

MIDDLESBROUGH COUNCIL
OVERVIEW & SCRUTINY BOARD

AGENDA ITEM 5

3 FEBRUARY 2015

<p>DRAFT REPORT TO EXECUTIVE - MAYOR'S STRATEGIC PRIORITIES AND COUNCIL DIRECTION OF TRAVEL</p>
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PURPOSE OF THE REPORT

1. To highlight the Overview and Scrutiny Board's (OSB) findings, conclusions and recommendations following its examination of the Elected Mayor's strategic priorities and the Council's future direction of Travel.

BACKGROUND INFORMATION

2. At its meeting on 21 October 2014, OSB heard the Mayor outline his strategic priorities and his perspective on the Council's future direction of travel. As a result, the Board agreed to arrange a special meeting to examine these issues in detail.
3. As these issues impact not just on the Council but on the town as a whole, OSB agreed to also involve Council partners/local stakeholders and to seek their views. Accordingly, at a special meeting of OSB, held on 9 January 2015, arrangements were made as follows:
 - To hear from the Mayor, who further outlined his strategic priorities and his perspective on the Council's future direction of travel.
 - To allow Council partners/stakeholders to ask questions and comment on the above, in particular the potential impact on them/their organisation.
4. A further meeting of the Overview and Scrutiny Board was held on 20 January 2015, which involved Board members only. Having heard from all parties at the previous meeting, the second meeting was arranged to allow OSB to reach a consensus view on the Mayor's strategic priorities and then report on its findings to OSB. This report sets out the Overview and Scrutiny Board's findings.
5. The membership of the OSB was as follows:

Councillors NJ Walker (Chair) and Dryden, C Hobson, Junier, Mawston (Vice-Chair), McIntyre, P Purvis, Sanderson, P Sharrocks, M Thompson, JA Walker and Williams.

6. Council partners and stakeholders who were present at the 9 January 2015 meeting were as follows:

Mr I Campbell - UNISON
Mr B Coppinger - Cleveland Police and Crime Commissioner
Mr J Daniels - Chair, Middlesbrough Financial Inclusion Group (FIG),
Mr B Dinsdale - Chair, Erimus Board
Mr S Gregory - South Tees Clinical Commissioning Group,
Ms Z Lewis - Principal, Middlesbrough College
Dr V Nanda - South Tees Clinical Commissioning Group,
Mr A McDonald - MP
Mr N Milburn - Barratt Homes

7. Mr R Mallon, Elected Mayor, was also at the meeting.

THE OVERVIEW AND SCRUTINY BOARD'S FINDINGS

8. Information is set out below under the following sub-headings:

- Middlesbrough Council's Budget Reductions
- Council Funding Sources
- Council Tax Freeze Grant
- Mayor's Strategic Priorities
- Partners'/stakeholders' views
- Conclusions
- Recommendations

Middlesbrough Council's Budget Reductions

9. The Mayor outlined the following key points at the 9 January 2015 meeting.
10. The current Government's Comprehensive Spending Review of October 2010 has resulted in significant public sector spending cuts, which have resulted in Middlesbrough Council having to make budget reductions as follows:
- 2011/12 - £15m
 - 2012/13 - £13m
 - 2013/14 - £13m
 - 2014/15 - £19.5m
11. An additional £8.9m of funding was lost because of the abolition of the Working Neighbourhoods Fund and further savings are likely to be required up until 2019/20 as follows:

- 2015/16 - £14.1m with mitigation
 - 2016/17 - £17.9m without mitigation
 - 2017/18 - £15.6m without mitigation
 - 2018/19 - £15.1m without mitigation
 - 2019/20 - £14.5m without mitigation
12. The overall budget reduction/savings total from 2011/12 to 2019/2020 is therefore likely to be £145m without mitigation or £121m with mitigation. As at September 2014, this has resulted in 728 Council job losses since 2010 and was likely to lead to a further 235 job losses during 2015/16, plus at least 365 job losses from 2016/17 until 2019/20. This reduction in staffing has required the Council to undertake a major reconfiguration of services, a process which is still ongoing.
13. In the face of the spending reductions outlined above, Middlesbrough Council faces particularly significant challenges in respect of two areas in particular - namely children's safeguarding and adult social care. Demand in these two areas is currently increasing at a rate of £5.3m each year, with this trend likely to continue for years to come.
14. The Mayor provided OSB with statistical and financial information illustrating these rising trends - such as the number of children looked after, number of children with special educational needs and disability and pressures placed on adult social care due to the ageing population. OSB was informed that, as a result, overall spending on children's and adults' social care currently amounts to approximately 53% of the Council's net budget. Current and future anticipated levels of demand, combined with further budget reductions and pressures introduced by legislative requirements, mean that it is likely that this will rise to 73% by 2020. This will leave only 27% of the authority's budget to fund the remainder of Council services.

