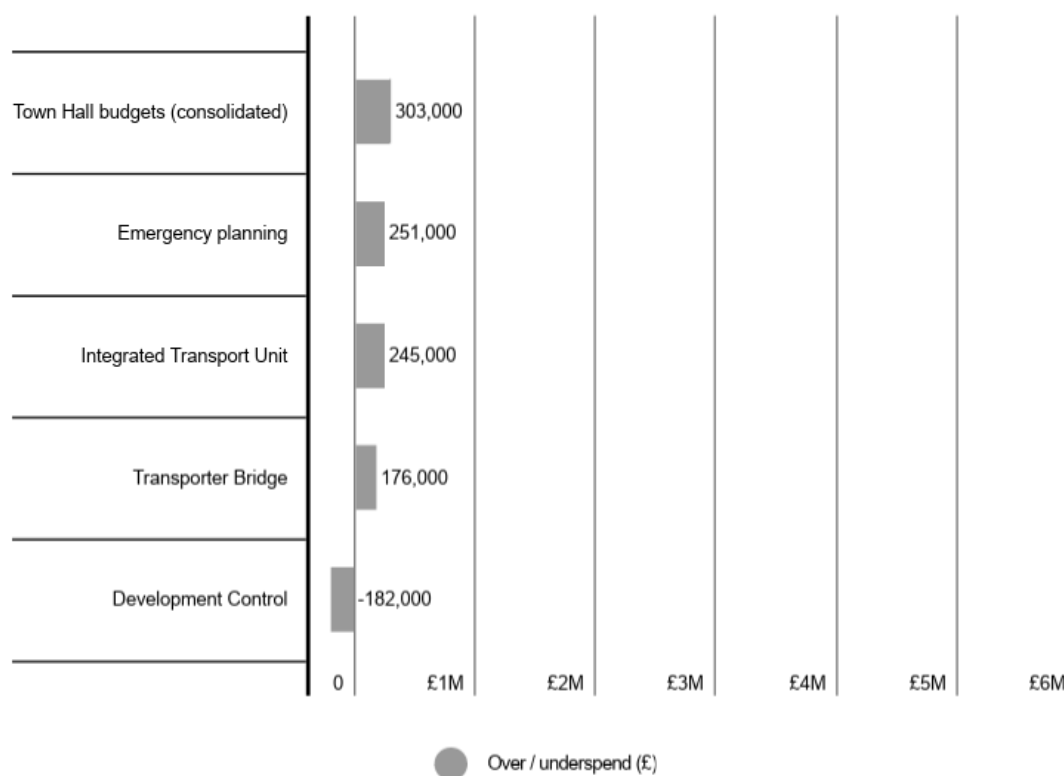
Revenue Budget Outturn Year-End 2019/20

37. The Council overspent its revenue budget by £6,591,000 (5.89%) in 2019/20, with a final outturn of £118,517,000. This position represented a net increase of £884,000 from the Quarter Three projection of £5,707,000 overspent. The split by Directorate is shown in the chart below.



38. The key driver of this movement was an increased overspend of £1,960,000 in Quarter Four within Children's Services, mainly due to:
- significant increased pressure in the quarter on Children's Care demand budgets from both an increased number of placements and increased costs arising from existing placements, combined with thresholds changing due to Ofsted recommendations (£1,197,000);
 - income received from NHS Tees Valley Clinical Commissioning Group (CCG) for health contributions being lower than forecast at Quarter Three (£390,000);
 - increased agency, consultant and staffing costs during the quarter within Children's Care and Business, Performance and Change to support Ofsted improvement and changes to the leadership structure (£433,000);
 - costs arising from an invoice received from the Regional Adoption Agency in March 2020 for inter-agency adoption fees, when it had been assumed at Quarter Three that no charge would be made (£216,000);
 - legal costs relating to a child following a legal challenge (£135,000);
 - the Children's Services abatement target included in mitigation at Quarter One not being fully achieved at year-end (£220,000); and
 - savings in the Education budget due to the use of contributions received from schools towards capital projects, and funding the projects from other sources (£628,000 saving).
39. The increased pressure within Children's Services has been partly offset by improvements from the Quarter Three projections in other areas of the Council, principally in Adult Social Care and Health Integration (£402,000) relating to increased staff savings from vacant posts and increased income from service users above that assumed at Quarter Three, and a net increased saving in Finance Governance and Support of (£752,000) mainly arising from increased savings on Capital Financing budgets due to not restructuring debt, the receipt of windfall income and also from savings in the General Fund budget due to windfall income received from a review of unused reserves, historical grants, and holding account balances.
40. The above-stated position excludes £878,000 of expenditure during March 2020 relating to the COVID-19 pandemic, which has now been covered from the Government's public sector emergency response fund.
41. It is proposed that this overspend is mitigated by the use of £3,325,000 Demand Risk Reserve that had been held at the beginning of the year to support demand pressures in social care services. There is no alternative option to this course of action and the financial implications of this are set out in the relevant section of this report.
42. At year-end, 33 areas had spent +/- £150,000 of the agreed budget. The detail of these variances is set out below.

