

EXECUTIVE

Date: Monday 14th February, 2022
Time: 1.00 pm
Venue: Council Chamber

AGENDA

1. Apologies for Absence
 2. Declarations of Interest
 3. Minutes - Executive - 11 January 2022 5 - 10
- THE MAYOR AND EXECUTIVE MEMBER FOR ADULT SOCIAL CARE AND PUBLIC PROTECTION**
4. Corporate Performance Update: Quarter Three 2021/22 11 - 32
- EXECUTIVE MEMBER FOR ENVIRONMENT AND FINANCE & GOVERNANCE**
5. Revenue and Capital Budget - Projected Outturn Position as at Quarter Three 2021/22 33 - 70
- THE MAYOR AND EXECUTIVE MEMBER FOR ADULT SOCIAL CARE AND PUBLIC PROTECTION**
6. Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2022/23 71 - 138
- DEPUTY MAYOR AND EXECUTIVE MEMBER FOR CHILDREN'S SERVICES**
7. Virtual School Peer Review 139 - 170
- EXECUTIVE MEMBER FOR ENVIRONMENT AND FINANCE & GOVERNANCE**
8. Appointment of External Auditors 2023/24 to 2027/28 171 - 178
 9. Local Council Tax Support 2022/23 179 - 230
- EXECUTIVE MEMBER FOR NEIGHBOURHOOD SAFETY**
10. Tackling Crime and Antisocial Behaviour - CCTV 231 - 242

OVERVIEW AND SCRUTINY BOARD

- | | | |
|-----|---|-----------|
| 11. | Final Report of the Culture and Communities Scrutiny Panel - Cultural Events in Middlesbrough: Their Impact and Future - Service Response | 243 - 270 |
| 12. | Final Report of the Economic Development, Environment and Infrastructure Scrutiny Panel - Middlesbrough Regeneration Post COVID-19 - Service Response | 271 - 312 |
| 13. | Any other urgent items which in the opinion of the Chair, may be considered. | |

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Friday 4 February 2022

MEMBERSHIP

Mayor A Preston (Chair) and Councillors B Cooper, TA Grainge, S Hill, L Mason, E Polano and M Smiles

Assistance in accessing information

Should you have any queries on accessing the Agenda and associated information please contact Chris Lunn / Georgina Moore, 01642 729742 / 01642 729711, chris_lunn@middlesbrough.gov.uk / georgina_moore@middlesbrough.gov.uk

EXECUTIVE

A meeting of the Executive was held on Tuesday 11 January 2022.

PRESENT: Mayor A Preston (Chair) and Councillors B Cooper, TA Grainge, S Hill, L Mason, E Polano and M Smiles

ALSO IN ATTENDANCE: Councillor D Coupe, Councillor J Thompson and A Morely

OFFICERS: C Benjamin, G Field, R Horniman, T Parkinson, S Reynolds and I Wright

APOLOGIES FOR ABSENCE: Councillors C McIntyre, M Saunders and S Walker

21/86 **DECLARATIONS OF INTEREST**

There were no declarations of interest received at this point in the meeting.

21/87 **MINUTES - EXECUTIVE - 7 DECEMBER 2021**

The minutes of the Executive meeting held on 7 December 2021 were submitted and approved as a correct record.

21/88 **DIGITAL INCLUSION STRATEGY**

The Executive Member for Regeneration and the Director of Regeneration and Culture submitted a report for the Executive's consideration. The purpose of the report was to provide information on the Digital Inclusion Strategy and request its adoption.

A lack of digital skills and access could have a huge negative impact on a person's life, leading to poorer health outcomes, a lower life expectancy, increased loneliness, social isolation and less access to jobs and education.

It was planned that the DIS would be used by the Council to help shape the future of digital inclusion in the borough, to ensure that all residents were supported to overcome digital barriers and maximise the social, health, education and economic benefits of enhanced digital access. The annually-reviewed action plan would enable the Council to target its leadership response, along with its key strategic partners, to emerging local needs, opportunities and priorities towards the ultimate aim of achieving parity with national digital inclusion standards.

The key aspects of the DIS were:

- The Vision - Middlesbrough would be brought in line with national digital inclusion standards.
- The Strategy - centred around the 5 digital inclusion Key Objectives, with issues and emerging opportunities for each:
 - Objective 1: Ensuring children and families were able to access digital learning and no pupil missed learning due to digital DISarity.
 - Objective 2: Ensuring job seekers were able to access digital skills and employability support.
 - Objective 3: Ensuring individuals (particularly elderly people) were able to engage with others to reduce isolation.
 - Objective 4: Ensuring local businesses were supported to trade digitally.
 - Objective 5: Ensuring town-wide connectivity plans supported Middlesbrough's digital ambitions.

The DIS was accompanied with an action plan, which identified a series of 10 Practical Actions required to launch the coordinated digital inclusion programme and attain tangible improvement, over the next 12 months, against the Key Objectives. Those Practical Actions were detailed at paragraph 11 of the submitted report.

In addition, the Action Plan identified 4 pledges with associated Strategic Actions to ensure the Council provided the necessary local strategic leadership. Those pledges and Strategic Actions were detailed at paragraph 12 of the submitted report.

The DIS had been finalised, taking into account the contributions from the cross directorate Steering Group, plus all of the comments received during the stakeholder consultations and workshops. The final version of the DIS was attached to the submitted report at Appendix 1.

Following its adoption, the DIS would be used as part of the evidence base for the Strategic Plan, to inform the Poverty Strategy and to support relevant local and regional digital projects.

OPTIONS

Not to adopt the Digital Inclusion Strategy. That would have meant that the Council would not have had a clear strategy for delivering a coordinated local action plan for reducing exclusion and maximising local digital access. It would have been more challenging to deliver the digital infrastructure, skills, devices, services and support, of the right quality, to support current and future needs.

ORDERED

That the Digital Inclusion Strategy be adopted.

REASON

The DIS set out the key digital inclusion priorities and opportunities to help deliver the Council's Strategic Plan and ensure that barriers in the way of maximising the social, health, education and economic benefits of enhanced digital access were reduced for existing and future residents.

21/89 **FINAL REPORT OF THE CULTURE AND COMMUNITIES SCRUTINY PANEL - CULTURAL EVENTS IN MIDDLESBROUGH: THEIR IMPACT AND FUTURE - SERVICE RESPONSE**

Item deferred due to the absence of the Scrutiny Chair.

21/90 **FINAL REPORT OF THE ECONOMIC DEVELOPMENT, ENVIRONMENT AND INFRASTRUCTURE SCRUTINY PANEL - MIDDLESBROUGH REGENERATION POST COVID-19 - SERVICE RESPONSE**

Item deferred due to the absence of the Scrutiny Chair.

21/91 **CORPORATE CRISIS POLICY**

The Executive Member for Environment and Finance & Governance and the Director of Finance submitted a report for the Executive's consideration. The purpose of the report was to request approval of a Corporate Crisis Policy.

The general principles of the policy were as follows:

- To ensure a professional, consistent and timely approach to dealing with crisis and its associated support across all of the Council's functions.
- Where Data Protection legislation allowed, promote a coordinated approach towards sharing information internally and managing multiple awards connected to crisis across the whole of the Council.
- To ensure that crisis was managed in accordance with legislative provisions and best practice.
- To ensure that any steps taken to deal with crisis were in line with the Council's corporate policies on surveillance and data protection, and to ensure compliance with RIPA and GDPR legislation.

The policy provided a definition of crisis and what was considered a disaster, and had certain criteria which had to be met in order to receive support. The policy also outlined circumstances which were not considered to be a crisis.

Should a resident trigger support under crisis or disaster, the policy provided levels of support based on differing circumstances.

When a payment was triggered, awards would be made through electronic means rather than cash awards, with payment methods outlined in the policy.

Resident and Business Support's Community Support Team planned to work collaboratively with all services to ensure residents who met the requirements of the policy were signposted appropriately.

ORDERED

- 1. That the Corporate Crisis Policy be approved.**
- 2. That delegated authority be provided to the Section 151 Officer to approve any future modifications to the policy.**

REASON

The policy planned to allow Middlesbrough Council to provide a coordinated and fair approach to the definition of crisis and disaster, make support payments where they fit the Council's definition, and ensure any such payments were in line with expected expenditure to the situation which warranted the need for support.

21/92

ELECTED MEMBERS SMALL SCHEME ALLOCATION 2021/22

The Executive Member for Environment and Finance & Governance and the Director of Finance submitted a report for the Executive's consideration. The purpose of the report was to provide information on the proposed Elected Members Small Scheme Allocation for 2021/22.

Members had previously approved funding within the capital programme for the Elected Members Small Scheme (EMSS).

A total of 16 applications had been received with a total value of £167,660, against a budget of £113,000.

The schemes had been scored against the following criteria with a maximum of 80 points:

- strength of links with Council's Strategic Plan;
- outputs, benefits and social value;
- savings payback achieved and value for money; and
- project risks

The scored schemes were detailed in the table below paragraph 6 of the submitted report.

Not all the applications had identified match funding. Where a contribution on match funding was required, that had been agreed with the budget holder for the Local Transport Plan.

Not all the applications identified projected maintenance, or running costs, for future years. However, respective service area budget holders had indicated that those costs were minimal and could be absorbed within existing budgets.

All applications relating to traffic calming would require further public consultation before they could be delivered.

All applications relating to CCTV would be subject to a more detailed technical assessment, as part of the wider Community Safety Strategy.

The Mayor commented that public objections to one element of Councillor Wilson's scheme had been received. Therefore, it was proposed that the scheme be agreed in principle, subject to further consultation.

OPTIONS

Members could have agreed to one of the other options at point 23 of the submitted

report. That was not recommended, as they were a less effective use of resources.

ORDERED

- 1. That the Elected Members Small Scheme allocation 2021/22 be approved, subject to further public consultation being undertaken in respect of an element of Councillor Wilson's scheme.**
- 2. That, following consultation, delegated authority be provided to the Mayor to agree said element of Councillor Wilson's scheme.**
- 3. That option 4 from the table at point 23 be agreed.**

REASON

The option planned to allow for all approved schemes to be funded direct from the EMSS 2021- 22 and 2022-23 allocation, negating the need for a further bidding round in April 2022 and allowing for the Ward Initiatives scheme budget and PSPO & CCTV Provision budget to be utilised for other priorities.

21/93

WHORLTON ROAD - DISPOSAL [PART A]

The Executive Member for Environment and Finance & Governance and the Director of Finance submitted a report for the Executive's consideration. The purpose of the report was to consider the proposal to dispose of the Council's freehold interest in Whorlton Road Industrial Estate.

Shown edged on the plan, attached at Appendix A of the submitted report, the subject property was situated on Whorlton Road and occupied a rectangular shaped site measuring @ 2.18 Acres [0.88 Ha] in a prominent position on Riverside Park.

Whorlton Road Industrial Estate was relatively modern in its appearance, comprising several terraced industrial units of steel frame construction with blockwork to the lower sections, sheet metal cladding to the upper walls and a half pitched roof.

Whilst the Council was the freehold owner of Whorlton Road Industrial Estate, the property was subject to multiple leases and the Council currently also leased back the entire estate from Borough Properties.

In 1982 the Council entered into a 125 year headlease with Woodhead Construction Ltd, where the Council let vacant land to Woodhead Construction Ltd for the purposes of developing Whorlton Road Industrial Estate. Simultaneously, the Council also entered into an underlease with Woodhead Construction Ltd, agreeing to leaseback the completed development for a term of 35 years.

Borough Properties subsequently acquired those leases, and were now held on the headlease as a tenant, which had a term of 86 years remaining, and also on the underlease as the Landlord, due to expire in 2026. The underlease, which held the Council as the tenant to Borough Properties was due to expire in 2017, but in 2008 the respective leases were varied, extending the Council's term as tenant up until 1 January 2026.

As well as the term being extended, other variations were made to the lease, which with the passage of time had considerably increased the Council's liability and would continue to do so up until the end of the lease term, in January 2026.

An Asset Disposal Business Case confirming the status of the subject property, as surplus to operational Council requirements, was attached at Appendix C to Part B of the submitted report.

OPTIONS

Re-use for operational purposes - No Council operational service requirement had been identified.

Other uses - Given the property's location and make up, no use other than light industrial would have been suitable.

Do nothing - The Council would have remained as a tenant under the existing terms, subject to the full obligations and associated costs of the Underlease until Jan 2026. Following January 2026, the Council would not have had the benefit of the asset until the Headlease came to an end in January 2107.

ORDERED

1. That the information contained in Part A of the report be noted.
2. That the decision be taken once all the financial or exempt information contained in Part B of the report had been considered.

REASON

In order to meet the Council's requirements to generate capital receipts, increase annually recurring revenue streams, reduce future expenditure and liability, and to see the subject property regenerated in the future.

The disposal of the subject parcel of land as proposed supported delivery of the Council's Medium Term Financial Plan.

21/94 **EXCLUSION OF THE PRESS AND PUBLIC**

The resolution to exclude the press and the public was agreed.

21/95 **EXEMPT - WHORLTON ROAD - DISPOSAL [PART B]**

The Executive Member for Environment and Finance & Governance and the Director of Finance submitted a report for the Executive's consideration.

ORDERED

That the recommendations of the report be approved.

REASONS

The decision was supported by the following reason:

For reasons outlined in the report.

The decision(s) will come into force after five working days following the day the decision(s) was published unless the decision becomes subject to the call in procedures

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MIDDLESBROUGH COUNCIL	
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Report of:	Andy Preston - The Mayor and Executive Member for Adult Social Care and Public Protection Tony Parkinson - Chief Executive
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Submitted to:	Executive - 14 February 2022
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Subject:	Corporate Performance Update: Quarter Three 2021/22
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Summary

Proposed decision(s)

- That the Executive approves the proposed amendments to Executive actions outlined at Appendix 1.
- That the Executive notes progress in implementing the Strategic Plan 2021-24 at Quarter Three 2021/22 (Appendix 2) and approves the revised deadline for the action at paragraph 20.
- That in light of the position outlined in the report, the Executive notes the Council's updated Strategic Risk Register at Appendix 3.
- That the Executive notes progress in implementing 2021/22 Directorate priorities, which are set out at Appendix 4.

Report for:	Key decision:	Confidential:	Is the report urgent?
Decision	No	No	No

Contribution to delivery of the 2021-24 Strategic Plan

People	Place	Business
Quarterly monitoring, review and action planning plays a central role in ensuring that the Strategic Plan and associated activity is delivered effectively.		

Ward(s) affected

None.

What is the purpose of this report?

1. This report advises the Executive of corporate performance at the end of Quarter Three 2021/22 and where appropriate seeks approval of any changes, where these lie within the authority of the Executive.

Why does this report require a member decision?

2. The Council's Scheme of Delegation gives the Executive collective responsibility for corporate strategic performance, together with associated action.
3. This report provides the necessary information to enable the Executive to discharge its performance management responsibilities, setting out progress against Executive action, the Strategic Plan and other key associated items, together with actions to be taken to address any issued identified.
4. The projected 2021/22 financial outturns for Quarter Three are presented separately to this meeting of the Executive, and so not repeated here. Where performance has had a significant impact on finances this is highlighted within the body of the report.

Report Background

5. As part of continuous improvement in performance and risk management, the Council's Leadership Management Team (LMT) has implemented monthly reviews of corporate performance utilising a Directorate Performance dashboard, drawing data from a range of performance systems.
6. The output from these sessions is reflected through quarterly updates to the Executive and Overview and Scrutiny Board and covering in addition, progress in delivering actions agreed by the Executive, key Directorate performance issues and other performance-related matters.

Overall progress at Quarter Three 2021/22

7. The Council's performance overall at the end of Quarter Three saw a drop in performance from the Quarter Two reported position, with progress towards expected performance standards as set out in the Council's risk appetite projected to be achieved in three out of seven areas. Work will be undertaken in the final quarter of the year, as set out within the report, to get performance back to target wherever possible.

Progress in delivering Executive actions

8. Actions agreed by the Executive to deliver approved decisions are tracked by LMT on a monthly basis. If, subsequent to the Executive's approval, any action is found to be no longer feasible or appropriate, or cannot be delivered within the approved timescales, this report will be used to advise the Executive of this and seek approval of alternative actions or amended timescales.
9. At Quarter Three, 56 of 78 live actions (72%) were reported as on target to be delivered by the agreed timescales, down from the 89% reported at Quarter Two and below the 90% standard of achievement of actions, with five proposed amendments

for Executive approval set out at Appendix 1. All remaining Executive actions are expected to be achieved within their approved timescales.

10. The proposed amendments relate to:

- 'Final Report of the Adult Social Care and Services Scrutiny Panel - Physical Activity for Older People (aged 65 plus) - Service Response' which has seen delays of approximately 18 months in total, as a result of prioritisation of mandatory training over Dementia Friendly sessions by Boro Taxis, resulting in lack of dementia awareness for drivers and which could further impact upon dementia and carer isolation.
- 'Reducing Empty Homes in Middlesbrough Report' and an action to create a full time role within the Revenue and Benefits Service to reduce avoidance and increase the collection of Council Tax on empty homes was delayed as a result of non-essential visits being suspended. Job evaluation has now recommenced.
- 'Community Asset Transfers' report seeking extension to three actions as a result of late receipt of business cases and subsequent assessment, impacting upon completion of community asset transfers.

Progress in delivering the Strategic Plan 2021-24

11. The Strategic Plan for 2021-24, sets out nine strategic priorities for this period which are supported by an associated set of outcome measures and a workplan, which will see delivery of sustained improvement, up to and beyond 2024.

Outcomes

12. At the end of Quarter Three, 11 of 24 (45.8%) Strategic Plan outcomes were either improving or static against the Quarter Two position, with 3 (12.5%) worsening. As many measures as updated annually, there is no trend information available for 10 (41.7%) outcome measures at the present time.

- Household waste and recycling shown slight decrease from previous reported position at Quarter Two, in the main due to seasonal green waste levels. It is expected that the overall 12 month average will see an improved position and the target met.
- Data from the National Highways and Transport Network annual report (based on 2020 survey data) identifies that road conditions show a slight worsening from the position previously reported and is likely as a result of data lag not demonstrating recent improvement works and will feed into ongoing Highways investment works.
- Children's Care audits Requiring Improvement or better outcome reduced during Quarter Three as a result of audits focusing on specific areas of weakness to support learning and improvement in practice. As the 12 month rolling average figure stands at 78%, there is no concern in respect of the general direction of travel on this measure, which remains positive.

13. Whilst Quarter Three source data shows short-term trend in a worsening position, this is due to a number of reasons, prompting changes which have seen significant improvements to ways of working, performance management and refined processes and systems within the service.

14. The introduction of mobile incident management system has enabled calls and complaints received to be processed and serviced more productively and as such, the service is now in a position to record more accurately the level of activity undertaken which shows increases as follows:

Street Warden activity	2021/22	Q1-Q3 2021/22
Interventions	2,178	14,125
Enforcement actions	1,444	5,832

15. Whilst trend data has improved, crime and anti-social behaviour remains of concern at the end of Quarter Three. Anti-social behaviour is now at its lowest level in five years, with levels of crime continuing to be the issue. Work and discussions continue Cleveland Police to bring crime down which includes the need to increase and reinforce police numbers across the town.
16. COVID-19 has resulted in significant fluctuation performance and outcome measures (will largely involve multi-agency working) will be reviewed during Quarter Four and revised targets will subsequently presented to the Executive for approval in the Year-End performance report.

Workplan

17. Current workplan activity in respect of Strategic Plan outcomes has been reviewed and assessed to ensure it is sufficient to recover performance to agreed target. Where required, any additional activities required will be brought forward for approval within future quarterly updates to the Executive.
18. At the end of Quarter Three, performance against Strategic Plan workplan was as set out below, exceeding the corporate target of 90%.

Status	Q2 21/22	Q3 21/22	Expected standard	Standard achieved	Trend
COMPLETED	13.4%	29.8%	90%	Yes	↓
GREEN	86.6%	68.7%			
AMBER	0%	0	N/A	N/A	N/A
RED	0.0%	1.5%	N/A	N/A	N/A

19. Quarter Three saw an additional 8 (11.9%) of the 67 Strategic Plan initiatives within the workplan completed (to the eight completed in Quarter Two), four of which were COVID-19 Recovery related:

- Increase town centre footfall to 85% of pre-COVID levels
- Initiate repurposing of Captain Cook Square and House of Fraser for leisure and commercial use
- Resume service plans impacted by COVID-19 to support children in remaining with their families e.g. futures for families and family group conferencing
- Ensure high achievement for all from the early years, by closing the gaps for the most vulnerable and focusing on Key Stage 4 outcomes
- Target young people who are NEET and provide support to progress into education, employment and training opportunities

- Support all Middlesbrough schools following COVID-19 spikes / outbreaks, ensuring all vulnerable children have continued access to education, by December 2021
- Deliver and extend the 50 Futures programme 2020 - 2022 to provide meaningful work experience opportunities to those Middlesbrough residents who find it most difficult to gain employment
- Installation of a town-wide lighting scheme, highlighting key buildings and landmarks to improve the physical appearance of the town

20. There was one Red / off-track workplan initiative at the end of Quarter Three, which is set out below and requires revised dates in order to avoid future slippage. Executive is asked to approve proposed deadlines where specified.

Initiative	Owner	Agreed Due Date	Reason for (R) / Impact (I) of delay	Proposed Revised Due Date
Key Council plans (MTFP, Strategic Plan, Business Continuity, Operations Strategy, etc.) will reflect the impact of COVID, to support Recovery / new normal, by June 2021.	LGS	31/12/2021	(R) Revisions to Strategic Plan, underway. (I) Minimal.	30/06/2022

Strategic Risk Register

21. Issues raised within this report which impact on the risk profile of the Council are reflected within the Council's Strategic Risk Register (SRR), which was reviewed in the quarter in line with the Council's policy and is set out at Appendix 3.
22. The total number of risks on the SRR reduced to 28 from 30 at Quarter Three, comprising 18 high and 10 medium risks.
23. Two risks were de-escalated to directorate risk registers during the quarter:
- Inaccurate MTFP resulting in funding gap requiring further savings, which was deescalated following the development of the proposed draft budget and release of the local government finance settlement.
 - Failure of Boho X to deliver anticipated benefits and financial returns, due to the extent of the interest in the site and the high likelihood of the building being let in the near future.
24. No new risks were added or scores amended during the quarter. Performance in delivering mitigating actions associated with high or medium risks on the SRR has fallen below the expected performance standard of 90% in Quarter Three, to 71%.
25. Work continued on a fundamental review of the SRR throughout Quarter Three, to reflect revisions to the Council's strategic priorities outlined in the Strategic Plan 2021-24. It was anticipated that this work would be concluded in time to present a revised SRR to the Executive in the Quarter Three report, however due to detailed analysis work underway, this work is still ongoing and will be reported to the Executive in the Year- End report. This work will also address any issues with mitigating actions outlined in paragraph 23.

Progress in delivering Directorate Priorities for 2021/22 and risk mitigations

26. Directorates are accountable for a number of Directorate-specific actions each year to ensure ongoing compliance with legal duties and best practice and that business change is well managed. Directorate Priorities for 2021/22 are set out at Appendix 4.
27. At the end of Quarter Three, 96% of Directorate Priorities were rated either Green or Amber (i.e. some milestone slippage but still expected to be delivered in-year), above the expected standard of 90%. Performance in delivering mitigating actions associated with high or medium risks on Directorate Risk Registers is 86% and 71% respectively, below the performance standard of 90%.
28. Quarter Three saw 9 (8.3%) of 108 Directorate Priorities completed, as follows:
 - Embed Making Every Adult Matter (MEAM) guidance to ensure improved support to adults with multiple disadvantages
 - Completion of sexual health procurement
 - Deliver the Multi-agency Early Help and Prevention Strategy to support a commitment to intervening at the earliest stage possible
 - Deliver the Achievement Plan to deliver school improvement and improve educational outcomes in Middlesbrough
 - Deliver the Inclusion and Specialist Support Strategic Plan to remove barriers to learning and wellbeing for children and young people and reduce exclusions and out-of-area educational placements
 - Build capability and embed the Values to support the achievement of the Council's Strategic Aims through recruitment, recognition, performance management and employee engagement
 - Conduct Local planning Referendums
 - Launch and embed the revised corporate Information Governance Framework, completing outstanding actions from the ICO Data Protection Audit
 - Update the business intelligence dashboard plan to reflect revisions to performance management arrangements and roll-out learning from work within Children's Services

Progress in delivering Programmes and Projects

29. The Council maintains a portfolio of programmes and projects in support of achievement of the Council's strategic and directorate priorities. At the end of Quarter Three, 26 (76%) of the 34 programmes / projects were rated Green or Complete, 4 (12%) Amber, slightly below the expected combined standard of 90%. Much of this relates to post-COVID reprofiling, and no programmes or projects required escalation to the Executive at the end of Quarter Three.

Progress in other corporate performance matters

30. In addition to the above performance and risk issues, LMT reviews a range of other performance measures on a monthly basis, including compliance with agreed actions from internal audits, responsiveness to statutory information requests, information security incidents and complaints.

31. At Quarter Three the key points of note were:

- There was a slight reduction in compliance with statutory deadlines in relation to Freedom of Information (Fol) and Environmental Information Regulations (EIR) from 65.3% in Quarter Two to 63.1% in Quarter Three, as a result of increased complex cases. The Council has increased capacity in this team to improve performance longer term.
- The number of information security incidents continues to be low.
- There continues to be improvements in compliance in key areas in relation to the management of complaints. Overall the percentage of complaints closed in time improved from 79% at the end of Quarter Two and to 93% at the end of Quarter Three.

What decisions are being asked for?

32. That the Executive approves the proposed amendment to Executive actions outlined at Appendix 1.
33. That the Executive notes progress in implementing the Strategic Plan 2021-24 at Quarter Three 2021/22 (Appendix 2) and approves the revised deadline for the action at paragraph 20.
34. That in light of the position outlined in the report, the Executive notes the Council's updated Strategic Risk Register at Appendix 3.
35. That the Executive notes progress in implementing 2021/22 Directorate priorities, which are set out at Appendix 4.

Why is this being recommended?

36. To enable the effective management of performance and risk in line with the Council's Local Code of Corporate Governance.

Other potential decisions and why these have not been recommended

37. Not applicable.

Impact(s) of recommended decision(s)

Legal

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

Financial

39. Any financial implications relating to issues set out in this report, were summarised in the Revenue and Capital Budget – Projected Outturn Position at Quarter Three 2021/22 report also considered by the Executive at its meeting of 14 February 2022.

Policy framework

40. The Strategic Plan and associated budgets form part of the Council's Policy Framework.

Equality and diversity

41. As reported to Council in February 2021, no negative differential impact on diverse groups and communities is anticipated from the direction of travel set out in the Strategic Plan 2021-24.

Risk

42. Risk implications are set out in the main body of the report.

Actions to be taken to implement the decision(s)

43. Mitigating activity set out in the main body of the report will continue to be applied by Directorates as stated and monitored by LMT as part of monthly Performance Dashboard reviews.

Appendices

- | | |
|---|---|
| 1 | Proposed amendments to Executive actions at Quarter Three 2021/22 |
| 2 | Strategic Plan Workplan: progress at Quarter Three 2021/22 |
| 3 | Summary Strategic Risk Register at Quarter Three 2021/22 |
| 4 | Directorate Priorities 2021/22: progress at Quarter Three 2021/22 |

Background papers

24/02/21	Council	Strategic Plan 2021-24
11/05/21	Executive	Strategic Plan 2021-24: approach to delivery
15/06/21	Executive	Strategic Plan 2020-23 – Progress at Year End 2020/21
07/09/21	Executive	Corporate Performance Update: Quarter One 2021/22
07/12/21	Executive	Corporate Performance Update: Quarter Two 2021/22

Contact: Paul Stephens, Head of Strategy, Information and Governance
Gemma Cooper, Strategy Delivery Manager

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Appendix 1: Proposed amendments to Executive actions at Quarter Three 2021/22

Executive of	Report	Action	Owner	Agreed Due Date	Proposed Revised Due Date
16/02/21	'Final Report of the Adult Social Care and Services Scrutiny Panel - Physical Activity for Older People (aged 65 plus) - Service Response'	PROPOSED ACTION 10 - A list of the vehicles that have been designated as wheelchair accessible under Section 167 of the Equality Act 2010 are listed on the Middlesbrough Council website. Dementia Friends Sessions delivered to approximately 40 Boro Taxi Drivers.	PH	31/12/21	31/03/22
13/04/21	'Community Asset Transfers'	That a future report be presented to Executive, outlining the outcome of the financial appraisal and recommendations for approval of each community asset transfer, based on its own merits following appropriate due diligence.	ECS	31/10/21	30/04/22
		That community asset transfer policy be actioned for potential execution of community asset transfer leases for Brambles Farm Community Centre CC, Langridge Initiative Centre, The International Centre and 22 Holylake, subject to appropriate expressions of interest and submission of business cases.		31/10/21	30/04/22
		That the Community Asset Transfer Policy be refreshed alongside the Community Governance Review process, currently being progressed.		31/10/21	30/04/22
23/06/21	'Reducing Empty Homes in Middlesbrough'	That the creation of a full time role within the Revenue and Benefits Service on an 'invest to save' basis, to reduce avoidance and increase the collection of Council Tax on empty homes, be approved.	FIN	31/10/21	30/05/22

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Appendix 2: Strategic Plan Workplan: Progress at Quarter Three 2021/22

Quarter Three saw an additional 9 (13.4%) of the 67 Strategic Plan initiatives within the workplan completed (to the eight completed in Quarter Two), four of which were COVID-19 Recovery related.

We will show Middlesbrough's children that they matter and work to make our town safe and welcoming and to improve outcomes for all children and young people.	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Deliver the Children's Services Improvement Plan to achieve OFSTED rating of 'Requires Improvement' by 2023	31/3/2022	Green	Green	Green
Increase attainment and attendance levels and reduce exclusions for all children across Middlesbrough	30/9/2021	Green	Complete	Complete
Deliver the Youth Justice Plan to reduce re-offending, safe and effective use of custody and reducing the number of first time entrants	30/04/2022	Green	Green	Green
Ensure high achievement for all from the early years, by closing the gaps for the most vulnerable and focusing on Key Stage 4 outcomes	31/10/2021	Green	Green	Complete
Target young people who are NEET and provide support to progress into education, employment and training opportunities	31/12/2021	Green	Green	Complete
Ensure the best start in life for Middlesbrough children by reducing early health inequalities, with a focus on the first 1001 days of life	30/06/2022	Green	Green	Green
Develop a universal town-wide Children and Young People's strategy that will aim to improve the lives of all children	31/12/2022	Green	Green	Green

We will work to address the causes of vulnerability and inequalities in Middlesbrough and safeguard and support the vulnerable.	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Deliver and extend the 50 Futures programme 2020 - 2022 to provide meaningful work experience opportunities for Middlesbrough residents who find it most difficult to gain employment	30/11/2021	Green	Green	Complete
Implement Locality Working pilots in Newport and North Ormesby wards, working with partners and services to address key priorities and issues for residents to consider within Council's new operating model	31/08/2022	Green	Green	Green
Further develop the 'Dementia Friendly' Middlesbrough programme to improve the wellbeing of individuals with dementia and their carers, connecting communities and business	31/03/2022	Green	Green	Green
Achieve 'Age Friendly Communities' status, thereby reducing the prevalence and impact of loneliness and isolation in Middlesbrough	31/03/2024	Green	Green	Green
Launch and deliver an integrated model of support for Middlesbrough, bringing together services for domestic abuse, homelessness and substance misuse and development of mental health partnership provision, through the vulnerable persons model	31/03/2024	Green	Green	Green
Create and deliver a strategy to increase digital inclusion for children, young people and adults across Middlesbrough	31/03/2022	Green	Green	Green
Develop and deliver an improved offer of support for addiction recovery through employment, housing and social / community re-integration	31/03/2023	Green	Green	Green

We will tackle crime and anti-social behaviour head on, working with our partners to ensure local people feel safer.	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Develop and deliver the Community Safety Strategy to reduce crime and anti-social behaviour across Middlesbrough	31/10/2022	Green	Green	Green

We will tackle crime and anti-social behaviour head on, working with our partners to ensure local people feel safer.	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Increase CCTV in public areas / Council facilities to prevent and detect crime and ASB, improving public confidence in the Council	31/03/2023	Green	Green	Green
Increase Street Warden enforcement activity and provision of advice and education to residents to reduce levels of environmental crime and ASB	30/04/2022	Green	Green	Green
Deliver a targeted education and enforcement programme in conjunction with Police and Fire Safety Partners to reduce crime and ASB.	31/01/2023	Green	Green	Green

We will ensure our town acts to tackle climate change, promoting sustainable lifestyles.	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Deliver a town-wide programme of education, increasing recycling levels in Middlesbrough	31/12/2022	Green	Green	Green
Deliver the Green Strategy to meet Government targets for greenhouse gas emissions and make Middlesbrough more climate resilient and minimise the environmental impact of Council services in future.	31/03/2022	Green	Green	Green
Work with partners to identify community growing sites, providing skills development to 'Grow Your Own Food', contributing to Middlesbrough's bid for the Sustainable Food Cities Gold Award in 2022	30/09/2023	Green	Green	Green
Work towards achievement of Tree City Status, demonstrating responsibility and management of town tree stock	31/03/2022	Green	Green	Green
Plant an additional trees 20,000 trees across the town by 2023, improving air quality	31/03/2023	Green	Green	Green
Explore the potential to designate sites across the town as a local wildlife / nature reserve, increasing biodiversity in Middlesbrough	31/03/2022	Green	Green	Green
Develop an Urban Farm (in conjunction with Camphill Trust) to improve the physical environment and provide additional training opportunities for vulnerable residents across Middlesbrough	31/05/2022	Green	Green	Green

We will ensure the recovery of local communities, businesses and the Council's operations from COVID-19, taking opportunities to build back better.	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Delivery of the Council's COVID19 Recovery Plan to enable individuals, families, communities and business across Middlesbrough achieve a proper level of functioning, post-Pandemic	31/08/23	Complete	Complete	Complete
		Red	Green	Amber
Ensure effective Council response to immediate issues of COVID19 impacting upon individuals, families, communities and business	31/08/23	Complete	Complete	Complete
		Red	Green	Amber

We will work closely with local communities to protect our green spaces and make sure that our roads, streets and open spaces are well-designed, clean and safe.	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
30,000m2 of wildflower planting across Middlesbrough green spaces and land to benefit local wildlife and improve the physical appearance of the town	31/05/21	Complete	Complete	Complete
Implement an annual pothole maintenance programme across the town, consistently improving road conditions	31/03/2024	Green	Green	Green
Introduction of community environmental initiatives improving local environmental standards	30/04/2022	Green	Green	Green
Implement a community grant scheme, providing funding to improve the physical environments of residential alleyways to create a useable community space / asset	28/02/2022	Green	Green	Green

We will transform our town centre, improving accessibility, revitalising unused assets, developing iconic new spaces and building more town centre homes.	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Development of central Middlehaven for 60,000 sq. ft. of commercial space (Boho X), 400+ housing units and restoration of the Old Town Hall and Captain Cook Pub	31/03/2024	Green	Green	Green
Initiate repurposing of Captain Cook Square and House of Fraser for leisure and commercial use	31/03/2022	Green	Green	Complete
Commercial and residential development of west and south side Middlehaven sites	31/03/2024	Green	Green	Green
Installation of a town-wide lighting scheme, highlighting key buildings and landmarks to improve the physical appearance of the town	30/11/2021	Green	Green	Complete
Develop new homes and apartments to expand the urban living offer in the town	31/03/2024	Green	Green	Green

We will invest in our existing cultural assets, create new spaces and events and improve access to culture.	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Improve Teesaurus Park, re-establishing its purpose as a visitor attraction and recreational facility	31/10/2021	Green	Green	Green
Create an expanded programme of festivals and events to raise the cultural profile of Middlesbrough	31/03/2023	Green	Green	Green

We will ensure that we place communities at the heart of what we do, continue to deliver value for money and enhance the reputation of Middlesbrough.	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Encourage community participation in the development of Council plans and initiatives, increasing community cohesion and resilience	30/09/2021	Green	Red	Green
To secure additional funding and improve the condition of the Council's operational estate and highways infrastructure	31/12/2022	Green	Green	Green
Evolve corporate website into a 'digital platform', increasing online transactions where appropriate, and making the site more personalised and even easier to use	30/11/2022	Green	Green	Green
Develop new Middlesbrough Council headquarters	31/07/2022	Green	Green	Green
Deliver a ward-based cash collection strategy, supporting vulnerable groups with payment solutions to improve Council Tax collection levels	31/01/2022	Green	Green	Green
Stimulate investment in our local economy through procurement opportunities and the promotion of our buy local initiative	31/03/2022	Green	Green	Green
Provision of a new resident-led community facility at Southlands and Nunthorpe	30/11/2022	Green	Green	Green
Deliver sound business management practice through the delivery of the asset disposal policy framework, ensuring best value is achieved and the benefit of disposals are shared with local communities	31/03/2022	Green	Green	Green

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Appendix 3: Summary Strategic Risk Register: Status at Quarter Three 2021/22

The table below sets out risks to the achievement of the Council's strategic priorities at Quarter Three 2021/22 in order of severity, with impacts ranging from insignificant to extreme, and likelihood ranging from rare to almost certain to happen.

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

Risk Level	Risk	Likelihood	Impact	Trend
High	Failure to control expenditure within Children's Services (MFTP pressure).	Likely	Extreme	➔
High	Local uptake of the C19 vaccine is poor resulting in increased transmission	Likely	Extreme	➔
High	Insufficient funding available to meet demand / costs associated with the Health and Social Care Bill	Likely	Extreme	➔
High	Retail market distress impacting Middlesbrough town centre.	Almost Certain	Major	➔
High	Insufficient funding to meet increased expenditure that might be incurred from increased demand as a result of COVID-19 (MFTP pressure).	Possible	Extreme	➔
High	Failure to have a legally compliant approach to CCTV	Possible	Extreme	➔
High	Breach of data rights due to untimely response to information requests.	Possible	Major	➔
High	Insufficient year 7 school places available to meet demand over the next 5 years	Possible	Major	➔
High	High residential voids / low sale values within Middlesbrough.	Possible	Major	➔
High	Historical investigations requiring changes to social work practice.	Possible	Major	➔
High	New historic child abuse claims.	Possible	Major	➔
High	Failure to maintain adequate corporate governance.	Possible	Major	➔
High	Failure to align operations and culture within strategic objectives.	Possible	Major	➔
High	Decline in new housebuilding impact on Council income.	Possible	Major	➔

Risk Level	Risk	Likelihood	Impact	Trend
High	External factors (e.g. Brexit, COVID-19) impacting Middlesbrough's economy.	Possible	Major	➔
High	Future waste disposal contract costs (MTFP pressure).	Possible	Major	➔
High	Failure to adequately plan for new COVID-19 wave or subsequent pandemics.	Unlikely	Extreme	➔
High	Disruption from national / local elections.	Likely	Moderate	➔
Medium	UK / EU Trade and Security Deal adversely affecting Council operations.	Unlikely	Major	➔
Medium	Failure to develop effective partnerships.	Unlikely	Major	➔
Medium	National Waste Review (MTFP pressure).	Unlikely	Major	➔
Medium	Reduction in frontline policing impacting on crime / community resilience.	Possible	Moderate	➔
Medium	Failure to recruit and / or retain key staff.	Possible	Moderate	➔
Medium	Limited or no partnership involvement due to COVID-19 with the Children's Service Safeguarding Improvement Plan.	Possible	Moderate	➔
Medium	Terrorist incident (reflects National Threat Level).	Rare	Extreme	➔
Medium	Failure to adapt service delivery to COVID-19 Secure guidelines.	Rare	Extreme	➔
Medium	Poor skills profile of school leavers.	Unlikely	Moderate	➔
Medium	Inward migration increasing demand for services.	Unlikely	Moderate	➔

Appendix 4: Directorate Priorities 2021/212: Progress at Quarter Three 2021/22

Environment and Community Services

Priority	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Submit Expression of Interest and then subsequent funding bid for A66 improvements in conjunction with the TVCA and neighbouring authorities.	31/10/21	Green	Amber	Amber
Complete works in respect of Column 22b.	31/10/21	Amber	Amber	Amber
Update 'Flooding and Severe Weather Plan' (Flood Action Plan) for Middlesbrough.	31/03/22	Amber	Amber	Amber
Undertake immediate works to allow Transporter Bridge mitigation measures to be removed.	30/11/21	Amber	Amber	Amber
Implement Hostile Vehicle Mitigation scheme in Centre Square and at MFC.	16/07/21	Amber	Red	Amber
Undertake inspection of all bridges and structures and joint procurement with RCBC.	31/03/22	Amber	Green	Green
Complete five-year highways asset investment plan and report to Executive.	31/03/22	Green	Amber	Green
Undertake year-one HIAP investment.	31/03/22	Green	Amber	Green
Embed our Values within the Directorate and make staff feel more valued.	31/03/22	Green	Green	Green
Improve staff communication within the Directorate so that staff feel more engaged and understand organisational priorities.	31/03/22	Green	Green	Green
Deliver all budgeted savings initiatives and maintain spend within the limits provided for in our Medium-Term Financial Plan.	31/03/22	Green	Green	Green
Launch staff volunteering scheme allowing employees to support local voluntary groups during working hours.	30/09/21	Green	Red	Green

Regeneration and Culture

Priority	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Develop site infrastructure at Middlehaven through the Brownfield Housing Fund.	31/03/22	Green	Amber	Amber
Work with Thirteen Group to deliver development at Gresham.	31/12/21	Green	Amber	Red
Improve Middlesbrough Rail Station and the areas around it.	28/02/22	Green	Amber	Green
Deliver transport schemes to improve efficiency and capacity of the network.	31/03/22	Green	Amber	Amber
Market the premium housing sites at Nunthorpe Grange and Newham Hall.	31/03/22	Green	Amber	Amber

Priority	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Deliver 450 new homes across Middlesbrough.	31/03/22	Green	Green	Green
Prepare a new balanced Local Plan for adoption, based on greater community engagement.	31/03/22	Green	Amber	Amber
Deliver new location for Teesside Archives.	31/12/21	Green	Amber	Amber
Deliver Future High Streets Fund programme.	31/07/21	Green	Complete	Complete
Deliver Town's Fund programme.	31/08/21	Green	Complete	Complete
Embed our Values within the Directorate and make staff feel more valued.	31/03/22	Green	Green	Green
Improve staff communication within the Directorate so that staff feel more engaged and understand organisational priorities.	31/03/22	Green	Green	Green
Deliver all budgeted savings initiatives and maintain spend within the limits provided for in our Medium-Term Financial Plan.	31/03/22	Green	Green	Green

Finance

Priority	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Set a balanced budget for the Council and maintain an accurate and timely Medium Term Financial Plan (MTFP).	31/03/22	Amber	Green	Amber
Monitor the financial position of the Council including close working with Directorates ensuring correct allocation/maximising use of grants received, e.g. Covid, and the monitoring of the Investment Strategy and the effects on the Council's MTFP.	31/03/22	Amber	Green	Amber
Analyse impacts of Fair Funding Review / Comprehensive Spending review and the provision of information to support the Council's position and representations to Government.	31/03/22	Amber	Green	Amber
To support Children's Services in the improvement journey and in making reductions in costs.	31/03/22	Amber	Green	Amber
Improved working and integration between services provided by Financial Planning & Support and Financial Governance & Revenues to maximise available resources and improve the overall service provided.	31/03/22	Amber	Green	Amber
Achieve an unqualified set of accounts for the 2020/21 financial year.	31/03/22	Amber	Amber	Amber
Implement the new accounting regulations in relation to leasing.	31/03/22	Green	Amber	Green
Implement the insurance service review and tender insurance contract arrangements to commence from 1st April 2022.	31/03/22	Amber	Amber	Green
Corporate Welfare Solution.	31/03/22	Green	Green	Green
Corporate Voicescape Solution.	31/03/22	Green	Green	Green

Priority	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Improving collection activities.	31/03/22	Green	Green	Green
Re-procure pensions administration contract.	31/03/22	Amber	Amber	Amber
Pension Fund Actuary procurement and on-boarding.	31/12/21	Amber	Amber	Red
Preparation for 31/03/2022 Pension Fund triennial valuation.	31/03/22	Green	Amber	Green
Review procurement policy and practice in preparation for the outcome of the procurement green paper, including the opportunity for transformation and innovation.	31/10/21	Amber	Amber	Green
Lead on the green strategy theme for sustainable procurement.	31/10/21	Green	Amber	Amber
Support COVID recovery ensuring that markets remain sustainable and continue to meet the needs of our vulnerable population.	31/03/22	Amber	Green	Amber
Undertake a review of valuation and estates to ensure that both the development function and commercial management of assets are resourced and have clear strategic plans	31/03/22	Amber	Amber	Amber
Support the children's improvement journey through the improved relationship with local providers to ensure local provision maps to local need.	31/03/22	Amber	Green	Green
Renegotiate the section 75 arrangement with health to ensure services delivered are funded and fully accountable.	31/10/21	Amber	Amber	Green
Roll out training in a number of areas of financial governance, including: Business World e-learning modules, treasury management training for Members, counter-fraud awareness and training for staff and VAT training for DMT's & SMT's on relevant topics.	28/02/22	Amber	Amber	Amber
Embed our Values within the Directorate and make staff feel more valued.	31/03/22	Green	Green	Green
Improve staff communication within the Directorate so that staff feel more engaged and understand organisational priorities.	31/03/22	Green	Green	Green
Deliver all budgeted savings initiatives and maintain spend within the limits provided for in our Medium-Term Financial Plan.	31/03/22	Green	Green	Green

Adult Social Care and Health Integration

Priority	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Complete review of the Occupational Therapy service and implement an improved service model to ensure that provision is in line with demand.	30/09/21	Amber	Complete	Complete
Embed Making Every Adult Matter (MEAM) guidance to ensure improved support to adults with multiple disadvantages.	30/11/21	Amber	Amber	Complete
Implement the requirements of the Domestic Abuse Act.	31/08/21	Amber	Amber	Red
Prepare for 01/04/22 implementation of the Liberty Protection Safeguards (LPS).	31/03/22	Amber	Amber	Green
Review ASC senior management structure and implement changes as required.	31/07/21	Amber	Red	Amber

Priority	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Review of Direct Payments system to ensure consistency and equitability.	31/03/22	Amber	Green	Green
Review autism provision and implement improved service model.	31/03/22	Amber	Complete	Complete
Review Levick House provision.	28/02/22	Amber	Amber	Amber
Deliver 2021/22 Better Care Fund.	31/03/22	Amber	Green	Green
Develop Clean Air Strategy.	31/12/21	Amber	Green	Green
Review of Gambling Act Policy.	31/01/22	Green	Green	Amber
Review Licensing Act Statement of Licensing Policies.	31/03/22	Green	Green	Green
Implement Newport 2 Selective Landlord Licensing scheme.	31/01/22	Green	Green	Green
Embed our values within Directorate and make staff feel more valued.	31/03/22	Green	Green	Green
Improve staff communication within the Directorate so that staff feel more engaged and understand organisational priorities.	31/03/22	Green	Green	Green
Deliver all budgeted savings initiatives and maintain spend within the limits provided for in our Medium Term Financial Plan.	31/03/22	Green	Green	Green
Ensure equality improvement actions are based on data that is complete and accurate as possible.	31/03/22	Green	Green	Green

Public Health

Priority	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Complete review of the Pharmaceutical Needs Assessment.	31/03/22	Green	Green	Green
Publish DPH Annual Report.	31/12/21	Green	Green	Red
Complete health protection assurance report.	31/03/22	Green	Green	Green
Completion of sexual health procurement.	30/09/21	Green	Complete	Complete
Embed our Values within the Directorate and make staff feel more valued.	31/03/22	Green	Green	Green
Improve staff communication within the Directorate so that staff feel more engaged and understand organisational priorities.	31/03/22	Green	Green	Green
Deliver all budgeted savings initiatives and maintain spend within the limits provided for in our Medium-Term Financial Plan.	31/03/22	Green	Green	Green

Children's Care

Priority	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Deliver the Participation Strategy to support our service users to develop the services they receive in partnership with the Children and Young People's partnership	31/03/22	Amber	Green	Amber
Deliver the Quality Assurance and Performance Strategy	31/03/22	Amber	Green	Green
Develop and deliver a workforce strategy to support a stable, skilled and focussed leadership at all levels and stable permanent skilled frontline workforce.	31/03/22	Amber	Amber	Amber
Deliver the Multi-agency Early Help and Prevention Strategy to support a commitment to intervening at the earliest stage possible.	31/03/22	Amber	Green	Complete
Strengthen the way the Children and Young People partnership work together and challenge the quality of practice through the delivery of the Safeguarding Partnership plan	31/03/22	Amber	Green	Amber
Embed our Values within the Directorate and make staff feel more valued.	31/03/22	Green	Green	Green
Improve staff communication within the Directorate so that staff feel more engaged and understand organisational priorities.	31/03/22	Green	Green	Green
Deliver all budgeted savings initiatives and maintain spend within the limits provided for in our Medium-Term Financial Plan.	31/03/22	Green	Green	Green

Education and Partnerships

Priority	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Deliver the Inclusion and Specialist Support Strategic Plan to remove barriers to learning and wellbeing for children and young people and reduce exclusions and out-of-area educational placements.	30/11/21	Green	Amber	Complete
Deliver the Access to Education strategy, to ensure sufficient appropriate, high-quality places are available for children and young people now and in the future.	31/03/22	Amber	Green	Green
Facilitate the delivery of the local area SEND plan for the Partnership to improve outcomes for children and young people with SEND.	31/03/22	Amber	Green	Green
Deliver the Middlesbrough Community Learning Strategy to deliver more learning opportunities in Middlesbrough	31/03/22	Green	Green	Green
Deliver the Achievement Plan to deliver school improvement and improve educational outcomes in Middlesbrough	31/12/21	Green	Green	Complete
Embed our Values within the Directorate and make staff feel more valued.	31/03/22	Green	Green	Green
Improve staff communication within the Directorate so that staff feel more engaged and understand organisational priorities.	31/03/22	Green	Green	Green
Deliver all budgeted savings initiatives and maintain spend within the limits provided for in our Medium-Term Financial Plan.	31/03/22	Green	Green	Green

Legal and Governance Services

Priority	Due Date	RAG at Q1	RAG at Q2	RAG at Q3
Ensure continued implementation of the ICT Strategy to underpin the delivery of all strategic objectives.	31/03/22	Amber	Green	Green
To ensure the continued provision of legal advice and support to the wider authority to contribute to the implementation and delivery of the strategic objectives.	31/07/21	Green	Complete	Complete
Conduct Local planning Referendums	31/03/22	Green	Complete	Complete
Conduct Community Governance review parish and community councils.	31/03/22	Green	Green	Green
Conduct Combined Elections PCC and TCVA.	31/05/2021	Complete	Complete	Complete
Build capability and embed the Values to support the achievement of the Council's Strategic Aims through recruitment, recognition, performance management and employee engagement.	30/11/21	Green	Green	Complete
Launch and embed the revised corporate Information Governance Framework, completing outstanding actions from the ICO Data Protection Audit.	30/09/21	Green	Red	Complete
Develop and implement an overarching surveillance policy for the Council, communicating the approach to members, employees and customers.	31/07/21	Green	Complete	Complete
Update the business intelligence dashboard plan to reflect revisions to performance management arrangements and roll-out learning from work within Children's Services	31/10/21	Amber	Amber	Complete
Continue the implementation of corporate health and safety policy, procedures and applications to ensure that the Council has a fully auditable system in place.	31/12/21	Amber	Green	Red
Manage projects and initiatives relating to outstanding digital targets within the MTFP.	31/03/22	Green	Green	Green
Embed our Values within the Directorate and make staff feel more valued.	31/03/22	Green	Green	Green
Improve staff communication within the Directorate so that staff feel more engaged and understand organisational priorities.	31/03/22	Green	Green	Green
Deliver all budgeted savings initiatives and maintain spend within the limits provided for in our Medium-Term Financial Plan.	31/03/22	Green	Green	Green
Continue proactive promotion of vacancies within communities that are under-represented in the Council's workforce.	31/03/22	Green	Green	Green
Explore means of comparing the diversity of applicants with the diversity of subsequently successful candidates.	31/03/22	Green	Green	Green
Deliver a programme of training to all elected members, senior managers and recruiting managers on the history of diverse communities in the UK, issues of bias how they manifest themselves in society.	31/03/22	Green	Green	Green
Encourage all staff to update their equality information.	31/03/22	Green	Complete	Complete
Ensure staff equality monitoring includes all protected characteristics.	31/03/22	Green	Green	Green

MIDDLESBROUGH COUNCIL	
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Report of:	Councillor Barrie Cooper - Executive Member for Environment and Finance & Governance Ian Wright - Director of Finance
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Submitted to:	Executive - 14 February 2022
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Subject:	Revenue and Capital Budget - Projected Outturn position as at Quarter Three 2021/22
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Summary

Proposed decision(s)

- That the Executive notes the 2021/22 revenue budget Quarter Three total projected outturn of £5.046m, representing a £3.225m (2.8%) overspend on non-Covid-19 elements, and the estimated financial effect of Covid-19 in 2021/22 of £1.821m, and the proposed actions to address this.
- That the Executive notes the proposed use of the following Reserves to fund the total projected overspend of £5.046m in 2021/22 :
 - Social Care Demand Reserve (£0.5m)
 - Children’s Services Demand Reserve (£0.732m)
 - Covid Recovery Reserve (£3.814m)
- That the Executive notes the implementation of the Flexible Use of Capital Receipts Strategy approved by Council on 20 October 2021, and that the projected amount of £4.9m arising from the implementation of the Strategy will be transferred to a Reserve at year-end.
- That the Executive approves the proposed revenue budget virements over £150,000 (Appendix 1).
- That the Executive notes the 2021/22 capital budget Quarter Three predicted outturn of £59.035m against a budget of £64.814m, and approves the proposed revised Investment Strategy to 2023/24 at Appendix 2.

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

Contribution to delivery of the 2021-24 Strategic Plan		
People	Place	Business
Quarterly monitoring, review and action planning plays a central role in ensuring that the Strategic Plan is delivered effectively.		

Ward(s) affected
None.

What is the purpose of this report?

1. This report advises the Executive of the Council's financial position at Quarter Three 2021/22, including the projected effect of Covid-19 on the Council's finances.

Why does this report require a member decision?

2. The Council's Scheme of Delegation gives the Executive collective responsibility for corporate strategic performance and financial management / monitoring, together with associated action. Standing Orders and Financial Procedures require the Executive's approval for major virements between revenue budgets, and in-year changes to the Council's capital Investment Strategy.
3. This report provides the necessary information to enable the Executive to discharge its financial management responsibilities, setting out:
 - projected revenue and capital budget outturns as at Quarter Three 2021/22;
 - position statements in relation to the Council's borrowing and prudential indicators, and its reserves and provisions; and
 - actions that the Council has taken and plans to address the issues raised.
4. Standing Orders and Financial Procedures require the Executive's approval of the proposed revenue budget virements over £150,000 (Appendix 1)
5. A revised Investment Strategy for the period to 2023/24 is attached at Appendix 2 for the Executive's consideration and approval.

Report Background

Revenue Budget Quarter Three Projected Outturn 2021/22

6. As reported in previous reports, the Covid-19 pandemic is continuing to have a significant impact on the Council's financial position. This has made the management of the Council's finances more difficult due to the constantly evolving situation and also the level of uncertainty regarding the financial effects of Covid-19 in 2021/22 and future years. Covid-19 financial pressures are being monitored separately from the normal non-Covid-19 financial position, and these are reported separately in paragraphs 66 to 95 below.
7. The 2021/22 Revenue budget for the Council is £116,492,035. During Quarter One there were a number of transfers of services between Directorates due to managerial changes, and the financial position is reported against the new Directorate budgets. The Council's outturn position for 2021/22 for non-Covid-19 elements is projected to be an overspend of £3.225m (2.8%). The split by Directorate is shown in the table below, with the Quarter Two position also included for information :

Directorate	2021/22 Full Year Budget £'000s	2021/22 Q3 Projected Outturn (excluding £'000s)	2021/22 Q3 Projected Over / (under) spend (excluding Covid-19) £'000s	FOR INFORMATION Q2 Projected Over / (under) spend (excluding Covid-19) £'000s
Regeneration and Culture	3,464	2,566	(898)	(885)
Environment and Community Services	18,779	20,450	1,671	1,217
Public Health	(2,820)	(3,343)	(523)	(409)
Adult Social Care	41,336	41,271	(65)	107
Total - Adult Social Care and Health Integration	38,516	37,928	(588)	(302)
Education & Partnerships	480	(35)	(515)	94
Children's Care *	38,209	47,152	8,943	7,885
Total - Children's Services	38,688	47,116	8,428	7,979
Legal and Governance Services	9,423	9,472	49	147
Finance	33	(1,248)	(1,281)	(1,219)
Central Budgets **	7,588	3,432	(4,156)	(4,332)
Revenue Outturn	116,492	119,717	3,225	2,605

Note

* Children's Care includes an estimated £2.5m of transformation and improvement costs, which will be funded from Flexible Use of Capital Receipts at year-end (see paragraphs 10 and 96 to 98 for further details)

** Central Budgets includes an estimated £1.8m of transformation and improvement costs, which will be funded from Flexible Use of Capital Receipts at year-end (see paragraphs 10 and 96 to 98 for further details)

8. This when added to the estimated Covid-19 pressures of £1.821m detailed in paragraphs 66 to 95 results in a total projected outturn pressure at year-end 2021/22 of £5.046m, an increase of £0.891m from the position reported at Quarter Two.
9. It is proposed that the total projected overspend in 2021/22 will be covered by the full utilisation of the Social Care Demand Reserve of £0.5m and the Children's Services Demand Reserve of £0.732m, which were created at the end of 2020/21. It is proposed that the remaining £3.814m of the total projected outturn pressure is funded from the £4.512m Covid Recovery Reserve, which was created during 2020/21 to cover the potential costs arising from the Covid-19 recovery in 2021/22 and future years.
10. The financial position of the Council is further improved by the use of the Flexible Use of Capital Receipts Strategy, which was approved by Full Council on 20 October 2021. Full details are provided in paragraphs 96 to 98, with the impact of this being that the Council's financial position will potentially be improved by an estimated £4.9m at year-end. As the Covid and non-Covid pressures have already been funded by reserves as outlined above, it is proposed that this will be transferred to a Reserve at year-end to help support the significant and continued transformation work taking place within the Council, principally within Children's Services, which will deliver improvement and efficiencies. Currently no entries have been made in the Council's accounts for this, and therefore the projected outturns detailed in the table in paragraph 7 above have not been amended for these. Any adjustments to the

Council's accounts to comply with the Local Authority Accounting Code of Practice will be made at year-end when figures for each project are finalised. Further details of this are provided in the separate section of the report (paragraphs 96 to 98).

11. The level of Reserves remaining after the use and creation of these Reserves is shown in the Reserves and Provisions Section of this report (paragraphs 133 and 134) and in Appendix 3.

Progress against budget savings

12. £1.9m of additional budget efficiency savings were approved by Council on 24 February 2021 as part of the 2021/22 budget setting. There were also approximately £1m of savings approved in previous years relating to 2021/22.
13. As reported previously at Quarters One and Two it has not been possible to achieve one of the budget savings due to Covid-19 and this is detailed in paragraph 82 below.
14. In addition, as reported at Quarters One and Two there are £1,094,000 of planned Digital project savings and a £180,000 saving to reduce staff mileage rates across the Council, which are likely to not be fully achieved in 2021/22, due to delays in implementing the projects partly caused by the effects of Covid-19. These savings were approved in previous years and are part of the budget set for 2021/22. These savings have been allocated to Directorates. A total of £265,000 of the Digital project and mileage savings are projected to be achieved in 2021/22. The remaining £1,009,000 of the savings required will be fully covered by temporary one-off efficiency savings for 2021/22 that have been proposed by Directorates. These savings do not have a material effect on service delivery, and include the following main areas:
 - Keeping posts vacant / delaying recruitment to vacant posts
 - Further reducing the use of agency staff within Children's Care
 - Reducing discretionary supplies and services and exam and courses fees expenditure
 - Reviewing the amounts charged to grants in line with grant conditions
 - Maximising the amounts that are charged to corporate Ofsted Improvement Fund and Change Fund funding within Children's Services
 - Utilising surpluses held in joint arrangements budgets
 - Savings arising from predicted reduced demand for services during 2021/22 following further analysis
 - Deferring expenditure relating to Streetworks permit set up costs until 2022/23, where they can be covered by income to be received
 - Utilising up to £233,000 of the Adult Social Care Recovery Reserve, which was created at year end 2020/21 for the potential effects of increased service demand, as it is currently predicted that the full amount will no longer be required
15. The above temporary one-off efficiency savings for 2021/22 will mean that there is no financial effect on the projected outturns for Directorates in 2021/22 due to the unachieved Digital and mileage savings.
16. It should be noted that it is expected that the full amount of savings relating to Digital will be fully achieved from 1 April 2022 as per the original intended methods.

17. As reported in the MTFP Update Report to Council on 24 November 2021, in light of the recovery from Covid-19 and the potential effect on staff the £180,000 saving related to “reducing staff mileage rates across the Council” has been removed from the MTFP from 2022/23.

Directorate variances

18. The detail of the variances contained in the table in paragraph 7 are set out below. At Quarter Three, 24 areas are projected to be spent +/- £150,000 of the agreed budget. Where appropriate, the on-going effects of variances will be considered as part of future updates of the Council’s Medium Term Financial Plan.

Regeneration and Culture

19. As reported at Quarters One and Two, car parking income is projected to be below budget in 2021/22 due to the effects of Covid-19 lockdown and the recovery period throughout the rest of the year following the removal of lockdown restrictions. The pressure arising from this in 2021/22 is shown in the Covid-19 Reduction of Income section of the report (paragraphs 78 to 81).
20. Grant income of £850,000 is predicted to be received from the Tees Valley Combined Authority (TVCA) in 2021/22 for the provision of 2 to 3 hour free parking across the Tees Valley. £68,000 of the TVCA grant relating to the Captain Cook Car Park, where the Council provides 3 hour free parking, has been used, as per the scheme guidance, to mitigate the effects of the lost income for the first quarter of 2021/22 reported under the Covid-19 Sales, Fees and Charges lost income scheme.

