

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

**Submitted to:** Executive, 19 November 2019

**Subject:** Strategic Plan 2019-22 – Progress at Quarter Two 2019/20

### Summary

#### Proposed decision(s)

That the Executive notes the Council's Quarter Two 2019/20 results report (Appendix 1) and the actions to be taken to address the issues set out within it.

That the Executive approves the proposed revenue budget virements of over £150,000 (Appendix 2).

That the Executive approves the proposed revised Investment Strategy to 2021/22 (Appendix 3).

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

#### Contribution to delivery of the 2019-22 Strategic Plan

Business Imperatives	Physical Regeneration	Social Regeneration
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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 2019-22 Strategic Plan, and the Council's projected year-end financial position at Quarter Two 2019/20. It recommends a number of mitigating actions to address financial issues identified during the Quarter Two review.

## **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.
3. The Quarter Two 2019/20 Results report, attached at Appendix 1 provides the necessary information to enable the Executive to discharge its performance and financial management responsibilities, setting out for Quarter Two 2019/20:
  - a progress update against the 2019-22 Strategic Plan;
  - revenue and capital budget predicted outturns at Quarter Two;
  - 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 will take to address performance issues.
4. Standing Orders and Financial Procedures require the Executive's approval for major virements between revenue budgets, and in-year changes to the Council's capital Investment Strategy.
5. Proposed revenue virements at the end of Quarter Two are set out at Appendix 2, and a revised Investment Strategy for the period to 2021/22 is set out at Appendix 3 for consideration and approval.

## **Report Background**

6. In overall performance terms, the 2019/20 Quarter Two Results report at Appendix 1 sets out the same positive position as Quarter One:
  - 23 of the 30 priorities (77%) set out within the 2019-22 Strategic Plan were assessed as on target to be achieved; and
  - 9 of 28 associated measures of success showed improvement, with 14 static remaining static, and 5 deteriorating.
7. The report sets out positive progress made during Quarter Two in delivering future economic prosperity, improving community safety and support for vulnerable people, and implementing the Council's digital strategy.
8. Performance issues outlined in the report are also in line with those reported at Quarter One, and mainly sit with the Council's Social Regeneration aim, including the local crime rate, public health and the continued rise in children looked after by the Council. The publication of the 2019 English Indices of Deprivation during Quarter Two ranked Middlesbrough as the fifth most deprived local authority area, up one position from 2015.

9. Work continued during Quarter Two to revise the 2019-22 Strategic Plan to incorporate the priorities of the Mayor and his Executive, including a range of new priorities to support social regeneration and transform community engagement. The revised Strategic Plan will be brought forward following the upcoming General Election.
10. However, the key issue outlined in the report is that the Council is reporting a projected overspend of £4,406,000 (103.94%) on its 2019/20 revenue budget at the end of the Quarter Two, due principally to continued pressures in Children's Care.
11. Actions put in place to respond to pressures identified at Quarter One have not impacted as expected during Quarter Two. The following additional actions have therefore been agreed by Leadership Team and Executive Members for implementation during Quarter Three:
  - child-by-child review of 68 external residential placements, moving young people in-year (an initial sift has been completed and more detailed work is now being carried out);
  - Resources and Early Help services are being redeployed to support children with the highest level of need in new ways (options identified and practicalities now being worked through); and
  - robust professional panels in place to challenge care planning on all placements and new Looked After Children (external resource has been sought from North Yorkshire County Council, as an OFSTED Outstanding Authority, for their expertise in cost saving measures).
12. In addition, the Children's Services department will present a report to Executive in December 2019 setting out in detail the transformation plan for Children's Care.
13. Progress against delivery of savings and mitigation of the projected overspend in Children's Services will be monitored between quarters by:
  - weekly placement updates at Directorate Management Team to monitor numbers, costs and trends; and
  - monthly full budget monitoring for Children's Care, with results fed back into Corporate Management Team and the Executive.

### **What decisions are being asked for?**

14. That the Executive notes the Council's Quarter Two 2019/20 Results report (Appendix 1) and the actions to be taken to address the issues set out within it.
15. That the Executive approves the proposed revenue budget virements of over £150,000 (Appendix 2).
16. That the Executive approves the proposed revised Investment Strategy to 2021/22 (Appendix 3).

### **Why is this being recommended?**

17. 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**

18. Not applicable.

### **Impact(s) of recommended decision(s)**

#### **Legal**

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

#### **Financial**

20. The financial implications of the projected revenue and capital budget outturns at Quarter Two are set out within Appendix 1. The projected overspend of £4,406,000 could be covered by Council reserves in 2019/20, however continued overspends of this scale would represent a significant risk to the Council's financial position in the medium-term, and strong action is required to address this issue.

21. During Quarter Two, a further assurance exercise was undertaken on planned savings for 2019/20 and 2020/21 (including alternative proposals agreed by the Executive as part of the Quarter One Results report). This work identified that none of these savings were now at risk during this and the next financial year.

22. These and other issues such as the long-term funding settlement for local government provide the context for the restatement of the Council's Medium-Term Financial Plan and the setting its revenue budget for 2020/21, the revised timetable for which is presented to the Executive at today's meeting for approval.

23. Appendix 2 sets out the following three proposed virements of over £150,000 for approval of the Executive:

- the permanent transfer of civil enforcement budgets from Regeneration to Culture, Communities and Communications as part of work to create the Integrated Enforcement Team;
- the temporary transfer of the fostering team budget from Children's Care to Business, Performance and Change; and
- the temporary transfer of the centrally held social care support grant to offset pressures in Children's Services in 2019/20.

24. Following a review of schemes during Quarter Two, the Council's capital budget for 2019/20 has reduced from £62,688,000 to £50,509,000. Appendix 3 sets out the proposed revised Investment Strategy to 2021/22 for consideration and approval. Expenditure in Quarters Three and Four will be measured against the revised budget upon approval.