Growth and Place

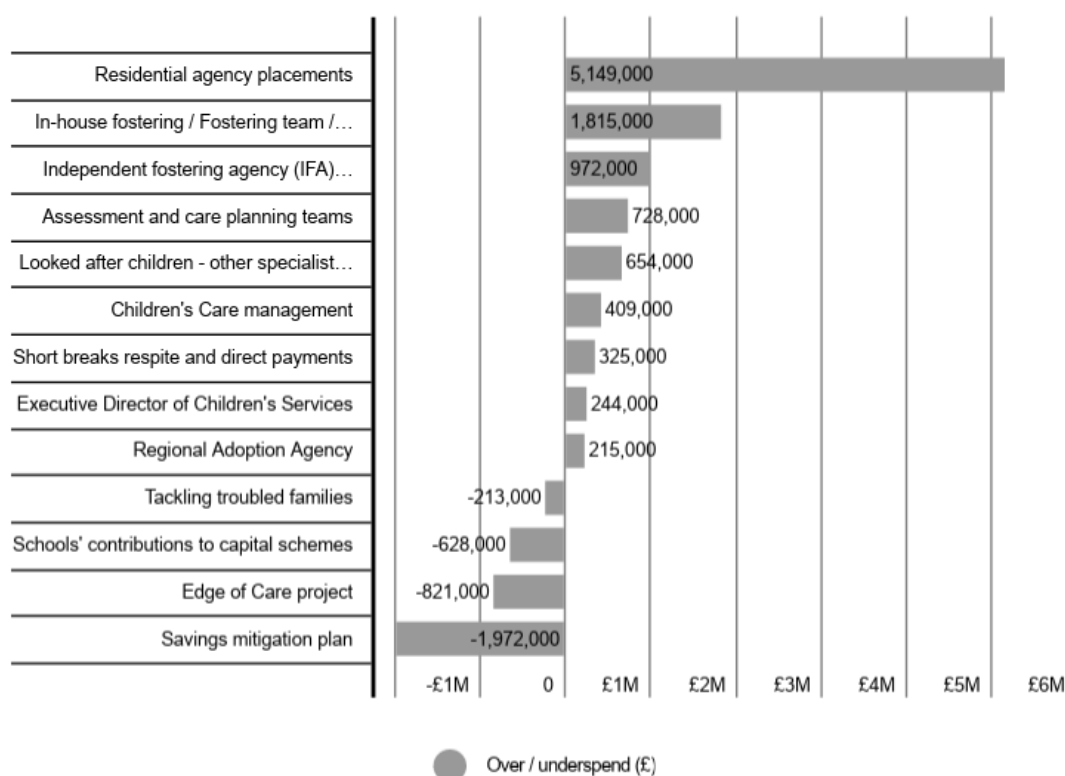


43. The Town Hall budgets (consolidated) overspent by £303,000 (246%) at year-end, higher than the Quarter Three projection, due to income shortfall from promotions, bar and ticket sales, unexpected costs relating to the previous year, and a significant reduction in acts performing in the latter part of the year.
44. The Emergency Planning budget overspent by £251,000 (516%) at year-end, higher than the Quarter Three projection, due to costs incurred from the Marton Country Club fire. An insurance claim has been made, but the success of this has not been assumed.
45. The Integrated Transport Unit budget overspent by £245,000 (10%) at year-end, higher than the Quarter Three projection, due to additional transport costs incurred from the shortfall in secondary school places and increased demand from Children's Services. The projected pressure of £100,000 in Environment and Commercial Services relating to associated additional transport costs reported at Quarter Three is now included within this budget.
46. The Transporter Bridge budget overspent by £176,000 (332%) at year-end, higher than the Quarter Three projection, following the enforced closure due to health and safety issues, resulting additional expenditure on repairs, a shortfall in income and delays to a planned staffing review.
47. The Development Control budget underspent by £182,000 (132%), broadly similar to the Quarter Three projection, as the Council received more applications than anticipated during the year.

Public Health and Public Protection

48. The substance misuse budget overspent by £355,000 (38%) at year-end, higher than the Quarter Three projection, due to increased costs of Buprenorphine, an addiction treatment.
49. The Public Health staffing budget underspent by £313,000 (22%) at year-end, due to a recruitment freeze in advance of 2020/21 budget reductions. The Public Protection staffing and running costs budget underspent by £169,000 (29%) also as the result of delaying recruitment.

Children's Services



50. The residential agency placements budget was £5,149,000 (76%) overspent at year-end, higher than the Quarter Three projection. This was due to slower than expected / no implementation of new initiatives and continued increased demand. The position includes the remaining unallocated Social Care support grant previously held centrally and transferred to Children's Services to offset demand pressures. Also there was a shortfall in assumed forecast income from the Tees Valley CCG, partly relating to previous year's claims.
51. The in-house fostering / fostering team / family and friends' allowances budget was £1,815,000 (49%) overspent at year-end, higher than the Quarter Three projection due to the significant increased number of placements / cases and full year effect of 2018/19 increases. An increase in this budget should be positive as the cost per child is cheaper than other demand budgets.

