

## EXECUTIVE

<b>Date:</b> Wednesday 14th February, 2024
<b>Time:</b> 12.30 pm
<b>Venue:</b> Mandela Room

## AGENDA

1. Apologies for Absence
  2. Declarations of Interest
  3. Minutes- Executive - 17 January 2024 3 - 8
- MAYOR AND EXECUTIVE MEMBER FOR ADULT SOCIAL CARE AND PUBLIC HEALTH**
4. Corporate Performance Review: Quarter Three 2023/2024 9 - 24
  5. Best Value Notice Update 25 - 36
- EXECUTIVE MEMBER FOR FINANCE AND GOVERNANCE**
6. Revenue and Capital Budget - Forecast Outturn position at Quarter Three 2023/24 37 - 88
- EXECUTIVE MEMBER FOR REGENERATION**
7. Levelling Up Partnership 89 - 96
  8. Newham Hall - Disposal Option Update 97 - 128
  9. Any other urgent items which in the opinion of the Chair, may be considered.
  10. Exclusion of Press and Public

To consider passing a Resolution Pursuant to Section 100A (4) Part 1 of the Local Government Act 1972 excluding the press and public from the meeting during consideration of the following items on the grounds that if present there would be disclosure to them of exempt information falling within paragraphs 3 of Part 1 of Schedule 12A of the Act and the

public interest in maintaining the exemption outweighs the public interest in disclosing the information.

11. **Newham Hall - Appendices A, 2 and 3**

129 - 140

Charlotte Benjamin  
Director of Legal and Governance Services

Town Hall  
Middlesbrough  
Tuesday 6 February 2024

**MEMBERSHIP**

Mayor C Cooke - (Chair), Councillors P Gavigan, T Furness, P Storey, J Thompson, Z Uddin and N Walker

**Assistance in accessing information**

**Should you have any queries on accessing the Agenda and associated information please contact Chris Lunn / Scott Bonner, 01642 729742 / 01642 729708, [chris\\_lunn@middlesbrough.gov.uk](mailto:chris_lunn@middlesbrough.gov.uk) / [scott\\_bonner@middlesbrough.gov.uk](mailto:scott_bonner@middlesbrough.gov.uk)**

**EXECUTIVE**

A meeting of the Executive was held on Wednesday 17 January 2024.

**PRESENT:** Mayor C Cooke (Chair) Councillors P Gavigan, T Furness, P Storey, J Thompson, Z Uddin and N Walker

**PRESENT BY INVITATION:** Councillor M Storey

**ALSO IN ATTENDANCE:** Suki Binjal (MIIAB), Chris Buss (MIIAB), Mark Edgell (LGA Regional Lead), Wallace Sampson (MIIAB Chair)

**OFFICERS:** D Alaszewski, C Benjamin, S Bonner, G Field, A. Glover, C Heaphy, R Horniman, A Hoy, D Middleton, E Scollay and J Tynan

**APOLOGIES FOR ABSENCE:** None.

23/54 **DECLARATIONS OF INTEREST**

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

23/55 **MINUTES - EXECUTIVE - 20 DECEMBER 2023**

The minutes of the Executive meeting held on 20 December 2023 were submitted and approved as a correct record.

23/56 **FIRST QUARTERLY REPORT OF THE MIDDLESBROUGH INDEPENDENT IMPROVEMENT ADVISORY BOARD**

The Middlesbrough Independent Improvement Advisory Board presented a report for Executive's consideration.

The Mayor invited the Chair of the Board to present the report.

The Board's first report set out the background to its appointment, a summary of activity to date and a forward view on the future focus the Council should have in its improvement journey.

In September 2023 the Council appointed a discretionary Independent Improvement Board. Comprised of the following members:

Wallace Sampson (OBE) - Local authority CEO (Chair)  
 Ros Jones (CBE) - Unitary local authority Mayor / Leader  
 Suki Binjal - Unitary local authority Monitoring Officer  
 Chris Buss - London Borough and Unitary local authority Chief Finance Officer  
 Mark Edgell - LGA Regional Lead

The Board's role was to provide oversight, support and challenge to the Council's improvement and transformation journey, with particular focus on ensuring compliance with the Council's Best Value Duty under the Local Government Act 1999, notably:

- Cultural and governance issues, including those identified through previous CIPFA and previous, and any future, external auditor reports.
- Financial sustainability, including a balanced medium-term financial strategy aligned to the Council's Corporate Plan.

The Board also oversaw progress by the Council towards implementing the actions arising from the Section 24 Statutory Recommendations of the External Auditor, dated 21 August 2023 and presented to Council on the 18 September 2023.

The September 2023 Council report set out that the Board would report its views on progress to Executive in January 2024 and would provide a further update to Council three months after that. The Board's first report was appended to the report.

In summary, the Chair of the Board identified that there had been improvements in relationships since the Best Value Notice. It was also recognised that changes to culture took time. There were still concerns about the speed Member enquiries were dealt with.

While the Board were confident the Council had robust plans to address its financial issues and to achieve its transformation aspirations, but there was a degree of urgency required to ensure this was achieved.

The Mayor thanked the Middlesbrough Independent Advisory Board for their report.

## **NOTED**

23/57

### **2024-25 BUDGET AND MTFP – APPLICATION FOR EXCEPTIONAL FINANCIAL SUPPORT**

The Mayor presented a report for Executive's consideration.

The Council was required to set a legally balanced budget for 2024/25 by the statutory deadline of 11 March 2024. This was the responsibility of all Council Members. At its meeting on 20 December 2023, Executive considered an update report in relation to progress made in developing the 2024/25 Budget and MTFP for the period 2024/25 to 2026/27.

The report identified that, despite substantial work undertaken by the Leadership Management Team, the Elected Mayor and the Executive to identify savings and income growth proposals sufficient to balance the 2024/25 budget, a shortfall of £6.279m remained for 2024/25.

Further gaps of £1.596m for 2025/26 and £0.305m for 2026/27, equivalent to a cumulative budget gap of £8.180m were also reported. The draft savings and income growth proposals that were subject to consultation totalled £14.038m in 2024/25. This was equivalent to 11% of the 2023/24 net budget of £126.354m and was of significant scale and challenge for Middlesbrough Council.

These savings rose by a further £5.083m in 2025/26 and £1.967m in 2026/27, presenting a cumulative savings plan of £21.088m by the end of 2026/27. It was also proposed to levy a total Council Tax increase of 4.99%, comprising 2% on the Adult Social Care Precept and 2.99% on general Council Tax. It was possible for the Council to seek authorisation from the Department of Levelling Up and Communities to waive the referendum limit to levy a higher Council Tax as part of its application for Exceptional Financial Support, but this course of action was not proposed.

Executive was advised if the Council was unable to agree and set a legally balanced budget the s151 Officer was required by law to issue a s114 Notice under the provisions of the Local Government Act 1988. The implications of issuing a section 114 included no new expenditure being permitted, except for funding statutory services, including safeguarding vulnerable people, at minimum level as well as existing commitments and contracts would continue to be honoured.

## **ORDERED that:**

- 1. Executive approve that an application for Exceptional Financial Support (EFS) be made by the Chief Executive and Director of Finance (s151 Officer) to the Department for Levelling Up Housing and Communities (DLUHC) in order to finance forecast budget deficits and enable a balanced budget to be set for 2024/25 as required by statute.**
- 2. Executive delegate authority to the Chief Executive and Director of Finance to negotiate the quantum and terms of the application in consultation with the Elected Mayor and Executive Member for Finance and Governance**

## **OPTIONS**

**Not to approve the application for Exceptional Financial Support (EFS). If an application for EFS was not approved, then the s151 Officer will be required to issue a s114 Notice under s114(3) of the Local Government Finance Act 1988 as soon as practically possible. This was not recommended for the reasons set out in paragraphs 4.17 to 4.36 of the report.**

#### **REASONS**

**The reasons for the proposed decision were detailed in the report.**

23/58

#### **LEVELLING UP PARTNERSHIP**

The Mayor advised Executive that, while there was a level of frustration around this issue, a bid had been made to the Department for Levelling Up, Housing and Communities.

There had, however, been an agreement that Middlesbrough's bid would be de-coupled from another bid so that progress could be made on this matter.

#### **NOTED**

23/59

#### **TREE POLICY**

The Executive Member for Environment submitted a report for Executive's consideration.

The previous Tree Policy was adopted by the council in 2016 and further updated in 2021. The tree policy covered the management of Trees in Middlesbrough and gave advice to residents on dealing with all Arboricultural issues and in turn dealing with any issues that may arise with trees.

The existing Tree policy had been in use for three years and was important that a review was conducted to ensure it remained effective/compliant with industry best practice. The policy review looked at current practices, changes in legislation to ensure they were all current and still relevant to the policy. It also looked at any ambiguities from the previous policy and clarified the council position. There was also an important change to the policy in that the previous point 55 (exceptional circumstances) had been removed. The final decision in relation to any works requested to any given tree would rest with Middlesbrough Council's Area Care officers. The route for any appeal would be through Middlesbrough Council's Complaints procedure.

The proposed revised Tree Policy now also took into consideration any advancements in technology not included in the previous version, i.e., solar panels and modern telecommunications. Policy amendments were listed in the report. Section 26 was a new section in relation to tree planting considerations.

Section 56 (exceptional circumstances) had been removed so that it did not compromise the Executive Member's position. Members of the public would still be given the right of appeal; however, they would now be advised to approach Middlesbrough Council's Complaints Procedure for any such disputes.

**ORDERED that Executive approve Middlesbrough Council's revised Tree Policy (amended November 2023).**

#### **OPTIONS**

**To remain status quo. This was not an option, as not having a Tree Policy in place would place Middlesbrough at serious risk and could result in target setting opportunities could be missed.**

#### **REASONS**

**The Tree Policy had been reviewed and subsequently amended to ensure it remains in line with legislation, best practice and offered clear concise guidance to all users.**

**The previous tree policy identified that where a dispute arose against a decision of the Arboriculturist, the matter would be referred to the Executive Member.**

**The correct approach would be for the matter to be dealt with through the Council's complaints process if the person is dissatisfied, thereby distinguishing the separation of powers.**

23/60

## **CTR SCHEME 2024-25**

The Executive Member for Finance and Governance presented a report for Executive's consideration.

The report set out the proposed Council Tax Reduction (CTR) scheme (sometimes referred to as Council Tax Support) for 2024/25. Each Billing Authority in England had a statutory requirement to design and locally fund a Council Tax Reduction scheme no later than 11 March each year, which would then be approved by a full Council decision.

CTR was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme that was 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.

Middlesbrough Council, as the billing authority, has a statutory requirement to revise or design and fund a CTR scheme by no later than 11 March each year which is approved by a Full Council decision.

It was proposed that the current income-banded scheme be retained for 2024/25 noting the proposed amendments. It was also proposed the scheme income bandings were increased in line with inflation.

The CTR scheme provided for income band ranges to be increased "by the appropriate level of inflation decided by the council". It was therefore proposed to adjust the income band ranges for 2024/25 to reflect the inflation increase applied to state benefits and thereby maintain the level of support for applicants.

**AGREED that Executive endorse the Council Tax Reduction (CTR) scheme for 2024/25 and refers it to Council for approval.**

## **OPTIONS**

**The options for this decision were detailed in the table at paragraph 22 of the report.**

**In summary:**

**Option 1 was to leave the existing scheme in place. This was not recommended as the existing scheme counted allowances for childcare costs in Universal Credit as income, disadvantaging some people who undertook paid employment.**

**Option 2 was proposed to Executive.**

**Options 3 and 4 was to enhance or increase the scheme to a 95% or 100% maximum discount scheme respectively. This was not recommended as the associated cost (c£3.15 million for a 95% scheme and c£4 million for a 100% scheme) was disproportionately high. The increased cost to the General Fund budget was a significant pressure that was unaffordable given the Council's current financial position.**

**Option 5 provided an uplift in the amount of CTR awarded for those in the lower discount brackets, whilst maintaining a maximum support level of 90%. The c£442k cost of this option, however, was also considered to be unaffordable in the Council's current financial situation.**

## **REASONS**

**The reasons for the decision were detailed as part of the report.**

23/61

**DRAFT LOCAL PLAN**

The Executive Member for Regeneration submitted a report for Executive's consideration.

The report sought endorsement of the Draft Local Plan, which set out the Council's emerging planning policy framework that would guide development and decisions on planning applications, covering the period 2022 – 2041. Critically, it set out the housing allocations where new housing development was proposed to take place, alongside other planning policies for: housing; economic growth; green and blue infrastructure; physical, social and environmental infrastructure; the historic environment; and design/placemaking. Once agreed, the Draft Local Plan would be subject to public consultation, following which the plan would be finalised and subject to further statutory consultation. It would then be submitted to the Government for independent examination ahead of its adoption.

Under the provisions of the Planning and Compulsory Purchase Act 2004, the Council was required to prepare a statutory development plan, otherwise known as a Local Plan, for the borough that set out the policies and land allocations to guide development in the area. The Local Plan was a strategic document that would help facilitate the right type of development the Council wished to deliver to achieve its ambitions and support the long-term financial sustainability of the borough.

In September 2022, the Council agreed to commence work on a new Local Plan for the borough. The purpose of the review was to ensure all of the Council's planning policies were up-to-date, and to bring them together into a single document. The review excluded Minerals and Waste policies, which were adopted jointly across the Tees Valley in 2011 and would be reviewed jointly by the Tees Valley Authorities separately to the Local Plan review. The review also excluded the adopted Neighbourhood Plans, which were prepared at the neighbourhood level and remained the responsibility of their respected Neighbourhood Forums or Parish Councils.

**AGREED that Executive endorses the Draft Local Plan for the purpose of public consultation.**

**OPTIONS**

**Not to endorse the Draft Local Plan. This would mean the Council would not progress the Local Plan review as agreed previously by the Council and would retain existing out-of-date policies for longer. This would, in turn, present more challenges in achieving the type and quality of development that would help the Council realise its ambitions.**

**REASONS**

**It was a statutory requirement to prepare a Local Plan that identified land for development and could be used as a basis for determining planning applications.**

**The Local Plan was critical for delivering some of the Council's key strategic objectives, in particular population retention, increasing the housing supply and supporting economic growth. The development it would help secure would make a positive contribution to the financial sustainability of the Council. Whilst the Draft Local Plan stage was not in itself a statutory requirement, it would enable the Council to undertake necessary public consultation and progress to subsequent stages of plan preparation. An up-to-date Local Plan would also help the Council maintain control of development in the borough.**

23/62

**NEWHAM HALL - DISPOSAL OPTIONS UPDATE - PART A**

This item was **DEFERRED** for further consideration to be given to the report.

23/63

**ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED.**

None.

17 January 2024

**All decisions, other than those relating to agenda item 5, 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.**

**The decision relating to agenda item 5, “2024-25 Budget and MTFP – Application for Exceptional Financial Support” will come into force immediately as it was considered under urgency provisions.**

<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Chief Executive
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<b>Relevant Executive Member:</b>	The Mayor and Executive Member for Adult Social Care and Public Health
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<b>Submitted to:</b>	Executive
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<b>Date:</b>	14 February 2024
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<b>Title:</b>	Corporate Performance Review: Quarter Three 2023/2024
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<b>Report for:</b>	Decision
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<b>Status:</b>	Public
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<b>Strategic priority:</b>	All
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<b>Key decision:</b>	No
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<b>Why:</b>	Not applicable
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<b>Subject to call in?:</b>	No
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<b>Why:</b>	Not applicable
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<b>Proposed decision(s)</b>
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<p>That the Executive:</p> <ul style="list-style-type: none"> <li>• Approves the proposed amendments to Executive actions at Quarter Three 2023/24, detailed in Appendix 1</li> <li>• notes progress of delivery of the Strategic Plan 2022-24 at Quarter Three 2023/24, detailed in Appendix 2.</li> <li>• Approves the proposed amendments to Strategic Plan workplan at Quarter Three 2023/24, detailed in Appendix 3.</li> </ul>
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<b>Executive summary</b>
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<p>This report advises the Executive of corporate performance at the end of Quarter Three 2023/2024, providing the necessary information to enable the Executive to discharge its performance management responsibilities and where appropriate, seeks approval of any changes (where these lie within the authority of the Executive).</p>
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This report also asks that the Executive:

- Approves the proposed amendments to Executive actions at Quarter Three 2023/24, detailed in Appendix 1
- notes progress of delivery of the Strategic Plan 2022-24 at Quarter Three 2023/24, detailed in Appendix 2.
- Approves the proposed amendments to Strategic Plan workplan at Quarter Three 2023/24, detailed in Appendix 3.

## **Purpose**

1. This report advises the Executive of corporate performance at the end of Quarter Three 2023/2024 and where appropriate seeks approval of any changes, where these lie within the authority of the Executive.

## **Recommendations**

2. That the Executive
  - Approves the proposed amendments to Executive actions at Quarter Three 2023/24, detailed in Appendix 1
  - notes progress of delivery of the Strategic Plan 2022-24 at Quarter Three 2023/24, detailed in Appendix 2.
  - Approves the proposed amendments to Strategic Plan workplan at Quarter Three 2023/24, detailed in Appendix 3.

## **Rationale for the recommended decision(s)**

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

## **Background and relevant information**

4. The Council's Scheme of Delegation gives the Executive collective responsibility for corporate strategic performance, together with associated action.
5. This report provides the necessary information to enable the Executive to discharge its performance management responsibilities, setting out progress against Executive approved actions, delivery of the Strategic Plan and other key associated items, together with actions to be taken to address any issues identified.
6. The projected financial outturn at the end of Quarter Three 2023/2024 is 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.
7. 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.
8. 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 the end of Quarter Three 2023/2024**

9. The Council's performance overall at the end of Quarter Three saw a slight dip from the position reported at Quarter Two, with progress towards expected performance standards, as set out in the Council's risk appetite, achieved in two of the four active performance disciplines in 2023/24.