#### **Policy framework**

25. The Strategic Plan 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**

26. As reported to Council in March 2019, no negative differential impact on diverse groups and communities is anticipated from the direction of travel set out in the Strategic Plan 2019-22 or the Council's planned budgetary expenditure.

## **Risk**

27. The Strategic Risk Register (SRR) sets out those risks that, if they occurred, would impact on the Council's ability to deliver its strategic priorities. In line with the Council's Risk Management Framework, the SRR was reviewed in the quarter, and is summarised in the Results report at Appendix 1.

28. The risk of a 'no deal' BREXIT continues to be the highest scoring risk, together with the risk of continued overspending within Children's Services. Following the quarterly review, five new risks were escalated to the SRR including:

- risk of continued overspending within Children's Services;
- risk of future waste disposal contract costs adversely impacting the Council's Medium-Term Financial Plan;
- risk of insufficient school places for year 7 pupils over the next five years;
- risk of a decline in house building impacting on the Council's income;
- risk of data protection breaches from staff failing to complete compulsory training; and
- risk of fines from failure to comply with the data rights of individuals.

29. The risk around school places was escalated as there currently remains a predicted shortfall of around 40 Year 7 school places for September 2020. There is a further risk that any significant delay in delivery of the new free school may also impact on the availability of school places for September 2020, along with a risk that a continued increase in demand for secondary school places in future years may not be met. Work is ongoing with local schools to address this issue and progress will be reported to the Executive in future quarters.

30. The risk around data rights has been escalated due to continued difficulties experienced within Children's Care in responding to individual's Subject Access Requests in a timely manner. The Senior Risk Information Owner (SIRO) and Data Protection Officer are continuing to work with the Directorate to resolve issues, with additional resources now secured. Progress in addressing this risk will be reported to Corporate Audit and Affairs Committee by the SIRO.

31. The Chief Executive commissioned a review of the Council's risk appetite at Quarter One. This work is now underway and will now be reported to the Executive during Quarter Four as part of an overall review of the Council's performance and risk management frameworks.

## **Actions to be taken to implement the decision(s)**

32. Mitigating activity set out in this report and in Appendix 1 will be implemented by Directorates as stated.

## Appendices

- 1 2019/20 Quarter Two Results
- 2 Proposed virements at Quarter Two 2019/20
- 3 Proposed revised Investment Strategy at Quarter Two 2019/20

## Background papers

15/03/19 Council Strategic Plan 2019-22  
03/09/19 Executive Strategic Plan 2019-22 – Progress at Quarter One 2019/20

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# Q2 2019/20 Results

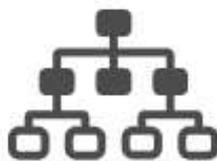
Progress against the Council's Strategic Plan 2019-2022 and projected financial position at Quarter Two 2019/20



# 1

## Headlines

This report sets out our performance results at Quarter Two 2019/20. There is positive performance in many areas, though there remain a number of key challenges, particularly within our Social Regeneration aim. We continue to experience financial pressures, with a substantial increase in our projected overspend this year, due principally to pressures within Children's Services.



### Business Imperatives

- Eight out of nine strategic priorities are on target.
- Financial performance against budget remains Red.
- Lost productivity due to staff absence continues to improve.



### Physical Regeneration

- Seven out of eight strategic priorities are on target.
- Commercial and Housing investment continues to increase.
- Housing growth targets are now under review.



### Social Regeneration

- Eight out of thirteen strategic priorities are on target.
- The local recorded crime rate continues to remain higher than the same period last year.
- Children subject to statutory intervention by Children's Services continues to increase.
- Middlesbrough is now ranked 5th in IMD (Index of Multiple Deprivation) 2019, the position deteriorating by one place.



### Projected Financial Position

- We are projecting a £4,406,000 (103.94%) overspend on our revenue budget in 2019/20, with the majority of this pressure within Children's Services.
- A review of capital schemes was undertaken during Q2 reducing our 2019/20 budget from £62.7m to £50.5m.
- Borrowing and reserves remain within agreed limits.



# Strategic Plan 2019-2022

## Strategic Priorities - Performance at Quarter Two 2019/20

The overall position remains the same as Quarter One, with 23 of 30 strategic priorities currently on target to be achieved. The priorities on in-year financial performance relative to Council budget, Transformation of Children's Social Work and Early Help, and Improvement in local health and wellbeing remain Red.

### Business imperatives

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

### Physical regeneration

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

## 2

# Strategic Plan 2019-2022

Strategic Priorities - Performance at Quarter Two 2019/20

## Physical regeneration

Priority	Status
Continue to grow our business base, with new commercial workspace and support for innovation sectors.	G
Build 1,800 new homes to meet the needs and ambitions of a growing population.	A

## Social regeneration

Priority	Status
Continue to strengthen the local economy, creating 3,400 new jobs and increasing the number of local services we commission.	A
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.	A
Take action to promote financial inclusion and reduce income inequality within the town, including improving community advice and welfare services and promoting the South Tees Community Bank.	G
Increase educational and vocational attainment for all children and adults, by working with nurseries, schools, colleges, Teesside University, other education and vocational training providers and local employers.	G
Continue to promote the welfare of our children, young people and vulnerable adults and protect them from harm, abuse and neglect.	G
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.	R
Work to improve local health and wellbeing, and reduce health inequalities in the town, focusing on self-care, community-led prevention and early intervention.	R
Join up health and social care, working with partners to keep children and adults healthy, avoid admissions to hospital, and improve care upon discharge.	G
Improve the town's environment, working with local communities to make sure our roads, streets and open spaces are well-designed, clean and safe.	G
Create more affordable housing, to develop balanced, sustainable communities where people want to live.	A
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.	G
Work with local communities to redevelop Middlesbrough's disadvantaged estates, such as those in North Middlesbrough, and to put in place our empty homes strategy.	G
Change perceptions of Middlesbrough and raise local aspirations, working with partners to give local communities the opportunity to influence how Middlesbrough is transformed and how local public services are changed and improved.	G

# 2

## Strategic Plan 2019-2022

### Measures of success

Nine of our 28 measures of success have improved compared to previous quarter or latest available data, with 14 remaining static and five deteriorating. The position remains the same as Quarter One, with Social Regeneration again showing the most uneven level of performance.