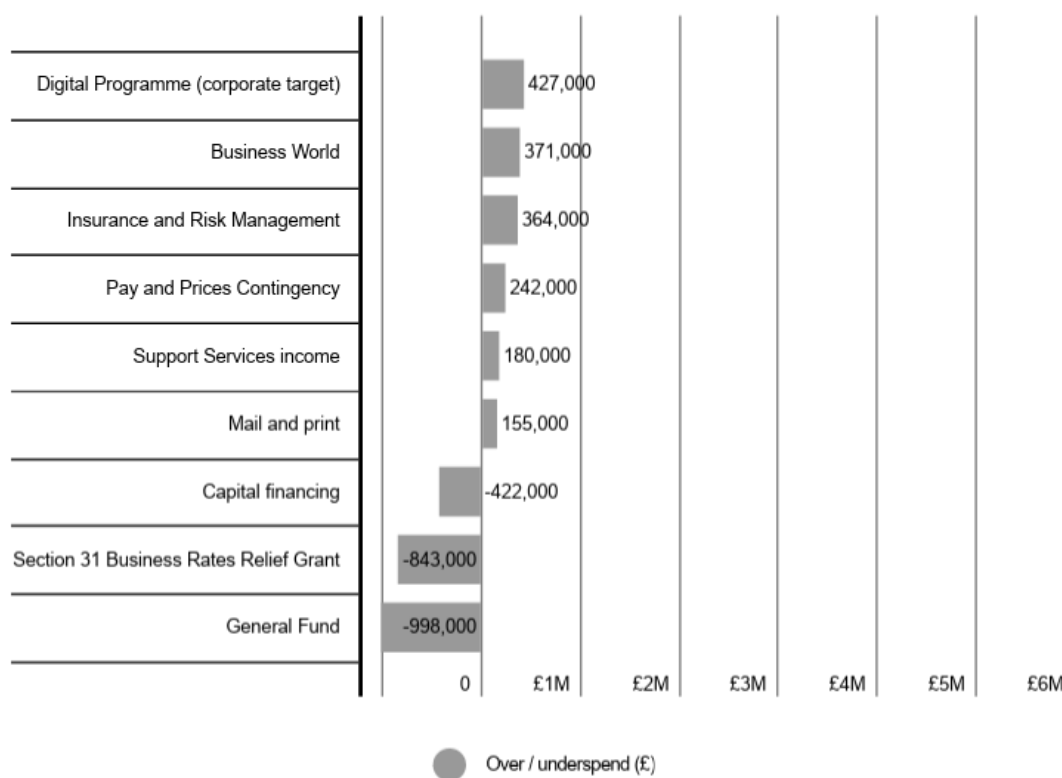
52. The Independent Fostering Agency (IFA) placements budget was £972,000 (19%) overspent at year-end, broadly unchanged from the Quarter Three projection, again due again to the significant increased number of placements / cases and full year effect of 2018/19 increases. An increase in this budget should be positive as cost per child is cheaper than other demand budgets.
53. The Assessment and Care Planning teams budget overspent by £728,000 (14%) at year-end, broadly unchanged from the Quarter Three projection. This was due to significant agency costs across the year to address caseload issues highlighted by Ofsted.
54. The Looked After Children – Other Specialist Services budget overspent by £654,000 (26%) at year-end, higher than the Quarter Three projection, due to agency costs to fill priority vacancies and to support the Ofsted improvement plan, and legal fees relating to a care leaver.
55. The Children’s Care management budget overspent by £409,000 (79%) at year-end, higher than the Quarter Three projection, due to significant agency and staffing costs, including one-off costs relating to changes in the department’s leadership structure.
56. The Short Breaks Respite and Direct Payments budget overspent by £325,000 (34%) at year-end, broadly unchanged from the Quarter Three projection, due to unexpected costs relating to previous years’ invoices and Edge of Care placement costs.
57. The Executive Director of Children’s Services budget overspent by £244,000 (82%) at year-end, higher than the Quarter Three projection, due to one-off costs relating to changes in the department’s leadership structure and increased consultancy costs both before and after the recent Ofsted inspection.
58. The Regional Adoption Agency budget overspent by £215,000 (42%) at year-end, higher than the Quarter Three projection, due to unbudgeted costs relating to inter-agency fees of which the Council was notified until late in the year.
59. The Tackling Troubled Families budget underspent by £213,000 (214%) at year-end, due to over-achievement in completing and closing cases and thereby maximising grant income over and above the £108,000 included within the Children’s Services mitigation plan.
60. The School contributions to capital schemes budget underspent by £628,000 (100%) at year-end, as contributions were funded from other sources, thereby creating a revenue saving.
61. The Edge of Care project budget underspent by £821,000 (30%) at year-end, broadly similar to the Quarter Three projection, due to a slower than anticipated implementation of new initiatives and the maximisation of grant funding.
62. The department’s savings mitigation plan produced savings of £1,972,000 (5%) at year-end, a net increase of £88,000 on the Quarter Three projection due to an additional mitigation relating to the School Improvement Fund, offsetting non-achievement of the staff abatement target.

63. It should also be noted that the projected pressure of £311,000 in the Education budget relating to the shortfall in secondary school places reported at Quarter Three has now been funded from other funding sources.

Adult Social Care and Health Integration

64. The Purchasing of external care packages budget was overspent by £669,000 (2%) at year-end, broadly similar to the Quarter Three projection, due to additional demand for services, partly offset by early achievement of 2020/21 savings targets.
65. The Directorate’s staffing budget was underspent by £808,000 (5%) at year-end, higher than the Quarter Three projection, due to delays in recruitment and in the implementation of the Forensic Services review.

Finance, Governance and Support



66. The corporate target for the Council’s digital programme underachieved by £427,000 (57%) at year-end, higher than the Quarter Three projection, due to delays in implementing digital solutions that would enable service reviews.
67. The Business World (financial management system) budget overspent by £371,000 (114%) due to unexpected invoices received from the provider for data hosting over the previous four years.
68. The Insurance and risk management budget overspent by £364,000 (100%) at year-end, higher than projected at Quarter Three, due to a 70% increase in the total costs of claims during the year and the settlement of aged claims.

69. The Pay and prices contingency budget overspent by £242,000 (100%) at year-end, the same as the Quarter Three projection, due to increased inflationary pressures from extra care housing and energy contracts.
70. The Support Services income budget overspent by £180,000 (14%), higher than projected at Quarter Three, due to a shortfall in charging to non-General Fund services.
71. The Mail and print budget overspent by £155,000 (140%) at year-end, higher than the Quarter Three projection, mainly due to an unachievable historic income target and delays in the full implementation of the Council's new printing solution resulting from supplier delay.
72. The Capital financing budget underspent by £422,000 (5%) at year-end, higher than projected at Quarter Three, due to unbudgeted income from financial arrangements with external bodies and lower borrowing than planned as debt restructuring was not viable in the year due to continued low interest rates.
73. The Section 31 Business Rates Relief Grant budget underspent by £843,000 (27%) at year-end due to the receipt of unbudgeted grant income.
74. The General Fund budget underspent by £998,000 (44%) at year-end, following review and use in-year of reserves and provisions no longer required, the use in-year of unallocated and unrequired historic grants and contributions, the use of credit balances on holding accounts and reduced costs over and above those anticipated at Quarter Three.

Legal and Governance Services

75. The Legal Services budget overspent by £306,000 (21%) at year-end, broadly similar to the Quarter Three projection, due to an increase court referrals relating to the safeguarding of children and increased agency staffing costs to address the increased caseload.

Revenue budget spending controls

76. As previously reported to the Executive, a number of controls were implemented to minimise overspending across the Council in-year and remain in place, specifically:
 - a vacancy control process overseen by the Corporate Management Team;
 - checks against proposed expenditure of £5,000+ by the procurement team; and
 - strong controls over staff travel, the ordering of stationery and use of first class post.
77. A proposal to cease use of agency staff was proposed during Quarter Two, however that is still not currently feasible. The Council is continuing to minimise the use of agency staff where it is appropriate to do so. Monthly reports on agency costs are reported to senior managers for consideration.
78. A number of measures were also put in place in-year to mitigate overspending within Children's Services, which were outlined in full within the Quarter Three report. While these measures have had a positive impact on targeted areas, they must be viewed

in context. As outlined above, the Council saw a further increase in demand for services in Quarter Four, and has also incurred costs relating to increasing staffing resources to ensure it responds effectively and proactively to the Ofsted report findings.

