

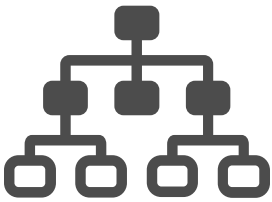
Q3 2018/19 Results

Progress against the Council's Strategic Plan 2018-2022 and
projected financial position at Quarter 3 2018/19

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Headlines

This report sets out our performance results at Quarter 3 2018/19. As at Quarter 2, there is again positive performance in many areas. We are now projecting an overspend of 0.52% on our revenue budget (down from 0.6% at Quarter Two) this year, due mainly to continuing pressures within children's social care, in line with national trends. Strong action will continue to be taken in the remainder of this year to mitigate these pressures as far as practicable.



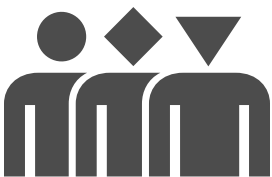
Business imperatives

- All strategic priorities are on target, bar that of revenue budget performance.
- Completed the insourcing of key support services from Kier Business Services.
- Lost productivity due to staff absence increased in Q3.



Physical regeneration

- All strategic priorities are on target.
- All Middlesbrough Investment Prospectus KPIs remain on target.
- Number of visitors to Middlesbrough, and local jobs created, increased.
- The Middlesbrough place brand and our Cultural Strategy were launched.



Social regeneration

- Work to develop our Social Regeneration Prospectus continued.
- An operator for South Tees Community Bank was appointed.
- More children were subject to statutory intervention by Children's Services.
- Crime continued to increase, in line with the national picture.



Projected financial position

- We are projecting 100.52% expenditure of our revenue budget this year.
- Action to mitigate this during 2018/19 continues.
- We are projecting 92% expenditure of our revised capital budget this year.
- Borrowing and reserves remain comfortably within agreed limits.

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Strategic Plan 2018-2022

Strategic priorities - performance at Quarter 3

This section summarises current progress overall in delivering the strategic priorities set out in our Strategic Plan, progress against the key measures of success outlined in the plan, and the highlights and issues arising from Q3 monitoring. Section 5 details the actions we will take to resolve the performance issues identified in the report. Overall performance on strategic priorities remains the same as Q2, with 26 of 30 priorities currently on target.

Business imperatives

Priority	Status
In-year financial performance relative to Council budget.	☹️
Improve the financial performance of services we charge for, and look for new income.	😊
Achieve greater value for money when buying services and managing contracts.	😊
Look at new ways of delivering our services, working with local communities & partners.	😊
Through our digital strategy, make it easier to access our services online and phone.	😊
Introduce a 'unit cost' budgeting approach to our services to identify further efficiency savings.	😊
Make sure that our business management practices compare with those of the best-performing councils.	😊
Gain a greater understanding of the needs of our customers and partners, by introducing new ways of improving communications and consultation.	😊
Use our people strategy to become recognised as a good employer.	😊




Physical regeneration

Measure	Status
Create a Middlesbrough 'brand' to improve the town's reputation, attract new investment, visitors and residents, and add to civic pride.	😊
Develop Middlehaven as an education, leisure, sports and entertainment centre of national significance.	😊
Improve Middlesbrough's rail connections, promote investment in the Historic Quarter to encourage business growth and continue to improve our road network.	😊
Transform our town centre to create an iconic and regional centre for media, digital creativity, learning and leisure.	😊
Develop Centre Square as the Tees Valley's main office location and a major focus of cultural & leisure activity.	😊
Build 2,300 new homes to meet the needs and ambitions of a growing population.	😊

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Strategic Plan 2018-2022

Strategic priorities - performance at Quarter 3

Priority	Status
Create more affordable housing to develop a balanced, sustainable community where people want to live.	
Continue to grow our business base, with new commercial workspace and support for innovation sectors.	
Work with local communities to redevelop Middlesbrough's disadvantaged estates, and to put in place our empty homes strategy.	