### **Progress in delivering Executive actions.**

10. Actions agreed by the Executive to deliver approved decisions are tracked by LMT, monthly. If following 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.
11. At the end of Quarter Three 2023/24, 51 of 75 live actions (68%) were reported as on target to be delivered by the agreed timescales; an improved position from the Quarter Two 2023/24 report of 60%, remaining below the 90% expected standard of achievement of actions.
12. There are six amendments to Executive actions presented for Executive approval, summarised below, and detailed in Appendix 1. It is assumed that outside of these revisions, Executive actions will be achieved within their approved timescales:
  - An action relating to the delivery of *On Street Residential Electric Vehicle Charging Points* has been delayed, whilst awaiting and Executive decision to progress.
  - Two actions relating to *Final Report of the Children and Young People's Social Care and Services Scrutiny Panel - Locality Working from a Children's Services Perspective - Service Response*, requesting closure due to being subsumed into new neighbourhood working practice.
  - An action relating to *Tender Pipeline 2023/24* has been delayed whilst awaiting and Executive decision to progress.
  - Two actions relating to *Approach to Nutrient Neutrality and delivery of Middlesbrough Council housing schemes* has been delayed, whilst awaiting a decision on the Government's proposal to remove Nutrient Neutrality.

### **Progress in delivering the Strategic Plan 2022-24**

13. At the 23 February 2022 meeting, Council was advised that an annual refresh for the Strategic Plan 2021-24 would not be brought forward and that as such the Strategic Plan would remain in place for 2022/23, to ensure that the Council has sufficient time to consider implications of national and potential forthcoming local changes on its strategic direction.
14. At a meeting of the Executive on 5 April 2022, the refreshed Strategic Plan workplan for the 2022-24 period and Directorate Priorities for 2022/23 was approved, which combined provide a cohesive approach to the delivery of key priority activities across Council services.

15. Progress continues to be monitored via detailed milestone plans, adhering to the corporate programme and project management framework, where applicable. Progress will continue to be reported to all senior managers and Members as part of the quarterly corporate performance results reports presented to Executive and Overview and Scrutiny Board.

**Outcomes**

16. There continues to be a diluted relationship between delivery of the Strategic Plan workplan and the agreed outcomes and measures, originally expected as a result of successful delivery of the refreshed Strategic Plan workplan, in 2022.

17. This is reflected in the performance overall at Quarter Three 2023/24 against Strategic Plan outcomes, reported as 46% against the 90% performance standard.

18. This will be addressed in the development of the new Council Plan 2024-27, ensuring demonstrable impact and effective reporting against outcomes measure, work for which is underway.

**Workplan**

19. At Quarter Three 2023/24, performance against the Strategic Plan workplan is below the target corporate standard of 90% and has slightly worsened from the reported position at Quarter Two, with 71% (45 of 63) of initiatives on-track. RAG-rated progress is detailed at Appendix 2.

Status	Q3 2023/24 position	Q2 2023/24 position	Q1 2023/24 position	Expected standard	Standard achieved	Trend
COMPLETED	52%	49%	44%	90%	No	↓
GREEN	19%	27%	37%			
AMBER	0%	5%	0%	N/A	N/A	N/A
RED	2%	6%	8%	N/A	N/A	N/A
WITHDRAWN	27%	13%	11%	N/A	N/A	N/A

20. There is one workplan initiative off-track at Quarter Three 2023/24, requesting approval to be withdrawn, detailed in Appendix 3. All change requests require Executive approval.

21. As reported at Quarter Four 2022/23, several Strategic Plan workplan initiatives have been withdrawn from the active workplan during and since the 2023/24 budget setting process. For the purposes of transparency however, they continue to be reported in Appendix Two, reflecting their closure / withdrawal from the reporting portfolio.

22. Reasons in the main for withdrawal from the reporting portfolio outside of budget setting impact, were where initiatives related to sites that fell within the MDC boundary or external issues beyond Middlesbrough Council control, which deemed them undeliverable.

23. It is assumed that outside of these revisions, all Strategic Plan workplan initiatives will be achieved as per approved timescales.

## Strategic Risk Register

24. The Council has now completed its refreshed approach to the management of strategic risk. The 12 key risks that the organisation has set out, are detailed below:

Risk	Score
Failure to meet a balanced budget	High
Volatility in the demand and cost of children's social care	High
Unlawful decision by the Council	High
Serious accident or death occurs as a result of failure to comply with health and safety legislation	High
Unable to recruit and retain key staff	High
Failure to ensure a sound approach to cyber security	Medium
Corporate Governance arrangements are not fit for purpose	High
Negative impacts from the Mayoral Development Corporation on regeneration and council financial sustainability	High
Failure of the Council and its partners to work effectively together to deliver change	High
Failure to deliver quality practice within children's safeguarding services	High

25. There are no changes to the current risk scores proposed at Quarter Three 2023/24. Once the new Council Plan has been agreed by Council, a full review of the current risks will be undertaken to ensure the Strategic Risk Register continues to identify and manage risks that could impact on the delivery of the Council's priorities.

### Progress in delivering Programmes and Projects

26. The Council maintains a portfolio of programmes and projects in support of achievement of the Council's strategic priorities. At Quarter Three 2023/24, 100% (21) of the programmes / projects remained on-track to deliver against project time, cost, scope and benefits, remaining above the expected combined standard of 90%.

Status	Q3 2023/24 position	Q2 2023/24 position	Q1 2023/24 position	Expected standard	Standard achieved	Trend
GREEN	86%	82%	82%	90%	Yes	↑
AMBER	14%	12%	12%			
RED	0%	6%	6%	N/A	N/A	↑

### Progress in other corporate performance matters

27. 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.

Status	Q3 2023/24 position	Q2 2023/24 position	Q1 2023/24 position	Expected standard	Standard achieved	Trend
P 1 / 2 audit actions in time	46%	90%	83%	90%	Yes	↓
FOI / EIR responded to <20 days*	78%	71%	82%	90%	No	↑
% live SARs open and in time	100%	100%	94%	90%	Yes	↔
Information security incidents	34	21	26	N/A	N/A	↑
Incidents reported to the ICO	2	0	2	N/A	N/A	↑
% complaints closed in time	79%	88%	87%	90%	N/A	↓

28. At the end of Quarter Three 2023/24, the key points of note in matters of compliance, are:

- There was a significant drop in the percentage of audit actions being complete in-line with expected timescales at the end of Quarter Three 2023/24, though current performance trajectory is likely to demonstrate a significant increase in the next reporting period.
- At Quarter Three 2023/24 it was reported that 78% of Freedom of Information Requests (FOIs) and Environment Information Requests (EIRs) were responded to within statutory timescales; an increase from the 71% reported in Quarter Two.
- The Council continues to maintain 100% compliance with the legal timescales in relation to Subject Access Requests (SARs).
- There has been increase in information security incidents reported in the quarter, reflective of improved governance around loss of Identification Cards and access fobs, in part.
- Complaints resolved within timescales dropped to 79% this quarter, a reduction from 88% in Quarter Two 2023/24.

**Other potential alternative(s) and why these have not been recommended**

29. Not applicable.

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

***Financial (including procurement and Social Value)***

30. Any financial implications relating to issues set out in this report, are summarised in the Revenue and Capital Budget Quarter Two 2023/24 report, also considered by the Executive at its meeting of 9 September 2023.

***Legal***

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

***Risk***

32. The proposed recommendations are key to and consistent with supporting deliver of the Council's strategic priorities and risks, as set out in the Strategic Plan.

***Human Rights, Public Sector Equality Duty and Community Cohesion***

33. 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.

***Climate Change / Environmental***

34. Not applicable.

***Children and Young People Cared for by the Authority and Care Leavers***

35. Not applicable.

### **Data Protection / GDPR**

36. Not Applicable.

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

<b>Action</b>	<b>Responsible Officer</b>	<b>Deadline</b>
Approved Quarter Three 2023/24 amendments to Executive actions and Strategic Plan workplan to be implemented, via appropriate feeder systems.	J Chapman	28/02/2024

### **Appendices**

<b>1</b>	Executive actions; proposed amendments at Quarter Three 2023/24
<b>2</b>	Strategic Plan Workplan: progress at Quarter Three 2023/24
<b>3</b>	Strategic Plan Workplan: proposed amendments at Quarter Three 2023/24

### **Background papers**

<b>Body</b>	<b>Report title</b>	<b>Date</b>
Council	Strategic Plan 2021-24	24/02/21
Executive	Strategic Plan 2021-24: approach to delivery	11/05/21
Executive	Strategic Plan 2020-23 – Progress at Year End 2020/21	15/06/21
Executive	Corporate Performance Update: Quarter One 2021/22	07/09/21
Executive	Corporate Performance Update: Quarter Two 2021/22	07/12/21
Executive	Corporate Performance Update: Quarter Three 2021/22	14/02/22
Executive	Refreshing the Strategic Plan workplan for the 2022-24 period	05/04/22
Executive	Corporate Performance Results: Year End 2021/22	14/06/22
Executive	Corporate Performance Results: Quarter One 2022/23	06/09/22
Executive	Financial Recovery Plan 2022/23	18/10/22
Executive	Corporate Performance Results: Quarter Two 2022/23	08/11/22
Executive	Corporate Performance Results: Quarter Three 2022/23	14/02/23
Executive	Corporate Performance Results: Quarter Four Year End 2022/23	20/06/23
Executive	Corporate Performance Results: Quarter One Year 2023/24	23/08/23
Executive	Corporate Performance Results: Quarter Two Year 2023/24	09/09/23

**Contact:** Gemma Cooper, Head of Strategy, Business and Customer  
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## Appendix 1: Executive actions; proposed amendments at Quarter Three 2023/24

Executive of	Report	Action	Owner	Agreed Due Date	Proposed Revised Due Date
21/11/2023	On Street Residential Electric Vehicle Charging Points	Commence delivery of project	ECS	19/11/2023	31/03/2024
06/09/2022	Final report of the children and young people's social care and services scrutiny panel - locality working from a children's services perspective - service response	That the Locality Working Steering Group considers the branding and promoting of Locality Working across Middlesbrough and submits a report to scrutiny with its proposals.	ECS	31/12/2023	Request to close
06/09/2022	Final report of the children and young people's social care and services scrutiny panel - locality working from a children's services perspective - service response	Determine the roll out of the model of Locality Working into other areas of the town based the outcome of the evaluation report, demand analysis and community surveys.	ECS	31/12/2023	Request to close
14/02/2023	Tender Pipeline 2023/24	Publication of the new Corporate Procurement Strategy 2023-26	FIN	01/10/2023	31/03/2024
20/06/2023	Approach to Nutrient Neutrality and delivery of Middlesbrough Council housing schemes	Agree maintenance plans for the sites taken out of agricultural use.	REG	30/09/2023	31/03/2024
20/06/2023	Approach to Nutrient Neutrality and delivery of Middlesbrough Council housing schemes	Agree internal credit system for the allocation of nitrogen credits to mitigate the impact of new housing development.	REG	30/09/2023	31/03/2024

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## Appendix 2: Strategic Plan Workplan; progress at Quarter Three 2023/24

<b>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.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>
Expand the current model for youth provision in areas that suffer high levels of deprivation	W	W	W
Make steps towards every child playing a musical instrument by extending to one other school or year group	G	G	G
Evidence that Middlesbrough Council listens to children's voices	C	C	C
Create and deliver a strategy to increase digital inclusion for children, young people and adults across Middlesbrough	C	C	C
Consolidate and build on recent Children's Services progress to improve Ofsted rating	C	C	C
Explore potential for the establishment of an Eton Sixth Form in Middlesbrough	G	G	G

<b>We will work to address the causes of vulnerability and inequalities in Middlesbrough and safeguard and support the vulnerable.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>
Deliver and extend the 50 Futures programme	G	G	G
Further develop the Dementia Friendly Middlesbrough programme	C	C	C
Achieve 'Age Friendly Communities' status	C	C	C
Implement and extend locality working	C	C	C

<b>We will tackle crime and anti-social behaviour head on, working with our partners to ensure local people feel safer.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>
Support the police and hold them to account for each neighbourhood	C	C	C
Establish and support Neighbourhood Watch schemes across the whole town	C	C	C
Increase CCTV across the whole town	C	C	C
More environmental action and punishment for fly tipping	C	C	C
Encourage more residents to report crime and ASB	G	G	G
Reward and champion individuals for being good neighbours	C	C	C
Increased enforcement against problem properties / streets / gardens in disrepair	C	C	C

<b>We will ensure our town acts to tackle climate change, promoting sustainable lifestyles.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>
Develop an Urban Farm	W	W	W
Develop local wildlife / nature reserve in North Ormesby and one other site	G	A	W
Demonstrate increased recycling rates	G	G	G
Establish six community growing areas	R	R	W
Double the size of our urban meadows / wildflower planting sites	C	C	C
15 new EV charging points across town	C	C	C
Big community tree planting days	C	C	C
Middlesbrough hosts inaugural climate conference	W	W	W

<b>We will ensure the recovery of local communities, businesses and the Council's operations from COVID-19, taking opportunities to build back better.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>
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	C	C	C
	G	G	G
Ensure effective Council response to immediate issues of COVID19 impacting upon individuals, families, communities and business	C	C	C
	G	G	G

<b>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.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q2 2023/24 position</b>
Improve identified play parks and spaces in line with our Towns Fund Recommendation	G	C	C
Establish the requirement for potential CPO of derelict buildings and problem sites	C	C	C
Improve our Highways	C	C	C
12 new back alleys are reclaimed, improved and showcased	C	C	C
Neighbourhood and town wide front garden competitions	R	R	W
Vastly improve Thorntree and Pallister Parks in line with Towns Fund Recommendation	G	G	G
Creation of Tree Maintenance Squad and ongoing maintenance work programme	W	W	W
Creation of a subsidised Pest Control service	W	W	W

<b>We will transform our town centre, improving accessibility, revitalising unused assets, developing iconic new spaces and building more town centre homes.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>
Complete town-wide lighting scheme	W	W	W
Consider potential for BOHO digital expansion	G	G	G
St Hilda's housing starts around Old Town Hall	G	A	W
Protect and celebrate heritage through marketing and comms strategies and complete planned works on Captain Cook pub and Old Town Hall	G	G	G
Open three entertainment facilities within Captain Cook Square (cinema, Lane 7, eSports)	G	G	G
Commence construction on the south side of the dock	G	A	W
Action plan agreed and commenced for House of Fraser building	G	G	G
Action plan agreed and commenced for Centre North East	G	G	W
Action plan agreed and commenced for The Crown Pub building	G	G	W
Action plan agreed and commenced for Gurney House	G	G	W

<b>We will invest in our existing cultural assets, create new spaces and events, and improve access to culture.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>
Increased ticket sales and attendance of events through effective marketing	C	C	C
Complete improvements to Teesaurus Park	C	C	C
Create three new annual events in 2022 as per existing approvals	C	C	C
Aim for all children to get an experience of live theatre	R	R	W
Increase attendance at existing Council events like Orange Pip	C	C	C
Increase visitor numbers to museums and attractions	C	C	C
Increase tickets sales at town hall performances	G	C	C

<b>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.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>
Encourage public to help drive decision making	R	G	R

Introduce a marketing campaign and associated support to significantly grow Middlesbrough Lottery	C	G	C
<b>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.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>
Work with the voluntary sector to create and promote volunteering opportunities and an increase in volunteers	C	C	C
Introduce Neighbourhood Action Weeks, driven by volunteers	C	C	C
Market a small local grant programme	W	W	W
Market a strong buy-local campaign	G	C	C
Commence work on the new Southlands Centre	G	R	G
Commence work on Nunthorpe community centre	G	G	G
Promote Middlesbrough on the national stage	C	C	C
Increase sponsorship income from businesses for various council activities	R	W	W
Improve user experience of the council website, increasing online transactions	C	C	C

<b>Key:</b>	
C	Complete
G	On-track
A	Some slippage
R	Unachievable
W	Withdrawn from portfolio

**Appendix 3: Strategic Plan Workplan; proposed amendments at Quarter Three 2023/24**

Initiative	Owner	Agreed Due Date	Reason for (R) / Impact (I) of delay	Proposed Due Date
QOS 01 Encourage public to help drive decision making	LGS	31/12/2023	(R): delivery has now been subsumed into the new Council Plan (I): None	Request to withdraw from portfolio

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<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	The Chief Executive, Director of Finance and Director of Legal and Governance Services
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<b>Relevant Executive Member:</b>	The Mayor and Executive Member for Adult Social Care and Public Health
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<b>Submitted to:</b>	Executive
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<b>Date:</b>	14 February 2024
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<b>Title:</b>	Best Value Notice - Update
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<b>Report for:</b>	Information
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<b>Status:</b>	Public
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<b>Strategic priority:</b>	All
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<b>Key decision:</b>	No
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<b>Why:</b>	Report is for information only
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<b>Subject to call in?</b>	Yes
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<b>Why:</b>	Not urgent
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<b>Proposed decision(s)</b>	
That Executive note the revised 'Best Value Notice' that has been issued by government, following the expiration of the previous notice that was issued in January 2023.	

<b>Executive summary</b>	
This report sets out to Executive, information on the revised 'Best Value Notice' issued by government on 30 January 2024. The progress acknowledged within the notice is set out within this report, along with the revised terms of the notice, which has been extended on a non-statutory footing for a further six months.	

## **1. Purpose**

- 1.1 This report sets out the content of the 'Best Value Notice' issued on 30 January 2024, following the expiry of the existing Notice which had been issued for a period of 12 months in January 2023.

## **2 Recommendations**

- 2.1 That Executive note the revised 'Best Value Notice' that has been issued by government, following the expiration of the previous notice that was issued in January 2023.

## **3 Rationale for the recommended decision(s)**

- 3.1 The Council must continue to respond effectively and at pace to the deliver the improvements set out in both the Corporate Governance Improvement Plan and the Section 24 report if it is to effectively address the concerns around its culture, governance and financial challenges in order to provide Government with assurance that its corporate governance is fit for purpose.

## **4 Background and relevant information**

- 4.1 The plans were put in place in response to corporate governance concerns identified in 2022, which were also formally raised by the Council's External Auditors in a Section 24 report issued in August 2022.

- 4.2 Since September 2022, the Council has had both a Corporate Governance Improvement Plan and a Section 24 action plan in place to address the range of governance issues identified in both plans. In January 2023, government issued a 'Best Value Notice' on a non-statutory footing, which set out government's concerns in relation to the Council's governance. That notice was in place for 12 months, with clear expectations that should the Council fail to respond positively to it, intervention would be moved to a statutory footing.

- 4.3 Following the local and Mayoral Elections held in May 2023, the Council's approach to improvement was refreshed and in September 2023 that revised improvement plan was presented to Council, alongside the establishment of an Independent Improvement Advisory Board which has been put in place to provide guidance and support to the Council on its improvement journey, as well as provision of an independent view on progress made to date to Government. Alongside this, there has been regular engagement with government.