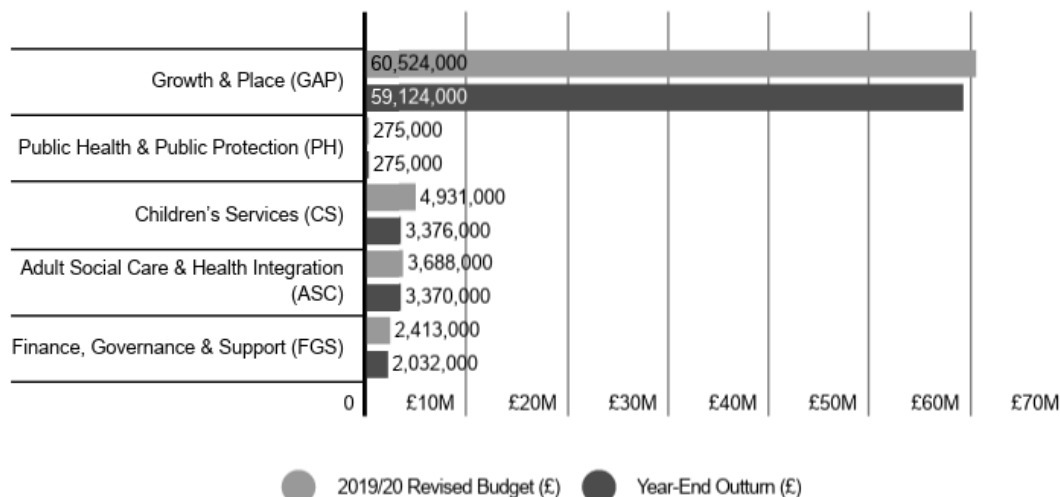
79. While the Council has an overall year-end overspend of £6,591,000, this reflects the fact that there was an underspend in other parts of the Council that partially mitigated the total overspend in Children's Services of £7,226,000.
80. For 2020/21 the Children's Services department has plans to mitigate these savings pressures by:
- Subjecting Looked After Children cases to ongoing audit, consistent decision making processes and a solutions panel chaired by the Director of Children's Care.
 - Re-establishing a Middlesbrough Multi Agency Children's Hub from 1 July 2020 to secure the consistency of thresholds and increasing step-downs to early help and more timely support for children and young people.
 - Increasing internal residential capacity at the Futures for Families Middlesbrough Hub (6 places) and Daniel Court (9 places) by the 30 September 2020 by 15 additional places, an increase of 136% on current provision. This will mean that more young people will be able to be accommodated by the Council at a lower cost than externally procured placements.
 - All external residential placements are being reviewed by a specialist project team set up by the Director of Children's Services to ensure that no children are in residential care who can be fostered or safely returned to their families or the care of relatives. In addition this team will look at all cases that are nearing requirement for residential care with the aim of making sure that all alternative options for support are fully explored before residential provision is approved.
 - Work continues to build on the 30% increase in the number of internal foster placements achieved in the financial year 2019/20, allowing children to be placed in high quality, local authority foster care as an alternative to more expensive agency placements.
 - An in depth review is taking place of the processes around the placement of children with friends and family to ensure that these are only made where necessary and that financial support represents value for money.
81. While the mitigations above will be progressed the experience in 2019/20 suggests that whilst efficiencies can and have been made in placement methods these will not have a positive effect on the bottom line position unless the overall numbers of children in care are brought under control.
82. The position around our numbers of children in care has been specifically referenced by the DfE Commissioner, and it is clear that for both quality of practice and financial reasons the number needs to be safely reduced. This will entail improvement of edge of care provision to support families and prevent children needing to become looked after and crucially improving practice and care planning to allow those children who are able to return home, be placed with family or friends or be adopted in as timely a manner as possible. This work is interdependent on our overall improvement journey and will not be a short term fix, however prioritisation in these areas is crucial to ensuring that our resources, both human and financial, are sufficient to deliver improvement. The next MTFP review will take an informed and prudent view of the

length of time that will need to be allowed for this work to deliver results as well as the monitoring arrangements required.

83. During Quarter Four, the Council began to incur costs in relation to its COVID-19 response. £878,000 of costs and lost income incurred up to 31 March 2020 has been charged to the Government’s emergency response fund grant. The reported outturn position is after the charging of these costs to the grant. The report to today’s meeting of the Executive sets out the current funding shortfall in addressing COVID-19 is approaching £9m and this is expected to grow further.

Capital budget outturn

84. Following a review of schemes, Council approved a revised capital budget for 2019/20 of £71,831,000 as part of its medium-term investment strategy. The Council spent £68,177,000 (95%) of this revised budget at year-end, with the underspend due mainly to delays on major schemes resulting from the COVID-19 pandemic, offset by bringing forward some funding for the purchase of vehicles and essential property maintenance.
85. No schemes were removed from the Investment Strategy at year-end and none over the £150,000 threshold were transferred between services.
86. The split by Directorate is shown in the chart below, with explanations for variances of +/- £150,000 across 12 schemes set out in the following paragraphs. These variances require movement within the Council’s four-year investment strategy, but do not affect the overall investment or cost of borrowing.



Growth and Place

87. The A66 Throughabout at Cargo Fleet Lane scheme underspent by £710,000 (30%), due to procurement issues causing delays in works commencing and then suspension of works on site as a result of COVID-19.
88. The Gresham projects underspent by £601,000 (59%) due to delays in property acquisition resulting from COVID-19. The properties will be acquired during Quarter One 2020/21.

89. The Teesside Advanced Manufacturing Park scheme underspent by £513,000 (3%) at year-end. Site completion was expected to be 30 March 2020, but due to COVID-19 this will now happen during 2020/21.
90. The Joint Air Quality Unit scheme underspent by £304,000 (26%) at year-end, due to suspension of works on site as a result of COVID-19.
91. The Local Transport Plan underspent by £269,000 (27%) due to resourcing issues delaying completion of some schemes, which will now be implemented during 2020/21.
92. The Local Transport Plan – Highways Maintenance budget also underspent by £267,000 (17%) due to a reprofiling of the street lighting upgrade programme following issues with contractor delivery.
93. Funding was brought forward from 2020/21 to fund:
 - New buses for the Integrated Transport Unit due to the age and condition of existing fleet resulting in poor reliability and high repair costs (£472,000 – 39% of the original 2020/21 Investment Strategy allocation).
 - Additional external works to the Town Hall and other essential safety works across the Council's estate (£348,000 – 37% of the original 2020/21 Investment Strategy allocation).