Social regeneration

Priority	Status
Work with partners to involve local communities, giving them the chance to influence how Middlesbrough is transformed and how public services are changed and improved.	
Continue to strengthen the local economy, creating 3,500 new jobs and increasing the number of local services we commission.	
Number of local jobs and the average weekly wage will increase, as our communities will be able to access the opportunities arising from Middlesbrough's regeneration.	
Take action to promote financial inclusion and reduce income inequality within the town, including improving community advice and welfare services and launching Middlesbrough's Community Bank.	
Transform children's social work and early help, to allow more families to stay together where it is safe to do so and reduce the need for children to be looked after by us.	
Increase educational and vocational attainment for all children and adults.	
Work to improve local health and wellbeing, and reduce health inequalities in the town, focusing on self-care, community-led prevention and early intervention.	
Join up health and social care, working with partners to keep children and adults healthy, avoid admissions to hospital, and improve care upon discharge.	
Continue to promote the welfare of our children, young people and vulnerable adults and protect them from harm, abuse and neglect.	
Improve the town's environment, working with local communities to make sure our roads, streets and open spaces are well-designed, clean and safe.	
Work with local people to improve community life, making sure that all adults, children and young people feel safer and happier where they live, and reduce loneliness and social isolation.	
Develop a new cultural strategy for the town, investing in our museums and other cultural assets, and lead the Tees Valley's 2025 UK City of Culture bid.	

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Strategic Plan 2018-2022

Measures of success

17 of our 28 measures of success were improving compared to previous quarter or latest available data, the same as at Q2. The position remains as expected, given that we are currently developing our approach to social regeneration, which again remains the most uneven area of performance at Q3.

Business imperatives		Physical regeneration		Social regeneration	
Measure	Status	Measure	Status	Measure	Status
Council income from local sources	😊	Town population	😊	New jobs created	😊
Customers using online self-serve	😊	Satisfaction with Middlesbrough as a place to live	😊	Council spending with local businesses	😞
Employee satisfaction	😊	Visitors to Middlesbrough	😊	Local employment rate	😐
Employee sickness absence	😞	Inward investment	😊	Gross weekly pay	😊
External Auditor's 'Value for Money' judgement	😊	New business start-ups	😊	Child & adult poverty	😐
		Value of goods and services in Middlesbrough per worker	😊	Children looked after by us	😞
		New homes built	😊	Pupils achieving expected GCSE standards	😊
		Affordable homes as proportion of housing stock	😊	Residents with technical & professional qualifications	😊
				Child & adult obesity	😊
				Child & adult mental health	😐
				Healthy life expectancy	😞
				Adults living independently	😐
				Waste recycled	😐
				Overall crime rate	😞
				Local life satisfaction	😐

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Strategic Plan 2018-2022

Quarter 3 highlights



The Priestman Road Bridge, part of the £10m strategic Middlehaven access road, was opened to further unlock the potential of Middlehaven, providing infrastructure for developments such as the forthcoming Snow Centre and easing congestion on the A66.



n operator for the South Tees Community Bank was appointed, with the bank opening in Summer 2019, fulfilling one of the Mayor of Middlesbrough's key electoral promises.



New figures released in the quarter showed 6% increase in visitors to Middlesbrough between 2016 and 2017, and 5% increase in visitor expenditure, demonstrating the impact of the Middlesbrough Investment Prospectus.



We agreed the formation of a Housing Delivery Vehicle with initial funding of £10m, allowing us to build more affordable homes in the town, focusing first in the Gresham, Beechwood and Hemlington areas.



We approved an Integrated Transport Strategy for 2018-2028 in the quarter to support continued growth in the town, and we will now work with partners to deliver the funding to support this programme.



The number of employee jobs in Middlesbrough rose 3% from 60,000 in 2016 to 62,000 in 2017, with gross weekly pay rising from £470.30 in 2017 to £480.30 in 2018.



We launched the Middlesbrough 'brand' to be rolled out from Quarter Four to improve the town's reputation, attract new investment, visitors and residents, and add to civic pride.



We launched a Cultural Strategy for Middlesbrough as part of our commitment to prioritising culture ahead of the Tees Valley City of Culture bid 2025.



We completed the insourcing of payroll and revenues and benefits services from Kier Business Services, which will allow us to deliver significant savings and improved customer experience in future years.