#### Business imperatives

Measure	Status
Council income from local sources	→
Customers using online self-serve	↑
Employee satisfaction	→
Employee sickness absence	↑
External Auditor's 'Value for Money' judgement	→

#### Physical regeneration

Measure	Status
Town population	→
Satisfaction with Middlesbrough as a place to live	→
Visitors to Middlesbrough	→
Inward investment	↑
New business start-ups	→
Value of goods and services in Middlesbrough per worker	→
New homes built	↑
Affordable homes as proportion of housing stock	↑

#### Social regeneration

Measure	Status
New jobs created	→
Council spending with local businesses	↑
Local employment rate	↑
Gross weekly pay	→
Child & adult poverty	↓
Children looked after by us	↓
Pupils achieving expected GCSE standards	↑
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	→

# 2

## Strategic Plan 2019-2022

### Quarter Two Highlights



Formal public consultation on a Public Spaces Protection Order commenced in July to address concerns of anti-social behaviour in the central TS1 area.



In line with the Mayor's community safety priority, recruitment has also commenced for an additional 23 street wardens for local communities.



Work to develop a new, transformational approach to helping those experiencing domestic violence, substance abuse and homelessness was concluded.



Commercial and housing investment in Middlesbrough continues to increase in line with our expectations, with 40% of the overall Investment Prospectus target now achieved.



A £250m project to establish Middlesbrough as the UK's leading digital city, incorporating major commercial leisure and residential developments, and creating more than 2,000 jobs was initiated.



Middlesbrough's Town Hall was honoured with the 'Best Public Service Building' award at the Local Authority Building Control Northern Region Building Excellence Awards.



Attendance at our leisure centres is continuing to perform well above target, with 433,480 against a target of 409,428 for the first half of the year.



Customer and employee digital transactions continue to significantly exceed targets and we have disposed of the equivalent of 9,000 filing cabinets of paper in the past 18 months.

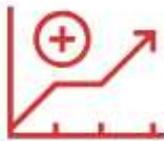


Overall % of working time lost due to employee sickness absence was at 4.13% to the end of Quarter Two (down from 4.31% at Q1), well under our target of 5.11%.

# 2

## Strategic Plan 2019-2022

### Issues arising at Quarter Two



Projected performance against the agreed revenue budget for 2019/20 worsened at Quarter Two, with budget pressures within Children's Services continuing to grow.



The rates of children subject to statutory intervention from Children's Services continued to increase. The Looked After Children rate rose from 169.2 per 10,000 in Q1 to 171.6 in Q2, and the Child Protection Plan rate rose from 87.7 per 10,000 to 93.2.



The continued uncertainty around the UK's Brexit deal remains our biggest risk at Quarter Two, the risk highlights potential implications both in terms of short-term service delivery, and for longer term economic development.



The rate of reported crime continued to rise, with overall crime at 84.4 incidents per 1,000 population at Quarter Two, 4.5 higher than the same period last year.



The number of homes in Middlesbrough empty for over six months increased in Quarter Two, with 1,475 homes empty against a target of 1,050.



The 2019 refresh of the English Indices of Deprivation ranks Middlesbrough as the fifth most deprived local authority area, up from sixth in 2015.

# 3

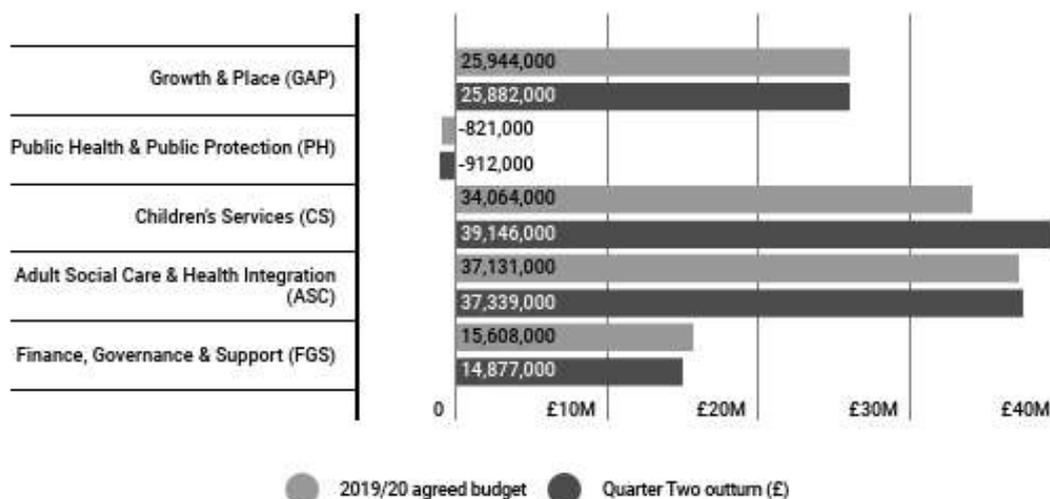
## Financial position

### Projected expenditure of 2019/20 Revenue Budget

The 2019/20 Revenue budget for the Council is £111,926,000.

The Council's outturn position for 2019/20 is projected to be an overspend of £4,406,000. This is due to a significant increase in the projected outturn position within Children's Services. Additional actions to mitigate this projected pressure in 2019/20 are detailed in Section Five.

An overspend of this level can be covered by the Council's reserves in 2019/20, but if this continues beyond 2019/20 it is a significant risk to the Council's financial position in the medium-term.