Children's Services

94. Schemes in maintained primary schools underspent by a total of £467,000 (47%), mainly due to a delay to allow a value engineering exercise on the Abingdon Primary School project (£165k) and the project then facing delays due to COVID-19. There are other delays on other projects resulting in underspends below the £150,000 threshold.
95. Schemes in secondary academies underspent by £865,000 (100%) as the Ormesby Sufficiency Project was awaiting a funding agreement, delayed due to pressures on Legal Services.

Adult Social Care and Health Integration

96. The Disabled-Facilities-Grant-funded Preventative Service Accommodation scheme underspent by £187,000 (36%) due to delays in purchasing the building and the subsequent need to retender buildings works, pushing these back into 2020/21.

Finance, Governance and Support

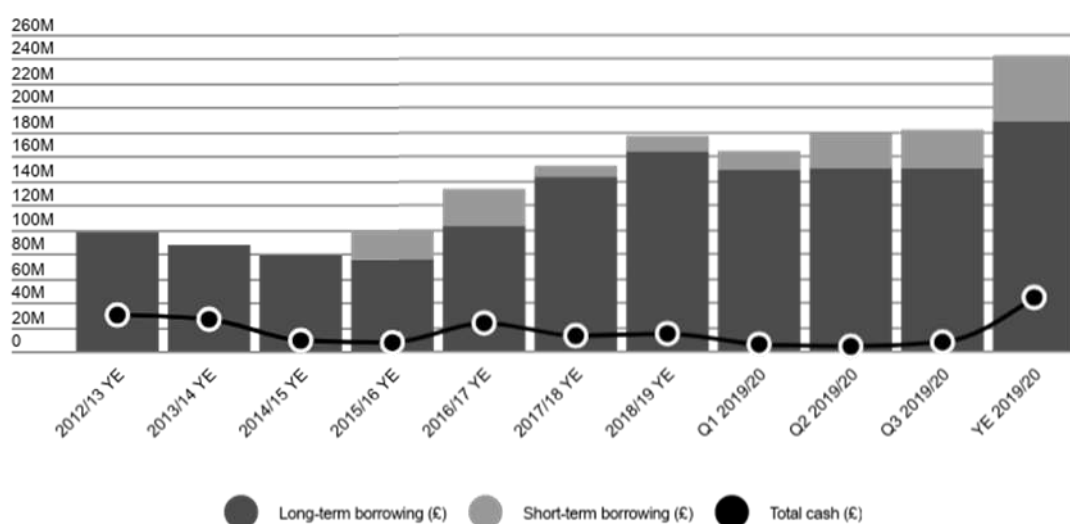
97. The Former Partnership Investment pot (for Revenues and Benefits and ICT) was reprofiled during the year, resulting in an underspend of £283,000 (88%).
98. It is proposed to transfer the underspends outlined above to the relevant 2020/21 budgets. In addition, it is proposed to add the following four additional externally-funded schemes to the revised investment strategy, set out at Appendix 1 for consideration and approval.

Directorate	Scheme	Funder	Value
Growth and Place	Safer cycling routes at Mandale interchange	TVCA	£442,000
	Flood prevention at Saltersgill	DfE	£350,000
Children's Services	Classroom refurbishment and alterations to car park	Park End Primary School	£200,000
	Classroom extension	Priory Woods School	£203,000

99. It is also proposed that a new Christmas lights scheme of £350,000 is added to the revised investment strategy for 2020/21.
100. The revised strategy requires no funding from the Investment Funding Reserve in 2019/20, however there will be a requirement to draw on this reserve in 2020/21 and 2021/22.

Borrowing and reserves

101. The Council's balance of borrowing increased by £60.2m from Quarter Three to stand at £242.7m at year-end.



102. The increase was a result of three main factors:

- I. the capitalisation of the finance leases in respect of Buildings 1 & 2 Centre Square, totalling £20.8m;
- II. short-term (one month) borrowing of £20m in the last weeks of March to ensure that the Council had enough liquidity for its COVID-19 response, particularly around grants to small businesses; and
- III. borrowing of £19.4m to support the Investment Strategy and general cash flow purposes. Cash for local authorities tends to be lowest in the final quarter due to many Government grants and other income streams being paid in advance of need, so most borrowing is done in the final few months of the financial year as cash balances run down.

103. Borrowing for factors I and III was budgeted in the Council's capital expenditure plans and so fully costed within the 2019/20 revenue budget. The borrowing for factor II has now been covered by grant from the Government's Emergency Response Fund and so been repaid.

104. Excluding borrowing for COVID-19, total borrowing at year-end would have been £222.7m, broadly in line with the budgeted position for 31 March of £223.4m reported to Council in the 2020/21 budget setting report of 26 February 2020. Borrowing was also within the legal limit of £273m set by Council for 2019/20, and this limit was not breached at any time during the year.
105. The table below sets out a summary of the balance of reserves and provisions at the start of 2019/20 and at year-end. The year-end balance assumes the Executive's approval of use of reserves to cover the 2019/20 revenue budget overspend.

Reserves and Provisions	Opening balance	Use in year	Additional contributions	Transfers to General Fund	Balance at year-end
General Fund	£11,904,000	(£1,698,000)	£0	(£806,000)	£9,400,000
Earmarked reserves	£21,767,000	(£11,481,000)	£12,575,000	(£5,785,000)	£17,077,000
Maintained school reserves	£2,345,000	(£4,721,000)	£3,553,000	£0	£1,176,000
Total	£36,016,000	(£17,900,000)	£16,128,000	(£6,591,000)	£27,653,000

What decisions are being asked for?