Environment and Community Services

- Property Services

21. The Property Services budget is currently projected to be overspent by £991,000 at year-end, an increase of £380,000 from the £611,000 projected overspend that was reported at Quarter Two.
22. Within this budget there is an anticipated pressure against the Running Costs budget of £455,000, primarily due to the rising costs of energy. This a significant increase of £305,000 from that reported at Quarter Two, due to a major rise in prices in November 2021. This is subject to further change and the final pressure at year-end will be funded from the Central Pay and Prices Contingency budget, and provision for this has built into the updated MTFP presented to this Executive.
23. A pressure totalling £269,000 is projected on the Bereavement Services budget, mainly relating to a shortfall in income due to a decrease in the number of cremations following the opening of a crematorium in Stockton. This is an increase from the £200,000 reported at Quarter Two. The ongoing effects of this have been provided for in the updated MTFP presented to this Executive.
24. The predicted overspend of £170,000 reported at Quarter Two against the Integrated Transport Unit budget has now decreased substantially to a current projected overspend of £50,000, due to the receipt of unbudgeted one-off grant income.

25. In addition, there are a number of budget areas within Property Services which have variances below £150,000, and these account for the overall £991,000 total projected overspend on the Property Services budget.

- *Environment Services*

26. The Environment Services budget is currently showing an anticipated pressure totalling £642,000, a minor decrease from that reported at Quarter Two.

27. The pressure is mainly as a result of the need to secure an alternative contractor to process kerbside recycling material following the previous contractor entering into administration. Currently, the increased cost is predicted to be £500,000 in this financial year. The final pressure at year-end will be funded from the Central Pay and Prices Contingency budget. Following the tender process a new contractor has been appointed effective from 1 April 2022, and this will mean that this pressure will no longer exist from 2022/23 onwards, and there will also be a projected saving of £180,000 on the current budget. The current MTFP has been updated accordingly to reflect this from 2022/23 onwards.

28. There are also a number of other pressures within the Environment Service below £150,000, including Catering (£30,000) due to the rising cost of food & drink supplies, Pest Control (£62,000) due to an income shortfall, and Waste Collection (£117,000) due mainly to an income shortfall following the temporary introduction of free junk jobs. These pressures have been partially offset by salary savings elsewhere within the Service.

- *Transport, Fleet & Highways Service*

29. The Transport, Fleet & Highways Service budget is expected to produce an overall pressure of £96,000 at year-end. This is primarily due to an anticipated overspend of £132,000 within Fleet Management as a result of the rising cost of fuel and materials associated with vehicle repairs.

Public Health

30. There are projected savings on Public Health budgets totalling £523,000, with £244,000 of the projected savings being due to reduced activity for some demand led services, such as Stop Smoking, NHS Healthcheck programme, rehabilitation, and prescribing costs as a result of Covid-19, and the remainder being due to staff and supplies and services savings.

Adult Social Care

31. There are projected staff savings across the Service totalling £600,000 mainly due to staff turnover and delayed recruitment to vacancies. Similar to Children's Care (as detailed in paragraph 49), there are emerging difficulties within Adult Social Care relating to the recruitment of permanent social work staff, and the Service are having to consider recruiting agency staff to fill vacant posts.

32. The first three quarters of 2021/22 have seen a net growth in purchased care costs (mainly residential care) of £1,333,000, with further growth of £150,000 forecast to the year-end. It should be noted that this forecast could vary significantly as Covid-19

restrictions ease and overdue reviews of care packages are undertaken during the remainder of the financial year. This pressure is offset by a corresponding increase in service user's contributions to care of £500,000 in excess of budgeted income. Other projected savings of £411,000, including additional health income and reductions in the cost of some care packages, are predicted to reduce the total overall pressure on the purchasing budget to £572,000.

33. In addition, there are a number of budget areas within Adult Social Care which have variances below £150,000, and these account for the overall £65,000 total projected underspend on the Adult Social Care budget.

Education & Partnerships

34. There is a projected overspend of £27,000 on the Education Services budget, mainly due to reduced income from lower take up of services at Children's Centres and Nurseries following the end of Covid-19 lockdown.
35. There is also a projected saving of £542,000 at year-end relating to school contributions to capital schemes, as contributions were funded from other sources, thereby creating a revenue saving.
36. For information, the Council received £160.3m (before deductions and recoupment) of Dedicated Schools Grant (DSG) for 2021/22. The funding comprises of a number of blocks - Schools Block, Central School Services Block, High Needs Block, and Early Years Block. A large proportion of the Schools Block is passported directly to academies (known as recoupment).
37. There was a £3.3m deficit on the DSG grant at the end of 2020/21, of which £3.9m was attributed to the High Needs Block. A total DSG deficit of £4.3m is currently projected for the end of 2021/22. The Council currently has to account for such DSG deficits separate from its own finances, and cannot use its General Fund to clear the deficit. However, this only lasts until the end of March 2023 and therefore there is uncertainty around this in the future and a risk that after March 2023 the Council may have to provide for the DSG deficit. This risk is accounted for in the determination of the General Fund Reserve included as part of the Revenue Budget, Council Tax, MTFP and Capital Strategy 2022/23 Report presented to this Executive and to be presented for approval by Council on 23 February 2022.
38. The increasing pressure in DSG and in particular the High Needs Block is due to the fact that alongside social care, the service is predicting an increase in more complex placements with a forecast increase in Education, Health and Care plans (EHCPs) in the future. The Government have partly recognised this by an increase in funding allocated in the latest finance settlement for 2022/23 for both Schools and High Needs Blocks.

Children's Care

39. The projected overspend on the Children's Care budget has increased by £1,058,000 from that reported at Quarter Two to a projected overspend of £8,943,000 as at Quarter Three. The split of the projected overspend between the individual budgets within Children's Care and the changes from the Quarter Two reported position are detailed in the paragraphs below.

40. A proportion of the projected overspend is linked to transformation and improvement within Children's Services which is part of as the Flexible Use of Capital Receipts Strategy detailed in paragraphs 96 to 98.
41. The external residential agency placements budget is currently projected to be £2,913,000 (30%) overspent at year-end. This is an increase of £431,000 from the Quarter Two projection, mainly due to price increases within the market generally and new placements initially being made at a higher cost whilst reduced cost long-term permanent placements are sought. The number of external residential placements has significantly reduced to 48 at the end of Quarter Three from 65 at the end of 2020/21, due to various initiatives introduced such as the Innovate Team, the Futures for Families Programme, and Daniel Court. It should be noted that whilst the number of placements has decreased significantly, there has however been increased costs for some of the remaining placements due to the complex nature of the remaining young people.
42. It should be noted that this increase should not affect the on-going plan to reduce Children's Care expenditure in future years, as a large proportion of the current increased cost is short-term in nature whilst reduced cost long-term permanent placements are being finalised, and also some of the young people involved will turn 18 years old soon and therefore should not result in any further cost to the Children's Care budget. The reduction in numbers of children in external placements is on track with that as per the action plan. In addition, Phase 2 of the Innovate programme has started, but it will take time to fully progress the placement moves of the complex young people and achieve further financial savings.
43. As mentioned at Quarter Two, further work led by the Directors within Children's Services has been undertaken to review all the young people in Residential Agency Placements and ensure that appropriate levels of funding are received from both the Clinical Commissioning Group (CCG) for Health and from Dedicated Schools Grant (DSG) for Education contributions. Due to the fact that the complexity of the Council's young people has increased along with the average placement costs, the Health and Education contributions should therefore also increase appropriately. The projected outturn for the external residential placements budget includes increased Education contributions to placements, some paid direct to providers, estimated at £760,000 for 2021/22. There is however a significant backlog of processing Education Health Care Plans and therefore this figure may increase further, and this could improve the position in the remainder of the year, and this will be reported as part of the 2021/22 Year-End Outturn report.
44. The above has however been partly offset by projected additional income from the CCG of £220,000 (18%) above the budget for the contribution from Health towards the increased cost of placements due to the complex needs of the young people. This is unchanged from that reported at Quarter Two.
45. The in-house fostering services budget is currently projected to be £1,002,000 (34%) overspent at year-end, broadly similar to the Quarter Two projection. There has been an increased number of placements/cases by 5 from the start of the year (from 164 to 169 currently). An increase in this budget should be positive as a whole as the cost per child is less expensive than other demand budgets, and the Service are working to further increase capacity over the next few years.

46. The Independent Fostering Agency (IFA) placements budget is projected to be £1,260,000 (24%) overspent at year-end, an increase of £70,000 from that reported at Quarter Two. The number of placements / cases has reduced to be currently at 153, but this is still significantly above the budget. Whilst capacity has been maximised within the internal in-house fostering service, an overspend will still exist on this budget to ensure that higher cost external residential placements are minimised. Without the increase in places in in-house fostering provision, the Independent Fostering Agency budget pressure would have increased significantly more than it has.
47. There is a projected overspend on the Family and Friends Allowances budget of £756,000 (33%), which is a slight increase from the projected overspend of £718,000 reported at Quarter Two, but still a significant reduction from that reported at Quarter One. It should be noted that demand on this budget is expected to continue to grow over the next few years as the Council continue to improve outcomes for Middlesbrough young people and make improvements to services. The costs associated with payments made under this budget are however significantly lower than those in other budgets, such as those in external residential agency placements or Independent Fostering Agency (IFA) placements. A working group is continuing to investigate processes and payments, and there is a plan to increase benefit claim checks in order to attempt to mitigate this pressure.
48. There is currently a predicted overspend of £1,815,000 (32%) on the Safeguarding, Care Planning and Referral and Assessment teams budget, which is a substantial total increase across these budgets of £403,000 from that reported at Quarter Two. This is predominantly due to increased Professional and Legal costs (including parenting assessments and substance testing) that have increased by £166,000 to support improved pre-court proceeding works to reduce the risk of young people going into care into higher cost placements. The Council have received significantly improved feedback from courts relating to this work and this has helped to support improving relations with courts. Section 17 payments, to support emergency support for young people and their families has increased by £78,000. The Service is working with Finance to analyse the costs further to evaluate value for money of these, and to determine if some of this cost is required to be included ongoing as part of longer term strategy to reduce/avoid higher Children Looked After costs.
49. As detailed at Quarter Two staff agency costs in 2021/22 to cover sickness and vacant posts are a major element of the pressure on the Safeguarding, Care Planning and Referral and Assessment teams budget, and there has been an increase in costs of £170,000 from that predicted at Quarter Two due to the fact that agency staff levels have not reduced by as much as previously projected. It remains a challenge to recruit and retain social workers, and a strategy for this is included within the Ofsted Improvement Plan, and supported by the Council's management team. The recruitment of permanent social work staff is a major challenge to the Council, with the continued reliance on the use of significant levels of agency staff being a significant risk to the long-term finances of the Council.
50. The projected overspend on the Review and Development budget is £324,000, similar to that reported at Quarter Two. The pressure on this budget is due to increased staffing costs to support the reduction in caseloads of social workers to more manageable levels, and the recruitment of agency staff to fill vacant posts due to challenges in recruiting to social worker positions across Children's Services.

51. Children Looked After teams are projecting a £445,000 (18%) overspend at year-end, a slight increase from that reported at Quarter Two. Similar to Safeguarding, Care Planning and Referral and Assessment teams budget, this is mainly due to agency staffing costs to fill vacancies and cover absences, and to support the Ofsted Improvement Plan. As stated in paragraph 49 the reliance on agency staff, is a significant risk to the Council in the medium to longer term.
52. There is a projected pressure of £388,000 (34%) on the Adoption Services budget. This is an increase of £244,000 from Quarter Two due to an increase in the projected costs from the Tees Valley Adoption Agency for inter-agency fee payments for 2021/22. This is however having a positive effect, as there have been 19 adoption orders completed in the year and there are also 38 other additional placement orders, of which 22 are awaiting adoption orders over the coming months.
53. The Internal Residential Services budget is currently projecting an overspend of £131,000 (5%) at year-end, a decrease of £167,000 from the £298,000 reported at Quarter Two, due to lower staffing costs than predicted at Quarter Two caused by delays in filling beds within internal provision. There have been pressures on staffing costs throughout the year as there has been a need to recruit agency staff due to challenges in recruiting permanent staff.
54. It should be noted that the pressures reported on the Directorate's management budgets in previous years have now been removed following senior staff moving from agency contracts to permanent contracts.

Legal and Governance Services

55. As reported at previous quarters there is an overspend expected against the budget for Middlesbrough's contribution to the Coroners Service, currently projected by £171,000. This is due to a rise in the number of cases, and also an increase in pathology and post-mortem costs. This overspend has been partially offset by savings within other areas of the Directorate.

Finance

56. As reported at Quarters One and Two continued successful lettings at Tees Advanced Manufacturing Park (TAMP) have resulted in unbudgeted net additional revenue income, currently estimated to be £339,000. This is reported under the Commercial Rents income budget which, following the inclusion of the additional income from TAMP, is projecting an overall surplus of £26,000 at year-end. There is also a predicted underspend on the Valuation budget of £115,000 due to an increase in valuation fees income from work undertaken.
57. There is additional unbudgeted income of £500,000 estimated to be received by year-end, due to rental income from the recent purchase of the Captain Cook Shopping Centre. This is unchanged from that reported at Quarter Two.
58. The Revenues and Benefits budget is currently projected to be underspent by £452,000 at year-end, an increase in underspend of £27,000 from that reported at Quarter Two. This underspend is mainly due to an increase in unbudgeted new burdens grant funding from the Government for additional work arising from the

distribution of Covid-19 grants to business and individuals. It should be noted that the Service is actively trying to recruit staff, however there is a lack of people with the available skills in the market. The underspend assumes the carry forward of £240,000 of resources into 2022/23 to help support the staffing requirements within the Service.

59. As reported at Quarter Two, there is a projected pressure of £100,000 on the Insurance budget for Middlesbrough's contribution to the potential cost of historic claims relating to Cleveland County Council.
60. In addition, there are a number of budget areas within Finance which have variances below £150,000, and these account for the overall £1,281,000 total projected underspend on the Finance budget.

Central Budgets

61. As part of the budget for 2021/22 approved by Council on 24 February 2021 a central contingency budget of £3m was created in 2021/22 only, to provide for the potential continuing effect of Covid-19 and recovery in 2021/22 above the funding provided by the Government. Pressures have been reported against individual Directorates and within the Covid-19 costs, and therefore the £3m is reported as a projected saving in Central Budgets.
62. The central contingency budget for Pay and Prices is currently projected to underspend by £931,000 at year-end based on the current expected calls on the budget during 2021/22. However, this may change dependant on the outcome of the final settlement of the local government pay award for 2021/22 for which 2% (equating to £1.8m) has been provided in 2021/22, and where negotiations between employers and the trade unions are still continuing, and also if any other calls on the budget come to light for the remainder of the year. It should also be noted that it is expected that the pressures currently reported within Environment and Community Services relating to Kerbside Recycling and Energy will be funded from the Pay & Prices budget by year-end. This budget will be closely monitored and updates will be provided in future reports.
63. The Capital Financing budget is currently projected to be overspent by £81,000 at year-end, which is a change of £171,000 from that reported at Quarter Two. The increase relates to a review of asset lives as part of the calculation of minimum revenue provision for the year, plus some amendments to long-term debtor repayments.
64. There is predicted rental income of £307,000 above the budget for Centre Square Buildings 1 and 2 following the successful lettings of these buildings, this is broadly similar to that reported at Quarter Two. However, there are non-rent pressures of £68,000 predicted in 2021/22 relating to business rates and service charges for Centre Square Buildings 1 and 2, which the Council will have to incur in 2021/22 whilst tenants are not in place. The total net excess rental income on Centre Square Buildings 1 and 2 is therefore currently projected to be £239,000 in 2021/22, based on confirmed tenants for the buildings. Tenants who have signed contracts but have not yet occupied the buildings will do so throughout the remainder of the financial year following fit out of the buildings.

65. There is a potential £183,000 saving on the remaining £322,000 ongoing contingency pressures budget in 2021/22, due to Legal Services not requiring all the available funding in 2021/22 allocated for increased childcare cases demand. This budget will be fully utilised in 2022/23.

Covid-19

66. As reported during 2020/21 in the quarterly budget monitoring and year-end reports and the Medium Term Financial Plan Update and Budget reports to Executive and Council and in the 2021/22 Quarters One and Two budget monitoring reports to Executive, the Covid-19 pandemic has had and will continue to have a significant impact on the financial position of all local authorities, including Middlesbrough. The ongoing pandemic has continued in Quarter Three and continues to pose a number of challenges and uncertainties for local authorities going forwards. Whilst the service and financial risk is not fully known and it could be potentially be severe for the country and local government sector, the Council is well prepared for these risks as part of its financial planning over the medium term.
67. The paragraphs below provide an update of the position as at Quarter Three 2021/22 detailing the current estimated costs of Covid-19 and the grant funding provided by the Government in 2021/22. The table contained in paragraph 92 summarises the overall projected financial position for 2021/22, along with a breakdown of the funding split between the Government grant funding and the Council. It should be noted that this is a constantly changing position and therefore estimates are subject to change, and are dependent on any potential further outbreaks and the impact of any potential further local and/or national lockdowns which currently are not expected to occur but will further increase the Covid-19 costs if they occur.

Government funding

68. As reported previously the financial impact of Covid-19 on local authorities has been recognised by the government and they have responded by making a number of announcements about supporting local authorities financially.
69. The Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22 report to Council on 24 February 2021 detailed the funding likely to be available to Middlesbrough in 2021/22 relating to the Covid-19 pandemic. This is summarised below:
- Covid-19 Expenditure Pressure Grant, which provides general support funding totalling £5.310m for 2021/22.
 - Sales, fees and charges (SFC) – the SFC compensation scheme for lost income is to be continued for the first three months of 2021/22, using 2020/21 budgeted income as the baseline. It is currently estimated that Middlesbrough will receive funding of approximately £733,000 in 2021/22 from the scheme. It should be noted that the SFC scheme does not cover commercial income lost from investment activities and rental income.
 - A further allocation of Contain Outbreak Management Fund (COMF) funding of £1.370m in 2021/22 to provide funding to local authorities to support public health activities, such as local enforcement and contact tracing.

- Local Tax Income Guarantee – the Government also confirmed that Government funding would be provided to compensate councils for an element of the Collection Fund deficit, based on a methodology which was provided to councils that 75% of any losses below a pre-determined level would be funded. However, due to improved collection rates later in 2020/21, under the method of the calculation Middlesbrough Council will not qualify for any compensation funding from this in 2021/22.
- Local Council Tax Support Grant – The allocation for Middlesbrough is £2.592m in 2021/22. In the Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22 report to Council on 24 February 2021 it was approved that this funding would be used over the MTFP period to mitigate pressures on the council tax base.

Costs

70. It is currently estimated that there will be approximately £4.7m of additional costs associated with Covid-19 in 2021/22 and these cover a wide range of areas and services. It should be noted that this is a constantly changing position and therefore estimates are subject to change, and are dependent on any potential further outbreaks and the impact of any potential further local and/or national lockdowns which currently are not expected to occur but will further increase the Covid-19 costs if they occur.
71. Adult Social Care – there are total projected additional costs of approximately £0.4m, mainly due to the additional staffing that is required in Social Care to deal with the effects of the Covid-19 recovery on services provided.
72. Children’s Social Care Costs – there are currently estimated to be approximately £1.9m of total additional costs within Children’s Social Care, mainly due to delays in placements of children (approximately £0.2m) and increased staffing and agency staffing costs (approximately £1.5m) to deal with an increased number of cases and case backlogs caused by Covid-19. There is also some emerging evidence that following the end of restrictions there may be further increases in numbers of children requiring support, but these are currently not known and will be updated in future reports.
73. Other expenditure relating to Children’s Services is predicted, in particular around Legal Childcare case backlogs (estimated to be £0.03m) and costs within Education & Partnerships (estimated to total £0.4m) which mainly relate to additional Education Psychologists that are required to provide additional capacity for mental health support to young people and various additional costs relating to early years support.
74. Environment and Community Services – there are projected total additional costs estimated to be approximately £0.4m for a wide range of areas, including estimated increased costs of £0.1m relating to increased costs of waste collection and disposal due to increased tonnages of waste.
75. Direct Covid-19 Costs - a number of direct costs associated with the current situation are predicted in 2021/22, such as the procurement of various expenditure within marketing and communications relating to additional signage and leaflets in order to provide messages to the public relating to the Covid-19 pandemic (currently

estimated to be £0.07m), and other costs of approximately £0.1m relating to the storage of Personal Protective Equipment (PPE). There has also been increased payments to providers of Bed & Breakfast accommodation, estimated to be £0.04m, due to the requirements to house people during the Covid-19 pandemic.

76. Other Covid-19 costs –Additional staff costs of approximately £0.12m are estimated within Legal Services due to the need to recruit agency staff to help with backlogs in cases and difficulties in recruiting permanent staff caused by the Covid-19 pandemic. Additional staff costs of approximately £0.11m are predicted within HR for additional counselling and Health and Wellbeing services for staff following the Covid-19 pandemic. There is also additional IT expenditure for additional equipment and licences, currently estimated to be approximately £0.075m.
77. SLM Leisure Trust – As detailed in 2020/21 in previous quarterly and year-end reports and in the Quarters One and Two budget monitoring reports, significant payments have been made to SLM, the Council’s provider of leisure facilities. Following the reopening of leisure facilities SLM have not been able to operate to their normal subsidy, with the effects of a restricted operation following the end of lockdown restrictions and the post Covid-19 recovery period impacting on their current levels of income. It is currently estimated that payments to SLM will total approximately £901,000 in 2021/22. The Department of Culture, Media and Sport (DCMS) announced the “National Leisure Recovery Fund” to which the Council were awarded a grant of £305,542. £164,473 of the grant was utilised in 2020/21 and therefore £141,069 of grant is remaining for use in 2021/22 to offset any payments to be made to SLM, meaning that currently there is predicted to be a net pressure of approximately £760,000 in 2021/22. This is a slight increase of £29,000 on the position reported at Quarter Two following confirmation of estimated figures. Detailed discussions are currently taking place with SLM in order to reduce as far as possible the financial pressure to the Council in 2021/22 and any potential pressures in future years, and updates will be provided in future reports regarding this.

Reduction in income

78. The impact of the lockdown and closure of facilities and services and the recovery period following the end of restrictions has resulted in for the first three quarters of 2021/22 and will result in for the rest of 2021/22, a loss of income across a broad range of areas. The following list shows the main areas and the estimated loss for each main area in 2021/22:
- Car Parking (£1.2m)
 - Cultural activities (Town Hall, Middlesbrough Theatre, Museums, Newham Grange Country Park, Parks) (£0.4m)
 - Catering income from schools (£0.2m)
 - Adult Social Care - In house day centre care provision (£0.4m)
 - Libraries and Community Hubs – room hire, book sales, and fines (£0.1m)
 - Council run Nurseries (£0.2m)
 - Bus station – departure charges and loss of income from toilets (£0.1m)
 - Capital Finance – Rent and Interest (£0.1m)
 - SLM – expected loss of profit share in 2021/22 (£0.2m)

79. The overall pressure due to a reduction of income will be linked to the recovery of Council services, and in some areas economic activity, and it is currently estimated to total approximately £3.1m in 2021/22 which is an increase on the £2.9m reported at Quarter Two due to the further restrictions that occurred in Quarter Three.
80. As mentioned in paragraph 69 it is currently estimated that the Council will receive approximately £0.7m from the SFC scheme in 2021/22.
81. Provision has made in the updated MTFP presented to this Executive for the future potential ongoing effects of Covid-19 on income in a number of areas mentioned above.

Unachievable savings

82. It has not been possible to fully achieve a budget saving of £313,000 relating to a review of cleaning, caretaking, security and facilities management (ECS02), due to the inability to reduce cleaning hours and standards and additional cleaning required because of Covid-19. It is currently projected that £82,000 of the saving is at risk of not being achieved, and it is proposed that this be charged to Covid-19 costs in 2021/22.

Council Tax and Business Rates Income

83. Income from Council Tax and Business Rates (NNDR) is accounted for within the Collection Fund. Because of the way that this works in relation to the General Fund, the financial impact of any reduction in income does not immediately affect this year's financial position, it is effectively a shortfall to be resolved next year and will need to be reflected in an updated Budget and Medium Term Financial Plan (MTFP) at the appropriate time.
84. During 2020/21, there were a number of issues, which resulted in significant pressures on Council Tax and Business Rates income. Within the Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22 report to Council on 24 February 2021 it was noted that the overall financial impact of Covid-19 on Council Tax and Business Rates income to the Council in 2020/21 was estimated to be £3.696m. It is normal practice that any arising deficit would need to be fully funded in 2021/22. However, the Government announced that this could be spread over the next three years meaning that it was estimated that there would be an effect of £1.232m p.a. in 2021/22, 2022/23, and 2023/24. The final outturn positions for Council Tax and Business Rates were much improved from the statutory amounts incorporated into the budget setting in February 2021 by approximately £0.4m per year over the 3-year spread period to 2023/24. The improved amounts have been incorporated into the latest refresh of the Council's Medium Term Financial Plan presented to this Executive.
85. As mentioned in paragraph 69 Government funding was provided to compensate councils for an element of the 2020/21 deficit, based on a methodology that was provided to councils that 75% of any losses below a pre-determined level would be funded. However, due to improved collection rates later in 2020/21, under the method of the calculation Middlesbrough Council will not qualify for any compensation funding from this in 2021/22.

86. Whilst full final complete information is not yet available this financial year it is already clear that there are a number of issues which may result in pressures continuing on Council Tax and Business Rates income during 2021/22 and potentially in future years, and appropriate provision has been made in the updated MTFP for this.
87. The phasing out of the furloughing scheme from the start of July 2021 and the closing of it at the end of September 2021 may mean that there are a number of residents who will struggle to pay their Council Tax bills in the future. This may mean that there will be an increase in people claiming Local Council Tax Support (LCTS) as the economic impact of the pandemic increases the number of households eligible for LCTS support. This will lead to a reduction in the overall amount of Council Tax assessed/collected compared to the level budgeted. This will be closely monitored through 2021/22 and future years.
88. Our budgeted Council Tax base includes assumptions on housing growth. If there is reduced growth in housing numbers, this will impact on income levels.
89. The Government provided support for businesses through increased business rates reliefs and grants in 2020/21. These largely remained in place during the first quarter of 2021/22 but have reduced throughout the remainder of 2021/22. Following the reduction in the level of this support, businesses may struggle to pay their business rates, and therefore there is a risk that Business Rates revenue reduces if businesses fail or are unable to pay.
90. In addition, the level of outstanding Council Tax and Business Rates debt is likely to rise and the Council will need to review the potential to collect that debt.
91. The position relating to Council Tax and Business Rates income for 2021/22 and the effects on the Collection Fund are being closely monitored, and updates will be provided in future budget monitoring reports.

Summary of Covid-19 Financial Pressures

92. The projected financial impact of the Covid-19 pandemic in 2021/22, based on experience in the first nine months of the financial year, is summarised below along with a breakdown of the estimated funding split between the Government grant funding and the Council, based on assumptions made following the Government announcements detailed in paragraph 69:

<u>see also note on Other Covid Grants below</u>	<u>Grant Allocation</u> <u>2021/22</u>	<u>Projected</u> <u>2021/22</u>	<u>Projected Council Cost</u> <u>21/22</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Extraordinary costs incurred		4.662	
Commercial income losses		0.080	
Non-SFC income losses		0.172	
Unachievable Change Programme savings		0.082	
Total Covid-19 Main grant (2021/22)	5.310	4.996	-0.314
Sales, Fees and Charges (SFC) income loss grant (2021/22) (note only receive grant for 1st quarter of 2021/22)	0.733	2.868	2.135
DRAFT PROJECTED NET COST OF COVID TO COUNCIL 2021/22			1.821

NOTE - OTHER COVID GRANTS

	<u>Grant Allocation</u> <u>2021/22</u>	<u>Projected Spend</u> <u>2021/22</u>	<u>Projected Grant</u> <u>Remaining 2021/22</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Clinically Extremely Vulnerable (CEV) - see Note 1	0.198	0.198	0.000
Test And Trace - see Note 2	0.512	0.512	0.000
Contain Outbreak Management Fund (COMF) - see Note 3	1.157	1.157	0.000
Total Other Covid Grants	1.867	1.867	0.000

NOTE 1

For CEV Grant - no new allocation in 2021/22, but £198k of remaining grant from 2020/21 was carried forward for use in 2021/22.

NOTE 2

For Test & Trace - no new allocation for 2021/22 but £687k of remaining grant from 2020/21 was carried forward for use in 2021/22 (£512k) and 2022/23 (£175k).

NOTE 3

For COMF - the Council received £1.37m for 2021/22, however £180k of funding is likely to be required in 22/23 for the continuation of Public Protection schemes.

93. The overall financial position is being regularly reviewed to assess impact across all areas and it is likely that this will identify additional pressures and also some potential savings. It should also be noted that this is a constantly changing position and therefore estimates are subject to change, and are dependent on any potential further outbreaks and the impact of any potential further local and/or national lockdowns which currently are not expected to occur but will further increase the Covid-19 costs if they occur.
94. The above table indicates that there will be a potential financial pressure due to Covid-19 of £1.821m in 2021/22, which is an increase of £271,000 from the £1.550m pressure reported at Quarter Two, mainly due to the effects of the further restrictions during Quarter Three.
95. It is intended that this pressure will be funded from the Covid Recovery Reserve of £4.512m set aside for this.

Flexible Use of Capital Receipts

96. Full Council on 20 October 2021 approved a Flexible Use of Capital Receipts Strategy. The report to Council stated that the Strategy will be monitored throughout the financial year as part of regular budget monitoring arrangements and be reported accordingly as part of the current quarterly budget monitoring reports to Executive, and that the Strategy may be updated and replaced as proposals are developed and expenditure is incurred. The following table provides an update of the schedule of the projects to transform services that are proposed to be funded through flexible use of capital receipts for 2021/22 along with the current estimated projected costs, and the associated estimated annual revenue savings or future cost avoidance.

Project	Further Details	Estimated Projected Investment Required 2021/22 £000	Estimated annual savings by end of 2022/23 £000
Children's Services - Children's Care	Funding for transformation of service and Ofsted Improvement Plan to improve services and outcomes		
	Specialist agency teams in Referrals & Assessments to improve the "front door model"	1,179	Cost avoidance
	Specialist agency team examining placements in order to reduce high cost placements	565	1,040
	Workforce remodelling - experienced social worker recruitment and retention / agency worker reduction strategy	15	735
	Transformation costs associated with increasing internal residential provision	300	521
	One-off transformation costs associated with improvements in practice to reduce future numbers of children looked after (includes professional fees, legal costs, increased S17 payments)	200	Cost avoidance
	Transformation of Children with Disabilities long-term packages of support to prevent young people entering care	60	520
	Additional posts to drive improvement and transformation	170	Enabling
Central budgets - Ofsted Improvement	Ofsted Improvement Plan additional posts to drive improvement and transformation	1,811	Enabling
		4,300	2,816
Central budgets - Change Fund			
Digital Transformation	One-off implementation costs related to the Digital Transformation Project	236	1,094
Management and Staffing Review	Service reconfiguration, restructuring or rationalisation of management and staff, where this leads to ongoing efficiency savings or service transformation	249	404
Organisational Development	Organisational Development upskilling linked to the Council's values	23	Enabling
HR System	Development of the Council's HR system	34	Enabling
Project Support for Transformation Projects	Support for the transformation across the Council	67	Enabling
TOTAL		4,909	4,314

97. Currently no entries have been made in the Council's accounts for these and therefore the projected outturns detailed in the table in paragraph 7 have not been amended for these. This will effectively mean that the Council's financial position will be improved by approximately £4.9m and allow the Council to potentially increase the level of reserves that the Council holds by approximately £4.9m, at this time of high financial uncertainty with minimal impact on the Council Tax payer. This will help support the significant and continued transformation work taking place within the Council, principally within Children's Services, which will deliver improvement and efficiencies. Further details of the effect on the level of reserves are provided in paragraphs 133 and 134 of this report.

98. This will be finalised at year end when final figures are confirmed for each project and will have due regard to the Local Authority Accounting Code of Practice when determining and including the entries required from undertaking and funding the projects within the Council's Statement of Accounts. In order to help provide an indication of which budget areas will be potentially amended at year-end, the relevant budget areas are shown in the table above.

Revenue budget spending controls

99. As previously reported to the Executive, a number of controls were implemented from 2019/20 to minimise overspending across the Council in-year and these remain in place for 2021/22, specifically:

- a vacancy control process overseen by the Leadership Management Team;
- checks against proposed expenditure of over £5,000 by the procurement team; and
- strong controls over staff travel, the ordering of stationery and use of first class post.

100. The Council is continuing to minimise the use of agency staff where it is appropriate to do so, but it is acknowledged that currently there will be a need for the use of agency staff within Children's Care, principally to support the Ofsted Improvement Plan and also due to the impact of Covid-19. The use of additional recruitment and retention packages to support the reduction of use of agency staff in future years. Monthly reports on agency costs are reported to senior managers for consideration.

101. A number of plans have been put in place for 2021/22 to mitigate overspending within Children's Services. These are outlined below :

- Subjecting cases of children looked after by the Council to ongoing audit, consistent decision making processes and a solutions panel chaired by the Director of Children's Care.
- Development of Stronger Families teams within Early Help and Prevention to increase skills to support additional work and complexity at this level to prevent future young people entering care.
- Development of the Middlesbrough Multi Agency Children's Hub to secure the consistency of thresholds and increasing step-downs to early help and more timely support for children and young people.
- Utilising two specialist project teams to support referral and assessments at the front door of Children's Care.
- Continuing to keep internal residential places at a high occupancy level. Re-opening Rosecroft in late summer, once registered, will produce a further 5 places. Plans to increase Fir Tree by 1 place later in 2021/22. Other Internal Residential opportunities are to be reviewed as invest to save models when identified and assessed. Potential sale of any spare places that are not occupied with Middlesbrough young people to neighbouring Tees Valley Local Authorities.
- All external residential placements are being reviewed by a specialist project team set up by the Director of Children's Services to ensure that no children are in residential care who can be fostered or safely returned to their families or the care of relatives. In addition this team will look at all cases that are nearing

requirement for residential care with the aim of making sure that all alternative options for support are fully explored before residential provision is approved.

- Work continues to build on increasing the number of internal foster placements achieved over the past 2 years, allowing children to be placed in high quality, local authority foster care as an alternative to more expensive agency placements.
- An in depth review is taking place of the processes around the placement of children with friends and family to ensure that these are only made where necessary and that financial support represents value for money.
- Maximising, where appropriate, health contributions from Clinical Commissioning Group (CCG) and education contributions from the Dedicated Schools Grant (DSG).

102. While the mitigations above will be progressed, the experience in 2020/21 suggests that whilst efficiencies may have been made in placement methods these will not have a positive effect on the bottom line position unless the overall numbers of children in care are brought under control.

103. The position around our numbers of children in care has been specifically referenced by the DfE Commissioner, and it is clear that for both quality of practice and financial reasons the number needs to be safely reduced. This will entail improvement of edge of care provision to support families and prevent children needing to become looked after and crucially improving practice and care planning to allow those children who are able to return home, be placed with family or friends or be adopted in as timely a manner as possible. This work is interdependent on our overall improvement journey and will not be a short term fix, however prioritisation in these areas is crucial to ensuring that our resources, both human and financial, are sufficient to deliver improvement. The position is constantly monitored and in future MTFP reviews an informed and prudent view will be taken of the length of time that will need to be allowed for this work to deliver results as well as the monitoring arrangements required. The revised MTFP presented to Council on 24 November 2021 provided further detail of this.

104. As mentioned in the budget report to Council of 24 February 2021 the Council has set aside approximately £1.6m of Council funding for 2021/22, to support the Ofsted Improvement Plan. This will be combined with £188,000 of unspent funding carried forward from 2020/21, and funding from a separate Childrens Services Improvement Reserve of £175,000 created at the end of 2020/21 to further improve Childrens Services. Progress against the plan is being monitored by the Multi Agency Strategic Improvement Board, and any variances from the budgets contained in the Ofsted Improvement Plan will be detailed in future budget monitoring reports.

Capital budget Quarter Three Projected Outturn 2021/22

105. As part of the Quarter Two report to Executive on 9 November 2021, Executive approved a revised capital budget for 2021/22 of £64.814m. Following a further review and the inclusion of new additional schemes, increases to existing schemes, and the reductions to existing schemes (as detailed in paragraphs 107 to 109), it is currently predicted at Quarter Three that the Council will spend £59.035m at year-end.

106. The revised Investment Strategy to 2023/24 is included at Appendix 2 for approval. It should be noted that capital receipts assumptions have been re-evaluated in light of Covid-19 and the Revised Investment Strategy takes accounts of this.

107. No schemes are currently proposed to be removed from the Investment Strategy. Also, no schemes over the £150,000 threshold were transferred between Directorates.

108. The following transfer of funds occurred within schemes with the same Directorate :

- On 13 October 2021, the Executive Member for Regeneration approved the “Tackling Eyesore Sites” report. The report approves investment of up to £1,000,000 to tackle eyesore land and property within Middlesbrough, including the possible acquisition of sites if the approved business case recommends this. This scheme has been funded from the Indigenous Growth Fund grant, provided by Tees Valley Combined Authority (TVCA). The grant has been transferred from the surplus funds allocated within the Boho X scheme to Middlesbrough Development Company who will lead on the scheme.

109. It is proposed to add the following scheme above £150,000, to the revised Investment Strategy, set out at Appendix 2 for consideration and approval :

- On 9 November 2021, Executive approved :
 - In principle, the freehold acquisition and associated works, of the Cleveland Centre, to a maximum value of £15,000,000;
 - To delegate the completion of the acquisition to the Director of Regeneration and Culture and the Director of Finance, in consultation with the Executive Member of Regeneration and the Mayor, within the parameters of the report; and’
 - That subject to the satisfaction of the above point, approval for the interim appointment, via the relevant procurement process, of managing agent Praxis for the acquisition of the property.

The Council purchased the Cleveland Centre Shopping Centre on 7 January 2022 as per the delegated powers of the Director of Regeneration and Culture and the Director of Finance. It should be noted that currently no additional income (after paying capital financing costs) has currently been assumed in 2021/22 from the purchase. Further updates of this will be provided in the Year-End Outturn 2021/22 report to Executive.

- On 9 November 2021, Executive approved the Environment and Community Services Built Asset Capital Investment report. The report approved capital funding for the Town Hall, Municipal Buildings, Resolution House and Central Library, to ensure the ongoing condition of these assets for future operational and community use. The report approves a total allocation of approximately £5,196,000 which is allocated as follows:

- £4,500,000 to the Municipal Building and Town Hall for essential work to the slate tiled roof, associated lead flashing and stonework. In addition, works will be undertaken on the internal building elements, fire compartmentation and fire detection systems. £1,000,000 of these works will commence in 2024/25, as such this amount is not included within the revised Investment Strategy;
- £609,000 for the replacement of cladding and associated building works to the workshops, and the installation of a passenger lift at Resolution House. This is what is deemed as a custodian building which is in shared ownership with the Other Local Authorities (OLA's). The Council investment of £609,000 is contingent upon the OLA's providing match funding in order to fully fund the intended works;
- £87,000 for a ground floor accessible toilet and baby change facilities at the Central Library.

110. The split by Directorate is shown in the table below, which also shows the “real” projected outturn variance if all of the additional new schemes, increased schemes, reduced schemes, and transfers between directorates are excluded. Explanations for variances of +/- £150,000 across fifteen schemes are set out in the following paragraphs. These variances require movement within the Council’s four-year Investment Strategy, but do not affect the overall investment or cost of borrowing.

Directorate	2021/22	2021/22	2021/22	MEMO	
	Investment Strategy Budget (as per 21/22 Q2 report to Executive £'000)	Projected Investment Strategy Outturn £'000	Projected Investment Strategy Outturn Variance £'000	New, increased & reduced Schemes / transfers £'000	Real outturn variance excluding new, increased, & reduced schemes / transfers £'000
Regeneration and Culture	43,820	40,672	(3,148)	12,800	(15,948)
Environment and Community Services	10,920	9,059	(1,861)	29	(1,890)
Public Health	0	0	0	0	0
Education & Partnerships	3,238	2,934	(304)	(38)	(266)
Children's Care	690	728	38	114	(76)
Adult Social Care and Health Integration	3,517	3,033	(484)	0	(484)
Legal and Governance Services	2,288	2,297	9	0	9
Finance	341	312	(29)	(76)	47
Total	64,814	59,035	(5,779)	12,829	(18,608)

Regeneration

111. Future High Streets Fund – A total of £6,580,000 of grant funding requires re-profiling into 2022/23, primarily for the following reasons:

- £2,295,000 of funds were expected to be transferred to Middlesbrough Development Company in relation to the urban living element of the grant, specifically the construction of the apartment block at the old Cleveland Scientific Institute site (CSI). In order for the scheme to progress it requires

planning approval and confirmation of a grant from Homes England, both of which are now expected in 2022/23.

- £2,775,000 of funds relating to the conversion of retail units to leisure provisions at the Captain Cook Shopping Precinct. Significant progress has been achieved in this respect with leases already agreed for Lane 7, with the development expected to complete in May 2022, and the e-sports facility, alongside proactive discussions with other leisure providers. The Council's contribution to the schemes for landlord works will now be predominantly made in 2022/23.
- There were minor delays in the awarding of the contract relating to the public realm works at the Captain Cook Shopping Precinct, this has resulted in £1,260,000 of the public realm and associated network adaptations allocations being transferred into 2022/23.

112. Middlesbrough Development Company – £3,563,000 of funds anticipated to be transferred to the company in 2021/22 have been delayed and will now be made in 2022/23 for the following reasons:

- The Newbridge Court (formally Tollesby Shops) project is experiencing delays of approximately 15 weeks due to issues with regard to the required diversion of an underground electricity cable on the site. The timing of these works are outside of the company's control as they can only be done by Northern Powergrid. The delay is limiting the development to work on substructures resulting in re-profiling of £2,094,000 into 2022/23.
- The contractor for Boho Village provided the company with a cash-flow forecast which formed the basis of the assumed in year expenditure. The actual requirements have been less than anticipated and coupled with a slight delay due to inclement weather, £1,304,000 of expected expenditure being transferred into 2022/23.
- £285,000 of funds associated with the Empty Homes programme have been moved into 2022/23 due to the time required to undertake a competitive process in relation to the appointment of the preferred project partner.
- £120,000 has been transferred from 2022/23 to 2021/22 in relation to general company costs and preparatory work at the CSI development.

113. Brownfield Housing Fund – The potential developer of the wider Middlehaven housing site is in discussions with both the Highways and Planning departments to ensure that the plans for the site are compatible with all parties requirements prior to the submission of the detailed planning application. These discussions have taken longer than anticipated, resulting in £1,100,000 of assumed expenditure transferring into 2022/23. The tenders for works at Commercial Street have resulted in significant savings against budget expectations, this has freed up £530,000 of funds which will be transferred for use in 2022/23 and future years.

114. Towns Fund - £1,400,000 of grant funding has be re-assigned to 2022/23. This is predominantly with respect to the £1,000,000 allocated within the programme for Ward Initiatives. An extensive consultation exercise was conducted which included

all Councillors to ensure that these funds would be maximised in terms of benefitting the whole of the town. Due to the length of the consultation the physical works are now anticipated to be undertaken in 2022/23.

115. Llnthorpe Road Cycleway – An external contractor has been appointed to undertake the works associated with preparation of the tender documents. However, the issuing of the documents were delayed due to issues encountered with the appointment surrounding both data protection and the procurement process. This has consequently delayed the submission of the tenders by the contractors, which have now been received but has ultimately resulted in the scheme now being completed in 2022/23 with £1,000,000 of assumed expenditure being re-profiled accordingly.
116. Boho X – Slight delays with respect to starting on site have been experienced due to extended contractual negotiations. This has resulted in £900,000 of funds transferring into 2022/23. Whilst the start has been delayed, the expected completion date of the project remains at December 2022.
117. Housing Growth – Protracted negotiations continue with the developers in respect of the apportionment of costs relating to the new road and roundabout at Nunthorpe Grange. Works are anticipated to commence in March 2022 but these will be limited to earthworks until an agreement with the developers can be reached. The delays as a consequence of the negotiations have resulted in £319,000 of expected expenditure being re-profiled into 2022/23.
118. Local Authority Delivery 2 Green Homes Grant – Contractual negotiations with the schemes delivery partner have taken longer than anticipated. The negotiations have now concluded and works on eligible properties are underway, however, less properties will benefit from the scheme in 2021/22 than originally estimated with £300,000 of the grant being transferred to 2022/23 as a consequence. This has no detrimental impact on the number of households that will ultimately benefit from the scheme.
119. Town Centre Projects – Delays are being experienced in the High Streets Action Zone scheme due to longer than envisaged lead in times for obtaining materials required for the public realm aspect and planning approvals for the property grants. £237,000 of planned expenditure has been transferred to 2022/23 accordingly.

Environment and Community Services

120. Bridges and Structures (Non Local Transport Plan) – £500,000 of planned expenditure has been re-profiled into 2022/23 due to issues including a delay within the construction supply chain, meaning that the contractor now cannot commence works to the bridge deck at Newport Bridge. Delays on principal inspections resulted in a further £188,000 being transferred into 2022/23.
121. East Middlesbrough Community Hub - £651,000 of funds, which are part of the wider funding package for the construction of the new Community Hub, have been transferred into 2022/23.
122. Street Lighting Maintenance – Covid-19 related issues have impacted the evaluation of street lighting assets programme. The works have commenced but are now

expected to conclude in Spring 2022, resulting in £224,000 of expenditure now not being required until 2022/23.

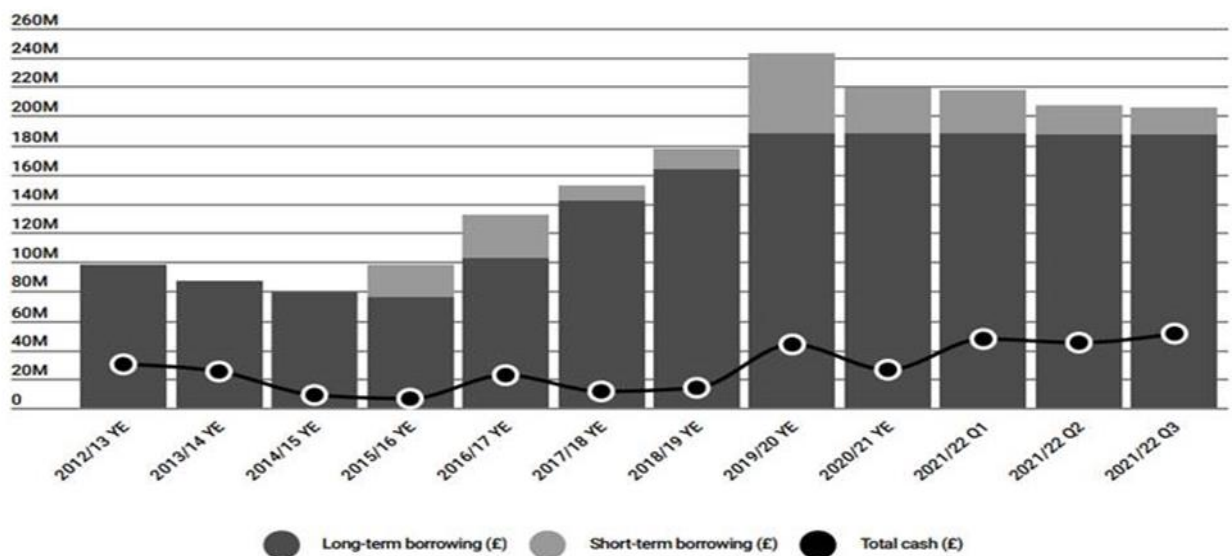
- 123. Urban Traffic Management Control – £150,000 of expenditure has been re-profiled into 2022/23 due to the fact that the level of installations upgrades were not as high as anticipated.
- 124. Property Asset Investment Strategy – £170,000 of expenditure has been brought into 2021/22 from future years in order to undertake urgent works at a commercial unit within Cannon Park, these works will enable a letting of the unit which will result in additional revenue income.

Adult Social Care and Health Integration

- 125. Disabled Facilities Grant – Delays are being experienced due to difficulties in acquiring contractors to undertake the backlog of work that has built up as a consequence of Covid-19. This has resulted in £261,000 of anticipated expenditure being re-profiled into 2022/23.

Borrowing and prudential indicators

- 126. The Council’s total borrowing decreased from £206.2m at 30 September 2021 to £205.2m at 30 December 2021. This decrease of £1.0m reflects the repayment of principal amounts on existing annuity loans held by the Council. No external borrowing was required for the Investment Strategy or cash flow purposes during the quarter. This is due to cash balances still being healthy with residual Covid-19 funding available for use plus other income in advance balances yet to be spent during the financial year.
- 127. The ratio of short-term to long-term borrowing has remained stable during the quarter with no further borrowing required. It is expected this position will change somewhat during Quarter Four as a large borrowing requirement will be required, and with a background of possible increasing interest rates.



128. The affordability and sustainability of the Investment Strategy and its total level of external borrowing and capital financing costs is self-regulated by the Council through a set of prudential indicators. These thresholds are set as part of the integrated annual budget setting process in late February each year. CIPFA and Government view this approach as best practice in ensuring resources are allocated prudently to capital schemes.
129. The table below gives a summary comparison of the budget against the actual position as at Quarter Three 2021/22 on each of the prudential indicators adopted by the Council.

<u>Prudential Indicators - 2021/22 Quarter 3</u>		
	<u>Budget</u>	<u>Actual</u>
	<u>(£M)</u>	<u>(£M)</u>
Capital Expenditure	93.716	59.035
<u>Financing</u>		
External Sources	57.114	27.005
Own Resources	12.103	15.158
Debt	24.499	16.872
Capital Financing Requirement	255.164	257.747
External Debt	248.100	205.202
Investments	15.000	50.853
Capital Financing	9.518	9.599
Cost as a % of Revenue Budget	8.2%	8.3%

130. The total capital spend & level of financing has reduced by £34.7m since the original budget was set for 2021/22. This is explained in more detail in the Investment Strategy section of the report but essentially reflects reprofiling of scheme requirements to later years due to the ongoing impact of the pandemic, changing needs on individual schemes and low contractor availability. The reduction is a mix of borrowing and grant funding being deferred into future years.
131. The Council's total under borrowed position (external debt compared to the capital-financing requirement – or underlying need to borrow) is £52.5m at 30 December 2021. As cash balances reduce during the remainder of the financial year, with Covid-19 amounts and reserves planned to be spent, plus the borrowing requirements within the Investment Strategy, around £30m of this under borrowing will be required to ensure the Council has enough liquidity to meet its cash commitments over the last three months of the year.
132. The amount of external debt at £205.2m and the total underlying need to borrow of £257.7m are both well below the Council's authorised debt limit of £320m. This is the threshold above which any borrowing would be illegal. The cost of capital financing to the Council is slightly higher than set as part of the budget process due

to review of asset lives as part of the minimum revenue provision calculation for the year.

Reserves and Provisions

133. The table below sets out a summary of the balance of reserves and provisions at the start of 2021/22 and the projection as at year-end and further detail is provided in Appendix 3.

Reserves and Provisions	Opening Balance	Proposed Use in Year	Additional Contributions	Transfers between reserves	Transfers from General Fund	Proposed Transfers to fund projected outturn	Projected Balance at Year End
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
General Fund Reserve	10,500	0	695	0	0	0	11,195
Covid Recovery Reserve	4,512	0	0	0	0	(3,814)	698
Reserve created from Flexible Use of Capital Receipts Strategy	0	0	4,909	0	0	0	4,909
Earmarked Reserves	28,970	(11,946)	275	187	0	(1,232)	16,254
Earmarked Reserve - Dedicated Schools Grant (DSG)	(3,291)	(1,004)	0	0	0	0	(4,295)
School balances	4,864	0	0	0	0	0	4,864
Provisions	2,555	0	0	(187)	0	0	2,368
TOTAL	48,110	(12,950)	5,879	0	0	(5,046)	35,993

134. The projected year-end balance assumes the use of Reserves (as detailed in paragraphs 9 and 136) to cover the projected total 2021/22 revenue budget overspend, and the adoption of the Flexible Use of Capital Receipts Strategy as detailed in paragraphs 96 to 98.

What decisions are being asked for?

135. That the Executive notes the 2021/22 revenue budget Quarter Three total projected outturn of £5.046m, representing a £3.225m (2.8%) overspend on non-Covid-19 elements, and the estimated financial effect of Covid-19 in 2021/22 of £1.821m, and the proposed actions to address this.

136. That the Executive notes the proposed use of the following Reserves to fund the total projected overspend of £5.046m in 2021/22 :

- Social Care Demand Reserve (£0.5m)
- Children's Services Demand Reserve (£0.732m)
- Covid Recovery Reserve (£3.814m)

137. That the Executive notes the implementation of the Flexible Use of Capital Receipts Strategy approved by Council on 20 October 2021, and that the projected amount of £4.9m arising from the implementation of the Strategy will be transferred to a Reserve at year-end.

138. That the Executive approves the proposed revenue budget virements over £150,000 (Appendix 1).

139. That the Executive notes the 2021/22 capital budget Quarter Three predicted outturn of £59.035m against a budget of £64.814m, and approves the proposed revised Investment Strategy to 2023/24 at Appendix 2.

Why is this being recommended?

140. To enable the effective management of finances, 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

141. Not applicable.

Impact(s) of recommended decision(s)

Legal

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

Financial

143. The Council's revenue outturn position for 2021/22 for non-Covid-19 elements is projected to be an overspend of £3.225m (2.8%). This, when added to the estimated Covid-19 pressures of £1.821m, detailed in paragraphs 66 to 95 results in a total projected outturn pressure at year end 2021/22 of £5.046m. It is proposed that the total projected overspend in 2021/22 will be covered by the full utilisation of the Social Care Demand Reserve of £0.5m and the Children's Services Demand Reserve of £0.732m, which were created at the end of 2020/21. It is proposed that the remaining £3.814m of the total projected outturn pressure is funded from the £4.512m Covid Recovery Reserve, which was created during 2020/21 to cover the potential costs arising from the Covid-19 recovery in 2021/22 and future years.

144. It is estimated that the Council's financial position will potentially be improved by an estimated £4.9m at year-end due to the implementation of the Flexible Use of Capital Receipts Strategy approved by Council on 20 October 2021, and that the projected amount of £4.9m arising from the implementation of the Strategy will be transferred to a Reserve at year-end.

145. The predicted 2021/22 capital budget outturn at Quarter Three is £59.035m, which if approved will become the revised Investment Strategy budget.

Policy framework

146. The revenue and capital 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

147. As reported to Council on 24 February 2021, no negative differential impact on diverse groups and communities are anticipated from the Council's planned budgetary expenditure.

Risk

148. In line with the Council's Risk Management Policy, the corporate Strategic Risk Register will be reported to this Executive as part of the Strategic Plan 2021-24 – Progress at Quarter Three 2021/22 report.

Actions to be taken to implement the decision(s)

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

150. The actions outlined within the body of the report in relation to overspending within Children's Services will continue to be implemented.

151. If approved the revised Investment Strategy included at Appendix 2 will be adopted.

Appendices

- 1 Proposed revenue budget virements over £150,000 at Quarter Three 2021/22
2. Proposed revised Investment Strategy to 2023/24
3. Detail of projected reserves and provisions as at Quarter Three 2021/22

Background papers

24/02/21	Council	Strategic Plan 2021-24
24/02/21	Council	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22
7/09/21	Executive	Revenue and Capital Budget – Projected Outturn position as at Quarter One 2021/22
9/11/21	Executive	Revenue and Capital Budget – Projected Outturn position as at Quarter Two 2021/22
9/11/21	Executive	Medium Term Financial Plan Update
24/11/21	Council	Medium Term Financial Plan Update
14/2/22	Executive	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2022/23

Contact: Andrew Humble, Head of Financial Planning & Support
Email: andrew_humble@middlesbrough.gov.uk

<i>Proposed Virement Request</i>	Regeneration & Culture	Environment & Community Services	Public Health	Education & Partnerships	Children's Care	Adult Social Care and Health Integration	Legal & Governance Services	Finance	Central Budgets
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<u>Permanent</u>									
Transfer of management responsibility for Welfare Rights and the Payments & Charging Team from ASC to Revenues & Benefits (full year effect for 22/23 onwards £621k)						(661)		661	
Total Virement	0	0	0	0	0	(661)	0	661	0
								Total:	0

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Appendix 2: Proposed Revised Investment Strategy to 2023/24

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
Regeneration and Culture	£'000	£'000	£'000	£'000	£'000
Town Centre Related Projects	592	1,271	1,437	204	3,504
Middlehaven Related Projects	139	65	500	-	704
Housing Growth	91	391	3,277	-	3,759
BOHO X	1,112	7,824	16,011	-	24,947
BOHO 8	2,428	34	-	-	2,462
Brownfield Housing Fund	-	1,709	5,583	630	7,922
Towns Fund	-	2,051	19,540	309	21,900
Future High Streets Fund	-	1,590	12,580	-	14,170
Acquisition of Town Centre Properties	9,619	12,806	3,200	-	25,625
New Civic Centre Campus	1,863	1,500	5,513	-	8,876
Middlesbrough Development Company	865	5,666	18,639	-	25,170
Teesside Advanced Manufacturing Park	1,533	855	-	-	2,388
Local Authority Delivery 2 Green Homes Grant	-	791	300	-	1,091
Capitalisation Of Major Schemes Salaries	530	530	530	530	2,120
Capitalisation of Planning Services Surveys	-	40	40	40	120
Affordable Housing Via Section 106	-	-	1,339	-	1,339
Highways Infrastructure Development Section 106	-	-	2,010	-	2,010
Stainton Way Dixon Bank Junction - Section 106	15	-	-	-	15
The Big Screen	-	10	-	-	10
A66 Throughabout	2,630	4	-	-	2,634
Mandale Interchange	397	62	-	-	459
Tees Amp Footway / Cycleway	293	-	-	-	293
Linthorpe Road Cycleway	-	496	1,498	-	1,994
Replacement of Ticket Machines	-	-	189	-	189
LED Street Lighting Upgrade (Phase 2)	348	69	-	-	417
Joint Air Quality Unit (JAQU) - All schemes	529	-	-	-	529
Members Small Schemes	26	38	-	-	64
Grove Hill Joint Venture Projects	-	14	-	-	14
Gresham Projects	779	24	-	-	803
North Ormesby Housing Joint Venture - Section 106 funded	66	355	-	-	421
Empty Homes 2015 To 2018	-	281	-	-	281
Local Transport Plan	900	1,320	537	-	2,757
Town Hall Venue Development	48	59	-	-	107
Cultural Transformation	-	13	-	-	13
Theatre Winches / Lifts	4	18	19	-	41
Dorman Museum	2	17	-	-	19
Contribution To Public Arts Projects	-	17	-	-	17
Public Art Work	23	35	-	-	58
Newham Grange Leisure Farm	113	-	-	-	113
Leisure Trust Investment - Equipment	-	75	-	-	75
Town Hall Telephone Kiosks Upgrade	15	-	-	-	15
Stewart Park Section 106	-	-	45	-	45
Investment In Parks	-	100	-	-	100
Teessaurus Park	-	160	90	-	250
Archives Relocation	-	382	-	-	382

Council Funding	External Funding
£'000	£'000
2,625	879
704	-
3,708	51
1,362	23,585
-	2,462
-	7,922
-	21,900
-	14,170
25,625	-
8,876	-
19,203	5,967
2,005	383
-	1,091
2,120	-
120	-
830	509
-	2,010
15	-
10	-
-	2,634
-	459
-	293
-	1,994
189	-
417	-
-	529
29	35
-	14
803	-
-	421
-	281
-	2,757
107	-
13	-
41	-
19	-
17	-
58	-
113	-
75	-
15	-
-	45
100	-
250	-
95	287

Total Regeneration and Culture	24,960	40,672	92,877	1,713	160,222

69,544	90,678

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
	£'000	£'000	£'000	£'000	£'000
Environment and Community Services					
Purchase of New Vehicles	298	1,272	658	1,200	3,428
Capitalisation of Wheeled Bin Replacement	100	100	100	100	400
Capitalisation of Street Furniture/Dog Fouling & Litter Bins	55	55	55	55	220
Capitalisation of Highways Maintenance	575	575	575	575	2,300
Property Services Building Investment	340	340	340	340	1,360
Parks Improvement	-	83	-	-	83
Nunthorpe Playing Fields S106	57	-	-	-	57
Local Transport Plan - Highways Maintenance	1,412	3,019	428	-	4,859
Street Lighting-Maintenance	401	236	877	468	1,982
Urban Traffic Management Control	202	141	150	-	493
Flood Prevention	237	11	-	-	248
Department For Transport Pothole Fund	1,100	-	-	-	1,100
Members Small Schemes	2	79	120	60	261
Property Asset Investment Strategy	1,177	967	591	1,200	3,935
Nunthorpe Sports Facilities	-	34	66	-	100
East Middlesbrough Community Hub	178	200	651	-	1,029
Christmas Lights	350	-	-	-	350
Section 106 Ormesby Beck	-	15	-	-	15
Section 106 Cypress Road	-	20	-	-	20
Hostile Vehicle Mitigation	196	339	35	-	570
Transporter Bridge	476	251	-	-	727
Bridges & Structures (non Local Transport Plan)	-	452	1,574	-	2,026
Henry Street	-	42	-	-	42
CCTV	-	50	-	-	50
Captain Cook Public House	-	538	-	-	538
Outer Area Shopping Centres	-	40	-	-	40
Waste Procurement Project	368	-	-	-	368
Lighting up the Town	-	200	-	-	200
Built Asset Capital Investment - Town Hall Roof	-	-	1,000	1,000	2,000
Built Asset Capital Investment -Municipal Buildings Refurbishment	-	-	1,500	-	1,500
Built Asset Capital Investment -Resolution House	-	-	609	-	609
Built Asset Capital Investment -Central Library WC	-	-	87	-	87
Total Environment and Community Services	7,524	9,059	9,416	4,998	30,997

Council Funding	External Funding
£'000	£'000
3,428	-
400	-
220	-
2,300	-
1,360	-
83	-
-	57
-	4,859
1,982	-
-	493
-	248
-	1,100
261	-
3,870	65
-	100
1,029	-
350	-
-	15
-	20
570	-
364	363
2,026	-
-	42
50	-
538	-
40	-
368	-
200	-
2,000	-
1,500	-
609	-
87	-
23,635	7,362

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
	£'000	£'000	£'000	£'000	£'000
Public Health					
Health & Wellbeing Hub	-	-	756	-	756
Total Public Health and Public Protection	-	-	756	-	756

Council Funding	External Funding
£'000	£'000
679	77
679	77

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
	£'000	£'000	£'000	£'000	£'000
Education & Partnerships					
Block Budget (Grant) Devolved Formula Capital - Various Schools	-	157	-	-	157
Block Budget (Grant) Section 106 Avant Low Gill	-	-	35	-	35
Block Budget (Grant) School Condition Allocation	-	-	3	-	3
Block Budget (Grant) Basic Needs	-	-	5,883	1,645	7,528
Block Budget (Grant) High Needs Provision Capital Allocation (HNPCA)	-	262	760	-	1,022
Schemes in Maintained Primary Schools	2,387	1,448	749	131	4,715
Schemes in Primary Academies	195	162	234	399	990
Schemes in Secondary Academies	865	321	1,658	414	3,258
Schemes in Special Schools	544	473	370	-	1,387
Capitalisation of Salary Costs	102	104	106	-	312
Contribution to New School at Middlehaven	-	-	1,700	-	1,700
Block Budget (Grant) EFA Early Years 2 Year olds Entitlement (Trajectory Project)	-	7	-	-	7
Total Education & Partnerships	4,093	2,934	11,498	2,589	21,114

Council Funding	External Funding
£'000	£'000
-	157
-	35
-	3
-	7,528
-	1,022
937	3,778
-	990
-	3,258
464	923
-	312
700	1,000
-	7
2,101	19,013

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
	£'000	£'000	£'000	£'000	£'000
Children's Care					
Edge Of Care Project (Hub)	347	35	-	-	382
Edge Of Care Project (Spencerfield 117-120)	18	-	-	-	18
Edge Of Care Project (3 Broadwell)	10	-	-	-	10
Rosecroft Renovations	35	150	20	-	205
34 Marton Avenue, Fir Tree - Garage Conversion	1	249	25	-	275
Contact Centre - Bus Station Unit 1	3	234	93	-	330
Willow Tree - Bathroom Refurbishment	-	22	-	-	22
Holly Lodge Sensory Room	-	38	-	-	38
Total Children's Care	414	728	138	-	1,280

Council Funding	External Funding
£'000	£'000
382	-
18	-
10	-
205	-
275	-
330	-
22	-
-	38
1,242	38

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
	£'000	£'000	£'000	£'000	£'000
Adult Social Care and Health Integration					
Chronically Sick & Disabled Persons Act - All schemes	533	666	776	610	2,585
Disabled Facilities Grant - All schemes	2,285	2,158	1,260	-	5,703
Capitalisation of Staying Put Salaries	50	50	50	50	200
Home Loans Partnership (formerly 5 Lamps)	29	30	49	-	108
Small Schemes	15	31	97	-	143
Connect / Telecare IP Digital Switchover	100	98	40	-	238
Total Adult Social Care and Health Integration	3,012	3,033	2,272	660	8,977

Council Funding	External Funding
£'000	£'000
2,513	72
816	4,887
200	-
-	108
-	143
238	-
3,767	5,210

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL

Council Funding	External Funding

Legal & Governance Services	£'000	£'000	£'000	£'000	£'000
Desktop Strategy / Device Refresh	307	346	-	-	653
Enterprise Agreements	353	819	121	-	1,293
Customer Relationship Manager	19	47	49	-	115
IT Refresh - Network Refresh	4	239	-	-	243
IT Refresh - Lights On	241	320	-	-	561
IT Refresh - LCS Development Capture	7	-	25	-	32
IT Refresh - Business Intelligence	-	3	-	-	3
ICT Essential Refresh & Licensing	233	368	3,137	2,185	5,923
ICT Innovation Budget	326	12	148	-	486
GIS Replacement	38	36	93	-	167
Civic Centre Device Refresh	8	-	-	-	8
Prevention & Partnership Tablets	-	70	-	-	70
HR Pay	-	37	-	-	37
Dashboards	60	-	-	-	60
Total Legal & Governance Services	1,596	2,297	3,573	2,185	9,651

£'000	£'000
653	-
1,293	-
115	-
243	-
561	-
32	-
3	-
5,923	-
468	18
167	-
8	-
70	-
37	-
60	-
9,633	18

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
Finance	£'000	£'000	£'000	£'000	£'000
Former Partnership Investment (ICT Infrastructure Revenues & Benefits)	37	177	220	-	434
Business World Upgrade	30	10	25	-	65
Derisking Sites	412	116	200	1,355	2,083
Town Centre Accommodation Strategy	-	-	-	-	-
Capitalisation of Property Finance Lease Arrangements	-	-	3,500	1,000	4,500
Middlesbrough Share in Veritau Tees Valley	-	-	-	-	-
White Feather Project North Ormesby	-	9	-	-	9
Total Finance	479	312	3,945	2,355	7,091

Council Funding	External Funding
£'000	£'000
434	-
65	-
2,083	-
-	-
4,500	-
-	-
9	-
7,091	-

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
ALL DIRECTORATES	£'000	£'000	£'000	£'000	£'000
Total ALL DIRECTORATES	42,078	59,035	124,475	14,500	240,088

Council Funding	External Funding
£'000	£'000
117,692	122,396

	Total Funding				
	2020/21	2021/22	2022/23	2023/24	TOTAL
FUNDED BY:	£'000	£'000	£'000	£'000	£'000
Borrowing	18,228	16,872	40,335	4,083	79,518
Finance Leases	-	-	3,500	1,000	4,500
Capital Receipts	6,374	14,616	6,072	5,840	32,902
Grants	16,418	24,178	68,158	3,178	111,932
Contributions	1,052	2,827	6,186	399	10,464
Revenue Resources	6	542	224	-	772
Total FUNDING	42,078	59,035	124,475	14,500	240,088

Council Funding	External Funding
£'000	£'000
79,518	-
4,500	-
32,902	-
-	111,932
-	10,464
772	-
117,692	122,396

Appendix 3 : Detail of projected reserves and provisions as at Quarter Three 2021/22

Reserves and Provisions	Opening Balance	Proposed Use in Year	Additional Contributions	Transfers between reserves	Transfers from General Fund	Proposed Transfers to fund projected outturn	Projected Balance at Year End
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
General Fund Reserve	10,500		695				11,195
Covid Recovery Reserve	4,512					(3,814)	698
Reserve created from Flexible Use of Capital Receipts Strategy	0		4,909				4,909
Earmarked for specific purposes							
Public Health Reserves	438	(199)					239
Adult Social Care Covid Recovery Reserve	1,598	(168)					1,430
Ofsted Support Reserve	188	(188)					0
Children's Services Improvement Reserve	175	(175)					0
Children's Services Demand Reserve	732					(732)	0
Social Care Demand Risk Reserve	500					(500)	0
Business Rates Deficit Reserve	10,555	(10,555)					0
Business Rates Risk Reserve	1,670						1,670
Business Rates Relief Reserve	49						49
Change Fund	445	(609)	275	187			298
Investment Fund	0						0
Insurance Fund (MBC)	270						270
CCC Insurance Fund	35						35
Insurance Fund (Fire)	0						0
Capital Refinancing Reserve	175						175
Other Reserves & Provisions	12,140	(52)					12,088
Earmarked Reserves	28,970	(11,946)	275	187	0	(1,232)	16,254
Earmarked Reserve - Dedicated Schools Grant (DSG) Reserve	(3,291)	(1,004)					(4,295)
School balances	4,864						4,864
Provisions	2,555			(187)		0	2,368
TOTAL	48,110	(12,950)	5,879	0	0	(5,046)	35,993

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MIDDLESBROUGH COUNCIL

Report of:	Andy Preston - Mayor and Executive Member for Adult Social Care and Public Protection Ian Wright - Director of Finance
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Submitted to:	Executive -14 February 2022
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Subject:	Revenue Budget, Council Tax, Medium Term Financial Plan, and Capital Strategy 2022/23
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Summary

Proposed decision(s)

That the Executive endorses the proposed budget strategy for 2022/23 as set out in paragraphs 30 to 70.