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Strategic Plan 2018-2022

Issues arising at Quarter 3



We will continue to take strong action to address our projected Q3 overspend of £577,000 in the remainder of the year. Progress on actions we are taking to reduce this potential overspend is set out in Section 5.



The rates of children subject to statutory intervention from Children's Services has increased from Q2 to Q3 in all areas. The Looked After Children rate rose from 149.1 per 10,000 in Q2 to 153.0 in Q3, the Child Protection Plan rate rose from 65.0 per 10,000 to 69.8, and the Child in Need Rate (including CPP & LAC) rose from 497.6 per 10,000 to 533.2.



The continued uncertainty around the UK's Brexit deal remains our biggest risk at Q3, given the potential implications both in terms of short-term service delivery, and for economic development within Middlesbrough and the future funding and delivery of services.



Rate of reported crime increased to 123.7 per 1,000 in Q3, significantly higher than the same period in 2017/18. Some of this is due to changes made in recording crime locally, though it is clear that the position in Middlesbrough is following the national increase in crime.



Lost productivity due to employee absence rose from 4.16% in Q2, to 4.63% in Q3. We will continue to take action to address this issue through the implementation of our People Strategy.



Final education results for 2018 released in Q3 confirm a mixed picture in narrowing the gap to national averages. As part of the school improvement programme the Council has now agreed with the local education sector future targets for attainment that predict local performance will exceed national averages in future years.

Social regeneration - progress at Q3

In Q3 we have met with partners and agreed a range of commitments that will form the initial delivery of the Social Regeneration Prospectus, that will be launched in March 2019, following approval by the Executive in January. A Community Action Fund is also under development for launch at the same time, that will support community led innovation.

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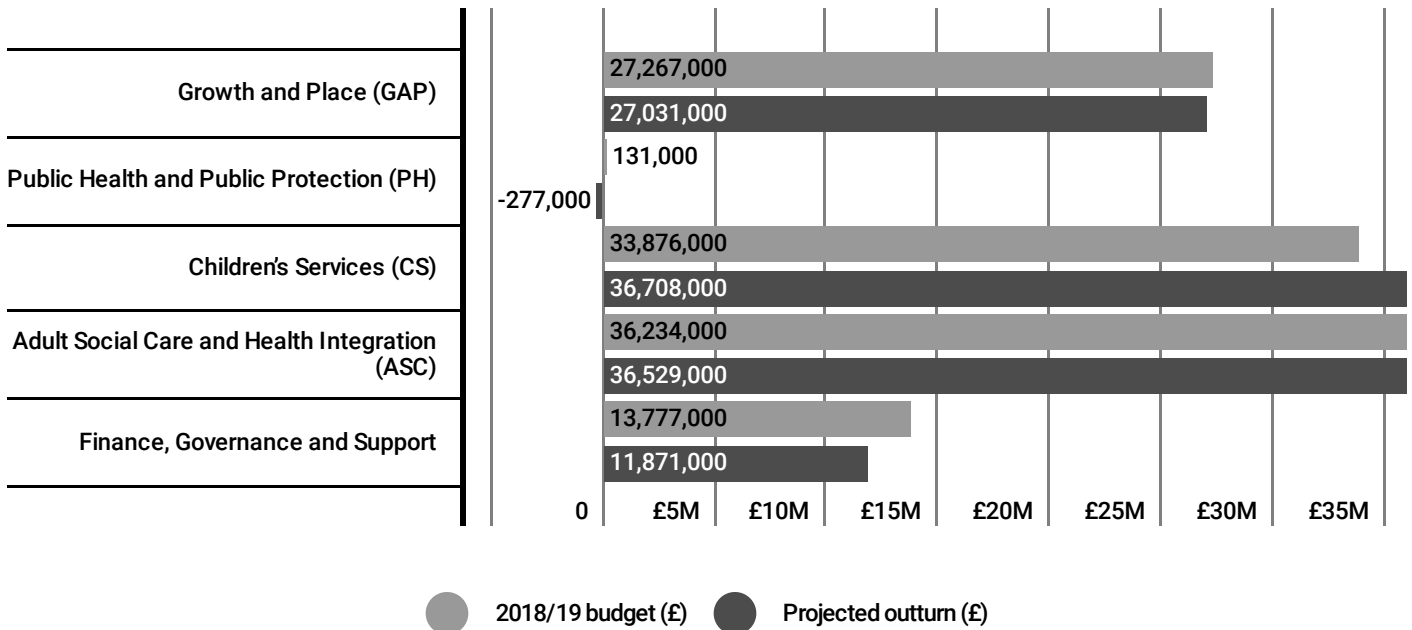
Financial position