- 4.4 The above has resulted in the Council being able to work effectively with the Department for Levelling Up, Housing and Communities for the last 12 months to provide it with assurance around the range of improvement measures it has put in place. This progress has been acknowledged by government and reflected in the wording of the refreshed 'Best Value Notice' which will continue to operate on a non-statutory footing for the next 6 months. The notice sets out that government expects the Council to:

- ‘Continue to work with the Independent Improvement Board established in Middlesbrough to support the council to deliver the council’s locally lead improvement strategies, organisational transformation and to monitor progress of the application of the improvement board recommendations and delivery of improvements against the serious concerns highlighted by the external auditor, published in July 2022, around governance arrangements, and cultural and governance issues further investigated in the CIPFA review published in September 2022.
- Continue in your efforts to deliver against your agreed action plan, accepted at full Council on 30 November 2022, at pace and to meet the set milestones and success measures established.
- Continue in your efforts to implement cultural change, particularly in relation to the relationships between officers and members, and that this will be an important continuing focus of the Independent Improvement Board.
- Work with the Department as you deliver on your Best Value requirement to secure the financial recovery and return to financial sustainability through setting a balanced 3-year MTFP over the period to 2026/27.’

**9. Other potential alternative(s) and why these have not been recommended**

9.1 Not applicable.

**10. Impact(s) of the recommended decision(s)**

***Financial (including procurement and Social Value)***

10.1 Not applicable.

***Legal***

10.2 There are no direct legal implications as a result of this report as government has stated that it wishes to see the Council’s improvement journey continue to be on a non-statutory footing at this point of time. Should the Council fail to respond effectively to the challenges within the improvement journey and fail to meet government expectations, Government reserves the ability to exercise statutory powers and intervene formally in the authority’s governance.

***Risk***

10.3 If the Council fails to respond effectively to the expectations set out within the refreshed notice, that will impact negatively on the following risks within the Council’s Strategic Risk Register:

- Failure to meet a balanced budget.
- Risk of an unlawful decision by the Council.

- Corporate governance is not fit for purpose.

***Human Rights, Public Sector Equality Duty and Community Cohesion***

10.4 Not applicable.

***Climate Change / Environmental***

10.5 Not applicable.

***Children and Young People Cared for by the Authority and Care Leavers***

10.6 Not applicable.

***Data Protection / GDPR***

10.7 Not applicable.

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

10.8 Not applicable.

**Appendices**

1	Letter from Max Soule to Middlesbrough Council Chief Executive issued 30 January 2024
2	Letter from Simon Hoare MP to Mayor Chris Cooke issued 30 January 2024

**Background papers**

Reporting body	Report title	Date
Corporate Affairs and Audit Committee	Lessons Learnt: Best Value Inspection of Liverpool City Council	5 Aug 2021
Corporate Affairs and Audit Committee	Boho X: Draft findings from internal audit and proposed management response	6 Apr 2022
Corporate Affairs and Audit Committee	Audit Results Report 2020/21	22 Jul 2022
Corporate Affairs and Audit Committee	Statement of Accounts 2020/21	22 Jul 2022
Corporate Affairs and Audit Committee	Lessons learned: Best Value and external assurance within other councils.	22 Jul 2022
Corporate Affairs and Audit Committee	Commencing a corporate governance improvement journey	22 Jul 2022
Council	Corporate Governance Improvement Journey: CIPFA findings and next steps	19 Oct 2022
Council	Corporate Governance Improvement Plan and progress update	30 Nov 2022
Corporate Affairs and Audit Committee	External Audit: Value for Money Governance Update	5 Dec 2022
Council	Corporate Governance Improvement Plan and progress update	18 Jan 2023
Corporate Affairs and Audit Committee	Statement of Accounts 2020/2021	28 Apr 2023
Corporate Affairs and Audit Committee	Auditor's Annual Report – Year Ended 31 March 2021	29 Jun 2023

Council	Corporate Governance Improvement Next Steps	5 Jul 2023
Council	Section 24 Statutory EY recommendations	18 Sep 2023
Council	Corporate Governance Improvement Plan	18 Sep 2023
Corporate Affairs and Audit Committee	Lessons Learnt: Best Value Inspection of Liverpool City Council	5 Aug 2021
Audit Committee	Section 24 Report – Delivery and oversight arrangements	5 Oct 2023
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	25 Oct 2023
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	29 Nov 2023
Audit committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	14 December 2023
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	17 Jan 2024
Audit Committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	1 Feb 2024

**Contact:**

Ann-Marie Johnstone, Head of Governance, Policy and Information  
[Ann-marie\\_johnstone@middlesbrough.gov.uk](mailto:Ann-marie_johnstone@middlesbrough.gov.uk)





Department for Levelling Up,  
Housing & Communities

Clive Heaphy  
Chief Executive  
Middlesbrough Council

**Max Soule**

*Deputy Director, Local Government  
Stewardship*

***Department for Levelling Up,***

*Housing and Communities*

*4th Floor, Fry Building*

*2 Marsham Street*

*London SW1P 4DF*

[www.gov.uk/dluhc](http://www.gov.uk/dluhc)

30 January 2024

### **Middlesbrough Council Best Value Notice issued on 30 January 2024**

The Department expects authorities to identify and implement arrangements to secure continuous improvement and acknowledges the steps you have taken to identify the serious issues at Middlesbrough including your timely and helpful engagement with the Department.

In January 2023 we set in place a Best Value Notice because of concerns about Middlesbrough's capacity to comply with its Best Value Duty under the Local Government Act 1999. That Best Value Notice ("Notice") was a formal notification that the Department has concerns regarding an authority and requested that the authority engages with the Department to provide assurance of improvement.

Since then, the Council has worked effectively with the Department setting out and implementing a range of improvement measures to effectively address the identified concerns. We thank the Council for this work. We are also aware that more work is still to be embedded to ensure sustained and material improvements particularly in relation to financial sustainability, delivery of transformation and effectively implementing new strategies to embed positive cultures.

The Minister for Local Government has therefore made the decision to issue a revised Best Value Notice for Middlesbrough Council. This Notice will remain in place for 6 months, after which time, should the Department deem it necessary to continue to seek assurance through such a Notice, the Notice will be reissued. The Notice may be withdrawn or escalated at any point based on the available evidence.

During that time, the Department expects the Council to:

1. Continue to work with the Independent Improvement Board established in Middlesbrough to support the council to deliver the council's locally lead improvement strategies, organisational transformation and to monitor progress of the application of the improvement board recommendations and delivery of improvements against the serious concerns highlighted by the external auditor, published in July 2022, around governance arrangements, and cultural and

governance issues further investigated in the CIPFA review published in September 2022.

2. Continue in your efforts to deliver against your agreed action plan, accepted at full Council on 30 November 2022, at pace and to meet the set milestones and success measures established.
3. Continue in your efforts to implement cultural change, particularly in relation to the relationships between officers and members, and that this will be an important continuing focus of the Independent Improvement Board.
4. Work with the Department as you deliver on your Best Value requirement to secure the financial recovery and return to financial sustainability through setting a balanced 3-year MTFP over the period to 2026/27.

If the Independent Improvement Board and external auditor recommendations are not met in full, with necessary improvements delivered at sufficient pace then the Department will consider whether statutory intervention is needed.

To complement existing engagement between the Authority and the Department, we expect that contact at working level should continue on a quarterly basis, recognising that this may change according to need over time. We expect any requests for information to be fully and promptly met. The Department will also look to the Independent Improvement Board for assurance on your Authority's plan and its delivery as part of our engagement on this matter.

Whilst your Authority may continue to receive and be awarded government funding whilst under this Notice, we would emphasise that receipt of funding does not indicate the Department's broader view of the performance of the Authority, nor would it indicate any change in the status of this Notice, with individual funding programmes being managed and assured independently by their respective departments.

This Notice is issued outside the statutory powers held by the Secretary of State under the Local Government Act 1999 to inspect or intervene in local authorities where there is evidence of Best Value failure and, separately, under section 230 of the Local Government Act 1972 to request information from local authorities. However, a failure to demonstrate continuous improvement may be judged to contribute to Best Value failure and the Secretary of State will consider using these powers as appropriate.

It is important to ensure transparency in relation to the challenges faced by local authorities and the Department's engagement on these issues. A copy of this 'Best Value Notice' will therefore be published on gov.uk. I encourage you to make a copy of this letter available on Middlesbrough's website, to the full Council and the Audit Committee.

In line with this, we will notify your external auditor of this action. Separately to this Notice, I would encourage you to continue your engagement with the Local Government Association, making use of the full range of support they have to offer. A member of my team will be in touch with you to arrange further engagement. I look forward to receiving updates on your progress.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Max Soule', written in a cursive style.

Max Soule  
Deputy Director, Local Government Stewardship

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Department for Levelling Up,  
Housing & Communities

Mayor Chris Cooke  
c/o Democratic Services  
Town Hall  
Middlesbrough  
TS1 9FX

Simon Hoare MP  
Minister for Local Government

Department for Levelling Up, Housing  
and Communities  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF

308  
January 2024

I wish to inform you that the Department will issue a revised 'Best Value Notice' ('Notice') to Middlesbrough Council, for a further six months. This is in response to the need for continuing reassurance on the council's capacity to transform at sufficient pace, to ensure you meet your Best Value duties and that you continue to progress actions necessary to rectify the serious concerns highlighted by the external auditor, published in July 2022, around governance arrangements, and cultural and governance issues further investigated in the CIPFA review published in September 2022.

The revised Notice will be published on gov.uk today.

This revised Notice is a formal notification that my department has ongoing concerns regarding your authority and is a request that your authority continues to engage with the Department to provide assurance of Best Value.

The original Notice was issued in January 2023. Since then, your Council has worked well with the Department and has set out and implemented a range of improvement measures to begin to effectively address the identified concerns. We thank the Council for this work. We are also aware that more work is still to be embedded to ensure sustained and material improvements particularly in relation to financial sustainability, delivery of transformation and effectively implementing new strategies to embed positive cultures.

This revised Best Value Notice is intended to continue to support the Council to develop robust and comprehensive improvement plan and to enact those plans, at pace.

This revised Notice will remain in place for 6 months, after which time, should the Department deem it necessary to continue to seek assurance through such a Notice, the Notice will be reissued. The Notice may be withdrawn or escalated at any point based on the available evidence. If the council's Independent Improvement Board and external auditor recommendations are not met in full, with necessary improvements delivered at sufficient pace then the Department will consider whether statutory intervention is needed.

As Mayor, you will be more than aware of the challenges facing Middlesbrough Council and the need to demonstrate progress on those challenges. Your role in the improvement journey

in Middlesbrough is essential and I look forward to seeing progress in the coming months ahead.

*Yours sincerely*  


**SIMON HOARE MP**

**Minister for Local Government**

<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Director of Finance (s151 Officer)
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<b>Relevant Executive Member:</b>	Executive Member for Finance and Governance
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<b>Submitted to:</b>	Executive
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<b>Date:</b>	14 February 2024
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<b>Title:</b>	Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter Three 2023/24
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<b>Report for:</b>	Decision
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<b>Status:</b>	Public
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<b>Strategic priority:</b>	All
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<b>Key decision:</b>	Yes
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<b>Why:</b>	Decision(s) will incur expenditure or savings above £250,000 and have a significant impact in two or more wards
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<b>Subject to call in :</b>	No
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<b>Why:</b>	Not Applicable
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<p data-bbox="165 1518 469 1552"><b>Proposed decision(s)</b></p> <p data-bbox="165 1576 1425 1722">That the Executive notes the Council's forecast year-end financial outturn as at Quarter Three 2023/24, and approves budget virements within the revenue budget and revisions to the capital programme in relation to activity in Quarter Three. The recommendations are detailed in Section 2 of the report.</p>
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## Executive summary

This report advises the Executive of the Council's forecast year-end financial outturn as at Quarter Three 2023/24, and seeks approval of budget virements within the revenue budget and revisions to the capital programme in relation to activity in Quarter Three.

The report enables the Executive to discharge its financial management responsibilities by setting out the:

- General Fund Revenue Budget forecast outturn at Quarter Three;
- Statement of the Council's reserves and provisions at Quarter Three
- Capital Programme forecast outturn at Quarter Three;
- statement of the Council's borrowing and prudential indicators;
- actions that the Council has taken and plans to take in order address the issues identified.

The main highlights of the report are :

- the forecast 2023/24 net revenue budget year-end outturn as at Quarter Three is a forecast year-end overspend of £5.544m (4.4%). This represents an improvement of £3.012m from that forecast at Quarter Two
- the 2023/24 Capital Programme forecast year-end outturn of £47.129m at Quarter Three, which is a reduction of £20.502m (30%) from the revised £67.631m budget for 2023/24
- following a detailed review of the balance sheet as part of finalising 2022/23 financial statements for publication, the balance on the usable unrestricted revenue reserves at 31 March 2023 was restated from £14.829m to £15.586m
- based upon the forecast outturn of £5.544m at Quarter Three, the General Fund Balance is forecast to be £9.036m whilst the balance on usable unrestricted reserves is forecast to be zero at 31 March 2024 (with the exception of a £0.055m Election Costs Reserve which has planned spend committed against it).
- It is expected that at 2024/25 budget setting, the cumulative surplus on the Collection Fund of approximately £8.3m in 2023/24 will be released to replenish the critically low usable revenue reserves which is an exceptional and one-off adjustment. Even with this one-off adjustment usable revenue reserves remain critically low and the MTFP report to be considered by Executive on 28 February 2024 and Council on 8 March 2024 sets out the plan for replenishing reserves over the period to 2026/27.

## 1. Purpose

### 1.1 This report:

- Sets out a forecast of the year-end annual outturn for the financial year 2023/24, based on the Quarter Three review of revenue current and projected expenditure against the current year's Revenue Budget, and highlights the areas of particular financial challenge.
- Sets out the management actions that have been taken to control expenditure within the General Fund budget approved by Council in February 2023.
- Seeks Executive endorsement of the management actions that are in place in order to control expenditure within the approved budget and to develop more financially sustainable solutions for future years.
- Seeks approval of the Executive in relation to revenue budget virements and revisions to the Capital Programme.

## 2. Recommendations

### 2.1 In respect of the General Fund Revenue Budget, the Executive is requested to:

- Note the forecast 2023/24 net revenue budget year-end outturn as at Quarter Three of £131.898m against an approved budget of £126.354m, a forecast year-end overspend of £5.544m (4.4%). This represents an improvement of £3.012m from that forecast at Quarter Two.
- Note that the forecast year-end overspend of £5.544m relates primarily to a combination of forecast demand and inflationary pressures in the following Directorates:

	£m
Adult Social Care	1.358
Children's Social care	2.884
Education & Partnerships	1.443
Environment and Community Services	0.943
Other variances (Regeneration, Legal and Governance, Finance and Central)	(1.084)
<b>Total</b>	<b>5.544</b>

- Note and endorse the management actions taken in consultation with Executive Members over the year to date to control expenditure within the approved budget and to develop more financially sustainable solutions for future years as set out in paragraphs 4.6 to 4.13.
- Note that work will continue to try to mitigate further the forecast year-end overspend before the end of 2023/24 and the final position will be reported as part of the final 2023/24 outturn report to Executive in June 2024.
- **Approve** the proposed revenue budget virements over £250,000 as detailed in Appendix 4. These are technical adjustments.

2.2 In respect of the Council's Reserves and Provisions, the Executive is requested to:

- Note that the s151 Officer has undertaken a review of the balance sheet which has resulted in the release of £0.757m from the Revenue Grants Received Unapplied account that has been transferred to the Change Fund and the balance has been re-stated as at 31 March 2023 from £0.730m to £1.487m.
- Note that the s151 Officer has determined that the 2023/24 Change Fund Reserve of £1.487m, shall be available to fund expenditure on transformation and efficiency as part of an agreed financial recovery plan.
- Note that as a result of the balance sheet review, the s151 officer is in discussion with the External Auditor in relation to the audit of the Council's methodology to calculate the Collection Fund Bad Debt provision in 2021/22 financial statements. This is estimated to result in a favourable adjustment of approximately £8.3m affecting the 2022/23 and 2023/24 accounts and impact upon 2024/25 budget setting – this will be used to replenish the usable unrestricted revenue reserves and General Fund balance that will be used to fund the final 2023/24 overspend. This sum is not available to balance the 2024/25 budget.

2.3 In relation to the Council's financial recovery and resilience, the Executive is requested to:

- Note the Quarter Three forecast of usable revenue reserves of £9.036m available at 1 April 2024 based on the Quarter Three forecast outturn position of £5.544m, a reduction from the already critically low level of £15.586m at 31 March 2023. These would comprise of:
  - General Fund Reserve of £9.036m
  - Council's unrestricted usable earmarked reserves of £NIL (with the exception of a £0.055m Election Costs Reserve which whilst technically is unrestricted and usable has planned committed spend against it on election costs in future years)
- Note that in order to set a legally balanced and robust budget whilst maintaining adequate revenue reserves for 2024/25, Executive on 17 January 2024 approved an application for Exceptional Financial Support (EFS) to DLUHC. The s151 Officer's advice is that without securing External Financial Support via DLUHC, it will not be possible for it to:
  - Balance the 2024/25 budget
  - Secure financial recovery and sustainability over the medium term
- Note that the formal EFS application was made to DLUHC on 17 January 2024 and the result of the application is expected in the period from 26 February to 1 March 2024. Further details will be provided as part of the 2024/25 budget and Medium Term Financial Plan (MTFP) report to Executive on 28 February 2024 and Council on 8 March 2024.

- Note that depending on the decision taken by DLUHC in relation to the EFS application, the risk of a s114 Notice under the provisions of the Local Government Finance Act 1988 remains. Further details will be provided as part of the 2024/25 budget and Medium Term Financial Plan (MTFP) report to Executive on 28 February 2024 and Council on 8 March 2024.
- Note that Statutory Officers remain in dialogue with the Department for Levelling Up Housing and Communities (DLUHC), the External Auditor and the Middlesbrough Independent Improvement Advisory Board (MIAB) in relation to the development and delivery of the Council's Financial Recovery and Resilience plans.