Having taken into account the matters set out in Section 32 of the Local Government Finance Act 1992 and the items set out within the report, that the Executive endorses the budget requirement for 2022/23 to be set at £118,328,934 as detailed in Appendix 1.

That the Executive endorses the actual amount of Council Tax (Band D) for areas without parish precepts (excluding Fire and Police) be set at £1,809.67. This represents a total increase of 2.99%. This comprises of a 0% increase in general Council Tax, and an additional precept of 2.99% for Adult Social Care (which includes 1% relating to 2022/23, and 1.99% of unused remaining allowable allocation from 2021/22), which has been continued by the Government to contribute towards the shortfall of funding for adult social care.

That the Executive endorses the actual amount of Council Tax (Band D) for areas with parish precepts (excluding Fire and Police) be set at :-

Nunthorpe Parish	£ 1,819.10
Stainton and Thornton Parish	£ 1,818.98

That the Executive endorses the amounts of Council Tax for each category of dwelling be set in accordance with table 4 of Appendix 3 within the report.

That the Executive notes the refreshed Medium Term Financial Plan position for 2022-25 set out in this report in paragraphs 92 to 144.

That the Executive endorses the updated Investment Strategy for the period to 2024/25 as outlined in paragraphs 145 to 150 and detailed in Appendix 4.

That the Executive endorses the Capital Strategy Report (Prudential indicators, Investment Strategy and Minimum Revenue Provision) 2022/23 as outlined in paragraphs 151 to 162 and detailed in Appendix 5, and endorses the Authorised Limit for external borrowing of £356 million for the Council for 2022/23 as set out in paragraph 161.

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

Contribution to delivery of the 2021-24 Strategic Plan

People	Place	Business
The setting of the Revenue Budget, Council Tax, Capital Strategy for 2022/23 and the revision of the Council’s Medium Term Financial Plan for 2022-25 plays a central role in ensuring that the Strategic Plan is delivered effectively.		

Ward(s) affected

Expenditure outlined in the revenue and capital budgets will positively impact on all wards in Middlesbrough.

What is the purpose of this report?

1. This report presents the recommended Revenue Budget of £118,328,934, Council Tax increase of 2.99% (paragraphs 71 to 91), and Capital Strategy Report for 2022/23 (paragraphs 151 to 162). Attached to the report are a number of appendices, which are listed at the end of the report.
2. Following on from the previous report presented to Council on 24 November 2021, this report also provides a refreshed Medium Term Financial Plan (MTFP) for the period 2022/23 to 2024/25 to reflect the 2022/23 Local Government Finance Settlement (paragraphs 17 to 29).
3. The Medium Term Financial Plan update in this report is integrated with the £207.3 million Investment Strategy for Middlesbrough for the period from 2021/22 to 2024/25, supported by £102.4 million of the Council's own resources. The updated Investment Strategy is shown in Appendix 4.
4. This budget continues to support the Mayor's commitment to invest in Middlesbrough and transform service delivery for residents. It is intended that through this strategy the Council can achieve the challenging financial targets faced in the Medium Term Financial Plan period whilst ensuring that there is a minimum impact on the level of service delivered to the public.

Why does this report require a Member decision?

5. Full Council is required under legislation to set a revenue budget and agree the level of Council Tax and Prudential Indicators for 2022/23. The Executive have a key role in proposing to Full Council the revenue budget, level of Council Tax and Prudential Indicators.

Report Background

Refreshing the Strategic Plan for the 2022-25 period

6. Full Council approved a Strategic Plan for the period 2021-24 on 24 February 2021. That plan set out a number of revised strategic priorities for the Council in light of the impacts of Covid-19 on local communities and on the way the Council will do business in the future. Following publication of several key White Papers over the past year, specifically in respect of adult social care reform and 'Levelling Up', the Council is currently reviewing whether it is necessary to further revise its strategic priorities and additional actions it may need to take in response to the changing delivery landscape and local needs and ambitions, including those identified in the Let's Talk 2022/23 budget consultation. Should any significant changes to strategic priorities be considered necessary, these will be proposed to Council on 30 March 2022, with public consultation on changes to be undertaken thereafter. The proposed revised Strategic Plan for 2022-25 will then be presented to Council on 1 June 2022 for consideration.

Consultation

7. The Medium Term Financial Plan sets out the financial envelope that is necessary to achieve those aims and the savings necessary for living within those financial plans (budget savings).
8. The Council noted a report from the Elected Mayor on 24 November 2021 which provided an update in respect of the Council's Medium Term Financial Plan position for the period to 2024/25, reflecting and supporting delivery of the Strategic Plan.
9. The Elected Mayor set out at the Council meeting on 24 November 2021 the proposed budget and a proposed total Council Tax increase of 2.99% for 2022/23. In order to protect front line delivery the budget proposed included no additional budget savings in 2022/23. There was a desire to minimise the effect of Council Tax increases to residents, whilst also taking account of the fact that the Government are likely to assume that the Council will increase its Council Tax by this amount in their calculation of the Council's Core Spending Power, which is a measure of how much the Government believes the Council can raise from Council Tax and that it has available to spend.
10. The duty to consult, where proposals affect individuals or groups of individuals, arises both in statute and through common law. As stated in the report to Council in November 2021 there were no additional budget savings proposals for 2022/23, and therefore the budget consultation was only regarding the proposed budget and Council Tax increase for 2022/23.
11. Consultation in respect of the proposed budget and Council Tax increase for 2022/23 commenced on 25 November 2021 and concluded on 23 January 2022, with appropriate impact assessments undertaken considering responses to the consultation.
12. The budget consultation was undertaken this year as part of an "annual conversation, with local communities and Council's stakeholders. This built on the success of last year's "Let's Talk" annual conversation.
13. The aim was to encourage as many people as possible to take part in the annual budget consultation.
14. The consultation this year included the following :
 - a general public survey on the Council's website, with hard copies available upon request;
 - a general consultation email address;
 - consultation with the Council's Overview and Scrutiny Board;
 - consultation with the local business sector, including a specific consultation meeting with the local Chamber of Commerce on 19 January 2022; and
 - involvement of elected members in the overall process.
15. The consultation resulted in 488 responses to the Council's consultation. Analysis of the budget consultation responses shows:

- 33.81% of respondents who answered the question were in favour of a Council Tax increase of 2.99%. 65.78% were against, and two individuals did not answer the question
 - The survey asked those who disagreed with the budget proposal to provide alternative suggestions they thought should be considered. 244 comments were received. Comments and alternative suggestions related to member and officer remuneration, concerns about the impact of inflation and affordability, business rates and perceived waste within service delivery and various high profile projects.
16. Responses to the budget consultation survey were analysed to assess whether there were any concerns about impacts from proposals that varied by protected characteristic, which could give an indication of an unintended impact or a concern that there would be a disproportionate adverse impact on individuals or groups because they held one or more protected characteristics. This analysis is set out in the Equality and Diversity section in paragraphs 176 to 180 of this report. An overall impact assessment that has been completed as part of this process is appended to this report in Appendix 2. It is recognised that the majority of responses were against the proposed Council Tax increase, however the experience over the last year and the ongoing effect of Covid-19 and other risks mean that it is felt that the Council Tax increase cannot be reduced any further without adversely affecting service delivery and the medium term financial stability of the Council.

The Local Government Finance Settlement (LGFS)

17. The Autumn Budget and Spending Review 2021 (SR21), published by the Government on 27 October 2021, set out the Government's spending plans for the lifetime of the parliament.
18. Whilst SR21 provided a number of indications of the level of funding that will be available for local government over the period it did not provide full details of the funding mechanism, or confirm that a multi-year funding settlement would be provided to local authorities. It also did not provide individual funding allocations for each local authority.
19. The full details of the funding mechanism and the allocation to individual local authorities for 2022/23 only was provided as part of the provisional Local Government Finance Settlement which was published on 16 December 2021 and after a period of consultation was confirmed as part of the final settlement published on 7 February 2022.
20. SR21 announced additional funding for local government. These were subsequently included in both the provisional local government settlement of 16 December 2021 and were included in the final settlement published on 7 February 2022.
21. Whilst the additional funding is welcomed, a large proportion of the funding announced will be for one year only (2022/23), and therefore does not assist with tackling recurring funding pressures. This level of uncertainty means that future funding remains one of the most significant risks to the Council.

22. Even though there was additional funding announced for 2022/23, Government funding for local government as a whole has fallen substantially since 2010. Since changes were made to the Local Government Finance System in 2013/14 Middlesbrough Council has suffered a significant reduction in Government funding, with a reduction of £41.3 million (51%) from £81.2 million received in 2013/2014 to £39.9 million in 2022/23.
23. It should also be noted that a large proportion of the additional funding available to local government (over 85 per cent) is expected to come from increases in council tax made by local authorities.
24. The main areas of additional funding are detailed in the following bullet points:
- The introduction of a one-off Services Grant worth £822 million nationally in 2022/23. This new grant has been distributed through the existing formula for assessed relative need across the sector, using 2013/14 shares of Settlement Funding Assessment. The new grant is intended to provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government. It includes funding for local government costs for the increase in employer National Insurance Contributions. The grant will not be ring-fenced. The Government intends this to be a one-off grant for 2022/23 and to work closely with local government on how to best use this funding from 2023/24 onwards. This funding would be excluded from any proposed baseline for transitional support as a result of any potential future system changes. Middlesbrough Council's allocation for 2022/23 is £3.172m, which is decrease of £0.878m from the estimated £4.050m initially assumed in the MTFP Update report to Council in November 2021.
 - Existing 2021/22 Social Care funding comprising Social Care Grant of £6.339m, relating to both Adults and Children's Care, is continued for 2022/23. In addition to this additional Social Care Grant of £2.204m for 2022/23, relating to both Adults and Children's Care, was also announced. This means that Middlesbrough will receive £8.543m of Social Care Grant in 2022/23.
 - The Government outlined at SR21 that £3.6 billion will go directly to local government over the SR21 period to implement the cap on personal care costs and changes to the means test within adult social care as part of the adult social care reform outlined in the Health and Social Care White Paper. This funding will also help local authorities better sustain their local care markets by moving towards a fairer cost of care. As part of this funding the Government announced in the LGFS that in 2022/23 this will be the Market Sustainability & Fair Cost of Care Fund worth £162 million nationally and £512,000 to Middlesbrough in 2022/23. The methodology used for distributing the funding in 2022/23 is the existing adult social care relative needs formula. The 2022/23 funding is designed to ensure local authorities can prepare their markets for reform and move towards paying providers a fair cost of care, as appropriate to local circumstances, and therefore currently it has been assumed in the updated MTFP that all income received from this additional funding will be fully utilised to cover the increased costs arising from this. The LGFS did not announce any details of the method of allocation to individual authorities of the overall funding for future years.

- That the improved Better Care Fund (iBCF) for Adult Social Care will increase by inflation, which is set at the level of Consumer Price Inflation at September 2021 which was 3.1%. The inflationary increases to this grant creates additional income to the Council of £254,000 in 2022/23, and it has been assumed in the 2022/23 budget that this will be fully offset by increased costs.
- Revenue Support Grant (RSG) will increase by inflation for 2022/23, which is set at the level of Consumer Price Inflation at September 2021 which was 3.1%. The inflationary increases to this grant creates additional income to the Council of £377,000 in 2022/23.
- SR21 announced and the LGFS confirmed, that as well as legacy payments from previous years continuing to be received, there would also be new 2022/23 allocations of New Homes Bonus Grant, however there would be no legacy payments in future years for the new 2022/23 allocations. New Homes Bonus is funded by a top slice from Settlement Funding, this means that authorities lose Settlement Funding but stand to gain from the New Homes Bonus they earn. The Government intends to consult on a new housing growth incentive beyond 2022/23. Estimates of New Homes Bonus to be received by the Council in the MTFP period have been revised to reflect this announcement, with additional income to the Council of £773,000 in 2022/23.
- The continuation of Lower Tier Services Grant (LTSG) introduced in 2021/22 for 2022/23, worth £111 million nationally in 2022/23. The aim is to support lower-tier services including homelessness, planning, recycling, refuse collection and leisure services. Middlesbrough's allocation for 2022/23 is approximately £300,000. The LGFS did not indicate if this would continue in future years beyond 2022/23, and therefore currently in the updated MTFP it is assumed that this will be a one-off grant only in 2022/23.
- SR21 stated that it was the Government's intention to maintain the total Public Health Grant in real terms. Whilst the LGFS did not provide any details of the Public Health Grant allocations, these were subsequently announced separately for 2022/23 only on 7 February 2022. Middlesbrough will receive £17,730,663 grant in 2022/23, a 2.81% increase on the amount received in 2021/22. This is below the current rate of inflation, and also slightly below the level of inflation used to calculate the RSG increase. Also additional responsibilities have been added in, including Covid-19 functions (test, track and trace, outbreak planning, and other public health Covid-19 spend). The public health grant is ringfenced for use on public health functions. It is therefore assumed that the increase in funding of approximately £484,000 will be fully spent on public health activities.
- The Government also confirmed within the Local Government Finance Settlement that there would be no further Government funding in 2022/23 to local authorities for the financial effects of the Covid-19 pandemic.

25. Under the current business rates retention system Middlesbrough receives a top-up payment, as the assessed cost of providing services in the Borough is greater than the share of business rates retained locally. The top-up payment has been frozen in 2022/23 and therefore the payment to Middlesbrough has remained the same as in 2021/22 at £27.299 million.

26. The LGFS announced additional Section 31 Business Rates grant of £1.368 million, which compensates for the under indexation of the Business Rates multiplier over previous years and for the freezing of the small business multiplier in 2021/22 and 2022/23 on the top up payment mentioned above. It is proposed that due to the risk to the Council's finances that the future economic climate caused by Covid-19 continues to adversely affect Council Tax and Business Rates collection rates and the corresponding income received by the Council over the MTFP period, and that this is not compensated for by additional Government grant funding, this has been placed in a contingency budget for the potential effects of this in the future. This will be closely monitored and updates will be provided in future reports.
27. An estimate has been made of retained business rates income in 2022/23 of £15.468 million. This figure represents a decrease of £2.125 million on 2021/22. This reduction is due to the Retail, Hospitality and Leisure Relief granted by the Government to business in 2022/23 only. The Council has been compensated for this, including the effects of the freezing of the small business multiplier in 2022/23, by receipt of additional Section 31 Business Rates Grant of £3.439 million in 2022/23 only. Note that this is in addition to the Section 31 grant outlined above in paragraph 26, making a total increase in Section 31 Business Rates Grant of £4.807 million in 2022/23.
28. As part of the business rates system rate payers are entitled to submit an appeal against the valuation of their business, if successful this appeal will be backdated to the date of valuations. The cost of repaying appeals, including backdating, is met by the Council in proportion with its share of Business Rates. As a result of the valuations being new, it is difficult to forecast what level of appeals will be received in relation to the new bills from business ratepayers and also to understand what proportion of such appeals might be successful. Performance against this estimate will be closely monitored over the course of 2022/23.
29. Whilst not strictly part of the LGFS, in the documentation it was confirmed that as mentioned in SR21 the Troubled Families Programme (now called Supporting Families Programme) which was planned to cease at the end of March 2022, would continue until 2024/25. The grant funding has helped to support key preventative and early help services for children and families within Children's Services. The MTFP had previously included a provision of £486,000 per annum from 2022/23 to continue essential services following the planned removal of the grant from 2022/23, however the announcement of the continuation of funding has now enabled this provision to be removed from the MTFP. The LGFS announced that allocations for individual local authorities for 2022/23 would be announced separately at a later date.

Proposed Revenue Budget 2022/2023

Budget Principles

30. In preparing the 2022/23 revenue budget and Medium Term Financial Plan, the following principles, consistent with budget strategies in previous years and statements made by Executive have been adopted:

- to maximise the efficient, effective and economic use of resources, in conjunction with partners where appropriate;
- to minimise the effect of Council Tax increases on residents whilst maintaining service provision;
- to make services fully accountable for their own budgets and spending, including additional pressures. Calls on the Medium Term Financial Plan should only be made when local and directorate resources are exhausted and all requests are required to be approved by the Council's Leadership Management Team;
- to maintain appropriate medium term budget planning and monitoring processes, ensuring known commitments are provided for and budgets are set in real terms with the effect on service delivery clearly identified;
- services will receive, in full, the impact of contractual inflationary increases (including pay awards). No inflation will be provided for general supplies and services, which are expected to be met from efficiency savings. However, it should be noted that due to rising inflation rates additional inflation contingencies, which will be held centrally, have been provided for in the 2022/23 budget setting;
- to support budgetary investment in economic growth to drive increase in income through Council Tax and Business Rates;
- on termination of a specific grant, a business case for any continued funding will be prepared, which will need to be assessed against other pressures on the Medium Term Financial Plan;
- all specific reserves require approval by the Director of Finance, where specific reserves exist these will be reviewed regularly by the Director of Finance as part of the Medium Term Financial Plan refresh to ensure that they are still required; uncommitted funds may need to be used to fund pressures elsewhere;
- any revenue budget where there has been a significant underspend for two or more years will be reviewed with a view to reallocating funds;
- the Investment Strategy will be reviewed regularly to ensure an ongoing need for allocated funding with a view to reallocating funds which are not required;
- any new schemes for approval within the Investment Strategy must be firstly approved by the Council's Leadership Management Team; and
- a consistent framework for budgeting for staff costs will be implemented.

Budget Assumptions

31. The following budget assumptions have been applied:

Pay awards

32. No agreement has yet been reached between the National Employers and the NJC Trade Unions as to the pay award for 2021/22 for Local Government Services employees effective from 1 April 2021. The National Employers have made a full and final offer of 1.75% for 2021/22. The current assumptions in the MTFP are for a 2% pay award each year in both 2021/22 and 2022/23 and future years of the MTFP. Based on current information these assumptions are still valid, and have therefore not been changed. As well as the uncertainty caused by the delay in finalising the 2021/22 pay award, there is also a high level of uncertainty around local government pay awards in future years, and therefore the assumptions made in the MTFP for future years will be constantly reviewed. It should be noted that each 1%

increase in pay equates to approximately £900,000 additional cost per annum. Approximately £1.8 million has currently been provided in a central pay and prices contingency budget for the potential effect of the pay award in 2022/23. This is in addition to the £1.8 million held in the central pay and prices contingency budget for the outstanding 2021/22 pay award.

Additional employers National Insurance contributions

33. As mentioned in the MTFP Update report to Council in November 2021 the Council will have to pay from 2022/23 increased National Insurance contributions for its own staff, and also any potential costs relating to this from its suppliers. It has been estimated that the cost of the increased National Insurance contributions for Council employed staff will be approximately £1m per annum. Due to the uncertainty regarding the pay awards and the potential knock on effect, this will initially be held centrally and allocated to Directorates in the first quarter of 2022/23.

Living Wage

34. Provision of £1.7m has been made in 2022/23 for the impact of the increase in the National Living Wage on the costs of adult social care services commissioned by the Council. This accounts for the Government announcement in SR21 that it remains committed to raising the National Living Wage in order so that it reaches two-thirds of median earnings, and that the National Living Wage will increase from £8.91 to £9.50 an hour effective from 1 April 2022 (a 6.6% increase).

Inflation

35. As extensively reported nationally there are currently hyper-inflationary increases in the cost of energy, and this is likely to exist in the medium term. The extent to these increases is not yet fully known, but in light of this and using estimates based on latest available information, provision of £371,000 per annum has been made in the updated MTFP from 2022/23 for the potential effects of this.
36. Contractual inflation at a total cost of approximately £1.5 million has been assumed for 2022/23. No provision has been made for inflation for supplies and services, and it is expected that any inflationary pressures in this area will be met from efficiency savings. However, as detailed in paragraph 38 a contingency budget for the potential effects of this has been included for 2022/23, due to the potential inability of service directorates to achieve this in 2022/23 due to the current high levels of inflation.
37. Income from fees and charges has been assumed to generally increase on average by 1% in 2022/23, with the exception of the following :
- building cleaning provided to external bodies (including schools) - 5%
 - catering services provided to external bodies (including schools) - 2%
 - legal fees - 2%

This will produce an estimated total income of approximately £0.4 million in 2022/23. There is no increase assumed in 2022/23 for car parking charges, statutory charges, and for budgets where income targets are currently not being achieved. In light of the

ongoing effects of Covid-19, all income will be closely monitored for performance against income targets and reviewed as necessary.

Additional inflation contingencies

38. Inflation is nationally running at high levels across a wide range of areas and therefore specific analysis has been made of the potential effects of additional inflation costs for Middlesbrough from 2022/23. Additional inflation contingencies totalling approximately £4.6m of recurring funding have been provided for, based on the estimated potential effect in the following areas :
- Pay award - £900,000 contingency to provide for potential pay award up to a maximum of overall of 3% (as mentioned in paragraph 32 the budget currently provides for 2%)
 - Energy - contingency of a further £459,000 (this is in addition to £371,000 already provided for as detailed in paragraph 35)
 - General supplies and services – £459,000 (see also paragraph 36)
 - Vehicle fuel – £51,000
 - Food (including school catering and children’s homes) – £105,000
 - Agency staff costs – £245,000
 - Increased Adult Social Care Costs over that already provided for in budget - £1,604,000
 - Increased Children’s Care costs over that already provided for in budget - £545,000
 - Potential non-achievement of inflation applied to income budgets due to economic climate - £276,000
39. It should be noted that in the MTFP Update report to Council in November 2021, an amount of £1m per annum was provided for increased costs charged by suppliers, including for the effect of the increase in National Insurance contributions and other potential inflationary increases from suppliers. This has now been removed and replaced by the above.
40. Due to the continuing uncertainty around this and the ongoing effects it is proposed that this is held centrally as a contingency budget, and will be allocated when appropriate to Directorates if required. In the opinion of the Director of Finance, based on current information available, this provision should be sufficient to cover inflation pressures in 2022/23.

Spending pressures –Children’s Social Care

41. As reported previously Children’s Social Care, remains the biggest area of financial concern for the Council. The Council has an Ofsted Improvement Plan in place, and the financial situation is being closely monitored jointly by the Service and Finance, and a three year plan has been drawn up to ascertain the estimated outturn position for the current and future financial years and therefore the potential MTFP impact.
42. The report to Council in November 2021 detailed additional funding totalling over £3.3m which has been provided in the MTFP to Childrens Services from 2024/25 to support this. In order to enable some initial permanency of staff supporting the

improvement journey £300,000 of this funding has been provided earlier from 2022/23.

Covid-19 ongoing pressures

43. As detailed in the report to Council in November 2021, there are a number of income generating areas for the Council, such as parking, cultural and leisure facilities that could potentially see budget pressures as a result of the continuing effect of Covid-19 and the recovery both in 2021/22 and beyond. Provision has been in the MTFP for the effects of these as outlined in the following paragraphs.
44. From 2022/23, £230,000 per annum has been provided for the potential lost income from the cultural events and activities provided at the Town Hall, which has also been compounded by the potential effect on income due to the Globe Theatre opening nearby in Stockton.
45. Provision has been made for reduced car parking income in the future due to the effects of increased home working following lockdown and the reductions in people using the retail provision in the town centre. The pressure can be covered in 2022/23 from grant income received from the Tees Valley Combined Authority (TVCA) for the provision of 3 hour free parking across the Tees Valley, however from 2023/24 there is a requirement for additional annual budget provision of £677,000 and a further £87,000 in 2024/25.
46. As detailed in the MTFP Update report to Council in November, whilst it is not planned to provide any further subsidy support beyond 2021/22 relating to the Covid-19 ongoing impacts on SLM's (the Council's provider of leisure facilities) income, provision has been made in the MTFP from 2022/23 to reflect the fact that it may be difficult for SLM to achieve a profit in the medium term and therefore fully pay the "profit share" due under the contract. An incremental approach to SLM achieving their contracted "profit share" by 2025/26 has been provided for in the MTFP.
47. Detailed discussions are currently taking place with SLM on an open book basis in order to reduce as far as possible the financial pressure to the Council in both 2021/22 and in future years, and updates will be provided in future reports.
48. As mentioned in the report to Council in November there is potential ongoing future "Covid scarring", in particular within the Care Sector. Additional provision totalling £2,334,000 has been made for this in 2022/23 only. It should be noted that previously it was intended to leave £856,000 in the MTFP from 2023/24 onwards for this, however due to the additional Government funding for Social Care announced in the LGFS it has now been determined that this can fully be removed from the MTFP from 2023/24 onwards.

Other Spending pressures

49. The MTFP report to Council in November 2021 detailed a number of ongoing spending pressures / service demand pressures which are likely to continue in the future and for which funding has been provided in 2022/23 and ongoing :

- £150,000 for Bereavement Services to reflect reduced income due to Stockton crematorium opening
- £120,000 for the Integrated Transport Unit budget, where there are increased numbers of children qualifying for home to school transport. In addition, there is a predicted increase in external contract prices caused by a shortage of drivers which is increasing wages, and also due to the increase in fuel prices
- £160,000 for ongoing increased costs in the Coroners Service due to a rise in the number of cases, and an increase in pathology and post-mortem costs
- £41,000 for an additional post within Education and Partnerships to develop and expand the Fifty Futures Programme
- £76,000 for additional posts within the Freedom of Information (FOI) team to deal with an increase in the number and complexity of FOI requests received by the Council
- £50,000 per annum for 3 years for Community Environmental Initiatives as approved by Executive on 5 October 2021
- £100,000 additional per annum in both 2022/23 and 2023/24 for the potential additional costs arising from the Insurance Review
- £484,000 has been provided within the Education and Partnerships budget for the funding of Inclusion/Specialist Support Services to young people (this was previously funded from the Dedicated Schools Grant (DSG) which the Council receives). However, this is fully mitigated by increased Education contributions of £750,000 funded from DSG towards the cost of external residential agency placements.

50. The report to Council in November 2021 outlined an anticipated pressure estimated to be £500,000 per annum as a result of the need to secure an alternative contractor to process kerbside recycling material following the previous contractor entering into administration, and at that time this was assumed in the updated MTFP. Following the end of the tender process for a new contractor and evaluation of the results of the tender exercise it has been determined that this will no longer be required, and also in addition the existing revenue budget can be reduced by £180,000 making a total saving of £680,000 achieved as a result of the tender exercise.
51. Provision of £169,000 per annum has been made from 2022/23 to the Waste Collection budget for increased demand in cleansing (including in back alleys).

Additional income

52. As reported to Council in November 2021 additional rental income above the current budget is estimated to be received from developments that the Council has made in the town. Additional annual income of £330,000 in 2022/23 is predicted due to the continued success of Tees Advanced Manufacturing Park (TeesAMP). In addition, additional unbudgeted income of £200,000 per annum from Captain Cook Square is assumed from 2022/23. Both these developments, along with the Centre Square Buildings 1 and 2 development, have provided additional income to the Council, after deducting capital financing costs, which has negated the need for the Council to make budget reductions to front line services.

Additional Investment

53. Revenue funding of £200,000 has been provided for 2022/23 only to provide additional support for the provision of events in the town. This will help with the recovery of Middlesbrough following the Covid-19 pandemic.
54. A budget of £495,000 per annum has been provided for investment in services provided to residents. It is proposed that this will be spent on delivering the priorities of the current and to be refreshed strategic plan, such as tackling antisocial behaviour, enhanced youth provision, and enforcement action against eyesore sites. This budget will initially be held centrally, and will be allocated to service directorates throughout 2022/23.
55. A total of £949,000 has been provided from 2022/23 for the impact on the Capital Financing budget of the Council's Investment Strategy. This includes additional revenue funding for capital financing costs associated with projects recently approved by Executive, including additional Fountains Court Refurbishment and Fit Out (£165,000 per annum from 2022/23), Flexible Use of Capital Receipts Strategy (£208,000 per annum from 2022/23), and Built Assets Capital Investment (£81,000 per annum in 2022/23, a further £74,000 in 2023/24 and a further £37,000 in 2024/25). Full details were provided in the relevant Executive reports.
56. The total provided also includes provision in respect of the following potential projects which subject to approval by Executive will be added to the Council's agreed Investment Strategy in future years :
 - Highways Maintenance Programme - £200,000 per annum in each of the years 2022/23, 2023/24 and 2024/25 (total of £600,000 over the 3 years)
 - Transporter Bridge structural improvements - £80,000 per annum from 2022/23
57. The Capital Financing budget will be closely monitored during 2022/23 with updates being provided via the quarterly budget monitoring reports, and any required changes being reflected in future refreshes of the MTFP.

Budget Savings

58. As reported in the MTFP Update Report to Council in November 2021 in light of the recovery from Covid-19 and the potential effect on staff the £180,000 saving related to "reducing staff mileage rates across the Council" has been removed from the MTFP from 2022/23.
59. It should also be noted that, as mentioned in the November 2021 report, it is expected that the full amount of savings relating to Digital will be achieved from 1 April 2022 as per the original intended methods.
60. As stated in the report to Council in November 2021 no additional budget savings were required for 2022/23, due to the proposal to increase Council Tax by 2.99% in 2022/23 in order to protect front line service delivery.

Adequacy of Financial Reserves

61. The Council is required to maintain an appropriate level of reserves and balances. Whilst current guidance is not prescriptive, all Local Authorities are required, when reviewing their Medium Term Financial Plan to consider the establishment and maintenance of reserves.
62. Proper consideration has to be given to: -
- working balances to help cushion the impact of uneven cash flows and to avoid unnecessary temporary borrowing;
 - general fund reserves to provide a contingency for the impact of unexpected events or emergencies; and
 - specific earmarked reserves to meet known or predicted liabilities.
63. The Director of Finance has reviewed the proposed level of balances held in the General Fund Reserve and advised that he considers it is appropriate to increase the minimum level from the current level of £11 million to £12 million in 2022/23 (and future years). This advice is based on an assessment of financial risks against criteria set out by the Chartered Institute of Public Finance and Accountancy and the extent to which specific provisions are available to meet known and expected liabilities.
64. The main high level factors affecting this assessment are increasing inflation, uncertainty around the level of pay awards, the continued potential for increased demand and costs in Children's and Adults Social Care, and the degree of uncertainty in the financial and economic climate for local government due to a number of factors. The following provides further details of this and the calculation of the £12 million level is made by using the mid-point of the following factors:
- Inflation (including pay awards): to provide for an increase of 1%-2% above that currently provided equating to £1.8m to £3.6m.
 - Further demand-led pressures (mainly Adults and Children's Social Care): to provide for an additional upturn in demand £0.5m to £4m
 - Local Government Finances: uncertainty post-2022 around Government funding and business rates reform equating to £0.5m to £1.5m.
 - General Economic Climate : mainly the potential further effect on Business Rates & Council Tax Income equating to £0.5m to £1m
 - Future Covid-19 outbreaks : further expenditure and income shortfalls and lack of Government funding equating to £0.3m to £2m
 - Potential loss of Services grant (provided for 2022/23 only - but assumed in MTFP will continue in some form) : £0m to £3.2m
 - DSG Deficit balance on Reserve : potential requirement to fund this from 2023/24 equating to £0m to £4.3m
 - Adult Social Care reforms (Health and Social Care White Paper): costs of implementing the cap on personal care costs and changes to the means test within adult social care and moving to a fair cost of care being greater than funding provided by Government equating to £0m to £1m

65. The current estimated level of the General Fund Reserve at the end of 31 March 2022 is £11.2 million as reported in the Revenue and Capital Budget – Projected Outturn position as at Quarter Three 2021/22 report to this Executive.
66. The level of balance in all reserves available to the Council may be affected by any change in the current projected overspend for 2021/22. The total projected overspend for 2021/22 of £5.046 million as at the end of Quarter Three is detailed in a separate report to this Executive. As stated in that report the level of overspend reported as at Quarter Three (including the estimated costs of the Covid-19 pandemic) can be covered on a one-off basis by the Council's overall reserves in 2021/22, but if this continues it is a significant risk to the Council's financial position in the longer term.
67. The appropriate level of reserves for 2022/23 onwards will need reconsidering in light of financial performance in 2022/23, the ongoing effect of Covid-19, and the outcome of any local government finance reforms announced.
68. The Council intends to allocate an additional £0.2 million in 2022/23 to its Change Fund in order to support transformational activity. It is estimated that only a negligible amount will be remaining within the Change Fund by the end of 2022, in light of the need to invest in projects in the meantime.
69. Appendix 6 attached to this report provides a statement from the Council's Section 151 Officer (the Director of Finance) under Section 25 of the Local Government Act 2003. Within the statement, the Director of Finance has confirmed that the budget calculations for 2022/23 are robust in that;
- proper medium term budget planning and monitoring processes are in place and maintained which ensure that known commitments are provided for and budgets are set in real terms with the effect on service delivery clearly identified;
 - appropriate provisions are made within the budget for pay and inflation;
 - a prudent view of the net costs of the Council's overall cash flow and prudential borrowing is taken;
 - an analysis of financial risks affecting the budget are completed; and
 - appropriate consideration is given to the level of Council Tax and external funding available to the Council.
70. It is the opinion of the Director of Finance that medium term uncertainty is the key risk to the Council's future finances, this is because of the lack of information on the impact of Local Government Finance Reform in 2023/24 and of Social Care Reform over the next decade. In the interests of prudent budget planning the Director of Finance considers that a Council Tax increase of 2.99% is key to ensuring that the Council will have sufficient funds to meet its obligations in the medium term should the impact of external factors be more negative than currently assumed.

Determination of Council Tax

71. A number of factors have been considered in respect of the level of Council Tax increase including our current level of Council Tax, minimising the effect of Council Tax increases to residents, the current levels of inflation, pressures from caring for

our vulnerable people, the level of any budget reductions required, and the medium to long term implications of the Local Government Finance Settlement 2022/23.

72. In the Local Government Finance Settlement, the Government confirmed that Councils would be able to increase the core element of Council Tax by up to 2% in 2022/23 without the requirement to hold a referendum.
73. The Local Government Finance Settlement also confirmed the continuation of the Adult Social Care Precept at 1% for 2022/23. It also confirmed that Councils who did not use their full allowable Adult Social Care Precept of 3.00% announced in the 2021/22 LGFS, which was allowed to be split over 2021/22 and 2022/23, could apply any remaining amount to the 2022/23 Council Tax increase. The Adult Social Care Precept has allowed Councils with Adult Social Care responsibility to increase their Council Tax by a set amount to help pay for the increased costs of Adult Social Care. Increasing the Council Tax for the Adult Social Care Precept by 1% in 2022/23, will generate approximately £600,000 of resources in 2022/23 to support our most vulnerable adults through a series of preventative and early help initiatives. Middlesbrough Council only increased Council Tax for the Adult Social Care Precept by 0.76% in 2021/22, and therefore there is still potentially 2.24% of the allowable Adult Social Care Precept of 3.00% announced in the 2021/22 LGFS which could be applied to the 2022/23 Council Tax increase.
74. Local authorities can therefore potentially increase their Council Tax by a total of up to 3% in 2022/23, plus their remaining allocation of Adult Social Care Precept from 2021/22, without the requirement for a referendum.
75. In determining the level of Council Tax increase, consideration should be given in relation to the impact on the local Council Tax payer. In essence the Government's proposal is to pass on the liability to the local taxpayer, rather than a national distribution of resources to meet what is an agreed national priority. Authorities such as Middlesbrough with a significant proportion of vulnerable Council Tax payers and a lower Council Tax Base as a result of lower property values are disadvantaged by this approach, as each percentage increase in Council Tax will raise less than more affluent areas with a greater proportion of higher banded properties.
76. In the report to Council on 24 November 2021 the recommendation was that the Council adopts a 1.99% increase in the core general Council Tax for 2022/23, and also an increase of 1% for the Adult Social Care Precept, meaning a total proposed Council Tax increase of 2.99% in 2022/23. The total proposed Council Tax increase of 2.99% in 2022/23 still remains the recommended increase, but it is now proposed that the full amount of the increase will be due to the Adult Social Care Precept using the 1% allowed in 2022/23 as part of the 2022/23 LGFS and also using 1.99% of the remaining 2.24% Adult Social Precept announced in the 2021/22 LGFS. This is lower than the Government expectations as announced in SR21 and the LGFS, and in line with the long term requirement to properly fund services in the Adult Social Care sector.
77. Executive Members have made this decision in order to ensure that no additional budget savings are required to be made in setting the budget for 2022/23.

78. This has meant that the effect of the above means that it is proposed and assumed that for 2022/23 Council Tax will increase by 2.99% on the Middlesbrough Council only element of the Council Tax (excluding Fire and Police and Parish precepts).
79. Since 2013/14 the Council's Housing Growth Strategy has delivered an increase in the Council Tax Base of 5,057 Band D Equivalent properties, an increase in Middlesbrough Council's Tax Base of approximately 16.8% The cumulative effect is approximately £9.1 million per annum and reduces the need to make further annual savings within Council services by this amount.
80. The Council is required to set a budget for 2022/23. The budget will determine the level of resources to be made available to services and forms part of the determination of the Council Tax to be levied in 2022/23.
81. The Budget requirement for 2022/23 is estimated to be £118.329 million as detailed in Appendix 1.
82. The basic (Band D) Council Tax for Middlesbrough as a whole is calculated as follows:

	£	£
Budget Requirement		118,328,934
Less:		
Revenue Support Grant	12,597,873	
Top up Payment	27,299,015	
Local Share of NNDR	15,467,703	
		55,364,591
Net Requirements		62,964,343
Estimated Collection Fund Deficit 2021/22		818,769
	(a)	63,783,112
Taxbase	(b)	35,228
Basic Council Tax	(a) / (b)	1,810.58

The basic amount is now relevant only for statistical purposes, but must still be calculated by law. It represents the average tax paid across the Council area, including parish precepts.

83. The calculation of the actual Council Tax (Band D) for parish and non-parish areas (Middlesbrough Council only element) is as follows:-

a) Areas other than Nunthorpe and Stainton & Thornton:-

	£	£
Basic Amount as above:		1,810.58
Less : Parish Precepts	31,994	
Divided by Tax Base	35,228	
Equals		0.91
Band D Tax		1,809.67

b) Nunthorpe:-

	£	£
Add: Parish Precept	20,450	
Divided by Tax Base	2,168	
Equals		9.43
Band D Tax		1,819.10

c) Stainton & Thornton:-

	£	£
Add: Parish Precept	11,544	
Divided by Tax Base	1,240	
Equals		9.31
Band D Tax		1,818.98

84. The tables at paragraph 83 relate only to Middlesbrough Council's element of the Council Tax and excludes Cleveland Police and Crime Commissioner and Cleveland Fire Authority precepts.
85. The level of Council Tax associated with the budget requirement represents a total increase of 2.99% in the level of Council Tax for areas without parish precepts (excluding Fire and Police precepts). This comprises of a 0% increase in general Council Tax, and an additional 2.99% increase in the Adult Social Care Precept (this includes the 1% allowed in 2022/23 as part of the 2022/23 LGFS, and also 1.99% of the remaining 2.24% Adult Social Precept announced in the 2021/22 LGFS).
86. Tax levels for all bands are set in varying proportions to the band D level, and are set out in table 1 of Appendix 3.
87. The effect of the proposed Council Tax increase of 2.99% in 2022/23 on the Middlesbrough Council only element of the Council Tax (excluding Fire, Police and Parish precepts) for Band A and Band D properties is shown in the table below:

Band	2.99% increase	
	Annual (£)	Weekly (£)
A	35.04	0.67
D	52.56	1.01

88. Cleveland Fire Authority has set a precept for Middlesbrough of £2,883,764 (subject to formal approval).The Council Tax levels for 2022/23 are set out in table 2 of Appendix 3.
89. Cleveland Police and Crime Commissioner has set a precept of £9,713,416 and Council Tax levels for 2022/23 are set out in table 3 of Appendix 3.
90. The total tax to be levied for each band (including Middlesbrough Council, Cleveland Fire Authority, Cleveland Police and Crime Commissioner, and Parishes) is set out in table 4 of Appendix 3.
91. The overall impact on the band D Council Tax is as follows:-

Middlesbrough Council	2.99%
Cleveland Fire Authority	1.90%
Cleveland Police and Crime Commissioner	3.76%
Overall Increase	3.05%

Medium-Term Financial Plan to 2025

92. Full Council approved a Strategic Plan for the period 2021-24 on 24 February 2021. That plan set out a number of revised strategic priorities for the Council in light of the impacts of Covid-19 on local communities and on the way the Council will do business in the future. As detailed in paragraph 6 this is currently being reviewed.
93. The Council maintains a Medium-Term Financial Plan (MTFP) that:
- accurately analyses the current financial climate and the medium-term horizon, including the range of spending pressures facing the Council;
 - addresses the budget savings requirements; and
 - focuses investment on growing the town's economic base to improve local prosperity, and secure a robust and independent income stream to fund the Council's services.
94. The Council noted a report from the Elected Mayor on 24 November 2021 which provided an update in respect of the Council's Medium Term Financial Plan position for the period to 2024/25. The table below summarises the changes that have been to the MTFP since the report in November 2021, incorporating the announcements made in the LGFS.

	2022/23 £ms	2023/24 (Indicative) £ms	2024/25 (Indicative) £ms	Total £ms
MTFP Position as at November 2021	0.000	1.786	4.615	6.401
<i>Changes:</i>				
Changes to Government Funding	(8.069)	3.377	(1.140)	(5.832)
Changes to profile of additional Children's Services funding	0.300	0.000	(0.300)	0.000
Creation of Contingencies (Additional Inflation and Council Tax/ Business Rates Income)	4.997	(1.368)	0.000	3.629
Savings on Kerbside Recycling Contract	(0.680)	0.000	0.000	(0.680)
Creation of Funding available for Service Investment	0.495	0.000	0.000	0.495
Waste Collection - Increased demand - cleansing (including back alleys)	0.169	0.000	0.000	0.169
Local Funding changes	2.017	(3.452)	0.303	(1.132)
Changes to planned use of Reserves and effect in following year	0.858	0.413	(1.150)	0.121
Other changes	(0.087)	(0.756)	0.000	(0.843)
Revised MTFP Position	0.000	0.000	2.328	2.328

95. The following table summarises the anticipated changes to the Council's financial position in the period of the current medium term financial plan to 2024/25:

	2022/23 £ms	2023/24 (Indicative) £ms	2024/25 (Indicative) £ms	Total £ms
Use of reserves and balances in previous year	(0.695)	(0.858)	(1.211)	(2.764)
Pay & Inflation	8.958	2.966	2.140	14.064
Service Demand Pressures	5.560	(1.311)	4.326	8.575
Capital Financing	0.949	0.494	0.237	1.680
Additional Income	(0.530)	0.000	0.000	(0.530)
Government funding changes	(13.641)	3.459	(0.276)	(10.458)
Local funding increases	(1.459)	(5.961)	(2.888)	(10.308)
Budget gap	(0.858)	(1.211)	2.328	0.259
Removal of previously planned budget saving - Staff Mileage Rate Reduction	0.180	0.000	0.000	0.180
Additional budget saving - Kerbside Recycling contract	(0.180)	0.000	0.000	(0.180)
Transfer to / (from) reserves	0.858	1.211	0.000	2.069
In-year budget position	0.000	0.000	2.328	2.328

96. The above table demonstrates that the Council has considered the issues strategically and has a deliverable plan to ensure the Council's financial

sustainability, and also ensures that reserves are maintained at appropriate levels. However, it should be noted that there is less certainty in the indicative figures for 2023/24 and 2024/25 than there is for the 2022/23 figures, due mainly to ongoing uncertainty regarding the future funding model for local government. The approximate £2.3 million budget gap in 2024/25 is only indicative and at this stage no additional budget savings are proposed to cover the budget gap in 2024/25. This will be reviewed in light of the continuing effects of Covid-19, Local Government Funding Reform, and other information received, and the budget gap for 2024/25 will be updated in future MTFP updates over the next year.

97. During 2022/23, it is intended that a full and proper efficiency review is undertaken across all Directorates and Services within the Council. This review will be led by Finance and undertaken in conjunction with the Directors, and a timetable will be drawn up for this. The aim of the review is to ensure that the Council is operating as efficiently as possible, and the review will seek to identify potential future additional budget savings for consideration at a future date.
98. Through the Council's Investment Strategy the MTFP focuses on investment and efficiency, and creating growth in Council Tax, Business Rates and income from commercial activity, and aims to minimise service-level and job reductions over this period.
99. The following assumptions have been applied in refreshing the Council's MTFP:

National Context

100. Long-term financial sustainability and financial resilience have become one of the key components of external audit work in future years. CIPFA has produced a Financial Management Code (FM Code), and also a financial resilience index for local authorities. The initial self-assessment of compliance with the FM Code, the associated actions arising to ensure full compliance, and the next steps, and the results of analysis of the CIPFA Financial Resilience Index 2021 were presented to Executive on 13 July 2021 and also to Corporate Affairs and Audit Committee (CAAC) on 22 July 2021. Close attention will be paid to both of these, and further updates will be provided in the future to Executive and CAAC.
101. According to figures from the National Audit Office that were produced a couple of years ago, the impact on spending power has been felt most acutely in local authorities such as Middlesbrough with relatively high levels of deprivation. The National Audit figures showed that Middlesbrough has faced a 36% decrease in overall spending power since 2010, the national average is 29%, and some authorities have seen lower reductions, for example Wokingham has reduced by only 16%. The decrease in Middlesbrough Council's overall spending power would be higher than 36% if the Council had not achieved significant Housing Growth and increased Council Tax.
102. As mentioned previously the Covid-19 pandemic has had a significant impact on the financial position on all local authorities, including Middlesbrough, and will continue to have a significant financial effect on the Council in future years. This report details additional budget provision for areas which will potentially be affected in the future. There remains a risk that future Covid outbreaks have a financial effect on the

Council in future years and that adequate Government funding will not be provided to cover the effect of these. This creates a level of uncertainty.

103. The current general economic climate and the impact of rising inflation has been factored into this update of the MTFP. This is however a moving feast and will be closely monitored throughout the MTFP period.

Government funding changes

104. The Autumn Budget and Spending Review 2021 (SR21), published by the Government on 27 October 2021, set out the Government's spending plans for the lifetime of the parliament.
105. Whilst SR21 provided a number of indications of the level of funding that will be available for local government over the period it did not provide full details of the funding mechanism, or confirm that a multi-year funding settlement would be provided to local authorities. It also did not provide individual funding allocations for each local authority. The LGFS confirmed the amount of funding for local government and the allocation to individual local authorities but only for 2022/23 (as detailed in paragraphs 17 to 29), and provided no details of potential allocations for 2023/24 and 2024/25. This level of uncertainty means that future funding still remains one of the most significant risks to the Council.
106. As mentioned in previous MTFP update reports the potential re-set of business rates retention of 75% (from the current 50%) and the introduction of a new "fair funding" formula for local government have been delayed. As part of the LGFS the Government stated that it their current intention that these would be part of the Government's "levelling-up" agenda, and that it planned to start the consultation regarding these as soon as possible and implement the changes from 2023/24. No further details were provided, including any details of the potential financial effect on individual local authorities. The key for Middlesbrough, as with other local authorities, will be the detail of the new systems and in how the new formulae are derived. The extent to which deprivation is recognised as a key cost driver for service need, in particular for adults and children's social care and public health, will be vital. Current indications of the way forward by the Government suggest that there is low risk that Middlesbrough sees further reductions in funding both in real terms and in relation to other local authorities, and there is a potential for Middlesbrough to gain from such an approach. As mentioned in the MTFP Update report to Council in November 2021, based on the current indications the provision of £1.4m from 2022/23 previously included in the MTFP for the potential impacts on Middlesbrough has now been removed from the MTFP. This assumption will remain under review as further information emerges.
107. Notwithstanding these high levels of uncertainty, the Council's budgetary assumptions are based on the most up to date reliable information, and the predicted Government funding changes are set out below. In this report the impact for 2023/24 and 2024/25 has been estimated, but these figures are necessarily less robust than the figures for 2022/23.

Funding Stream	2022/23	2023/24	2024/25
	£ms	(Indicative)	(Indicative)
		£ms	£ms
Revenue Support Grant	12.598	12.850	13.107
Business Rates Top Up	27.299	27.299	27.299
New Homes Bonus	0.855	0.000	0.000
Housing Benefit & Council Tax Subsidy Admin. Grant	0.997	0.997	0.997
Public Health Grant	17.731	17.731	17.731
Improved Better Care Fund	8.645	8.645	8.645
S31 Grant for Business Rates Compensation for Reliefs	8.958	6.402	7.285
Social Care Grant	8.543	8.543	8.543
Market Sustainability & Fair Cost of Care Fund	0.512	0.512	0.512
Lower Tier Services Grant (for 21/22 and 22/23 only)	0.300	0.000	0.000
Services Grant (introduced in 2022/23)	3.172	3.172	3.172
Dedicated Schools Grant (DSG) - Schools Block	121.592	121.592	121.592
Dedicated Schools Grant (DSG) - Central School Services Block	1.042	1.042	1.042
Dedicated Schools Grant (DSG) - High Needs Block	32.684	32.684	32.684
Dedicated Schools Grant (DSG) - Early Years Block	11.829	11.829	11.829
2021/22 Covid Council Tax Support Grant	0.864	0.864	0.000
Total:	257.621	254.162	254.438

108. It should be noted in the above table that as outlined in paragraph 24 details of the Public Health Grant allocations for 2022/23 only were provided on 7 February 2022, and therefore taking a prudent view the level of funding has currently been assumed over the MTFP period to remain the same as that to be received in 2022/23. This creates a level of uncertainty in how much the Council can budget for essential services to help keep people healthy throughout their lives.
109. To provide greater information, the table above now includes details of the Dedicated Schools Grant (DSG) which the Council receives. It should be noted though that the above amounts are subject to change during the year as the Schools Block includes amounts which are passported straight to academies, and also certain elements of the High Needs Block are paid directly to providers. No assumption has currently been made of any increases in DSG for 2023/24 and 2024/25.

Local funding increases

110. Local funding has been assumed to increase during the same period:

Funding Stream	2022/23	2023/24	2024/25
	£ms	(Indicative) £ms	(Indicative) £ms
Council Tax : Core (includes Housing Growth)	56.391	58.960	60.980
Council Tax : Adult Social Care Precept	7.393	7.393	7.393
Local Share of Business Rates	15.468	18.907	18.907
Collection Fund Surplus / (Deficit)	(0.819)	(0.867)	0.000
Total:	78.433	84.393	87.280

111. There is increased uncertainty about the direction of travel towards self-funding for local authorities through Council Tax and Business Rates, and whether it still remains on the Government's agenda. Also there is uncertainty how this will be impacted by the "levelling up" agenda.
112. SR21 proposed and the Local Government Finance Settlement confirmed that Councils can increase the core element of Council Tax by up to 2% in 2022/23 without the requirement to hold a referendum. As detailed in paragraph 76 the Executive now proposes that it will implement a 0% increase in the core element of Council Tax in 2022/23. The current assumption of a 1.99% increase in the core element of Council Tax for both 2023/24 and 2024/25 remains unchanged.
113. As detailed in paragraph 73 the Government announced the continuation of the Adult Social Care Precept and also confirmed that Councils who did not use their full allowable Adult Social Care Precept of 3.00% announced in the 2021/22 LGFS, which was allowed to be split over 2021/22 and 2022/23, could apply any remaining amount to the 2022/23 Council Tax increase. As detailed in paragraph 76 the Executive is proposing that the Adult Social Care Precept will increase by 2.99%, utilising the 1% allowed in 2022/23 as part of the 2022/23 LGFS and also using 1.99% of the remaining 2.24% Adult Social Precept announced in the 2021/22 LGFS. No assumption has currently been made that the Adult Social Care Precept will continue in 2023/24 and 2024/25. It should be noted that each 1% increase in Adult Social Care Precept generates approximately £600,000 of resources to support our most vulnerable adults through a series of preventative and early help initiatives.
114. The effect of the above means that it is currently proposed and assumed in the MTFP that for 2022/23 Council Tax will increase by a total of 2.99%, and then by 1.99% in each of the years 2023/24 and 2024/25.
115. Housing growth assumptions and the growth in the council tax base have been made on a prudent approach taking into account currently available information. These are reviewed regularly throughout the year jointly by Finance and Regeneration officers based on the latest information available, and these will be reflected in future MTFP updates.
116. At this stage for prudence purposes and to reflect the current economic climate for businesses, no inflationary increase or growth in the Local Share of Business Rates in 2023/24 and 2024/25 has been assumed. Note that it is assumed that the effect of the Retail, Hospitality and Leisure Relief granted by the Government to business in

2022/23 only on the Local Share of Business Rates in 2022/23 (as detailed in paragraph 27), does not continue in 2023/24 and 2024/25.

Pay awards

117. No agreement has yet been reached between the National Employers and the NJC Trade Unions as to the pay award for 2021/22 for Local Government Services employees effective from 1 April 2021. The National Employers have made a full and final offer of 1.75% for 2021/22. The current assumptions in the MTFP are for a 2% pay award each year (from 2021/22 to 2024/25), and based on current information these assumptions are still valid and have therefore not been changed. As well as the uncertainty caused by the delay in finalising the 2021/22 pay award, there is also a high level of uncertainty around local government pay awards in future years, and therefore the assumptions made in the MTFP for future years will be constantly reviewed. It should be noted that each 1% increase in pay equates to approximately £900,000 additional cost per annum.

Inflation

118. Contractual inflation at a total cost of approximately £4.5 million has been assumed in the MTFP period.
119. No provision has been made for inflation for supplies and services and it is expected that any inflationary pressures in this area will be met from efficiency savings, however, as detailed in paragraph 38 for 2022/23 a contingency budget for the potential effects of this has been included due to the potential inability of service directorates to achieve this due to the current high levels of inflation.
120. Additional inflation has also been provided in the MTFP for the estimated hyper-inflationary increases in the cost of energy (see paragraph 35) and contingency budgets for the effects of potential additional inflation across a wide range of areas (see paragraph 38).
121. Paragraph 37 provides details of the income from fees and charges in 2022/23. For 2023/24 and 2024/25 approximately £0.4m has been assumed in the MTFP, but in light of the uncertainty regarding inflation this will be reviewed regularly and updates provided in future revisions of the MTFP. There is no increase currently assumed for car parking charges and statutory charges over the MTFP period.

Living Wage

122. Increases in the National Living Wage, will impact upon organisations – principally adult social care providers – who are contracted to carry out functions on behalf of the Council. Currently increases in the National Living Wage do not have an impact on Council employed staff as the current pay rates paid to Council staff are above the current National Living Wage rates.
123. In SR21 the Government announced that it remains committed to raising the National Living Wage in order so that it reaches two-thirds of median earnings, and that the National Living Wage will increase from £8.91 to £9.50 an hour effective from 1 April 2022 (a 6.6% increase). Following this announcement the amounts that

are allocated in the MTFP to cover the increases in cost expected as a result of this have been revised, and it is currently assumed that the National Living Wage will increase incrementally to £10.50 by the start of 2024/25, and an amount of approximately £4.4m has been allocated for this over the MTFP period.

124. As with future pay awards there is a high level of uncertainty around this and whether the Government will further change the levels of increase for future years, and therefore this will reviewed again in future updates of the MTFP.