106. That the Executive notes the key performance issues relating to the Council's Strategic Plan 2020-23 arising in Quarter Four.
107. That the Executive notes the potential impact of COVID-19 on the Council's strategic priorities set out in the Strategic Plan 2020-23 and receives a revised draft of the Strategic Plan for 2021-24 in November 2020 which will reflect findings and recommendations from recovery planning.
108. That the Executive notes the 2019/20 revenue budget final outturn of £118,517,000, representing a £6,591,000 (5.89%) overspend, driven in the main by pressures within Children's Services.
109. That the Executive approves the use of the Council's reserves to cover this overspend, noting that this reduces the Council's General Fund Reserve to the minimum level (£9.4m) recommended by the Section 151 Officer.
110. That the Executive notes that continuing pressures within Children's Services, together with other pressures now faced by the Council (in particular the response to and recovery from COVID-19) pose a significant risk to the Council's financial position, and approves a fundamental review of the Medium-Term Financial Plan by the Interim Section 151 Officer, to be considered by the Executive in September 2020.
111. That the Executive notes the 2019/20 capital budget final outturn of £68,177,000, representing a £3,654,000 (5%) underspend, driven in the main by delays resulting from COVID-19, and approves the proposed revised Investment Strategy to 2022/23 at Appendix 1.
112. That in light of the above, the Executive notes the Council's updated strategic risk register at Appendix 2.

Why is this being recommended?

113. To enable the effective management of finances, performance and risk in line with the Council's Local Code of Corporate Governance, the Scheme of Delegation and agreed corporate financial regulations.

Other potential decisions and why these have not been recommended

114. Not applicable.

Impact(s) of recommended decision(s)

Legal

115. The proposed recommendations are consistent with and will promote the achievement of the Council's legal duty to achieve Best Value.

Financial

116. While the 2019/20 revenue budget overspend can be covered by the Council's reserves, it must be noted however that this would reduce the Council's General Fund Reserve to the minimum level (£9.4m) recommended by the (current) Section 151 Officer.

117. If overspends continues beyond 2019/20 then there is a significant risk to the Council's financial position in the medium term, exacerbated by COVID-19 and a potential 'No Deal' Brexit in December 2020. As such it is proposed that the Interim Section 151 Officer conducts a fundamental review of the Medium-Term Financial Plan, to be considered by the Executive in September 2020.

Policy framework

118. The Strategic Plan(s) and associated budgets form part of the Council's Policy Framework. All proposed variations set out in this report are in line with authority delegated to the Executive.

Equality and diversity

119. As reported to Council in January 2020, no negative differential impact on diverse groups and communities is anticipated from the direction of travel set out in the Strategic Plan 2020-23 or the Council's planned budgetary expenditure.

Risk

120. In line with the Council's Risk Management Policy, the corporate Strategic Risk Register was reviewed in the quarter, and is summarised at Appendix 2.

121. The total number of risks on the strategic risk register remained static since Quarter Three at 33, two risks were removed due to scores reducing (the potential impact of the National Business Rates review, which has now been deferred, and the risk around transition of support contracts for asylum seekers, with new arrangements

now operational). Two new risks have been added in response to the COVID-19 pandemic:

- Failure to adapt service delivery to COVID-19 Secure guidelines
- Failure to adequately plan for new COVID-19 wave or subsequent pandemics.

122. A number of other risks have had their scores increased since Quarter Three, with the majority of scores increased to reflect potential impacts from COVID-19. A separate report to this meeting of the Executive sets out how the Council will address these risks through its COVID-19 Recovery planning.

Actions to be taken to implement the decision(s)

123. Mitigating activity set out in the main body of the report will continue to be applied by Directorates as stated.

124. If approved by the Executive, a fundamental review of the Medium-Term Financial Plan will be undertaken by the Interim Section 151 Officer and presented to the Executive on September 2020. This review is likely to trigger further mitigating activity if pressures continue and no further funding for COVID-19 response and recovery is provided by the Government.

125. A revised draft of the Strategic Plan for 2021-24 will be presented to the Executive for consideration in November 2020, reflecting findings and recommendations from COVID-19 Recovery planning.

Appendices

- 1 Proposed revised Investment Strategy to 2022/23
- 2 Summary strategic risk register at year-end 2019/20

Background papers

03/09/19	Executive	Strategic Plan 2019-22 – Progress at Quarter One 2019/20
19/11/19	Executive	Strategic Plan 2019-22 – Progress at Quarter Two 2019/20
15/01/20	Council	Priorities of the Elected Mayor and Strategic Plan 2020-2023
18/02/20	Executive	Strategic Plan 2019-22 – Progress at Quarter Three 2019/20
26/02/20	Council	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2020/21

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Appendix 1: Proposed revised Investment Strategy to 2022/23