The Children's Services (Education) projection includes a £273,000 pressure relating to shortfall in secondary school places and GAP (Environment & Commercial Services) an associated £100,000 pressure for additional school transport costs. The ongoing effects of these pressures will be addressed as part of the refresh of the Council's Medium Term Financial Plan to be considered by Council in December 2019.

The FGS projected outturn position includes £480,000 of unallocated social care support grant held centrally, it is proposed that this is used to offset demand pressures in Children's Social Care, as set out in Appendix 2.

## 3

## Financial position

### Projected expenditure of 2019/20 Revenue Budget

It is to be expected that in a complex organisation there are variances in areas between budget and projected outturn. At Quarter Two, 20 budget areas (listed below) were projected to spend +/- £150,000 of the agreed budget during 2019/20.

Owner	Budget	Over / underspend	%	From Q1	Reason	Status
CS / GAP	School places	£373,000	100%	A	Projected pressure in Education of £273k due to shortfall in secondary school places and projected pressure of £100k in ECS because of additional transport costs.	One-off / Structural
CS	Residential agency placements	£4,212,000	67%	R	Slower than expected/no implementation of new initiatives, & increased demand.	One-off / Structural
CS	In-house Fostering / Family & Friends Allowances	£1,350,000	36%	R	Significant increased number of placements / cases and full year effect of 2018/19 increases.	One-off / Structural
CS	Independent Fostering Agency (IFA) Placements	£1,122,000	22%	A	Increased numbers of placements and full year effect of 2018/19 increases.	One-off / Structural
CS	Resource Service Management	£247,000	140%	A	Reviews delayed that will result in achievement of savings required.	One-off / Structural
CS	Assessment & Care Planning Teams	£580,000	11%	G	Agency costs of QWAP Team, up to July 2019 relating to caseload issue highlighted by OFSTED.	One-off
CS	Savings mitigation plan	-£1,884,000	-6%	A	Mitigating actions being undertaken in 2019/20 to address delay in achieving savings and pressures outlined above.	One-off
CS	Edge of Care Project	-£891,000	-33%	R	Slower than anticipated implementation of new initiatives.	One-off
CS	Looked After Children - Other Specialist Services	£253,000	10%	R	Agency costs due to vacant posts.	One-off

## 3

# Financial position

## Projected expenditure of 2019/20 Revenue Budget

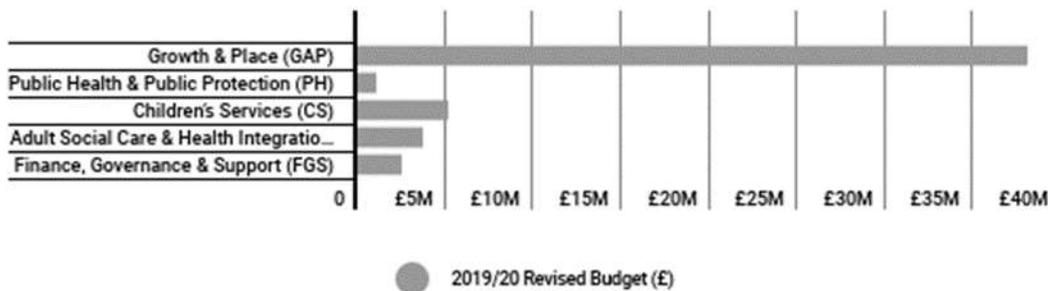
Owner	Budget	Over / underspend	%	From Q1	Reason	Status
FGS	Section 31 Business Rates Relief Grant	-£716,000	-23%	A	Additional grant income received above budget	One-off
FGS	Social Care Support Grant	-£480,000	-37%	A	This is the remaining unallocated grant held centrally, which it is proposed to be used to offset demand pressures in Children's Social Care.	One-off
FGS	Legal Services	£347,000	23%	R	Increase in legal childcare costs due to increased court referrals, and increased agency costs to meet demand.	One-off / Structural
FGS	General Fund	£216,000	64%	R	Unbudgeted costs partly offset by unbudgeted savings on VFM and various minor holding account balances.	One-off
FGS	Vancouver House	-£155,000	-47%	G	Savings on running costs following sale of building.	One-off / Structural
FGS	Pay & Prices Contingency	£242,000	100%	R	Increased inflationary pressures due to Social Care Extra Housing contracts and Energy contracts.	Structural
PH	Public Health - substance misuse	£216,000	23%	A	Increase in the cost of the prescribed drug (Buprenorphine) used in addiction treatment.	Structural
PH	Public Health - staffing	-£231,000	-14%	G	Delays in recruitment to vacant posts across the service, and freezing of posts in advance of 20/21 budget reduction.	One-off
ASC	Adult Social Care - staffing	-£660,000	-4%	G	Delays in recruitment to vacant posts across the service and delay in implementation of Forensic Services.	One-off
ASC	Adult Social Care - Running Costs	-£202,000	-3%	G	Running costs and income savings across the department.	One-off / Structural
ASC	Purchasing of external care packages	£1,081,000	4%	R	Additional demand for services, offset by early achievement of 2020/21 Change Programme savings.	One-off / Structural

# 3

## Financial position

### Projected expenditure of 2019/20 Capital Budget

Following a review of capital schemes within the Investment Strategy the 2019/20 revised capital budget has reduced from £62,688,000 to £50,509,000. This is now the revised budget for 2019/20 and future quarters will be monitored against this budget.



In order to be prudent, some of the receipts from planned Council land sales have been rescheduled from this year and next year to a date just beyond the time-frame for the current investment strategy which runs only to 2021/22. As a result there is potential for a temporary shortfall in capital resources until those receipts are received.

The table at the bottom of Appendix 3 shows that we now have a potential timing funding shortfall of £7.3m in 2020/21 and £9.8m in 2021/22. Work is ongoing to mitigate and address this through a number of actions. A review of all anticipated receipts will take place to establish which if any can be brought forward, and a further assessment of expenditure will take place to establish what can be removed or re-programmed into future years. This is normal practice in managing the capital programme.