Projected expenditure of 2018/19 Revenue Budget

Moving from a projected overspend of £660,000 (0.6%) at Quarter Two, we are projecting an overspend of £577,000 (0.52%) at Q3, with expenditure of £111,862,000 against an agreed budget of £111,285,000, due mainly to continuing pressures in children’s care, as has been seen in neighbouring local authorities, and in line with the national trend in demand within these services.

While an overspend of this level can be covered by the Council’s reserves, strong action will continue to be taken in the remainder of 2018/19 to mitigate the Council’s in-year spending position (as set out in section 5).

The underlying pressures identified in quarterly monitoring and budget development will be addressed in the revised Medium-Term Financial Plan (MTFP) as part of the 2019/20 budget setting process.



It is to be expected that in a complex organisation there are variances in areas between budget and outturn. However, 16 budget areas (listed below) are projecting expenditure of +/- £150,000 of the agreed budget for 2018/19 - four more overall than at Q2, with one Finance, Governance & Support budgets, two Children’s Care budgets, and one Public Health & Public Protection budget exceeding the threshold, and therefore considered for specific action, with these set out in section 5 where appropriate.

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Financial position

Projected expenditure of 2018/19 Revenue Budget

Owner	Budget	Over / underspend	%	From Q2	Reason	Status
GAP	Integrated Transport Unit	£290,000	12%	☹️	Continuing demand pressures, mainly from Education.	Structural
CS	Residential agency placements	£1,326,000	17%	☹️	Increased placement costs.	Structural
CS	Independent Fostering Agency (IFA) Placements	£160,000	3%	New	Increased number of placements.	Structural
CS	In-house Fostering / Family & Friends Allowances	£580,000	21%	☹️	Increased number of placements/cases.	Structural
CS	Short Breaks / Direct Payments	£534,000	92%	☹️	Provision of services in excess of budget available.	Structural
CS	Assessment & Care Planning Teams	£176,000	4%	New	Agency costs of QWAP Team relating to caseload issue highlighted by OFSTED.	One-off
FGS	Welfare and benefits	-£1,153,000	-73%	☹️	Improved income recovery, plus savings in staffing, supplies, services, and insourcing.	One -off
FGS	Valuations	-£211,000	-9%	☺️	Overachieved commercial income and staffing savings.	One -off
FGS	Capital Financing	-£540,000	-7%	☹️	School contributions towards capital schemes; reduced cost of borrowing.	One -off
FGS	General Fund	£649,000	60%	☹️	Increased demand on Pay & Prices contingency, mainly due to projected net costs in 18/19 of Southlands (£210k)/Vancouver House (£323k) remaining open.	One -off