Council Funding Sources

15. The Council currently receives funding from the following sources:
- Government Formula Grant
 - Council Tax
 - Business Rates
 - Fees and charges
16. In respect of the budget for 2014/2015:
- Government Formula Grant was £70.3m (35% of the budget).
 - Income from fees and charges was £67.9m (34% of the budget).
 - Council Tax revenue was £41.1m (21% of the budget).
 - Business rates amounted to £19.1m (10% of the budget)

Council Tax Freeze Grant

17. The Mayor referred to the position concerning the Government's Council Tax Freeze Grant and whether the grant should be accepted in order to provide the authority with additional funding for 2015-16. The Mayor advised that he is to recommend to Council that the grant is refused and Council Tax is increased. This is because it has been estimated that accepting the grant, and the resulting reduction in Council Tax income, will lead to a funding shortfall for the authority of approximately £18m over the next 10 years.

Mayor's Strategic Priorities

18. The Mayor outlined his strategic priorities, aimed at supporting the town's most vulnerable residents and addressing the anticipated future shortfall in the Council's budget, as follows:
 - a. **Ensuring that the Council addresses future challenges in respect of children's safeguarding and adult social care.**
 - b. **Increasing the number of residents in the town** - The Government's Formula Grant is allocated on the basis of per head of population. Middlesbrough's population has declined from around 160,000 residents in the 1970s to approximately 139,500 at the present time. This population decline has resulted in an annual reduction in Formula Grant of approximately £8 million per year. A related issue is ensuring that the local *skills gap* is addressed - ie ensuring that Middlesbrough has enough labour, across a broad spectrum of skills, to meet the future demands of the various employment sectors. This will involve working with educational establishments, employers and training providers to ensure that the needs of employers are met and that issues such as the provision of apprenticeships and vocational employment are addressed.
 - c. **Building more houses/balancing the housing stock** - This will generate more Council Tax. At the present time, 53.7% of houses in Middlesbrough are in Council Tax Band A. This compares to only 7.8% in Band D. The Council needs to increase the number of properties in Bands D and E to increase the amount of Council Tax revenue that is generated. An increase in the number of houses would, in turn, increase the number of residents and therefore increase Formula Grant funding received from Government. Middlesbrough Council's current Local Development Framework indicates that around 7,500 houses will be built between 2012 and 2029 at an average of 440 per year as follows:
 - Up to 2019 - 3,006 properties
 - 2019-2024 - 2,614 properties
 - 2025-2029 - 1,813 properties

19. Overview and Scrutiny Board heard that if the average of future new build houses were in Council Tax Band D, the Council could claim a New Homes Bonus which would equate to around £11m of funding. Council Tax receipts would also increase by over £10m. Also, as a result of the associated increase in residents of approximately 10,800, funding from the Government's Formula Grant would increase by between £4m and £5m.

Partners'/Stakeholders' Views

20. The views of Council partners/stakeholders in relation to the Mayor's Strategic Priorities, and how these might impact on them/their organisations, are summarised below.

21. **Barry Coppinger, Cleveland Police and Crime Commissioner**, highlighted the following points:

- Reference was made to the local will to work in partnership, which was evident at the meeting, and the need for agencies to work together to maximise use of resources. This is particularly important in the current climate of Government public sector spending reductions. Middlesbrough has been treated unfairly in this regard. The Police and Crime Commissioner also confirmed that he agrees with the Mayor's strategic priorities.
- Protection of vulnerable children and adults must always be a priority. However, reference was made to an increasing trend in the police becoming a first resort in certain issues - for example being called on to provide an ambulance service, when they should actually be considered as the last resort in such circumstances.
- In the face of diminishing budgets, pressures are increasing in a number of areas of policing - for example cyber-crime/fraud and anti-social behaviour. Also, while the night time economy in the town centre is important, the issue of minimum pricing of alcohol is supported to assist in reducing disorder.

22. **John Daniels, Chair of Middlesbrough Financial Inclusion Group (FIG)**, highlighted the following points:

- As projections indicate that 83% of older people are likely to need residential care, it was questioned whether any work is being undertaken to assess why this figure is so high and also whether a strategy is being developed to address this.
- The FIG's main focus has been on supporting people who lack financial resilience and has also been concerned with an associated rise in mental health problems.

- In the light of public sector spending reductions, partnership working across a number of agencies is important. For example a money advice and support service, delivered by partners, currently operates from the Council's Grove Hill and Thorntree Community Hubs. This has realised additional benefits to residents amounting to £1.9m and provided advice in respect of debt of £1m.
- The above work can impact positively on the local economy and also on Middlesbrough Council, in that residents can be in a better financial position to pay their Council Tax.

23. **Brian Dinsdale, Chair of Erimus Board**, highlighted the following points:

- The meeting, and innovative approach, are welcomed as the challenges facing Middlesbrough are town-wide and do not affect only the Council.
- A longer term vision is needed to address these challenges and the Mayor's strategic objectives are supported in this context. It is good to see growth being proposed as a remedy, with housing representing an important element of this.
- An issue that could be worthy of examination is the assertion, or assumption, that people will come to Middlesbrough. There may be a need to identify the town's offer with a view to promoting its strengths as a selling point. Erimus would be pleased to assist with such work.
- Other joint working could be undertaken on areas of mutual benefit, including dementia, market rents and tenure issues. It was indicated that Erimus has some resources that could be used to support such joint working.
- Erimus is losing tenants and the number of void properties is increasing. This is, in part, connected to recent welfare reforms. Erimus is taking steps to address these issues, for example by improving its offer to tenants.