2.4 In respect of the Capital Programme and Treasury Management, the Executive is requested to:

- Note that a full review of the Capital Programme has been undertaken since Quarter Two including a review of profiling and alignment of funding sources to optimise the use of grants and external funding and mitigate the revenue impact of debt financing upon the revenue budget position as far as possible.
- **Approve** the inclusion of additions to the Capital Programme for 2023/24 totalling £0.297m (summarised in Table 9) which are externally funded or funded from within existing Council resources for the 2023/24 Capital Programme as approved by Council in February 2023. These have increased the 2023/24 Capital Programme budget to £67.631m from the £67.334m revised Capital Programme budget for 2023/24 approved at Quarter Two.
- Note the 2023/24 Capital Programme forecast outturn of £47.129m at Quarter Three, which is a reduction of £20.502m (30%) from the revised £67.631m budget for 2023/24. The forecast outturn against the revised capital programme is a favourable variance comprising:
  - An underspend of £1.611m
  - Slippage of £18.891m into 2024/25.
- Note the Treasury Management forecast outturn position with respect to the Council's prudential indicators as set out in paragraphs 4.73 to 4.81.

2.5 In respect of the Dedicated Schools Grant (DSG), the Executive is requested to:

- Note the current forecast in-year deficit of £6.644m for 2023/24 relating to the High Needs Block, which is an increase of £3.323m from the £3.321m reported at Quarter Two. The increase is mainly due to higher demand for specialist provision as inclusion of pupils within mainstream settings has remained a challenge. A range of management actions are being taken to address the increase in expenditure alongside the DBV (Delivering Best Value) programme (paragraph 4.54)

- Note the forecast total cumulative deficit of £13.208m at 31 March 2024, including £13.665m relating to the High Needs Block, as set out in Table 7 and paragraphs 4.52 to 4.53.
- Note that under existing government regulations this deficit cannot be funded from the General Fund, and the Council is required to deliver a recovery plan to the Department for Education (DfE). This position presents a long term risk to the Council's financial position which is dependent upon how central government ultimately resolve the spending pressures arising in High Needs, given the nationwide financial pressures being experienced by local authorities in this area.
- Note that the Council is part of the DfE Delivering Better Value (DBV) scheme which aims to support financial recovery of the DSG position.

### **3. Rational for the recommended decision (s)**

- 3.1 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.

### **4. Background and relevant information**

- 4.1 The Council's Scheme of Delegation gives the Executive collective responsibility for corporate strategic performance and financial management / monitoring, together with associated actions. 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 Programme within approved Council resources.
- 4.2 This report enables the Executive to discharge its financial management responsibilities by setting out the:
- General Fund Revenue Budget forecast outturn at Quarter Three;
  - Statement of the Council's projected reserves and provisions at Quarter Three
  - Capital Programme forecast outturn at Quarter Three;
  - statement of the Council's borrowing and prudential indicators;
  - actions that the Council has taken and plans to take in order address the issues identified.
- 4.3 Financial Procedure Rule 1.37 requires the Executive's approval of the proposed revenue budget virements as set out in Appendix 4.
- 4.4 A revised Capital Programme for the period 2023/24 to 2025/26 is attached at Appendix 6 for the Executive's consideration.

## **Revenue Budget**

### ***Context***

- 4.5 The 2023/24 Revenue and Capital Budget Projected outturn reports to the Executive at Quarter One and Two set out:

- the context in which the 2023/24 budget was approved by Council in February 2023, including the s151 Officer's statutory report on the robustness of budget estimates and adequacy of financial reserves under s25 of the Local Government Act 2003.
- the 2023/24 Quarter One forecast year-end overspend of £11.563m and critical level of usable General Fund reserves at 31 March 2023 standing at £14.8m. Quarter Two forecast year-end overspend reduced by £3.007m to £8.556m as budgetary management and control measures as well as recovery plans commenced.
- the s151 Officer's advice in relation to the risk of issuing a s114 Notice under the Local Government Finance Act 1988.
- the 2023/24 to 2025/26 revised Capital Programme taking account of the 2022/23 final outturn position.
- A statement of the Council's reserves and provisions and borrowing and prudential indicators
- The actual and planned management actions to be taken in relation to controlling expenditure within the approved 2023/24 budget and to secure the Council's Financial Recovery and Resilience in the medium term.
- The progress of a detailed review of the Council's balance sheet as part of the development of its financial recovery plan.
- The requirement for unrelenting focus upon cost control and delivery of 2023/24 approved savings and demand mitigation to attempt to deliver within the approved budget.
- The requirement for a future programme of work to embed an organisational culture of good governance and financial management and within this a particular focus on strengthening financial practice in children's services.

### ***Budgetary Management and Control measures taken during 2023/24***

- 4.6 Statutory Officers continue to engage in regular dialogue over the period of the financial year in relation to the development and delivery of the Council's financial recovery plan with DLUHC officials, the External Auditor and the Middlesbrough Independent Improvement Advisory Board (MIIAB).
- 4.7 On 7 July 2023, Council received a report setting out Phase 3 of the Corporate Governance Improvement Plan, including plans to voluntarily establish an Independent Improvement Advisory Board comprising experienced local authority peers to support, advise and guide the Council in delivering the Plan. The Corporate Governance Improvement Plan (CGIP) was endorsed by Council on 18 September 2023. Theme Three of the CGIP relates to improving the Financial Recovery and Resilience of the Council. The plan also set out the terms of reference for MIIAB and the first meeting of the MIIAB took place on 2 October 2023. The MIIAB issued its first progress report to the Executive on 17 January 2024, reflecting the progress made to date and areas of key focus in the year ahead. The Board's first report set out the background to its appointment, a summary of activity to date, and a forward view on the future focus the Council should have in its improvement journey. In summary, the Chair of the Board identified that there had been improvements in relationships since the Best Value Notice and it was also recognised that changes to culture took time, however there were still concerns about the speed Member enquiries were dealt with. Also while the Board were confident the Council had robust plans to address its financial

issues and to achieve its transformation aspirations, there was a degree of urgency required to ensure this was achieved.

4.8 On 21 August the External Auditor Ernst & Young LLP (EY), issued 11 statutory recommendations under s24 schedule 7(2) of the Local Audit and Accountability Act 2014. Three of the recommendations were related to the Financial Recovery and Resilience of the Council as set out in the report extract below:

4. We recommend that the Council builds upon the steps already taken to control its expenditure to identify specific deliverable savings over the short term (next 12 months) and protect its limited remaining reserves. Where appropriate, this may need to include the Council changing how it meets its statutory responsibilities and the extent to which it delivers services which are not required to discharge its statutory responsibilities.
5. We recommend that the Council reviews its service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.
6. We recommend that the Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, have emerged within the first half of both the 2022/23 and 2023/24 financial years and ensure future forecasting reflects the lessons learned.

4.9 The Council's response to the s24 report agreed and acknowledged the recommendations and set out the actions already taken and further plans to develop and implement measures to control in year expenditure. These are mirrored in theme 2 of the CGIP and include the activity set out below. The most recent progress report was considered by Council on 17 January 2024.

4.10 In relation to s24 Recommendation 4 the following actions have been implemented and will contribute to controlling the financial outturn:

- Continuation of monthly **budget challenge** sessions to identify opportunities to exercise further spending restraint and more cost-effective solutions within 2023/24 and future years. Also Executive Member involvement in budget challenge sessions has been re-introduced, with quarterly challenge sessions attended by the relevant Executive Member and chaired by the Executive Member for Finance and Governance. These will be reflected in further reports to the Executive as required and incorporated into the forecast outturn in Tables 1 and 2 below as appropriate;
- Continuation of regular **Vacancy Control Panels** by the LMT to constrain new recruitment to only essential vacancies that are necessary to meet statutory responsibilities, are externally funded or contribute to reducing the forecast year-end overspend and are assessed as required for future planned service provision given the need to reduce the pay bill over the medium term.
- Monthly reports are being provided to Directors detailing expenditure on travel and other expenses, purchase card activity, and orders placed over £5,000 in order that **Directors** can ensure their service **compliance** with the s151 Officer's **spending control** direction issued in July 2023.
- A fundamental review and relaunch of the use of **purchasing cards** has been undertaken which has resulted in the reduction in approved card holders from 313 to 174 in order to strengthen controls and limit their use as part of a wider

initiative to drive increased compliance with new Contract Procedure Rules (CPRs) approved by Council on 18 September 2023. Directors will enhance monitoring of expenditure through purchase cards on a monthly basis going forward, and mandatory training is being provided for all remaining purchase card users and their line managers before the end of the calendar year.

- An in year increase of **fees and charges** to uplift for inflation from 1 December 2023 was approved by Executive on 21 November 2023. Directorate budgets were amended for the fees and charges increases and this is reported as part of the Directorate forecast year end outturns in Table 1. All the revised fees and charges have been implemented from 1 December 2023, with the exception of the car parking charges increases (estimated to achieve approximately £30,000 of additional income for 2023/24) which was not implemented due to technical issues arising from amending the ticket machines and the expenditure required to undertake this and issue notices for the short period of time until a further review of the charges in 2024/25. This saving has been largely mitigated by increased demand. A fees and charges policy is being developed for 2024/25 onwards and a number of budget proposals considering opportunities to grow income are being developed and will be presented as part of the 2024/25 budget report to be considered by Executive on 28 February 2024 and then submitted for approved by Full Council on 8 March 2024.

The implemented actions will be monitored closely for the remainder of the financial year to assess their impact and the need for further measures to be taken.

4.11 In relation to s24 Recommendation 5 and 6 the following measures are being taken:

- The budget development methodology being adopted for 2024/25 is focused upon the development of proposals to:
  - i. Managing/reducing service demand
  - ii. Service redesign
  - iii. Service transformation
  - iv. Reduction/stopping service levels.
- Reviewing and improving the robustness of demand and unit cost modelling to inform financial forecasts and budget modelling over longer time horizons continues and will support the 2024/25 budget development process to provide increased assurance over the robustness of future budget estimates;
- The development and review of service benchmarking data and establishing deep dive reviews of high cost and overspending areas is ongoing.

This work is informing the refinement of the year end forecast and the development of budget proposals and transformation plans to redesign services from a significantly lower cost base as part of the 2024/25 budget and MTFP development.

4.12 A number of transformational themes that will improve outcomes and deliver savings are emerging. The budget proposals included in the 2024/25 draft budget and MTFP report to the Executive on 20 December, have been subject to public consultation and will now be considered by Executive on 28 February 2024 and by Council for approval on 8 March 2024.

4.13 Also a report will be submitted to Council in March 2024 detailing the Transformation Programme to be undertaken. However, where opportunities for saving can be implemented within the financial year within the Council's governance arrangements, these opportunities have been factored into the Outturn forecast and any further savings achieved will be included in the final 2023/24 outturn. A number of areas as summarised in Table 6 and detailed in Appendix 3 have already been identified as suitable for investment and funding has been approved by the s151 Officer to be used from the Council's Change Fund on an invest to save basis to drive transformation subject to individual business cases and will be included in the revised Flexible Use of Receipts Strategy for 2023/24 where appropriate to enable alternative funding via cashed capital receipts by 31 March 2024. This will serve to preserve limited revenue reserves.

### **Revenue Budget Forecast Year-End Outturn as at Quarter Three 2023/24**

- 4.14 The 2023/24 forecast outturn on 31 December 2023 (Quarter Three) is an overspend of £5.544m (4.4%) against the approved budget of £126.354m by 31 March 2024. This represents an improvement of £3.012m from that forecast at Quarter Two.
- 4.15 The analysis of the forecast financial position by Directorate is set out in Table 1. A summary of the key issues and variances is included in Table 2, with details of Directorate variances detailed in Appendix 1. Table 1 includes any potential non-delivery of required budget savings as detailed in paragraphs 4.22 to 4.25.

**Table 1 – Summary of Revenue Budget Forecast Outturn 2023/24 as at Quarter Three**

All Directorates	Original Budget Full Year	Current Budget Full Year	Forecast Outturn	Forecast Variance	Forecast Variance as % of Current Budget	Movement from Quarter Two (Forecast Variance)	
	£m	£m	£m	£m	%	£m	
				Adv / (Fav)		Adv / (Fav)	
Adult Social Care	49.808	51.692	53.050	1.358	2.6	(0.405)	↑
Public Health	(3.280)	(3.095)	(3.095)	0.000	0.0	0.000	↔
Children's Care	54.649	55.692	58.576	2.884	5.2	(0.289)	↑
Education & Partnerships	5.494	5.737	7.180	1.443	25.2	(0.500)	↑
Regeneration	(1.987)	1.010	0.675	(0.335)	(33.2)	0.179	↓
Environment & Communities	20.228	19.533	20.476	0.943	4.8	0.175	↓
Legal & Governance	10.245	10.780	10.834	0.054	0.5	0.050	↓
Chief Executive	0.000	0.234	0.234	(0.000)	(0.1)	0.012	↓
Finance	4.429	5.181	4.846	(0.335)	(6.5)	(0.187)	↑
<b>Total Directorates</b>	<b>139.586</b>	<b>146.764</b>	<b>152.776</b>	<b>6.012</b>	<b>4.1</b>	<b>(0.965)</b>	↑
Central Budgets	(13.232)	(20.411)	(20.878)	(0.467)	2.3	(2.047)	↑
<b>Total Budget</b>	<b>126.354</b>	<b>126.354</b>	<b>131.898</b>	<b>5.544</b>	<b>4.4</b>	<b>(3.012)</b>	↑

Note – the above table reflects a number of service moves between Directorates following approval of virements in the Quarter One and Quarter Two report. The figures for the movement from Quarter One and Quarter Two have been adjusted for the service moves between Directorates to provide meaningful comparisons between quarters

- 4.16 Table 1 shows that all Financial Recovery Plan savings have been identified and quantified into the forecast outturn for Quarter Three. Recovery plans in Quarter One identified £2.557m of potential savings, with Quarter Two reporting £1.298m, these recovery plans through assurance with Directors have contributed to a reduced overspend from the forecast outturn reported earlier in the financial year.
- 4.17 Containing expenditure within the approved budget remains a critical priority for the Leadership Management Team and the Executive for the remainder of the financial

year in order protect critically low reserves and provide an opportunity to start to rebuild them over 2024/25 and the medium term.

4.18 Financial Procedure Rule 1.37 requires the Executive's approval of the proposed revenue budget virements set out in Appendix 4. These are technical adjustments and the current Directorate budgets in Table 1 have assumed approval of these.

### **Summary of key variances**

4.19 The most significant directorate variances are summarised in Table 2 below, with further detail for each Directorate being included in Appendix 1.

**Table 2 -Summary of variances**

Directorate	Service Area	Summary of Variances over £250,000	2023/24 Forecast year-end Overspend/ (underspend) £m
Adults Social Care	Care Packages	Net unbudgeted demand and inflationary pressures in care packages.	2.250
	Across Directorate	Staff savings in excess of abatement target	(0.752)
	Homelessness	Increased use of temporary accommodation (hotels and bed and breakfast accommodation) due to lack of available permanent accommodation, offset by grants.	0.182
	Across Directorate	Other variances below £250,000	(0.322)
Children's Care	External Residential	Increased numbers of children in external residential placements above budgeted level - national issue and lower Education contributions	3.349
	Internal Residential	Agency staff	1.017
	Fostering	Increasing number of young people in Independent Fostering Agency (IFA) placements above budget	0.641
	Across Service Teams	Staff savings from vacant posts and reduced expenditure on Section 17 and other expenditure across teams	(3.692)
	Across Directorate	2023/24 budget savings for Children's Care and from the Children's Services Financial Improvement Plan currently rated "Red" and "Amber" (as shown in Table 4 and Appendix 2).	1.569
Education & Partnerships	Integrated Transport Unit	Increased number of children eligible for home to school transport, including children with Special Education Needs (SEN). Increase in costs per child of transportation.	1.481
	Across Directorate	Other variances below £250,000	(0.038)
Regeneration	Commercial Income	Increased income above budget at Cleveland Centre and offset by decreased income below budget for Captain Cook Centre due to collapse of major tenant. Also expenditure savings on running costs.	(0.384)
	Cultural Services	A favourable variance has been achieved from the Town Hall scheduling more shows than originally planned and from the Museums driven by a combination of staff vacancies and increased income from the Dorman Museum exhibitions.	(0.254)
	Property Services	Higher than anticipated Utility prices has resulted in an overspend in running costs and within Cargo Fleet Depot. Additionally, following a review of Building Maintenance the costs that are eligible for capitalisation has resulted in an overspend.	0.488
	Across Directorate	Other variances below £250,000	(0.185)
Environment & Communities	Waste Disposal	Increased contractual costs per tonne above budget, and increased civic amenity site management costs	0.960
	Bereavement Services	Crematorium income shortfall and increased expenditure mainly Cemeteries	0.509
	Supported Communities	Additional Grant Funding supporting Asylum Seekers and Refugees	(0.345)
	Street Lighting	An increase in Energy costs. £0.476m, are offset by an increase in Street Lighting engineers charges to capital schemes, (£0.288m).	0.188
	Property and Commercial	Increase in Universal Free School Meal funding	(0.250)
	Across Directorate	Other variances below £250,000	(0.119)

Legal & Governance	Across Directorate	Other variances below £250,000	0.054
Finance	Resident & Business Support	Savings from review and revision of bad debt provision calculation, offset by court costs income pressures and staffing costs pressures due to reduction in level of New Burdens .	(0.945)
	Resident & Business Support - Housing Benefits Subsidy	Increase in homelessness cases and the cost of temporary accommodation, due to insufficient level of suitable available temporary accommodation, and Housing Benefit Subsidy not covering full costs	0.790
	Across Directorate	Other variances below £250,000	(0.180)
Central Budgets	Contingency for Future Uncertainty	No planned further use of current remaining budget, noting final Outturn will depend on cashed capital receipts	(0.658)
	Across Directorate	Other variances below £250,000	0.190
<b>Total Variance</b>			<b>5.544</b>

4.20 It should be noted that the measures taken to control expenditure in year are a combination of ‘one off mitigations’ that have a favourable impact only in 2023/24 and plans that deliver ‘ongoing’ cost reductions or income generation that will have a favourable impact upon the calculated budget gap for 2024/25.

4.21 The ongoing pressures that remain as a result of the following will impact upon the 2024/25 budget model:

- Partial or Non-delivery of approved planned savings (RAG Red and Amber)
- Demand and other financial pressures for which a one-off mitigation has been delivered

### ***Budget savings delivery***

4.22 The approved revenue budget includes savings totalling £9.383m in 2023/24 and a further £2.987m in 2024/25. The savings tracker included in Table 3 summarises performance in 2023/24 and the impact upon delivery for 2024/25, categorising the current expected achievability of the savings. Table 4 shows performance for each Directorate against the 2023/24 savings. Savings delivery plans are monitored via the Savings Programme Board that is chaired by the Head of Business, Strategy and Customer Services.