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Financial position

Projected expenditure of 2018/19 Revenue Budget

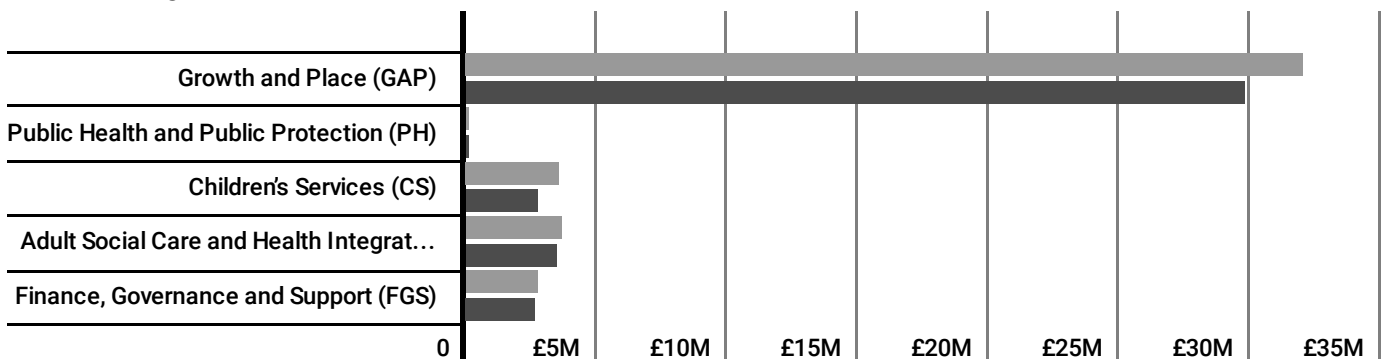
Owner	Budget	Over / underspend	%	From Q2	Reason	Status
FGS	Council Wide Digital Strategy Savings	£258,000	41%	☹️	Delays in achieving Digital Mailroom and Digital Purchasing Savings.	One-off
FGS	Section 31 Business Rates Relief Grant	-£736,000	-41%	New	Additional grant income received above budget.	One-off
PH	Public Protection	-£172,000	-25%	New	Staff savings arising from vacancies and charging the cost of officers time working on the Air Quality Plan to the one-off DEFRA Grant.	One-off
ASC	Prevention, Access and Provider Services	-£288,000	-7%	☺️	Delays in recruitment to vacant posts, early achievement of 19/20 CP3.1, delays in expansion of TCES function.	One-off
ASC	Specialist and Lifelong Services	-£170,000	-4%	☺️	Staffing savings and early achievement of future years savings. offset by pressures due to loss of rent at Sandringham House.	One-off/Structural
ASC	Purchasing of external care packages	£787,000	3%	☹️	Additional demand for services, changes to funding arrangements with health.	One-off/Structural

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Financial position

Projected expenditure of 2018/19 Capital Budget

At Quarter 3 we are projecting that our capital spending in 2018/19 will be £38,814,000 or 92% of the revised budget of £42,207,000.



● 2018/19 budget (£) ● Projected outturn (£)

Two new schemes/investments which have been included in the revised Investment Strategy for approval.

Directorate	Scheme	Total Value (£)	Reason
GAP	LTP Block Budget	812,000	Receipt of Pothole funding grant.
GAP	Affordable Housing via Section 106	612,000	Receipt of s.106 monies.

15 schemes projected expenditure of +/- £150,000 of the revised budget for 2018/19, requiring movement within our four year strategy but not affecting the overall investment or cost of borrowing.

Directorate	Scheme	Variation (£)	%	Reason	Movement
ASC	Disabled Facilities Grant	215,000	13%	Increase in grant allocation for 18/19 announced December 2018.	N/A
ASC	Preventative Services Accom.	-215,000	-42%	Legal issues regarding the purchase of Phoenix Lodge has resulted in delays to the project starting.	To 19/20
GAP	TeesAMP	-1,700,000	-24%	Funds to be reprofiled due to the appointment of the developer being a month behind schedule.	To 19/20
GAP	Social Regeneration	-200,000	-80%	Council have undertaken an engagement exercise with relevant stakeholder.	To 19/20