Spending pressures –Children’s Social Care

125. As reported previously Children’s Social Care, remains the biggest area of financial concern for the Council. The Council has an Ofsted Improvement Plan in place, and the financial situation is being closely monitored jointly by the Service and Finance, and a three year plan has been drawn up to ascertain the estimated outturn position for the current and future financial years and therefore the potential MTFP impact.
126. The report to Council in November 2021 detailed additional funding totalling over £3.3m which has been provided in the MTFP to Childrens Services from 2024/25 to support this. As mentioned in paragraph 42, £300,000 has been provided earlier in 2022/23 in order to enable some initial permanency of staff supporting the improvement journey, therefore this means the remaining £3m will be provided from 2024/25.
127. This will mean that the Ofsted Improvement Plan will be properly funded in the medium term. This will be closely monitored in real time and any amendments required to the level of funding provided will be made as appropriate.
128. It should be noted that this will mean that Children’s Social Care will have reduced expenditure from over £9m projected spend in excess of their current budget in 2021/22 to just over £3m in 2024/25, approximately a £6m reduction in expenditure per annum by 2024/25.
129. As reported previously, in line with national trends Children’s Social Care continues to be an area of financial pressure to the Council. The costs of these pressures in respect of increased level of need in relation to children in care and the increase in the cost of providing care is constantly being monitored.
130. Whilst the Local Government Finance Settlement in 2022/23 provided additional funding for Social Care there is still a significant risk of additional increased level of need in relation to children in care and the increased in the cost of providing care and that in the event of this, sufficient additional Government funding is not provided to mitigate this. Along with funding uncertainty, the continued pressure of demands on Children’s Social Care is the most significant financial risk to the Council.
131. Further Children’s Social Care demand increases and any delays to the implementation of the Council’s Ofsted Improvement Plan continue to be a major potential risk to the Council and this is being constantly monitored, and further updates will be provided in future quarterly budget monitoring reports to Executive.

Adult Social Care

132. Whilst the Local Government Finance Settlement in 2022/23 provided additional funding for Social Care there is still a significant risk of additional demand for adult social care services and the increased in the cost of providing care and that in the event of this, sufficient additional Government funding is not provided to mitigate this.
133. In addition, there is a risk that the Council does not receive adequate funding to cover the cost involved over the MTFP period in order to implement the reform as part of the Health and Social Care White Paper, relating to the cap on personal care costs and changes to the means test within adult social care, and moving towards a fairer cost of care. Whilst the funding allocated to Middlesbrough for 2022/23 along with the distribution methodology used for this has been announced, no further details of the distribution methodology has been announced for future years. This along with the fact that the overall funding available to local government for this, as detailed in SR21 and the LGFS, may not be enough, means there is a risk to the Council from the implementation of the reform.

Covid-19 ongoing pressures

134. As detailed in the report to Council in November 2021, there are a number of income generating areas for the Council, such as parking, cultural and leisure facilities that could potentially see budget pressures as a result of the continuing effect of Covid-19 and recovery both in 2022/23 and beyond. Provision has been made in the MTFP for the effects of this as detailed in paragraphs 43 to 48.

Other Spending pressures

135. Paragraph 49 highlights a number of spending pressures for which funding has been provided ongoing from 2022/23.

Additional income

136. As detailed in paragraph 52, additional rental income above the current budget is estimated to be received from developments that the Council has made in the town, namely TAMP, Centre Square and Captain Cook Shopping Centre. These have provided additional income to the Council (after deducting capital financing costs), which has negated the need for the Council to make budget reductions to front line services.
137. The Council purchased the Cleveland Centre Shopping Centre on 7 January 2022 as per the delegated powers of the Director of Finance in line with the report to Executive on 9 November 2021. Currently no additional income (after paying capital financing costs) has been assumed in the MTFP from the purchase due to the need to maintain a sinking fund to ringfence funding to future proof the asset, provide for potential loss of tenants, cover potential maintenance costs, and costs associated with the potential future remodelling of the Centre. Further updates of this will be provided in the quarterly budget monitoring reports to Executive.

Additional Investment

138. Additional revenue funding of £600,000 per annum has been provided from 2023/24 for additional Community Safety and Environmental Enforcement staff. This helps to continue the provision of these services following the end of a grant from the Tees Valley Combined Authority (TVCA), which has helped to provide these services.
139. In addition to total of £949,000 that has been provided in 2022/23 for the impact on the Capital Financing budget as mentioned in paragraph 55, further additional funding totalling £494,000 in 2023/24 and a further £237,000 in 2024/25 has been provided in the MTFP for this.
140. It should be noted that the additional capital financing costs will be ongoing beyond the current MTFP period and these ongoing costs will be built in future MTFP updates.
141. The Capital Financing budget will be closely monitored during 2022/23 with updates being provided via the quarterly budget monitoring reports, with any required changes being reflected in future refreshes of the MTFP.

Use of Reserves and Balances

142. Over the MTFP period the Council plans to maintain the Council's General Fund balance above the minimum level of £12 million, in line with the Council's current recommended General Fund level as set out in paragraphs 63 and 64 of this report.
143. Over the MTFP period, the Council intends to maintain a small Change Fund in order to support transformational activity to deliver its Strategic Plan.

Contingency

144. As mentioned in paragraph 26, provision has been made in the MTFP in 2022/23 only for an amount of approximately £1.4 million for the potential future impact of Covid-19 on Council Tax and Business Rates Bases and the corresponding income received by the Council over the MTFP period. This will be closely monitored and updates will be provided in future reports.

Investment Strategy

145. Full Council approved an Investment Strategy for the period 2021-2024 on 24 February 2021. The Council's Investment Strategy is revised each quarter by Executive via the quarterly budget monitoring reports, in line with its constitutional powers. The latest revision being that as part of Revenue and Capital Budget – Projected Outturn position as at Quarter Three 2021/22 report to this Executive.
146. The following “business as usual” schemes which are essential to the delivery of Council services have been reviewed and it is proposed that the following amounts are added to the Investment Strategy in order to extend these schemes to 2024/25:

Scheme	Amount £
Capitalisation Of Major Schemes Salaries	530,000
Capitalisation of Planning Services Surveys	40,000
Purchase of New Vehicles	1,200,000
Capitalisation of Wheeled Bin Replacement	100,000
Capitalisation of Street Furniture/Dog Fouling & Litter Bins	55,000
Capitalisation of Highways Maintenance	575,000
Property Services Building Investment	340,000
Capitalisation of Street Lighting-Maintenance	468,000
Members Small Schemes	60,000
Property Asset Investment Strategy	1,200,000
Chronically Sick & Disabled Persons Act - All schemes	610,000
Capitalisation of Staying Put Salaries	50,000
ICT - Essential Refresh & Licensing	2,185,000
Derisking Sites	900,000
Total	8,313,000

147. The Built Assets Capital Investment, Fountains Court, Flexible Use of Capital Receipts projects detailed in paragraph 55 have already approved by Executive and these were included in the Quarter Three report to this Executive.
148. As mentioned in paragraph 56 the following proposed projects will potentially to be added to the Council's agreed Investment Strategy in future years following the submission to and approval by Executive of separate reports for each project:
- Highways Maintenance Programme - £5m p.a. for 3 years (total £15m)
 - Transporter Bridge structural improvements - £2m in 2022/23 only
149. The updated Investment Strategy is included at Appendix 4 and Executive are requested to endorse the updated Investment Strategy, which will be submitted for approval by Full Council on 23 February 2022.
150. The proposed changes to the Investment Strategy are within the Council's overall borrowing limits and prudential indicators required as part of the Prudential Code (as detailed in paragraphs 151 to 162 below).

Capital Strategy Report (Prudential indicators, Investment Strategy and Minimum Revenue Provision) & Treasury Management Practices

151. The Local Government Act 2003 created a new legal framework for capital investment from April 2004 and Local Authorities are now required by law to follow the CIPFA Prudential Code.
152. The key objectives of the Prudential Code are to ensure, within a clear framework, a local authority's capital programme is affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.

153. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account to ensure appropriate treasury management. From 2019/2020 the Code set out that these must be presented in the form of a Capital Strategy Report which links the Council's investment strategy with the financial and budgetary implications of these decisions and the overall level of indebtedness.
154. The Prudential Code also introduced guidance regarding the way in which surplus funds are invested and it is a statutory requirement that an Annual Investment Strategy is approved by Council before the start of each financial year.
155. The government has released guidance relating to how local authorities set aside some of their revenues as provision for debt repayment. This requires authorities to prepare an annual statement of their policy on for determining the Minimum Revenue Provision.
156. The fundamental objective in considering the affordability of the Council's capital plans is to ensure that the total capital investment of the authority remains within sustainable limits and, in particular, to consider its impact on the local authority's revenue budget position. Affordability is ultimately determined by a judgement about available resources and one of the Prudential Indicators (% of capital financing costs against the net revenue budget) addresses this explicitly over the medium term financial planning period.
157. In considering the affordability of its capital plans, the Council must consider all of the resources currently available to it and estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the following two years. The authority is also required to consider known significant variations beyond this timeframe. This requires the maintenance of three-year revenue forecasts, forward estimates of council tax as well as capital expenditure plans.
158. Appendix 5 sets out the proposed capital strategy report (covering the necessary prudential indicators, together with the investment strategy and minimum revenue provision policy) for Executive to endorse. This report explains the context of the Council's financial plans against the required prudential indicators to assist in drawing conclusions around affordability, sustainability and prudence.
159. There are some large financial commitments in the level of capital expenditure over the next two financial years, particularly in 2022/23. Some of these changes are fully funded by grant and contributions or are invest to save schemes, where income generated from the investment in these assets generates a level of financial return, which at least covers any capital financing costs associated. There are though some significant borrowing commitments in the Investment Strategy being proposed. The prudential indicator which demonstrates affordability (capital financing cost as a % of the revenue budget) is starting to rise and is around 9% of the net revenue budget at the end of the medium term financial plan.
160. A change for Members to note that affects both the level of expenditure in the investment strategy and the prudential indicator totals relates to the inclusion of finance leases. In previous years most leases taken out would have been

categorised as a rental arrangement and a cost against the revenue budget. However, amendments to the reporting standard that covers this area now means that most leases constitute the 'right to use' or purchase of an asset. The appropriate capital expenditure therefore needs to be included in the capital strategy report funded by external debt. Leases that have a major impact on the prudential indicators for the Council are those for the new buildings in Centre Square plus any properties or equipment that is leased by service directorates going forward.

161. The Director of Finance has reviewed these investment plans and prudential indicators, and is satisfied that the Council is acting in line with legal requirements and the resources available when setting its budget. The authorised limit for external borrowing for the 2022/23 budget will be £356 million. This is an increase of £41 million over that used in 2021/22 and reflects the need for extra flexibility on borrowing during 2022/23 to support the Strategic Plan. Many of these priorities require up front capital investment by the Council to create the transformation required to address economic and housing growth.
162. The Chartered Institute of Public Finance & Accountancy has just announced a review of both its Prudential & Treasury Management Codes in response to some concerns on individual local authorities taking advantage of the freedoms given to them under these codes and their budgets and being heavily reliant on commercial investments & income – essentially borrowing to invest. It is expected that these codes will be updated to ensure that these situations do not occur in the future. Section 151 Officers will need to give assurances to both Government and their local authorities that their financial plans do not involve significant exposure to these type of investment for yield projects. The Director of Finance is content that this is not the case for the Council for the 2022/23 financial year and the two subsequent years.

What decision(s) are being asked for?

163. That the Executive endorses the proposed budget strategy for 2022/23 as set out in paragraphs 30 to 70.
164. Having taken into account the matters set out in Section 32 of the Local Government Finance Act 1992 and the items set out within the report, that the Executive endorses the budget requirement for 2022/23 to be set at £118,328,934 as detailed in Appendix 1.
165. That the Executive endorses the actual amount of Council Tax (Band D) for areas without parish precepts (excluding Fire and Police) be set at £1,809.67. This represents a total increase of 2.99%. This comprises of a 0% increase in general Council Tax, and an additional precept of 2.99% for Adult Social Care (which includes 1% relating to 2022/23 and 1.99% of unused remaining allowable allocation from 2021/22), which has been continued by the Government to contribute towards the shortfall of funding for adult social care.

166. That the Executive endorses the actual amount of Council Tax (Band D) for areas with parish precepts (excluding Fire and Police) be set at :-

Nunthorpe Parish	£ 1,819.10
Stainton and Thornton Parish	£ 1,818.98

167. That the Executive endorses the amounts of Council Tax for each category of dwelling be set in accordance with table 4 of Appendix 3 within the report.

168. That the Executive notes the refreshed Medium-Term Financial Plan position for 2022-25 set out in this report in paragraphs 90 to 142.

169. That the Executive endorses the updated Investment Strategy for the period to 2024/25 as outlined in paragraphs 145 to 150 and detailed in Appendix 4.

170. That the Executive endorses the Capital Strategy Report (Prudential indicators, Investment Strategy and Minimum Revenue Provision) 2022/23 as outlined in paragraphs 151 to 162 and detailed in Appendix 5, and endorses the Authorised Limit for external borrowing of £356 million for the Council for 2022/23 as set out in paragraph 161.

Why is this being recommended?

171. To enable the Council to meet its statutory responsibility to set a balanced revenue budget for the financial year 2022/23 and to ensure that a proper framework is in place for the medium term financial management of the Council.

Other potential decisions and why these have not been recommended

172. Not Applicable.

Impact(s) of recommended decision(s)

Legal

173. The Council is required under legislation to set a revenue budget and agree the level of Council Tax and prudential indicators for 2022/23.

Financial

174. This approach set out within the report would allow the Council to meet its legal obligations in relation to budget setting, and meet the challenging financial targets faced in the MTFP period, while ensuring that there is a minimum impact on the level of service delivered to the public.

Policy Framework

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

Equality and Diversity

176. The Public Sector Equality Duty (PSED) (as set out in the Equality Act 2010) places a statutory duty on the Council in exercising its functions, to have regard to the need to:
- eliminate discrimination, harassment and victimisation;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
177. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and
 - encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
178. The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Where proposed decisions may be relevant to one or more of these protected characteristics, the Council is obliged to assess the impact. If there is judged to be an adverse impact on these characteristics that is relevant to the duty above steps are taken to consider whether it can be avoided or mitigated. Where it cannot be avoided or mitigated, a decision can only be taken if it can be justified.
179. As no additional budget savings were proposed for 2022/23, the budget consultation was therefore only regarding the proposed budget and Council Tax increase for 2022/23.
180. An Impact assessment was completed to assess the proposed budget (appended to this report at Appendix 2). It found that there were no concerns that the Council's approach to budget setting could result in a disproportionate adverse impact on groups or individuals because they hold one or more protected characteristics.

Risk

181. The proposed approach will ensure that the Council has adequate governance processes in place (08-054) to ensure it complies with the statutory duties to set a balanced budget (08-055). The MTFP has been reviewed to ensure that the correct assumptions are made to ensure that there is no unforeseen/unmitigated funding gap (08-059) and that a balanced budget can be set for future years.

Actions to be taken to implement the decision(s)

182. If approved by Council on 23 February 2022, the proposals set out in this report will form the basis of the 2022/23 revenue budget of the Council.

Appendices

- Appendix 1: Revenue Budget 2022/23
- Appendix 2: Revenue Budget 2022/23 – Impact Assessment (overall)
- Appendix 3: Council Tax Bands 2022/23
- Appendix 4: Updated Investment Strategy to 2024/25
- Appendix 5: Capital Strategy Report (Prudential indicators, Investment Strategy and Minimum Revenue Provision) 2022/23
- Appendix 6: Section 25 Local Government Act 2003 – Section 151 Officer Statement

Background papers

24/02/21	Council	Strategic Plan 2021-2024
24/02/21	Council	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22
15/6/21	Executive	Revenue and Capital Budget – Year-End Projected Outturn 2020/21
13/7/21	Executive	Middlesbrough Council Long-Term Financial Sustainability
5/8/21	Corporate Affairs and Audit Committee	Middlesbrough Council Long-Term Financial Sustainability
7/9/21	Executive	Revenue and Capital Budget – Projected Outturn position as at Quarter One 2021/22
20/10/21	Council	Flexible Use of Capital Receipts Strategy
9/11/21	Executive	Revenue and Capital Budget – Projected Outturn position as at Quarter Two 2021/22
9/11/21	Executive	Medium Term Financial Plan Update
24/11/21	Council	Medium Term Financial Plan Update
14/2/22	Executive	Revenue and Capital Budget – Projected Outturn position as at Quarter Three 2021/22

Contact: Andrew Humble, Head of Financial Planning & Support

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REVENUE BUDGET 2022/23

Appendix 1

	2021/22		2022/23	
	£'Million	£'Million	£'Million	£'Million
Net Service Expenditure				
Regeneration & Culture	3.175		3.474	
Environment & Community Services	18.955		19.358	
Public Health	(2.230)		(2.827)	
Education & Partnerships	2.291		0.989	
Children's Care	36.862		38.298	
Adult Social Care	40.988		43.281	
Legal & Governance Services	8.042		9.604	
Finance	0.320	108.403	0.200	112.377
Levies				
Environment Agency	0.114		0.117	
River Tees Port Health Authority	0.017	0.131	0.018	0.135
Central Provisions & Budgets				
Covid-19 Expenditure Central Budget 2021/22	5.310		0.000	
Covid-19 Grant Income Held Centrally	(6.174)		(0.864)	
Covid-19 Local Tax Income Guarantee Grant	(0.369)		0.000	
Provisions for Pay & Prices and Contingencies	7.916		11.308	
Social Care Grant Income Held Centrally	(6.339)		(8.543)	
Local Tier Services Grant Held Centrally	(0.285)		(0.300)	
Change Fund	0.230		0.230	
Net Capital Financing Costs	9.517		10.466	
Added Years Pensions	1.266		1.266	
Apprentice Levy	0.275		0.274	
Section 31 NNDR Grant	(4.151)		(8.958)	
Designated Authority Costs	0.040		0.040	
Custodian Properties	0.008	7.244	0.008	4.927
Net Spending		115.778		117.439
Contribution (from) / to Reserves & Provisions		0.695		0.858
Net Revenue Budget		116.473		118.297
Parish Precepts				
Nunthorpe		0.009		0.020
Stainton & Thornton		0.010		0.012
Net Revenue Budget (inc. Precepts)		116.492		118.329
Funded by:				
Revenue Support Grant		12.221		12.598
Top up Payment		27.299		27.299
Retained Business Rates		17.593		15.468
Council Tax		60.611		63.783
Collection Fund Balance		(1.232)		(0.819)
		116.492		118.329

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Appendix 2: Overall Budget Impact Assessment 2022/23

Subject of assessment:	Middlesbrough Council Budget 2022/23			
Coverage:	Crosscutting			
This is a decision relating to:	<input type="checkbox"/> Strategy	<input type="checkbox"/> Policy	<input checked="" type="checkbox"/> Service	<input type="checkbox"/> Function
	<input type="checkbox"/> Process/procedure	<input type="checkbox"/> Programme	<input type="checkbox"/> Project	<input checked="" type="checkbox"/> Review
	<input checked="" type="checkbox"/> Organisational change	<input checked="" type="checkbox"/> Other (please state) Budget		
It is a:	New approach:	<input type="checkbox"/>	Revision of an existing approach:	<input checked="" type="checkbox"/>
It is driven by:	Legislation:	<input checked="" type="checkbox"/>	Local or corporate requirements:	<input checked="" type="checkbox"/>
Description:	<p>Key aims, objectives and activities</p> <p>By law, the Council has to agree a balanced budget annually. The purpose of this Impact Assessment is to assess the cumulative impact of the 2022/23 budget proposals. The Public Sector Equality Duty (PSED) places a statutory duty on the Council to ensure that identified where decisions would impact disproportionately adversely on groups that share a protected characteristic under UK law. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. To ensure compliance with the PSED the Council has to identify what the impact of proposals will be. Where there is a risk that they will have a disproportionate adverse impact, consideration must be given to steps needed to avoid or mitigate that impact. Mitigation will include steps to take account of the different needs of groups and may result in adjustments to meet their needs. Where decisions cannot be fully mitigated or avoided, they must be justified. The proposals for the 2022/23 budget have been developed which protect frontline services and the town's most vulnerable groups as far as possible. No proposed savings were identified.</p> <p>As no additional budget savings were proposed for 2022/23, the budget consultation was therefore only regarding the proposed budget and Council Tax increase for 2022/23.</p>			

	<p>A general consultation email address was launched along with a consultation section on the Council’s website, and a social media campaign to encourage engagement in the consultation which covered both the proposed budget increase and sought views of residents on the annual let’s talk survey.</p> <p>This resulted in receipt 488 responses through the online consultation survey. In relation to impacts on those with protected characteristics as described previously, there were no concerns that the proposed approach to result in a disproportionate adverse impact on groups or individuals.</p> <p>Statutory drivers (set out exact reference) A number of statutory duties, guidance, legislation and regulations are relevant to this proposal which will be considered, these include but are not limited to:</p> <ul style="list-style-type: none"> • Budget setting - Local Government Act 1972 • Impact Assessment process – Equality Act 2010. <p>Differences from any previous approach The budget sets out a range of changes to services and functions as a result of financial pressures on the Council. These are outlined in the main body of the report.</p> <p>Key stakeholders and intended beneficiaries (internal and external) All residents of Middlesbrough and customers of MBC. Some proposals also impact on staff.</p> <p>Intended outcomes. To present a budget to Council that has given full consideration to the impact of proposals and gives proper consideration to the Council's equality duties.</p>
Live date:	April 2022
Lifespan:	April 2022 – March 2023
Date of next review:	March 2023

Assessment issue	Impacts identified					Rationale and supporting evidence
	None	Positive	Negative		Uncertain	
			Justified	Mitigated		
Human Rights						
Engagement with Convention Rights (as set out in section 1, appendix 2 of the Impact Assessment Policy).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>None of the proposals were identified as having an adverse impact on human rights as a result of the proposed budget.</p> <p>Evidence used to assess the impact includes analysis of the proposals and feedback from the consultation exercise.</p>
Equality						
Age	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>None of the proposals were identified as having an adverse impact on any of the protected characteristics as a result of the proposed budget.</p> <p>Evidence used to assess the impact includes analysis of the proposals and feedback from the consultation exercise.</p>
Disability	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Gender reassignment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pregnancy / maternity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Race	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Religion or belief	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sex	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sexual Orientation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Marriage / civil partnership**	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Dependants / caring responsibilities**	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Criminal record / offending past**	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

** Indicates this is not included within the single equality duty placed upon public authorities by the Equality Act. See guidance for further details.

Assessment issue	Impacts identified					Rationale and supporting evidence
	None	Positive	Negative		Uncertain	
			Justified	Mitigated		
Community cohesion						
Individual communities / neighbourhoods	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	None of the proposals were identified as having an adverse impact on community cohesion as a result of the proposed budget. Evidence used to assess the impact includes analysis of the proposals and feedback from the consultation exercise.
Relations between communities / neighbourhoods	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Further actions		Lead	Deadline
Mitigating actions	Not applicable		
Promotion	Not applicable		
Monitoring and evaluation	Overall monitoring of the impact will be embedded within performance management arrangements for 2022/23	Paul Stephens	May 2022

Assessment completed by:	Ann-Marie Johnstone	Head of Service:	Paul Stephens
Date:	24 January 2022	Date:	25 January 2022

**Middlesbrough Council
Council Tax Bands 2022/23**

Table 1				
Middlesbrough Council tax bands excluding Police & Fire Precepts				
Band	Proportion	Areas without Parishes £	Nunthorpe £	Stainton & Thornton £
A	6/9	1,206.45	1,212.73	1,212.65
B	7/9	1,407.52	1,414.86	1,414.76
C	8/9	1,608.60	1,616.98	1,616.87
D	1	1,809.67	1,819.10	1,818.98
E	11/9	2,211.82	2,223.34	2,223.20
F	13/9	2,613.97	2,627.59	2,627.42
G	15/9	3,016.12	3,031.83	3,031.63
H	18/9	3,619.34	3,638.20	3,637.96

Table 2	
Cleveland Fire Authority	
Band	Tax £
A	54.57
B	63.67
C	72.76
D	81.86
E	100.05
F	118.24
G	136.43
H	163.72

subject to formal approval

Table 3	
Cleveland Police & Crime Commissioner	
Band	Tax £
A	183.82
B	214.46
C	245.09
D	275.73
E	337.00
F	398.28
G	459.55
H	551.46

Table 4			
Middlesbrough Council tax bands including Police & Fire Precepts			
Band	Areas without Parishes £	Nunthorpe £	Stainton & Thornton £
A	1,444.84	1,451.12	1,451.04
B	1,685.65	1,692.99	1,692.89
C	1,926.45	1,934.83	1,934.72
D	2,167.26	2,176.69	2,176.57
E	2,648.87	2,660.39	2,660.25
F	3,130.49	3,144.11	3,143.94
G	3,612.10	3,627.81	3,627.61
H	4,334.52	4,353.38	4,353.14

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Appendix 4 : Updated Investment Strategy To 2024/25

Highlighted cells indicate new investment

	Total Funding Required				
	2021/22	2022/23	2023/24	2024/25	TOTAL
	£'000	£'000	£'000	£'000	£'000
Regeneration and Culture					
Town Centre Related Projects	1,271	1,437	204	-	2,912
Middlehaven Related Projects	65	500	-	-	565
Housing Growth	391	3,277	-	-	3,668
BOHO X	7,824	16,011	-	-	23,835
BOHO 8	34	-	-	-	34
Brownfield Housing Fund	1,709	5,583	630	-	7,922
Towns Fund	2,051	19,540	309	-	21,900
Future High Streets Fund	1,590	12,580	-	-	14,170
Acquisition of Town Centre Properties	12,806	3,200	-	-	16,006
New Civic Centre Campus	1,500	5,513	-	-	7,013
Middlesbrough Development Company	5,666	18,639	-	-	24,305
Teesside Advanced Manufacturing Park	855	-	-	-	855
Local Authority Delivery 2 Green Homes Grant	791	300	-	-	1,091
Capitalisation Of Major Schemes Salaries	530	530	530	530	2,120
Capitalisation of Planning Services Surveys	40	40	40	40	160
Affordable Housing Via Section 106	-	1,339	-	-	1,339
Highways Infrastructure Development Section 106	-	2,010	-	-	2,010
The Big Screen	10	-	-	-	10
A66 Throughabout	4	-	-	-	4
Mandale Interchange	62	-	-	-	62
Linthorpe Road Cycleway	496	1,498	-	-	1,994
Replacement of Ticket Machines	-	189	-	-	189
LED Street Lighting Upgrade (Phase 2)	69	-	-	-	69
Members Small Schemes	38	-	-	-	38
Grove Hill Joint Venture Projects	14	-	-	-	14
Gresham Projects	24	-	-	-	24
North Ormesby Housing Joint Venture - Section 106 funded	355	-	-	-	355
Empty Homes 2015 To 2018	281	-	-	-	281
Local Transport Plan	1,320	537	-	-	1,857
Town Hall Venue Development	59	-	-	-	59
Cultural Transformation	13	-	-	-	13
Theatre Winches / Lifts	18	19	-	-	37
Dorman Museum	17	-	-	-	17
Contribution To Public Arts Projects	17	-	-	-	17
Public Art Work	35	-	-	-	35
Leisure Trust Investment - Equipment	75	-	-	-	75
Stewart Park Section 106	-	45	-	-	45
Investment In Parks	100	-	-	-	100
Teessaurus Park	160	90	-	-	250
Archives Relocation	382	-	-	-	382
Total Regeneration and Culture	40,672	92,877	1,713	570	135,832

Council Funding	External Funding
£'000	£'000
2,035	877
565	-
3,668	-
1,362	22,473
-	34
-	7,922
-	21,900
-	14,170
16,006	-
7,013	-
18,808	5,497
855	-
-	1,091
2,120	-
160	-
830	509
-	2,010
10	-
-	4
-	62
-	1,994
189	-
69	-
25	13
-	14
24	-
-	355
-	281
-	1,857
59	-
13	-
37	-
17	-
17	-
35	-
75	-
-	45
100	-
250	-
95	287
-	-
54,437	81,395

	Total Funding Required				
	2021/22	2022/23	2023/24	2024/25	TOTAL
	£'000	£'000	£'000	£'000	£'000
Environment and Community Services					
Purchase of New Vehicles	1,272	658	1,200	1,200	4,330
Capitalisation of Wheeled Bin Replacement	100	100	100	100	400
Capitalisation of Street Furniture/Dog Fouling & Litter Bins	55	55	55	55	220
Capitalisation of Highways Maintenance	575	575	575	575	2,300
Property Services Building Investment	340	340	340	340	1,360
Parks Improvement	83	-	-	-	83
Local Transport Plan - Highways Maintenance	3,019	428	-	-	3,447
Street Lighting-Maintenance	236	877	468	468	2,049
Urban Traffic Management Control	141	150	-	-	291
Flood Prevention	11	-	-	-	11
Members Small Schemes	79	120	60	60	319
Property Asset Investment Strategy	967	591	1,200	1,200	3,958
Nunthorpe Sports Facilities	34	66	-	-	100
East Middlesbrough Community Hub	200	651	-	-	851
Section 106 Ormesby Beck	15	-	-	-	15
Section 106 Cypress Road	20	-	-	-	20
Hostile Vehicle Mitigation	339	35	-	-	374
Transporter Bridge	251	-	-	-	251
Bridges & Structures (non Local Transport Plan)	452	1,574	-	-	2,026
Henry Street	42	-	-	-	42
CCTV	50	-	-	-	50
Captain Cook Public House	538	-	-	-	538
Outer Area Shopping Centres	40	-	-	-	40
Lighting up the Town	200	-	-	-	200
Built Asset Capital Investment - Town Hall Roof	-	1,000	1,000	1,000	3,000
Built Asset Capital Investment -Municipal Buildings Refurbishment	-	1,500	-	-	1,500
Built Asset Capital Investment -Resolution House	-	609	-	-	609
Built Asset Capital Investment -Central Library WC	-	87	-	-	87
Total Environment and Community Services	9,059	9,416	4,998	4,998	28,471

Council Funding	External Funding
£'000	£'000
4,330	-
400	-
220	-
2,300	-
1,360	-
83	-
-	3,447
2,049	-
-	291
-	11
319	-
3,957	1
-	100
851	-
-	15
-	20
374	-
126	125
2,026	-
-	42
50	-
538	-
40	-
200	-
3,000	-
1,500	-
609	-
87	-
24,419	4,052

	Total Funding Required				
	2021/22	2022/23	2023/24	2024/25	TOTAL
	£'000	£'000	£'000	£'000	£'000
Public Health					
Health & Wellbeing Hub	-	756	-	-	756
Total Public Health	-	756	-	-	756

Council Funding	External Funding
£'000	£'000
679	77
679	77

	Total Funding Required				
	2021/22	2022/23	2023/24	2024/25	TOTAL
	£'000	£'000	£'000	£'000	£'000
Education and Partnerships					
Block Budget (Grant) Devolved Formula Capital - Various Schools	157	-	-	-	157

Council Funding	External Funding
£'000	£'000
-	157

Block Budget (Grant) S106 Avant Low Gill	-	35	-	-	35
Block Budget (Grant) School Condition Allocation	-	3	-	-	3
Block Budget (Grant) Basic Needs	-	5,883	1,645	-	7,528
Block Budget (Grant) High Needs Provision Capital Allocation (HNPCA)	262	760	-	-	1,022
Schemes in Maintained Primary Schools	1,448	749	131	-	2,328
Schemes in Primary Academies	162	234	399	-	795
Schemes in Secondary Academies	321	1,658	414	-	2,393
Schemes in Special Schools	473	370	-	-	843
Capitalisation of Salary Costs	104	106	-	-	210
Contribution to New School at Middlehaven	-	1,700	-	-	1,700
Block Budget (Grant) EFA Early Years 2 Year olds Entitlement (Trajectory Project)	7	-	-	-	7
Total Education and Partnerships	2,934	11,498	2,589	-	17,021

-	35
-	3
-	7,528
-	1,022
534	1,794
-	795
-	2,393
104	739
-	210
700	1,000
-	7
1,338	15,683

	Total Funding Required				
	2021/22	2022/23	2023/24	2024/25	TOTAL
	£'000	£'000	£'000	£'000	£'000
Children's Care					
Edge Of Care Project (Hub)	35	-	-	-	35
Rosecroft Renovations	150	20	-	-	170
34 Marton Avenue, Fir Tree - Garage Conversion	249	25	-	-	274
Contact Centre - Bus Station Unit 1	234	93	-	-	327
Willow Tree - Bathroom Refurbishment	22	-	-	-	22
Holly Lodge Sensory Room	38	-	-	-	38
Total Children's Care	728	138	-	-	866

Council Funding	External Funding
£'000	£'000
35	-
170	-
274	-
327	-
22	-
-	38
828	38

	Total Funding Required				
	2021/22	2022/23	2023/24	2024/25	TOTAL
	£'000	£'000	£'000	£'000	£'000
Adult Social Care and Health Integration					
Chronically Sick & Disabled Persons Act - All schemes	666	776	610	610	2,662
Disabled Facilities Grant - All schemes	2,158	1,260	-	-	3,418
Capitalisation of Staying Put Salaries	50	50	50	50	200
Home Loans Partnership (formerly 5 Lamps)	30	49	-	-	79
Small Schemes	31	97	-	-	128
Connect / Telecare IP Digital Switchover	98	40	-	-	138
Total Adult Social Care and Health Integration	3,033	2,272	660	660	6,625

Council Funding	External Funding
£'000	£'000
2,602	60
4	3,414
200	-
-	79
-	128
138	-
2,944	3,681

	Total Funding Required				
	2021/22	2022/23	2023/24	2024/25	TOTAL
	£'000	£'000	£'000	£'000	£'000
Legal and Governance Services					
Desktop Strategy / Device Refresh	346	-	-	-	346
Enterprise Agreements	819	121	-	-	940
Customer Relationship Manager	47	49	-	-	96
IT Refresh - Network Refresh	239	-	-	-	239
IT Refresh - Lights On	320	-	-	-	320
IT Refresh - LCS Development Capture	-	25	-	-	25
IT Refresh - Business Intelligence	3	-	-	-	3
ICT Essential Refresh & Licensing	368	3,137	2,185	2,185	7,875
ICT Innovation Budget	12	148	-	-	160
GIS Replacement	36	93	-	-	129
Prevention & Partnership Tablets	70	-	-	-	70
HR Pay	37	-	-	-	37
Total Legal and Governance Services	2,297	3,573	2,185	2,185	10,240

Council Funding	External Funding
£'000	£'000
346	-
940	-
96	-
239	-
320	-
25	-
3	-
7,875	-
160	-
129	-
70	-
37	-
10,240	-

	Total Funding Required				
	2021/22	2022/23	2023/24	2024/25	TOTAL
	£'000	£'000	£'000	£'000	£'000
Finance					
Former Partnership Investment (ICT Infrastructure Revenues & Benefits)	177	220	-	-	397
Business World Upgrade	10	25	-	-	35
Derisking Sites	116	200	1,355	900	2,571
Town Centre Accommodation Strategy	-	-	-	-	-
Capitalisation of Property Finance Lease Arrangements	-	3,500	500	500	4,500
White Feather Project North Ormesby	9	-	-	-	9
Total Finance	312	3,945	1,855	1,400	7,512

Council Funding	External Funding
£'000	£'000
397	-
35	-
2,571	-
-	-
4,500	-
9	-
7,512	-

	Total Funding Required				
	2021/22	2022/23	2023/24	2024/25	TOTAL
	£'000	£'000	£'000	£'000	£'000
ALL DIRECTORATES					
Total ALL DIRECTORATES	59,035	124,475	14,000	9,813	207,323

Council Funding	External Funding
£'000	£'000
102,397	104,926

	Total Funding				
	2021/22	2022/23	2023/24	2024/25	TOTAL
	£'000	£'000	£'000	£'000	£'000
FUNDED BY:					
Borrowing	16,872	40,335	4,083	-	61,290
Finance Leases	-	3,500	500	500	4,500
Capital Receipts	14,616	6,072	5,840	9,313	35,841
Grants	24,178	68,158	3,178	-	95,514
Contributions	2,827	6,186	399	-	9,412
Revenue Resources	542	224	-	-	766
Total FUNDING	59,035	124,475	14,000	9,813	207,323

Council Funding	External Funding
£'000	£'000
61,290	-
4,500	-
35,841	-
-	95,514
-	9,412
766	-
102,397	104,926

CAPITAL STRATEGY REPORT 2022/23

Introduction

The Capital Strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activities contribute to the provision of local public services at the Council. In addition, it also gives an overview of how the associated risks are managed and the implications for future financial sustainability.

The report is a requirement of the 2021 Code of Practice on Treasury Management, issued by the Chartered Institute of Public Finance & Accountancy, and has been produced in an accessible way to enhance members' understanding of these often-technical areas. It is a replacement for the prudential indicator and treasury management report included within previous budget setting reports prior to 2019/20, but gives a wider context on the capital financing processes used by the Council.

Capital Expenditure and Financing

Capital Expenditure is where the Council spends money on assets, such as property, IT and vehicles that will be used for more than one financial year. In local government, this also includes spending on assets owned by other bodies, finance leases and loans & grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £5,000 are generally not capitalised.

- For details of the Council's policy on the capitalisation of assets, see the accounting policies section of the annual statement of accounts on the Council's website (www.middlesbrough.gov.uk).

In the 2022/23 financial year, the Council is planning a total capital expenditure of £124.475m as summarised below. See the Investment Strategy for further details:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000
	Actual	Estimate	Estimate	Estimate	Estimate
Total Capital Expenditure – Investment Strategy	42.078	59.035	120.975	13.500	9.313
Total Capital Expenditure – Finance Leases	0.000	0.000	3.500	0.500	0.500
Total Capital Expenditure	42.078	59.035	124.475	14.000	9.813

Governance: Service managers generally bid during the previous financial year to include projects in the Council's forward capital programme. Bids are collated by the Council's finance team who calculate the financing costs of each project (which can be nil if the project is fully externally financed). The Council's Management Team (LMT) appraises all bids based on a comparison of service priorities against financing costs and then makes recommendations to Members for which schemes progress against the capital resources available. The final capital programme to support the Medium Term Financial Plan is then presented to Executive and Council in late February each year for approval.

All capital expenditure has to be financed, from either external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and private finance initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
External sources	17.470	27.005	74.344	3.577	-
Own resources	6.380	15.158	6.296	5.840	9.313
Debt	18.228	16.872	43.835	4.583	0.500
TOTAL	42.078	59.035	124.475	14.000	9.813

Any external debt (loans and leases) must be repaid over time by other sources of finance. This comes from the revenue budget in the form of Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace/repay debt finance. The Council generally uses capital receipts to finance new capital expenditure rather than to redeem debt. The total cost of MRP included in the Council's revenue budget is as follows:

Table 3: Minimum Revenue Provision in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Cost to Revenue Budget	4.743	4.892	5.417	6.485	6.695

- The Council's minimum revenue provision policy for 2022/23 is available towards the end of this report.

The Council's cumulative amount of debt finance still outstanding is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure each year and then reduces with minimum revenue provision and capital receipts used to redeem debt.

The CFR is expected to increase by £38.1m or 14.7% during the 2022/23 financial year. This increase is due to the new capital expenditure funded by external debt of £43.8m less the MRP set aside of £5.4m, plus other minor income changes in commercially funded investments.

Based on the above plans for expenditure and financing, the Council's estimated CFR for the period of the Medium Term Financial Plan is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget	
TOTAL CFR	245.966	257.747	295.865	293.463	286.768	

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or be used to repay debt. Repayments of capital grants, loans and investments also generate capital receipts.

The Council plans to receive £6.1m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
TOTAL	6.374	14.616	6.072	5.840	9.313

- The level of capital receipts for each financial year is monitored between Regeneration, Accountancy and the Valuation & Estates teams, and any significant changes are reported to Executive as part of the Quarterly budget monitoring updates.
- The Council has recently adopted the Flexible Use of Capital Receipts Strategy where these proceeds can be used for funding service transformation costs that would otherwise be classed as revenue expenditure. This is mainly to fund the current year's children services overspend in 2021/22 and would be a device to protect reserves if required.
- The current government policy on flexible capital receipts for local authorities is formally due to end on 31st March 2022, but indications are that it will be extended. If the policy is formally extended into 2022/23, the Council will consider the merits of using this again in the new financial year.

Treasury Management

Treasury Management is concerned with keeping sufficient but not excessive cash resources, available to meet the Council's spending needs, while managing the risks involved in these investments. Surplus cash is invested until required, whilst a shortage of cash will be financed by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

The Council is typically cash rich in the short-term as revenue income is received and before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. Revenue cash surpluses are therefore offset against capital cash shortfalls to reduce the overall borrowing amount required, as part of an integrated strategy on Treasury Management. This is in line with best practice.

The Council at the end of January 2022 had £210.2m of borrowing at an average interest rate of 3.6% and £40.6m of treasury investments at an average rate of around 0.1%.

Both investment and borrowing rates available to the Council have been at historic lows due to ongoing government policy plus also the impact of the current coronavirus pandemic. Interest rates though have started to rise from December 2021 but in a stepped approach. It is thought that this will not have a significant impact on medium to long term interest rates.

Borrowing strategy: The Council's main objectives when borrowing are to achieve a low but certain cost of finance for long-term capital projects whilst retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between using cheap short-term loans (currently available at variable rates between 0.4% & 0.8%) and long-term fixed rate loans where the future cost is known but interest costs are higher (currently between 1.27% to 2.5%). In recent years, the Council has also been in negotiation with funders around lease arrangements as an alternative method of securing external finance for its capital projects.

Projected levels of the Council's total outstanding debt (which comprises borrowing and relevant finance leases) are shown below, compared with its capital-financing requirement (need to borrow).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
External Debt	218.756	213.967	268.350	261.622	253.272
Capital Financing Requirement	245.966	257.747	295.865	293.463	286.768

Statutory guidance is that debt should remain below the capital-financing requirement, except in the short-term where the benefits of short-term borrowing

may be taken. As can be seen from Table 6, the Council expects to comply with this in the medium term with debt being lower than the capital-financing requirement in all relevant financial years. There may be some opportunity to take more capital funding than is needed whilst interest rates are at low levels. Discussions are ongoing with our treasury advisers on this position and what approach the Council should take.

Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt levels start to approach the legal limit and is a more realistic rather than worst-case view of what will happen during the financial year. Any need to change these during the 2022/23 financial year from the original budget assumptions will be reported by the Director of Finance to the Executive at the earliest opportunity.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2021/22 limit	2022/23 limit	2023/24 limit	2024/25 limit
Authorised Limit (OB + £30m)	315.000	356.000	353.000	347.000
Operational Boundary (CFR + £30m)	285.000	326.000	323.000	317.000

Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council’s policy on treasury investments is to prioritise security and liquidity over yield, which focuses on minimising risk rather than maximising returns. Cash that is likely to be spent in the short term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss.

Table 8: Treasury management investments in £millions

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
Short-term investments	24.810	23.856	15.630	15.000	15.000
Longer-term investments	0.000	0.000	0.000	0.000	0.000
TOTAL	24.810	23.856	15.630	15.000	15.000

Governance: Decisions on treasury management in relation to investment and borrowing are made daily and are therefore delegated by the Director of Finance to the Head of Finance & Investments and staff within the central finance team, who act in line with the treasury management strategy approved by Council. Quarterly updates on debt & investments activity are reported to Executive as part of the regular budget monitoring process.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to the revenue budget, offset by any investment income received. The net annual charge is reported as capital financing costs; this is compared to the net revenue stream i.e. the amount funded from council tax, business rates and general government grants. This is an important indicator around the affordability of the Council's capital plans going forwards.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2020/21 actual	2021/22 forecast	2022/23 forecast	2023/24 forecast	2024/25 forecast
Financing costs (£m)	9.955	9.599	10.489	11.159	11.216
Net Revenue Budget (£m)	116.397	116.492	118.329	124.541	127.686
Proportion of net revenue stream	8.6%	8.2%	8.9%	9.0%	8.8%

Sustainability: Due to the very long-term nature of capital expenditure and its financing, the revenue budget implications of this expenditure incurred in the next few years could extend for up to some 50 years into the future.

The figures in table above remain relatively stable at a time when debt levels for the Council are still increasing. Members should be aware that this is as a result of various capital investments in commercial property made by the Council over the last few years for regeneration purposes. This results in around £2.0m of income per year being credited to the capital financing budget by the end of the 2024/25 financial year. It is imperative and a key budget risk that these rental levels are maintained and the income assumed in the estimates above are generated. Progress will be reported as part of future budget monitoring and performance reports each quarter to Executive. The forecasts above may also differ slightly from the total included in the revenue budget for 2022/23 due to timing.

The Director of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable because appropriate resources have been allocated from the Council's medium term financial plan, any finance leases have been appropriately vetted and any borrowing plans have been fully costed and reviewed.

Table 10 – Total Borrowing required for each year of the MTFP

	2021/22 £000 Estimate	2022/23 £000 <i>Estimate</i>	2023/24 £000 Estimate	2024/25 £000 Estimate
Investment Strategy	15,000	60,000	10,000	0
Finance Leases	0	3,500	500	500
Debt Restructuring	0	0	0	0
Total	15,000	63,500	10,500	500

This takes into account any debt needed by the Council to either finance the capital programme, in respect of leasing arrangements, or to finance any debt restructuring required.

Current interest rates at present mean that this is not possible for the next three financial years and therefore no amounts have been factored into the borrowing plans of the Council for this. If this situation changes, this will be reported to Executive at the earliest opportunity.

The prudential indicators & limits set out in this report are consistent with the Council's current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices.

The Director of Finance confirms that these are based on estimates of the most likely and prudent scenarios, with in addition sufficient headroom over and above this to allow for operational management and some scope for flexibility. For example unusual cash movements or any unbudgeted capital expenditure required. Risk analysis and management strategies have been taken into account; as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.

Prudence – Treasury Management Indicators

It is recommended that the Council sets an upper limit on its fixed interest rate exposures for 2022/23, 2023/24 and 2024/25 of 100% of its estimated total borrowing undertaken.

It is further recommended that the Council sets an upper limit on its variable interest rate exposures for 2022/23, 2023/24 and 2024/25 of 25% of its estimated total borrowing undertaken.

This means that the Director of Finance will manage fixed interest rate exposures on total debt within the range 75% to 100% and variable interest rate exposures on total debt within the range 0% to 25%.

It is also recommended that the Council sets upper and lower limits for the maturity structure (when the debt needs to be repaid) of its total borrowing as follows.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate at the start of the period:

	<u>Upper limit</u>	<u>Lower limit</u>
under 12 months	50%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	90%	20%

Currently investments are limited to a maximum of 3 years, with any deals being arranged so that the maturity will be no more than 3 years and one month after the date the deal is arranged.

The maximum % of the total of all investments that have an outstanding period of one year or longer, at the time the investment is made, is 10%.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Head of Finance and Investments has in excess of 20 years' experience in local government treasury management. There is similar experience within the finance teams in relation to budgeting & accounting for capital expenditure and financing. The Council also pays junior staff to study towards relevant professional qualifications including CIPFA, CIMA, ACCA, AAT and other relevant vocational studies.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

- Further details on staff training and the policy on the use of external advisers can be seen with reference to its Treasury Management Practices document which is on the Council's website.

Treasury Management Practices

Further details of how the treasury management function operates, the procedures used to manage banking, treasury and capital market transactions, how risk is managed by the in-house team and how this fits with the CIPFA Code of Practice is included in the Council's set of Treasury Management Practices. This document is available to Members for further information on request.

ANNUAL INVESTMENT STRATEGY & TREASURY

MANAGEMENT POLICY STATEMENT 2022/23

1. In accordance with revised guidance from the Ministry of Housing, Communities and Local Government (MHCLG) a local authority must prepare and publish an Annual Investment Strategy which must be approved by full Council before the start of the financial year to which it relates.
2. The MHCLG guidance offers councils greater freedom in the way in which they invest monies, providing that prior approval is received from Members by approving the Annual Investment Strategy. The guidance also considers the wider implications of investments made for non-financial returns and how these can be evaluated.
3. The Local Government Act 2003, which also introduced the Prudential Code, requires that a local authority must have regard to such guidance as the Secretary of State issues relating to prudent investment practice.
4. In addition the Chartered Institute of Public Finance & Accountancy (CIPFA) has published a revised Code of Practice for Treasury Management in the Public Services in January 2022. This replaces the 2017 Code which had been adopted in full by Middlesbrough Council. The revised Code requires the Council to clearly state, in the Annual Investment Strategy document, its policy on effective control, and monitoring of its treasury management function. These controls are set out in Treasury Management Practices (TMP's) which have been approved as part of acceptance of the previous Code.
5. The revised Strategy, showing where the Guidance has determined Council policy, can be set out as:

ANNUAL INVESTMENT STRATEGY 2022/23

6. Middlesbrough Council will create and maintain as the cornerstones for effective treasury management:
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
 - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

7. The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.
8. Middlesbrough Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy in advance of the year, a mid-year review which will include an annual report on the previous year, in the form prescribed in its TMP's. Revised Strategies can be presented to the Council for approval at any other time during the year if the Director of Finance considers that significant changes to the risk assessment of significant parts of the authority's investments has occurred.
9. Middlesbrough Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Director of Finance. The execution and administration of treasury management decisions is further delegated to *the Head of Finance & Investments*, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's *Standard of Professional Practice on Treasury Management*.
10. Middlesbrough Council nominates the Corporate Affairs & Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
11. The Council is very circumspect in its use of credit rating agencies with the section on Specified Investments setting out the current policy. Ratings are monitored on a real time basis as and when information is received from either our treasury management consultants or any other recognised source. Decisions regarding inclusion on the Approved List are made on the basis of market intelligence drawn from a number of sources.
12. All staff involved in treasury management will, under the supervision of *the Head of Finance & Investments*, act in accordance with the treasury management practices and procedures, as defined by the Council. Such staff will undertake relevant training, identified during the Council's induction process and, on an on-going basis, the Council's appraisal policy.
13. The general policy objective contained in the guidance is that local authorities should invest prudently the short-term cash surpluses held on behalf of their communities. The guidance emphasises that priority should be given to security and liquidity rather than yield. Within that framework the authority must determine a category of borrowers, who must be of "high credit quality" classified as **Specified Investments**, with whom it can invest surplus cash with minimal procedural formalities and further identify a category of borrowers classified as **Non-Specified Investments**, with whom it can also invest but subject to prescribed limits.

14. Although the guidance definition of Non-Specified Investments is "one not meeting the definition of a Specified Investment", the authority is required to identify which categories of investments are identified as prudent to use and the limits on any such investment either individually or in total. It is because some organisations do not subscribe to credit rating agencies that they have to be included as Non-Specified Investments, rather than any concern over their creditworthiness.
15. The guidance defines investment in such a way as to exclude pension fund and trust fund investments. In practice, Middlesbrough Council, in its role as Administering Authority for the Teesside Pension Fund, follows similar procedures as approved by Members as part of compliance with the CIPFA Code of Practice, albeit with different limits.

LIMITS & DEFINITION OF SPECIFIED INVESTMENTS

16. The following are currently determined as meeting the criteria for Specified Investments:
17. The investment is made with the UK Government, or a local authority (as defined in the Local Government Act 2003), or a police authority, or fire, or a UK Nationalised Industry, or UK Bank, or UK Building Society.
18. The investment is made with a Money Market Fund that, at the time the investment is made, has a rating of AAA.
19. The investment is made with one of the bodies listed in section 4 of Schedule 1E of the current version of the Treasury Management Practices document which, at the time the investment is made, has a short-term "investment grade" rating with either Standard & Poors, Moody's Investors Search Ltd or Fitch Ratings Ltd (or in the case of a subsidiary the parent has such a rating). Where ratings awarded differ between the rating agencies any one award below investment grade will prevent the investment being categorised as a Specified Investment. The rating of all listed bodies must be monitored on a monthly basis. Where officers become aware of a downward revision of rating, that moves the body out of the "investment grade" category, between such monthly checks, the body should be removed from the list of Specified Investments and, if considered appropriate, the investment should be recalled.
20. All specified investments must be denominated in sterling and must be one where the authority may require it to be repaid or redeemed within 12 months of the date on which the investment is made and must be considered of high credit quality. This is defined as having met the criteria set out above. The investment must not constitute the acquisition of share capital or loan capital in any body corporate.

- The minimum % of the total of all investments which must be Specified Investments, at the time the investment is made, is 70%
- The maximum investment with any one counterparty is £15 million, except for the Debt Management Office which has no limit.
- The maximum investment in any one group (i.e. a bank and its wholly-owned subsidiaries) is £15m.

LIMITS & DEFINITION OF NON-SPECIFIED INVESTMENTS

21. These categories of investment currently meet the criteria for non-specified investments:
22. The investment is made with a UK bank, or UK building society, or a UK subsidiary of an overseas bank.
23. The investment is made with one of the bodies listed in section 4 of Schedule 1E of the current version of the Treasury Management Practices document, which is not a Specified Investment.
24. The investment is for a period of one year or longer.
25. All non-specified investments must be denominated in sterling. The investment must not constitute the acquisition of share capital or loan capital in any body corporate.

- The maximum % of the total of all investments which can be non-specified investments, at the time the investment is made, is 30%.
- The maximum investment with any one counterparty is £15 million
- The maximum investment in any one group (i.e. a bank and its wholly-owned subsidiaries) is £15m.
- The maximum % of the total of all investments that have an outstanding period of one year or longer, at the time the investment is made, is 10%.

26. The maximum period for which an investment can be made is 3 years, with the maturity date no more than 3 years and 1 month from the time the deal is agreed.
27. As referred to earlier in the report, borrowing should be kept at, or below, the expected capital-financing requirement over the medium term to reduce the risk of exposure to interest rate fluctuations. The balance of 'net borrowing' (loans

less investments) should also be monitored to, where prudent, minimise interest rate differences.

28. The Council considers that it is empowered by Section 12 of the Local Government Act 2003 for the temporary investment of funds borrowed for the purpose of expenditure in the reasonably near future. While not “borrowing to invest” it is prudent to invest monies raised in advance of expenditure. As required by the Guidance such investment is permitted providing the anticipated expenditure is within this or the next financial year or within a period of eighteen months, whichever is the greater.

TREASURY MANAGEMENT POLICY STATEMENT

29. Middlesbrough Council defines its treasury management activities as:
'The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'
30. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage those risks.
31. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
32. The high level policies and monitoring arrangements adopted by the Council for Borrowing and Investments are as follows:

Borrowing

- Any borrowing decisions will aim to strike an appropriate risk balance between securing low interest rates and achieving cost certainty over the periods for which funds are required. Economic forecasts available from our treasury management advisers and any other available sources will be used to form a view on the target borrowing rates and overall borrowing strategy;
- Any decisions should also look to maintain the stability and flexibility of the longer term debt portfolio, given the current low interest rate environment where short term borrowing or borrowing from internal resources offer revenue budget savings;
- The main sources of funding for external borrowing for the Council are the Public Works Loan Board, Other Local Authorities and private sector financial institutions;

Investments

- The CIPFA and MHCLG guidance require the Council to invest its funds prudently and to have regard to security, liquidity and yield when making these decisions;
- Security being the arrangements in place to protect principal sums invested by a local authority;

- Liquidity being to ensure that enough cash resources are available on a day to day basis for transactional needs;
- Yield being the interest rate and total financial return applicable to the investment being made;
- With these strategic issues in mind, the management of credit risk (or security) is key to the Council's investment strategy and any subsequent activity. The Council uses the external advisers' credit worthiness matrix to determine limits with individual counterparties.

MINIMUM REVENUE PROVISION POLICY 2022/23

INTRODUCTION

33. Local authorities are required each year to set aside some of their revenue income as provision for debt repayment. There is a simple duty for an authority each year to make an amount of revenue provision, which it considers “prudent”. (Minimum Revenue Provision) MRP Guidance makes recommendations to authorities on the interpretation of that term.
34. Authorities are legally obliged to “have regard” to any such guidance – which is exactly the same duty as applies to other statutory guidance including, for example, the CIPFA Prudential Code, the CIPFA Treasury Management Code and the CLG Guidance on Investments.
35. Authorities are asked to prepare an annual statement of their policy on making MRP and to have this approved by the body before the start of each financial year.

MEANING OF “PRUDENT PROVISION”

36. The main part to the guidance is concerned with the interpretation of the term “prudent provision”. The guidance proposes a number of options. It explains that provision for repayment of the borrowing, which financed the acquisition of an asset, should be made over a period bearing some relation to that over which the asset continues to provide a service or has economic benefit. It should also cover the gap between the Capital Financing Requirement and the various sources of capital income available to the Council to finance its capital programme, such as capital receipts, capital grants, contributions and direct revenue financing.

OPTIONS FOR PRUDENT PROVISION

Option 1: Regulatory Method

37. For debt supported by (Revenue Support Grant) RSG in previous years, authorities will be able to continue to use the formulae in regulations, since the RSG was provided on that basis.

Option 2: CFR Method

38. This is a technically simpler alternative to Option 1 and may also be used in relation to supported debt. While still based on the concept of the Capital Financing Requirement (CFR), which can be derived from the balance sheet, it avoids the complexities of the formulae in the regulations.

Option 3: Asset Life Method

39. For new borrowing under the Prudential system (from 2008) for which no government support is given, there are two main options. Option 3 is to make provision for debt repayment in **equal annual instalments** over the estimated life of the asset for which the borrowing is undertaken. This is a possibly simpler alternative to the use of depreciation accounting (Option 4), though it has some similarities to that approach.
40. The formula allows an authority to make **voluntary extra provision** in any financial year that this is affordable.
41. In the case of the construction of a new building or infrastructure, MRP would not need to be charged until the new asset comes into service. This "**MRP holiday**" would be perhaps 2 or 3 years in the case of major projects and could make them more affordable. There would be a similar effect in the case of Option 4 under normal depreciation rules.

Option 4: Depreciation Method

42. Alternatively, for new borrowing under the prudential framework for which no Government support is being given, Option 4 may be used. This means making MRP in accordance with the standard rules for depreciation accounting.
43. Councils will normally need to follow the standard procedures for calculating depreciation when making this revenue provision.

Option 5: 2% Annuity Method

44. This method recognises the time value of money and the useful life of the assets funded from borrowing and is seen as a fairer way of charging MRP. It is supported by the Council's treasury management advisers (Arlingclose) and is being adopted by many local authorities nationally as the way of accounting from pre 2008 debt.

**2022/2023 MINIMUM REVENUE PROVISION -
STATEMENT FOR MIDDLESBROUGH COUNCIL**

45. The Secretary of State recommends that before the start of each financial year a local authority prepares a statement of its policy on making MRP in respect of that financial year and submits it to the full council as part of its budget setting process. The statement should indicate which of the options listed above are to be followed in the financial year.
46. For supported capital expenditure Middlesbrough Council intends to use option 5, a 2% annuity basis for the coming financial year.
47. For unsupported capital expenditure Middlesbrough Council intends to use option 3, the asset life method for the coming financial year.

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SECTION 25 LOCAL GOVERNMENT ACT 2003 - SECTION 151 OFFICER'S STATEMENT ON THE ROBUSTNESS OF THE BUDGET AND ADEQUACY OF BALANCES –YEAR 2022/23

1. Section 25 of the Local Government Act 2003 requires that when a local authority is agreeing its annual budget and the Council Tax precept, the Chief Finance Officer (Section 151 Officer) must report to it on the following matters:
 - The robustness of the estimates made for the purposes of the Council Tax requirement calculations
 - The adequacy of the proposed financial reserves
 - The Council is required to have due regard to this report when making decisions on the budget.
2. In determining the opinion, the Section 151 Officer has considered the financial management arrangements and control frameworks that are in place, the underlying budget assumptions, the adequacy of the business planning process, the financial risks facing the Council and the level of reserves.
3. The external auditors gave an unqualified opinion on the accounts for the Council for 2019/20 (the latest set of audited accounts). This reflects the fact that the authority had proper and robust financial management and controls in place for that year. Further to this, the external auditors were satisfied that Middlesbrough Council had proper arrangements in place for securing financial resilience, going concern, and for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.
4. The Director of Finance has responsibility for ensuring that an effective system of internal control is in place and identify any areas for improvement where appropriate. The Corporate Affairs and Audit Committee receives regular updates on internal controls as well as the Annual Governance Statement, which clearly identifies the strength of the governance arrangements in place on an annual basis.
5. There is a rigorous system for budget monitoring and reporting, with Leadership Management Team, Executive and Overview and Scrutiny Board receiving regular reports throughout the financial year.
6. The Medium Term Financial Plan has been reviewed in full and updated for future years. It includes all known changes to funding levels as well as estimates for those funding streams for which we have not received confirmation.
7. All savings have been tested for deliverability and where adjustments have been required these have been made.
8. Financial risks have been quantified where appropriate and either provision has been made or mitigations have been identified. The key risks in the budget are mainly in relation to increasing inflation, uncertainty around the level of pay

awards, the continued potential for increased demand and costs in Children's and Adults Social Care, and the degree of uncertainty in the financial and economic climate for local government due to a number of factors. There are mitigation plans in place to manage these pressures.

9. The construction of the budget for 2022/23 and examination and validation of the budget proposals has been subject to challenge by the Council's Leadership Management Team.
10. It is the opinion of the Director of Finance that medium term uncertainty is the key risk to the Council's future finances, this is because of the lack of information on the impact of Local Government Finance Reform in 2023/24 and of Social Care Reform over the next decade. In the interests of prudent budget planning the Director of Finance considers that a Council Tax increase of 2.99% is key to ensuring that the Council will have sufficient funds to meet its obligations in the medium term should the impact of external factors be more negative than currently assumed.
11. The Local Government Finance Act 1992 requires a local authority to have due regard to the level of balances and reserves needs for meeting future estimates of future expenditure when calculating the Council Tax requirement.
12. Balances and reserves are held for three primary purposes:
 - working balances to help cushion the impact of uneven cash flows and to avoid unnecessary temporary borrowing;
 - general fund reserves to provide a contingency for the impact of unexpected events or emergencies; and
 - specific earmarked reserves to meet known or predicted liabilities.
13. As part of the budget setting process, the levels of balances and reserves have been reviewed to ensure that the level is appropriate in the context of local circumstances. The Section 151 Officer (Director of Finance) has reviewed the level in order to ensure a prudent level of balances that reflects a risk assessment commensurate with the level of risk that the Council faces and the context within which the authority operates. The level of the General Fund Reserve will be approved by Council alongside the level of Council Tax. Earmarked reserves are held to provide resources for specific, identified purposes.

MIDDLESBROUGH COUNCIL

Report of:	Councillor Mieka Smiles - Deputy Mayor and Executive Member for Children’s Services Rob Brown - Director of Education and Partnerships
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Submitted to:	Executive - 14 February 2022
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Subject:	Virtual School Peer Review
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Summary

Proposed decision(s)
That Executive receives and notes the outcomes of the Virtual School peer review and endorses the accompanying action plan.

Report for:	Key decision:	Confidential:	Is the report urgent? ¹
Information	No	Not applicable	No

Contribution to delivery of the 2021-24 Strategic Plan		
People	Place	Business
Provides the Council with an opportunity to reflect on the outcomes of the Virtual School peer review which will help shape the improvement journey and provide external evidence of impact for Ofsted and others. Note: This is not an inspection report.	Not applicable.	Not applicable.

Ward(s) affected
Not applicable.