In the worst case if none of the above are possible then the shortfall can be bridged with borrowing - within borrowing limits - until the future receipts are received. An updated assessment will be reported at Quarter 3 and the Investment Strategy will be revisited in full alongside the revenue Medium Term Financial Plan at the end of the financial year.

## 3

## Financial position

### Projected expenditure of 2019/20 Capital Budget

There are three new schemes / investment that have been included in the revised Investment Strategy for approval.

Directorate	Scheme	Total Value (£)	Reason
GAP	BOHO 8 & BOHO 10	£29,500,000	Following Executive report approved 12/03/19 "Taking the Digital Cluster Forward – Boho Next Generation", to enable the continued growth of Middlesbrough's digital cluster, including the construction of 2 new buildings, an amphitheatre and a heli-pad.
GAP	Land at Middlehaven Dockside North	£917,000	Acquisition of the final remaining piece of land within Middlehaven owned by Homes England.
GAP	Hemlington Grange Way	£318,000	Agreed contribution to Cleveland Police to infrastructure works carried out by the Police at their Hemlington Grange site, but with wider benefit to the Hemlington Grange housing development.

One scheme has been removed from the Investment Strategy at Quarter Two.

Directorate	Scheme	Total Value (£)	Reason
GAP	Cultural Transformation	£1,000,000	Funding originally assumed to be available for transformational projects has not materialised.

15 schemes are projecting expenditure of +/- £150,000 of the revised budget for 2019/20, requiring movement within our four year strategy but not affecting the overall investment or cost of borrowing.

Directorate	Scheme	Variation (£)	%	Reason	Movement
GAP	Housing Growth - Nunthorpe Grange	- £1,000,000	-94%	Delay scoping the development.	To 20/21
GAP	Housing Delivery Vehicle	- £2,170,000	-96%	Change of objectives - urban living, rather than direct house building originally planned for Hemlington North and Beechwood, to take place in future years.	To 20/21
GAP	A66 Throughabout	- £1,810,000	-59%	Delay in appointment to contractor due to external specialist engineering input being required.	To 20/21

## 3

# Financial position

## Projected expenditure of 2019/20 Capital Budget

Directorate	Scheme	Variation (£)	%	Reason	Movement
GAP	Replacement of Pay & Display Parking Ticket Machines	-£189,000	-100%	Delayed as awaiting approval of back office system linked to Digital Strategy.	To 20/21
GAP	Joint Air Quality Unit (JAQU) - Windward Way to Cleveland Street	-£218,000	-25%	Savings on original project scope have enabled improved public realm and street scape works, however this work will not take place until 2020/21 (this scheme is grant funded).	To 20/21
GAP	LTP Block Budget Highways Maintenance	-£207,000	-11%	Work has slipped to 2020/21 on elements of street lighting column replacement and the structure and bridges programme, due to other workload pressures.	To 20/21
GAP	LTP - Future Years schemes/previous years snagging	-£774,000	-69%	Various slippage of projects, including Pay on Exit project at Zetland Car Park - linked to back office system changes as part of Digital Strategy.	To 20/21
GAP	Cultural Transformation	-£290,000	-22%	Cultural Transformation Fund reprofiled into 2020/21 to fund future initiatives not yet fully developed.	To 20/21
GAP	East Middlesbrough Community Hub	-£200,000	-13%	Delays in the demolition of the Southlands Centre resulted in the need to slip funding to next year.	To 20/21
GAP	Town Centre Accommodation Strategy	-£3,051,000	-95%	Following review of Civic Campus project, remaining funding has been slipped to next year until decision on future staff accommodation is made.	To 20/21
ASC	Preventative Services accommodation	-£750,000	-40%	There has been a contractual delay in the purchase of Phoenix House, resulting in slippage of refurbishment costs to next year.	To 20/21
ASC	Disabled Facilities Grant	-£167,000	-8%	There is sufficient demand to spend the budget, but due to limited availability of contractors, some schemes may slip to next year.	To 20/21

# 3

## Financial position

### Projected expenditure of 2019/20 Capital Budget

Directorate	Scheme	Variation (£)	%	Reason	Movement
CS	Edge of Care	-£322,000	-36%	Delays in implementation of Edge of Care project.	To 20/21
FGS	De-risking Sites	-£284,000	-15%	Review of total amount allocated across years.	To 20/21
FGS	ICT-Innovation	-£434,000	-87%	Review of total amount allocated across years.	To 20/21

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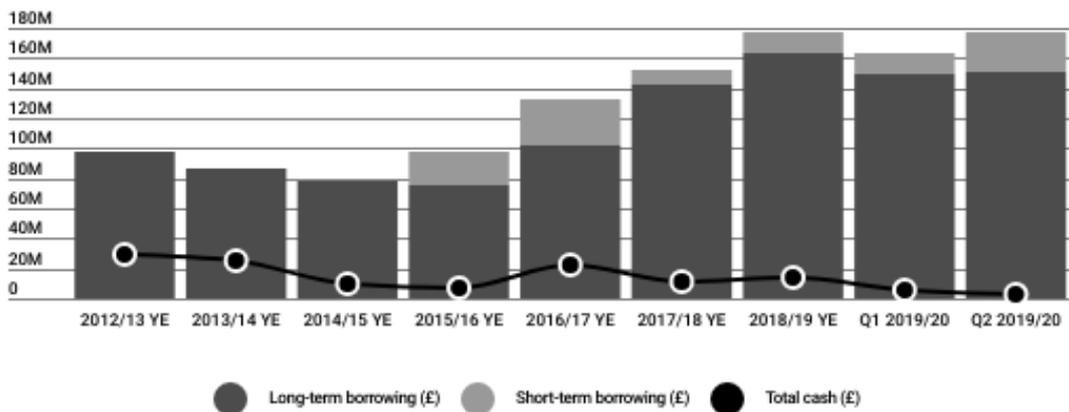
## Financial position

### Borrowing and Reserves

Our balance of borrowing at the end of Quarter One was £163,329,271. Planned borrowing for 2019/20 at the end of Quarter Two was £177,449,591 – an increase of £14,120,320.