24. **Simon Gregory and Dr Vaishali Nanda of South Tees Clinical Commissioning Group**, highlighted the following points:

- There is concern regarding national health-funding issues as more of the NHS's additional funding has been allocated in the south because of higher population growth rates. Action to increase the local population in Middlesbrough would therefore be welcome.
- Health services are facing significant increased pressures due to the rising ageing population and the increase in children and young people being referred with mental health problems.

- In response to the above demands, there has been greater investment in the Children and Adolescent Mental Health Service (CAMHS) and the IMProVE Programme, which aims to improve services for the vulnerable, elderly and those with long-term conditions. This includes providing healthcare in a home setting rather than hospital.
25. **Zoe Lewis, Principal of Middlesbrough College**, highlighted the following points:
- While endorsing more house building, this should not be the only strategy - jobs are also important. The college is aware that young people are concerned that local employment will be available for them after completing courses/qualifications.
 - Like other bodies represented at the meeting, the college is facing funding reductions - currently estimated at 30%.
 - Middlesbrough needs to make a unique offer to attract people. A Tees Valley-wide strategy, perhaps involving the Local Enterprise Partnership (LEP) and Chamber of Commerce, could assist in promoting the area.
 - While supporting the agreed priority areas (children and vulnerable adults), sight must not be lost of the increase in mental health, suicide and self-harm problems. These are issues that the college is coming across on an increasing basis with young people. In this context, improved partnership working - particularly with the health sector - would be supported.
26. **Neil Milburn of Barratt Homes**, highlighted the following points:
- Barratt welcomes the Mayor's recognition of the importance of house building to the local economy. Reference was made to the benefits that have arisen as a result of the current Grey Towers Village development, for example the fact that most employees live within 10 miles of the site and the majority of materials are sourced locally.
 - Availability of trained labour is key. In this context, there may be a need for better links between education/training and building programmes as, for example, more brick laying apprentices are needed at the present time.
27. **Ian Campbell, UNISON** referred to the importance of early intervention funding and how this might assist with improving positive outcomes in Middlesbrough.
28. **Andy McDonald, MP** highlighted the following points:
- Middlesbrough is unique place, with a significant industrial heritage and a very resilient community.
 - There is a need to highlight the town's 'attractors' and give thought to how to bring more people into the town.

- The potential Tees Valley combined authority and work of the Local Enterprise Partnership present opportunities to make progress, such as the potential to access regional European funding.
 - Middlesbrough has one of the highest rates of benefits sanctions in the country. The issue of deprivation/need in calculating Government grants is of critical importance - although changes in central funding mean that Middlesbrough has been hit disproportionately by spending reductions.
29. At its 20 January 2015 meeting, the Overview and Scrutiny Board considered the wide range of issues that were raised during the 9 January 2015 meeting, as follows:
- a. The position concerning acceptance, or not, of the Council Tax Freeze Grant.
 - b. The impact of budget cuts on Neighbourhood Policing;
 - c. The availability/provision of welfare rights advice throughout the town;
 - d. The challenges facing registered social landlords in respect of attracting tenants and reducing voids, particularly difficulties caused by changes to the Housing Benefit system;
 - e. What can be done to attract people to Middlesbrough and increase its population.
 - f. Whether local education establishments are providing the qualifications and training to match the requirements of employers;
 - g. The impact of NHS rationalisation/building closures on Middlesbrough – ie examination of the South Tees Clinical Commissioning Group’s property portfolio;
 - h. The need to adequately support young people with mental health problems.
 - i. The possible introduction of a minimum pricing policy for alcohol;
 - j. Developing improved joint working practices/pooling resources with Council partners/stakeholders;
 - k. The need to adequately support people who are financially vulnerable.
30. In respect of OSB forming a view on the above issues, it was suggested that they could be broken down as follows:

- Issues that relate directly to the Mayor's strategic priorities and that impact on Middlesbrough Council's budget.
 - Issues that do not relate to the strategic priorities but may require action.
 - Possible topics for future scrutiny by OSB and the Council's scrutiny panels.
31. The above will be addressed by the following conclusions and recommendations.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions and recommendations arising from the OSB's investigation, for inclusion in the final report, will be discussed at the 3 February 2015 Board meeting.

ACKNOWLEDGEMENTS

32. The Overview and Scrutiny Board would like to thank the following people for their assistance with its work:
- Mr R Mallon, Elected Mayor, and all Council partners/stakeholders (listed earlier) who attended the Overview and Scrutiny Board meeting on 9 January 2015.

BACKGROUND AND REFERENCE MATERIAL

33. The following sources were consulted or referred to in preparing this report:
- Reports to and minutes of the Overview and Scrutiny Board meetings held on 9 and 20 January 2015.

COUNCILLOR NICKY WALKER

CHAIR OF OVERVIEW AND SCRUTINY BOARD

30 January 2015

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