¹ Remove for non-Executive reports

What is the purpose of this report?

1. The purpose of this report is to advise Executive that Children's Services has received the Virtual School peer review report from the National Association of Virtual School Heads (NAVSH). Children's Services would like Executive to note the findings of the Virtual School peer review report and endorse the accompanying action plan. This is not an inspection report however the learning still remains valuable and supports the broader improvement journey.
2. The Virtual School is composed of a small team of officers that sits within Children's Services as part of the Education and Partnerships Directorate. The team is managed by the Virtual School Head which is a statutory post within all Local Authorities. The purpose of the Virtual School is to champion and prioritise the educational provision for looked after children. This means that staff work in partnership with schools, carers, Social Care and a wide range of other stakeholders to ensure that looked after children receive the best and most appropriate education possible.

Why does this report require a Member decision?

3. Given that NAVSH peer reviews involve external consideration of the Council's processes and procedures with regard to the support offered to looked after children, it is appropriate that Executive endorsement is sought prior to the report being published.

Report Background

3. A system of peer review has been developed by the National Association of Virtual School Heads (NAVSH) to help Virtual Schools improve and develop. The Council is keen to regularly access such support to independently assess its position in relation to services provided to support children. The Peer Review of Middlesbrough VS took place on 21st and 22nd September 2021 and the final report was made available in October 2021.
4. As part of regular engagement with NAVSH, and in line with the Council's commitment to ensuring the sector-led improvement opportunities provided by NAVSH are used to their full potential, Children's Services commissioned NAVSH to undertake a peer review of the Virtual School. This was the first such review NAVSH has carried out in Middlesbrough.
5. NAVSH assessed the Council against four core themes:
 - How well does the Middlesbrough Virtual School and the Local Authority work with external partners, specifically schools, to improve outcomes for children in their care?
 - How effective is the PEP process and are the current monitoring systems effective?
 - What steps have been taken to ensure the Virtual School Head and the Virtual School champion all children with a social worker: How strong is partnership working between the Virtual School and Children's Social Care in Middlesbrough
 - Are the Virtual School's current arrangements for tracking, monitoring and supporting children who have been excluded, are without a school place or are on part-time tables effective in ensuring these children are accessing appropriate and quality education?

6. In line with the Council's commitment to transparent and honest engagement, the findings of the review will be published if approved and endorsed by Executive.

What decision(s) are being asked for?

7. That Executive receives and notes the outcomes of the Virtual School peer review and endorses the accompanying action plan.

Why is this being recommended?

8. The peer review allowed Children's Services to utilise the NAVSH resource and provided an opportunity to gather views from a range of experienced Virtual School Heads from Local Authorities in other parts of the country. The resulting report allows officers to reflect on the strengths of the current provision and helps identify areas for development. The areas for development can be considered within an improvement action plan, which will help guide Virtual School officers and provide a clear framework for monitoring their progress and holding them to account. This in turn will lead to an improved service and enhanced offer to schools and our looked after children.

Other potential decisions and why these have not been recommended

9. The Council could choose not to endorse the action plan. This option is not recommended because Children's Services is keen to build on the strengths of the Virtual School, and to encourage it to improve and develop alongside all aspects of the services we provide for children. Not endorsing the action plan may slow the speed of improvement or may prevent the Virtual School from deriving maximum benefit from the peer review process. This in turn may lead to a less effective service being provided for looked after children.

Impact(s) of recommended decision(s)

Legal

10. There are no legal implications arising from the recommendations in this report.

Financial

11. The cost of the review was £2500. This cost was borne by the Virtual School and no additional funding is sought.

Policy Framework

12. No impact on the Policy Framework.

Equality and Diversity

13. Not applicable.

Risk

14. Commissioning a peer review is not directly relevant to risk management, however findings may identify new risks or suggest some current risks should be reassessed if the

review finds that there is a disconnect between the Council's understanding or a risk and wider perceptions. No such disconnect was identified.

Actions to be taken to implement the decision(s)

- 15. The Peer Review report will be published on the Council's website and distributed to all schools and settings that have looked after children on roll.

Appendices

- 16. Appendix 1: VS Peer Review Action Plan
Appendix 2: VS Peer Review Report

Background papers

Body	Report title	Date
Not applicable		

Contact: Trevor Dunn
Email: trevor_dunn@middlesbrough.gov.uk

Appendix 1

Virtual School - Peer Review Action Plan



Overview

The Virtual School underwent a peer review in September 2022 carried out by the National Association of Virtual School Heads (NAVSH). The NAVSH national business process for peer challenge in Virtual Schools builds on LGA methodology and includes triangulation of findings.

There were four area of scope:

1. How well does the Middlesbrough Virtual School, as part of the wider Children's Services and the Local Authority work with external partners, specifically schools, to improve outcomes for children in their care?
2. How effective is the Personal Education Plan (PEP) process in supporting children's progress and do the quality assurance (QA) arrangements lead to continuous improvement?
3. What steps have been taken to ensure the Virtual School Head and the Virtual School champion all children with a social worker to fulfil the extended duties? How strong is partnership working between the Virtual School and Children's Social Care in Middlesbrough?
4. Are the Virtual School's current arrangements for tracking, monitoring and supporting children who have been excluded, are without a school place or are on part-time tables effective in ensuring these children are accessing appropriate and quality education?

Monitoring and Oversight

The actions within this plan will be tracked and monitored as set out below:

1. The Virtual School Head will meet monthly with the Head of Access to Education to review in detail all aspects of the plan and agree actions where changes or amendments are required due to changing circumstances.
2. Key performance indicators will be taken from the plan and added to the score cards that are presented monthly to the Director of Education and Partnerships (RB) and the Director of Children's Services (RF) in their respective performance clinics, allowing Directors oversight of the improvements as they develop.
3. The Virtual School Head will present a summary report of progress against the plan to the Virtual School Governing Body at its six weekly meetings, facilitating the appropriate governance, support and challenge.

Virtual School Peer Review Action Plan January 2022

How well does the Middlesbrough Virtual School, as part of the wider Children's Services and the Local Authority work with external partners, specifically schools, to improve outcomes for children in their care?					
Consideration	Action	By whom?	Due / RAG on track	Progress / RAG completion	Anticipated Impact
<p>Work with North East and national Virtual School Heads (VSHs) in collaboration with National Association of Virtual School Heads (NAVSH) to create a regional / national Child Looked After (CLA) dashboard.</p> <p>Note: Middlesbrough Virtual School started to develop a shared data dash board with Redcar & Cleveland Virtual School prior to the Peer Review. We plan to develop this work further.</p>	Share the Middlesbrough and Redcar & Cleveland (R&C) dashboard at North East Virtual School Heads (VSHs) meeting.	VB and JJ (R&C VSH)	Nov	Complete. 5 Local Authorities were keen to meet to progress a regional dash board.	<p>Sharing data locally and nationally will help the VS to bench mark performance and help identify common areas of concern. These can be addressed collectively, perhaps by sharing resources and achieving economies of scale. The result will be an improved service for children and better value for money.</p> <p>Evidence of impact will ultimately be a fall in exclusions and an increase in achievement.</p> <p>Exclusions to have fallen from an average of 15 children per month (autumn term '21) to 10 children per month (autumn term '22).</p>
	Arrange to meet with 5 local VSHs from neighbouring Authorities and Welfare Call Ltd.	VB and JJ (R&C VSH)	March 22	Date arranged (March 22).	
	Create joint dash board.	VB and JJ (R&C VSH)	June 22	Trial the dash board by March 22 Launch June 22	

Further consideration regarding the way data and the accompanying narrative can be more nuanced to evidence the effectiveness of the Virtual School (VS).	Create a head line data report that incorporates “churn”.	VSH	Oct 22	Monthly report produced and shared with Director (RB).	Senior leaders need data to inform strategic decision making. By improving the accuracy of data reporting better decisions making will result. A monthly report produced and shared with Director (RB).
	Complete case studies and incorporate them in the VSH annual report.	VSH	Oct 22	Complete	Case studies will help leaders and stakeholders to fully understand the effectiveness of the VS’s work, as well as helping to identify further possible improvements in the operating model. These improvements will support the overall aim of continuous improvement in the quality of service delivery. One case study to be presented at each Governing Body meeting.
	Strengthen case study narrative to provide a richer understanding of the impact for the child	VSH	March 22	New template design completed and will be used going forward.	
Hold schools to account for whole school outcomes for children	Create a school’s score card with: <ul style="list-style-type: none"> • Attendance data • Exclusion rates • Academic outcomes 	Virtual School (VS) Data Analyst	Dec 22	Complete	Professionally challenging schools to improve their performance is a key aspect of the VS’s work. Effective challenge is made possible

	For every school with Children Looked After (CLA) on roll.				when accurate, clear data is available.
	Present score card findings to schools and jointly plan the required improvements.	VSH and Head of Access to Education (A2E)	May 22	VSH to meet individually with Heads (or in Trust clusters) to review their score cards.	The score card process will encourage schools to carry out effective self-evaluation, and put in place bespoke strategies for improvement. In turn these will support improved outcomes and experiences for children. Each secondary school Head to be presented with their score card termly.
	Invite high performing schools to share best practice and support those who need to improve.	VSH and Head of A2E	June 22	VSH to support this peer support programme and facilitate as required. Progress to be reported to the Virtual School Governing Body and to the Governing Body of each participating school.	Sharing best practice is an effective and efficient way for schools to achieve rapid improvement. This model will support improvement in schools' performance in all aspects of their support for looked after children, including attendance, inclusion, progress and attainment. Two examples of shared best practice to be recorded each term.
VSH to attend Headteacher Forum meetings	Secure HT buy in for planned improvements.	VSH	From Feb 22	VSH to attend regularly as appropriate.	School Headteacher 'buy in' to the processes described in this plan is essential if they are to change their models of

					<p>operation and their buy in is more likely to be achieved if they have a strong professional relationship with the VSH and regard the VSH as having 'authority' with the LA.</p> <p>Evidence of impact will be found in closer working relationships leading to a fall in exclusions and an increase in achievement.</p> <p>Exclusions to have fallen from an average of 15 children per month (autumn term '21) to 10 children per month (autumn term '22).</p>
Reduce the reliance on the Virtual School	<p>Deliver Designated Teacher (DT) training to empower schools:</p> <p><u>Planned DT forum topics:</u> Supporting School Transition 23rd March 2022</p> <p>Supporting Early Years and Foundation Stage (EYFS) 11th May 2022</p>	Virtual School Deputy Head (VSDH)	May 22	<p>Completed to date: The Role of the Designated Teacher Sept 21 Child Centred Personal Education Plans (PEPs) and Personal Education Plan (PEP) quality assurance (QA). October 21 Adoption Tees Valley – Previously Looked After (PLAC) October 21</p>	<p>Providing a comprehensive training programme for teachers and school staff will give them the skills to put in place the changes necessary to make schools more supportive of the needs of looked after children.</p> <p>Impact will be evidenced by a fall in exclusions and an increase in achievement.</p> <p>Exclusions to have fallen from an average of 15 children per</p>

				Attendance and Exclusions November 21 Attachment in Schools January 22	month (autumn term '21) to 10 children per month (autumn term '22).
How effective is the Personal Education Plan (PEP) process in supporting children's progress and do the QA arrangements lead to continuous improvement?					
Provide external PEP QA Scrutiny.	Invite school based Designated Teachers (DTs) to complete PEP QA.	VSH	Dec 21	COVID pressure in schools has prevented DTs from completing the training and carrying out PEP QA. This should be further explored in the Spring with DTs.	The PEP document is the key action driver within schools. Higher quality PEP documents which more accurately identify the specific learning needs of the child and set out strategies to address them, as well as explaining how all stakeholders will support the child's learning are there for essential. Dynamic and systematic quality assurance allows the VSH to both track the quality and identify where improvement is necessary. By involving a range of stakeholders in the QA process not only is their understanding and support for the PEP process solidified, but they can bring their individual knowledge and expertise to help improve the PEP process further and
	Invite R&C VSH to QA PEPs.	VSH	May 22	R&C VSH and Middlesbrough VSH have agreed to QA each other's PEPs. PEP QA frame works have been shared. Operating protocol has been agreed. PEP QA to be completed and reports shared by May 22.	
	Invite Independent Reviewing Officers (IROs) to QA PEPs	VSH	March 22	IROs to receive training in Feb 22 and start to QA in March.	
	Launch the Foster Carer (FC) handbook.	VSH	Feb 22	Handbook created and will be given to	

Develop the skills of Foster Carers and Social Workers to confidently set and deliver SMART targets, leading to a more holistic approach.				delegates at the VS conference on 11 th Feb. Distribution to all Foster Carers will follow (March 22). Fostering Manger to promote FC handbook.	overall quality of the PEP documents will be driven up. Foster carers and Social Workers have a crucial role to play, as they know the child best and can bring unique insight into the target setting and action planning contained within the PEP.
	Work with the Principal Social Worker (PSW) to plan the development and improvement of Social Workers (SWs) understanding of SMART targets and SMART target setting.	VSH	May 22	As part of the improvement journey SWs have an extensive programme of training available. SMART targets will be incorporated into this and the VS will continue to support SWs and FCs contribution to SMART target setting at PEP meetings.	PEP quality to improve from 55% good or better Jan '22 to 75% good or better by Jan '23.
Early identification of Special Educational Needs and Disabilities (SEND).	Support school to become 'attachment aware and trauma informed' via the 'Providing Rich Opportunities For Looked After Children in Middlesbrough' (PROCLAIM) project by creating a 'PROCLAIM' action plan.	VSH / Educational Psychologist PROCLAIM strategic group	June 22	The Strategic Group has been created and the vision and aims agreed. The programme will be show cased at the VS conference in Feb 22.	Schools are keen to improve and develop their ability to respond effectively to the needs of children who have suffered trauma. The PROCLAIM project will help them to develop their skills, resulting in fewer exclusions for CLA.

					<p>Jan '22 two secondary school have signed up. By June 22 all secondary schools to be signed up and actively engaging with the programme.</p> <p>Exclusions to have fallen from an average of 15 children per month (autumn term '21) to 10 children per month (autumn term '22).</p>
	Design a Looked After Child Rapid Education Health and Care Plan (EHCP) Assessment Policy.	VSH	March 22	Draft policy created in partnership with SEND colleagues. Trial period will run until March '22, when, following amendments, it will be formerly adopted.	For a child with SEN an EHCP helps to ensure they get the support they need. The process of gaining an EHCP usually takes at least 20 weeks. We aim to reduce this to a maximum of 15 weeks for all CLA requiring assessment. In order to achieve this we need to provide accurate progress data for each child to help clarify their level of additional need.
	Use termly progress and attainment data to identify possible SEND needs.	VSH	March 22	Autumn term Progress Data Return to be completed by Feb 4 th . RAG of progress and triage Key Stage 4 (KS4) 14 th Feb RAG of progress and triage of KS2 21 st Feb RAG of progress and triage of KS3 28 th Feb RAG of progress and triage of KS1 7 th March	<p>By September '22, no CLA to wait longer than 15 weeks to be granted an EHCP following assessment.</p>

				RAG of progress and triage of Early Years Foundation Stage (EYFS) 14 th March.	
What steps have been taken to ensure the Virtual School Head and the Virtual School champion all children with a social worker to fulfil the extended duties: How strong is partnership working between the Virtual School and Children's Social Care in Middlesbrough?					
Continuous Professional Development (CPD) for VS staff.	Ensure funding is available.	VSH	Dec 21	£1,000 per PA training allowance ring fenced from PPP grant.	Better trained officers will support improved services being offered to schools and children.
	All PEP Advisors (PAs) have a CPD plan	VSH/ VSDHs	Dec 21	All Pep Advisors (PAs) have a CPD plan, regularly reviewed at their 6 weekly 1:1s.	100% of PEP Advisors to have completed their bespoke CPD plan by February '23.
Stakeholders have limited knowledge of the extended duties.	Host a South Tees wide conference to raise awareness.	VSH	Feb 22	On track, 200 delegates have booked a place.	Conference feedback to be at least 85% positive, with regard to stakeholders understanding of the extended duties of the VS.
Create a Child With Social Worker (CWSW) data set.	Create a system whereby key data relating to CWSW is generated and interrogated monthly.	VSH	April 22	Attendance data system already in place. Exclusions data system being developed – due April '22. Progress data system being developed – due April '22.	Strategic oversight of the school progress of CWSW can only be achieved if accurate data is available. Data reports to be readily available monthly by May '22.

Are the Virtual School's current arrangements for tracking, monitoring and supporting children who have been excluded, are without a school place or are on part-time tables effective in ensuring these children are accessing appropriate and quality education?					
Reduce fixed term exclusions (FTE).	PROCLAIM project – As described above	VSH	As above	As above	Exclusions to have fallen from an average of 15 children per month (autumn term '21) to 10 children per month (autumn term '22).
	Work with Social Care, SEND and the Inclusion Team to strengthen the Exclusions Policy.	VSH/ SEND Manger	April 22	Draft Exclusion Policy completed. Consult with schools on the draft policy. Publish the policy following the consultation and subsequent amendments.	
	Create a joint mission statement with schools to support vulnerable children.	VSH/ Head Teachers	June 22	Draft completed. Feedback gathered from the Outwood schools. Plan to consult more widely, seeking views from all Heads'. Agree the mission statement with all schools and publish.	
	Review exclusion data with each secondary Head and agree targets for reduction in the number of days lost for looked after children.	VSH	May 22	Use the individual school score cards as a starting point for these strategic conversations.	
Oversight of all Children With a Social	Increase capacity in the Children Missing Education (CME) team to enable data	Head of Access to	Dec 21	0.4 full time equivalent (FTE) moved from VS Team to CME Team to	Aim is to ensure that children with a Social Worker receive

Worker (CWSW) on a part time tables.	gathering from schools to be more robust re. Pupils Missing Out On Education (PMOOE).	Education (A2E)		add capacity and to enable an accurate baseline to be set of the number of CWSW who are not receiving their full entitlement to education.	the appropriate amount of education. Currently we do not have a robust data set to enable a baseline to be set, so establishing this is key.
	Create a joint understanding of educational risk factors across the service area.	VSH	Dec 21	Complete	
	Create a dashboard to identify CWSW at risk of not receiving their full educational entitlement.	Head of A2E	May 22	Dashboard created by Feb 22 Trial version to be tested by April 22 Launch dashboard by May 22	
Develop a deeper understanding of 'Not in Employment, Education or Training' (NEET) churn.	Create a NEET score card to capture churn.	NEET Clinic Chair (Hazel Clark)	May 22	Template in production.	The scorecard will enable us to have a better understanding of the NEET population, and hence be better equipped to target support and intervention. NEETs to fall from 26% in Jan '22 to 21% by Jan '23.

Recommendations					
VS should look to further develop influence and standing externally. For example, through Headteacher cluster meetings and Headteacher strategic development days.	As described above in the various strategic actions with schools and stakeholders.			School Headteacher 'buy in' to the processes described in this plan is essential if they are to change their models of operation and their buy in is more likely to be achieved if they have a strong professional relationship with the VSH and regard the VSH as having 'authority' with the LA. Exclusions to have fallen from an average of 15 children per month (autumn term '21) to 10 children per month (autumn term '22).	
Consider VSH's access to both Education and Social Care Directors/Heads of Service.	Review the effectiveness of the current structure annually.	RB / RF / TD	Aug 22	Review structure and determine effectiveness. Report conclusions to Virtual School Governing Body (VSGB).	An annual review will ensure the structures in place within the VS are the most appropriate to help ensure we meet the needs of young people as effectively as possible.
Review the data provided in the VS Annual Report.	Add an Executive Summary. Include additional key performance indicators (KPIs) and performance data.	VSH	March 22	Full report due for publication in March '22 will reflect this action.	Governors and other stakeholders need more detailed data to more accurately assess the effectiveness of the VS. Data should be used by Governors to provide greater challenge

					and support, and hence improve overall effectiveness.
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National Association of

Virtual School Heads

Looking after learning

October 2021,

Dear Sue, Victoria, Rob and Rachel,

MIDDLESBROUGH VIRTUAL SCHOOL - CHILDREN'S SERVICES PEER REVIEW CHALLENGE: 21st AND 22nd September 2021

Thank you for taking part in a National Association of Virtual School Heads (NAVSH) peer review. The focus of this and future NAVSH peer review challenges is the efficiency and effectiveness of the Virtual School. You specifically asked us to look at the following:

- How well does the Middlesbrough Virtual School as part of the wider Children's Services and the Local Authority work with external partners, specifically schools, to improve outcomes for children in their care?
- How effective is the PEP process in supporting children's progress and do the QA arrangements lead to continuous improvement?
- What steps have been taken to ensure the Virtual School Head and the Virtual School champion all children with a social worker to fulfil the extended duties: How strong is partnership working between the Virtual School and Children's Social Care in Middlesbrough?
- Are the Virtual School's current arrangements for tracking, monitoring and supporting children who have been excluded, are without a school place or are on part-time tables effective in ensuring these children are accessing appropriate and quality education?

Your preparatory work for this peer review was extensive and immensely helpful in enabling the peer review team to focus its activity appropriately. The preliminary phone discussions positively supported the process. We realise that from your perspective you would have preferred the peer review to have been on-site. However, due to the impact of the pandemic and Covid 19 restrictions this wasn't possible. Acknowledging the overall context, it was considered better to proceed with the peer review than postpone it until such a time as all restrictions were lifted and it would be possible to undertake the review on-site.

The team received excellent co-operation and support throughout the process. It was evident to the team that all those we met online were interested in learning and continued development. Colleagues within the Virtual School and those within Children's Services were very open in sharing current practices. This approach was very much appreciated by the peer review team.

It is important to stress that this was not an inspection. A team of peers used their experience to reflect on the evidence you presented through documentation, conversation and observation. We hope the conclusions, captured in our final presentation to you and in this letter will assist you in your ongoing improvement.

1 Background

The NAVSH Peer Review business process has been developed through extensive consultation with its members and builds on the peer review model developed by the Local Government Association (LGA). There are also strong links with the Association of Directors of Children's Services (ADCS). NAVSH in partnership with the LGA has developed a bespoke training programme for Virtual School Heads. All regions of England were represented at the initial training held in 2017. We have learned from 9 previous peer reviews held as part of a pilot in: Nottinghamshire; Lewisham; Suffolk; Redcar and Cleveland; Trafford; Telford and Wrekin; West Sussex; Bournemouth and Hull. A separate report is available on the key learning points from the pilot study. A copy of which is on the NAVSH website. . This is the fourth 'online' peer review conducted by NAVSH and the thirteenth in total.

2 Process

The Peer Review in Middlesbrough was provided by a team led by Neil Hoskinson, Assistant Director in Stoke Children's Services. Neil recently commissioned a NAVSH Peer Review for Stoke and he has experience working for Middlesbrough Borough Council. The Team included: Jane Pickthall, Virtual School Head in North Tyneside and a former Chair of NAVSH, and Anwen Foy, VSH in Surrey and the current CPD Lead for NAVSH. All Peers have undertaken training in the Peer Review process. The peer-review process was managed and coordinated by Alan Clifton former VSH in North Yorkshire and also a former Chair of NAVSH.

The team spent two days interviewing colleagues in Middlesbrough, online, based on a timetable drawn up in collaboration with Victoria Banks the VSH in Middlesbrough. The review team collected evidence with which to frame their findings and then drew together and presented their conclusions on the afternoon of the 23rd September. This activity took place on Tuesday 21st and Wednesday 22nd September 2021.

Prior to the online activity, colleagues in Middlesbrough shared a wide range of information with the team to support its preparations. As well as a desk-based analysis of documentation, the peer review process included a range of interviews and focus

group activities with over 50 participants. We met officers at various levels within children's services and a number of school and learning provider representatives. We also met with children and young people who were benefitting from the support of the Virtual School. The peer review process was supported by a newly situated Councillor who attended an introductory meeting between the Senior Leadership team, the Peer Review Team and the Mayor of Middlesbrough in his capacity as lead member for Children's Social Care in the feedback session on 23rd September.

Through undertaking a range of activities, the peer review team identified over 90 strengths and areas for consideration, which have been refined and matched against the four broad headings of your scope, plus key recommendations. These headings form the basis of this letter.

It is important to note that:

We can only report on what we heard and read – and this was inevitably limited to what it is possible to achieve in two days.

Much of what we have identified will be familiar to you, or significantly is part of your forward planning – and this was confirmed, to an extent, when we made our presentation on 23rd September to the Director of Children's Services, the Senior Leadership Team, VSH, and the Mayor of Middlesbrough in his capacity as lead member for Children's Social Care. Our observations may provide a more detailed focus for the Virtual School and, over time, allow the team to further refine priorities. A copy of the PowerPoint presentation from the 23rd of September has been shared with the Virtual School Head and DCS.

3 General and Over-arching Observations

- We acknowledge our snapshot in time is one where, while key positions in the senior leadership team are relatively stable, as well as in key leadership positions across Children's Services, there have been recent political changes. As a consequence, a number of key groups were inevitably being re-configured and were in the early stages of re-development including the Corporate Parenting Board and the Virtual School Governing Body.
- The local authority's Children's Services has in recent years been under intense scrutiny due to a previous inadequate OFSTED judgement. We note your journey of improvement and recognise the progress made as one service. Due to Middlesbrough being rated by Ofsted as an inadequate authority, Peter Dwyer was appointed by the DfE to work with Children's Services reporting back after 3, 6, and 12 months. You shared with us that external advice and support from Peter Dwyer indicated that Children's Services in Middlesbrough was making significant progress.

- It is pleasing to note both managers and practitioners were able to articulate the improvement journey within Children’s Services in Middlesbrough. There is evidence of partnership working and ‘respectful challenge’, a phrase we heard in more than one meeting. Your description of one Children’s Service at the beginning of the Peer Review is one the peer team recognise from discussions with staff.
- In summary, there is a positive culture of improvement and the confidence of the people we met in achieving this was palpable.

4 Detailed Findings: Strengths and Areas for Consideration

4.1 How well does the Middlesbrough Virtual School as part of the wider Children’s Services and the Local Authority work with external partners, specifically schools, to improve outcomes for children in their care?

Strengths

- The Virtual School Governing Body has published terms of reference and has extended external membership. It is chaired by the DCS and has several significant external partners across education and health. It is helpful that there is a governor to link specific areas of work e.g., pupil premium, attendance, and exclusions. As the work of the VSGB is further developed, it is apparent there will be greater recorded evidence within the minutes of both support and scrutiny.
- We heard evidence of data being shared with different groups – Corporate Parenting Board, Governing Body, Social Care Managers through a comprehensive reporting schedule and formalised meetings. It is clearly a strength that data is shared with external partners
- The VS has strong links with schools through Designated Teacher Networks. The Designated Teachers we spoke with valued the training that was provided. This included information on Attachment and Trauma and included external contributions. It was evident VSH utilises external research and creative data collection points to inform the delivery of training to key stakeholders. Training is also offered to other partners: Positive work was acknowledged around training for carers. The weekly support sessions during the pandemic were particularly appreciated by the foster carers we spoke with.

“Middlesbrough Virtual School drive prevention work and focus on improvements - this is not always the case with other Virtual Schools we work with.”

- Celebrations have continued throughout the pandemic with initiatives such as attendance awards. Personalised awards in the form of books and stationery for the recognition of individual CYP achievements. In 2019 prior to the Covid pandemic and lockdown, there was an impressive range of celebration events to acknowledge the achievements of children and young people in your care. These events were held at venues the children and young people would enjoy attending. In more recent times the VS team have adopted a new way of celebrating achievements. One initiative was by personal letters to all children from the VSH.
- There was excellent feedback on how the VSH has made the VS more visible and has empowered the team. We had discussions about holding schools and other services to account.

“The Virtual School didn’t use to be as influential as it is now.”

- Post 16 outcomes is an area targeted by Children Service for improvement. The VS has good contacts with post 16, externally through links with Middlesbrough College, internally through the Pathway team and SEN teams. The VSH is an integral part of the NEET task and finish group, and the Improvement Board.
- The VSH has good links with the North-East regional VSH network and the National Association of Virtual School Heads (NAVSH).
- Partnership working is particularly evidenced by the joint approach seen across the Virtual School, social care teams and the wider children service teams to achieving permanence in education for care experienced children and avoiding unnecessary changes of school.

Areas for consideration

- The NAVSH Board and regional networks are aware that more could be done to support VSH to create a regional and national dashboard in conjunction with partners like the National Centre for Educational Research (NCER). Middlesbrough are currently working alongside RNC to create a NE dashboard. This dashboard may include key measures which are more difficult to benchmark, such as the number of children on reduced timetables. Developing this data should assist with further self-evaluation and statistical comparison, significantly providing a more complete picture of the child. Until a time when this dashboard is readily available, the VS should continue to share information with the Senior Leadership Team, Governing Body, and Corporate Parenting Board.
- Further consideration regarding the way data and the accompanying narrative can be more nuanced is needed to evidence the effectiveness of the VS. These include areas described as ‘stuck’, for example, the percentage of those without

a school roll, or NEET. A narrative to show that this is a fluid percentage where the VS has secured education will be helpful. We are not suggesting the VSH and local authority do not know their data, rather we are signposting you to potential next steps. We are unsure from our brief time with you in Middlesbrough how the audiences for these reports are using the data to effect outcomes.

- In reviewing your documentation and in discussions, we have been provided with examples of support and training for schools. Individual school challenge occurs at a child level during PEP meeting. However, we have limited evidence of the ways in which schools are held to account around whole school outcomes for children. This should be an area for future development. We would acknowledge that where relationships with Academy Trusts are less well developed, they are likely to question the right of the VSH and the VS team to challenge outcomes and practice.
- We think the status and working relationship of the VSH with headteachers might be further enhanced, possibly through the Governing Body but more so by attendance at Headteacher Network events. It is important to have the opportunity to develop practice outside of discussions about children in crisis.
- There appears to be a reliance on the Virtual School by some schools, e.g., to lead on PEPs, provide tuition and support for children excluded from day one. This is when schools are unable to meet the child's need quickly. Linked to some challenging cases, Designated Teachers can be in daily contact with the Virtual School team. However, the Virtual School models appropriate interventions to support and empower those stakeholders who still have areas of significant development. We would draw attention to the observation, around the relationship between this and building capacity, creating ownership, and developing accountability beyond the VS. Equally some foster carers are appreciative of the availability and intervention work provided by the Virtual School team. This can also be challenging:

'Some carers are on speed dial'

We would ask you to reflect on the balance between strategic support and challenge in comparison to direct intervention in casework.

- Whilst not specific to the work of the Virtual School, some schools as well as the Virtual School team highlighted the challenge when there was a high turnover of local authority staff.

"High turnover of social workers can be difficult - you keep having to start again explaining yourself."

4 2 How effective is the PEP process in supporting children's progress and do the QA arrangements lead to continuous improvement?

Strengths

- It is helpful when analysing how the PEP process has enhanced outcomes for children and young people in your care that you have invited external scrutiny from a Redeployed HMI. It is clear the Virtual School team have reflected on the recommendations and have made steps to address; inconsistent SMART targets and ensuring there is good evidence of Pupil Premium Plus impact.
- A wide range of social care teams commented on the standards expected to achieve a PEP judged good. An example comes from colleagues in the 'Front door' team who commented

“The VSH sets the bar very high in relation to the quality of PEPs. “

- It is apparent continuous improvements to the PEP at all chronological ages are being sought and subsequently implemented. Examples of this include: providing new ways to gather the voice of the child e.g., working with a special school to introduce pupil voice using Makaton; adding questions into a Quality Assurance tool to check and challenges over the identification of SEN. The references to identifying potential Designated Teacher training needs was impressive.
- We listened to evidence that PEPs can and do drive improvement such as Social Emotional and Mental Health specialist schools (SEMH) changing their curriculum to offer GCSEs and working closely with Alternative Provision partnerships to promote a more aspirational curriculum.
- In collaboration with the SEN team, and as a result of the experiences of one Year 6 child, the team have introduced a system whereby all Y6 have a transition PEP and EHCP review before October so that Y7 school and transition arrangements are fully confirmed. This is an excellent casework example of good practice.
- You have identified post-16 performance challenges over quality and compliance. The NEET task and finish group is an appropriate response to meet these challenges. Positive responses to these challenges have led to changes to the post 16 PEP to make them more effective for those classed as NEET. The newly appointed Apprentice, part of whose role it is to focus on the young person's voice, is working with the Virtual School to improve post 16 PEPs further.
- It is pleasing to note the Early Years Foundation Stage PEP (EYFS) has been revised through the setting up of a school working group. School practitioners suggesting appropriate amendments to the documentation and process.
- Compliance statistical information on all PEPs is excellent at 98% of all age groups and 100% of statutory school age. We are confident you have robust

internal quality assurance in place. The focus is not only on compliance however, we heard

“Previously we focused on compliance now we are concentrating more on quality.”

- You are further developing the use of internal supervision to support consistency in PEPs across Middlesbrough CYPS. This is good practice.
- Pupils we spoke to were engaged in their PEP meetings and understood that additional support had been provided as a result of their PEP.

Areas for consideration

- Now you have developed a culture of using external scrutiny to review the quality of PEPs consider additional external opportunities. This may be achieved by drawing Designated Teachers, including those working within the early years and post 16, as well as Independent Reviewing Officers (IROs) into the process. It is important findings are collated, shared with schools, your Governing Body and the Corporate Parenting Board. The key observations around strengths and areas for development should lead to further improvement.
- From the small sample of anonymised PEPs shared it is true to say they didn't always give a clear narrative of the child in a holistic way at the start of the PEP but we are assured that the PEP format has been changed and that this has been resolved now.
- The targets within the sample appeared to be very school focused. This leads the peer team to question whether you need to investigate a larger 'dip sample' to discover whether our observations are truly representative of children and young people in your care. You may need to reflect and if appropriate ensure targets address more than just a child's academic issues and focus on more universal areas which may present barriers to engagement, learning and participation in education. Developing Foster Carer and Social Worker to confidently set and deliver SMART targets as this is a joint responsibility and will help support a more holistic approach
- The Designated Teachers we spoke with appreciated an involvement with the design of PEPs, however, they didn't feel they had much to do with the quality assurance of the PEP process. Only a small number could elaborate on the RAG rating process however there are a number of Designated Teachers who are new to role. This is worth revisiting during future DT training and possibly through widening the quality assurance process to include DTs.

- There are strong links between the Virtual School and SEN team at the manager and practitioner level. This is demonstrated further through those children in care who have an Education Health Care Plan (EHCP.) Every effort is being made to merge the documents where statutory processes allow and use the principle of ‘tell us once’ in relation to the voice of the child. However, it is important you continue to monitor closely those children in your care attending a Primary School that have additional intervention support because of an unidentified Special Educational Need (SEN.) These children may manage well with support but they are often regarded as not having any SEN needs by school. There is a risk that the child struggles upon transfer to secondary school.
- Consider whether the job title of Senior PEP Advisor reflects the skillset and experience of those in the posts. Challenge, as well as support to schools, may be more effective if their job title reflected the true status of these roles. It is common in Virtual Schools throughout England to use the term ‘Learning Advisor’ or Assistant VSH. With the new remit, this may be an opportunity for review. There is also a wide use of the term PEP within roles in the Virtual School. From our understanding of the team, all practitioners do so much more than advise and quality assure PEPs.

4.3 What steps have been taken to ensure the Virtual School Head and the Virtual School champion all children with a social worker to fulfil the extended duties: How strong is partnership working between the Virtual School and Children’s Social Care in Middlesbrough?

Strengths

- The starting points you have identified within the first month of the extended duties for a VSH, are appropriate, logical and build on the local and national data and intelligence already available. It was apparent to the peer review team that you have learnt from the work undertaken during the pandemic to improve the attendance of children from vulnerable groups alongside those in care. This is easily referenced to the work of the Vulnerable Children’s Attendance Project (VCAP) It is clear that the learning gained from this project will be of benefit to others beyond the Middlesbrough Virtual School.
- Partnership working between the Virtual School and Children’s social care is strongly evident with many of those interviewed being very pleased with the considerable improvements (e.g., Front Door, Pathways Team, Futures for Families, Permanence.) Whilst a more strategic oversight for all children with a social worker, including Children in Need and those on Child Protection plans will be new to the VSH, the strong links to the social work teams responsible for these children will not be. This is a significant strength of the Virtual School and within Children’s and Young People’s Services in Middlesbrough. Specific examples include: The Children’s Improvement Group (CIG) which has resulted

in leaders working collaboratively with 'respectful challenge'. The Risk Management Group (RMG) where the head of the VS makes a valuable contribution to the education of some of Middlesbrough's most vulnerable children and 'Futures for Families' where the VSH contributes actively to the creative solutions needed to successfully reintegrate children in care back into school. As such, the Virtual School is well placed to identify and disseminate best practice around the education of children with a social worker.

- A presentation for the Virtual School Governing Body has set the scene for the new duties and their implications. The Virtual School Head is working with others on the 'Middlesbrough approach' taking account of the DFE guidance and the local context.
- Your use of the National Centre for Educational Research (NCER) data sets that include education and social care outcomes and builds on the initial research from the Rees Centre - *The Educational Progress of Looked After Children in England: Linking Care and Educational Data. (2015.)* is helpful as well as the findings from the DFE's [Review of children in need - GOV.UK \(www.gov.uk\)](http://www.gov.uk)
- You are planning for a Conference in February 2022 focussing on findings from your Virtual School and national research (Rees Centre) around educational outcomes and 'what makes a difference' indicates a commitment to ensuring the local authority and VSH more than meet the requirements of the extended duties. It is important to ensure this Conference is truly multi-agency in both delegates attending but is also reflected in who presents.
- Case studies are currently being collated which focus on 10 young people whose attendance was of greatest concern. You have triangulated your identification and concerns with schools and families. The next step from this encouraging piece of work is to establish progress and attainment datasets around this and the wider social care cohort in addition to the existing attendance data you monitor.

Areas for consideration

- The Peer Team would highlight the opportunity to develop continuing professional development opportunities for the Virtual School team around the extended role such as the threshold for care /court orders/ edge of care, CIN/CP children with disabilities, and the links with their existing roles.
- At the current time, the schools interviewed have limited knowledge of the extended duty, though this is not surprising as it is in its early stages and DFE schools' guidance is not yet published. It will be helpful to further explore opportunities to present to school leaders, governors, education and inclusion teams in the meantime. As a peer team we would emphasise it is everyone's responsibility to ensure the extended role is shared with school leaders,

education and inclusion teams, including the school improvement service in relation to improving educational outcomes for this group of children.

- As alluded to in the strengths section, further develop the work you have started to establish a clear dataset around progress and attainment in relation to children with a social worker, drawing on NCER and regional data where possible.
- It is important to clarify, internally within Children's Services but also externally with partners, what the extended role actual looks like in practice. Keeping in sight that the extended role is 'strategic' and systemic. VCAP will inform this work, but the role is not intended by the DFE to be at child level.
- In light of the expanded sphere of influence needed to deliver the extended role, it may be time to revisit where the Virtual School Head is positioned within the organisation to check that the postholder has the right 'reach' across education, schools, social care and health.
 - *"For a VSH to be most effective they must have status, influence and authority. In most local authority structures this will require the VSH to have a senior position in the line management structure of Children's Services. Without the access this offers to the DCS/Assistant Director team it can be difficult for the VSH to influence policy and practice across the Children's Service Directorate and beyond."*(National Association of Virtual School Headteachers (NAVSH) [Handbook](#))

4.4 Are the Virtual School's current arrangements for tracking, monitoring and supporting children who have been excluded, are without a school place or are on part-time tables effective in ensuring these children are accessing appropriate and quality education?

Strengths

- The VSH and the Virtual School team know their cohort well. They particularly know and are targeting intervention strategies with those not accessing full-time provision on a regular basis. The joint protocols across Children's Service enhance this work. In summary, there is regular oversight through a range of mutual challenge meetings with the child at the centre.
- Training led by the local authority and specifically the Virtual School around the impact of attachment and trauma on the behaviour of children and young people has led to some schools reflecting on the root causes of the behaviours being exhibited rather than the symptoms observed. This may well lead to a different approach by schools that can benefit all children, not just those in care. This is one example of how the Virtual School and colleagues are working to reduce fixed-term exclusions. Another is the

'modelling' the Virtual School are doing with schools to highlight creative and collaborative intervention strategies.

"We work closely with schools so the child doesn't get lost in descriptions of behaviour."

- If a child is on a part-time timetable, off the school site, it is agreed in partnership with a short timescale. Links with Middlesbrough football club, Barnardo's, REACH, and Chances are examples of this intervention work we heard about.

"Support from VS has been critical in supporting and "unblocking" for young people."

- The Virtual School works with partners to support appropriate admissions, reduce any drift or delay to re-admissions, and supports managed moves where considered appropriate. They will advise other VSHs and their local authorities when they are looking to place or have already placed, a child in their care, in Middlesbrough.
- From the evidence we heard, it appears Middlesbrough Children Services are in a strong position in terms of sharing and recording data held on a child. If a child has an Education and Health Care Plan (EHCP) and has significant involvement from the SEN team, Educational Psychologist, and is also a child referred to as a Child in Need, or looked after by the local authority teams, managers overseeing intervention work have a full picture of the child through access to all data systems. A further example of data sharing is how the PEP process and EHCP are, where statutory guidance allows, streamlining information so the process is less repetitive for the child. With specific reference to monitoring and intervening with the most vulnerable having the full picture is crucial to effective decision making.

Areas for consideration

- The levels of fixed term exclusions for children looked after remain high. It is important to maintain your focus on reducing fixed term exclusions in the same way as you have eradicated permanent exclusions for children in care in recent years. Possibly by working in partnership with Headteachers and School Governing Bodies you can agree on a target to reduce the number of days lost by children in your care. This is certainly worth discussing with the Virtual School Governing Body and the Corporate Parenting Board.

You have a target to ensure all Middlesbrough children attend a registered school, including those on part-time timetables, those accessing 'Alternative Provision' and those not on a school roll. The VSH has been proactive in ensuring all looked after children are in a registered provision and the local authority should evaluate and bring forward the time scales to increase the number of registered alternative provisions.

- You have developed and published a policy on the use of part-time timetables. This includes advice and guidance. There is oversight from the Virtual School on its implementation practice. However, we were unsure how the Virtual School monitoring links to oversight of the use of part-time timetables for all vulnerable children. There is possibly a requirement for further joined-up reporting, action planning and the sharing of good practice with schools and other partners
- Observations from the Virtual School team indicates NEET figures were static for 2 terms however looked after children not on a school roll was declining rapidly . However, there remains a need for greater analysis of the churn to gain a better insight into the influence of the VS and its effectiveness around this issue. Perhaps once this issue is further analysed, it can be shared with the Virtual School Body in the first instance. It will be helpful to add success stories to your performance data reporting.

5 Recommendations

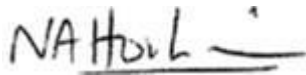
1. Acknowledging you have made significant progress developing strong working relationships with internal stakeholders the VSH and VS should now look to further develop influence and standing externally. For example, through Headteacher cluster meetings and Headteacher strategic development days.
2. We would ask you to consider whether the VSH should have greater access to the CYP Leadership team and formalise in your structure links to both education and social care Assistant Directors/Heads of Service.
3. It may be helpful for you to re-visit the content of the VSH Annual Report and review the data provided. The report may be further enhanced with an Executive Summary applicable to all audiences for which it is intended, the inclusion of additional data; along the lines of what has been reported to the Virtual School Governing Body, and the use of case studies to demonstrate the impact from the Virtual School would be helpful. Whilst acknowledging the difficulty of securing accurate longitudinal data on academic progress and attainment in recent years, as well as drawing comparisons with performance nationally and with statistical neighbours, maintain a focus on educational outcomes in the widest sense. The peer team suggest greater use of the performance indicators included in the NCER data sets.
4. It is our understanding that the aspiration is for all children looked after to be registered on a school roll and that when an unregistered provision is used for 'Alternative Provision' they remain on their 'mainstream' school roll. This should be the case for all children within Middlesbrough.

Next Steps

You and your colleagues will now want to consider how you incorporate the team's findings into your improvement plans. We hope that you find our reflections helpful. It is important that this letter describes accurately what we have observed and analysed

and that it provides you with an appropriate summary to facilitate change. If this letter contains any factual inaccuracies, or if you have any concerns or comments about the analysis or recommendations, please do not hesitate to contact Alan Clifton in the first instance. Alan will liaise with the team and I to make amendments as appropriate. Once again, thank you for agreeing to receive a Peer Review and to everyone involved for their participation.

Yours sincerely,

Handwritten signature of Neil Hoskinson in black ink, appearing as 'NA Hoskinson' with a flourish at the end.

Neil Hoskinson
Lead Peer Middlesbrough
Peer Review

Handwritten signature of Alan Clifton in black ink, appearing as 'A. Clifton'.

Alan Clifton, Diagnostic Manager

Report of:	Councillor Barrie Cooper - Executive Member for Environment and Finance & Governance Ian Wright - Director of Finance
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Submitted to:	Executive - 14 February 2022
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Subject:	Appointment of External Auditors 2023/24 to 2027/28
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Summary

Proposed decision(s)
That the Executive endorses the Council’s participation in the National Appointments Scheme for the procurement and selection of external auditors from 1 st April 2023.

Report for:	Key decision:	Confidential:	Is the report urgent? ¹
Decision	No	No	No

Contribution to delivery of the 2021-24 Strategic Plan		
People	Place	Business
The external audit function is an important element of good quality financial management. As a result, it plays an integral role towards the delivery of the Council’s strategic plan.		

Ward(s) affected
All wards will be affected given the corporate impact of the decision being made.

What is the purpose of this report?

1. The current auditor appointment arrangements (the ‘National Scheme’) cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the ‘appointing person’ national scheme established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.

¹ Remove for non-Executive reports

2. PSAA is now undertaking a procurement for the next appointing period, covering audits of the accounts for the financial years, 2023/24 to 2027/28. During autumn & winter 2021, all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.
3. This report considers the options available and asks Executive to endorse a preferred way forward for recommendation to Council.

Why does this report require a Member decision?

4. Under the Local Government Audit & Accountability Act 2014 (“the Act”), the Council is required to appoint an auditor to audit its accounts for each financial year. The preferred option identified by both Officers and the Corporate Affairs and Audit Committee is to opt into the national scheme from 1st April 2023. In order to do this and comply with the regulations, this decision needs to be made by full Council.

Report Background

5. The council has three options under the Audit & Accountability Act 2014. These are as follows:
 - To appoint its own auditor, which requires it to follow the procedures set out in the Act.
 - To work jointly with other authorities to procure an auditor following the procedures in the Act.
 - To opt into the national auditor appointment scheme administered by a body designated by the Secretary of State as the ‘appointing person’. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).

The Appointed Auditor

6. The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and best value assessment of the council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations. For Middlesbrough, this covers the audit of both the Council and Teesside Pension Fund accounts.
7. The auditor must act independently of the Council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.
8. The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) and employ authorised Key Audit Partners to oversee the work. As the report below sets out there is a currently a shortage of registered firms and Key Audit Partners.
9. Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract. Councils therefore have very limited influence over the nature

of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

Appointment by the Council itself or acting jointly

10. The Council may elect to appoint its own external auditor under the Act, which would require the Council to;
 - Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.
 - Manage the contract for its duration, overseen by the Auditor Panel.
11. Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement

The National Auditor Appointment Scheme

12. PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.
13. In summary the national opt-in scheme provides the following:
 - the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;
 - appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
 - managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;
 - ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
 - minimising the scheme management costs and returning any surpluses to scheme members;
 - consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed;

- consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- ongoing contract and performance management of the contracts once these have been let.

Pressures in the current audit market and delays in issuing audit opinions

14. Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been reducing over a long period. 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.
15. During 2018 a series of financial crises and failures in the private sector year led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.
16. The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.
17. This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges, as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.
18. None of these problems is unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

The Invitation

19. PSAA is now inviting the Council to opt in for the second appointing period for the National Scheme, from 2023/24 to 2027/28, along with all other eligible authorities.

Based on the level of opt-ins it will then enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's auditor.

The next audit procurement

20. The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:
 - seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;
 - continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key part of the national collective scheme);
 - continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members;
 - PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in process which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.
21. The scope of a local audit is currently fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office), the format of the financial statements (specified by the Local Authority Accounting Code of Practice from CIPFA) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertaken and have a bearing on the actual fees required.
22. The current base fee for the external audit contract set by PSAA in late 2017 for the five year contract was £88,758. However, Executive may be aware that the fees charged over the contract have been higher than this due to the additional work mentioned above on corporate governance failures, plus specific issues at Middlesbrough on the financial statements work or the value for money assessment. The total fee chargeable for 2019/20 and 2020/21 being almost two to three times higher than the base amount for both the Council and Teesside Pension Fund's accounts.
23. There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

Assessment of Options

24. If the Council did not opt in to the national scheme, there would be a need to establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council external audit.
25. Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
26. These would be more resource-intensive processes to implement for the council, and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process. The council is unable to influence the scope of the audit and the regulatory regime inhibits the council's ability to affect quality.
27. The Council and its auditor panel would need to maintain ongoing oversight of the contract. Local contract management cannot, however, influence the scope or delivery of an audit.
28. The national offer provides the appointment of an independent auditor with limited administrative cost to the council. By joining the scheme, the council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides.

The Way Forward

29. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in to the national appointment scheme must be made by a meeting of the Council. The Council then needs to respond formally to PSAA's invitation in the form specified by PSAA by the close of the opt-in period (11 March 2022).
30. PSAA will commence their formal procurement process in early February 2022. It expects to award contracts in August 2022 and will then consult with authorities on the appointment of auditors so that it can make appointments by the statutory deadline of 31 December 2022.
31. If the Council want to opt-in, a decision will need to be made by full Council before 11th March 2022 so that a formal reply can be provided by the Director of Finance. The aim would be for this report to go to the same meeting as the approval of the budget on 23rd February.
32. This report was discussed previously at Corporate Affairs and Audit Committee on 8th December 2021 given their responsibility for the external audit function under the

Constitution. There was broad support from Members to participate in the PSAA national appointments scheme.

What decision(s) are being asked for?

33. That the Executive endorses the Council's participation in the National Appointments Scheme for the procurement and selection of external auditors from 1st April 2023.

Why is this being recommended?

34. The scheme delivered by PSAA is the most effective and efficient way of delivering local audit services to the Council, and to the appropriate level of quality required by the National Audit Office and the Financial Reporting Council, for the next five years from 1st April 2023.

Other potential decisions and why these have not been recommended

35. The other potential decisions are outlined in the 'assessment of options' section within the report with pros and cons highlighted of all three options. The opt-in to the National Auditor Appointments scheme has a number of significant benefits, as against establishing a local or joint audit panel.

Impact(s) of recommended decision(s)

36. The recommended decision will ensure that the Council complies with the requirement to have an external auditor in place prior to the relevant financial year. To an extent, this is about ensuring service continuity as opposed to any level of change in relation to the new contract.

Legal

37. Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.
38. Section 8 governs the procedure for their appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements.
39. Section 12 makes provision for the failure to appoint a local auditor. The Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.
40. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

Financial

41. There is a risk that existing external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work.
42. There are also concerns about capacity and sustainability in the local audit market. Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large-scale collective procurement arrangement.
43. If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed, it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

Policy Framework

44. There are no direct implications on the policy framework of the Council.

Equality and Diversity

45. There are no implications in these areas because of this report.

Risk

46. The principal risks are that the Council;
 - fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
 - does not achieve value for money in the appointment process.

By selecting a way forward, the Council will mitigate the risk of not having an external auditor in place when the current contract expires at the end of March 2023.

Actions to be taken to implement the decision(s)

47. Not applicable to this report.

Appendices

48. No appendices are attached to this report.

Background papers

49. No background papers were used in the preparation of this report.

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Report of:	Councillor Barrie Cooper - Executive Member for Environment and Finance & Governance Ian Wright - Director of Finance
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Submitted to:	Executive - 14 February 2022
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Subject:	Local Council Tax Support 2022/23
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Summary

Proposed decision(s)
That Executive approve a revised Council Tax Support (CTS) scheme for 2022/23 and endorses the report to be considered at Full Council on 23 February 2022.

Report for:	Key decision:	Confidential:	Is the report urgent? ¹
Decision	Yes	No	No

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
The purpose of the change is to implement a new working age CTS scheme which will not only provide additional support to low-income families but also improve current administration, make it easier to claim and to assist in the collection of Council Tax within the area.	N/A	The CTS scheme is important in ensuring residents who need support in paying their required Council Tax are billed for the correct amount based on their financial circumstances. This will ensure the right amount is collected from the correct residents.

Ward(s) affected
All wards are affected by the decision to change the CTS scheme.

What is the purpose of this report?

1. This report seeks approval for the amendment of the Council's Council Tax Support (CTS) scheme for 2022/2023.

Why does this report require a Member decision?

2. The Local Government Finance Act Section 67 (2012 Act) inserted into LGFA 1992 (Functions to be discharged by the Authority) making or revising a Council Tax Support Scheme – Section 13 (2) confirms that each billing Authority in England must make a Council Tax Support scheme by no later than 11 March each year. Any scheme cannot be made by officers, with the above legislation confirming that authorisation of the full scheme is subject to member approval.

Report Background

3. Council Tax Support (CTS) was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of the Department for Work and Pensions (DWP). As part of the introduction, the Government:
 - Placed the duty to create a local scheme for **Working Age** claimants with billing authorities;
 - Reduced initial funding by the equivalent of ten per cent from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
 - Prescribed that persons of **Pensionable age** would be dealt with under regulations set by Central Government and not the authorities' local scheme.
4. Pensioners, subject to their income, can receive up to 100 per cent support towards their Council Tax. The Council has no power to change the level of support provided to pensioners and therefore any changes to the level of CTS can only be made to the working age scheme.
5. When CTS was introduced in 2013, for working age claimants, the majority of Councils including Middlesbrough broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. Due to the reduction in funding from Central Government, the Council also required all working age claimants, even those on the lowest income, to pay a minimum payment of 20%. In Middlesbrough, we usually refer to CTS as Council Tax Reduction (CTR).
6. Since that time the minimum payment required has reduced to 15% and only slight changes have been made to bring the scheme into line with either Housing Benefit or Universal Credit (UC).
7. This report follows on from the report discussed at Executive on 5 October 2021, where permission to consult the public, major preceptors and stakeholders on a revised scheme was sought and granted.

The current scheme

8. There are some areas within the current scheme which can be amended which in turn will provide a differing level of support to low-income taxpayers, and will also help the Council to provide the service in a more efficient manner. The main areas are as follows:
 - The need to further assist low-income households and assist in the collection of Council Tax;

- The introduction of UC for working age claimants; and
- The need for a simplification of the scheme.

9. Each of the above are examined in detail below.

Assisting low-income households and the collection of Council Tax

10. In 2013, 80% maximum support was provided to working age claimants. In 2018/19, this increased to 85% maximum support to working age claimants.

11. A number of authorities have and are making changes to the CTS scheme (see Appendix A), for reasons such as;

- More support for claimants on passported benefits;
- Simplification of the scheme;
- Reduction in the administrative burden collecting from those households with limited means;
- Reduction in the provision made for bad debtors;
- Reduce, if not remove, the high level of rebilling that occurs throughout the year due to benefit changes which ultimately leads to a delay in cash collection.

Middlesbrough's proposed scheme will equally address these underlying concerns.

Council Tax Support and the roll out of Universal Credit

12. The introduction of UC within the area has, as experienced in all other areas, brought a number of significant challenges to both the administration of CTS and also the collection of Council Tax generally. Many Councils have experienced the following:

- The reluctance of UC claimants to make a prompt claim for CTS leading to a loss in entitlement;
- A high number of changes to UC cases are received from the Department for Work and Pensions requiring a change to CTS entitlement. On average 40% of UC claimants have between 8 and 12 changes in entitlement per annum. These changes result in amendments to Council Tax liability, the re-calculation of instalments, delays and the demonstrable loss in collection; and
- The increased costs of administration through multiple changes with significant additional staff and staff time being needed.

13. It is clear that the existing means tested CTS scheme, which is too reactive to change, will not be viable in the longer term now that UC has been rolled out fully within the area and with the massive increase in UC claimants due to the COVID-19 crisis. Giving weight to these circumstances, it would be appropriate to move to a more efficient scheme from 2022/23.

The need for a simplified approach to the Council Tax Support Scheme.

14. Notwithstanding the introduction of UC, the existing scheme is based on a 'pre-dated' means-tested benefit scheme:

- It is difficult for customers to understand and is based on a complex calculation of entitlement;
- The administration for staff is very convoluted, with staff having to request significant amounts of information from claimants;

- Staff have to undergo extensive training to be proficient in processing claims;
- The timescales for processing applications is lengthy, mainly due to the complexity and evidence required to support the applications; and
- The administration of the scheme is costly when compared to other discounts for Council Tax.

15. There is a need to simplify the scheme, not only to mitigate the effects of UC, which have been fast tracked as a consequence of Covid, but also make it easier for customers to make a claim, reduce the likelihood of fraud, and to reduce the costs of administration.

The proposed approach for the 2022/23 Council Tax Support Scheme

16. It is proposed that an alternative approach be taken from 2022/23, through the redesign of the scheme to address all of the main areas highlighted in this report.

17. Work has been ongoing since early 2021 on designing and modelling a proposed alternative scheme.

18. Following approval at Executive on 5 October 2021, consultation with stakeholders, partners and the general public has now been undertaken, as well as with Major Precepting authorities. This consultation has resulted in a few minor suggested changes to the proposed scheme. If agreed by the Council, the proposed alternative scheme will take effect from 1st April 2022.

19. The proposed alternative scheme has a number of features as follows:

- More support shall be given to those households on the lowest of incomes than in the current scheme;
- The changes can **only be made to the working age schemes** as the current schemes for pensioners are prescribed by Central Government;
- The grid below represent weekly amounts.
- The current means - tested schemes will be replaced by a simple income grid model as shown below:

Discount Band	Discount	Single Person	Single person with one child	Single person with two or more children	Couple	Couple with one child	Couple with two or more children
WEEKLY Income Ranges							
Band 1*	90%	£0 - £100.00	£0 - £160.00	£0 - £220.00	£0 - £140.00	£0 - £205.00	£0 - £260.00
Band 2	72%	£101.01 - £180.00	£160.01 - £240.00	£220.01 - £295.00	£140.01 - £240.00	£205.01 - £281.00	£260.01 - £340.00
Band 3	36%	£180.01 - £215.00	£240.01 - £255.00	£295.01 - £350.00	£240.01 - £290.00	£281.01 - £320.00	£340.01 - £400.00
Band 4	23%	£215.01 - £255.00	£255.01 - £280.00	£350.01 - £450.00	£290.01 - £340.00	£320.01 - £370.00	£400.01 - £480.00 **

	0%	Over £255.00	Over £280.00	Over £450.00	Over £340.00	Over £370.00	Over £480.00**
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*If the claimant is in receipt of a 'passport benefit' such as Income Support, Jobseeker's Allowance (Income Based) and Employment and Support Allowance (Income Related), it is proposed (as outlined above) that the maximum level of support will be 90% (Band 1);

** - the amounts for Band 4 (Couple with two or more children), were originally proposed on the report to Executive on 5 October 2021 as being £400.01 to £430.00. Following consultation, it is now proposed that this rate be increased to £400.01 to £480.00, as this was inconsistent when compared to the band for Single Person with two or more children. This reflects a fairer and slightly more generous approach.

- All other discount levels are based on the claimant's (and partner's if appropriate) net weekly income;
- The scheme allows for variation in household size with the levels of income per band increasing where a claimant has a partner, and / or dependants. Couples (and lone parents) with 2 or more children are all combined into the same income level. This means the income band is the same regardless of whether a claimant has 2 children or more;
- There will be no charges made where a claimant has non-dependants living with them. This is a significant change and means that the administration of the scheme will be more straightforward whilst also protecting low-income families where adult sons and daughters, for example, remain at home;
- To support claimants in or into work, the first £25 per week of the claimant / partner's net earnings will be disregarded before comparing the level of weekly income to the income grid. This will take the place of the current standard disregards and additional earnings disregards.
- Disability benefits such as Disability Living Allowance and Personal Independence Payments will continue to be disregarded;
- Where any claimant, their partner or dependant child(ren) are disabled, a further disregard will be given, thereby maintaining the current level of support to those with disabilities;
- Carer's Allowance and the Support Component of Employment and Support Allowance will be disregarded;
- Child benefit and Child Maintenance will be disregarded;
- An amount in respect of the housing element, limited capability for work elements, carers element and disabled child elements within UC will be disregarded;
- The total disregard on war pensions and war disablement pensions will continue;
- Extended payments will be removed; and
- The current scheme has a capital limit of £16,000. For consultation purposes the Council's proposed scheme was to reduce this limit to £6,000, which would have impacted 105 claimants out of 18,000. Having now concluded the consultation, it is proposed that the capital limit reduces from £16,000 to £10,000, which will reduce the 105 impacted claimants to 55.

How the proposed alternative scheme will address the problems with the current scheme

20. With the simplification of the proposed alternative scheme, it will address the following:

- **Claiming process.** Claimants will see a reduction in the claiming process and, where appropriate to do so, CTS will be awarded automatically. For UC claimants any UC data received from the Department for Work and Pensions (DWP) will be treated as a claim for CTS. Where information is received from DWP, the entitlement to CTS will be processed automatically without the need to request further information from the taxpayer. These changes will have the following distinct advantages namely:
 - **Speed of processing** – all claims will be able to be calculated promptly and largely automatically without the need to request further information which inevitably leads to delays;
 - **Maximising entitlement to every claimant.** As there will no requirement for UC claimants to apply separately for CTS, and for all other claimants, the claiming process will be simplified, and backdating will be kept to a minimum;
 - **Maintenance of collection rates** – the proposed alternative scheme will avoid reissuing of demand notices and re-setting instalments, and support the approach to the improvement of collection rates. The increased level of CTS support will mean those claimants on the lowest levels of weekly income will pay less Council Tax;
- **The income bands are sufficiently wide to avoid constant changes in discount.** The current CTS scheme is very reactive and will alter even if the overall change to the person's liability is small. The proposed alternative scheme, with its simplified income banding approach will have the following advantages:
 - Only significant changes in weekly income will affect the level of award;
 - Council Tax payers who receive CTS will not receive multiple Council Tax demands and adjustments to their instalments; and
 - The proposed alternative scheme is designed to reflect a more modern approach, where any discount changes will be effective from the day of the change rather than the Monday of the following week.