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Financial position

Projected expenditure of 2018/19 Capital Budget

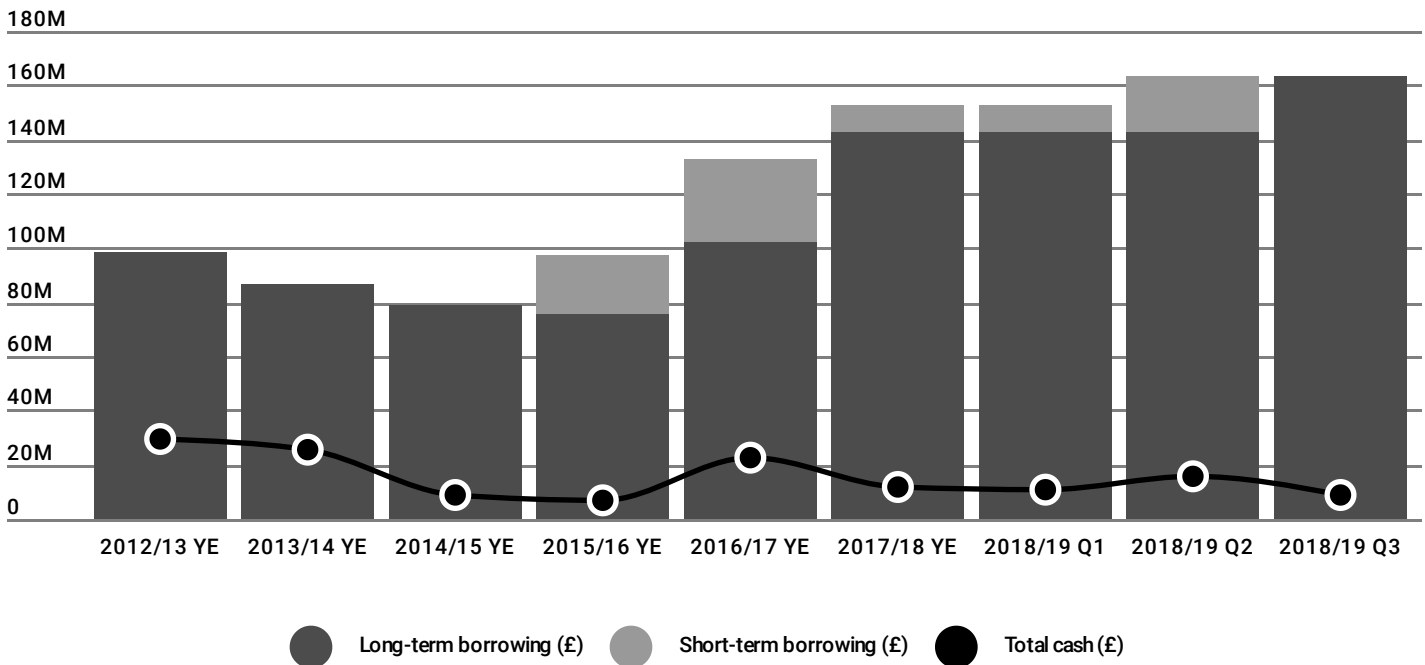
Directorate	Scheme	Variation (£)	%	Reason	Movement
GAP	A66 Throughabout	-156,000	-35%	Project has required redesign resulting in a delay in progress.	To 19/20
GAP	Stainton Way Dixons Bank	-350,000	-46%	Tenders were delayed but contractor has now been appointed but has caused a delay in project.	To 19/20
GAP	Middlehaven Relief Road	-550,000	-12%	Scheme is complete, budget will be spent on public realm works.	To 20/21
GAP	LTP Block Budget	-826,000	-26%	A number of schemes require reprofiling	To 19/20
GAP	Housing Growth	-265,000	-25%	Housing growth consists of 12 schemes collectively require reprofiling.	To 19/20
GAP	JAQU - UTMC	183,000	80%	Accelerating Air Quality Improvement Works.	From 19/20
GAP	Town Centre Accom. Strategy	234,000	117%	Scheme has progressed quicker than anticipated resulting in reprofiling from future year.	From 19/20
GAP	Property Asset Investment Programme	631,000	41%	Schemes have been able to commence in 18/19 due to additional funding in the revised Investment Strategy approved by Council on 05/12/2018.	From 19/20
FGS	ICT Refresh CRM	-150,000	-66%	Work is now now expected to take place until 19/20.	To 19/20
FGS	Derisking Sites	-275,000	-33%	Funding has been transferred to Melrose House Data Centre scheme.	Movement within FGS Schemes
FGS	ICT - Relocation of Melrose House Data Centre	330,000	100%	Movement of the current Data Centre based in Melrose House to an alternative location (BOHO) due to Centre Square Redevelopment.	Movement within FGS Schemes

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Financial position

Borrowing and Reserves

Our balance of borrowing at the end of Q3 was £163M, unchanged from 30th September 2018, reflecting planned borrowing for this year in support of our Investment Strategy. Due to lower interest rates and the uncertainty around Brexit, the opportunity was taken to convert all short-term to long-term borrowing.