	Total Funding Required					Council Funding	External Funding
	2019/20	2020/21	2021/22	2022/23	TOTAL		
Regeneration	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Town Centre Related Projects	878	405	2,581	349	4,213	3,215	998
Teesside Media & Innovation Village	7	-	-	-	7	7	-
Middlehaven Related Projects	1,180	234	550	-	1,964	1,915	49
Housing Growth	253	3,411	1,585	-	5,249	4,945	304
BOHO 8	113	2,387	-	-	2,500	-	2,500
BOHO 10	440	5,000	10,500	11,060	27,000	2,900	24,100
Acquisition of Town Centre Properties	-	12,350	30,000	-	42,350	42,350	-
Centre Square Buildings 1 & 2	21,126	-	-	-	21,126	21,126	-
Middlesbrough Development Company	700	2,900	4,003	-	7,603	2,703	4,900
Teesside Advanced Manufacturing Park (TAMP)	15,607	1,513	-	-	17,120	12,523	4,597
BOHO Car Park & Building Improvements	64	-	-	-	64	64	-
Capitalisation Of Major Schemes Salaries	530	530	530	530	2,120	2,120	-
Affordable Housing Via Section 106	-	-	1,255	-	1,255	830	425
Highways Infrastructure Development Section 106	-	-	730	-	730	-	730
Stainton Way Dixon Bank Junction - Section 106	1,348	-	-	-	1,348	-	1,348
Section 106 Longlands to Ladgate Lane Link	5	-	-	-	5	-	5
Acklam / Hall Drive Improvements - Section 106	97	-	-	-	97	-	97
Rose Cottage Pedestrian Links - Section 106	31	-	-	-	31	-	31
The Big Screen	-	20	-	-	20	20	-
A66 Throughabout	1,658	2,537	-	-	4,195	-	4,195
Mandale Interchange	72	419	-	-	491	-	491
TAMP Footway / Cycleway	12	38	-	-	50	-	50
Replacement of Ticket Machines	-	189	-	-	189	189	-
LED Street Lighting Upgrade (Phase 2)	1,844	906	-	-	2,750	2,750	-
Joint Air Quality Unit (JAQU) - All schemes	849	622	-	-	1,471	-	1,471
Members Small Schemes	71	4	-	-	75	39	36
Grove Hill Joint Venture Projects	-	14	-	-	14	-	14
Gresham Projects	414	789	-	-	1,203	1,203	-
North Ormesby Housing Joint Venture - Section 106 funded	-	421	-	-	421	-	421
Empty Homes 2015 to 2018	84	416	-	-	500	-	500
Local Transport Plan	922	671	-	-	1,593	51	1,542
Hemlington Grange Way	318	-	-	-	318	318	-
Town Hall Venue Development	68	72	-	-	140	140	-
Cultural Transformation	-	115	115	-	230	230	-
Theatre Winches / Lifts	77	43	-	-	120	120	-
Municipal Buildings	22	-	-	-	22	22	-
Dorman Museum	48	42	-	-	90	90	-
Orange Pip Market Equipment	36	-	-	-	36	36	-
Contribution To Public Arts Projects	13	17	-	-	30	30	-
Public Art Work	22	58	-	-	80	80	-
Newham Grange Leisure Farm	890	99	-	-	989	989	-
Leisure Trust Investment - Equipment	-	75	-	-	75	75	-
Total Regeneration	49,799	36,297	51,849	11,939	149,884	101,080	48,804
	Total Funding Required					Council Funding	External Funding
	2019/20	2020/21	2021/22	2022/23	TOTAL		
Environment and Commercial Services	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Purchase of New Vehicles	1,889	728	1,200	1,200	5,017	5,017	-
Capitalisation of Wheeled Bin Replacement	100	100	100	100	400	400	-
Capitalisation of Street Furniture / Dog Fouling & Litter Bins	55	55	55	55	220	220	-
Capitalisation of Highways Maintenance	575	575	575	575	2,300	2,300	-
Property Services Building Investment	340	340	340	340	1,360	1,360	-
Parks Improvement	97	83	-	-	180	180	-
Bereavement Services	412	-	-	-	412	412	-
Middlesbrough Sports Village	-	-	-	-	-	(404)	404
Nunthorpe Playing Fields Section 106	6	57	-	-	63	-	63
LTP-Highways Maintenance	1,547	482	-	-	2,029	-	2,029
Street Lighting	358	578	468	468	1,872	1,872	-
Urban Traffic Management Control (UTMC)	7	493	-	-	500	-	500
Flood Prevention	206	144	-	-	350	-	350
Members Small Schemes	25	106	60	60	251	251	-
Property Asset Investment Strategy	2,341	789	824	1,200	5,154	5,083	71
Nunthorpe Sports Facilities	-	100	-	-	100	-	100
East Middlesbrough Community Hub	1,367	1,029	-	-	2,396	2,396	-
Christmas Lights	-	350	-	-	350	350	-
Total Environment and Commercial Services	9,325	6,009	3,622	3,998	22,954	19,437	3,517

	Total Funding Required					Council	External
	2019/20	2020/21	2021/22	2022/23	TOTAL	Funding	Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Public Health and Public Protection							
Health & Wellbeing Hub	30	756	-	-	786	679	107
Middlesbrough Alcohol Centre of Excellence	245	-	-	-	245	-	245
Total Public Health and Public Protection	275	756	-	-	1,031	679	352
	Total Funding Required					Council	External
	2019/20	2020/21	2021/22	2022/23	TOTAL	Funding	Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education							
Block Budget (Grant) Special Provision Fund	-	64	-	-	64	-	64
Schemes in Maintained Primary Schools	2,538	2,228	421	-	5,187	1,855	3,332
Schemes in Primary Academies	11	9	-	-	20	-	20
Schemes in Secondary Academies	-	1,407	135	-	1,542	-	1,542
Schemes in Special Schools	78	251	7	-	336	210	126
Capitalisation of Salary Costs	102	104	-	-	206	-	206
Contribution to New School at Middlehaven	-	1,700	-	-	1,700	1,700	-
Total Education	2,729	5,763	563	-	9,055	3,765	5,290
	Total Funding Required					Council	External
	2019/20	2020/21	2021/22	2022/23	TOTAL	Funding	Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children's Care / Business Performance & Change							
Edge Of Care Project (Hub)	209	343	-	-	552	525	27
Edge Of Care Project (Spencerfield 117-120)	144	6	-	-	150	150	-
Edge Of Care Project (3 Broadwell)	217	8	-	-	225	225	-
Gleneagles alterations	14	-	-	-	14	1	13
Holly Lodge alterations	7	-	-	-	7	-	7
Total Children's Care / Business Performance & Change	591	357	-	-	948	901	47
	Total Funding Required					Council	External
	2019/20	2020/21	2021/22	2022/23	TOTAL	Funding	Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Prevention & Partnerships							
Block Budget (Grant) EFA Early Years 2 Year olds Entitlement (Trajectory Project)	-	7	-	-	7	-	7
Caldicotes 2 year old provision	56	-	-	-	56	-	56
Total Prevention & Partnerships	56	7	-	-	63	-	63
	Total Funding Required					Council	External
	2019/20	2020/21	2021/22	2022/23	TOTAL	Funding	Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care and Health Integration							
Chronically Sick & Disabled Persons Act - All schemes	740	698	610	610	2,658	2,608	50
Disabled Facilities Grant - All schemes	2,194	3,230	1,999	-	7,423	939	6,484
Capitalisation of Staying Put Salaries	50	50	50	50	200	200	-
Home Assistance Loan	8	194	-	-	202	184	18
Home Loans Partnership (formerly 5 Lamps)	-	71	-	-	71	-	71
Small Schemes	25	16	-	-	41	-	41
Connect / Telecare IP Digital Switchover	146	128	110	-	384	330	54
Purchase of 5 vehicles - TCES	207	-	-	-	207	-	207
Total Adult Social Care and Health Integration	3,370	4,387	2,769	660	11,186	4,261	6,925