Transition to the proposed alternative scheme and the Exceptional Hardship Scheme

21. Any change in scheme or a transition to a proposed alternative scheme may result in a change to the entitlement of certain claimants.
22. The changes to the scheme, will mean those regarded as the most vulnerable will gain in award, with others (as shown above) having a reduced award (i.e. those with capital over £10,000). It is proposed that the alternative scheme will contain additional provisions to protect individuals who experience exceptional hardship. Where any claimant is likely to experience exceptional hardship, they will be encouraged to apply for an exceptional hardship payment. The Council will consider all applications for exceptional hardship on an individual basis, taking into account available income and essential outgoings. Where appropriate further support will be given to the claimant.
23. This approach will enable individual claimants to be dealt with in a fair and equitable manner. The Exceptional Hardship Scheme will form part of the CTS scheme and fall to be paid through the Collection Fund.

Consultation Process

24. Major preceptor and public consultation was open from 14 October 2021 to 7 December 2021 and publicised by way of:

- Multiple social media posts advertising the consultation;
- Advertisement on numerous pages on the Council's website with links to its online form available to complete. It also featured on the Latest News at the bottom of each page.
- Direct contact with partners, including
 - Major Preceptors,
 - members of Middlesbrough Council's Financial Improvement Group,
 - Councillors,
 - Middlesbrough Citizen's Advice Bureau and other welfare groups,
 - other targeted partners and stakeholders.
- Middlesbrough Council's weekly e-bulletin for staff
- Inclusion on the Council's resident's e-Newsletter sent out to approximately 20,000 subscribers.

25. The consultation produced responses from organisations, major preceptors and the public. A summary of the results from the 45 completed questionnaires can be found at Appendix D. The actual wording of the questionnaire can be found in Appendix C.

26. The results suggest that a majority of respondents in general support the options presented, however following consultation we have slightly amended the proposals in 2 areas:

- the amounts for Band 4 (Couple with two or more children) of the income grid is now proposed be increased to '£400.01 to £480.00' (see paragraph 19)
- the capital limit for the proposed scheme is proposed to be £10,000 instead of £6,000 (see paragraph 19)

What decision(s) are being asked for?

27. That Executive approves a revised Council Tax Support (CTS) scheme for 2022/23 and endorses the report to be considered at Full Council on 23 February 2022.

Why is this being recommended?

28. The proposed changes, will simplify a complicated scheme, further assist low income households and support the collection of council tax, whilst also fulfilling the obligations on Local Authorities to support the roll out of Universal Credit.

29. Changes to the existing scheme have been subject to full consultation which ran from the 14 October 2021 to 7 December 2021, a period of over 7 weeks. Responses informed the scheme, were broadly accepted, and resulted in minor changes to the proposed capital limit and income bands for couples with 2 or more children (see paragraph 19). The

questions which were asked during the consultation can be found at Appendix C, and a summary of the responses can be found at Appendix D.

Other potential decisions and why these have not been recommended

30. The alternative to introducing a proposed alternative scheme for CTS from 2022/23 is to leave the existing scheme in place. This would be a short-term option; leading to increasing costs of administration; and in the longer term, significantly affect the collection of Council Tax and the effectiveness of the scheme to support households within the Council's area.

31. Modelling (see below) has also been done on an alternative 'income grid' scheme with 85% maximum support and 100% maximum support.

- 100% support scheme is not recommended as this would be a cost to the Council in excess of £1,000,000 and on that basis would be unaffordable.
- 85% support scheme is equally not recommended. Whilst the overall cost of the scheme would be cheaper, it would have a detrimental impact on the cost of collection, and in addition places a further financial burden on some of the lower income residents of the town.
- Retain the existing means tested scheme with 85% support is not recommended. Although the current scheme will be cost neutral, it is complicated and difficult for claimants to navigate their way through, and this is resulting in a reduction in take up. It is also impacting on the timeliness of billing and collecting Council Tax amounts, and is also more resource intensive to administer. (see also para 11).

32. The principles of the 85% and 100% scheme are exactly as described earlier in this report (Para 19), however given weight to the options appraisal/rationale (**Appendix B**) these are not recommended.

Option	Scheme / Support	Cost / Saving to the Council	Support	Recommended / Not Recommended
1	Income Banded Scheme – 85% maximum support	£700,000 saving ***	85% - similar to existing support	Not recommended – See Appendix B
2	Income Banded Scheme – 90% maximum support	Cost neutral ***	90% - 5% increase on existing support	Recommended – See Appendix B
3	Income Band – 100% maximum support	£1,000,000 cost to the council ***	100% - 15% increase in support	Not recommended – See Appendix B.
4	Do nothing / remain with the same CTS Scheme	Cost neutral	85%	Not recommended – See Appendix B

*** - modelling and re-modelling of the proposed scheme and alternatives has continued weekly since June 2021 to ensure any weekly fluctuations in the caseload and CTS entitlement are continually monitored and reflected in these proposals.

Impact(s) of recommended decision(s)

33. Any decision whether to change the scheme will need to be approved by full Council.

Legal

34. Schedule 1A (3) of the Local Government Finance Act 1992, states:

Before making a scheme, the authority must:

- consult any Major Precepting authority which has power to issue a precept to it,
- publish a draft scheme in such manner as it thinks fit, and
- consult such other persons as it considers are likely to have an interest in the operation of the scheme.

This consultation has been carried out, following permission to consult being granted by Executive on 5 October 2021 (see paragraph 26)

35. In addition, in order to set a new scheme, the Council is obliged to make a resolution by **11th March** of the year prior to the scheme coming into place.

Financial

36. The current CTS scheme budget is **£19.1m** which is borne by the Council's Collection Fund. Costs are shared between the Council and the Major Precepting Authorities in the following proportions:

- Middlesbrough Council (83.55%);
- Police and Crime Commissioner for Cleveland (12.63%)
- Cleveland Fire Brigade (Fire and Rescue Service) (3.82%).

37. Based on current modelling, were the proposed alternative scheme to be in place at the current time, the costs of this scheme is estimated to be cost neutral (this figure is subject to change as claimants move on and off the scheme over the remainder of the year)..

38. The proposed scheme has been costed on the current number of active claims as at the time this report is submitted. It does not assume any further impact to the scheme brought about by changes to claimant circumstances (for example, as a consequence of any future Covid restrictions or their removal). It is not possible to estimate the impact of any unforeseeables, hence the model has been costed on the current position.

39. The changes brought about by the proposed simplified scheme, should generate capacity to undertake age debt collection (leading to a reduction in bad debt), and compliance (which would reduce potential fraudulent claims).

40. The cost of the scheme has to be affordable to the council, and as such is not mandated by Central Government. The council can choose to fund the scheme over and above the current cost (or vice versa), however our options appraisal (appendix B) shows why remaining with the current scheme and various alternative options are not recommended.

Policy Framework

41. The CTS scheme does not change the Policy Framework.

Equality and Diversity

42. Any proposed alternative scheme shall be implemented in accordance with the Council's equality and diversity policies.

43. A Level 1 and Level 2 Impact Assessment has been carried out and can be found at Appendix E and F. Based on the proposed scheme, the Impact Assessments show that due to the Council's aim to adopt a proposed cost neutral Council Tax Support scheme, by increasing the maximum support from 85% to 90% there will be some who gain support and some who lose support. This impact is justified due to the aim to maintain a cost neutral scheme, and can be partially mitigated by the additional support available through the Council's Section 13a Exceptional Hardship fund.

Risk

44. This policy will impact positively on the following risks.

- 08-059 Incorrect assumptions in the MTFP;
- 08-075 Reduction in Council Tax Collection;

Actions to be taken to implement the decision(s)

45. That Executive endorse the report to be submitted to Full Council. Following this, the scheme will be published on the Council's website by 11th March 2022

Appendices

46. Appendix A – Other CTS schemes in the area and future plans
Appendix B – Options appraisal - Rationale
Appendix C – Consultation Questions
Appendix D – Summary of consultation responses
Appendix E – Level 1 Impact Assessment
Appendix F – Level 2 Impact Assessment

Background papers

47. There are no background papers associated with this report

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Appendix A – Council Tax Support Schemes

Council	2021/22 Scheme	2022 / 23 Plans
Stockton	80% - means tested	100% - Income Banded – out to consultation
Darlington	80% - means tested	No plans to change.
Hartlepool	88% - means tested	Considering options but expect to stay the same.
Redcar & Cleveland	82.5% - means tested	Considering options
Durham	100% - means tested	No plans to change
Newcastle	90% - Income Banded	Looking to increase support to 100%. Retaining Income Banded scheme – considering options
Gateshead	91.5% - means tested	No plans to change
Hambleton	90% - Income Banded	No plans to change – minor tweaks to existing scheme
North Tyneside	85% - means tested	No plans to significantly change
Northumberland	88% - means tested	No plans to change
South Tyneside	70% (or 15% if vulnerable) – means tested	No plans to change
Sunderland	91.5% - means tested	No plans to change

* - means tested schemes are similar to the type of scheme Middlesbrough currently operate where the whole of a claimant and their partner's income is compared to an allowance and the entitlement is worked out based on this comparison. It is similar to the way Housing Benefit is currently calculated.

** - Income Banded scheme is a scheme calculated in the way proposed in this report for Middlesbrough going forward. Broad income ranges are set based on a claimant and their partner's circumstance, and a set discount is given based on an income range.

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Appendix B – Options appraisal of the differing support in an income banded CTS scheme.

Scheme	Pros	Cons
85% Income Band	<ul style="list-style-type: none"> • Saving of £700k 	<ul style="list-style-type: none"> • Bad Debt Provision will increase = cost to the council • Increase in the amount of CTax arrears / burden of collection – reduced collection rates • MBC – one of the most income deprived areas in the UK • Further pressure on the courts and additional increases in debt due to court costs • Where schemes have changed, no councils has taken money out / reduced support
90% Income Band	<ul style="list-style-type: none"> • Affordable • Provides greater level of support for those on low levels of income • Supports those going back into work and those who are already in work • Links in with other welfare strategies such as Stop the Knock, our Crisis support and other discretionary funds, and is part of our toolkit to respond to differing degrees of poverty • Current scheme requires improvement and proposed scheme seeks to address • the amount left to pay be more affordable = realising a greater opportunity to pay • Scheme is easier to administer = more likely to claim 	<ul style="list-style-type: none"> • Still an amount to pay for the most financially vulnerable
100% Income Band	<ul style="list-style-type: none"> • 100% support for the most vulnerable • Any other payments will go against historical / bad debt • Significant reduction in the administration of collection • Less pressure on courts 	<ul style="list-style-type: none"> • Significant cost to the council – circa £1million plus – likely unaffordable

Do nothing /
Remain with
Current CTR
scheme

- Scheme continues 'as is' with no changes to processes.

- No additional support for the most vulnerable.
- Take up of scheme is compromised due to the complexities of the current scheme
- The scheme is administratively resource intensive, and over the coming years may cost the council more to administer.
- The scheme creates difficulties in collection due to multiple changes to entitlement leading to resetting of instalments and recovery stages.
- As more and more claimants transition to Universal Credit, the efficiencies of assessing Housing Benefit and Council Tax Reduction together are lost.

Middlesbrough Council - Council Tax Reduction Scheme 2022/23 Consultation

1. Background to the Consultation

What is this consultation about?

Each year the Council has to decide whether to change the Council Tax Reduction scheme for working age applicants in its area. This year the Council has decided to consult on proposals to significantly change the Council Tax Reduction scheme so that the overall level of support can be increased for those applicants on the lowest incomes, and due to the full roll out of Universal Credit within the area. In effect the traditional link between Housing Benefit (which will no longer be available to most new working age claimants) and Council Tax Reduction will no longer exist and it is essential that the scheme is changed to meet future requirements, to reduce administration costs and to ultimately prevent any additional costs being added to the Council Tax

What is Council Tax Reduction?

Council Tax Reduction is a discount for Council Tax. The level of discount is based on the income of the household. Currently the maximum discount is 85% of Council Tax for working age households and 100% for pensioners.

Why is a change to the Council Tax Reduction scheme being considered?

In April 2013 the Council Tax Benefit Scheme was replaced by a new Council Tax Reduction Scheme. Council Tax Benefit had been funded by the Department for Work and Pensions (DWP) and supported people on low incomes by reducing the amount of Council Tax they have to pay.

The Council Tax Reduction scheme is determined locally by Middlesbrough Council rather than the Department for Work and Pensions. Although the Government initially provided funding for the scheme, the funding has reduced each year in line with the reduction in Revenue Support Grant provided to councils.

Applicants in receipt of income-based Jobseekers Allowance, Income Support and Income Related Employment and Support Allowance generally receive the maximum level of support. Others receive a level of Council Tax Reduction based on their income and other factors.

A separate Central Government scheme is retained for people of pension age and Councils are only able to vary their schemes for people of working age.

Each Council is required to review their schemes each year and decide if they want to make any changes. Before any proposed changes can be implemented, they must consult with the public.

The Council is proposing a number of changes to its existing scheme and, in line with legislation, we have a duty to consult with you and provide you with the opportunity to tell us your views on the proposed changes to our Council Tax Reduction Scheme.

The changes to the scheme are considered necessary for the following reasons:-

- The current scheme is means tested and as such is complex and difficult for many residents to understand. Administratively this is both time consuming and costly and is not in alignment with Universal Credit;
- Some residents are missing out, due to the complexities around the current claims process;
- The complexity of the scheme and its relationship to Universal Credit means that many Council Tax accounts are regularly rebilled, instalments are reset, amended bills are issued, and claimants are being told differing amounts to pay;
- Non- payment of Council Tax continues to be a problem for those on the lowest of incomes, and this scheme gives more support for many claimants on a low income;

The Council is consulting on the following proposed changes to its scheme for 2022/23:

Introducing an income 'grid' scheme for all working age applicants replacing the current scheme which was based on the previous Council Tax Benefit scheme. This will provide up to 90% support in certain cases (currently there is a maximum of 85%) **(Option 1)**. An 'income grid scheme' is a grid where you can look at how much weekly income you have and instantly see what discount you will get;

Limiting the number of dependent children used in the calculation of support to two for all working age applicants **(Option 2)**;

Removing Non-Dependant deductions **(Option 3)**;

Disregarding Carers Allowance, the Support Component of the Employment and Support Allowance and the housing element of Universal Credit in the calculation of income **(Option 4)**;

Removing all of the current earnings disregards** and replacing them with a standard £25 disregard for all applicants where they or their partner are in work **(Option 5)**;

Where a person is disabled and in receipt of certain disability benefits, allowing a further deduction from their income before calculating any entitlement to Council Tax Reduction **(Option 6)**;

Removing the Extended Payment provision **(Option 7)**. The extended payment provision continues to pay a council tax reduction for 4 weeks after a claimant starts work.

Making all new claims and changes in circumstances which change any entitlement to Council Tax Reduction on a daily basis rather than the current (benefit based) weekly basis (**Option 8**); and

Allowing the discretion to backdate any discount to the commencement of the financial year where a good reason is provided (**Option 9**).

Reducing the maximum capital limit from £16,000 to £6,000 (**Option 10**)

In Middlesbrough, over 18,000 households currently receive Council Tax Reduction. The gross cost of the scheme is over £17,500.00 which is spread across the Council (83.55%), Fire (3.82%), and Police (12.63%) in accordance with the proportion of Council Tax which each organisation levies (which is shown in brackets).

**A disregard under the Council's proposed scheme means an amount which is not taken into account, or a standard amount which is deducted from a specific weekly income, before using that income in the calculation of the discount.

Who will this affect?

Working age households in the Council's area who currently receive or will apply for Council Tax Reduction.

Pension age households will not be affected as Central Government prescribes the scheme.

Are there any alternatives to changing the existing Council Tax Reduction scheme?

We have also thought about other ways to make the administration simpler. These have not been completely rejected (including maintaining the current scheme) and you are asked about them in the questionnaire, but, at the moment we do not think we should implement them for the reasons given.

We have considered:

- **Continuing with the current scheme**
This would mean less support and higher administration costs generally. Not making these proposed changes would significantly increase the administration of Council Tax Reduction. The current scheme will not work effectively with the Government's Universal Credit system. The multiple changes in Universal Credit inevitably lead to multiple changes in Council Tax Reduction. This would increase the costs for all council tax payers in the area paying towards the scheme. The decision to increase Council Tax may need to be made by voting in a local referendum; or
- **Reducing funding to other Council services to pay for additional administration costs**
Keeping the current Council Tax Reduction scheme will mean an increase in administration costs and less money available to deliver other Council services.

1. I have read the background information about the Council Tax Reduction Scheme: This question must be answered before you can continue.

Yes

No

2. Paying for the Scheme

2. Should the Council keep the current Council Tax Reduction scheme? (Should it continue to administer the scheme as it does at the moment?)

Yes

No

Don't Know

3. Please use the space below to make any comments you have on protecting the Council Tax Reduction Scheme from these proposed changes.

3. Option 1 – The introduction of an Income Grid scheme to replace the current scheme for all applicants of working age

As explained in the background information, the Council is primarily consulting on the following proposals to change the existing Council Tax Reduction Scheme from 1st April 2022, which will increase the overall level of support to those households on the lowest income and also reduce the administration cost of the scheme generally. The proposed changes will also make the scheme simpler. Please note that whilst the proposed changes are intended to reduce the level and cost of administration, the Council is not looking to reduce the total overall level of support available. In fact for the lowest income households, the proposed changes may increase the amount of reduction received. Your responses are a part of this consultation.

The current scheme for Council Tax Reduction is largely based on the previous Council Tax Benefit scheme which was assessed alongside Housing Benefit. Housing Benefit for working age applicants is being phased out and it is generally not now possible to make new claims. Whilst Housing Benefit was the main provider of housing support for working age persons, it was logical to maintain a Council Tax Reduction scheme that mirrored this approach. Now that Universal Credit is being rolled out, it gives the Council the opportunity to significantly simplify what is in effect a Council Tax Discount.

It is proposed that a simplified income 'grid' scheme will be introduced with some slight differences where applicants fall within a 'protected group *'. For 'non-protected' groups, Table 1 shows the level of discount available.

Table 1

Discount Band	Discount	Single Person	Single person with one child	Single person with two or more children	Couple	Couple with one child	Couple with two or more children
Income Ranges							
Band 1 *	90%	£0 - £100.00	£0 - £160.00	£0 - £220.00	£0- £140.00	£0 - £205.00	£0 - £260.00
Band 2	72%	£100.01 - £180.00	£160.01 - £240.00	£220.01 - £295.00	£140.01 - £240.00	£205.01 - £281.00	£260.01 - £340.00
Band 3	36%	£180.01 - £215.00	£240.01 - £255.00	£295.01 - £350.00	£240.01 - £290.00	£281.01 - £320.00	£340.01 - £400.00
Band 4	23%	£215.01 - £255.00	£255.01 - £280.00	£350.01 - £450.00	£290.01 - £340.00	£320.01 - £370.00	£400.01 - £430.00
	0%	Over £255.00	Over £280.00	Over £450.00	Over £340.00	Over £370.00	Over £430.00

* - Where any applicant or their partner are in receipt of Income Support, Income-Based Jobseeker's Allowance or Income-Related Employment and Support Allowance, a Band 1 discount will be given (unless they have savings or capital over £6,000).

The key principles of the scheme are as follows:

- The level of discount (shown in the grids) will be based on the total net weekly income (determined by the Council) of the applicant and their partner; and
- Income levels can vary in accordance with household size;

Certain other aspects of the current scheme will be carried forward into the new scheme such as Disability Living Allowance, Personal Independence Payments, Child Benefit and Child Maintenance. They will continue to be disregarded from the calculation.

- Introducing an income 'grid' scheme for all working age applicants replacing the current scheme. This will provide up to 90% support in certain cases (currently there is a maximum of 85%) (**Option 1**);
- Applicants receiving Income Support, Income Related Employment and Support Allowance, and Income-based Jobseeker's Allowance will fall into Band 1. Where applicants are not in receipt of those benefits and their income is above the levels specified in Band 1, Council Tax Reduction shall be awarded at the appropriate level (Bands 2, 3 & 4);
- The grid will be limited to a maximum of two dependants (**see Option 2**);
- No charges will be made for non-dependants who live with the applicant (**see Option 3**);

- Disregarding Carers Allowance and the Support Component of the Employment and Support Allowance and the Housing elements of Universal Credit (**see Option 4**);
- Removing all of the current earnings disregards and replacing them with a standard £25 disregard for all applicants where they are in work (**see Option 5**);
- Where a person is disabled and in receipt of certain disability benefits, allowing a further deduction from their income before calculating any entitlement to Council Tax Reduction (**see Option 6**);
- Removing the Extended Payment provision (**see Option 7**);
- Making all new claims and changes in circumstances which change any entitlement to Council Tax Reduction on a daily basis rather than the current (benefit based) weekly basis (**see Option 8**);
- Allowing the discretion to backdate any discount to the commencement of the financial year where a good reason is provided (**see Option 9**);
- Reducing the maximum capital limit from £16,000 to £6,000 (**Option 10**).

It is inevitable that there will be a beneficial increase for some or a reduction in support for others, however, the Council is keen to protect as many applicants as possible. The Council is minded to increase the level of support to those on the lowest incomes.

The majority of applicants will receive the same or more support next year. In particular, parents and those in low paid jobs will often have less Council Tax to pay, however some households will have more to pay. Where an applicant experiences exceptional hardship, they will be able to apply for additional support from the Council under its new Exceptional Hardship Fund.

The possible benefits of changing the scheme:

- It provides more support to those on the lowest incomes;
- It provides a simpler scheme, easily understood by all applicants – see background for further details;
- It will save significant increases in administration costs due to the introduction of Universal Credit; and
- It should prevent applicants receiving multiple Council Tax demands during the year and prevents multiple changes to monthly instalments.

The possible disadvantages of doing this are:

- Whilst the Council will look to protect applicants as far as possible, there may be a reduction in support for some claimants; and
- Some households with more than two children or high capital are likely to receive less support.

4. Do you agree with this proposed change to the scheme?

Yes

No

Don't Know

5. If you disagree what alternative would you propose?

4. Option 2 - To limit the number of dependant children within the calculation for Council Tax Reduction to a maximum of two for all applicants.

Within the current scheme, applicants who have children are awarded a dependant's addition (an extra amount you can get if you have children) within the calculation of their needs (Applicable Amounts). From April 2017 the Government scheme limited dependants in Universal Credit, Housing Benefit and Tax Credits to a maximum of two. Some applicants were protected where they made a claim for reduction before that date and already had more than two dependants. The new scheme will be based on an income grid system which takes into account the number of dependants within the household; however, it will be limited to two, for all applicants.

Child benefit continues to be paid for every dependant and this will not count towards the applicants' household income for the purpose of calculating Council Tax Reduction.

The possible benefits to the Council of doing this are:

- Council Tax Reduction will be brought into line with other welfare benefits for all applicants; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

The possible disadvantages of doing this are:

- Applicants who have three or more dependants may receive less Council Tax Reduction. However, this is offset by the Child Benefit not being counted and, if the applicants face exceptional hardship, they may apply for additional support through the Council's Exceptional Hardship Scheme.

6. Do you agree with this proposed change to the scheme?

- Yes
- No
- Don't Know

7. If you disagree what alternative would you propose?

5. Option 3 – To remove Non-Dependant Deductions from the scheme

Currently, where an applicant (and their partner if they have one) has other adults living with them such as adult sons, daughters etc., their Council Tax Reduction may be reduced. Any charge made is called a Non-Dependant Deduction. The Council currently makes a range of deductions depending on the circumstances of the non-dependant. In theory, the applicant should look to recoup this deduction from those adults. The Council cannot recover these charges from the non-dependant and must seek payment from the applicant, who may be in receipt of a low income or benefits.

The possible benefits of this option is:

- Applicants will not be worse off for having additional adults living with them (other than if they are living there commercially); and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

The possible disadvantages of doing this are:

- There are no financial disadvantages for removing non dependant deductions.

8. Do you agree with this proposed change to the scheme?

- Yes
- No
- Don't Know

9. If you disagree what alternative would you propose?

6. Option 4 – Disregarding Carers Allowance, the Support Component of the Employment and Support Allowance and the housing element of Universal Credit

By moving to an income-based grid scheme it is essential that certain benefits are disregarded from the calculation of income. In order to protect the most vulnerable applicants, it is proposed that the following are not counted when assessing a person's income. These are:

- Carer's Allowance;
- The Support Component of Employment and Support Allowance; and
- Any amount determined by the authority as being awarded for the Housing Element of Universal Credit;

The possible benefits of this option is:

- It will assist and support the most vulnerable; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

The possible disadvantages of doing this are:

- There may be a slight increase in the overall cost of the scheme.

10. Do you agree with this proposed change to the scheme?

- Yes
- No
- Don't Know

11. If you disagree what alternative would you propose?

7. Option 5 – Removing the current earnings disregards and replacing them with a standard £25 disregard for all working applicants.

Currently, where applicants (or their partner if they have one) have earnings and work over 16 hours per week, an earnings disregard is applied depending on their individual circumstances. A disregard is the amount we ignore of your weekly earnings before calculating what you are entitled to. The standard disregards (only one is awarded) are £5 per week for a single person, £10 per week for a couple, £20 per week if they meet certain conditions such as disablement or part time special employments or £25 for lone parents. If they work additional hours, in some circumstances they may receive an additional £17.10 disregard per week. Also, if child care is paid by the applicant above that received free from Central Government, then further disregards can be made again earnings for monies paid out.

The proposed change to the scheme would introduce a standard, single disregard of £25 for all applicants where they or their partner work. The disregard will apply against earnings only. All other earnings related disregards will be removed.

The possible benefits of this option is:

- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information..

The possible disadvantages of doing this are:

- There will be applicants with larger families and who have high child care costs (not met by Government schemes) who will see a reduction in support. (It should be noted that applicants that face exceptional hardship may apply for additional support under the Council's Exceptional Hardship Scheme)

12. Do you agree with this proposed change to the scheme?

- Yes
- No
- Don't Know

13. If you disagree what alternative would you propose?

8. Option 6 - To allow further income disregards where an applicant, their partner or any dependant is in receipt of a disability benefit.

Where an applicant, their partner or any dependant who resides with them is disabled and in receipt of certain disability benefits, the Council will allow a further deduction from their income before calculating any entitlement to Council Tax Reduction.

This option replicates the rules which exist within the current scheme whereby a person who is entitled to a Disability Premium, Enhanced Disability Premium, Severe Disability Premium or Disabled Child Premium will have their income reduced (for calculation purposes).

The possible benefits of this option is:

- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.; and
- It protects the most vulnerable applicants.

14. Do you agree with this proposed change to the scheme?

Yes

No

Don't Know

15. If you disagree what alternative would you propose?

9. Option 7 – Removing the Extended Payment provision

In certain cases, where applicants have been in receipt of prescribed benefits (such as Income Support, Jobseekers Allowance or Employment and Support Allowance) and move into work which ends their entitlement, Council Tax Reduction can be paid for an additional 4 weeks after commencing work or increasing their hours. Similar provisions do not exist for Universal Credit claimants. As Universal Credit is to replace those existing (legacy) benefits, the Council's proposal is to align the scheme to other Government benefits.

The possible benefits of this option is:

- It will treat all applicants in receipt of DWP benefits equally; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information..

The possible disadvantages of doing this are:

- Applicants who are still in receipt of legacy benefits and who move into work before being transferred to Universal Credit may lose any potential extended payment.

16. Do you agree with this proposed change to the scheme?

Yes

No

Don't Know

17. If you disagree what alternative would you propose?

10. Option 8 – Any new claim or change in circumstances which changes Council Tax Reduction entitlement will be made from the date on which the change occurs, (rather than on a weekly basis as at present).

New claims and changes in circumstances that affect entitlement to Council Tax Reduction, under the current scheme, are largely effected on a weekly basis. This is a 'throwback' to previous benefit schemes that were weekly based. As Council Tax is a daily charge, the Council believes it makes more sense to change entitlement to Council Tax Reduction on a daily basis. It should be noted that, the proposed new scheme is designed to reduce the number of changes that will affect entitlement in any event.

The possible benefits of this option is:

- It is in line with the way that Council Tax is charged and operated; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

18. Do you agree with this proposed change to the scheme?

- Yes
- No
- Don't Know

19. If you disagree what alternative would you propose?

11. Option 9 – Extending the ‘backdating’ provisions within the scheme

The current scheme limits the backdating of any application for Council Tax Reduction to 1 month before the date of application where continuous ‘Good Cause’ is proven.

The Council is of the opinion that the backdating of applications should allow for better alignment with the date that the applicant's circumstances changed and that the Council be given a general discretion to backdate any discount to the commencement of the financial year where a good reason is provided.

The possible benefits of this option is:

- This option will allow the Council more flexibility in granting support where the applicant has a good reason for not claiming earlier; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

20. Do you agree with this proposed change to the scheme?

Yes

No

Don't Know

21. If you disagree what alternative would you propose?

12. Option 10 – Reducing the capital limit to £6,000

The current scheme has a capital limit of £16,000. It is proposed that the capital limit is reduced to a level of £6,000.

The possible benefits of this option is:

- It will make the administration of the scheme simpler as there will be no requirement to calculate a 'tariff' or assumed income from capital; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

The possible disadvantages of doing this are:

- Some applicants who have more than £6,000 capital will no longer be able to claim Council Tax Reduction. If entitlement drops below £6,000 further applications can be made.

22. Do you agree with this proposed change to the scheme?

- Yes
- No
- Don't Know

23. If you disagree what alternative would you propose?

13. Alternatives to changing the Council Tax Reduction Scheme

If the Council keeps the current scheme, it will be less supportive to low-income households and administratively more complex. The proposals set out in this consultation will deliver more support and administration savings. The alternatives are set out in the background information.

Do you think we should choose any of the following options rather than the proposed changes to the Council Tax Reduction Scheme? Please select one answer for each source of funding.

24. Increase the level of Council Tax to cover the additional administration costs

- Yes
- No
- Don't Know

25. Find the additional administration costs by cutting other Council Services

- Yes
- No
- Don't Know

26. Do you have any further comments on the proposed scheme?

27. Do you have any alternative proposals for the Council to consider?

28. Do you have any further comments or questions regarding the Council Tax Reduction Scheme that you haven't had opportunity to raise elsewhere?

14. About You

We ask these questions to:

- find out if different groups of people in the Council's population have been able to take part in the consultation and identify if any groups have been excluded. This means it is not about you as an individual but to find out if people with similar characteristics have had their say.
- find out if different groups of people feel differently about the options and proposals in comparison to each other and all respondents. This means it is not about you as an individual but to find out if people with similar characteristics have answered in the same way or not.

This information is completely confidential and anonymous. Your personal information will not be passed on to anyone and your personal details will not be reported alongside your responses.

29. Are you, or someone in your household, getting a Council Tax Reduction in Middlesbrough at this time?

- Yes
- No
- Don't Know

30. What is your sex?

- Male
- Female
- Prefer not to say

31. Age

- 18-24
- 25-34
- 35-44

- 45-54
- 55-64
- 65-74
- 75-84
- 85+
- Prefer not to say

32. Disability: Are your day-to-day activities limited because of a health problem or disability which has lasted, or is expected to last, at least 12 months?

- Yes
- No
- Don't know
- Prefer not to say

33. Ethnic Origin: What is your ethnic group? Select each that apply.

- Prefer not to say
- White British
- White Irish
- White Gypsy or Irish Traveller
- Any other White background
- Mixed/Multiple ethnic groups - White & Black African
- Mixed/Multiple ethnic groups - White & Black Caribbean
- Mixed/Multiple ethnic groups - White & Asian
- Any other multi mixed background
- Asian or Asian British Pakistani

- Asian or Asian British Indian
- Asian or Asian British Bangladeshi
- Asian or Asian British Chinese
- Any other Asian background
- Black African
- British Caribbean
- Black British
- Any other Black background

34. Other Ethnic Group

14. Next steps....

Thank you for completing the questionnaire.

Progress reports on the consultation will be added to our website.

You may submit further evidence, ideas, comments or questions (marked CTR consultation) by email to consultationportal@middlesbrough.gov.uk

The consultation closes on 30/11/2021.

We will listen carefully to what you tell us and take the responses into consideration when making a final decision on the 2022/23 scheme.

Following the decision, the full results from the consultation will be available on the Council's website.

The new scheme (if approved) will start on 1 April 2022. The Council will consider the impact of the scheme annually and consult again if it thinks further proposed changes need to be made.

The link to the survey: <https://arcg.is/11r8qX>

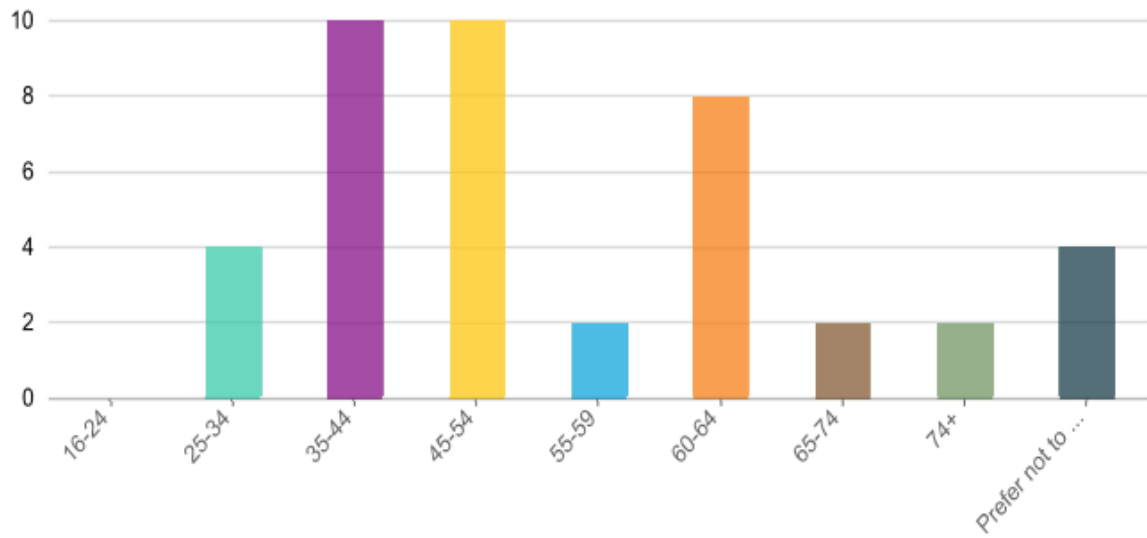
Appendix D – Council Tax Reduction Scheme

Summary of responses.

Question	Yes (%)	No (%)	Don't Know (%)	Skipped question
I have read the background information about the Council Tax	93.33%	6.67%	--	–
Should the Council keep the current CTR scheme?	22.22%	55.56%	15.56%	6.66%
Option 1 - Introduction of Income Grid Scheme. Do you agree?	57.78%	17.78%	17.78%	6.66%
Option 2 - Limit dependant children within the calculation to a maximum of 2. Do you agree?	60.00%	15.56%	17.78%	6.66%
Option 3 - Remove non dependant deductions. Do you agree?	62.22%	22.22%	8.89%	6.67%
Option 4 - Disregard Carers All, the Support Component of Employment and Support Allowance, and the Housing element of Universal Credit. Do you agree?	64.44%	15.56%	13.33%	6.67%
Option 5 – Remove the current earnings disregards and replacing them with a standard £25 disregard for all working applicants. Do you agree?	64.44%	15.56%	13.33%	6.67%
Option 6 - Allow further income disregards where applicant, partner or any dependant is in receipt of disability benefit? Do you agree?	71.11%	13.33%	8.89%	6.67%

Option 7 - Remove the Extended Payment provision. Do you agree?	53.33%	17.78%	22.22%	6.67%
Option 8 – Any new claim or change in circumstance will be made from the date the change occurs – Do you agree?	75.56%	8.89%	8.89%	6.66%
Option 9 - Extend the 'backdating' provisions within the scheme. Do you agree?	73.33%	11.11%	8.89%	6.67%
Option 10 - Reducing the capital limit to £6,000. Do you agree?	51.11%	31.11%	11.11%	6.67%
Alternatives to changing the CTR Scheme – Increase level of Council Tax. Do you agree?	13.33%	75.56%	4.44%	6.67%
Alternatives to changing the CTR Scheme – Find the admin costs by cutting other Council services. Do you agree?	24.44%	57.78%	11.11%	6.67%
Are you, or someone in your household getting a Council Tax Reduction in Middlesbrough?	31.11%	57.78%	4.44%	6.67%
Are you male or female?	Female 60%	Male 26.67%	Didn't say 6.67%	6.66%
Do you consider yourself to be a person with a disability?	22.22%	68.89%	2.22%	6.67%

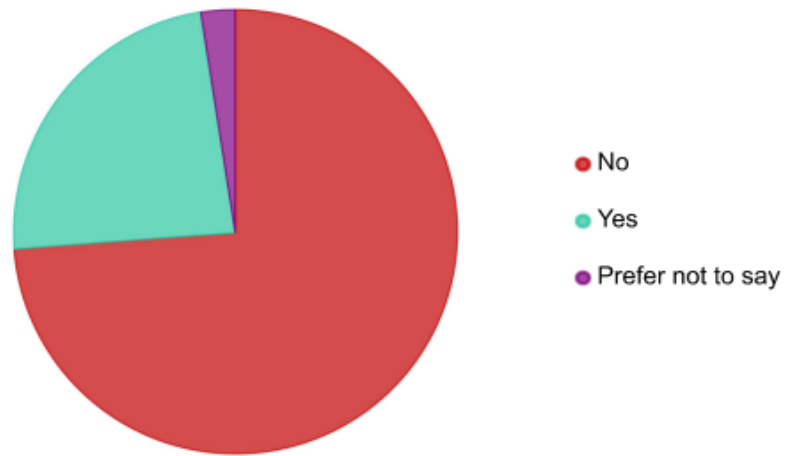
Q31. Please indicate which age band you fit into?



Answers	Count	Percentage
16-24	0	0%
25-34	4	8.89%
35-44	10	22.22%
45-54	10	22.22%
55-59	2	4.44%
60-64	8	17.78%
65-74	2	4.44%
74+	2	4.44%
Prefer not to say	4	8.89%

Answered: 42 Skipped: 3

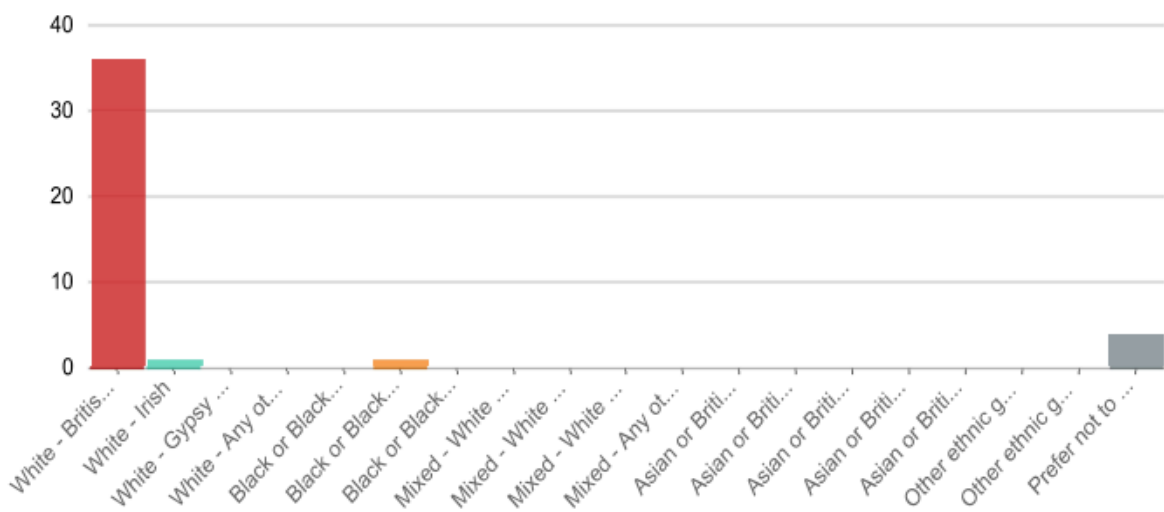
Q32. Do you consider yourself to be a person with a disability?



Answers	Count	Percentage
No	31	68.89%
Yes	10	22.22%
Prefer not to say	1	2.22%

Answered: 42 Skipped: 3

Q33. To which of these ethnic groups do you consider you belong?



White - British	36	80%
White - Irish	1	2.22%
White - Gypsy or Irish Traveller	0	0%
White - Any other White background (please write below)	0	0%
Black or Black British - Caribbean	0	0%
Black or Black British - African	1	2.22%
Black or Black British - Any other Black background (please write below)	0	0%
Mixed - White and Black Caribbean	0	0%
Mixed - White and Black African	0	0%
Mixed - White and Asian	0	0%
Mixed - Any other Mixed background (please write below)	0	0%
Asian or British Asian - Indian	0	0%
Asian or British Asian - Pakistani	0	0%
Asian or British Asian - Bangladeshi	0	0%
Asian or British Asian - Chinese	0	0%
Asian or British Asian - Any other Asian background (please write below)	0	0%
Other ethnic group - Arab	0	0%
Other ethnic group - Any other background (please write below)	0	0%
Prefer not to say	4	8.89%

Answered: 42 Skipped: 3

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Impact Assessment Level 1: Initial screening assessment

Subject of assessment:	Council Tax Reduction (CTR) Scheme 2022-23			
Coverage:	Service Specific (affects all wards)			
This is a decision relating to:	<input checked="" type="checkbox"/> Strategy	<input checked="" type="checkbox"/> Policy	<input checked="" type="checkbox"/> Service	<input checked="" type="checkbox"/> Function
	<input checked="" type="checkbox"/> Process/procedure	<input type="checkbox"/> Programme	<input type="checkbox"/> Project	<input type="checkbox"/> Review
	<input checked="" type="checkbox"/> Organisational change	<input type="checkbox"/> Other (please state)		
It is a:	New approach:	<input type="checkbox"/>	Revision of an existing approach:	<input checked="" type="checkbox"/>
It is driven by:	Legislation:	<input checked="" type="checkbox"/>	Local or corporate requirements:	<input checked="" type="checkbox"/>

Description:	<ul style="list-style-type: none"> ○ Key aims, objectives and activities ○ The aim is to introduce a cost effective, simplified Council Tax Reduction scheme with effect from 1st April 2022. ○ The proposed changes will provide the following: <ul style="list-style-type: none"> ○ Simplified claiming arrangements for all working age applicants; ○ Speed of processing - applications will be dealt with more efficiently and without the need for significant levels of evidence; and ○ Reduced administration costs. The proposed changes will prevent the administration costs from rising year on year which would be inevitable under the current scheme. The cost of the scheme has to be affordable to the council, and as such is not mandated by Central Government. The council can choose to fund the scheme over and above the current cost (or vice versa), however our options appraisal shows why remaining with the current scheme and various alternative options are not recommended. ○ The new scheme will affect all working age applicants who are currently in receipt of Council Tax Reduction on 1st April 2022 or those who apply after 1st April 2022. The scheme will not affect pension age applicants ○ Statutory drivers (set out exact reference) ○ The Local Government Finance Act Section 67 (2012 Act) inserted into LGFA 1992 (Functions to be discharged by the Authority) making or revising a Council Tax Support Scheme – Section 13 (2) confirms that each billing Authority in England must make a Council Tax Support scheme by no later than 11 March each year. Any scheme cannot be made by officers, with the above legislation confirming that authorisation of the full scheme is subject to member approval ○ Differences from any previous approach ○ The proposed scheme has been simplified for working age claimants, using a broad ‘income grid’ approach, whereby a claimant’s CTR is decided by a number of factors, but predominantly by where their net weekly income compares to a broad income band range. ○ Key stakeholders and intended beneficiaries (internal and external as appropriate) ○ The key stakeholders include working age residents on low incomes, and precepting authorities such as Cleveland Police and Cleveland Fire. Consultation has been carried out with all stakeholders. ○ Intended outcomes. ○ More support for claimants on low income; ○ Simplification of the scheme; ○ Reduction in the administrative burden and the provision made for bad debtors; ○ Reduce, if not remove, the high level of rebilling that occurs throughout the year due to benefit changes which ultimately leads to a delay in cash collection.
Live date:	1 April 2022
Lifespan:	The proposed scheme (if accepted) will be in place for 2022-23 year. Each year the Council needs to confirm its scheme by 11 th March.
Date of next review:	Annually - reviews can be made every April, and the Council will review roll out, implementation and any unforeseen problems, and use this learning when designing schemes in future years.

Screening questions	Response			Evidence
	No	Yes	Uncertain	
<p>Human Rights</p> <p>Could the decision impact negatively on individual Human Rights as enshrined in UK legislation?*</p>	☒	☐	☐	<p>This proposed scheme is designed to ensure that the Council operates a simpler approach to Council Tax reduction, offering more support for the most financially vulnerable claimants of the scheme. The proposed scheme will be simpler to understand and will hopefully be positive in helping those residents who choose not to claim (who would otherwise qualify for help), to make a claim for the discount. There are no concerns that the proposed scheme could infringe qualified or absolute human rights.</p> <p>Evidence used to inform this assessment includes analysis of the various circumstances of the resident (using a modelling tool of proposed scheme options), compared to current support provisions. In addition, engagement has taken place with senior officers who have been involved in the development of the proposed scheme and supporting detailed delivery plans.</p> <p>Consultation has also taken place with residents of Middlesbrough, stakeholders, partners and Major Precepting authorities. The results are that all of the major changes have attained a majority of support. This consultation has resulted in a few minor suggested changes to the proposed scheme, which generally impact positively on those who will claim the discount.</p>

* Consult the Impact Assessment further guidance appendix for details on the issues covered by each of these broad questions prior to completion.

Screening questions	Response			Evidence
<p>Equality</p> <p>Could the decision result in adverse differential impacts on groups or individuals with characteristics protected in UK equality law? Could the decision impact differently on other commonly disadvantaged groups?*</p>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>The Public Sector Equality Duty (PSED) requires that when exercising its functions the Council must have due regard to the need to:-</p> <ul style="list-style-type: none"> eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and foster good relations between persons who share a relevant protected characteristic and persons who do not share it. <p>In having due regard to the need to advance equality of opportunity, the Council must consider, as part of a single equality duty:</p> <ul style="list-style-type: none"> removing or minimising disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic; taking steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it; and encouraging people who share a protected characteristic to participate in public life or in any other activity in which participation is low. <p>The proposed scheme should make thinks simpler and more transparent for those who claim (or consider claiming) Council Tax Reduction.</p> <p>It is potentially relevant to all the protected characteristics.</p> <ul style="list-style-type: none"> Age <ul style="list-style-type: none"> The Government have legislated that the Council cannot amend their Council Tax Reduction scheme for pension age claimants, which central Government recognise as being a protected group, and as such should not be impacted by any proposed changes brought about by any revised scheme. The scheme is open to all working age applicants. Approximately 2,800 of the 18,000 who currently claim, may lose some support under the new scheme - many of the losses are generally small in weekly terms. Disability - No specific impact due to membership of this group. Gender reassignment - No specific impact due to membership of this group. Marriage and Civil Partnership - No specific impact due to membership of this group. Pregnancy - No specific impact due to membership of this group. Race (ethnicity, nationality, colour) - No specific impact due to membership of this group. Religion or Belief (and lack of belief) - No specific impact due to membership of this group. Sex - No specific impact due to membership of this group. Sexual orientation - No specific impact due to membership of this group. <p>The Armed Forces Bill places a new duty on public bodies to have due regard to ensure those who serve in the Armed Forces, whether Regular or Reserve, those who have served in the past, and their families, should face no disadvantage compared to other citizens in the provision of public and commercial services. Special consideration is appropriate in some cases, especially for those who have given most such as the injured and the bereaved. War Pensions and War Disablement Pensions will continue to be disregarded for both working age and pension age applicants, therefore they are not impacted by these proposals.</p>

Screening questions	Response			Evidence
<p>Equality (continued)</p> <p>Could the decision result in adverse differential impacts on groups or individuals with characteristics protected in UK equality law? Could the decision impact differently on other commonly disadvantaged groups?*</p>				<p>The proposed scheme is also relevant and impacts other groups.</p> <ul style="list-style-type: none"> Carers - No specific impact due to membership of this group. Households with more than two dependants – Under the proposed scheme, Couples (and lone parents) with 2 or more children are all combined into the same income level. This means the income band is the same regardless of whether a claimant has 2 children, or more. This will negatively impact on some of the claims (depending on their other circumstances). The approximate number of claimants affected by this proposed change are 1,160. They are included in the overall number (2,800) of claimants impacted stated above. Any applicant who feels that they will experience exceptional hardship will be able to apply for additional support from the Council’s Exceptional Hardship Fund. This approach is in alignment with the Government’s approach to some other means – tested benefits. Persons in receipt of Universal Credit - No specific impact due to membership of this group. Applicants in receipt of the support component of Employment and Support Allowance (ESA) - No specific impact due to membership of this group. <p>Evidence used to inform this assessment includes analysis of the various circumstances of the resident (using a modelling tool of proposed scheme options), compared to current support provisions. In addition, engagement has taken place with senior officers who have been involved in the development of the proposed scheme and supporting detailed delivery plans.</p> <p>Consultation has also taken place with residents of Middlesbrough, stakeholders, partners and Major Precepting authorities. The results are that all of the major proposed changes have attained a majority of support. This consultation has resulted in a few minor suggested changes to the proposed scheme, which generally impact positively on those who will claim the discount.</p>
<p>Community cohesion</p> <p>Could the decision impact negatively on relationships between different groups, communities of interest or neighbourhoods within the town?*</p>	☒	☐	☐	<p>The proposed scheme should not impact negatively on relationships between different groups, communities of interest or neighbourhoods within the town. The scheme continues to be fair and consistent, although much broader in terms of the way in which net weekly income is assessed for support.</p> <p>Where there may be any different needs because of a protected characteristic or geography, the service will develop follow up actions focussed on addressing those unequal impacts. There are no concerns that the proposed scheme could have an adverse impact on community cohesion.</p> <p>Evidence used to inform this assessment includes analysis of the various circumstances of the resident (using a modelling tool of proposed scheme options), compared to current support provisions. In addition, engagement has taken place with senior officers who have been involved in the development of the proposed scheme and supporting detailed delivery plans.</p> <p>Consultation has also taken place with residents of Middlesbrough, stakeholders, partners and Major Precepting authorities. The results are that all of the major proposed changes have attained a majority of support. This consultation has resulted in a few minor suggested changes to the proposed scheme, which generally impact positively on those who will claim the discount.</p>

Screening questions	Response	Evidence
<p>Next steps:</p> <ul style="list-style-type: none"> ➤ If the answer to all of the above screening questions is No then the process is completed. ➤ If the answer of any of the questions is Yes or Uncertain, then a Level 2 Full Impact Assessment must be completed. 		

Assessment completed by:	Mark Symmonds	Head of Service:	Janette Savage
Date:	26/01/2022	Date:	26/01/2022

Impact Assessment Level 2: Full impact assessment

Subject of assessment:	Council Tax Reduction (CTR) Scheme 2022-23			
Coverage:	Service Specific (affects all wards)			
This is a decision relating to:	<input checked="" type="checkbox"/> Strategy	<input checked="" type="checkbox"/> Policy	<input checked="" type="checkbox"/> Service	<input checked="" type="checkbox"/> Function
	<input checked="" type="checkbox"/> Process/procedure	<input type="checkbox"/> Programme	<input type="checkbox"/> Project	<input type="checkbox"/> Review
	<input checked="" type="checkbox"/> Organisational change	<input type="checkbox"/> Other (please state)		
It is a:	New approach:	<input type="checkbox"/>	Revision of an existing approach:	<input checked="" type="checkbox"/>
It is driven by:	Legislation:	<input checked="" type="checkbox"/>	Local or corporate requirements:	<input checked="" type="checkbox"/>

<p>Description:</p>	<ul style="list-style-type: none"> ○ Key aims, objectives and activities ○ The aim is to introduce a cost effective, simplified Council Tax Reduction scheme with effect from 1st April 2022. ○ The proposed changes will provide the following: <ul style="list-style-type: none"> ○ Simplified claiming arrangements for all working age applicants; ○ Speed of processing - applications will be dealt with more efficiently and without the need for significant levels of evidence; and ○ Reduced administration costs. The proposed changes will prevent the administration costs from rising year on year which would be inevitable under the current scheme. The cost of the scheme has to be affordable to the council, and as such is not mandated by Central Government. The council can choose to fund the scheme over and above the current cost (or vice versa), however our options appraisal shows why remaining with the current scheme and various alternative options are not recommended. ○ The new scheme will affect all working age applicants who are currently in receipt of Council Tax Reduction on 1st April 2022 or those who apply after 1st April 2022. The scheme will not affect pension age applicants ○ Statutory drivers (set out exact reference) ○ The Local Government Finance Act Section 67 (2012 Act) inserted into LGFA 1992 (Functions to be discharged by the Authority) making or revising a Council Tax Support Scheme – Section 13 (2) confirms that each billing Authority in England must make a Council Tax Support scheme by no later than 11 March each year. Any scheme cannot be made by officers, with the above legislation confirming that authorisation of the full scheme is subject to member approval ○ Differences from any previous approach ○ The proposed scheme has been simplified for working age claimants, using a broad ‘income grid’ approach, whereby a claimant’s CTR is decided by a number of factors, but predominantly by where their net weekly income compares to a broad income band range. ○ Key stakeholders and intended beneficiaries (internal and external as appropriate) ○ The key stakeholders include working age residents on low incomes, and precepting authorities such as Cleveland Police and Cleveland Fire. Consultation has been carried out with all stakeholders. ○ Intended outcomes. ○ More support for claimants on low income; ○ Simplification of the scheme; ○ Reduction in the administrative burden and the provision made for bad debtors; ○ Reduce, if not remove, the high level of rebilling that occurs throughout the year due to benefit changes which ultimately leads to a delay in cash collection.
<p>Live date:</p>	<p>1 April 2022</p>
<p>Lifespan:</p>	<p>The proposed scheme (if accepted) will be in place for 2022-23 year. Each year the Council needs to confirm its scheme by 11th March.</p>
<p>Date of next review:</p>	<p>Annually - reviews can be made every April, and the Council will review roll out, implementation and any unforeseen problems, and use this learning when designing schemes in future years.</p>

Assessment issue	Impacts identified					Rationale and supporting evidence
	None	Positive	Negative		Uncertain	
			Justified	Mitigated		
Human Rights						
Engagement with Convention Rights (as set out in section 1, appendix 2 of the Impact Assessment Policy).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No negative impacts identified in the level one assessment.
Equality						
Age	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>The Government have legislated that the Council cannot amend their Council Tax Reduction scheme for pension age claimants, which central Government recognise as being a protected group, and as such should not be impacted by any proposed changes brought about by any revised scheme.</p> <p>The level one impact assessment identified that most working age claimants will receive a higher level of support. However, there are some working age claimants will receive less support.</p> <p>In order to ensure that the proposed scheme is (in general) cost neutral to the council, when increasing the support for the most financially vulnerable from 85% to 90%, this in turn will create some who are worse off. Approximately 2,800 working age applicants may lose some support under the new scheme (many of the losses are generally small in weekly terms). This impact is justified due to the aim of the council for the scheme to be cost neutral. However, the impact can be partially mitigated.</p> <p>Any applicant who feels that they will experience exceptional hardship will be able to apply for additional support from the Council's Exceptional Hardship Fund (Section 13a payments).</p>
Disability	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The proposed scheme has been designed to ensure that all disability benefits are fully disregarded (as in the current scheme) and a further disregard made from the applicant's other income to ensure that cases are not worse off.
Gender reassignment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No effect other than for working age applicants generally.
Pregnancy / maternity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No effect other than for working age applicants generally.
Race	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No effect other than for working age applicants generally.
Religion or belief	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No effect other than for working age applicants generally.
Sex	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No effect other than for working age applicants generally.
Sexual Orientation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No effect other than for working age applicants generally.

Assessment issue	Impacts identified					Rationale and supporting evidence
	None	Positive	Negative		Uncertain	
			Justified	Mitigated		
Marriage / civil partnership**	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No effect other than for working age applicants generally.
Dependants / caring responsibilities**	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>Under the proposed scheme, Couples (and lone parents) with 2 or more children are all combined into the same income level. This means the income band is the same regardless of whether a claimant has 2 children or more. This will negatively impact on some of the claims (depending on their other circumstances). This approach is in alignment with the Government's approach to some other means – tested benefits.</p> <p>The approximate number of claimants affected by this proposed change are 1,160. They are included in the overall number (2,800) of claimants impacted stated above.</p> <p>This impact is justified due to the aim of the council for the scheme to be cost neutral. However, the impact can be partially mitigated.</p> <p>In order to mitigate the impact on negatively affected groups, any applicant who feels that they will experience exceptional hardship will be able to apply for additional support from the Council's Exceptional Hardship Fund. (Section 13a payments).</p>
Criminal record / offending past**	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No effect other than for working age applicants generally.
Community cohesion						
Individual communities / neighbourhoods		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No negative impacts identified in the level one assessment.
Relations between communities / neighbourhoods		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Further actions		Lead	Deadline
Mitigating actions	Creation of a revised and funded Section 13 a scheme to allow for payments to be made for impacted CTR claimants who cannot afford to pay the additional Council Tax.	Mark Symmonds	April 2022

** Indicates this is not included within the single equality duty placed upon public authorities by the Equality Act. See guidance for further details.

Promotion	<p>The revised Section 13 a Scheme will be promoted through various means; including (but not limited to):</p> <ul style="list-style-type: none"> ○ Information of the Council's website; ○ Social media; ○ Communication to staff, stakeholders, partners, claimants, etc. 	Mark Symmonds	April 2022
Monitoring and evaluation	<p>The scheme will be monitored in conjunction with the medium term financial plan, and alongside any changes brought about by central Government.</p> <p>Evaluation will be carried out in conjunction with monthly service review meetings, and against the service's Key Measure of Success</p>	Martin Barker, Mark Symmonds, Service Managers	Ongoing – for all years that this scheme is adopted.

Assessment completed by:	Mark Symmonds	Head of Service:	Janette Savage
Date:	26/01/2022	Date:	26/01/2022

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Report of:	Councillor Tony Grainge - Executive Member for Neighbourhood Safety Geoff Field - Director of Environment and Community Services
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Submitted to:	Executive - 14 February 2022
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Subject:	Tackling Crime and Antisocial Behaviour – CCTV
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Summary

Proposed decision(s)
That Executive agrees to: <ul style="list-style-type: none"> a. Release the remaining capital funding of £350,000 for CCTV provision in Middlesbrough.

Report for:	Key decision:	Confidential:	Is the report urgent?¹
Decision	Yes, impacts two or more wards	No	No

Contribution to delivery of the 2018-22 Strategic Plan		
Business	Place	People
The proposal will provide an opportunity to improve service delivery by strengthening a collaborative approach and removing duplication across services. The approach will have a focus on meeting legal and governance requirements.	The Proposal impacts directly on the Councils Physical Regeneration strategic objectives. By improving perceptions of crime and ASB.	The proposal has a significant contribution to make to Locality Working and our social regeneration strategy. The new model will also provide a focus on a 'neighbourhood' working with local communities and key partners.

Ward(s) affected
The proposal impacts across all wards

¹ Remove for non-Executive reports

What is the purpose of this report?

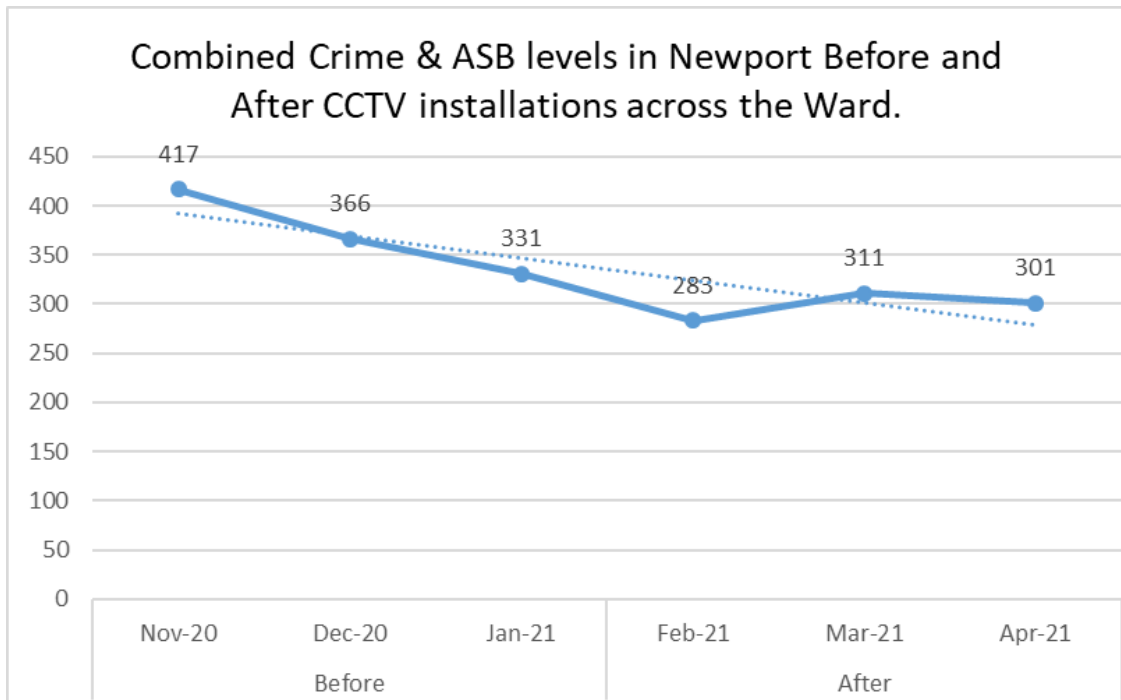
1. The purpose of this report is to:
 - a) Request that Executive release the remaining capital funding of £350,000 to the wider development of CCTV in alleys and hot spot areas throughout Middlesbrough to reduce crime, antisocial behaviour and environmental crime.

Why does this report require a Member decision?