The following table sets out a summary of the balance of reserves and provisions at the start of 2018/19, and the projected position at the end of the year. This assumes the use of Social Care Demand Risk and DoLs Reserves for a one-off increased demand in children's and adult social care in 2018/19.

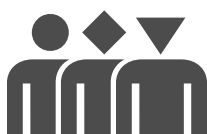
Reserves and Provisions	Opening Balance	Use in Year	Additional Contributions	Transfers to General Fund	Balance at Year End
General Fund	£14,867,000	(£2,812,000)	£0	£0	£12,055,000
Earmarked reserves	£24,012,000	(£5,510,000)	£1,910,000	£0	£20,412,000
Maintained school reserves	£4,354,000	(£120,000)	£0	£0	£4,234,000
Total	£43,233,000	(£8,442,000)	£1,910,000	£0	£36,701,000

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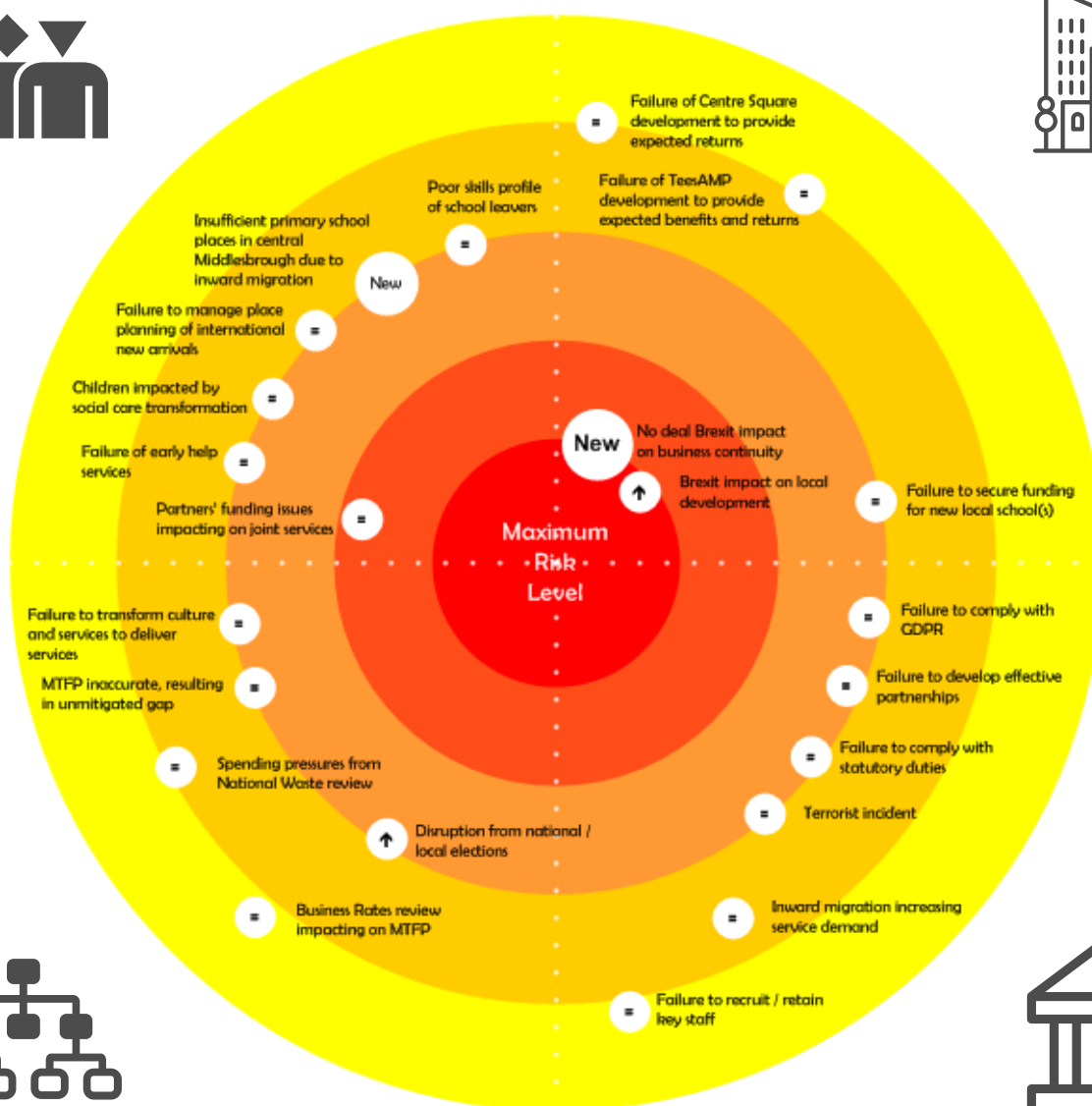
Strategic risks