	Total Funding Required					Council	External
	2019/20	2020/21	2021/22	2022/23	TOTAL	Funding	Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Finance, Governance and Support							
Desktop Strategy / Device Refresh	303	12	-	-	315	315	-
Enterprise Agreements	256	-	-	-	256	256	-
CRM	-	115	-	-	115	115	-
ICT BOHO	20	-	-	-	20	20	-
IT Refresh - Scanning	81	-	-	-	81	81	-
Early Help Module (Children's)	42	4	-	-	46	46	-
IT Refresh - Network Refresh	180	43	-	-	223	223	-
IT Refresh - Lights On	200	494	-	-	694	694	-
IT Refresh - LCS Development Capture	5	15	-	-	20	20	-
IT Refresh - Business Intelligence	-	3	-	-	3	3	-
ICT Essential Refresh & Licensing	65	1,486	2,243	2,185	5,979	5,979	-
ICT Innovation Budget	14	239	247	-	500	500	-
GIS Replacement	218	167	-	-	385	385	-
Melrose House Data Centre	116	-	-	-	116	116	-
Civic Centre Device Refresh	38	-	-	-	38	38	-
HR Pay	-	-	37	-	37	37	-
Former Partnership Investment (ICT Infrastructure Revenues & Benefi	38	416	133	-	587	587	-
Derisking Sites	247	165	1,119	900	2,431	2,431	-
Dashboards	46	50	-	-	96	96	-
Town Centre Accommodation Strategy	143	3,018	1,458	-	4,619	4,619	-
Capitalisation of Property Finance Lease Arrangements	-	3,500	500	500	4,500	4,500	-
Middlesbrough Share in Veritau Tees Valley	20	-	-	-	20	20	-
Total Finance, Governance and Support	2,032	9,727	5,737	3,585	21,081	21,081	-
	Total Funding Required					Council	External
	2019/20	2020/21	2021/22	2022/23	TOTAL	Funding	Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
All Directorates							
Total All Directorates	68,177	63,303	64,540	20,182	216,202	151,204	64,998
	Total Funding					Council	External
	2019/20	2020/21	2021/22	2022/23	TOTAL	Funding	Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Funded by:-							
Borrowing	28,312	16,604	2,966	-	47,882	47,882	-
Finance Leases	20,835	3,500	30,500	500	55,335	55,335	-
Capital Receipts	1,165	16,810	15,910	8,622	42,507	42,507	-
Grants	14,696	18,799	10,948	11,060	55,503	-	55,503
Contributions	3,162	3,878	2,455	-	9,495	-	9,495
Revenue Resources	7	545	-	-	552	552	-
Funding from Reserves	-	3,167	1,761	-	4,928	4,928	-
Total Funding	68,177	63,303	64,540	20,182	216,202	151,204	64,998

Appendix 2: Summary strategic risk register at year-end 2019/20

The table below sets out risks to high and medium risks to the achievement of the Council's strategic priorities at Year-End 2019/20 in order of severity. Impact ranges from insignificant to extreme, and likelihood ranges from rare to almost certain to happen.

In line with its Risk Management Policy, the Council aims (where possible) to manage down High risks to the lowest practicable level immediately and Medium risks to the lowest practicable level within three months.

Risk Level	Risk	Impact	Likelihood	Trend
High	Failure to control expenditure within Children's Services (MFTP pressure)	Extreme	Likely	⬆️
High	Retail market distress impacting Middlesbrough town centre	Major	Almost certain	⬆️
High	Failure to adapt service delivery to COVID-19 Secure guidelines	Extreme	Possible	NEW
High	Inaccurate MTFP resulting in funding gap requiring further savings	Major	Likely	⬆️
High	Breach of data rights due to untimely response to information requests	Major	Likely	➡️
High	Future waste disposal contract costs (MFTP pressure)	Major	Likely	➡️
High	High residential voids / low sale values within Middlesbrough	Major	Likely	➡️
High	External factors (e.g. Brexit, COVID-19) impacting Middlesbrough's economy	Major	Likely	⬆️
High	Inadequate safeguarding practices lead to children and young people being at risk	Major	Possible	⬇️
High	Partners' funding position impacting the Council (MFTP pressure)	Major	Possible	⬇️
High	Children impacted by social care transformation	Major	Possible	➡️
High	New historic child abuse claims	Major	Possible	➡️
High	Failure to maintain adequate corporate governance	Major	Possible	➡️
High	Failure to transform culture and deliver savings plans	Major	Possible	➡️
High	Decline in new housebuilding impact on Council income	Major	Possible	➡️
High	Failure to adequately plan for new COVID-19 wave or subsequent pandemics	Extreme	Unlikely	NEW
High	Business continuity impacted by No Deal Brexit	Extreme	Unlikely	➡️
High	Failure to comply with statutory duties	Extreme	Unlikely	➡️
High	Terrorist incident (reflects National Threat Level)	Extreme	Unlikely	➡️
High	Reduction in frontline policing impacting on crime / community resilience	Moderate	Likely	➡️
Medium	Disruption from national/local elections	Moderate	Likely	➡️
Medium	Historical investigations requiring changes to social work practice	Major	Unlikely	⬇️
Medium	Failure to develop effective partnerships	Major	Unlikely	⬇️
Medium	Poor skills profile of school leavers	Major	Unlikely	⬇️

Risk Level	Risk	Impact	Likelihood	Trend
Medium	Insufficient primary school places in central Middlesbrough	Major	Unlikely	→
Medium	Data protection law breach – failure of staff to complete training	Major	Unlikely	→
Medium	National Waste Review (MTFP pressure)	Major	Unlikely	→
Medium	Poor quality of services provided by health partners impacting / increasing demand for Council services	Moderate	Possible	→
Medium	Failure to recruit and / or retain key staff	Moderate	Possible	→
Medium	Insufficient Year 7 school places	Minor	Possible	↓
Medium	Inward migration increasing demand for services	Minor	Possible	→
Medium	Failure of Centre Square development to provide expected returns	Moderate	Unlikely	→
Medium	Failure of TeesAMP to provide expected returns	Moderate	Unlikely	→