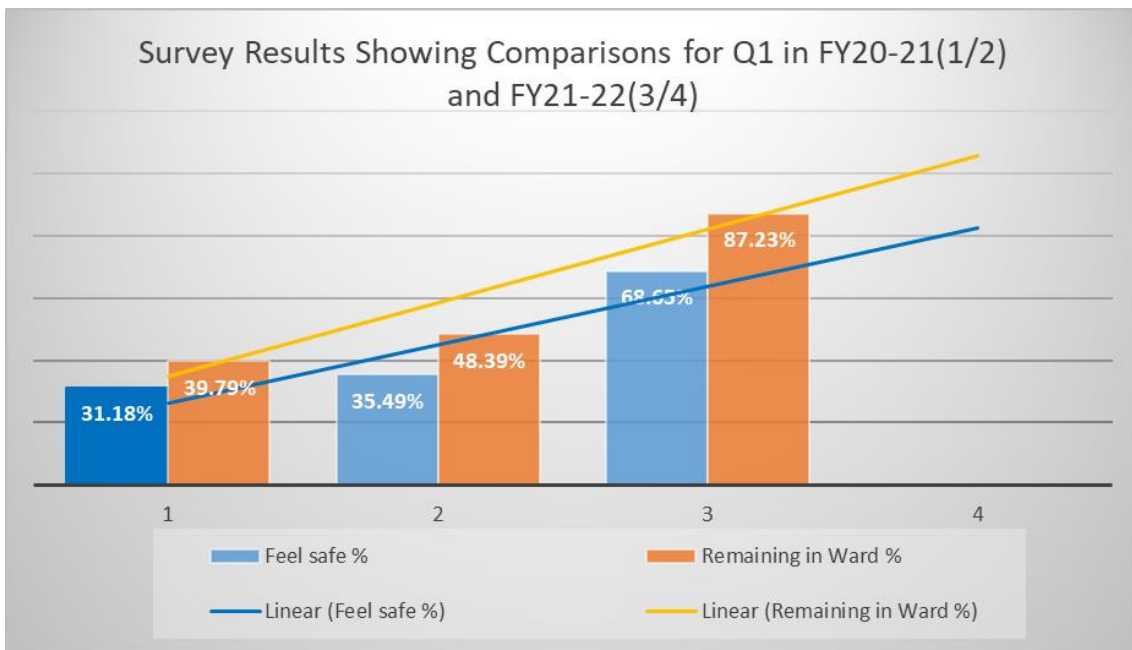
2. The proposal affects more than two wards and therefore is considered a key decision requiring approval by the Executive.

Report Background

3. On 23rd February 2021, Executive approved £50,000 spend to increase CCTV across the Town. Executive approved a further £350,000 spend on receipt of a report outlining the benefits of the initial £50,000.
4. The benefits of the initial £50,000 is set out below:
5. 11 cameras were installed utilising the £50,000. They were installed in the following areas:
 - Netherfields Crescent,
 - Chesterwood,
 - Harford Street Alley,
 - Addington Drive,
 - Portman Street,
 - Thorntree Park,
 - Rear of Pallister Avenue/ Longlands Road,
 - Saltersgill Avenue,
 - Northern Road,
 - Bramwith Avenue,
 - And Centre Square.
6. Crime and ASB in these locations was 139 prior to the CCTV being installed and now Crime and ASB is 119.
7. In addition to the instillation of the 11 cameras above we have also installed 42 cameras via grant funding (Safer Streets Funding) in the Newport ward. Crime and ASB levels reduced by 19.7% after instillation of the cameras and perceptions of local residents have improved significantly over recent months.



8. A Locality Working survey conducted in H2 2020-21 and then again in H1 2021-22 indicated that perceptions of feeling safe in their neighbourhood improved by 33.16% alongside people intending to remain in the ward over 3 years increasing by 38.84%.



9. Information relating to suspected criminal behaviour captured using the CCTV that has been installed has been passed to the Police for further investigation on 419 occasions. 192 of this resulted in further action and Police have used this evidence to bring offenders to justice.

10. A large number of fly tipping incidents have been captured with the assistance of CCTV which have also resulted in enforcement action being taken.
11. Residents and local businesses have said that they feel safer having CCTV in their neighbourhood.

What decision(s) are being asked for?

- a. Release the remaining capital funding of £350,000 for CCTV provision in Middlesbrough.

Why is this being recommended?

12. To enable the team to meet strategic and Mayoral priorities to tackle crime and ASB head on.
13. CCTV would enable the team to gather intelligence on the worst affected areas, increasing the opportunity of a successful prosecution of perpetrators.

Other potential decisions and why these have not been recommended

14. Continuing to do what we have always done will result in getting what we have always got and the data suggests that the current approach is not achieving the best possible results.

Legal

15. A Privacy Impact assessment would need to be carried out in line with the Information Commissioners Office Guidance and the Surveillance Camera Code of Practice (Protection of Freedoms Act Code) (PoFA)
16. There are no legal implications regarding use of CCTV in proposed/identified locations due to the fact that an intelligence led approach has been used to justify the proposals. A lawful basis under Article 10 of UK GDPR will be used before sharing criminal offence data.
17. The Council will comply with any codes of practice issued by the Government via the Information/Surveillance Commissioner.

Financial

18. The £350,000 was agreed in principle at the Executive meeting on 23rd February 2021

Policy Framework

19. The report sets out a proposal in accordance with the Council's approach to the delivery of efficient services.

Equality and Diversity

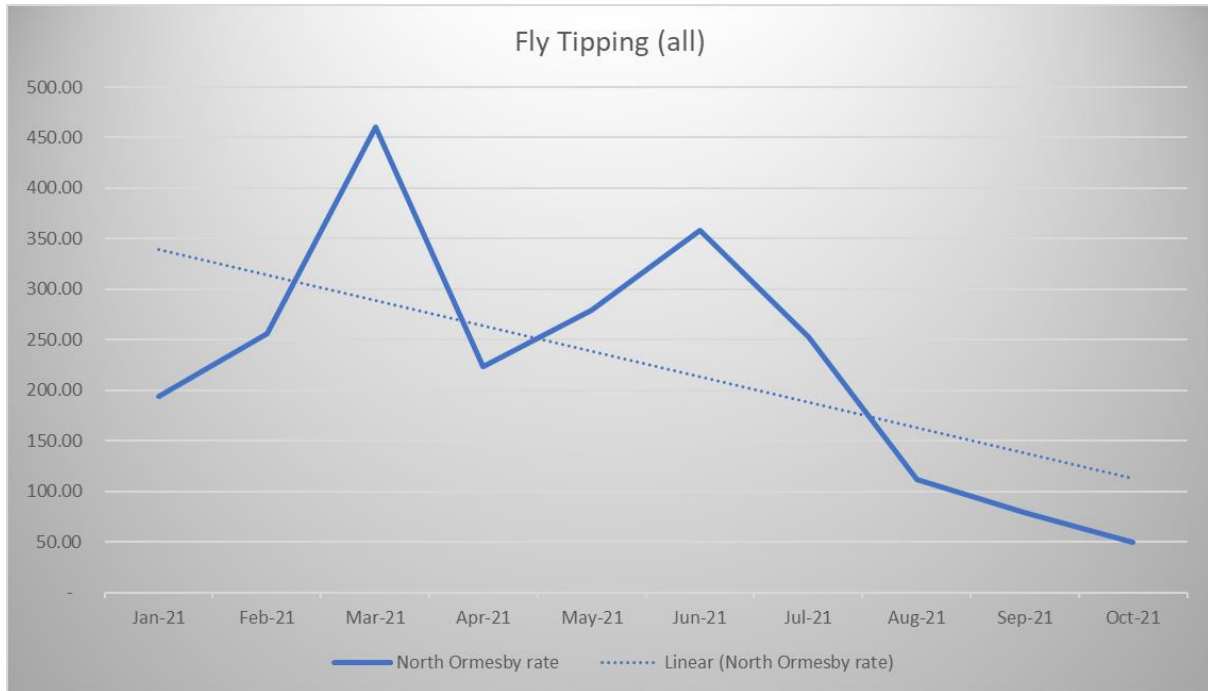
20. An Impact Assessment has been carried out.

Risk

21. The risk is that if the proposal is not accepted then we will continue to see crime, ASB and environment crime increase throughout Middlesbrough.

Environmental

22. CCTV is used to identify perpetrators of environmental crimes such as fly tipping and this is having a positive impact on the levels of fly tipping in areas where we have CCTV. North Ormesby for example over the last 5 months has seen a continued reduction in fly tipping, a reduction of 39.7% in comparison to the 5 months previous.



Actions to be taken to implement the decision(s)

23. Progress with the plans to increase CCTV across Middlesbrough.

Appendices

24. Appendix 1 - Impact Assessment

Contact: Marion Walker Head of Stronger Communities

Email: marion_walker@middlesbrough.gov.uk

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Impact Assessment Level 1: Initial screening assessment

Subject of assessment:	Tackling Crime and Antisocial Behaviour – CCTV			
Coverage:	Service specific			
This is a decision relating to:	<input type="checkbox"/> Strategy	<input type="checkbox"/> Policy	<input checked="" type="checkbox"/> Service	<input type="checkbox"/> Function
	<input type="checkbox"/> Process/procedure	<input type="checkbox"/> Programme	<input checked="" type="checkbox"/> Project	<input type="checkbox"/> Review
	<input type="checkbox"/> Organisational change	<input type="checkbox"/> Other (please state)		
It is a:	New approach:	<input checked="" type="checkbox"/>	Revision of an existing approach:	<input checked="" type="checkbox"/>
It is driven by:	Legislation:	<input type="checkbox"/>	Local or corporate requirements:	<input checked="" type="checkbox"/>

Description:	<p>Insert short description, using the following as sub-headings:</p> <p>Key aims, objectives and activities: Funding is being sought to add further CCTV provision into the worst affected alleys and hot spot areas throughout Middlesbrough which is a key and critical component of this initiative as this is where a large amount of environmental crime takes place.</p> <p>Statutory drivers (set out exact reference): There are statutory drivers on how we as an authority deal with litter and refuse:</p> <p>Please see further information on the following link: https://www.gov.uk/guidance/litter-and-refuse-council-responsibilities-to-keep-land-clear#land-councils-must-keep-clear</p> <p>Installation of any new camera that are linked to Middlesbrough Council and the monitoring of open public spaces must be compliant with data protection act 2018 (GDPR) and comply with the ICO/ Home Office Surveillance Camera Code of Practice. All information can be found on the following link: https://www.gov.uk/government/publications/surveillance-camera-code-of-practice</p> <p>Differences from any previous approach: The approach does not differ from previous approaches when we are identifying areas to install CCTV. We must undertake a review of all locations prior to installing any new CCTV to ensure we have a legal basis to install CCTV. This is based on data held by the authority and Cleveland Police relating to reports of crime, anti-social behaviour and environmental crime.</p> <p>Key stakeholders and intended beneficiaries (internal and external as appropriate): The key stakeholder's is MBC, Cleveland Police, members and Residents of Middlesbrough.</p> <p>Intended outcomes: The increase in CCTV in hot spot areas is an additional tool to support services in identifying perpetrators of ASB, crime and environmental crime.</p>
Live date:	April 2022
Lifespan:	From 1st February 2021, for the foreseeable future.

Date of next review:

A review of incidents is completed every four weeks where CCTV provision is discussed at the authorities Active Intelligence Mapping Meetings. The Single Point of Contact for the authority also reviews data on a weekly, monthly and annual basis and produces an annual report relating to all matters and performance of CCTV provision within the authority.

Screening questions	Response			Evidence
	No	Yes	Uncertain	
Human Rights Could the decision impact negatively on individual Human Rights as enshrined in UK legislation?*	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	There are no concerns that the proposals could impact adversely on human rights. Evidence used to inform this assessment includes analysis of staff demographics, location specific data relating to crime and antisocial behaviour, ongoing engagement to date with staff and analysis of current service provision.
Equality Could the decision result in adverse differential impacts on groups or individuals with characteristics protected in UK equality law? Could the decision impact differently on other commonly disadvantaged groups?*	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>The Public Sector Equality Duty (PSED) requires that when exercising its functions the Councils must have due regard to the need to:-</p> <ul style="list-style-type: none"> • Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act; • Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and • Foster good relations between persons who share a relevant protected characteristic and persons who do not share it. <p>In having due regard to the need to advance equality of opportunity, the Council must consider, as part of a single equality duty:</p> <ul style="list-style-type: none"> • Removing or minimising disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic; • Taking steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it; and • Encouraging people who share a protected characteristic to participate in public life or in any other activity in which participation is low. <p>Evidence used to inform this assessment includes analysis of ASB / Fly-Tip data and crime data from Cleveland Police.</p>

* Consult the Impact Assessment further guidance appendix for details on the issues covered by each of these broad questions prior to completion.

Screening questions	Response			Evidence
Community cohesion Could the decision impact negatively on relationships between different groups, communities of interest or neighbourhoods within the town?*	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Not applicable. There are no concerns that this proposal could have an impact on community cohesion. The increase of CCTV provision enhances the opportunity for Middlesbrough Council to identify issues of community cohesion and create evidence for positive action to be taken.
Next steps: ↻ If the answer to all of the above screening questions is No then the process is completed. ↻ If the answer of any of the questions is Yes or Uncertain, then a Level 2 Full Impact Assessment must be completed.				

Assessment completed by:	Dale Metcalfe	Head of Service:	Marion Walker
Date:	31/01/2022	Date:	31/01/2022

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Report of:	Councillor Stephen Hill - Executive Member for Culture and Communities Richard Horniman - Director of Regeneration and Culture
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Submitted to:	Executive - 14 February 2022
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Subject:	Final Report of the Culture and Communities Scrutiny Panel - Cultural Events in Middlesbrough: Their Impact and Future - Service Response
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Summary

Proposed decision(s)
That the Executive approves the attached Action Plan put together in response to the Scrutiny Panel recommendations.

Report for:	Key decision:	Confidential:	Is the report urgent? ¹
<i>Decision</i>	<i>No</i>	No	No

Contribution to delivery of the 2021-24 Strategic Plan		
People	Place	Business
The report sets out how the Council aims to improve inclusion and diversity of cultural events across the Town.	Through digital delivery of events the profile of the town will be elevated to a broader geographical audience.	The report identifies opportunities for hospitality development linked with digital Esports events.

Ward(s) affected
All wards

What is the purpose of this report?

1. To provide an update and action plan that relates to the recommendations made by the Culture and Communities scrutiny Panel.

¹ Remove for non-Executive reports

Why does this report require a Member decision?

2. In line with the Council's constitution following approval of the "CULTURAL EVENTS" report by the Culture and communities Scrutiny Board on 15.11.2021 the recommendations of the scrutiny panel now need to be considered by the Executive.

Report Background

3. The Scrutiny panel has undertaken a review of outdoor events delivery in Middlesbrough and provided a range of recommendations that relate to how they would like to see the event program developed in future years.

What decision(s) are being asked for?

4. That the Executive approves the attached Action Plan put together in response to the Scrutiny Panel recommendations

Why is this being recommended?

5. It is a requirement that the Executive formally considers the Scrutiny Panel's report and confirms the service areas response to the Panel's accompanying action plan.

Other potential decisions and why these have not been recommended

6. Full details of what the Scrutiny Panel took into consideration when arriving at their recommendations are contained in the Scrutiny report (Appendix I).

Impact(s) of recommended decision(s)

7. The recommendations in the action plan will aim to maximise the impact of events and develop the program of activity delivered.

Legal

8. No legal implications.

Financial

9. The proposed actions do not at this stage create additional financial obligations, although some may lead to future requests for funding if they develop in a particular direction. These would be addressed at the time.

Policy Framework

10. No implications for the Council's Policy Framework have been identified.

Equality and Diversity

11. Equality and diversity issues would be considered as part of any future programme as and when any specific schemes/ projects are progressed. This would include Impact Assessments where required.

Risk

12. No specific risk are identified with these recommendations.
Actions to be taken to implement the decision(s)

Appendices

13. Appendix I – Final Report of the Culture and Communities Scrutiny Panel - Cultural events

14. Appendix II – Action Plan with Service Area comments.

Background papers

15. No background papers were used in the preparation of this report

Contact: Leanne Littlewood

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MIDDLESBROUGH COUNCIL

FINAL REPORT OF THE CULTURE AND COMMUNITIES SCRUTINY PANEL CULTURAL EVENTS IN MIDDLESBROUGH: - THEIR IMPACT AND FUTURE

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AIM OF THE INVESTIGATION

1. This investigation attempts to identify how cultural events delivered in Middlesbrough contribute to important strategic objectives and the well-being of Middlesbrough residents. In doing so it is hoped to show that rather than one-off set pieces, cultural events have the ability to provide long lasting impacts that cut across demographic barriers.

COUNCIL'S THREE INTERRELATED AIMS

1. The scrutiny of this topic aligns with the Council's three core objectives as detailed in the Strategic Plan 2021-2024¹:
2. People - Working with communities and other public services in Middlesbrough to improve the lives of local people.
3. Place - Securing improvements in Middlesbrough's housing, infrastructure and attractiveness, improving the town's reputation, creating opportunities for local people.
4. Business - Promoting investment in Middlesbrough's economy and making sure we work as effectively as possible to support our ambitions for People and Place.

TERMS OF REFERENCE

1. The terms of reference for the scrutiny panel's investigation were as follows:
 - A. Using examples of best practice, learn how cultural events are delivered in Middlesbrough and how they contribute to wider social regeneration initiatives.
 - B. In light of Covid-19, explore different delivery formats to understand if future events can be sustainable in a post Covid-19 world.
 - C. To learn how Cultural Events can contribute to wider Economic Initiatives in Middlesbrough.

¹ Middlesbrough Council's Strategic Plan 2020-2023

BACKGROUND INFORMATION

2. The impact of Cultural events have, arguably, never been more important. Not only do they create windows into how other people live, they provide almost unique mechanisms that allow people to celebrate and learn.
3. In the shadow of the Covid-19 pandemic cultural events, and the creative industry generally, stand on the edge of a seeming precipice. While able to act as vehicles to re-introduce “normality” after a long period of disconnectedness and isolation, there may be an urgent need to examine if they can ever be held in the same way again.
4. The Cultural sector has been adversely affected by the Covid-19 pandemic, arguably more than most. The impact has been likened to a “Cultural Catastrophe”² by the Creative Industries Federation. While the full impact of the pandemic is still being felt, in mid - 2020 there were concerns that, nationally, up to 400,000 jobs could be lost with weekly revenue losses equalling £1.4 billion.
5. In response the Government announced a “Culture Recovery Fund”³ of £1.57 billion for the cultural sector to draw on for support. Split over three rounds, the fund has provided support to more than 5,000 organisations and sites across the country, protecting 75,000 jobs and supporting approximately 100,000 freelancers.⁴
6. It is in this context the Culture and Communities Scrutiny Panel wanted to examine both the impact of cultural events in Middlesbrough, and how they have been impacted both socially and economically. In doing so the Panel wanted to understand how cultural events could add value to the Council’s existing strategic priorities as well as enhance the Town’s wider cultural offer.
7. Before examining cultural events it would be prudent to identify what is meant by “culture.” While there are different ways of defining culture, for the purposes of this report “culture” can be seen as the cumulative experience of people and institutions developed over time. Indeed, the Culture White Paper published in 2016 stated that culture was,

“...the accumulated influence of creativity, the arts, museums, galleries, libraries, archives and heritage upon all our lives. When we talk about our ‘cultural sectors’, we are referring to an extraordinary network of individuals and organisations, that together preserve, reflect and promote who we are as a nation, in all our rich diversity.”⁵
8. Any discussion of “culture” runs the danger of appearing abstract and bearing little or no relevance to people’s everyday lives. As a corollary, cultural events also run the risk of being hidden behind more tangible council services, such as refuse collection or social care. However, the Panel was keen to highlight how cultural events remain pertinent in the current climate.

² [Press release: "Cultural catastrophe" - over 400,000 creative jobs could be lost... The Projected Economic Impact of Covid-19 on the UK Creative Industries report. | Creative Industries Federation](#)

³ More information about the Culture Recovery Fund can be found on the government’s website [Culture Recovery Fund - GOV.UK \(www.gov.uk\)](#)

⁴ Arts council England, “Third round of Culture Recovery fund to secure future of thousands of organisations” [Third round of Culture Recovery fund to secure future of thousands of organisations | Arts Council England](#)

⁵ Department for Culture, Media & Sport “The Culture White Paper” p13 [The Culture White Paper \(publishing.service.gov.uk\)](#)

9. As definitions of “culture” can be imprecise, cultural events are equally difficult to easily describe. Generally time limited and with a culturally themed focus their scale can vary widely, encompassing a small number of participants or many thousands having specific or multi-faceted remits.
10. If both culture and cultural events are defined in the above terms it would be sufficient to say that cultural events, therefore, are the vehicles that deliver the message of an accumulated social experience.
11. Naturally, these definitions need to be viewed through the lens of Local Government which is a key institution helping deliver cultural events and continues to be one of its primary funders. As such Local Authorities are ideally placed to deliver cultural events that are attuned and relevant to their local communities.⁶ To help with cultural delivery Middlesbrough Council launched its Cultural Strategy in November 2018 with the intention of growing the Town’s Cultural offer.
12. There are many strands to the Cultural Strategy which aims to achieve financial resilience, contribute to a stronger economy and to transformation the perception of Middlesbrough.⁷ It aims to achieve this via different means, including the Place Brand and contributions to other strategies, such as the Social Regeneration Strategy⁸ and is monitored through the Council’s performance regime.
13. The Council delivers, funds and supports events on a set range of objectives, which had been agreed by Executive. Those objectives were;
 - Raising the profile of the area to make sure people know where Middlesbrough is and what it stands for;
 - Attracting higher footfall/ increase in dwell time with the intention of attracting people to places where events are being held. This would also, hopefully, see those visitors spending money in the town, such as hotel stays for the bigger events as well as restaurant bookings and public transport use. This would, overall, generate economic impact from having the event and;
 - Community engagement whereby events aimed to boost local pride and to bring communities together but importantly, this is not confined to smaller events as larger events can be about this as well.

It is with these objectives in mind that cultural events and their impact will be examined.

⁶ LGA “People, Culture and Place The role of culture in place making” p6

⁷ Middlesbrough Cultural Strategy p14

⁸ ibid p16

TERM OF REFERENCE A

USING EXAMPLES OF BEST PRACTICE, UNDERSTAND HOW CULTURAL EVENTS ARE DELIVERED IN MIDDLESBROUGH AND HOW THEY CONTRIBUTE TO WIDER SOCIAL REGENERATION INITIATIVES.

14. Operationally, there is a sliding scale of how much the Council is involved in events with its role differing depending on the event. The budget for holding events stands at £68,000 with staffing equating to 1.5 FTE. As such, the Council's preferred approach is providing support to others holding events, rather than delivering events itself.
15. For external agents delivering events, Council support is provided from a technical, licensing and safety perspective and as such is a member of the Independent Safety Advisory Group along with the Fire Brigade and Police. This group ensures events are conducted in a safe manner.
16. The Council operated, supported, or played a role in a number of events that constituted its "standard" programme including;
 - MELA
 - Orange Pip Market
 - Discover Middlesbrough event;
 - Animex
 - Christmas events in the Town,
 - Armed Forces day
 - Nagar Kirton
 - 10k and 5k (in conjunction with Public Health)
17. Occasionally there were events that sat outside the normal events schedule, such as the Radio 1 Big Weekend. Such events required significant investment from the Council but also had a significant impact on the town as a whole.
18. The Council's events programme does not, and cannot, operate in a silo. As a matter of course, conversations take place sub-regionally about event planning to minimise clashes and duplication. Prior to the Covid-19 pandemic, approaches had also been made to the Tees Valley Combined Authority (TVCA) seeking investment for events in the coming years. The TVCA has a significant budget for cultural events with Darlington's railway heritage being an example of such investment.
19. It was the intention that the TVCA would focus on large scale strategic events, such as the Rugby World Cup, and leave smaller events to individual Councils.

The immediate effect of the Covid-19 pandemic

20. While it is too early to assess the full extent the pandemic has had on cultural event delivery, there have been early effects that continue to have an impact.

21. The Panel appreciates that the Executive Member for Culture and Communities was keen to improve the visibility of Middlesbrough through the events it holds. The Panel are also aware that prior to the pandemic several plans to achieve this were planned.
22. Unfortunately the pandemic halted most of those plans and has left several important challenges to holding events. One of these challenges was social distancing, which has meant large scale events had to be postponed for long periods, as venues could no longer accommodate the same number of visitors. Such issues were exacerbated by the so-called "bubble system".
23. Financially, the immediate impact of the pandemic is a mixed picture. Income generation has been affected, given that most income for events is from alcohol sales. However, as ticket costs are covered by the performer it was financially prudent not to hold events during this time.
24. Wider financial implications were, and are, being felt however. Prolonged retail closures meant there was little point in holding events that fed into retail areas as the added financial benefit for retailers would have been lost, especially for the food and beverage sector.
25. Prior to the pandemic event delivery also relied, to some extent, on financial support from various arts organisations. However, as these organisations' finances have also been adversely affected support for cultural events has been doubly impacted. Importantly, Council staff, whose jobs involved delivering events, were secured during these uncertain times, as they were re-allocated to other tasks.
26. Sponsors were also reluctant to provide sponsorship opportunities as there was increased risk that they would not recoup their sponsorship offer.
27. During the pandemic, there was a need to understand how events were going to be delivered without understanding the full extent of any restrictions. While many restrictions have been lifted, there is still a desire to hold events in as safe an environment as possible.
28. This uncertainty was coupled with not knowing how the public would feel about attending events. A great deal of research has taken place with the Council's customer base who, after the first wave, felt they would leave it a long time before returning to attend events, especially events with a relatively large audience.
29. When hosting events, the process for booking acts and paying for their performance or paying for space and stalls can be expensive, especially when factoring in promotion. The Council decided to take a cautious approach to holding events in order to mitigate potential abortive costs. So far, this had proven to be the prudent course of action.
30. For the financial year 2020/2021 events were largely cancelled, with only small events being held both within and outside the Town Hall that were socially distanced. Those events included Summer Sessions and outdoor Theatre performances of the Great Gatsby, Pride & Prejudice.
31. Specific, regularly programmed events, such as the Christmas programme had almost been a moving target during the pandemic. Plans explored if events could be taken out to the

public rather than held centrally. While restrictions are now easing, it is difficult to tell if they will remain so heading into the winter period.

Cultural events – Wider Impact

32. While it is recognised cultural events bring many benefits, their impact is sometimes difficult to measure precisely.
33. The main quantitative impact of events is financial, i.e. visitor spend and added value to other sectors such as hospitality. From a visitor perspective there are established methods using external companies such as Global Tourism Solutions⁹, that attempt to understand what impacts would be felt following an event. Using STEAM statistical models it,

“...quantifies the local economic impact of tourism, from both staying and day visitors, through analysis and use of a variety of inputs including visitor attraction numbers, tourist accommodation bedstock, events attendance, occupancy levels, accommodation tariffs, macroeconomic factors, visitor expenditure levels, transport use levels and tourism-specific economic multipliers.”¹⁰
34. Pre-Covid, this method shows, on average, spend per visitor to ticketed and un-ticketed events was £25 to the local economy. The TVCA will hopefully be repeating this exercise to further understand what impact Covid has had.
35. However, qualitative measures of impact are more difficult to obtain. For example, where an event’s aim is for the purpose of community cohesiveness, user surveys are the only vehicle used to measure this impact. While user experience surveys try to capture audience views, they are not carried out after every event as not all events are bookable or ticketed.
36. While more difficult to measure, research commissioned by Arts Council England in 2019 found 65% of people felt having a robust and effective arts and culture offer was good for their wellbeing. It also found that activities like events helped reinforce a sense of community and helped to entice and/ or retain residents within a given area.¹¹
37. Locally, to gauge the impact of cultural events collaboration is critical and involves both internal and external stakeholders, including the Town Centre Team, local businesses and schools. Indeed, in an effort to gather views wider than the Middlesbrough area, the TVCA is conducting a user survey across the Tees Valley to gather views about the 2021 *Mela*.
38. Generally, events provide opportunities to offer new skills for residents, especially through engagement work. Importantly, many events delivered in Middlesbrough were not one-off with most having sub-work programmes that further enhanced community engagement. Examples include the various activities associated with the *Mela* (discussed below). Such engagement also provides the opportunity for schools, communities and individuals to participate and, by extension, improve resident wellbeing.

⁹ [About Us | Tourism Research | UK | Global Tourism Solutions \(UK\) Ltd](#)

¹⁰ [STEAM model | Tourism Research | UK | Global Tourism Solutions \(UK\) Ltd](#)

¹¹ [A New Study Finds That People Who Attend Cultural Events Are Happier With Their Lives Than People Who Don't | Artnet News 2019](#)

39. Achieving, and maintaining, an event's impact is challenging even if the subject matter has local or even international appeal. For example, the Railway Heritage in Darlington and its associated events did not seem to appeal to a wider visitor base than its local boundaries. As such the Council does not intend to develop events around local interests, such as iron and steel, as their appeal is relatively limited and unlikely to be sustainable in the long term.
40. It is these impacts that should be borne in mind when considering the following descriptions of the Council's current events portfolio. As such, the Panel were keen understand how Middlesbrough could develop and foster cultural events for the longer term and realise these potential benefits.

Best Practice – Current Event Schedule

41. While there are subjects of historical significance to Middlesbrough, it is appreciated the town lacks a natural theme that could be sufficiently exploited, save for its iron steel heritage as described above. Instead, Middlesbrough continues, to excel at other events it can capitalise on; namely multi-cultural events, the main example of which is the *Mela*.
42. Regarded as one of the strongest of its kind outside Birmingham, the Middlesbrough *Mela* is a long established multi-cultural event that has received numerous accolades.
43. Being one of the first in the UK (after Nottingham and Bradford in 1988) Middlesbrough's *Mela* has been operating since 1990. While its 30th Anniversary celebrations were planned for the 2020 event, the pandemic prevented this.
44. The nature of the *Mela* had transformed from being a purely multi-cultural event to something that was targeted at the entire community and consistently receives positive feedback from visitors and vendors alike.
45. The Panel appreciates that, because of the pandemic, data relating to the *Mela*'s economic and social impact will not be consistent with previous years. Therefore information used to inform this report has been drawn from 2019 and 2020 datasets. However, such inconsistency has been useful in understanding how established events like the *Mela* are vulnerable to shocks, and how insulated they are to those shocks.
46. Ordinarily, the *Mela* receives audiences of between 30,000 – 50,000 people with over 100 crew members being involved. Naturally, an event of this size affects, and has an impact upon, dependent industries and helps to attract investment via sponsorship and funders.
47. Importantly, the *Mela* does not operate in isolation. Indeed, the *Mela* operates additional, associated, events that work with over 150 people from community groups on various commissions. These commissions worked with professional artists, musicians and choreographers over a three month period which contributed to the creative content of the *Mela* and for its associated, smaller events such as parades.
48. The *Mela* continues to make a positive impact on the economy both in terms of generating and attracting wealth. For example, the 2019 event saw 102 staff employed over the course of the festival. This included artists, community facilitators, project managers, performers and crew covering a total of 273 days of employment combined. The event continues to attract

loyal, repeat traders whilst continuing to grow and develop relationships with new ones (attracting 38% of new traders).

49. From a visitor perspective, average spend at the event was £14.77 and when setting this against average visitor numbers it is estimated the *Mela* generates approximately £440,000 of income. Interestingly, when surveyed, 52% of groups attending *Mela* lived in Middlesbrough with 31.4% living within the wider Tees Valley and 16.2% outside of the Tees Valley. Clearly, the attraction of the *Mela* was to Middlesbrough and its immediate neighbours.
50. Attracting wider audiences to the actual event and even raising its profile was a continuing area of work. As of 2020 the *Mela*'s Facebook page had:
 - 3,850 page likes,
 - 94% of page fans are from the UK (with 51% from Middlesbrough with the majority from the Tees Valley).
 - 70 active followers from Pakistan, 24 from India, 12 from the USA, 6 in Brazil and even 1 in Mozambique.
 - Overall reach on Facebook for the festival reached 107,977
 - Total engagement reached 3,112
51. Significant work is being undertaken to market the *Mela* as widely as possible, as improvements to visitor numbers from outside Middlesbrough may not only help improve spend at the event, but also showcase Middlesbrough to other visitors - something that informs initiatives such as the Middlesbrough Place Brand.
52. Events like the *Mela* also offer crucial community connections and while these are "softer" impacts when compared to "harder" economic ones, there are as equally important. Smaller, but associated events help to combat social isolation and reach individuals in areas where this is unusual.
53. To effectively target communities the Council's Events Team actively works alongside the Stronger Communities service to identify community groups that may benefit from cultural engagement. This could be communities with diverse demographics, or those that had not previously engaged with cultural events. This was especially true for those communities in eastern Middlesbrough.
54. External partners, including Cleveland Police and the Police and Crime Commissioner, also provide support and reinforce social and community cohesion. In order to maintain physical contact with the community a book has been created that included information for *Mela* related events, which was especially important for those without or limited access to online materials during the pandemic.

Best Practice - Christmas

55. The Council takes a more active role in the delivery of Christmas events, which can attract up to 20,000 visitors, such as the *The Magical Middlesbrough Parade*.

56. In a similar way to the *Mela*, the Council's Events Team work with a wide range of internal and external stakeholders, including those involved in the creative arts and Health and Safety to ensure event delivery was of a high quality and procedurally robust.
57. The Christmas markets are also a key feature of the Christmas events programme, which is largely delivered by an external provider with the fees generated used to invest in other events. Therefore, a suitable Christmas programme is required that supports retailers but would not cause visitors to gather in a central place. To this end, events like trails would be beneficial, but would also be dependent on the prevalence of Covid-19 during the winter period, and any mitigations introduced under either so-called Plan A or Plan B of the Government's Winter Plan.
58. The Orange Pip Market was another example of best practice cultural event delivered by the Council. Despite not being held in 2020 due to the pandemic, Orange Pip provided an opportunity for local trades to showcase their businesses and generate increased awareness of Middlesbrough's cultural and economic offer.
59. Clearly, the Council has a robust events programme that collectively brings both social and financial benefits. However, the Covid-19 pandemic has shown that adaptation is paramount, and that exploration of alternative methods of delivery should be continuous.

TERM OF REFERENCE B

IN LIGHT OF COVID-19, EXPLORE DIFFERENT DELIVERY FORMATS TO UNDERSTAND IF FUTURE EVENTS CAN BE SUSTAINABLE IN A POST COVID-19 WORLD.

60. All organisations are susceptible to “shocks”, i.e. unknown events that can have detrimental impact on service delivery. These “shocks” can be short lived, but have long term effects. Ordinarily, Councils are assessed on their ability to withstand financial shocks, but the same principle can be applied to cultural events.
61. As described above; the covid pandemic revealed “shocks” that had not been considered before, and affected the very nature of how events are held and by extension how the local community is impacted.
62. The impact of Covid on the creative industries has been significant. It is estimated that, relative to the size of its Creative Industry Sector, the North East will suffer a 39% fall in Gross Value Added (GVA)¹² compared to 2019, the second highest affected region after Scotland as a whole.¹³
63. Holding events, whether they be physical or online, requires audiences to be happy to attend them. While social distancing restrictions are being relaxed nationally, there is still a need to be watchful of local covid rates and to consider residents’ feelings in this regard. The Events Team belonged to the Local Authority Events Organisers Group that benchmarked national trends and audience attitudes in this regard.
64. Research carried out by consultancy firm *Indigo* into audience attitude found that in May 2020 while 94% of respondents said they missed attending an event, only 19% said they would attend events simply because a venue re-opened, with three quarters stating they would feel safer with some form social distancing in place. During June and July 2020 66% of respondents said they would return to attending events provided some form of safety measure was in place.¹⁴
65. Moving forward events may need an element of Covid-19 compliance, but this would be dependent on the prevalence of Covid and any resulting restrictions. Socially distanced methods for holding events have already been used, including holding an outdoor theatre event during the summer of 2020. It was commented that this approach could be extended to other event types, with discussions to have an element of “drive through” events for the *Mela* in order to maintain social distancing.
66. Regardless, changes to event format in this context are limited to visitor restriction or reduction in scale, not examining different delivery methods. The Panel are conscious that this would not, and should not, be rushed as event delivery type can impact on an event’s financial viability and its community impact.

¹² Gross Value Added is the measure of the value of goods and services produced in an area, industry or sector of an economy

¹³ Ibid

¹⁴ [National Audience Research - After the Interval & Act 2 | Indigo \(indigo-ltd.com\)](#)

67. Interestingly, when gauging audience opinions toward online events, *Indigo* found 84% of respondents said they were interested in culture online, and more than half would pay for it.¹⁵
68. While technology enabling online events has been available for some time, doing so removes fundamental benefits events bring – such as social interaction and connectedness. Moving to online events does not simply require an internet connection. Instead, it requires input from the same creative industries that provide services for physical events. Sponsorship was still secured for those online events which meant financial support, albeit reduced, was still provided to the creative industry.
69. Moving to on-line event delivery has, to a point, proven to be successful. For example, a ticketed *Curious Arts* livestream event was held, whereby participants were asked to donate rather than pay an entry fee. The *Mela* had also moved to online, despite other *Mela* being cancelled, resulting in it being awarded the best online *Mela* in the UK in 2020.
70. Moving to on-line only events is not only unrealistic, but also unpalatable given the benefits events have for social interaction. However, remaining with physical only events may miss a key demographic and other potential benefits such as wider participation. As such, there needs to be way in which cultural events can synthesise the two.

Alternative event formats - eSports

71. Therefore, representatives from the British eSports Association (BEA) were invited to provide the Panel with information about eSports and what benefits events of this nature could bring. The BEA are a not-for-profit and had been in existence since 2016. One of their objectives is to promote eSports, foster British talent and raise awareness of the industry while illustrating the importance of eSports's potential cultural and commercial impacts. As part of this role the BEA acted as a sector specialist, although not a governing body, that advised a range of stakeholders such as parents, teachers and policy makers. The BEA was a member of different organisations including the Welsh Sports Association and the Creative Industries Federation.
72. ESports, or competitive computer gaming, was an example of cultural event that did not exist within the Council's established event portfolio. While eSports may not commonly be regarded as "cultural" events, the impact they have both socially and economically could potentially see them overtake more traditional events in terms of impact.
73. For both spectators and participants alike, the format of an eSports event encompasses both the physical and the virtual. For example, many eSports event are held in large venues and are broadcast both within the venue and wider via social media platforms (see image below).

¹⁵ Ibid



Figure 1.1 example of Redbull eSports event

74. Given the eSports sector was projected to have a global audience of approximately 645 million people by 2022 and a global revenue stream (not including video games) worth approximately \$950 million it has been seen as an irresistible force that could significantly enhance the Council's cultural offer.
75. Public access to eSports was arguably much easier than "traditional" events. For instance, because of social media platforms such as YouTube and Twitch viewers can observe or even participate in events individually or in large groups, similar to watching other sporting events. Indeed, it is argued that watching sporting events is an embedded part of our culture, allowing a shared experience that brought people together. ESports events were a continuation of this, albeit in a different format.
76. Many of the virtues of "traditional" events can be found in eSports, competitive video gaming was always human versus human, and often team versus team requiring a great deal of skill. As eSports was firmly a community based activity, videogames progressed to being an eSport when the gaming community decided to make it such.
77. Some video games were modern mind games, having rules, choice and consequences. Competitive gaming had various rewards including medals and cash prizes. Inclusivity played a key role in eSports; such as being gender neutral with just as many female participants as males globally.
78. ESports is a well-established phenomenon in the USA, Germany and South Korea and is recognised as an actual sport. However, this is not the case in the UK, but the eSports sector does have reporting channels to the Department for Digital, Culture, Media and Sport.

79. From an employability perspective; participation in eSports helps to reinforce life skills, or soft skills, such as communication, choice and consequence decisions, concentration and team work. Established career pathways were also forged with participation in eSports. For example, playing *Minecraft* and *Civilisation* can forge career paths into the intelligence services.¹⁶
80. Educationally, further education colleges are starting to introduce eSports courses to their curricula. The BEA had helped launched the British Esports Btech which explored how the industry worked from a content, creation and commercial perspective. The University of Staffordshire launched a Bachelor of Arts degree in eSports in 2018 with others following suit. Importantly, Teesside University launched its Master of Arts in eSports and Middlesbrough College also has an eSports component in some of its digital courses.¹⁷ ESports also contributed to important academic disciplines including computing, mathematics, engineering and the creatives industries.¹⁸
81. The Panel appreciates that by providing a wide range of eSports related academic qualifications their impact may be lessened, and employers in the digital sector may be more receptive to practical based experience. However, the Panel also recognise that academic degrees in eSports is not only about becoming a professional video gamer. Instead such qualifications examined wider aspects of eSports, such as how the digital industry worked and its business and commercial elements.
82. There are of course benefits and risks associated with eSports, and both should be considered carefully. It should also be borne in mind the Panel's investigation is associated with cultural events and not video gaming per se. As such any associated risks should be viewed through this lens. However, given the symbiosis between eSports and video gaming it would be remiss of the Panel not at least reference some those risks as well as benefits.
83. There is a perception that eSports participants are actually de-skilling. However, research has been carried out demonstrating that participation with video gaming enhanced certain skill sets such as spatial working, memory retention and verbal reasoning.¹⁹ It also contributed to improved mental health which was especially important during the Covid pandemic. This applied to both young and old people as older people playing video games had showed improved memory function which also assisted with dementia prevention.
84. With any event there are associated risks that need to be managed and eSports is not immune to this. High profile examples of risks include age appropriate games and exposure to inappropriate content for younger gamers. Ultimately, there will always be loopholes in systems designed to protect against such thing. However, games used in eSports were vetted and only appropriate games are used for competitions. Where events are held in physical locations more rigorous checks, including ID requirements, are carried out.
85. Another significant risk associated with eSports and video gaming more generally, was the perception of a sedentary lifestyle that discourages physical activity. Naturally, this could have negative health implications. It cannot be disputed that health risks exist with excessive video gaming. Like any other activity it is important to achieve a healthy balance

¹⁶ Ibid

¹⁷ Ibid

¹⁸ Ibid

¹⁹ [Advice and information - British Esports Association](#)

between participation and non-participation. While in its infancy, technology was advancing to the point of wear-ability that allows participants to become physically involved in game-play. While mainstream use of this technology needs further development it could potentially be used during eSports events.

86. Like all cultural events social wellbeing is also a key consideration. In a similar vein to perceptions of video gamers leading sedentary lives, it is easy to draw parallels between video-gaming and negative cultural developments such as violent behaviours. While some studies show video-gaming can lead, in some cases, to aggressive behaviours studies from the American Psychology Association argue that “violence begets violence, not watching it on TV or play acting in a video game”²⁰ and that violence is exacerbated when there are underlying conditions. However, it is well documented that debates surrounding this have been going on for considerable time with no definitive conclusion.
87. Controls do exist that can achieve this balance, and while not infallible a degree of user responsibility should be expected, whether this be parental responsibility for younger participants or not.
88. There are, however, many social benefits that eSports related events could bring, including acting as an engine for social mobility, in the same way that professional football was based on talent. Video gaming generally is very diverse drawing on different groups in equal measure as well geographically equal and not concentrated in certain areas. Nevertheless, access to eSports does have its own obstacles, namely dependence on ownership of relevant technology, such as games consoles which could be expensive.
89. ESports as a cultural event has not fully taken hold within Local Authorities, but this is not due to a reluctance to hold them. Instead, the BEA has been more focussed on facilitating large scale championship tournaments. However, there is no reason why some kind of eSports event could not take place in Middlesbrough. For example, there would be no need for specific considerations required for it size, but having stable networks and the potential to stream the event to social media was important. While exact costs would be dependent on scale, such an event could be achieved at relatively low cost.

²⁰ Kotecha, S “Doctor claims video games 'don't lead to violence'” BBC News 6 October 2010 [Doctor claims video games 'don't lead to violence' - BBC News](#)

TERM OF REFERENCE C

HOW CULTURAL EVENTS CAN CONTRIBUTE TO WIDER ECONOMIC INITIATIVES IN MIDDLESBROUGH.

90. The creative industries contributed £111.7bn to the UK's economy in 2018 (accounting for 5.8% of the UK GVA) and realising growth of 7.4% in the same period which was five times the rate of growth experienced by the entire UK economy.²¹ With such significant financial impacts it would be prudent for the Council to try and capitalise on that growth.
91. The extent of the economic benefits brought by cultural events will depend on scale. However, all events can see one, or all, of the following economic impacts;
- Tourism and Trade; whereby visitors can not only attend the event but also visit other attractions and spend money in other sectors by extension.
 - Infrastructure; (for larger events) potential improvements to venue or transport improvements
 - Image; possibly the most difficult to achieve events have the opportunity to improve a host area's image.²²
92. The task of measuring the economic impact of cultural events is not easy. Indeed, at the macro level it involves measuring,
- “...the total amount of additional money injected into a defined area, as a consequence of staging the event. Economic Impact studies seek to establish the net change in a host economy – in other words, money inflows and outflows within a defined geographical area measured to establish the resulting net outcome.”²³
93. Despite this challenge, the role the cultural bloc plays in wider economic initiatives and objectives should not be underestimated. Locally, a prime example of this was Middlesbrough's success in securing £14.1 million as part of the second round of the Future High Street Fund. By creating a synergy between regeneration developments and changing how cultural events are delivered could result in significant cultural and financial improvements.
94. As described in Terms of Reference A, the economic benefits of “traditional” cultural events such as the *Mela* and *Orange Pip* are understood whether that be from visitor spend, employability or supply chain perspectives.
95. If different event formats, such as eSports, are to be explored it would prudent to examine how they could inform economic initiatives and help drive financial development. There are several national and international examples of how eSports, and the digital industries actively contribute to local economies.
96. Internationally, eSports had been transformative in the Polish town Katowice. Traditionally, Katowice's economic base was mining, however after this faltered there was a desire to

²¹ “The projected economic impact of covid-19 on the uk creative industries” Oxford Economics (<https://www.oxfordeconomics.com/recent-releases/The-Projected-Economic-Impact-of-COVID-19-on-the-UK-Creative-Industries>)

²² Ibid

²³ “Economic Impacts” *The International Association of Event Hosts* <https://www.eventhosts.org/>

build alternatives with eSports largely filling the economic void. For example, from a single event (the *Intel Extreme Masters*) it is estimated that visitors spend on average 628PLN if they have accommodation, or 148PLN without.²⁴ In this example, the rate of spend per visitor should be considered rather than direct comparisons of spending power between the Polish zloty and Pound Sterling.

97. Catalonia in Spain is sometimes cited as the capital of European eSports, with a sector turnover of €430million, employing over 3,000 people, home to 145 digital companies and hold events attracting more than 20,000 spectators.²⁵
98. While not formally recognised “entities” as such, there are 12 digital clusters around the UK that ordinarily exist around colleges or university’s offering digital courses and digital industries growing around them. An example is Dundee in Scotland whose traditional industry had been Marmalade manufacture but now has a significant digital sector due to its University offering excellent digital courses. There was no specific requirement for digital clusters to be created, but given Teesside University and Middlesbrough College offer robust digital courses, there is no reason that Middlesbrough could not develop a digital cluster for the Tees Valley.
99. In a similar vein to the benefits brought about by traditional events, leisure venues associated with eSports have increased in number, such as eSports bars. The BEA also carried out extensive work in Sheffield contributing to the creation of the National Video Games Museum to understand how its creation would impact on have the local economy.
100. It is important to realise that Middlesbrough already has a framework that could help and support eSports, whether that be small scale cultural events or larger scale digital initiatives. For example, there are three leading video game companies based in Middlesbrough; *Radical Forge*, *Double Eleven* and *Soft Monkey* which employed approximately 200 people combined.
101. While eSports events would be relatively new to Middlesbrough, they would not be the first example of digital initiatives in the town. For example, the Animex Festival, hosted by Teesside University, which showcases the latest developments in computer game design and other digital initiatives has been long established.
102. Indeed, the Panel were encouraged to hear that plans to bring the Animex Festival to the Town Hall had been discussed and that moves to make the event town-wide rather than campus specific were quite advanced. As such the Panel was hopeful these plans would come to fruition as soon as possible. The Panel were also reassured that holding an eSports event in the Town Hall would not be a significant step.

CONCLUSIONS

102. Despite limited resources, the Council and its Events Team continue to provide a robust events programme that appeals to wide audience base and actively contributes to the

²⁴ [Katowice: A City in Poland Became the World Esports Capital \[Case Study\] \(prow.ly.com\)](#)

²⁵ [Discover the vibrant Mobile and Videogames Industry in Catalonia](#)

Council's strategic objectives, such as its aim, "to invest in our existing cultural assets, create new spaces and events and improve access to culture."²⁶

103. The Covid-19 pandemic has shown that adaptability to changing circumstances should be key feature of any activity, and cultural events are not immune to this.
104. While evidence is limited, owing to methodological difficulties, evidence suggests that audiences for Middlesbrough cultural events tend to be drawn from within local boundaries.
105. Although difficult to quantify in certain regards, the impact of cultural events both socially and financially should not be underestimated. Their role in wider initiatives outside of their immediate remit is also important, as help to tangibly demonstrate economic vibrancy.
106. The benefits events have are crucial for people's wellbeing, now more than ever. There has been a prolonged period of social disconnectedness due to the Covid-19 pandemic. Cultural events are key vehicles that can be used to bring people together. The pandemic has forced exploration of events being delivered on-line in an effort to maintain social connectivity, a move that was sympathetic to audience opinion. However, on-line events will only partly remedy social connectedness.
107. Middlesbrough has continued to develop, and excel at, events that do not ordinarily sit with its "traditional" heritage base, namely the *Mela*.
108. Collaborative working is crucial both for the survival and development of cultural events. Without input from public sector organisations and private sector investment, Middlesbrough's cultural events programme would not be possible.
109. While social distancing measures are being relaxed, there may be a proportion of the Council's audience base that continues to feel apprehensive about returning to events without any form of Covid-19 secure practices.
110. The Covid-19 pandemic has shown that continuing cultural event delivery in its "traditional" format may not be possible, or even appealing. However, it is appreciated that any moves to alter that format may require investment.
111. While the Covid-19 pandemic may have accelerated increased moves to an on-line presence, this may have been an inevitability regardless of the pandemic.
112. While not the only alternative cultural event format; eSports is a burgeoning industry that encompasses many of the benefits other cultural events bring such as social interaction (via physical spaces) and inclusivity (via on-line presence).
113. There may be a temptation to explore different event formats as a stop-gap measure to counter the impact of the Covid-Pandemic. However, alternative event formats such as eSports should not be seen as transient.

²⁶ Middlesbrough Council Strategic Plan 2021-24 p10

RECOMMENDATIONS

114. As a result of the information received, and based on the conclusions above, the Culture and Communities Scrutiny Panel's recommendations for consideration are as follows:

- 1) To enhance and strengthen community cohesion, cultural events traditionally held in the town centre should be delivered within communities where possible. Ideally this should take place with at least some elements of the Christmas 2021 celebrations.
- 2) Given its growing cultural and financial significance the Council should work with relevant third parties, including charities and the private sector, to introduce eSports as a regular and high profile cultural event. Where possible this should relate to wider leisure initiatives the Council is currently involved in.
- 3) Future leisure developments in the town centre should look to include opportunities for associated hospitality venues, such as an eSports business.
- 4) In order to attract a wider audience; the Council should continue to work with Teesside University so that the Town Hall can be used as a venue for the Animex Festival, ideally for the event held in 2022.
- 5) To attract audiences that sit outside Middlesbrough's local boundaries; the events team should explore how to exploit virtual event delivery by having an on-line component.

ACKNOWLEDGEMENTS

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Alice Lehman (Schools and Colleges Liaison Officer for BEA)
Gary Tibbett (Education Manager BEA)
Richard Horniman (Director of Regeneration and Culture)
Sam Gilmore (Head of Development)
Lisa Bean (Middlesbrough Council Creative Programme Manager)
Naweed Hussain (Chair of the Mela Management Committee)

BACKGROUND PAPERS

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England makes the case for why smaller towns should amp up and promote their arts offerings.” Artnet News <https://news.artnet.com/art-world/study-on-art-and-a-sense-of-place-1634866>

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ACRONYMS

- BEA – British ESports Association
- TVCA – Tees Valley Combined Authority

COUNCILLOR C MCINTYRE CHAIR OF CULTURE AND COMMUNITIES SCRUTINY PANEL

The membership of the scrutiny panel is as follows:

Culture and Communities Scrutiny Panel 2020-2021

Councillors C McIntyre (Chair), L Lewis, (Vice-Chair), R Arundale, C Dodds, J Goodchild, L Mason, J Rostron, M Saunders, J Thompson.

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CULTURE AND COMMUNITIES SCRUTINY PANEL

EVENTS - ACTION PLAN

SCRUTINY RECOMMENDATION	PROPOSED ACTION	POST TITLE	BUDGET COST	TIMESCALE
<p>a) To enhance and strengthen community cohesion, cultural events traditionally held in the town centre should be delivered within communities where possible. Ideally, this should take place with at least some elements of the Christmas 2021 celebrations.</p>	<p>The events team will work with organisers of The Middlesbrough Mela, Diwali, Eid, Armed forces Day, The Nagar Kirtan and Christmas to ensure that they grow to include an arm of out of town participation with their delivery program.</p>	<p>Deputy Head of Culture, Middlesbrough Council</p>	<p>No additional direct costs at this stage</p>	<p>Annual cycle of event planning</p>
<p>b) Given its growing cultural and financial significance, the Council should work with relevant third parties, including charities and the private sector, to introduce eSports as a regular and high profile cultural event. Where possible this should relate to wider leisure initiatives the Council is currently involved in.</p>	<p>Working with the Teesside University The events team propose to hold an ESports forum to develop knowledge and understanding of what the local need and interest in Esports is.</p> <p>The forums purpose will be to engage local businesses and organisations interested in developing ESports locally.</p> <p>An action plan will be developed in partnership with newly identified stakeholders which takes steps to imbed the activity locally</p>	<p>Deputy Head of Culture, Middlesbrough Council</p>	<p>No additional direct costs at this stage</p>	<p>January 2022</p>

c) Future leisure developments in the town centre should look to include opportunities for associated hospitality venues, such as an eSports business	The Head of Culture will work with the Head of Economic Growth to maximise these opportunities on an ongoing basis.	Head of Culture, Middlesbrough Council	No additional direct costs	Complete
d) In order to attract a wider audience; the Council should continue to work with Teesside University so that the Town Hall can be used as a venue for the Animex Festival, ideally for the event held in 2022.	The next Animex will take place 16 – 20th May 2022. Its program will be a hybrid of in person and digital delivery formats. A program of activity has been agreed between MTH and TU.	Deputy Head of Culture, Middlesbrough Council	No additional direct costs	Complete
e) To attract audiences that sit outside Middlesbrough's local boundaries; the events team should explore how to exploit virtual event delivery by having an on-line component.	Local History Month and Discover Middlesbrough Festival will continue to have a dual delivery format. Facebook live will be utilised to stream elements of free and unticketed festivals. Content created specifically for digital delivery will be factored into cultural programming across the service including, Middlesbrough Town Hall, Middlesbrough Theatre, Middlesbrough Museums and Archives.	Deputy Head of Culture, Middlesbrough Council	No additional direct costs at this stage	Annual cycle of event planning

Report of:	Councillor Eric Polano - Executive Member for Regeneration Richard Horniman - Director of Regeneration and Culture
Submitted to:	Middlesbrough Council Executive - 14 February 2022
Subject:	Final Report of the Economic Development, Environment and Infrastructure Scrutiny Panel - Middlesbrough Regeneration Post COVID-19 - Service Response

Summary

Proposed decision(s)
It is recommended that the Executive: a) approve the service response, and associated actions to the Economic Development, Environment and Infrastructure Scrutiny Panel.

Report for:	Key decision:	Confidential:	Is the report urgent?¹
<i>Decision</i>	<i>No</i>	<i>N/A</i>	<i>No</i>

Contribution to delivery of the 2021-24 Strategic Plan		
People	Place	Business
<i>The response to Covid 19 is driven by economic development opportunities which create and protect employment opportunities within Middlesbrough.</i>	<i>Key economic growth initiatives aim to transform Middlesbrough's economy and diversify the economic base, making Middlesbrough a more attractive place to live, work and visit.</i>	<i>The service response will support Middlesbrough as an attractive place to invest, enabling good conditions to do business, with a strong pipeline of skills and talent.</i>

Ward(s) affected
The wards affected are townwide.

What is the purpose of this report?

1. This report seeks Executive approval of the services response and action plan relating to the recent final report of the Economic Development, Environment and Infrastructure Scrutiny Panel – investigating Middlesbrough Regeneration post covid-19.

Why does this report require a Member decision?

2. The proposal affects more than two wards and is therefore considered a key decision requiring approval by the Executive.
3. The Scrutiny Panel report includes recommendations, and arising actions, which require Executive consideration.

Background

4. During a number of sessions in 2021, the Economic Development, Environment and Infrastructure Scrutiny Panel gathered information in relation to Middlesbrough Council's current plans for the regeneration of the town, as well as considering current and planned legislation and other initiatives which might impact on these plans.
5. These sessions explored major regeneration initiatives including:
 - a) Middlesbrough's programme for the Future High Streets Fund;
 - b) Middlesbrough's programme for the Towns Fund;
 - c) The Masterplan for Middlehaven;
 - d) Waltham Forest Council's Mini Holland and Liveable Neighbourhoods Programmes;
 - e) The Highways and Infrastructure Local Implementation Plan (LIP);
 - f) Broadband, Communications and CityFibre;
 - g) Housing Local Plan/Planning Reforms/Business and Planning Act 2020; and,
 - h) Business Support and Recovery during the Covid 19 Pandemic.
6. The Scrutiny Panel recommended seven actions for further consideration. They include:
 - A. Whenever opportunities arise, and in line with the hierarchy of need identified in the Local Implementation Plan (LIP), the Council should seek to ensure that it is easier, safer and more convenient to walk, cycle or use public transport, rather than travelling by car by:**
 - i. Providing additional cycle routes.**
 - ii. Implementing traffic free zones.**
 - iii. Working with public transport operators to increase local provision.**
 - iv. Reviewing existing road networks to identify particular instances of traffic congestion at peak times and address these through the LIP to encourage further economic growth.**

Service Response A:

7. The Local Implementation Plan (LIP) provides the framework for new and complementary highways improvements, particularly with respect to the hierarchy of need. Funding secured from Tees Valley Combined Authority has enabled plans for enhanced cycle routes along Linthorpe road corridor and this will be implemented during 2022. Similarly, Future High Streets Fund resources have been allocated to further improve and extend this type of amenity along Grange road and Albert road, linking in with major network improvements in Middlehaven and around the rail station.
8. The LIP provides a reference frameworks for housing developers and provides the key reference document for Middlesbrough Council when shaping its own capital allocations and seeking external funding support. Strategic routes are regularly reviewed across Middlesbrough and this includes how active travel and public transport networks can be regularly improved. The Local Plan review, and preparation of masterplans, provides an opportunity to ensure that such network improvements are incorporated and integrated within developments from the outset. As such they will become a key component in assessing development proposals and planning applications.
9. Lobbying will continue with public transport operators to ensure that Middlesbrough is well serviced and that a comprehensive service is delivered. However, public transport operators have complete autonomy when it comes to delivering routes and are unlikely to deliver non-economic services. Having said that, the Council controls an element of subsidy for certain purposes and this, along with robust data and demand indicators will be used to encourage public transport providers to invest in routes and services.

B. Whilst it is acknowledged that there have been a number of impacts on the approval and publication of Middlesbrough's revised Housing Local Plan due to the Covid-19 pandemic, the Scrutiny Panel asks the Executive to ensure that the revised Local Plan is adopted as soon as practicable and by no later than March 2022.

Service Response B:

10. The Local Plan review timetable has slipped as a consequence of a number of factors including having to deal with the consequences of Covid-19 in particular with regards to collecting evidence and undertaking engagement. This timetable is currently being reviewed and it is anticipated that a revised timetable will be published early 2022. The Local Plan has to go through a number of statutory stages in its preparation and adoption. Given these it is not possible for the Plan to be adopted by March 2022.
11. The adopted Local Plan remains a valid document that has considerable weight in the decision making process. This has been borne out by recent Appeal decisions published by the Planning Inspectorate. This provides an opportunity for officers to take a much fuller approach, and consideration, to tackling the impacts of Covid-19 upon the Town, its economy and its people in reviewing the current plan. This will enable a more robust and fit for purpose plan to be prepared.

- C. In line with the Middlesbrough Council's ambition for the town to be net carbon neutral by 2039, use the Middlehaven developments as an opportunity to explore, promote and encourage the use of green renewable energy both with Developers and as a selling point for potential investors.**

Service Response C:

12. Carbon Neutrality and climate change are anticipated to be of significant importance to the demographic of people who will be interested in urban living in Middlesbrough. Developments will be delivered to the highest achievable standard and in line with all extant planning and building control regulations. It is anticipated that green energy and efficiency will be of significant importance.
13. Towns Fund financial support for developments will be governed by expectations of the highest achievable design quality and environmental credentials. This will be a condition of financial support.

- D. Consideration should be given to extending the Urban Pioneers Scheme, or encouraging similar developments, to provide more live/work accommodation in Middlesbrough, given the shift to increased home working during the Covid-19 pandemic.**

Service Response D:

14. Live / work accommodation will be encouraged as part of residential development at Middlehaven. Schemes such as urban Pioneers have been difficult to progress with individuals as the knowledge and capacity for self-designing a property is often limited. However, modern urban living is likely to include a component of live .work.
15. The Boho area in particular seeks a campus feel with space for collaboration and coworking. The demand for commercial space remains strong, indeed it is thought that an element of work-from-home fatigue is developing, albeit working from home needs to remain a key option for future pandemic control.
16. The extent of live / work units in Middlehaven will, ultimately, be a function of market forces, albeit provision of office / workspace is a common feature in designs.

- E. The Council should ensure that green spaces around the Middlehaven developments are regularly maintained and attractive to prospective new residents and businesses. One suggestion is that hard-standing surfaces or laybys are built into development masterplans rather having grassed verges. This could also save the Council expenditure on maintenance of and/or repair of more traditional grassed surfaces next to roadways.**

Service Response E:

17. The developments at Middlehaven will be established with regard to green space and surroundings. Many of the developments are likely to be subject to funded management and maintenance regimes by way of service charges to businesses and, where appropriate, fees to tenants in shared accommodation.

18. The most appropriate design and maintenance treatments will be designed with respect to best practice and planning policies. Developers will be encouraged to meet high standards of design and functional maintenance for long term sustainability and affordability.

F. The Council could consider collaborating with the local community to encourage ownership and maintenance of public spaces (if appropriate) in Middlehaven to promote pride in the area.

Service Response F:

19. Where appropriate, it may be possible for certain property owners and groups to actively adopt certain areas for ownership and maintenance. In practice, however, this is likely to be limited to specific property owners acting on behalf of residents or registered social landlords such as Thirteen Group.

G. By working closely with Broadband Providers, the Council should seek to ensure that all areas of Middlesbrough can have access to superfast broadband by 2025 at the latest, and that residents and businesses are not disadvantaged by lack of provision given the increased reliance on digital technologies post-pandemic.

Service Response G:

20. Council officers will continue to liaise with providers and lobby for the best provision possible, for both businesses and residents. Provision of broadband is a private sector-led supply chain and there are no powers to demand specific levels of provision for a given area or service.
21. The service will work closely with Tees Valley Combined Authority and services providers such as CityFibre, to make a compelling case for comprehensive service coverage across all of Middlesbrough.

H. The Council should consider developing a multi-purpose venue in the town, which can accommodate entertainment. A venue which attracts the best entertainers in the world will encourage people from across the UK to visit the area, stay and spend, boosting the local economy. The Captain Cook Shopping Centre would be an ideal location for an eSports gaming venue as evidenced by the Culture and Communities Scrutiny Panel in a recent Final Report on Cultural Events.