4.23 The forecast year-end overspend shown in Table 1 includes £1.569m (17%) of savings for 2023/24 categorised as “Red” and “Amber” within the savings tracker. Those categorised as “Green” £3.382m (36%) and considered to be on track are being further tested and challenged to gain further assurance. £4.432m (47%) have been delivered and classed as ‘Blue’.

4.24 Directors have been tasked with developing mitigation plans for those savings which are categorised as “Red” where savings will not be achieved, and “Amber” where there is significant risk to delivery. Also there is a need to ensure full achievement of savings categorised as “Green”. It has been determined that a number of savings categorised as “Red” will not be achieved ongoing and these were detailed in the 2024/25 Budget and MTFP Update 2024/25 to 2026/27 report to Executive on 20 December 2023 with budget growth proposed for this. This will be considered again by Executive on 28 February 2024 and for approval by Council on 8 March 2024.

**Table 3 – Savings Programme Assurance Summary**

Savings Programme and CS Financial Improvement plan - summary		2023/24	2024/25	Overall
Rag	Savings	£000	£000	£000
Blue	Saving Realised (delivered)	4,432	0	4,432
Green	Saving forecast to be realised as originally planned, or to be realised through alternative actions.	3,382	424	3,806
Amber	Medium risk to savings delivery, with mitigating actions being considered/worked on.	0	729	729
Red	High risk to savings delivery with limited scope of mitigation.	1,569	1,834	3,403
	<b>Total Savings</b>	<b>9,383</b>	<b>2,987</b>	<b>12,370</b>

**Table 4 – Savings Programme Assurance for 2023/24 by Directorate**

Directorate	23/24 RED (£000s)	23/24 AMBER (£000s)	23/24 GREEN (£000s)	23/24 BLUE (£000s)	TOTAL (£000s)
Regeneration	0	0	300	296	596
Environment and Commercial Services	0	0	1,261	782	2,043
Legal and Governance	0	0	120	121	241
Adult Social Care and Health Integration	0	0	416	86	502
Public Health	0	0	0	296	296
Education and Partnerships	0	0	0	313	313
Children's Care	56	0	0	698	754
Central	0	0	0	543	543
Finance	0	0	0	130	130
Fees and Charges	0	0	1,111	0	1,111
Children's Services Financial Improvement Plan	1513	0	174	1167	2,854
<b>TOTAL (000s)</b>	<b>1569</b>	<b>0</b>	<b>3382</b>	<b>4432</b>	<b>9,383</b>
<b>Overall Percentages</b>	<b>17%</b>	<b>0.00%</b>	<b>36.04%</b>	<b>47.23%</b>	

4.25 A detailed savings tracker of savings categorised as “Red” and “Amber” by Directorate is attached at Appendix 2. “Red” and “Amber” rated savings are factored into the forecast year-end overspend for the year together with any in year mitigations to offset the resultant overspend.

### **Council Reserves and Provisions**

4.26 It is critical that expenditure is contained in 2023/24 as far as possible within the approved budget of £126.354m to stabilise the Council’s financial position and provide a basis from which to rebuild reserves from the current critically low level.

4.27 The Director of Finance has undertaken a due diligence exercise in relation to the Council's accounting practice and an in-depth review of the balance sheet in order to provide assurance over the robustness of estimates and adequacy of reserves that will inform 2024/25 budget setting in order to identify:

- Risks that may impact adversely upon the reported financial position.
- opportunities to optimise the Council's financial position.

A number of work streams remain in progress and any matters arising will be reported as appropriate upon conclusion of those work streams.

4.28 As a result of the balance sheet review, the s151 officer is in discussion with the External Auditor in relation to the audit of the Council's methodology to calculate the Collection Fund Bad Debt provision in 2021/22 financial statements. This is estimated to result in a favourable adjustment of approximately £8.3m affecting the 2022/23 and 2023/24 accounts and impact upon 2024/25 budget setting – this will be used to replenish the usable unrestricted revenue reserves and General Fund balance that will be used to fund the final 2023/24 overspend. This sum is not available to balance the 2024/25 budget.

4.29 The balance sheet review has identified the opportunity to release £0.757m from the Revenue Grants Received Unapplied account which has been transferred to the Change Fund which has been re-stated at 31 March 2023.

4.30 The s151 Officer has determined that the revised balance on the Change Fund Reserve of £1.487m including the above shall be available in accordance with the approved use of Change Fund to fund expenditure on transformation and efficiency, including the cost of redundancies where relevant. The use of the Change Fund will contribute to the reduction of the 2023/24 overspend and/or support achieving a balanced budget for 2024/25. Projects will be subject to individual business cases and will also be included in the revised Flexible Use of Receipts Strategy for 2023/24 where appropriate to enable alternative funding via cashed capital receipts by 31 March 2024 which will serve to preserve limited revenue resources.

4.31 Table 5 provides an analysis of restricted and unrestricted reserves together with General Fund Provisions. It shows that the forecast balances on unrestricted usable revenue reserves currently comprising of the General Fund Reserve and unrestricted usable earmarked reserves, based upon the Quarter Three forecast outturn position of £5.544m would mean that all unrestricted usable earmarked reserves would be exhausted (with the exception of a £0.055m Election Costs Reserve which whilst technically is unrestricted and usable it is required for Election Costs in future years) , leaving a General Fund Reserve of £9.036m representing the Council's total unrestricted usable revenue reserves.

**Table 5 – Analysis of unrestricted and restricted reserves and provisions, and impact of the forecast year-end overspend on the level of reserves**

	<u>ORIGINAL</u> <u>Closing</u> <u>Balance</u> <u>31/03/23 /</u> <u>Opening</u> <u>Balance</u> <u>01/04/23</u>	<u>Amendments</u> <u>from Balance</u> <u>Sheet</u> <u>Review</u>	<u>REVISED</u> <u>Closing</u> <u>Balance</u> <u>31/03/23 /</u> <u>Opening</u> <u>Balance</u> <u>01/04/23</u>	<u>Additional</u> <u>Contributions</u>	<u>Transfers</u> <u>between</u> <u>Reserves</u>	<u>Use in</u> <u>Year</u>	<u>Use for</u> <u>forecast</u> <u>year-end</u> <u>23/24</u> <u>overspend</u>	<u>Forecast</u> <u>Balance at</u> <u>year-end</u>
	£m	£m	£m	£m	£m	£m	£m	£m
<b>GENERAL FUND RESERVE</b>	<b>12.041</b>	<b>0.000</b>	<b>12.041</b>				<b>(3.005)</b>	<b>9.036</b>
<b>USABLE EARMARKED RESERVES</b>								
<i>Restricted Use</i>								
Public Health	0.129		0.129	0.450				0.579
Insurance Fund	0.028		0.028	0.500				0.528
Better Care Fund	0.896		0.896					0.896
Marton Library S106	0.025		0.025					0.025
Housing Rental Sinking Fund	0.093		0.093					0.093
	1.171	0.000	1.171	0.950	0.000	0.000	0.000	2.121
<i>Unrestricted Use</i>								
Financial Resilience Reserve	1.798		1.798				(1.798)	0.000
Change Fund	0.000	0.757	0.757	0.730		(1.487)		0.000
Car Parking Reserve	0.741		0.741				(0.741)	0.000
Elections Costs	0.249		0.249			(0.194)		0.055
	<b>2.788</b>	<b>0.757</b>	<b>3.545</b>	<b>0.730</b>	<b>0.000</b>	<b>(1.681)</b>	<b>(2.539)</b>	<b>0.055</b>
	<b>3.959</b>	<b>0.757</b>	<b>4.716</b>	<b>1.680</b>	<b>0.000</b>	<b>(1.681)</b>	<b>(2.539)</b>	<b>2.176</b>
<b>UNUSABLE EARMARKED RESERVES</b>								
Revenue Grants Unapplied (Technical Reserve)	10.539	(5.664)	4.875			(4.875)		0.000
Dedicated Schools Grant Adjustment Account	(6.564)		(6.564)			(6.644)		(13.208)
	<b>3.975</b>	<b>(5.664)</b>	<b>(1.689)</b>	<b>0.000</b>	<b>0.000</b>	<b>(11.519)</b>	<b>0.000</b>	<b>(13.208)</b>
<b>SCHOOL BALANCES</b>	<b>3.641</b>		<b>3.641</b>					<b>3.641</b>
<b>GENERAL FUND PROVISIONS</b>								
Business Rates Appeals	4.203		4.203					4.203
Insurance	0.824		0.824					0.824
Other	0.167		0.167					0.167
	<b>5.194</b>	<b>0.000</b>	<b>5.194</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>5.194</b>
	<b>28.810</b>	<b>(4.907)</b>	<b>23.903</b>	<b>1.680</b>	<b>0.000</b>	<b>(13.200)</b>	<b>(5.544)</b>	<b>6.839</b>

**\*NOTE**  
The opening balances shown above differ from those shown at Q2 to reflect amendments to the year end balances 2022/23 made since Q2.  
The year-end balances for 2022/23 may be subject to further change due to further technical adjustments which may be required as part of the closure of the Council's accounts. These will be mainly relating to the closure of the Collection Fund accounts, and school balances. There may also be potential changes required as part of the external audit of the Council's accounts for 2022/23. The final year-end balances for 2022/23 will be reported in the Council's Statement of Accounts for 2022/23.

4.32 Usable reserves remain at a critically low level and will be reduced further by any final overspend resulting at 31 March 2024. Priority must be given to replenishing reserves in the 2024/25 financial year and over the medium term to rebuild and strengthen the Council's financial sustainability. Details of the risks surrounding this are included in paragraphs 4.37 to 4.39.

### **Contingency Budget and Change Fund**

4.33 Table 6 summarises the 2023/24 budget and commitments against the central budgets controlled under the delegated powers of the s151 Officer in relation to the Contingency Budget and the Change Fund Budget and Change Fund Reserve at 31 December 2023. Note that the Change Fund is supplemented by a further £0.757m now held in the Change Fund Reserve following the recent balance sheet review (as detailed in paragraphs 4.29 and 4.30). A summary of the projects approved for utilisation of these budgets is set out at Appendix 3.

4.34 The s151 Officer has determined that the Change Fund resources of £1.486m budgets may be utilised to fund investment in transformation and/or efficiency measures that will realise a reduction in ongoing service expenditure in 2023/24 and/or future years. Appendix 3 shows that a number of invest to save transformation projects have already been approved to be funded from the Change Fund. Further applications for use of these funds will be subject to s151 Officer approval of a robust business case.

**Table 6 – Summary of 2023/24 budget and commitments against central budgets**

	<b>Corporate Contingency</b>	<b>Change Fund Reserve</b>
	<b>£m</b>	<b>£m</b>
<b>Starting Budget 2023/24</b>	<b>1.300</b>	<b>0.000</b>
Budgeted contribution 2023/24	-	0.730
Additional contributions in year	-	0.757
<b>Available for use</b>	<b>1.300</b>	<b>1.487</b>
Approved Corporate Governance Improvement Plan Management Interventions	0.642	0.040
Approved invest to save transformation expenditure	0.000	1.082
<b>Allocated/Committed to date</b>	<b>0.642</b>	<b>1.122</b>
<b>BALANCE REMAINING UNCOMMITTED</b>	<b>0.658</b>	<b>0.365</b>

***Potential further Risks to the Council’s financial resilience***

4.35 As set out in the main body of the report, current service delivery models are incurring annual expenditure in excess of the annual income available to the Council. Therefore, it is critical that the Council deploys further robust plans within 2023/24 and in relation to 2024/25 to adopt models of service that are deliverable within a sustainable funding envelope to address the substantial overspend position. This is critical to achieving a legally balanced budget for 2024/25 and future years.

4.36 The extent to which in year overspends are controlled on a one-off basis, results in financial pressures continuing into 2024/25 and beyond. These have been factored into the calculation of the budget gap for 2024/25 and this has presented a significant challenge to the organisation in order to deliver budget proposals at scale to deliver savings sufficient to balance the budget in 2024/25 and to deliver transformation and efficiency at pace in 2024/25. This issue is a key driver of the application for Exceptional Financial Support (EFS) to DLUHC, and in the risk of a potential s114 Notice in relation to 2024/25 as detailed below in paragraphs 4.37 to 4.39 below.

4.37 In order to set legally balanced budget and robust budget whilst maintaining adequate revenue reserves for 2024/25, Executive on 17 January 2024 approved an application for Exceptional Financial Support (EFS) to DLUHC. The

s151 Officer's advice is that without securing External Financial Support via DLUHC, it will not be possible for it to:

- Balance the 2024/25 budget
- Secure financial recovery and sustainability over the medium term

- 4.38 The formal EFS application was made to DLUHC on 17 January 2024 and the result of the application is expected in the period from 26 February to 1 March 2024. Further details will be provided as part of the 2024/25 budget and Medium Term Financial Plan (MTFP) report to Executive on 28 February 2024 and Council on 8 March 2024.
- 4.39 Depending on the results of the EFS application the risk of a s114 Notice under the provisions of the Local Government Finance Act 1988 remains. Further details will be provided as part of the 2024/25 budget and Medium Term Financial Plan (MTFP) report to Executive on 28 February 2024 and Council on 8 March 2024.
- 4.40 All budget savings categorised as "Red" continue to be reviewed as part of the budget monitoring process to determine whether they are either delayed or undeliverable. Where possible, ways of enabling and accelerating their delivery will be implemented. It has been determined that a number of savings categorised as "Red" will not be achieved ongoing and these were detailed in the 2024/25 Budget and MTFP Update 2024/25 to 2026/27 report to Executive on 20 December 2023 with budget growth proposed for this. This will be considered again by Executive on 28 February 2024 and for approval by Council on 8 March 2024.
- 4.41 All budget savings currently categorised as 'Green' are forecast to be delivered by the year-end and are being tested to gain further assurance of delivery. It is expected that services will continue to work towards delivering these savings on time.
- 4.42 Economic conditions remain challenging, with the Cost of Living crisis having an impact across the economy including on residents, businesses and the Council directly. The continuing high level of inflation is a significant factor in managing the Council's fragile financial position. For the Council in addition to the obvious higher costs caused by this, there are also risks around income collection.
- 4.43 Due diligence has been undertaken by the s151 Officer to ensure that the Council is compliant with accounting standards and grant funding conditions across a number of service areas to provide assurance of the robustness of the General Fund budget position.
- 4.44 The Council's financial challenges will undoubtedly continue over the medium term. Therefore a step change in the scale and nature of measures to achieve financial balance is required. There are likely to be few if any easy options available to the Council in exercising control over the Council's financial position in the future.

#### **Collection Fund - Council Tax and Business Rates income**

- 4.45 Income received from Council Tax and Business Rates (NNDR) is a major source of income for the Council. It is accounted for within the Collection Fund and operates under the Government regulations. Due to the prescribed mechanisms for operating the Collection Fund, the financial impact of any 2023/24 income collection

variances do not immediately affect the General Fund position. By illustration, the impact of any final surplus or deficit on the Collection Fund for 2022/23 is fed into the development of the 2024/25 budget and MTFP and any cost/ benefit does not impact the current 2023/24 financial year.

- 4.46 The 2023/24 MTFP presented to Council in February 2023 included the estimated effect of Council Tax and Business Rates income. In the context of the current economic climate and the Cost of Living Crisis, there is an ongoing risk to the levels of collection of these taxes which may result adversely upon collection rates. The forecast in-year collection rate for 2023/24 is 91% for Council Tax and 96.8% for Business Rates, however the above factors may affect these forecasts.
- 4.47 There is currently a growing uptake by residents of the Council Tax Reduction Scheme due to the cost of living crisis as a consequence of the current adverse economic climate. At the end of 2022/23 there were 18,130 claimants, however it is currently estimated that there are 18,258 claimants. It is likely that this will increase further in future years resulting in increased costs to the General Fund over the medium term . This will be closely monitored and the MTFP will be updated as appropriate.
- 4.48 The budgeted Council Tax base includes assumptions on housing growth. If there is a variance in growth in housing numbers compared to the levels budgeted, this will impact upon Council Tax income due.
- 4.49 The Government provided support for businesses through increased business rates reliefs and grants in 2020/21, 2021/22, and for the start of 2022/23. Following the reduction in the level of this support, there is a risk that Business Rates income collection reduces in the future if businesses fail or are unable to pay the resultant increased amounts due. This area has been reviewed in detail to inform future budget forecasting and the development of the 2024/25 budget and MTFP.
- 4.50 The level of outstanding Council Tax and Business Rates debt is expected to rise. Measures to invest in additional staff resource to recover debt are incorporated into 2024/25 budget proposals in order to maintain and improve collection performance. The collectability of this debt and the adequacy of the bad debt provision over the period of the MTFP will be kept under close review during 2024/25.
- 4.51 The 2024/25 budget and MTFP report to Executive on 28 February 2024 and to Council on 8 March 2024 will provide a comprehensive update of the Collection Fund position.

#### **Dedicated Schools Grant (DSG)**

- 4.52 The Council received £182.451m (before deductions and recoupment) of Dedicated Schools Grant (DSG) for 2023/24. 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). Currently after deductions and recoupment the Council will receive DSG of £63.472m in 2023/24. The forecast expenditure is £70.116m, a forecast year-end overspend of £6.644m within 2023/24. which is an increase of £3.323m from the £3.321m reported at Quarter Two.

**Table 7 - Dedicated Schools Grant (DSG) after recoupment and deductions**

	2023/24 Income Forecast	2023/24 Expenditure Forecast	2023/24 Forecast Year-end Overspend	Balance as at 31/03/2023	Forecast Cumulative DSG Deficit as at 31/03/2024
	£m	£m	£m	£m	£m
Early years	12.121	12.121	0.000	(0.254)	(0.254)
Schools Block	20.330	20.330	0.000	(0.182)	(0.182)
High Needs	29.978	36.622	6.644	7.021	13.665
Central school services block	1.043	1.043	0.000	(0.021)	(0.021)
<b>TOTAL</b>	<b>63.472</b>	<b>70.116</b>	<b>6.644</b>	<b>6.564</b>	<b>13.208</b>

4.53 There was a £6.564m total cumulative deficit on the DSG grant at the end of 2022/23, which included £7.021m attributed to the High Needs Block. The DSG deficit is predicted to increase during 2023/24 and it is currently forecast that there will be a total cumulative DSG deficit of £13.208m at 31 March 2024, including £13.665m relating to the High Needs Block which is partly offset by £0.457m of surplus forecast across the other blocks.