The graphic below sets out current risks to the achievement Council's strategic priorities following our Q3 review. At Q3 we added two risks to our StrategicRisk Register, making a total of 22. Two risks increased, with the potential impact of a no deal Brexit to service delivery and to economic development within Middlesbrough the biggest risks at the end of Q3.

Social regeneration



Physical regeneration



Business imperatives

Crosscutting

5

Actions

Strategic Plan actions (in response to issues in sections 2 and 4)

The table below sets out progress on actions we identified to address issues raised by our monitoring.

Issue	Action	Lead	Deadline	Status
Children's Social Care demand	Implement decision making panels for Looked After Children, external residential and foster care placements.	CS	March 2019	😊
Adult Social Care demand	Implement decision making panels for adult social care.	ASC	March 2019	😊
Life expectancy	Review progress against actions to improve life expectancy and narrow the gap made in 2017 Director of Public Health's annual report.	PH	March 2019	😊
Mental Health	Implement actions to improve mental health and prevent suicides in Middlesbrough.	PH	March 2019	😊
Average weekly pay	Ensure Centre Square and TeesAMP developments attract new employers and local job opportunities.	GAP	March 2019	😊
Reported Crime Rate	Through the Community Safety Partnership, develop multi-agency action plans to reduce crime and introduce an integrated community safety prevention model.	GAP	March 2019	😊
Funding and delivery of services from NHS	Work jointly with the NHS on the impact of their financial position and explore opportunities for different commissioning and delivery models, overseen by the South Tees Health and Wellbeing Board.	ASC	March 2019	😊
Reduction in economically active people	Drive economic growth and inward investment to increase opportunities for the people of Middlesbrough	GAP	March 2019	😊
Impact of Brexit on local economy and services	Bring forward a report to Full Council on plans in response to Brexit (date to be determined by Parliamentary progress).	FGS	March 2019	😊
Narrowing the educational attainment gap	Finalise School Improvement Programme.	CS	December 2018	😊
Social Regeneration	Finalise Social Regeneration Prospectus.	GAP	March 2019	😊

No further actions have been added at Q3.

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Actions

Financial actions (in response to issues in section 3)

The table below sets out progress on actions we identified to mitigate issues raised in our Q2 report.

Issue	Action	Lead	Deadline	Status
Balancing the 2018/19 Revenue Budget	Implement a vacancy control process for the remainder of 2018/19.	FGS	September 2018	😊
Balancing the 2018/19 Revenue Budget	Submit and agree action plans for overspending budgets with the Strategic Director of Finance, Governance and Support.	Relevant Directorates	September 2018	😊
Further mitigating potential overspend in 18/19	Review all purchasing card activity with view to applying further restrictions.	FGS	December 2018	😊
Further mitigating potential overspend in 18/19	Implement Director-led approval process for all relevant non-pay spend above £5k.	FGS	December 2018	😊

A vacancy control process was implemented in September 2018, which it is projected will deliver significant savings during 2018/19.

Spending control plans have now been agreed for the three areas required: Adult Social Care, Children's Care and the Integrated Transport Unit. It is anticipated that these will begin to impact on expenditure during 2018/19, though the issues in Children's Care and the ITU in particular will only be resolved fully in the longer term.

Directorate review of purchasing card activity and expenditure above £5k were introduced in December 2018.

No further spending control actions have been added at Q3, and the position will be reviewed at year-end.