The increase represents £15m of additional borrowing to fund the Investment Strategy, plus some borrowing for cash flow purposes, less some external debt being repaid on current loans. The £15m has been borrowed on a short-term basis from other local authorities, maturing towards the end of October.

This decision allows us to take a view on performance within the UK economy in the first half year and any developments on BREXIT which may have an impact on both short term and longer term borrowing rates. The cost of this borrowing in 2019/20 is fully accounted for within the Council's capital financing budget and is compliant with the approved prudential indicators on external debt.



The following table sets out a summary of the balance of reserves and provisions at the start of 2019/20 and the projected balance at year-end. The level of reserves continues to reduce in a planned manner to smooth out future savings requirements and to fund investment as intended within the Council's Medium Term Financial Plan.

Reserves and Provisions	Opening Balance	Use in Year	Additional Contributions	Transfers to General Fund	Projected Balance at Year End
General Fund	£11,904,000	(£1,698,000)	£0	(£806,000)	£9,400,000
Earmarked reserves	£21,767,000	(£6,987,000)	£3,566,000	(£275,000)	£18,071,000
Maintained school reserves	£2,345,000	(£208,000)	£0	£0	£2,137,000
<b>Total</b>	<b>£36,016,000</b>	<b>(£8,893,000)</b>	<b>£3,566,000</b>	<b>(£1,081,000)</b>	<b>£29,608,000</b>

## 4

## Strategic risks

The table below sets out current risks to the achievement Council's strategic priorities following our Quarter Two review, following which the total number of risks on the Strategic Risk Register increased to 32. Risks are displayed from highest scoring to lowest. Impact ranges from insignificant to extreme and likelihood ranges from rare to almost certain to happen.

Risk	Impact	Likelihood	Trend
No Deal Brexit - business continuity	Extreme	Likely	↻
Continued overspending within Children's Services - MTFP pressure	Extreme	Likely	NEW
Waste Disposal Contract Costs - MTFP pressure	Major	Likely	NEW
Insufficient Year 7 School Places	Major	Likely	NEW
Town has high residential voids/low sales values	Major	Likely	↻
Partners' funding positions - MTFP pressure	Major	Likely	↻
Breach of data rights due to untimely response to information requests	Major	Likely	NEW
Transition to new housing provider for asylum seekers	Major	Possible	↻
Retail market distress impacting on the Town Centre	Major	Possible	↻
Historical child abuse claims	Major	Possible	↻
Insufficient primary places in central Middlesbrough	Major	Possible	↻
Failure to have adequate governance	Major	Possible	↻
Historical investigations requiring changes to practice	Major	Possible	↻
Any Brexit - Local Economy	Major	Possible	↻
Failure to transform culture and deliver savings plans	Major	Possible	↻
Inaccurate MTFP leading to savings gap	Major	Possible	↻
School Leavers - poor skills profile	Major	Possible	↻
Failure to develop effective partnerships	Major	Possible	↻
Decline in new housebuilding impacting on Council Income	Major	Possible	NEW
Failure to comply with statutory duties	Extreme	Unlikely	↻
Terrorist Incident (national threat level)	Extreme	Unlikely	↻

# 4

## Strategic risks

Risk	Impact	Likelihood	Trend
<b>Reduction in frontline policing impacting on crime / community resilience</b>	<b>Moderate</b>	<b>Likely</b>	
Inward migration - MTFP pressures	Moderate	Likely	→
Disruption from national/local elections	Moderate	Likely	↓
Data protection legislation breaches - failure of staff to complete training	Major	Unlikely	NEW
Children impacted by social care transformation	Moderate	Unlikely	↓
National Waste Review - MTFP pressures	Major	Unlikely	→
Poor quality of services provided by Health Partners may impact/increase demand for the Council	Moderate	Unlikely	→
Failure to recruit/retain key staff	Moderate	Possible	→
Centre Square - failure to provide expected returns	Minor	Possible	↓
Business Rates - MTFP pressures	Minor	Possible	↓
TeesAMP - failure to provide expected returns	Minor	Possible	↓

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# 5

## Actions

### Action taken in response to issues identified

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#### Financial governance

In response to pressures on the revenue budget, the following controls have been put in place and will remain in place throughout 2019/20:

- Vacancy control process overseen by Leadership Management Team.
- Cessation of use of agency staff.
- Review of proposed spending £5,000 and over by the procurement team.
- Controls over staff travel, the ordering of stationery and use of first class post.

The following additional actions have therefore been agreed by Leadership Team and Executive Members for implementation during Quarter Three:

- child-by-child review of 68 external residential placements, moving young people in-year (an initial sift has been completed and more detailed work is now being carried out);
- Resources and Early Help services are being redeployed to support children with the highest level of need in new ways (options identified and practicalities now being worked through); and
- robust professional panels in place to challenge care planning on all placements and new Looked After Children (external resource has been sought from North Yorkshire County Council, as an OFSTED Outstanding Authority, for their expertise in cost saving measures).

In addition, the Children's Services department will present a report to Executive in December 2019 setting out in detail the transformation plan for Children's Care.

Progress against delivery of savings and mitigation of the projected overspend in Children's Services will be monitored between quarters by:

- weekly placement updates at Directorate Management Team to monitor numbers, costs and trends; and
- monthly full budget monitoring for Children's Care, with results fed back into Corporate Management Team and the Executive.