4.54 As part of the Delivering Better Value (DBV) work detailed in paragraph 4.57, it was identified that there would be a £3.4m pressure in the current year at Quarter Two. However, additional risks were highlighted as part of the DBV programme (commenced September 2023); specifically, that this may not be achieved without significant change regarding inclusion in mainstream schools. Inclusion within mainstream has remained a challenge, which has resulted in continued increased demand for specialist provision. This has resulted in over commissioned places which subsequently comes in financial pressure to provide place funding. Alongside this, there has also been an increase in rates from specialist providers across the board and significant increased pressure from rising permanent exclusions. This has increased the forecast deficit position for 2023/24 to a £6.6m pressure, and as the Council were already reporting a previous deficit on DSG reserve overall of £6.564m at the end of 2022/23, this will mean that the forecast DSG deficit position at the end of 2023/24 will be over £13m. A range of management actions are being taken alongside the DBV programme these include initiatives such as :

- Work with health colleagues to identify health contributions where relevant
- On-going reviews of Education, Health and Care (EHC) assessments
- Training for staff and school staff to support children remaining in mainstream settings
- Reintegration of Excluded pupils to mainstream where possible
- Governance of High Needs budget
- Service review and modelling
- Review of Top-ups in line with Improvement Plan
- Reduce Exclusions
- Consider notional SEND budget and how this is used
- Linking school inspection in with SEND and Alternative Provision Improvement plan
- Review school reserves and examination of potential of implementing a policy (subject to SMF) for taking excess reserves back into High Needs where relevant and appropriate

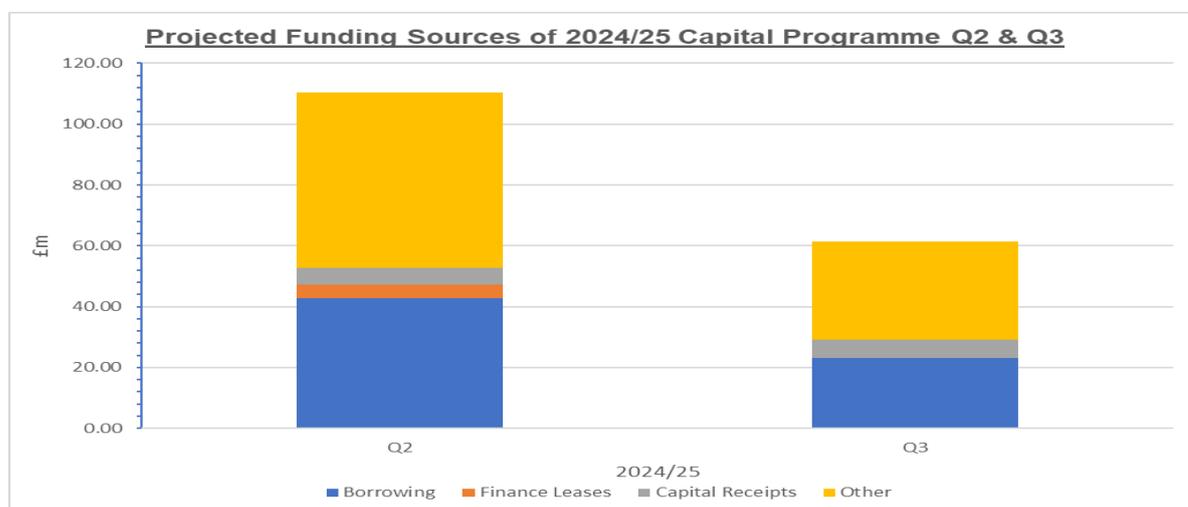
- 4.55 The Dedicated Schools Grant (DSG) is subject to a statutory override by central Government which instructs Councils to account for the DSG deficits and resulting negative balance in a separate reserve and not to fund it by using its General Fund resources. This was planned to end on 31 March 2023, however Government has extended the arrangement to at least 31 March 2026. This is considered to be a potential major risk to the Council's financial resilience in the long term if the Government remove the statutory override before the deficit position is resolved – the current balance is £13.208m which would be required to be met from the General Fund resources. The position that Government takes on this national issue which presents significant financial risks for many local authorities, will be closely followed and updates will be provided as appropriate.
- 4.56 The DSG conditions of grant require that any local authority with an overall deficit on its DSG account at the end of financial year 2021/22, or who's DSG surplus had substantially reduced, present a plan to the DfE for managing its DSG spend in 2022/23 and future years and commit to reducing the deficit. There is also a requirement to provide information as and when requested by the DfE about pressures and potential savings on its high needs budget.
- 4.57 The Council complete regular DSG management recovery plans to outline forecasts over the next 5 years. The Council is also working with the DfE and has received a Stage 1 grant of £45,000 and recently a Stage 2 grant bid for £1m has been approved for the "Delivering Better Value" (DBV) programme that is supporting work to bring this deficit down in future years using best practice and benchmarking across the country. DBV is a long-term programme and 55 other local authorities as well as Middlesbrough Council are participating in the DBV programme. It should be noted that Middlesbrough Council is not involved in the "Safety Valve" programme, which is support for those local authorities with the greatest DSG deficits.
- 4.58 DfE also expect that schools be regularly updated via the Schools Management Forum about the authority's DSG account and plans for handling it, including high needs pressures and potential savings.
- 4.59 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. In Middlesbrough, the number of EHCPs have increased from 1,659 in 2022 to a predicted level of 1,804 in 2023, a 9% increase, and this is predicted to increase further in the future (see Table 8). It should be noted that the number of children with and EHCP is a key cost driver in relation to home to school transport costs that are met by the General Fund through the Integrated Transport Unit. This is a national issue affecting a large number of local authorities and presents a growing and significant financial risk to the Council. The Government have partly recognised this by an increase in funding allocated in the finance settlements for 2022/23 and 2023/24 for both Schools and High Needs Blocks. However, no specific funding has been provided in recognition of the adverse impact upon the General Fund cost of home to school transport, where it is currently forecast that 75-80% of EHCPs are forecast to require the provision of home to school transport by the local authority.

**Table 8 – Actual and forecast Education, Health, and Care plans (EHCPs)**

Year	2022	2023	2024	2025	2026	2027
Number of EHCP – actual and forecast	1,659	1,804	1,877	2,023	2,066	2,143

**Capital Programme Forecast Year-End Outturn 2023/24 as at Quarter Three**

- 4.60 The Council approved a capital programme for 2023/24 of £71.211m (the original 2023/24 capital budget). This was then updated to take account of year end slippage in the Revenue and Capital Budget – Year End Outturn Position 2022/23 report of 20 June 2023, and Executive approved a revised capital budget for 2023/24 of £80.474m. Following a further review Executive approved a revised budget of £67.334m at Quarter Two, with a further revision to £67.631m at Quarter Three to account for some new externally funded schemes or funded from transfers within the existing approved Council funded capital programme below £0.250m (summarised in Table 9).
- 4.61 A comprehensive review of the capital programme, its profiling and forecast outturn including financing has been undertaken and is incorporated in this report to 31 December 2023 – Quarter Three.
- 4.62 The review has resulted in significant movement of spending assumptions, in particular, spending projections moving out of 2024/25 and into 2025/26. The table below shows the level of spend expected within 2024/25 at Quarter Two and the revised assumptions following the review.



- 4.63 The total projected expenditure in 2024/25 has reduced from £110.543m reported at Quarter Two to £61.449m, an in-year reduction of £49.094m. £19.674m of the overall reduction is in relation to schemes which are funded from Council borrowing. This has a significant beneficial impact in 2025/26 upon the Council's Capital Financing revenue budget, reducing projected borrowing costs by £1.770m against those assumed at Quarter Two.

4.64 Two schemes over £0.250m have been removed from the Capital Programme

- On 21 November 2023, as part of the Asset Review report, Executive approved the disposal of Teesside Advanced Manufacturing Park (TAMP), including Phase 2. Consequently, £8.820m of Council resources assigned to the construction of TAMP Phase 2 in 2024/25 are no longer required.
- The uncommitted allocation of £6.076m of Brownfield Housing Fund grant provided by Department of Levelling Up, Housing and Communities, via Tees Valley Combined Authority has also been removed from the Capital Programme in 2024/25. The land identified where the grant was to be utilised is contained within Middlehaven, which is part of the proposed list of assets due to transfer to the Middlesbrough Mayoral Development Corporation (MDC). As such, any future employment and benefit of this grant will be undertaken by MDC.

4.65 The following two schemes within the Capital Programme has been reduced by more than £0.250m

- As part of the comprehensive review of the Capital Programme, the Traffic Signals Non-Tees Valley Combined Authority scheme has been re-evaluated, resulting in £0.500m of Council funding deemed no longer being required without detrimentally impacting the overall scheme.
- The Local Transport Plan Incentive Funding scheme has also been reviewed with £0.913m of Council resources being removed from the Capital Programme, again without impacting the proposed programme of works.

4.66 The following additions over £0.250m to schemes within the current Capital Programme for 2023/24 and future years, totalling £1.909m, which are externally funded or funded from within existing Council resources for the 2023/24 Capital Programme as approved by Council in February 2023, have been added to the revised Capital Programme, subject to approval by Executive.

- As part of the afore mentioned Asset Review report, Executive approved investment of £1.500m of Council resources, in existing Council buildings to accommodate additional staff. This would permit the closure and sale of Council assets identified for disposal. The additional resource has been added to the Property Asset Investment Programme scheme. This additional funding is expected to be expended throughout financial years 2024/25 and 2025/26.
- The Council has been awarded an additional £0.409m of grant funding from the Department of Transport, via Tees Valley Combined Authority for pothole repairs.

4.67 There are no new schemes over £250,000 that have been added to the Capital Programme

4.68 Table 9 below summarises the Capital Programme Financial Performance 2023/24 per Directorate as at Quarter Three. It is currently forecast at Quarter Three that the Council will spend £47.129m at year-end. This is 70% of the revised Quarter Three budget of £67.631m.

**Table 9 – Summary of Capital Programme Financial Performance 2023/24 as at Quarter Three**

Directorate	2023/24 Capital Programme Budget (as per 22/23 outturn)	2023/24 Capital Programme Budget (as per Quarter Two)	2023/24 New schemes (externally funded) or funded from requested virement from existing programme	2023/24 Transfers Between Directorates	2023/24 Revised Capital Programme Budget (as at Quarter Three)	2023/24 Actual Spend To 31/12/23	2023/24 Forecast Outturn	2023/24 Forecast Variance	2023/24 Forecast Variance % Against Revised Quarter Three Budget	2023/24 Explanation Of Variance		2024/25 Impact Upon 2024/25 Capital Programme	
											Slippage		Reduction
	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	£m		£m
Regeneration	41.745	25.107	0.100	0.315	25.522	9.876	17.412	(8.110)	(31.78)	(8.095)	(0.015)	8.095	
Environment & Community Services	23.560	21.914	0.109	(0.028)	21.995	11.273	16.532	(5.463)	(24.84)	(4.050)	(1.413)	4.050	
Public Health	0.031	0.165	0.022	-	0.187	0.017	0.151	(0.036)	(19.25)	(0.036)	-	0.036	
Education & Partnerships	7.852	6.998	0.016	(0.013)	7.001	1.775	3.469	(3.532)	(50.45)	(3.374)	(0.158)	3.374	
Children's Care	2.141	5.177	-	(0.074)	5.103	0.145	3.183	(1.920)	(37.62)	(1.895)	(0.025)	1.895	
Adult Social Care	1.447	3.682	0.050	-	3.732	2.543	3.427	(0.305)	(8.17)	(0.305)	-	0.305	
Legal & Governance Services	3.120	3.713	-	-	3.713	2.212	2.955	(0.758)	(20.41)	(0.758)	-	0.758	
Finance	0.578	0.578	-	(0.200)	0.378	-	-	(0.378)	(100.00)	(0.378)	-	0.378	
<b>Total</b>	<b>80.474</b>	<b>67.334</b>	<b>0.297</b>	<b>0.000</b>	<b>67.631</b>	<b>27.841</b>	<b>47.129</b>	<b>(20.502)</b>	<b>(30.31)</b>	<b>(18.891)</b>	<b>(1.611)</b>	<b>18.891</b>	

4.69 Table 10 shows a summary of the reasons for the movements from the revised original capital budget for 2023/24 of £80.474m and the revised Executive approved capital budget for 2023/24 of £67.334m, and a breakdown of the forecast underspend of £20.502m in the capital programme for 2023/24 as at Quarter Three.

**Table 10 - Summary Breakdown of movement in capital expenditure 2023/24**

	<b><u>23/24</u></b> <b><u>£m</u></b>
Executive approved budget 20 June 23 (as per 2022/23 year end outturn report)	<b>80.474</b>
Slippage	<b>(19.839)</b>
Additions to existing schemes	2.285
New schemes	0.134
Reductions to existing schemes	<b>(0.050)</b>
<b>Capital budget forecast outturn at Quarter One (revised budget for 2023/24)</b>	<b>63.004</b>
Approved amendments	4.330
<b>Revised approved budget as at Quarter Two</b>	<b>67.334</b>
Additions to existing schemes	0.197
New schemes	0.100
<b>Revised budget as at Quarter Three</b>	<b>67.631</b>
Slippage	<b>(18.891)</b>
Reductions to existing schemes	<b>(1.611)</b>
<b>Capital budget forecast outturn at Quarter Three</b>	<b>47.129</b>

4.70 Capital slippage is a way of reprofiling capital budgets between financial years to match forecast timing of expenditure, whilst staying within the approved project

budget. Details of capital slippage forecast for 2023/24 from Quarter Two to Quarter Three are shown in Appendix 5. Details of the slippage from Quarter One to Quarter Two was shown in Appendix 6 of the Quarter Two budget monitoring report. These added together total the £18.891m total slippage for 2023/24 as at the end of Quarter Three.

- 4.71 It can be seen from Table 9 that capital programme spend to the end of December 2023 of £27.841m is low compared to the forecast outturn for 2023/24 of £47.129m (59%), as such there is a risk that spend will be lower than forecast. While this will have a beneficial impact on revenue through higher investment balances and reduce the need to borrow it indicates that delivery is behind schedule and late delivery may pose risks, for example in the form of increased costs or for invest to schemes delays in achieving savings, for future financial years.
- 4.72 The revised Capital Programme covering the period 2023/24 to 2025/26 is summarised in Table 11 below and detailed in Appendix 6 for noting by Executive.

**Table 11 - Summary of Capital Programme 2023/24 to 2025/26**

Directorate	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m	TOTAL £m
Regeneration	37.260	17.412	21.582	36.935	113.189
Environment and Community Services	10.222	16.532	17.396	19.781	63.931
Public Health	0.219	0.151	0.043	-	0.413
Education & Partnerships	4.050	3.469	12.040	3.597	23.156
Children's Care	1.100	3.183	2.035	2.360	8.678
Adult Social Care	2.884	3.427	1.213	0.660	8.184
Legal and Governance Services	3.223	2.955	2.350	2.185	10.713
Finance	0.004	-	4.790	-	4.794
<b>Total EXPENDITURE</b>	<b>58.962</b>	<b>47.129</b>	<b>61.449</b>	<b>65.518</b>	<b>233.058</b>
<b>Funded by</b>					
Borrowing	24.597	19.300	23.037	28.009	94.943
Capital Receipts	0.755	3.000	6.000	6.000	15.755
Grants	30.653	23.644	29.897	27.931	112.125
Contributions	2.957	1.185	2.515	3.578	10.235
<b>Total FUNDING</b>	<b>58.962</b>	<b>47.129</b>	<b>61.449</b>	<b>65.518</b>	<b>233.058</b>

### **Treasury Management - Borrowing & Prudential Indicators**

- 4.73 The Council's investment and borrowing activity is managed in accordance with the Treasury Management Strategy (TMS) which is a key element of the MTFP alongside the annual revenue budget and capital programme which are approved by Council annually in before the start of the financial year.
- 4.74 Treasury Management activity is governed by the Prudential Indicators which are set within the TMS. The Council uses external expert Treasury Management Advisers to inform the development of its strategy and operational in year decisions. The budgeted and the actual position as at Quarter Three 2023/24 are summarised in table 12.

- 4.75 Investment and borrowing decisions are taken to manage the short-, medium-, and long-term cash needs of the Council and are driven primarily by:
- the extent to which the Council finances its capital expenditure by borrowing which is measured by the Capital Financing Requirement (CFR)
  - the timing differences between operational income and expenditure flows
  - the level of cash backed reserves held by the Council; and informed by short to long term interest rate forecasts.