Service Response H:

22. The Regeneration directorate sees significant value in leisure facilities, as a way of enhancing and diversifying the economic offer of central Middlesbrough; and this accords with the strategic plan objectives. Captain Cook Square is actively engaging an esports gaming venue, with announcements anticipated imminently.
23. Middlehaven also lends itself to a multi-purpose venue and the feasibility of such activity is being worked upon presently. Any leisure uses or multi-purpose venues in Middlehaven must be carefully balance as to add value and not to detract from the town centre offer, this includes maintaining the viability of assets including Captain Cook Square, Middlesbrough Theatre and the Town Hall venue. The

findings of a feasibility study would inform next steps in terms of progressing a business case proposal for development or external funding support.

What decision(s) are being asked for?

24. It is recommended that Executive:

- a) approve the service response, and associated actions to the Economic Development, Environment and Infrastructure Scrutiny Panel.

Why is this being recommended?

25. The delivery of the objectives outlined by the Economic Development, Environment and Infrastructure Scrutiny Panel are consistent with, and form part of the work programme for, the departmental objectives for Regeneration.

Other potential decisions and why these have not been recommended

26. The other potential decisions that have not been recommended include:

- a) Do nothing. This is not recommended, as much of the activity outlined by the Economic Development, Environment and Infrastructure Scrutiny Panel is planned as part of established service delivery priorities.

Impact(s) of recommended decision(s)

Legal

27. The Local Plan is subject to planning legislation and compliance with The Business and Planning Act 2020.

Financial

28. The actions outlined will not require additional resources above approved budgets or external funding settlements.

Policy Framework

29. The decisions recommended within this report align fully with the Council's policy framework.

Equality and Diversity

30. It is not anticipated that any groups with protected characteristics will be impacted upon negatively as a result of implementing the Scrutiny Panel Recommendations.

Risk

31. Any matters arising will be delivered in line with the Council's established risk management protocols. Appropriate measures will be put in place to ensure that all risks associated with the scheme are minimised.

Actions to be taken to implement the decision(s)

32. Council officers will deliver and monitor the actions as at appendix A

Appendices

33. Appendix A - Final report of the Economic Development, Environment and Infrastructure Scrutiny Panel - Middlesbrough Regeneration Post COVID-19

34. Appendix B - Action Plan

Background papers

35. No background papers were used in the preparation of this report.

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MIDDLESBROUGH COUNCIL

FINAL REPORT OF THE ECONOMIC DEVELOPMENT, ENVIRONMENT AND INFRASTRUCTURE SCRUTINY PANEL – MIDDLESBROUGH REGENERATION POST COVID-19

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AIM OF THE INVESTIGATION

1. The aim of the investigation was to determine ways in which Middlesbrough Council can support the regeneration of the town physically, economically and socially, following the Covid-19 pandemic.

MAYOR'S PRIORITIES

2. The scrutiny of this topic fits within the following of the Mayor's Priorities:

Covid-19 Recovery: We will ensure the recovery of local communities, businesses and the Council's operations from COVID-19, taking opportunities to build back better.

COUNCIL'S THREE CORE OBJECTIVES

3. The scrutiny of this topic aligns with the Council's three core objectives as detailed in the Strategic Plan 2021-2024¹:
 - People - working with communities and other public services to improve the lives of our residents.
 - Place - securing improvements in Middlesbrough's housing, infrastructure and attractiveness, improving the town's reputation, creating opportunities for local people and improving our finances.
 - Business - promoting investment in Middlesbrough's economy and making sure we work as effectively as possible to support our ambitions for People and Place.

TERMS OF REFERENCE

4. The terms of reference for the scrutiny panel's review are:
 - A) To examine Middlesbrough Council's current proposals for the regeneration of the town including plans for retail, leisure, housing, urban living, education, enterprise, communication, transport and connectivity.
 - B) To investigate what resources will be required to implement proposed regeneration schemes and what contributions are available and/or required from Central Government, Middlesbrough Council, the private sector and other stakeholders.
 - C) To consider the role and engagement of local communities in shaping a sustainable future for Middlesbrough that will drive social and economic growth and improve the health and well-being of residents.

¹ Middlesbrough Council's Strategic Plan 2021-2024

BACKGROUND INFORMATION

5. In line with the terms of reference, the Scrutiny Panel gathered information in relation to Middlesbrough Council's current plans for the regeneration of the town, as well as considering current and planned legislation and other initiatives which might impact on these plans.

6. **Future High Streets Fund**

In late summer 2019 an opportunity arose for town centres that were suffering slow decline to apply to a competitive process from the Government. Middlesbrough submitted an initial expression of interest to the Future High Streets Fund (FHSF). The programme nationally is worth £3.6 billion and includes the Towns Fund as a national programme. The FHSF is a discreet competitive process on its own. Approximately one hundred towns were invited to develop a business case on how their town centre can be transformed in light of changes in the sector, the increase in online purchasing, and changing uses in the town centre environment in general.

7. Since 2019, the outbreak of the Covid-19 pandemic has exacerbated many of the issues town centres are already facing. However, the general principle of the FHSF is to encourage towns to invest on a structural rather than cosmetic basis, in terms of how the purpose of the town centre will function in future. Whilst retail will always form a large component of what happens in town centres, it is under distress in terms of the costs of maintaining a physical presence in the town centre compared to online retailers.

8. The way consumers live and work in town centres has changed over the last twenty years and the rise of out-of-town shopping centres and commercial parks has slowly drained footfall away from the town centre. Consumers are now more engaged by an experience-led economy, where they can go out and shop, eat, and visit a cinema or see a theatre show as part of an all-day event.

9. Middlesbrough currently has major oversupply of retail space which is spread over four disparate owners, and is fragmented in its ownership across the town. A long-term consequence of over-supply, which leads to competitive rents, is that landlords and owners cannot invest further in their properties as they are not making sufficient income from tenants.

10. The proportionate floor space in terms of residential uses is quite low in the town centre area, and leisure uses are similarly under-represented. Notwithstanding the Covid-19 pandemic, there is still a strong appetite in the market and other community and commercial uses.

11. There is a national ambition to bring residential offers into town centres and planning regulations have been adopted to allow for ease of conversion of retail units. The focus is on bringing a new workforce with disposable income into the town centre environment. The average worker coming into the town centre spends approximately £20 per day.

12. Middlesbrough's bid is based on the Town Centre Strategy that was developed in 2018/19. Urban living in the town centre, curtilage, and immediate environs of the town centre forms a large part of the bid. This will drive in immediate footfall in terms of the residents and enliven the area, as well as providing an element of passive surveillance, which will reduce anti-social behaviour and crime in the long term.
13. The slow decline of the high street would have occurred over 5 to 10 years but the pandemic had changed that scenario. Distress in the retail market had accelerated and a faster response was required. Diversification was required to bring town centres into the centre of communities - as had been the case historically. Town centres originally emerged as a centre for people gathering, trading, doing business and social community functions.
14. There is a focus on converting some of the retail floor space into a leisure- dominated facility. In 2020, the Council purchased the Captain Cook Shopping Centre and the iconic House of Fraser building for the purpose of long-term intervention in the market, to enable the restriction of the supply of retail floor space, and to encourage a dedicated and focussed leisure hub at the centre of Middlesbrough, as a way to drive up footfall and sustain the existing retail environment.
15. A report submitted to Middlesbrough Council's Executive on 13 April 2021 highlighted: *"Since the announcement of the purchase of the Captain Cook Shopping Centre, the asset has been inundated with interest from many regional and national leisure operators. This has been extremely positive, particularly as interest has remained strong in the wake of COVID. The operators remain optimistic about underlying market conditions and have bought into Middlesbrough's vision. Many investors appreciate the opportunities available due to the FHSF and this further incentivises operators to relocate in the centre."*²
16. According to the report, dialogue has commenced with a number of operators, including proposals for:
 - Bowling alley with associated multi-use leisure attractions.
 - Boutique cinema.
 - Multi-leisure venue.
 - Small-medium scale Breweries.
 - Restaurants and eateries, with proposals to maximise outdoor space.
 - Hosting event(s) – temporary/seasonal usage for central square area.
17. On 21 January 2021, EDEI Scrutiny Panel members attended a presentation from the Chief Executive of the British Esports Association and the Chairman of the Advisory Board to the British Esports Association at a meeting of the Culture and Communities Scrutiny Panel. Esports is organised competitive video gaming and is projected to have a global audience of approximately 645 million people by 2022. Leisure venues associated

² Future High Streets Fund - Town Centre Property and Asset Management (PART A)
- Report to Middlesbrough Council Executive – 13 April 2021

with Esports, such as Esports Bars are continuing to increase in number and could be considered for Middlesbrough's leisure offer.

18. Some existing retailers have expressed interest in re-sizing or re-leasing in smaller units. With a higher than the national average vacancy rate across the town of approximately 18% in retail floor space, this approach will help to reduce the amount of vacancies in the town. This in turn will lead to a healthier environment, stabilise rents in the long term, and encourage owners to re-invest in their properties and ultimately halt the long-term decline of the town centre.
19. The most recent research by the British Retail Consortium (BRC)-Local Data Company Vacancy Monitor (LDC) found in late April that the UK's overall retail vacancy rate increased to 14.1% in the first quarter of 2021, marking a 1.9% rise from the same period last year. The vacancy rate was also up from the 13.7% recorded in the final quarter of 2020 and marks three consecutive years of increased retail vacancies.³
20. The FHSF programme also considers infrastructure: how cycle routes, bus super stops and Covid-19 network adaptations such as pavement widening, can be incorporated. Other measures include improved security and CCTV in car parks and along connecting routes and some modern automated features like the contactless car parking and pay on exit.
21. Since submitting the initial expression of interest, the effect of Covid-19 and the restrictions that have been placed on the leisure and hospitality trades has been reflected in the proposals. Sector specialists are confident that these markets will return as restrictions ease over time and the virus is controlled. There is a three-year timescale for delivery of the FHSF and the timing of a new leisure hub is not at odds with the cycle of the pandemic. People still want an experience-led economy and there is interest from service providers in the leisure sector to be part of this hub in the longer term. In general terms, Middlesbrough is well under-represented in hospitality and leisure as a proportion of its footfall and its demographic and scale. Ten percent of the town centre floor space is dedicated to leisure and those activities, and the industry norm is about 20% of a town centre.
22. Consideration is also being given as to how a range of community services, cultural events and amenities can be integrated into the high street environment. How vacant properties in the street scene can be animated to ensure people have visual stimulus and a pleasant experience, rather than just coming to an area to be transactional, or for work or retail.
23. The original programme has been adapted to look at direct intervention with businesses and existing retailers and any new retailers, for Covid-19 mitigation and preparedness. Businesses are keen to invest in the area but with the experience of Covid-19 and any future pandemic, there needs to be built-in resilience to ensure businesses are best

³ <https://www.retailgazette.co.uk/blog/2021/05/how-a-rise-in-retail-vacancies-can-affect-the-uks-high-streets/>

structured and physically configured to be able to trade safely through any period of lockdown.

24. Footfall from the Centre Square Office lettings will be extremely well received in the town centre. The presence of the Northern School of Arts in the town centre and the expansion of Middlesbrough College and new developments in Middlehaven, will also assist in giving the future economy the best possible chance of succeeding.
25. The focus is on a relatively tight high street area, which is defined locally, and is around the Captain Cook Shopping Centre feeding into the Linthorpe Road area and then picking up the House of Fraser area, so the vast majority of investment will fall within that boundary. With the urban living agenda and the options there, there is a 300 to 400 metre radius which is the area of influence, at which those housing developments will drive footfall for the area.
26. Middlesbrough Council submitted a bid for £20.5m to the FHSF was awarded £14.1m. Following the final sign off from Ministry of Housing, Communities and Local Government (MHCLG) and approval and endorsement from the Council's Executive on 27 May 2021, it is anticipated that delivery will commence early in the 2021/22 financial year. A breakdown of the funding for the proposed projects is as follows:
- Conversion of Captain Cook Square to a leisure hub £9,100,000.
 - Boho residential gap funding 2,500,000.
 - Residential gap funding £1,000,000.
 - Pavement widening and trading adaptations £500,000.
 - Safety, security and cashless town centre £300,000.
 - Covid-19 Grants £250,000.
 - Cycling infrastructure £250,000.
 - Events infrastructure £125,000.
 - Interactive cultural installations £70,352.
 - Centralising cultural assets £75,000.

27. **Towns Fund**

The Towns Fund was announced at approximately the same time as the Future High Streets Fund in 2019. The Towns Fund is a much broader and town-wide approach in terms of how local decision-making and the involvement of communities can influence investment in those areas that are of importance to the local economy and for local people. The Council submitted a bid for £25 million and has been awarded £21.9 million.

28. Principally Middlesbrough's eligibility is based on indices of multiple deprivation and the characteristics of its resident population. Equally, Middlesbrough still had to make a strong case encompassing some of the changes that were required in the local economy and bringing the local community into active participation in the design and engagement of some of the funding programmes.

29. There are five main themes in the Towns Fund: Transport and Connectivity, Urban Communities and Place-making, the Middlesbrough Experience, Building a Knowledge Economy and Enterprise Infrastructure.
- Transport and Connectivity - making sure that people could get to and from where they need to be within Middlesbrough.
 - Urban Communities - bringing urban and town centre areas together and making them into communities.
 - Middlesbrough Experience - making Middlesbrough the key destination in the Tees Valley.
 - Knowledge Economy - engaging with Teesside University, Middlesbrough College and other training providers and education institutions.
 - Enterprise Infrastructure - building meaningful and long-term employment and making a thriving commercial environment.
30. A Town Deal Board has been established and includes in its membership, both Middlesbrough MPs, the Tees Valley Mayor, the Mayor of Middlesbrough, the Vice Chancellor of Teesside University, the Chief Executive of Middlesbrough College and stakeholders, business leaders and partners from across Middlesbrough and the Tees Valley. The Board has agreed a Town Investment Plan which details how the economy will be reshaped, where investments will be targeted as a Local Authority, through third parties, and as Tees Valley investors, in order to achieve common aims by 2030.
31. The Towns Deal Board has several themed groups and is the decision making body to steer the investment of the Towns Deal funding and any other future private investment or funding. The minutes of all Board meetings are public and available online.
32. Allocation of the Towns Fund has been agreed by the Board as follows:
- Transport and Connectivity:
- No funding allocated.
- Urban Communities and Place Making:
- Boho Towers (100 residential units) £2,000,000.
 - Boho Village (circa 60 residential units) £500,000.
 - CIAC 2, Middlehaven Docks (80 residential units) £1,000,000.
 - Middlehaven Docks (south side) (200 residential units) £3,000,000.
 - Office Conversions (500 converted residential units) £1,875,000.
 - Shepherdson Way/Teardrop Site, Middlehaven (170 residential units) £2,500,000.
 - Wood Street Car Park (circa 200 apartments/potential hotel development) £3,000,000.

The Middlesbrough Experience:

- Cargo Fleet Nature Reserve £100,000.
- East Middlesbrough/Southlands Centre Community Hub/Nunthorpe Community Hub (development of new community facilities) £1,250,000. The funding was split £500,000 for the Southlands and £750,000 for Nunthorpe with other funding aligned to it.
- Ward Initiatives £1,000,000.

Building a Knowledge Economy:

- Middlesbrough College (expansion and creation of town centre presence) £1,175,000.

Enterprise Infrastructure:

- Old Town Hall/former Captain Cook Public House (renovation/restoration) £1,000,000.
- Centre Square (office development/residential) £2,000,000.
- Boho Campus – amphitheatre and plaza £750,000.
- Conversion Queens Square/former Kalinka's (office space) match funding: £750,000.
- Boho 8 £1,000,000 (advance settlement received in 2020). The advance settlement had to be spent by the end of the calendar year and the Boho Site was the only project ready to move forward.

33. The Towns Fund also focusses on the community and meeting community needs and a large part of the fund will be diverted to community uses and facilities. The Council is keen to encourage local decision-making and participatory budgeting. This will involve people at ward level, stakeholders, and community, addressing issues of immediate local importance, with a budget of up to £50,000 per ward.
34. Both programmes will be overseen by the Town Deal Board, to ensure that the Board has an understanding of both funding programmes since there is overlap in many of the projects. The business cases for the Towns Fund projects will be developed over the next twelve months and the Government has provided the opportunity to make adaptations in light of the covid-19 pandemic. Both Programmes rely on a large amount of public sector leverage, so some Tees Valley Combined Authority (TVCA) projects, particularly in terms of the transport elements, have been aligned for that. Where gap funding is involved there will be some public sector involvement to complete projects and ensure a return for every public sector pound spent.
35. The programmes are based on public engagement and well established strategic priorities that have been developed over time. Both programmes will deliver until 2023/2024.
36. **Middlehaven Masterplan**

Following investment from the Homes England (HE) and Middlesbrough Council, clearance work has taken place at Middlehaven to provide a blank canvass for

development. There have been several masterplans for the area but none have come to fruition due to several factors including; the global recession, lack of funding, development values and much of the land being in different ownerships.

37. Almost £30 million has been secured through the Tees Valley Combined Authority (TVCA) for various projects and the Towns Fund project is focussed on Middlehaven. The Council has also secured £7.9 million from the Brownfield Housing Fund to spend on site preparation.
38. Market opportunities have changed with a shift to more urban living as well as increased interest in commercial development through the growth of the digital sector and others. As Middlesbrough College expands there is more interest in educational opportunities and the Outwood Riverside Academy, a 900 place school specialising in technology, is being built.
39. Middlehaven needs to be planned and developed in a coherent manner so that different schemes are not competing against each other and open space, public realm and transport infrastructure are complementary. The five brownfield housing sites that will take 634 units of housing require careful planning to ensure it is a coherent place to live, rather than five separate housing developments that bear no relation to each other. The dock bridge has opened the site up from the east and there is close proximity to the A19 and A66 corridors. Investment in the Rail Station and direct trains to London are also a good selling point. Middlehaven is close to the town centre and retail and leisure offer.
40. Boho 8 is 10,000 square feet of new modular commercial space for new companies, and demand for space is high. Bohouse North, which is Thirteen Group's second development, comprising 40 new live/work properties for digital and creative professionals, will be finished by May 2021. Site works have started on Boho Bright Ideas, a development of 60 homes for families and young professionals. A total of 60,000 square feet of Grade A commercial space for the digital sector is in the pipeline and Boho X will be on site in August 2021.
41. Funding is in place to restore the Old Town Hall and the Captain Cook Public House. Work has started on the public house and Officers are planning how the Old Town Hall can sit as the centrepiece of Middlehaven again. There are also proposals for an urban farm to the northwest of Middlehaven.
42. The draft masterplan for Middlehaven will be submitted to the Executive in summer 2021 for approval.
43. **Waltham Forest Council's Mini Holland and Liveable Neighbourhoods Programmes**

The reallocation of urban space has become one of Covid-19's most tangible effects on the built environment. Cities are being forced to innovate and the car is bearing the brunt.⁴

⁴ www.theguardian.com/world/2020/oct/12/liveable-streets-how-cities-are-prioritising-people-over-parking

Mini-Hollands and Liveable Streets or Neighbourhoods Schemes are aimed at transforming the look and feel of public spaces, making it easier, safer and more convenient to walk, cycle or use public transport, rather than travel by car.

44. As part of this investigation, the Scrutiny Panel received a presentation from the Programme Manager, Enjoy Waltham Forest. Waltham Forest is an outer London Borough in north east London. It is a diverse Borough from land use and geography, through to demographics. South of the Borough, towards inner London it is more dense, with a predominantly Victorian road network. To the north the Borough is a lot more suburban with less density of properties and increased green infrastructure.
45. In 2014, Waltham Forest had polluted residential streets, traffic congestions, lack of cycling facilities and green spaces, a poor walking environment and few places to sit and enjoy. Waltham Forest Council set out its objectives to address the issues as follows:
- Join up cycle routes into a network.
 - Rebalance streets to be safer for everyone.
 - Reach 10% of journeys by bike by 2020.
 - Create better public space and environment for everyone.
 - Make Waltham Forest better connected for everyone.
 - Demonstrate best practice – nationally and internationally if possible, by looking at what had worked on the continent and how that could be applied.
 - Attract growth into the area by enabling growth and regeneration and ensuring policies were car free and supported with the necessary transport infrastructure.
 - Support other Council objectives.
46. The Mayor of London introduced the Mini Holland funding programme in 2014. The programme included the introduction of cycle superhighways in London and the quiet network. A number of outer London boroughs that were traditionally car dependent areas, were awarded funding to transform infrastructure and encourage behaviour change. Waltham Forest Council was successful in obtaining funding from the Mini Holland programme, originally for 3 years but eventually for 5 years.
47. The vision for Waltham Forest Council's Mini Holland included:
- Lea Bridge Road – a street for everyone.
 - Four Walthamstow Village schemes.
 - Four Town Centre Schemes.
 - A network of high quality cycle routes.
 - Complementary measures.
 - Secure cycle parking.
48. Some of the key barriers as to why people did not walk and cycle include: way finding, cycle parking, training, road safety awareness and education. The scheme tried to invoke a step change in terms of how people would travel around the Borough. A core grid of high quality cycle routes was implemented on the primary or main road network and given the nature of traffic, they are separated from vehicles and pedestrians.

There are also some quieter routes, using lower volume residential streets and green spaces, to build a skeletal network so that people have a real choice.

49. Around the town centre there are some local area based schemes designed to make roads in these areas better for walking and cycling without putting in dedicated infrastructure. Not necessarily having formal segregated cycle lanes, or crossings but looking at traffic reduction measures and making areas more suitable for walking and cycling so that theoretically, local trips can be made without using a car. Schemes have also been implemented in the secondary town centres to make them more accessible and attractive and try to reduce the need for cars for these trips by joining up areas with cycle routes and public transport. At total of 50 small schemes have been implemented, working with the community to encourage ownership of the spaces created and involve the public in maintenance where appropriate.
50. The project also enables multi-modal journeys. Cycle parking is a major barrier to people both at work and at home. Secure cycle parking has been provided at all train stations so that people can cycle in for their daily commute. There is a £25 annual fee to access the cycle hubs and also secure parking hangars. Spaces for adapted bikes are also provided.
51. In terms of encouraging behaviour change, the following has been made available:
 - Cycle skills training and maintenance.
 - All ability Cycle Club.
 - School Travel Plans.
 - School Streets.
 - Community Walking and Cycling fund.
 - Zero Emissions Delivery (ZED) Service.
52. ZED is a fleet of electric bikes that run deliveries to businesses in the borough; both in the supply chain and providing goods to residents. ZED is now almost fully self-sustaining in terms of the operating finance.
53. Waltham Forest's Liveable Neighbourhoods programme was introduced in 2018 and work has started on several programmes, taking principles from the Mini Holland schemes. Delivery was just about to start when the Covid-19 Pandemic reached the UK which had impacted on the funding available from Transport for London (TfL). The Coppermill Scheme includes some large development areas in terms of sustainable new housing growth and interventions such as new crossings, cycle infrastructure, road closures to through traffic, walking improvements along some of the main roads, looking at the walking environment. It is an area based scheme with 40 or 50 interventions in it.

Key achievements include:

- More than 40km of segregated cycle lanes.
- 80 modal filters (road closures to through traffic).
- 160+ Copenhagen Crossings (continuous footways).
- 35 new formal crossings, 61 upgraded pedestrian/cycle crossings.

- 700 trees planted and 40 pocket parks/public spaces created.
 - 1,850 metres square of land returned back to the forest at Whipps Cross.
 - 540 cycle hangars.
 - Provided 7 station cycle hubs with 546 secure parking spaces. 4 more in construction.
 - Over 10000 school children and 7500 adults have received free cycle training.
 - 311 people have taken part in All Ability Cycling sessions.
 - Almost 4000 bikes have been serviced by Dr Bike.
 - 392 residents have utilised the Community Bike Loan scheme and 101 residents have utilised the Cargo Bike Loan Scheme.
54. A review of the first village scheme in the area shows a reduction in vehicle numbers and increases in walking and cycling. Most people are accepting of the measures although some want them reduced or removed altogether. A study by the University of Westminster finds that people living in Mini Holland areas were walking an extra 32 minutes and cycling an extra 9 minutes per week compared to the outer London average.
55. In the last six to nine months a study on the impact of low traffic neighbourhoods, changes in car ownership, road traffic, road traffic collisions, crime, emergency service response times has shown some change and positive outcomes. It is noted that this study took place during the Covid-19 pandemic.
56. Key arguments and reasons for opposition to the schemes include:
- Impact on emergency services.
 - Displacement – concerns over increased traffic, pollution and congestion on some roads..
 - Longer journey distances and times for those who needed to drive.
 - Only intended to benefit the few.
 - Community severance.
 - Impact on businesses.
 - Lack of consultation.
57. Strategies employed to overcome the challenges included:
- Strong political leadership and senior leadership team.
 - More data and research needed to myth bust/outline benefits.
 - Continually adapting and enhancing engagement approach.
 - Part of wider transport/behaviour change strategy to reduce traffic volume and impact.

58. **Local Implementation Plan**

The Local Implementation Plan (LIP) was formerly the local transport plan and sets out how the Council will implement its transport and infrastructure programme at a local level. The Tees Valley Combined Authority's (TVCA) Strategic Transport Plan has received formal approval and all five Tees Valley Local Authorities will be following that plan to ensure that their LIPs dovetail into the hierarchy of the wider TVCA Plan. The LIP is a

statutory requirement for all Highways Authorities to complete and contains the Council's transport ambitions, objectives and goals. It improves the changes of securing future funding from external sources including the Department for Transport (DfT) and the TVCA. The Council engages with stakeholders to shape its transport policy.

59. The TVCA's Strategic Transport Plan is an investment plan for different travel modes and how they help deliver the key outcomes for the region. The LIP does the same, but on a local level and the key drivers for Middlesbrough's Plan are:

- The Mayors Vision.
- Investment Prospectus.
- Housing Local Plan.
- Network Management Duty – to make sure a suitable transport network is delivered.
- Transport Asset Management Plan – to ensure assets are maintained with the funding available.
- Medium Term Financial Plan.

60. The key components of the LIP focus on:

- Reducing the number and severity of casualties on the Borough's highway network.
- Minimising congestion and managing traffic flow on the highway network.
- Improving highway network reliability and resilience.
- Improving local air quality.
- Removing transport as a barrier to accessing jobs, education and training, leisure and retail opportunities.
- Providing targeted interventions and measures to assist mode shift and allowing highway users to make informed travel choices.

61. A hierarchy of need has been identified to help with a change in behaviour or modal shift, to encourage people to use cars less. Improvements will be made to encourage more walking, cycling and use of public transport. Roads will be used in the best way possible to make improvements for freight and goods, which in turn will improve the local economy and help local businesses to succeed. It has been identified that building more roads is not sustainable as this will induce further demand. If road building continues people will use cars all the time and this will not help the aims and objectives of the Council in terms of the green agenda to be met. There is also a desire to get people as physically active as possible.

62. Traffic congestion is one of the major causes of economic decline, as the movement of people and goods is disrupted. Building more vehicular infrastructure for cars is not sustainable and only achievable at the expense of public space. This does not mean that vehicular improvements will stop, but ensure a more holistic approach was adopted for everyone. All schemes will consider highway users in a priority order to ensure that sustainability is ingrained in projects to ensure that the Council will:

- Meet sustainability targets.

- Meet road safety targets.
- Meet economic growth targets.
- Improve accessibility for all.
- Help behavioural change.

63. There are nine outcomes outlined in the LIP:

- Reduce the incidence of accidents.
- Minimise congestion and manage traffic flow.
- Improve network reliability and resilience.
- Increased public transport patronage.
- Ensuring that that the highway network was fit for purpose and there were no structural failures.
- Improved local air quality.
- More accessible transport network.
- Fewer people unemployed.
- More businesses registered in Middlesbrough.

64. The ambition is to use transport to try and offset some of the impacts of these agendas and the outcomes that the Council is trying to achieve. The outcomes of the LIP will be monitored over the short, medium and long term.

65. Following Executive approval, the LIP will follow a similar six week consultation process to the TVCA Strategic Transport Plan consultation. It will predominantly be online due to restrictions currently in place as a result of the Covid-19 pandemic. A questionnaire is being developed which will be circulated to all statutory consultees, community councils and other regular channels of engagement. Copies of the LIP will be available in public buildings and there will be opportunities for people to call in or discuss via telephone. There is also potential to host drop in sessions if the pandemic restrictions allow. This will give people the opportunity to help shape transport policy. The results of the consultation will be presented to the Executive with recommendations and the final LIP will then be published.

66. **Communication – CityFibre**

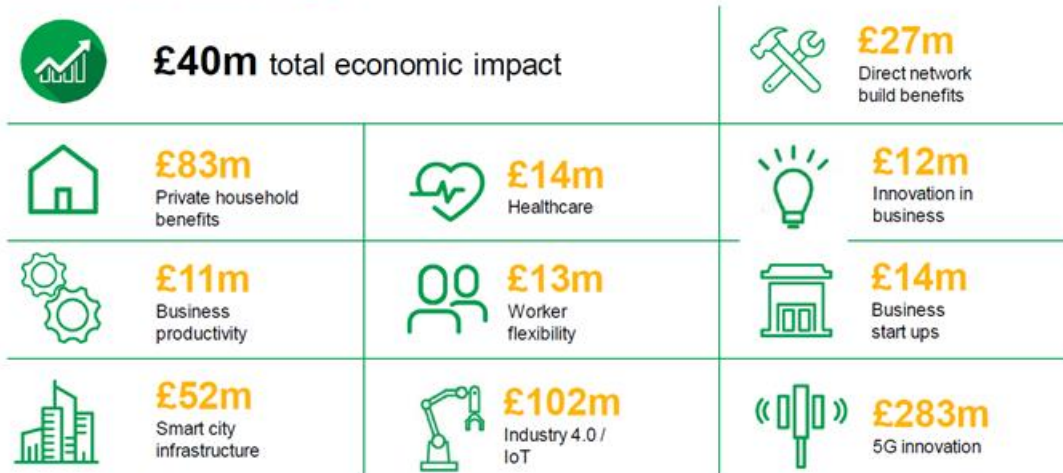
A previous review on Infrastructure Delivery undertaken by the Economic Development, Environment and Infrastructure Scrutiny Panel in 2019, recognised that whilst provision of broadband is not the Council's responsibility, it impacts on many areas of residents' lives, providing economic and social benefits. UK internet use more than doubled in 2020, as people stayed at home and worked from home during the coronavirus pandemic. However, whilst the pandemic has driven the increase in internet usage it has also exposed the divide between people able to access fast connections and those who cannot.⁵

⁵ www.bbc.co.uk/news/technology-55347001

67. CityFibre is a competitive fibre builder, building brand new networks across sixty plus cities in the UK. The overall investment for the project is £4 billion and aims to reach 8 million homes within five years, or approximately 30% of the UK. Connecting all UK homes is the core ambition for all of the telecommunications networks.
68. CityFibre has been in the telecommunications sector for ten years and developed an ambition to build fibre networks. CityFibre initially worked with Sky and TalkTalk on a test project in York and then acquired a larger footprint across the UK. Currently CityFibre is rolling out its network to 60 cities, including Middlesbrough. The company is also working with Government to understand how these city builds can be used as jump off points to connect broader rural infrastructure to fibre builds across the UK.
69. CityFibre builds brand new networks and their approach is to develop a well-planned network and install end-to-end fibre from exchanges to individual premises. As well as the opportunity to connect to every single premises or home, a well-planned network will also connect to all mobile sites, 5G, businesses or business parks, and any public sector sites across the town.
70. The investment in Middlesbrough is approximately £40 million. The initial target of 70 to 80 thousand homes has already been increased towards 90 thousand homes, with expansion beyond Middlesbrough's boundaries into Grangetown, South Bank and East Cleveland.
71. CityFibre has worked with a company called Regeneris, who provided data on the value of this long term investment to the town in terms of the impact on the economy in Middlesbrough over the next fifteen years.

Our 15 year impact on the economy in Middlesbrough

**GIGABIT
MIDDLESBROUGH**



Regeneris report: 'Economic Impact of full fibre infrastructure in 100 towns and cities 2018'

6

72. CityFibre will install full fibre, so by taking a network connection and working with one of their Internet Service Providers (ISPs), customers will receive speeds of up to 1000 mbps. It is a synchronous solution providing the ability to upload and download at similar speeds. One of the key differences to other networks is the quality of service and as more people come to rely on the digital structure this is vital.
73. Approximately 92% of homes in the UK with a superfast broadband connection, receive roughly 30 mbps upwards and through a hybrid solution, whereby the connection has fibre at some point, but also copper.
74. CityFibre's Middlesbrough build was due to launch in April 2021 and the first homes will be connected approximately 3 to 6 months later. The build programme will be completed mid-2024. The investment is solely from the private sector and no public sector funding is required.
75. CityFibre is keen to work with Middlesbrough Council as the amount of work being undertaken has implications for the town. CityFibre's build teams want to consider how they might co-invest in infrastructure and schedule the build around any capital works that the Council might be undertaking.
76. Middlesbrough will have two fibre exchanges: one at Sotheby Road, Skippers Lane Industrial Estate and one at Lytton Street, small industrial estate close to the Town Centre. This enables CityFibre to build the network more effectively because of the natural

⁶ The Economic Impact of Full Fibre Infrastructure in 100 UK Towns and Cities: A Report by Regeneris Consulting for CityFibre March 2018

boundary of the railway line from Nunthorpe all the way into the town centre. Having a fibre exchange on either side reduces the need for specialist engineering and costs. Two fibre exchanges will enable everyone in Middlesbrough to receive service and the area can be extended.

77. The fibre installation in a hybrid town such as Middlesbrough is generally 70% over ground and 30% underground, although this can change depending on the age profile of the specific location. Overhead installation is a much more effective and efficient deployment that minimises impact on the environment. The core network is always underground and water ingress has very little impact on optic fibre, whereas with copper it causes corrosion and electrolyte reaction very quickly. With regard to durability there is a vast improvement with fibre from copper.
78. Connectivity will be to approximately ninety two and a half thousand premises and about 900 km of fibre cable will be deployed. CityFibre has a diverse network and high level of resilience should there ever be a strike by a digging machine for example. The network can be fed in east and west directions and service can be restored quickly. A two flex model will be employed in Middlesbrough, giving better coverage and service for residents and a more acceptable level of challenge in terms of engineering.
79. Residents and Councillors will be kept up to date with what was happening in their area. Residents' communications began at the construction stage and carry on throughout the build. During Covid-19 pandemic restrictions, the usual door-knocking team cannot be deployed, therefore a leaflet will be delivered to all premises in the area. This is followed by a letter which explains any action residents need to take – such as moving cars off the street – and also provides a Frequently Asked Questions (FAQs) section and details of the one line customer service telephone number.
80. Once on site, banners will be installed, to make residents aware that CityFibre are digging in the street. Wider community engagement includes local adverts and events, with information provided on how to pre-register on the website once the service is available.
81. Fibre Fans is CityFibre's school engagement project. As the construction process builds past schools in Middlesbrough, CityFibre will engage with them and provide free learning materials for curriculum subjects.
82. **Housing Local Plan/Planning Reforms/Business and Planning Act 2020**

Following the Local Elections in May 2019, and the subsequent changes in administration, the publication of the draft Middlesbrough Local Plan was formally withdrawn in July 2019. One of the key concerns was the impact on the Council's ability to stop developers dictating where house building would take place. The key test was whether Middlesbrough has a five year supply of land for house building and delivery. Middlesbrough still has around a seven year supply of housing land and the delivery test was also met. However, the Council needs to have a new Local Plan in place to enable it to tackle its priorities.

83. The following elements of the evidence on which the Local Plan is based have been reviewed:
- Retail/Town centre.
 - Housing Needs Study.
 - Gypsies/Travelling show people assessment.
 - Employment Land Review.
 - Green Blue Infrastructure Strategy.
 - Transport Study.
 - Playing Pitch Strategy.
84. Due to the Covid-19 pandemic, there have been a number of impacts on the timetable for publication of the revised Housing Local Plan, including engagement with communities, consultants and key stakeholders. A key area is the Employment Land Review as it is difficult to predict the employment sector going forward, what the priorities will be, or whether more people will be working at home. Similarly the retail study was produced prior to the impact of Covid-19, which has undoubtedly had a huge impact and created much uncertainty. There have been a number of national policy changes and uncertainty around planning reforms had an impact on how the Local Plan was taken forward. In addition, as part of the National Planning Policy Framework (NPPF) there have been changes to how housing numbers are calculated in terms of the Local Plan. It was anticipated that the revised Local Plan would be adopted by March 2022.
85. In relation to planning reforms, two key changes have been made in respect of Permitted Development Rights. For single storey dwellings there are now permitted development rights to add one storey; and for two storey dwellings and discrete blocks of flats, an additional two storeys could be added. There are a number of restrictions in place and prior approval from the Local Authority is required. Secondly, discreet offices and business buildings can be demolished and rebuilt as residential development or apartment blocks without the need for formal planning permission. Again, similar restrictions apply and they can be limited to a maximum size of property that replaces them. Design is another prior approval issue that can be taken into consideration.
86. The Government has also introduced new use classes under the Use Classes Order. Class E for commercial business and service uses and Class F for local community and learning. Class E is split into eleven categories and it is possible to limit a use to within those use classes. It is not yet clear what the permitted development rights will be changing between each. Currently the permitted development rights which were in existence before that new use class still apply. Hot food takeaways are classed as 'sui generis': meaning that any change of use from, or to, a hot food takeaway, will require planning permission and there are no associated permitted development rights. The importance of Class F, which is split into F1: learning and non-residential institutions and F2: local community, is that the provision of local facilities is key in developments. This provides a specific use class for such local facilities.
87. There are five key areas in the Planning Reform White Paper:

- Streamline the planning process with more democracy taking place more effectively at the plan-making stage, and replacing the entire corpus of plan-making law.
 - Take a radical, digital-first approach to modernise the planning process, moving from a process based on documents to a process driven by data.
 - To bring a new focus on design and sustainability.
 - Improve infrastructure delivery and ensure developers play their part, through reform of developer contributions.
 - To ensure more land is available for the homes and development people and communities need, and to support renewal of town and city centres.
88. Whilst the White Paper sets out the principles for reform, the detail with regard to how the proposals will be implemented has not yet been published.
89. The Business and Planning Act 2020 received Royal Assent on 22 July 2020 and includes a range of measures to support economic recovery and growth and help businesses adapt to new methods of working as the UK recovers from the disruption caused by the Covid-19 pandemic.
90. Temporary changes have been introduced to highway licensing procedures and alcohol licensing laws to enable restaurants, bars and pubs to serve customers seated outdoors and allow operators to serve alcohol for consumption off the premises.
91. Temporary changes have also been made to the law relating to planning in England, as well as new, permanent provision for certain planning proceedings in England to be considered by means of more than one procedure. This will ensure that the planning system can continue to operate effectively and support the planning and safe construction of new development following the impact of Covid-19.⁷
92. **Business Support and Recovery**
- Since the UK Government implemented the first national lockdown in March 2020 the Council's Revenues and Benefits team, Economic Growth/Regeneration and Finance Service, have collaborated to support Middlesbrough businesses. In addition to delivering regular day-to-day service, a range of additional initiatives and grant schemes have been designed and distributed to ensure support is provided speedily and effectively where it is most needed.
93. Information is disseminated through web and social media platforms and business networks to promote and guide businesses through the support available both via the Local Authority and the wider business support landscape. Support mechanisms initiated and promoted by Middlesbrough Council include:
- Buy Boro campaign: promotion of local supply and services.

⁷ https://www.legislation.gov.uk/ukpga/2020/16/pdfs/ukpgaen_20200016_en.pdf

- 1 to 1 business workshops – targeted to small/independent business to ‘plan it not panic’. The workshops cover managing cash flow, business planning, emergency procedures.
 - Comprehensive list of PPE suppliers prepared and promoted through the Council’s website.
 - Businesses linked directly to Teesside University Digital City to receive free support to improve website and ecommerce options.
 - Outdoor tables available to loan to retail/leisure/hospitality businesses and support to acquire an outdoor licence.
 - Town Centre cleaning stations, ambassadors to support high street shoppers and businesses.
 - Guidance and signposting via dedicated web pages and helplines for businesses to access full range of support.
94. A range of mandatory and discretionary government grant schemes were initiated to support local business. Local Authorities can determine the approach and design of the discretionary schemes to best support their respective local economies. Although this is challenging due to changing legislation combined with the perceptions of the business community on eligibility. Middlesbrough Council was the first Local Authority in the area to distribute an emergency Covid grant.
95. Middlesbrough’s emergency and discretionary business grant schemes seek to support businesses through the Covid pandemic and restrictions by:
- Providing direct grant support to businesses impacted by restrictions.
 - Supporting businesses that are unable to access other business support schemes.
 - Supporting home businesses and sole traders with fixed business costs.
 - Introducing business support measures to stimulate the local economy through key sectors and priority regeneration areas to facilitate long term job creation and investment.
96. Mandatory grants and discretionary funding is being used to full effect, with grants distributed in accordance with government guidance and discretionary elements tailored to target gap areas and provide the most strategic impact. In the first 6 months of the pandemic, over £25m was initially distributed in grants to support Middlesbrough businesses.
97. Local Restriction Support Grants (LRSG) were issued in November 2020, as restrictions and lockdowns became more prevalent. Alongside the LRSG a discretionary Additional Restrictions Grant (ARG) was launched to address gaps. Both schemes are regularly reviewed and include several enhancements to the scheme to ensure that gaps in eligibility are addressed, targeted sector support is provided and business support measures are introduced to stimulate the local economy, create jobs, and provide rapid recovery.
98. Almost £16m was distributed through the LRSG schemes and this funding is utilised to provide emergency support to eligible businesses. In addition to those businesses that

had to close, there were others that are essential and required to stay open and trade, but are still impacted.

Local Restrictions Support Grant Distribution:ⁱ

Local Restrictions Support (LRSG) Grant ⁸	Purpose	Amount	No of payments
LRSG Closed	businesses required to close	£1,804,265.25	823
LRSG Closed (phase 2)	businesses required to close	£8,072,513.70	1557
LRSG Open	businesses impacted whilst requiring to stay open and trade.	£266,353.59	196
LRSG Sector specific	Specific sectors required to close since Mar 20 (e.g. nightclubs)	£17,525.98	6
Christmas Payment	Wet led pubs (e.g bars/pubs that serve drinks rather than food)	£53, 000	53
Restart	Support reopening of Retail, hospitality, leisure, personal care, accommodation, gyms	£5,741,304.22	794
Total		£15, 954, 962.74	3429

ⁱ Figures correct as at 9 July 2021

99. The ARG grant is awarded to Local Authorities based on population, to identify the gaps, look at the local economy and provide funding to businesses not covered by the other schemes. The Service identified businesses where the grant will make the most impact. The scheme was completed in July 2021, with approximately £4.1 million in grants issued. Home based businesses, supply chain, businesses in shared spaces have all benefitted. Middlesbrough Council collaborates with other local Councils to ensure a similar type of grants are being issued, although there is a particular element that just works for Middlesbrough. From the start of scheme in December it was reviewed every four weeks and enhanced five times over its lifetime, to make sure it includes the sectors that are impacted but still required to trade; such as manufacturing and engineering, as well as taxi drivers and driving instructors.

Additional Restrictions Grant Distribution:ⁱⁱ

Additional Restrictions Grant ⁹	Purpose	Amount	No of payments	Jobs to be created (3yrs)	Investment Commitment by Business
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⁸ Report to the Economic Development, Environment and Infrastructure Scrutiny Panel – 21 July 2021 – Covid Business Support and Recovery. Report Author: Debbie Ingoldsby, Strategic Business Manager

⁹ Report to the Economic Development, Environment and Infrastructure Scrutiny Panel – 21 July 2021 – Covid Business Support and Recovery. Report Author: Debbie Ingoldsby, Strategic Business Manager

Main	businesses unable to access other schemes e.g home based, supply chain, shared spaces, impacted sectors	£2,909,791.93	1654	n/a	n/a
Enhanced	Impacted sectors required to trade	£165,000	18	n/a	n/a
Strategic	create jobs and stimulate recovery and investment in priority sectors/ regeneration areas	£750,000	17	194 – 460 high value jobs in: Advanced/ manufacturing, Leisure, culture, digital, professional services	780K - £1.6m
Taxi Drivers	Specific sector support	£247,500	825	n/a	n/a
TOTAL		£4,072,291.93	2514	194 – 460	780K - £1.6m

ⁱⁱ Committed spend at 9 July 2021

100. £45m has been distributed by the Council in grants to support Middlesbrough businesses since March 2020. It is acknowledged that there may be some businesses that are unable to provide evidence that they are eligible for a particular grant. In addition, some businesses are eligible to support through government schemes such as the Furlough Scheme.
101. It is anticipated that a second phase of ARG funding will be triggered as soon as 100% of spend is reported. This will provide Middlesbrough Council with a further £670K to support business recovery through to March 2022. The aim is to focus the second phase of ARG funds to supporting new start-up businesses, as well as further grants to support businesses in their recovery.
102. A Business Recovery Officer has been appointed on a one year fixed term to offer additional support to businesses to enable them to access grants both from the Council and other sources.
103. Government guidance and rules on self-isolation are having an impact on retail, leisure and hospitality in particular. The Council consults public health regularly to ensure that all the latest information is available on the website. If certain sectors are severely impacted, potentially there will be opportunities for support in the next round of funding.

CONCLUSIONS

104. The scrutiny panel reached the following conclusions in respect of its investigation:

TERM OF REFERENCE A

To examine Middlesbrough Council’s current proposals for the regeneration of the town including plans for retail, leisure, housing, urban living, education, enterprise, communication, transport and connectivity.

The Covid-19 pandemic is an unprecedented global event which has changed how people live, communicate, work and socialise. It is acknowledged that town centres in particular were already in decline and Middlesbrough is no different.

Initiatives including the Future High Streets Fund, Towns Fund, Middlehaven Masterplan, Local Implementation Plan, as well as CityFibre’s investment in superfast broadband infrastructure and many other projects, will enable Middlesbrough to ensure the recovery of local communities and businesses from Covid-19 in line with the Council’s Strategic Plan 2021-24 revised priorities.¹⁰

TERM OF REFERENCE B

To investigate what resources will be required to implement proposed regeneration schemes and what contributions are available and/or required from Central Government, Middlesbrough Council, the private sector and other stakeholders.

Middlesbrough Council has been awarded £14.1 million from the UK Government’s Future High Streets Fund, and £21.9 million from the Towns Fund. Both Programmes rely on a large amount of public sector leverage, and therefore some of the Tees Valley Combined Authority (TVCA) projects, particularly in terms of the transport elements, have been aligned for that. Where gap funding is involved there will be some public sector involvement to complete projects and ensure a return for every public sector pound spent. The Council also secured £7.9 million from the Brownfield Housing Fund and almost £30 million from the Tees Valley Combined Authority for projects based at Middlehaven.

CityFibre’s investment in Middlesbrough is approximately £40 million, with the aim of bringing superfast broadband to approximately 80,000 homes. A breakdown showing the impact on Middlesbrough’s economy over the next fifteen years is included on page 16 of this report.

Since March 2020, £45m has been distributed by the Council in grants to support Middlesbrough businesses through the pandemic and assist them with recovery. The Council has also provided advice and a Business Recovery Officer has been appointed on a one year fixed term contract, financed by government covid funding.

TERM OF REFERENCE C

To consider the role and engagement of local communities in shaping a sustainable future for Middlesbrough that will drive social and economic growth and improve the

¹⁰ Middlesbrough Council Strategic Plan 2021-2024 – Revised Strategic Priorities – February 2021

health and well-being of residents.

There is an allocation of £1,000,000 from the Towns Fund for Ward Initiatives. Middlesbrough Council is keen to encourage local decision-making and participatory budgeting, with up to £50,000 per Ward allocated for community uses and facilities. This will involve consultation with Elected Members, local communities and other stakeholders, to address issues of immediate local importance.

There will be a six week consultation for the Local Implementation Plan (LIP) to enable residents to help shape transport policy. A questionnaire will be circulated to all statutory consultees, Community Councils and other regular consultees. Copies of the LIP will be available in public buildings, and, Covid-19 restrictions permitting, there will be drop in sessions and opportunities to contact Council Officers directly.

On 10 August 2021, Middlesbrough Council's Executive approved an Engagement Policy for 2021-2022, the principal aim of which was for *"the Council's service to take an 'asset-based' approach to engagement, working with Middlesbrough's people and its communities and the Council's partners to recognise strengths and from these increase independence and self-reliance over time"*.¹¹

RECOMMENDATIONS

105. Following the submitted evidence, and based on the conclusions above, the Economic Development, Environment and Infrastructure Scrutiny Panel's recommendations for consideration by the Executive are as follows:
- A) Whenever opportunities arise, and in line with the hierarchy of need identified in the Local Implementation Plan (LIP), the Council should seek to ensure that it is easier, safer and more convenient to walk, cycle or use public transport, rather than travelling by car by:
- Providing additional cycle routes.
 - Implementing traffic free zones.
 - Working with public transport operators to increase local provision.
 - Reviewing existing road networks to identify particular instances of traffic congestion at peak times and address these through the LIP to encourage further economic growth.
- B) Whilst it is acknowledged that there have been a number of impacts on the approval and publication of Middlesbrough's revised Housing Local Plan due to the Covid-19 pandemic, the Scrutiny Panel asks the Executive to ensure that the revised Local Plan is adopted as soon as practicable and by no later than March 2022.

¹¹ Engagement Policy 2021-2022 – Report to Executive – 10 August 2021

- C) In line with the Middlesbrough Council's ambition for the town to be net carbon neutral by 2039, use the Middlehaven developments as an opportunity to explore, promote and encourage the use of green renewable energy both with Developers and as a selling point for potential investors.
- D) Consideration should be given to extending the Urban Pioneers Scheme, or encouraging similar developments, to provide more live/work accommodation in Middlesbrough, given the shift to increased home working during the Covid-19 pandemic.
- E) The Council should ensure that green spaces around the Middlehaven developments are regularly maintained and attractive to prospective new residents and businesses. One suggestion is that hard-standing surfaces or laybys are built into development masterplans rather having grassed verges. This could also save the Council expenditure on maintenance of and/or repair of more traditional grassed surfaces next to roadways.
- F) The Council could consider collaborating with the local community to encourage ownership and maintenance of public spaces (if appropriate) in Middlehaven to promote pride in the area.
- G) By working closely with Broadband Providers, the Council should seek to ensure that all areas of Middlesbrough can have access to superfast broadband by 2025 at the latest, and that residents and businesses are not disadvantaged by lack of provision given the increased reliance on digital technologies post-pandemic.
- H) The Council should consider developing a multi-purpose venue in the town, which can accommodate entertainment. A venue which attracts the best entertainers in the world will encourage people from across the UK to visit the area, stay and spend, boosting the local economy. The Captain Cook Shopping Centre would be an ideal location for an eSports gaming venue as evidenced by the Culture and Communities Scrutiny Panel in a recent Final Report on Cultural Events.

ACKNOWLEDGEMENTS

106. The Economic Development, Environment and Infrastructure Scrutiny Panel would like to thank the following for their assistance with its work:

Louise Antill, Programme Management Team Leader, Middlesbrough Council
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 Paul Clarke, Head of Planning, Middlesbrough Council
 Craig Cowley, Transport and Infrastructure Manager, Middlesbrough Council
 Selina Deeney, Regional Marketing Manager, CityFibre
 Stephen Driscoll, Area Build Manager, CityFibre
 Steve Fletcher, Head of Development, Middlesbrough Council
 Sam Gilmore, Head of Economic Growth, Middlesbrough Council

Richard Horniman, Director of Regeneration, Middlesbrough Council
Debbie Ingoldsby, Strategic Business Manager, Regeneration
Jason Legget, City Manager – Tyneside and Wearside, CityFibre
Peter Millward, City Build Manager, CityFibre
Chris Orr, Infrastructure Programme Manager, Middlesbrough Council
Chris Proctor, Programme Manager, Enjoy Waltham Forest

107. **BACKGROUND PAPERS**

The following sources were consulted or referred to in preparing this report:

- Middlesbrough Council's Strategic Plan 2021-2024
- Minutes of the meetings of the EDEI Scrutiny Panel held on 7 October and 18 November 2020, 20 January, 24 March, 21 April 2021 and 21 July 2021.
- Future High Streets Fund - Town Centre Property and Asset Management (PART A) - Report to Middlesbrough Council Executive – 13 April 2021
- <https://www.retailgazette.co.uk/blog/2021/05/how-a-rise-in-retail-vacancies-can-affect-the-uks-high-streets/>
- <https://www.theguardian.com/world/2020/oct/12/liveable-streets-how-cities-are-prioritising-people-over-parking>
- <https://www.bbc.co.uk/news/technology-55347001>
- Report to the Economic Development, Environment and Infrastructure Scrutiny Panel – 21 July 2021 – Covid Business Support and Recovery. Report Author: Debbie Ingoldsby, Strategic Business Manager
- The Economic Impact of Full Fibre Infrastructure in 100 UK Towns and Cities: A Report by Regeneris Consulting for CityFibre March 2018
- https://www.legislation.gov.uk/ukpga/2020/16/pdfs/ukpgaen_20200016_en.pdf

108. **ACRONYMS**

A-Z listing of common acronyms used in the report:

ARG - Additional Restrictions Grant
BDC-LDC - British Retail Consortium-Local Data Company Vacancy Monitor
DfT – Department for Transport
FAQs – Frequently Asked Questions
FHSF – Future High Streets Fund
HE – Homes England
ISPs – Internet Service Providers
LRSG - Local Restriction Support Grants
LIP – Local Implementation Plan
MHCLG - Ministry of Housing, Communities and Local Government
NPPF – National Planning Policy Framework
TVCA - Tees Valley Combined Authority
ZED - Zero Emissions Delivery

COUNCILLOR S WALKER

**- CHAIR OF ECONOMIC DEVELOPMENT, ENVIRONMENT AND INFRASTRUCTURE
SCRUTINY PANEL**

The membership of the scrutiny panel is as follows:

Economic Development, Environment and Infrastructure Scrutiny Panel 2020-2021

Councillors M Saunders (Chair), B Hubbard, (Vice-Chair), R Arundale, D Branson, D Coupe,
T Furness, L Garvey, L Lewis, M Storey, S Walker

Economic Development, Environment and Infrastructure Scrutiny Panel 2021-2022

Councillors S Walker (Chair), R Arundale (Vice Chair), D Branson, D Coupe, T Furness,
B Hubbard, T Mawston, M Saunders, M Storey

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**ECONOMIC DEVELOPMENT, ENVIRONMENT AND INFRASTRUCTURE SCRUTINY PANEL
MIDDLESBROUGH REGENERATION POST COVID-19 – ACTION PLAN**

SCRUTINY RECOMMENDATION	PROPOSED ACTION	POST TITLE	BUDGET COST	TIMESCALE
<p>1. Whenever opportunities arise, and in line with the hierarchy of need identified in the Local Implementation Plan (LIP), the Council should seek to ensure that it is easier, safer and more convenient to walk, cycle or use public transport, rather than travelling by car by:</p> <ul style="list-style-type: none"> • Providing additional cycle routes. • Implementing traffic free zones. • Working with public transport operators to increase local provision. • Reviewing existing road networks to identify particular instances of traffic congestion at peak times and address these through the LIP to encourage further economic growth. 	<p>The Local Implementation Plan (LIP) provides the framework for new and complementary highways improvements, particularly with respect to the hierarchy of need. Funding secured from Tees Valley Combined Authority has enabled plans for enhanced cycle routes along Linthorpe road corridor and this will be implemented during 2022. Similarly, Future High Streets Fund resources have been allocated to further improve and extend this type of amenity along Grange road and Albert road, linking in with major network improvements in Middlehaven and around the rail station.</p> <p>The LIP provides a reference frameworks for housing developers and provides the key reference document for Middlesbrough Council when shaping its own capital allocations and seeking external funding support. Strategic routes are regularly reviewed across Middlesbrough and this includes how active travel and public transport networks can be regularly improved.</p> <p>Lobbying will continue with public transport operators to ensure that Middlesbrough is well serviced and that a comprehensive service is delivered. However, public transport operators have complete autonomy when it comes to delivering routes and are unlikely to deliver non-economic services. Having said that, the</p>	<p align="center">Head of Economic Growth and Infrastructure</p>	<p align="center">Funded through TVCA and FHSF grants</p>	<p align="center">Linthorpe Road / Grange Road and Albert Road cycle corridor works complete in September 2022</p>

	Council controls an element of subsidy for certain purposes and this, along with robust data and demand indicators will be used to encourage public transport providers to invest in routes and services			
2. Whilst it is acknowledged that there have been a number of impacts on the approval and publication of Middlesbrough's revised Housing Local Plan due to the Covid-19 pandemic, the Scrutiny Panel asks the Executive to ensure that the revised Local Plan is adopted as soon as practicable and by no later than March 2022.	<p>The Local Plan review timetable has slipped as a consequence of a number of factors including having to deal with the consequences of Covid-19 in particular with regards to collecting evidence and undertaking engagement. This timetable is currently being reviewed and it is anticipated that a revised timetable will be published early 2022. The Local Plan has to go through a number of statutory stages in its preparation and adoption. Given these it is not possible for the Plan to be adopted by March 2022.</p> <p>The adopted Local Plan remains a valid document that has considerable weight in the decision making process. This has been borne out by recent Appeal decisions published by the Planning Inspectorate. This provides an opportunity for officers to take a much fuller approach, and consideration, to tackling the impacts of Covid-19 upon the Town, its economy and its people. This will enable a more robust and fit for purpose plan to be prepared.</p>	Head of Planning	N/A	Revised timetable for preparing the Local Plan to be agreed and published by March 2022
3. In line with the Middlesbrough Council's ambition for the town to be net carbon neutral by 2039, use the Middlehaven developments as an opportunity to explore, promote and encourage the use of green renewable energy both with Developers and as a selling point for potential investors.	<p>Carbon Neutrality and climate change are anticipated to be of significant importance to the demographic of people who will be interested in urban living in Middlesbrough. Developments will be delivered to the highest achievable standard and in line with all extant planning and building control regulations. It is anticipated that green energy and efficiency will be of significant importance.</p> <p>Towns Fund financial support for</p>	<p>Head Of Economic Growth and Infrastructure</p> <p>Head of Development</p>	N/A	Optimal criteria for Urban Living Investment will be delivered to the Town Deal Board by March 2022

	developments will be governed by expectations of the highest achievable design quality and environmental credentials. This will be a condition of financial support.			
4. Consideration should be given to extending the Urban Pioneers Scheme, or encouraging similar developments, to provide more live/work accommodation in Middlesbrough, given the shift to increased home working during the Covid-19 pandemic.	<p>Live / work accommodation will be encouraged as part of residential development at Middlehaven. Schemes such as urban Pioneers have been difficult to progress with individuals as the knowledge and capacity for self-designing a property is often limited. However, modern urban living is likely to include a component of live .work.</p> <p>The Boho area in particular seeks a campus feel with space for collaboration and coworking. The demand for commercial space remains strong, indeed it is thought that an element of work-from-home fatigue is developing, albeit working from home needs to remain a key option for future pandemic control.</p> <p>The extent of live / work units in Middlehaven will, ultimately, be a function of market forces, albeit provision of office / workspace is a common feature in designs.</p>	<p>Head Of Economic Growth and Infrastructure</p> <p>Head of Development</p>	N/A	<p>Optimal criteria for Urban Living Investment will be delivered to the Town Deal Board by March 2022</p>
5. The Council should ensure that green spaces around the Middlehaven developments are regularly maintained and attractive to prospective new residents and businesses. One suggestion is that hard-standing surfaces or laybys are built into development masterplans rather having grassed verges. This could also save the Council expenditure on maintenance of and/or	<p>The developments at Middlehaven will be established with regard to green space and surroundings. Many of the developments are likely to be subject to funded management and maintenance regimes by way of service charges to businesses and, where appropriate, fees to tenants in shared accommodation.</p> <p>The most appropriate design and maintenance treatments will be designed with respect to best practice and planning policies. Developers will be encouraged to meet high standards of design and functional</p>	<p>Head Of Economic Growth and Infrastructure</p> <p>Head of Development</p>	N/A	<p>Optimal criteria for Urban Living Investment will be delivered to the Town Deal Board by March 2022</p>

repair of more traditional grassed surfaces next to roadways.	maintenance for long term sustainability and affordability.			
6. The Council could consider collaborating with the local community to encourage ownership and maintenance of public spaces (if appropriate) in Middlehaven to promote pride in the area.	Where appropriate, it may be possible for certain property owners and groups to actively adopt certain areas for ownership and maintenance. In practice, however, this is likely to be limited to specific property owners acting on behalf of residents or registered social landlords such as Thirteen Group.	Head Of Economic Growth and Infrastructure Head of Development	N/A	Optimal criteria for Urban Living Investment will be delivered to the Town Deal Board by March 2022
7. By working closely with Broadband Providers, the Council should seek to ensure that all areas of Middlesbrough can have access to superfast broadband by 2025 at the latest, and that residents and businesses are not disadvantaged by lack of provision given the increased reliance on digital technologies post-pandemic.	Council officers will continue to liaise with providers and lobby for the best provision possible, for both businesses and residents. Provision of broadband is a private sector-led supply chain and there are no powers to demand specific levels of provision for a given area or service. The service will work closely with Tees Valley Combined Authority and services providers such as CityFibre, to make a compelling case for comprehensive service coverage across all of Middlesbrough	Transport and Infrastructure Manager	N/A	Engagement with TVCA and providers by March 2022.
8. The Council should consider developing a multi-purpose venue in the town, which can accommodate entertainment. A venue which attracts the best entertainers in the world will encourage people from across the UK to visit the area, stay and spend, boosting the local economy. The Captain Cook Shopping Centre would be an ideal location for an eSports gaming venue	The Regeneration directorate sees significant value in leisure facilities, as a way of enhancing and diversifying the economic offer of central Middlesbrough; and this accords with the strategic plan objectives. Captain Cook Square is actively engaging an esports gaming venue, with announcements anticipated imminently. Middlehaven also lends itself to a multi-purpose venue and the feasibility of such activity is being worked upon presently. Any leisure uses or multi-purpose venues in	Head Of Economic Growth and Infrastructure	N/A (Funded)	Feasibility report into leisure facilities in Middlehaven by March 2022

as evidenced by the Culture and Communities Scrutiny Panel in a recent Final Report on Cultural Events.

Middlehaven must be carefully balance as to add value and not to detract from the town centre offer, this includes maintaining the viability of assets including Captain Cook Square, Middlesbrough Theatre and the Town Hall venue. The findings of a feasibility study would inform next steps in terms of progressing a business case proposal for development or external funding support.

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