# Actions

Action taken in response to issues identified

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## **BREXIT planning**

A number of actions are in place as part of planning for No Deal BREXIT. The Council is contributing to regional and sub-regional planning and the Council's business continuity planning arrangements have been reviewed in preparation. A member briefing session on BREXIT preparedness has been delivered and communications to local residents and businesses are being issued in line with the Government's Get Ready For Brexit campaign.

## **Indices of Deprivation 2019**

Work is underway to develop ward profiles utilising the underlying data of the 2019 Indices. This will be produced during Quarter Three and member briefings provided. The analysis will be used to strengthen the Council's approach to delivering social regeneration through its eMpower strategy.

## Appendix 2: Proposed virements at Quarter Two 2019/20

Proposed budget virement	Growth and Place			PH&PP £000s	Children's Services				ASC&HI £000s	FGS (inc. General Fund) £000s	Change Fund £000s
	REGEN £000s	CCC £000s	ECS £000s		EDUC £000s	CC £000s	P&P £000s	BP&C £000s			
Transfer of Civil Enforcement Officers to Integrated Enforcement Team	(395)	395									
Transfer of Fostering Team from Children's Care to Business Performance & Change						(761)		761			
Unused Centrally Held Social Care Support grant to be utilised to offset pressures in Children's Services in 2019/20 (temporary – 2019/20 only)								(480)		480	
<b>Total virement</b>	(395)	395	0	0	0	(761)	0	281	0	480	0
										<b>Total:</b>	<b>0</b>

### Appendix 3: Proposed revised Investment Strategy at Quarter Two 2019/20

	Total Funding Required					Council Funding	External Funding
	2018/19	2019/20	2020/21	2021/22	TOTAL		
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Regeneration</b>							
Town Centre Related Projects	701	790	1,220	1,344	4,055	4,055	-
Teesside Media & Innovation Village	40	7	-	-	47	47	-
Middlehaven Related Projects	3,860	1,253	161	550	5,824	4,141	1,683
Housing Growth	279	482	3,168	891	4,820	4,820	-
BOHO 8 & 10	-	-	10,000	19,500	29,500	2,900	26,600
M Homes	-	80	7,523	-	7,603	2,703	4,900
Teesside Advanced Manufacturing Park	4,254	16,120	1,000	-	21,374	12,523	8,851
BOHO Car Park & Building Improvements	584	16	-	-	600	600	-
Great Cabinet Of Curiosities Retention	5	-	-	-	5	5	-
Capitalisation Of Major Schemes Salaries	440	530	530	530	2,030	2,030	-
Affordable Housing Via Section 106	-	-	1,255	-	1,255	830	425
Highways Infrastructure Development Section 106	-	-	786	-	786	-	786
Stainton Way Dixon Bank Junction - Section 106	378	1,302	-	-	1,680	-	1,680
Longlands to Ladgate Link	69	-	-	-	69	-	69
Stainton Way Western Extension - Section 106	9	-	-	-	9	-	9
Acklam / Hall Drive Improvements - Section 106	46	97	-	-	143	-	143
Rose Cottage Pedestrian Links - Section 106	14	16	-	-	30	-	30
The Big Screen	-	-	20	-	20	20	-
A66 Throughabout	186	1,238	1,810	-	3,234	-	3,234
Newport Road & Acklam Road Improvements	116	-	-	-	116	-	116
Ladgate Lane Cycle Paths	184	-	-	-	184	-	184
Mandale Interchange	22	51	-	-	73	-	73
Replacement of Ticket Machines	-	-	189	-	189	189	-
LED Street Lighting Upgrade (Phase 2)	-	2,105	645	-	2,750	2,750	-
Street Lighting	-	468	468	468	1,404	1,404	-
Urban Traffic Management & Control (UTMC)	-	200	300	-	500	-	500
Joint Air Quality Unit (JAQU) - All schemes	463	1,283	218	-	1,964	-	1,964
Members Small Schemes	18	59	-	-	77	54	23
Grove Hill J V Projects	9	14	-	-	23	-	23
Gresham Projects	1,578	1,090	113	-	2,781	2,728	53
North Ormesby Housing Joint Venture - Section 106 funded	-	80	341	-	421	-	421
Empty Homes 2015 To 2018	40	103	397	-	540	-	540
Local Transport Plan	2,696	2,685	972	-	6,353	9	6,344
Hemlington Grange Way	-	318	-	-	318	318	-
<b>Total Regeneration</b>	<b>15,991</b>	<b>30,387</b>	<b>31,116</b>	<b>23,283</b>	<b>100,777</b>	<b>42,126</b>	<b>58,651</b>

	Total Funding Required					Council Funding	External Funding
	2018/19	2019/20	2020/21	2021/22	TOTAL		
<b>Culture, Communities &amp; Communications</b>	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Town Hall Venue Development	343	83	57	-	483	483	-
Cultural Transformation	-	-	244	-	244	244	-
Christmas Lights	122	-	-	-	122	122	-
Theatre Winches & Lifts	-	70	50	-	120	120	-
Municipal Buildings	28	20	-	-	48	48	-
Dorman Museum	5	90	-	-	95	95	-
Orange Pip Market Equipment	-	24	-	-	24	24	-
Culture Capital Development	-	30	-	-	30	30	-
Public Art	-	40	-	-	40	40	-
<b>Total Culture, Communities &amp; Communications</b>	<b>498</b>	<b>357</b>	<b>351</b>	<b>-</b>	<b>1,206</b>	<b>1,206</b>	<b>-</b>
	Total Funding Required					Council Funding	External Funding
	2018/19	2019/20	2020/21	2021/22	TOTAL		
<b>Environment and Commercial Services</b>	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Purchase of New Vehicles	951	1,417	1,200	1,200	4,768	4,768	-
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	275	575	575	575	2,000	2,000	-
Property Services Building Investment	340	340	340	340	1,360	1,360	-
Parks Improvement	-	180	-	-	180	180	-
Bereavement Services	13	-	-	412	425	425	-
Middlesbrough Sports Village	-	-	-	-	-	(404)	404
Nunthorpe Playing Fields Section 106	37	63	-	-	100	-	100
Waste Disposal Plant Investment	2,808	-	-	-	2,808	2,808	-
Crematorium Works	517	-	-	-	517	517	-
Members Small Schemes	54	71	60	60	245	245	-
Leisure Investment	121	-	-	-	121	121	-
Property Asset Investment Strategy	1,565	2,128	767	1,059	5,519	5,432	87
Town Centre Accommodation Strategy	381	161	4,458	-	5,000	5,000	-
Hemlington Community Asset Transfer (CAT)	25	-	-	-	25	25	-
Newham Grange Leisure Farm	1,111	989	-	-	2,100	2,100	-
Nunthorpe Sports Facilities	-	-	100	-	100	-	100
East Middlesbrough Community Hub	104	1,300	1,096	-	2,500	2,500	-
<b>Total Environment and Commercial Services</b>	<b>8,457</b>	<b>7,379</b>	<b>8,751</b>	<b>3,801</b>	<b>28,388</b>	<b>27,697</b>	<b>691</b>