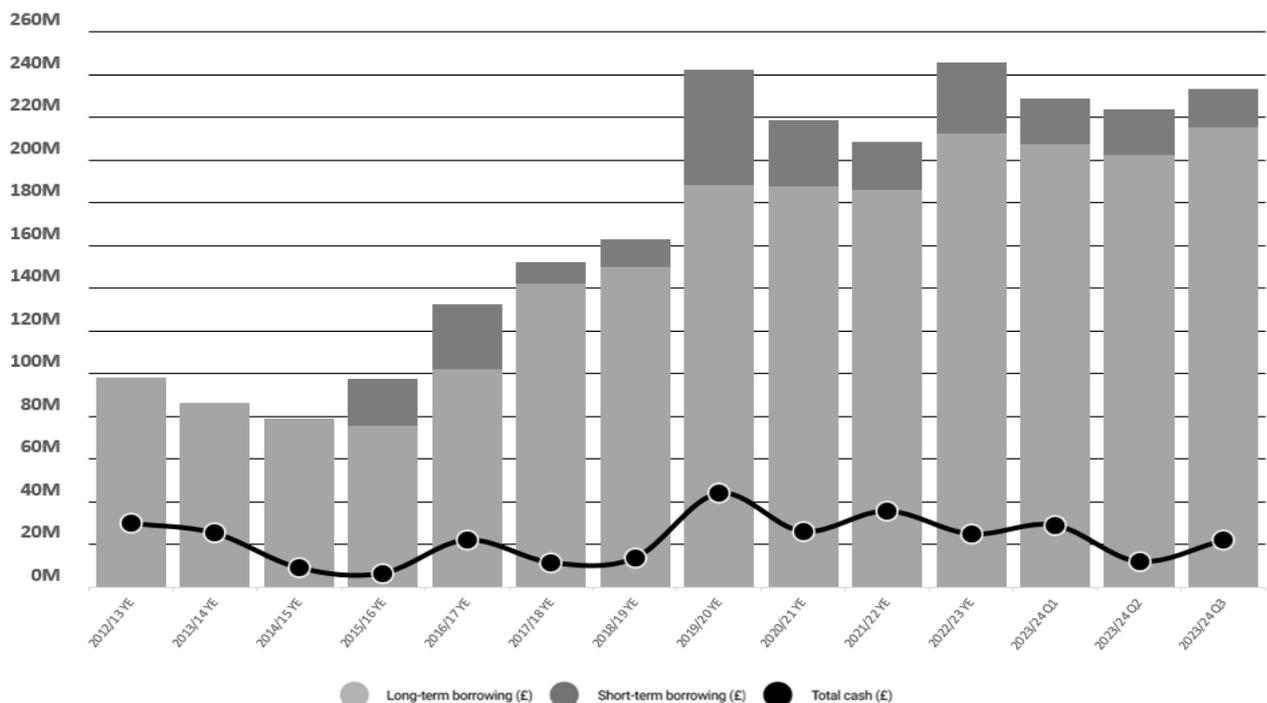
**Table 12 – Prudential Indicators – Quarter Three 2023/24**

<b>Prudential Indicators - 2023/24 Quarter Three</b>				
	<u>Budget</u> <u>(as per</u> <u>22/23</u> <u>outturn)</u> <u>(£M)</u>	<u>Forecast</u> <u>at Quarter</u> <u>Three</u> <u>(£M)</u>	<u>Variance</u> <u>(£M)</u>	<u>Variance</u> <u>as % of</u> <u>Budget</u> <u>%</u>
Capital Expenditure	80.474	47.129	(33.345)	(41.4)
<u>Financing</u>				
External Sources	47.073	19.300	(27.773)	(59.0)
Own Resources	5.965	3.000	(2.965)	(49.7)
Debt	27.436	24.829	(2.607)	(9.5)
Capital Financing Requirement	300.588	299.173	(1.415)	(0.5)
External Debt borrowed	266.385	233.491	(32.894)	(12.3)
Cash Balances	15.000	21.847	6.847	45.6
Capital Financing cost	9.276	9.403	0.127	1.4
Revenue Budget	126.354	126.354	n/a	n/a
Cost as a % of Revenue Budget	7.3%	7.4%		

- 4.76 The Council's forecast Capital Expenditure outturn at Quarter Three is £47.129m compared to a revised original approved budget of £80.474m, an underspend of £33.345m (41.4%). This results in a slightly lower level of debt funding in-year than was anticipated at the start of the financial year.
- 4.77 During the third quarter, external borrowing increased from £223.845m on 30 September 2023, to £233.491m on 31 December 2023. This increase of £9.646m reflects £15.000m of new long-term borrowing less the repayment of £3.000m in total on short term borrowing. The remaining £2.354m is long term debt that has now matured and been repaid.
- 4.78 Cash balances have increased from £12.029m to £21.847m between the end of September and December 2023. This reflects the capital and revenue spending plans of the Council to date in this financial year. Also, long term interest rates from

the Public Works Loan Board have reduced from over 5% to closer to 4.5% due to reducing inflation rates and this has been more in line with current budget assumptions. The approach has therefore been to borrow long-term within the target period of 10-15 years which is the lowest cost of external debt at present. All borrowing decisions have been discussed in detail with our treasury advisers, Arlingclose, to ensure that they are consistent with the Council's debt portfolio and TMS.

4.79 The ratio of long-term to short-term borrowing has therefore increased during the quarter given the borrowing activity and reducing longer term interest rates. The Council's total under borrowed position (external debt compared to the capital-financing requirement – or underlying need to borrow) is £65.682m on 30 December 2023, or 22.0%. Further borrowing will be required during Quarter Four due to a demand on cash balances from the revenue budget position and from the capital programme as it approaches the financial year end. The over-riding objective continues to be to demonstrate value for money from any borrowing decisions taken.



4.80 The affordability & sustainability of the Capital Programme 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 approved by Council as part of the annual budget process in February each year. CIPFA and Government view this approach as best practice in ensuring resources are allocated prudently to capital schemes.

4.81 The amount of external debt at £233.491m and the total underlying need to borrow of £299.173m are both well below the Council's authorised debt limit of £328.000m for the year. This is the threshold above which any borrowing would be illegal. The cost of capital financing to the Council is marginally higher than that set at budget of £9.276m. This is due to the costs of borrowing on the debt expected to be taken being higher than originally budgeted for, offset by capital schemes funded by

borrowing being phased into the next financial year. The total annual cost of financing the Council's capital investment plans being £9.403, or 7.4% of the current net revenue budget.

## **5. Other potential alternatives(s) and why these have not been recommended**

5.1 Not applicable.

## **6. Impact(s) of the recommended decision(s)**

### **6.1 *Financial (including procurement And Social Value)***

6.1.1 This report sets out the financial implications associated with the financial performance of the Council in managing its revenue and capital resources for the financial year 2023/24 and the financial implications are incorporated throughout.

### **6.2 *Legal***

6.2.1 The proposed recommendations are consistent with and will promote the achievement of the Council's general legal duty to achieve Best Value in accordance with Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007).

### **6.3 *Risks***

6.3.1 In line with the Council's Risk Management Policy, the corporate Strategic Risk Register will be reported to this Executive as part of the Corporate Performance Update: Quarter Three 2023/24 report.

### **6.4 *Human Rights, Equality and Data Protection***

6.4.1 The overall impact assessment within the budget report to Council on 27 February 2023 found that the impact of the budget savings proposals on the protected characteristics of race could not be fully mitigated. It also identified an adverse impact on community cohesion, in line with the individual impact assessments. The complete overall impact assessment included in Appendix 4 of that report however found that there was a justified adverse impact from these proposals in order to ensure the Council is able to maintain a balanced budget and continue to meet its statutory obligations.

### **6.5 *Climate Change / Environmental***

Not applicable

### **6.6 *Children and Young People Cared for by the Authority and Care Leavers***

Not applicable

### **6.7 *Data Protection / GDPR***

Not applicable

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

Action	Responsible Officer	Deadline
Corporate revenue budget spending controls set out in the main body of the report will continue to be applied to Directorates as stated.	Director of Finance	31/3/24
Revenue budget virements detailed in Appendix 4 to be actioned, subject to approval	Head of Financial Planning & Support	28/2/24
Amendments to the capital programme for 2023/24 to be actioned, subject to approval	Head of Financial Planning & Support	28/2/24

## Appendices

1	Detailed Directorate Revenue Budget Forecast Outturn 2023/24 as at Quarter Three
2	Detailed savings tracker of savings categorised as “Red” and “Amber” by Directorate
3	Summary of projects approved for utilisation of Contingency Budgets and Change Fund
4	Proposed revenue budget virements above £250,000 at Quarter Three 2023/24
5	Capital Programme Quarter Three 2023/24– details of capital slippage
6	Revised Capital Programme to 2025/26

## Background papers

Body	Report title	Date
Executive	Children’s Service Financial Improvement Plan	14/2/23
Council	Budget 2023/24 - S25 Report of the Chief Finance Officer	27/2/23
Council	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2023/24	27/2/23
Executive	MTFP Update	23/8/23
Executive	Revenue and Capital Budget – Forecast Outturn position at Quarter One 2023/24	23/8/23
Executive	Revenue and Capital Budget – Forecast Outturn position at Quarter Two 2023/24	21/11/23
Executive	Fees and Charges Review 2023/24	21/11/23
Executive	Draft 2024/25 Budget and MTFP Refresh	20/12/23
Executive	2024-25 Budget and MTFP – Application for Exceptional Financial Support	17/1/24
Executive	Middlesbrough Independent Improvement Advisory Board: First Update Report	17/1/24
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	17/1/24

**Contact:** Andrew Humble, Head of Financial Planning & Support  
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**Email:** [andrew\\_humble@middlesbrough.gov.uk](mailto:andrew_humble@middlesbrough.gov.uk)

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## Appendix 1 - Detailed Directorate Revenue Budget Forecast Outturn 2023/24 as at Quarter Three

### Adult Social Care Summary

	Original Budget Full Year	Current Budget Full Year	Forecast Outturn	Forecast Variance	Movement from Q2 (Forecast Variance)	Issues Ref. No.
	£m	£m	£m	£m	£m	
				Adv/(Fav)	Adv/(Fav)	
Public Protection	0.652	0.000	0.000	0.000	0.000	
Service Strategy	(5.779)	(7.900)	(7.770)	0.130	0.240	
Prevention, Provider & Support Services	(5.074)	(4.956)	(5.523)	(0.567)	(0.250)	1
Access & Safeguarding Services	5.857	6.437	6.085	(0.352)	(0.395)	2,3
Specialist and Lifelong Learning	3.386	3.301	3.197	(0.104)	(0.048)	
Purchased Care : Residential	22.479	25.658	26.332	0.674	(0.162)	4
Purchased Care : Direct Payments	7.172	7.780	7.784	0.004	0.000	
Purchased Care : Supported Tenancies	9.085	10.071	10.018	(0.053)	(0.025)	
Purchased Care : Enablement & Support	3.164	3.597	4.060	0.463	0.037	5
Purchased Care : Day Care	1.476	1.600	1.650	0.050	(0.010)	
Purchased Care : Personal Care	9.024	9.922	10.539	0.617	0.509	6
Purchased Care : Other (incl Prior years Growth/Inflation allocation)	(1.634)	(3.817)	(3.321)	0.496	(0.301)	7
<b>Total Directorate</b>	<b>49.808</b>	<b>51.692</b>	<b>53.050</b>	<b>1.358</b>	<b>(0.405)</b>	

#### KEY ISSUES

Ref. No.	Service Area	Forecast Variance	Reason
		£m	
1	Prevention, Provider & Support Services	(0.567)	Underspend on pay costs £(0.270)m due to vacancies, maximising capital for Tees Community Equipment spend £(0.154)m and a combination of underspend in running costs and additional income from Health £(0.146)m.
2	Access & Safeguarding Services	(0.534)	Underspend on pay costs £(0.482)m in the main due to vacancies and underspend on running costs
3	Access & Safeguarding Services: Temporary Accommodation	0.182	Increased use of hotels to provide temporary accommodation, £0.501m partially offset by utilisation of homelessness grants, £(0.319)m
4	Purchased Care : Residential	0.674	Increased Residential care costs, £1.023m, a net increase of 32 placements; is partially offset by additional income receivable from service users and Health care packages
5	Purchased Care: Enablement & Support	0.463	Overspend is driven by a net increase of 23 care packages, £0.495m, partially offset by additional health income receivable
6	Purchased Care: Personal Care	0.617	Overspend is driven by a net increase of care packages and revision of CHC income decisions, £0.571m, and old year invoices greater than the estimated accruals
7	Purchased Care: Other	0.496	Increased income from service user community care packages £(0.348)m, offset by higher costs driven from a net increase in demand, £0.845m
	Other variances +/- £150,000	0.027	
		<u>1.358</u>	

#### Key risks (not included in forecast):

Additional purchased care growth during Quarter Four has not been factored into the forecast outturn

## Appendix 1 - Detailed Directorate Revenue Budget Forecast Outturn 2023/24 as at Quarter Three

### Public Health Summary

	Original Budget Full Year	Current Budget Full Year	Forecast Outturn	Forecast Variance	Movement from Q2 (Forecast Variance)	Issues Ref. No.
	£m	£m	£m	£m	£m	
				Adv /(Fav)	Adv /(Fav)	
Substance Misuse	3.855	3.855	3.481	(0.374)	(0.066)	1
Misc Public Health	(12.163)	(11.978)	(12.040)	(0.062)	0.008	
Best Start In Life	3.279	3.279	3.279	0.000	0.000	
Health Protection	1.091	1.091	1.107	0.016	(0.001)	
Healthy Environments	0.144	0.144	0.144	0.000	0.000	
Ill Health Prevention	0.377	0.377	0.353	(0.024)	(0.020)	
Public Mental Health	0.137	0.137	0.131	(0.006)	0.000	
Transfer surplus to PH reserve	0.000	0.000	0.450	0.450	0.079	2
<b>Total Directorate</b>	<b>(3.280)</b>	<b>(3.095)</b>	<b>(3.095)</b>	<b>0.000</b>	<b>0.000</b>	

#### KEY ISSUES

<u>Ref. No.</u>	<u>Service Area</u>	<u>Forecast Variance</u> £m	<u>Reason</u>
1	Substance Misuse	(0.374)	A reduction in pay costs has arisen from delayed recruitment to vacant posts and a lower level of prescribing costs.
2	PH Reserve	0.450	It is proposed to transfer any underspend to an Public Health earmarked reserve, per the grant guidance/conditions
	Other variances +/- £150,000	(0.076)	
		<u>0.000</u>	

Children's Care Summary						
Children's Care	Original Budget Full Year	Current Budget Full Year	Forecast Outturn	Forecast Variance	Movement from Q2 (Forecast Variance)	Issues Ref. No.
	£m	£m	£m	£m	£m	
				Adv/(Fav)	Adv/(Fav)	
Assessments & Safeguarding Care Planning	9.618	9.871	8.388	(1.483)	0.010	1
Children Looked after, Corporate Parenting and Children with Disabilities	3.792	3.912	3.677	(0.235)	0.121	2
Fostering, Adoption and Connected Carers	16.824	16.830	17.471	0.641	(0.129)	3
External Residential	10.309	10.243	14.479	4.236	0.842	4
Internal Residential services	3.793	4.024	5.042	1.017	(0.455)	5
Other Services	6.287	6.524	5.503	(1.021)	(0.223)	6
Management, Business Development & Admin	4.026	4.288	4.016	(0.272)	(0.456)	7
<b>Total Directorate</b>	<b>54.649</b>	<b>55.692</b>	<b>58.576</b>	<b>2.884</b>	<b>(0.289)</b>	

**KEY ISSUES**

<u>Ref. No.</u>	<u>Service Area</u>	<u>Forecast Variance</u>	<u>Reason</u>
1	Assessments & Safeguarding Care Planning	(1.483)	A reduction in Assessments and Child in Need numbers has resulted in savings from Pay costs as vacant posts are held and S17 and team costs reduce.
2	Children Looked after, Corporate Parenting and Children with Disabilities	(0.235)	An underspend on Pay costs is due to vacant posts across the service along with reduced running costs
3	Fostering, Adoption and Connected Carers	0.641	An increase in placements and projected Inter-agency adoption fees will result in an overspend.
4	External Residential	4.236	An overspend is a result of increasing external residential numbers due to market sufficiency and lower Education contributions
5	Internal Residential services	1.017	An overspend is due to increased agency costs partially due to a delay in delivery of a saving initiative to increase in-house residential capacity
6	Other Services	(1.021)	An underspend on pay costs is due to vacant posts held across resource teams.
7	Management, Business Development & Admin	(0.272)	A favourable variance against budget due to hard to fill posts resulting in vacant posts
		<u>2.884</u>	

# Appendix 1 - Detailed Directorate Revenue Budget Forecast Outturn 2023/24 as at Quarter Three

## Education & Partnerships Summary

	Original Budget Full Year	Current Budget Full Year	Forecast Outturn	Forecast Variance	Movement from Q2 (Forecast Variance)	Issues Ref. No.
	£m	£m	£m	£m	£m	
				Adv/(Fav)	Adv/(Fav)	
Management Budgets	0.414	0.319	0.319	0.000	0.000	
Central & Schools DSG Funded Budget	(0.858)	(0.858)	(0.858)	(0.000)	(0.000)	
Achievement	0.704	0.814	0.719	(0.095)	(0.095)	
SEN & Vulnerable Learners	0.899	0.947	0.947	0.000	0.000	
Access to Education (Excl ITU)	0.109	0.132	0.153	0.022	0.005	
Integrated Transport Unit	3.707	3.820	5.301	1.481	(0.398)	1
Partnerships	0.517	0.564	0.599	0.036	(0.011)	
<b>Total Directorate</b>	<b>5.494</b>	<b>5.737</b>	<b>7.180</b>	<b>1.443</b>	<b>(0.500)</b>	

### KEY ISSUES

<u>Ref. No.</u>	<u>Service Area</u>	<u>Forecast Variance</u>	<u>Reason</u>
1	Integrated Transport Unit	1.481	An overspend is forecast within the Integrated Transport Unit as a result of increased demand for home to school transport combined with higher prices to supply services. Efforts continue to address through mitigations that have improved position from Quarter Two.
	Other variances +/- £150,000	(0.037)	
		<u>1.443</u>	

Appendix 1 - Detailed Directorate Revenue Budget Forecast Outturn 2023/24 as at Quarter Three

Regeneration Summary						
	Original Budget Full Year	Current Budget Full Year	Forecast Outturn	Forecast Variance	Movement from Q2 (Forecast Variance)	Issues Ref. No.
	£m	£m	£m	£m	£m	
				Adv/(Fav)	Adv/(Fav)	
Director Of Regeneration	0.132	0.137	0.137	0.000	0.000	
Economic Growth	0.090	0.115	(0.045)	(0.160)	(0.017)	1
Regeneration Development	(1.349)	(1.303)	(1.424)	(0.121)	(0.092)	
Planning Services	0.275	0.321	0.346	0.025	(0.091)	
Property Services	0.000	5.569	6.057	0.488	0.494	2
Highways & Transport	2.535	0.000	0.000	0.000	0.000	
Commercial	(4.698)	(4.676)	(5.060)	(0.384)	(0.055)	3
Cultural Services	1.117	0.906	0.652	(0.254)	(0.045)	4
Marketing & Comms	0.465	0.488	0.434	(0.054)	(0.012)	
Community Learning	(0.554)	(0.547)	(0.422)	0.125	(0.003)	
<b>Total Directorate</b>	<b>(1.987)</b>	<b>1.010</b>	<b>0.675</b>	<b>(0.335)</b>	<b>0.179</b>	

**KEY ISSUES**

Ref. No.	Service Area	Forecast Variance	Issue
1	Economic Growth	(0.160)	The majority of favourable variance is due to rental income at the Boho buildings expected to be higher than budget, creating an underspend of (£0.127m).
2	Property Services	0.488	The review of capitalisation of revenue costs within the Building Maintenance budget has resulted in a forecast overspend of £0.256m, this is an increase of £0.108m from Quarter Two. A review of the Running Costs budgets has resulted in a projected overspend of £0.086m which is predominantly due to increased utility costs, £0.296m worse than what was reported at Quarter Two. Cargo Fleet Depot is forecast to be overspent by £0.176m. This is also due to increased utility costs, an increase in business rates and repair and maintenance costs.
3	Commercial	(0.384)	The Captain Cook Shopping Precinct budget is projected to under achieve against budget by £0.241m. This is as a result of one of the major tenants, Wilko, going in to administration. The projected outturn includes a one off provision of £0.121m for a doubtful debt in relation to rent and service charge arrears owed by Wilko's. The Cleveland Centre income is forecast to over achieve against by (£0.406m). There are savings of (£0.230m) with the budgets for The Crown and House Of Fraser. These are one off savings due to the budget for House Of Fraser being removed from the MTFP in 2024/25.
4	Cultural Services	(0.254)	The Town Hall budgets are projected to over achieve against budget by (£0.134m), this is due to additional shows being scheduled as a result of the works to the Town Hall roof being postponed. The Museums budgets are forecast to over achieve against budget by (£0.109m), this is largely due to a number of vacant posts within the service and the success of the Titanic and Lego exhibitions at the Dorman which have provided significantly more income than originally anticipated.
	Other variances +/- £150,000	(0.025)	
		(0.335)	

## Appendix 1 - Detailed Directorate Revenue Budget Forecast Outturn 2023/24 as at Quarter Three

Environment & Community Services Summary						
	Original Budget Full Year	Current Budget Full Year	Forecast Outturn	Forecast Variance	Movement from Q2 (Forecast Variance)	Issues Ref. No.
	£m	£m	£m	£m	£m	
					Adv /(Fav)	
Strategic Asset Management	5.271	0.122	0.149	0.027	(0.004)	
Property & Commercial	(0.926)	(0.839)	(0.445)	0.394	0.020	1
Environment Services	13.225	16.448	17.493	1.045	0.327	2
ECS General	0.252	0.327	0.207	(0.120)	(0.070)	
Supporting Communities	2.406	2.603	2.257	(0.346)	(0.010)	3
Public Protection	0.000	0.739	0.600	(0.139)	(0.052)	
Parks	0.000	0.133	0.215	0.082	(0.036)	
<b>Total Directorate</b>	<b>20.228</b>	<b>19.533</b>	<b>20.476</b>	<b>0.943</b>	<b>0.175</b>	

### KEY ISSUES

#### Ref. No.

#### Service Area

#### Forecast Variance

#### Issue

1 Property & Commercial

0.394 Bereavement Services overspend is due to £0.299m, income shortfall largely due to a reduction in the number of Cremations, coupled with an increase in operational costs, £0.210m. This is partially offset by increased income from Universal Free School Meal funding, £(0.250)m

2 Environment Services

1.045 An overspend on Waste Disposal services is due to an increase in Tonnage price, additional plant shutdown costs and waste management fee rises, £0.960m. An overspend on Agency costs for fleet fitters due to recruitment issues, £0.123m as well as increased Energy costs for Street Lighting, £0.476m. This is partially offset by increase income from additional grant funding received towards Pothole Repairs and Street Lighting engineers recovered to the capital scheme for column replacement works.