	Total Funding Required					Council	External
	2018/19	2019/20	2020/21	2021/22	TOTAL	Funding	Funding
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Public Health and Public Protection</b>							
Health & Wellbeing Hub	14	786	-	-	800	679	121
Leisure Trust Investment	-	-	75	-	75	75	-
Healthy Pupils Funding	85	-	-	-	85	-	85
Middlesbrough Alcohol Centre of Excellence	-	245	-	-	245	-	245
<b>Total Public Health and Public Protection</b>	<b>99</b>	<b>1,031</b>	<b>75</b>	<b>-</b>	<b>1,205</b>	<b>754</b>	<b>451</b>
	Total Funding Required					Council	External
	2018/19	2019/20	2020/21	2021/22	TOTAL	Funding	Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Education</b>							
Block Budget (Grant) School Condition Allocation	-	-	1,230	-	1,230	-	1,230
Block Budget (Grant) Basic Needs	-	-	103	-	103	-	103
Block Budget (Grant) Special Provision Fund	-	-	392	-	392	-	392
Schemes in Maintained Primary Schools	1,535	3,300	607	-	5,442	1,966	3,476
Schemes in Primary Academies	10	20	-	-	30	-	30
Schemes in Secondary Academies	-	867	-	-	867	-	867
Schemes in Special Schools	415	87	-	-	502	445	57
Capitalisation of Salary Costs	101	102	-	-	203	101	102
<b>Total Education</b>	<b>2,061</b>	<b>4,376</b>	<b>2,332</b>	<b>-</b>	<b>8,769</b>	<b>2,512</b>	<b>6,257</b>
	Total Funding Required					Council	External
	2018/19	2019/20	2020/21	2021/22	TOTAL	Funding	Funding
	£'000	£'000	£'000	£000's	£'000	£'000	£'000
<b>Children's Care</b>							
Block Budget - Securing Services for Children with Complex Needs	-	46	-	-	46	-	46
Gleneagles - Kitchen and External Works	54	-	-	-	54	-	54
Purchase of a home for a Looked After Child in Hartlepool	12	-	-	-	12	-	12
Children's Homes - Refurbishment work	19	-	-	-	19	-	19
Edge Of Care Project	-	578	322	-	900	900	-
<b>Total Children's Care</b>	<b>85</b>	<b>624</b>	<b>322</b>	<b>-</b>	<b>1,031</b>	<b>900</b>	<b>131</b>

	Total Funding Required					Council Funding	External Funding
	2018/19	2019/20	2020/21	2021/22	TOTAL		
<b>Prevention &amp; Partnerships</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Block Budget (Grant) EFA Early Years 2 Year olds Entitlement (Trajectory Project)	-	7	-	-	7	-	7
Caldicotes 2 year old provision	-	112	-	-	112	87	25
<b>Total Prevention &amp; Partnerships</b>	-	<b>119</b>	-	-	<b>119</b>	<b>87</b>	<b>32</b>
	Total Funding Required					Council Funding	External Funding
	2018/19	2019/20	2020/21	2021/22	TOTAL		
<b>Adult Social Care and Health Integration</b>	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Chronically Sick & Disabled Persons Act - All schemes	614	736	703	610	2,663	2,613	50
Disabled Facilities Grant - All schemes	2,064	2,507	2,918	1,999	9,488	939	8,549
Capitalisation of Staying Put Salaries	50	50	50	50	200	200	-
Home Assistance Loan	-	64	138	-	202	184	18
Home Loans Partnership (formerly 5 Lamps)	-	-	73	-	73	-	73
Small Schemes	35	41	-	-	76	-	76
Connect/Telecare IP Digital Switchover	-	143	131	110	384	330	54
Purchase of 4 vehicles - TCES	-	165	-	-	165	-	165
<b>Total Adult Social Care and Health Integration</b>	<b>2,763</b>	<b>3,706</b>	<b>4,013</b>	<b>2,769</b>	<b>13,251</b>	<b>4,266</b>	<b>8,985</b>



<b>Total Funding</b>	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	TOTAL Estimate
	£000's	£000's	£000's	£000's	£000's
<b>Funded by:-</b>					
Borrowing	13,067	23,211	5,736	85	42,099
Capital Receipts	4,390	5,261	12,909	4,240	26,800
Grants	13,322	15,757	17,891	18,599	65,569
Contributions	698	2,429	6,560	0	9,687
Revenue Resources	30	151	33	0	214
Revenue/Capital Reserves	0	3,700	429	0	4,129
Estimated shortfall			7,344	9,840	17,184
<b>Total Funding</b>	<b>31,507</b>	<b>50,509</b>	<b>50,902</b>	<b>32,764</b>	<b>165,682</b>