3 Supporting Communities

(0.346) A favourable variance to budget from additional Grant Funding towards supporting Asylum Seekers & Refugees

Other variances +/- £150,000

(0.150)

**0.943**

## Appendix 1 - Detailed Directorate Revenue Budget Forecast Outturn 2023/24 as at Quarter Three

### Legal & Governance Services

	Original Budget Full Year	Current Budget Full Year	Forecast Outturn	Forecast Variance	Movement from Q2 (Forecast Variance)	Issues Ref. No.
	£m	£m	£m	£m	£m	
					Adv / (Fav)	
Legal Services	1.433	1.482	1.422	(0.060)	0.035	
Legal Children's Care	0.579	0.579	0.774	0.195	0.008	1
Democratic Services	1.649	1.722	1.708	(0.014)	0.020	
Human Resources	1.560	1.682	1.602	(0.080)	(0.001)	
Governance, Policy & Information	2.184	2.325	2.278	(0.047)	(0.017)	
ICT	2.473	2.577	2.497	(0.080)	0.000	
Coroner's Service	0.364	0.367	0.507	0.140	0.010	
Director of LGS	0.003	0.046	0.046	0.000	(0.005)	
<b>Total Directorate</b>	<b>10.245</b>	<b>10.780</b>	<b>10.834</b>	<b>0.054</b>	<b>0.050</b>	

#### KEY ISSUES

<u>Ref. No.</u>	<u>Service Area</u>	<u>Forecast Variance</u>	<u>Issue</u>
1	Legal Children's Care	0.195	Increased demand for Childrens Services has resulted in increased High Cost Court Cases requiring use of KC services.
	Other variances +/- £150,000	(0.141)	
		<u>0.054</u>	

# Appendix 1 - Detailed Directorate Revenue Budget Forecast Outturn 2023/24 as at Quarter Three

## Chief Executive Summary

	Original Budget Full Year	Current Budget Full Year	Forecast Outturn	Forecast Variance	Movement from Q2 (Forecast Variance)	Issues Ref. No.
	£m	£m	£m	£m	£m	
				Adv /(Fav)	Adv /(Fav)	
Chief Executive*	0.000	0.234	0.234	0.000	0.012	
<b>Total Directorate</b>	<b>0.000</b>	<b>0.234</b>	<b>0.234</b>	<b>0.000</b>	<b>0.012</b>	

\*Chief Executive was reported under Finance Directorate at beginning of 2023/24

### KEY ISSUES

<u>Ref. No.</u>	<u>Service Area</u>	<u>Forecast Variance (£)</u>	<u>Reason</u>
	No issues to report	0.000	
		<u>0.000</u>	

## Appendix 1 - Detailed Directorate Revenue Budget Forecast Outturn 2023/24 as at Quarter Three

### Finance Summary

	Original Budget Full Year	Current Budget Full Year	Forecast Outturn	Forecast Variance	Movement from Q2 (Forecast Variance)	Issues Ref. No.
	£m	£m	£m	£m	£m	
				Adv /(Fav)	Adv /(Fav)	
Chief Executive*	0.234	0.000	0.000	0.000	0.000	
Director of Finance	0.127	0.257	0.257	0.000	0.000	
Financial Planning & Support	0.686	0.951	0.951	0.000	0.000	
Central Support Services & Overheads to Grants	(1.831)	(1.836)	(1.836)	0.000	(0.000)	
Finance & Investments	2.395	2.419	2.419	0.000	(0.000)	
Pensions Governance & Investments	0.534	0.552	0.552	0.000	0.000	
Resident & Business Support - Operational / Non-Housing Benefits Subsidy	0.100	0.336	(0.609)	(0.945)	(0.418)	1
Resident & Business Support - Housing Benefits Subsidy	0.850	0.850	1.640	0.790	0.313	2
Strategic Commissioning & Procurement	1.335	1.652	1.472	(0.180)	(0.082)	3
<b>Total Directorate</b>	<b>4.429</b>	<b>5.181</b>	<b>4.846</b>	<b>(0.335)</b>	<b>(0.187)</b>	

\*Chief Executive was reported under Finance Directorate at beginning of 2023/24

#### KEY ISSUES

Ref. No.	Service Area	Forecast Variance (£)	Reason
1	Resident & Business Support - Operational / Non-Housing Benefits Subsidy	(0.945)	Underspend mainly due to (£0.687m) from review and revision of bad debt provision calculation, (£0.238m) court costs and Housing Benefits overpayment income overachieved against budget, (£0.180m) variances on staffing, general supplies and services and other income, offset by £0.160m pressure on increased postage costs
2	Resident & Business Support - Housing Benefits Subsidy	0.790	An overspend, £0.102m is due to an increase in the number of homelessness cases coupled with an increase in the cost of temporary accommodation and the resulting Housing Benefit Subsidy not covering these full costs. The remaining £0.890m is due to differences in the Housing Subsidy receivable between estimated and final, and due to the impact of prior year adjustments
3	Strategic Commissioning & Procurement	(0.180)	Staff savings on vacancies and maternity leave and underspend on grants
	Other variances +/- £150,000	0.000	
		<u>(0.335)</u>	

#### Key risks (not included in forecast)

Further increases in homelessness costs

## Appendix 1 - Detailed Directorate Revenue Budget Forecast Outturn 2023/24 as at Quarter Three

### Central Summary

	Original Budget Full Year	Current Budget Full Year	Forecast Outturn	Forecast Variance	Movement from Q2 (Forecast Variance)	Issues Ref. No.
	£m	£m	£m	£m	£m	
				Adv /(Fav)	Adv /(Fav)	
General Fund	(0.261)	(0.261)	(0.261)	0.000	0.000	
Capital Financing	9.276	9.276	9.403	0.127	0.117	
Added Years Pensions	1.216	1.216	1.249	0.033	0.066	
Change Fund	0.730	0.730	0.730	0.000	0.000	
Pay & Prices Contingencies	5.217	0.220	0.220	(0.000)	(1.451)	
Centrally Held Grants	(27.796)	(29.624)	(29.624)	0.000	0.000	
Corporate Governance	0.000	0.023	0.023	0.000	0.000	
Senior Management Review	0.086	0.049	0.000	(0.049)	0.000	
Flexible Use of Capital Receipts	(3.000)	(3.000)	(3.000)	0.000	0.000	
Contingency for Future Uncertainty	1.300	0.658	0.000	(0.658)	(0.658)	1
Supplier Incentive Payments Rebates	0.000	0.000	0.000	0.000	0.000	
External Audit	0.000	0.182	0.382	0.200	0.000	2
Fees & Charges Increases	0.000	0.121	0.000	(0.121)	(0.121)	
<b>Total Directorate</b>	<b>(13.232)</b>	<b>(20.411)</b>	<b>(20.878)</b>	<b>(0.467)</b>	<b>(2.047)</b>	

### KEY ISSUES

<u>Ref. No.</u>	<u>Service Area</u>	<u>Forecast Variance (£m)</u>	<u>Reason</u>
<u>1</u>	Contingency for Future Uncertainty	(0.658)	No planned further use of current £0.658m budget remaining. Note that amount remaining in budget at year end will depend on cashed capital receipts and therefore what, if any, can be switched to be funded from FUCR rather than Contingency budget. Additionally, final budget unused may change at year end once reconciliation between budgets provided to directorates against actual spend incurred is completed.
<u>2</u>	External Audit	0.200	Overspend is due to higher external audit fees arising from the additional work undertaken by the External Auditor in relation to the audit of the statutory accounts and in addressing governance issues associated with the Council's Best Value and governance failures. Also due to national issues in increased work required for audits and limited capacity in the audit market.
	Other variances +/- £150,000	(0.010)	
		<u>(0.467)</u>	

### Key risks (not included in forecast)

Further increase in external audit fees

## Appendix 2

### Detailed savings tracker of savings categorised as “Red” and “Amber” by Directorate

Saving Initiative	23/24 AMBER / RED (£m)	24/25 AMBER / RED (£m)	TOTAL (£m)
CC04: Re purpose Safe families Contract	0.056	0.019	0.075
CEN02: Senior Management Review	-	0.244	0.244
ECS06: Street Lighting approx. 1 in 2 lights turned off between midnight and 6am in less used spaces where safe to do so	-	0.074	0.074
ECS12: Reduce Council expenditure on Neighbourhood Safety and seek to maximise grant funding	-	0.417	0.417
LGS06: Delete Political assistant vacancy	-	0.019	0.019
CS01: Reduction in the use of high-cost external family support provision	0.319	0.318	0.637
CS04: Introduce supplier incentive Scheme across Children’s purchasing	0.031	0.031	0.062
CS06: Increase the in-house residential offer to reduce expenditure on external placements	0.787	1.061	1.848
CS07: Reduction in agency costs	0.076	0.380	0.456
CS10: Improved financial management linked to purchasing card expenditure	0.200	-	0.200
CS11: Review of educational contribution	0.100	-	0.100
<b>TOTAL</b>	<b>1.569</b>	<b>2.563</b>	<b>4.132</b>

### **Red/Amber saving detail**

**CC04:** Without ceasing the entire contract (which was not what was consulted on at budget setting process) the saving is unable to be realised.

**CEN02:** Delivery plan required to provide assurance saving will be achieved. Potential for this to be replaced with the Spans and layers analysis work.

**ECS06, ECS12:** Alternative proposal / mitigation required if saving is no longer progressing due to new Political Administration and change in direction.

**LGS06:** Saving unachievable due to the requirement to provide the Mayor with a Political Assistant resulting in the vacant post not being removed.

**CS01:** Element of saving at risk due to unsuccessful recruitment of support worker positions resulting in a reduced number being in post than originally planned.

**CS04:** No suppliers have signed up to the scheme to date. However, a new post has been recruited too within Procurement & Commissioning with the focus of rolling out the supplier incentive scheme.

**CS06:** Due to a lack of suitable / available properties the savings target will not be achieved. New proposals have been put forward for the development of internal resources as a whole focussing on external placements, commissioning arrangements, and purchasing of new homes (pending assurance and approval)

**CS07:** Conversions of agency to permanent have not taken place at the rate identified in the delivery plan. The wider agency budget is within tolerance however this is mainly due to staff vacancies within the service resulting in partial achievement of saving. Workforce Development Programme been put forward as part of a new proposal (pending assurance)

**CS10:** Delay in rolling out spending restrictions to staff, current analysis has not identified any savings to date.

**CS11:** Saving unachievable due to an existing budget pressure of £0.480m linked to Education DSG funding criteria. Reductions in the cost of placements will affect the ability to achieve education contributions as they fund a percentage of the total cost.

### **Savings Programme: 2023/24 temporary achievements**

The following savings have been made on a temporary basis for 2023/24 only and therefore have been RAG rated as “green” for this financial year.

Mitigation in the form of budget growth is being considered as part of budget setting process for all of these with the exception of LGS04 and RC04, and until these are formally removed as part of the approved budget for 2024/25 they remain a risk for 2024/25 as there is no delivery plan in place to achieve the savings permanently. The 2024/25 saving amount reflects the entirety of the saving where there is an existing 2024/25 saving to achieve.

<b>Saving Initiative</b>	<b>23/24 achievement (£m)</b>	<b>24/25 Cumulative pressure (£m)</b>
RC04: Reshaping of Economic Growth Team to provide a greater focus on town centre	0.100	0.100
ECS16: Increased use of Indigenous Growth Fund (IGF) grant funding to fund Council services in the Town Centre	0.142	0.142
ECS06: Street Lighting; reduced lighting between midnight and 6am, in less used spaces	0.074	0.148
ECS12: Reduce Council expenditure on Neighbourhood Safety and maximise grant funding	0.583	1.000
LGS04: Deletion of 2 project management posts	0.100	0.100
LGS06: Delete political assistant vacancy	0.020	0.039

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## Appendix 3 - Summary of projects approved for utilisation of Contingency Budgets and Change Fund

	<u>Corporate Contingency</u>	<u>Change Fund Reserve</u>
	£m	£m
<b>Starting Budget 2023/24</b>	<b>1.300</b>	
Budgeted contribution 2023/24		<b>0.730</b>
Additional contributions in year		<b>0.757</b>
<b>Available for use</b>	<b>1.300</b>	<b>1.487</b>
<b><u>Approved Corporate Governance Improvement Plan Management Interventions</u></b>		
Financial improvement - Interim finance lead - accounts closure and audit, financial reporting, systems, and	0.104	
Financial improvement - Interim finance lead - financial strategy, business partnering to improve VFM and support transformation programme	0.104	
Additional cost of Interim Section 151 Officer post above budget to drive transformation in Council's financial management arrangements and deliver financial recovery	0.125	
Specialist Children's Services Financial Consultant to support transformation and cost efficiency	0.098	
Consultancy support to establish comprehensive policy and methodology for setting and review of fees and charges to optimise income	0.029	
Interim Finance consultant - Infrastructure, assets and leasing	0.028	
Consultancy support to review financial and contract procedure rules	0.024	
Development and implementation of a Corporate Finance Dashboard to drive transformation - Qlikview migration from Alteryx to Power BI and Purchase of Power BI Licences	0.026	
Corporate Governance Improvement training for managers and members	0.052	
Middlesbrough Independent Advisory Improvement Board costs to support delivery of improved culture, governance and financial recovery	0.023	
Locum Governance solicitor to ensure scheme of delegation is up to date and complete	0.030	
Support to deliver corporate savings programme		0.040
	0.642	0.040
<b><u>Proposed invest to save transformation expenditure subject to s151 business case approval</u></b>		
Children's Care - Improvement Lead for Review of Placements		0.042
Children's Services - Review of staffing establishment		0.038
Adult Social Care - Transformation Lead and 5 reviewing staff to undertake reviews and transformation project including activity identified in Assistive Technology Transformation, developing the prevention hub, and review of the Connect Service		0.201
Finance specialist improvement to support transformation		0.000
Integrated Transport Unit - external resource for review		TBC
Finance - additional resource in Residents and Business Support to target reduction in aged debt and increase income of Council Tax, Business Rates and Sundry Debt		0.069
Additional resource to support the enforcement of compliance in procurement to achieve cost efficiency in supplies and services		0.040
Consultancy to support corporate level transformation - Stage 1		0.040
Consultancy to support corporate level transformation - Stage 2		0.150
Consultancy to support corporate level transformation - Stage 3		0.120
HR - additional Business Partner to support transformation		0.013
Data and analytics - additional resources to support transformation		0.060
Short term project resource and expertise to develop and source transformation opportunities		0.060
Interim ICT specialist to progress digital transformation		0.072
Change Fund schemes approved in previous years		0.034
ERVRS approved in year to date		0.029
LGS - Locum Senior Solicitor until 31/03/24		0.065
Children's Care - Transformation Lead		0.049
	<b>0.000</b>	<b>1.082</b>
<b>Allocated/Committed to date</b>	<b>0.642</b>	<b>1.122</b>
<b>BALANCE REMAINING UNCOMMITTED</b>	<b>0.658</b>	<b>0.365</b>

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**Appendix 4 : Proposed revenue budget virements above £250,000 at Quarter Three 2023/24  
(under Financial Procedure Rule 1.37)**

<i>Proposed Virement Request</i>	<b>Regeneration</b>	<b>Environment &amp; Community Services</b>	<b>Public Health</b>	<b>Education &amp; Partnerships</b>	<b>Children's Care</b>	<b>Adult Social Care</b>	<b>Legal &amp; Governance Services</b>	<b>Chief Executive</b>	<b>Finance</b>	<b>Central Budgets</b>
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b><u>Permanent</u></b>										
Allocation of the 23-24 Public Health Grant	(0.457)	(0.920)	7.289	(0.566)	(2.879)	(1.004)	(0.458)	0.000	(1.006)	0.000
Reversal of current allocation of 23-24 Public Health Grant	0.101	1.264	(4.095)	0.492	0.997	0.631	0.198	0.000	0.412	0.000
<b><u>Temporary</u></b>										
23/24 Pay Award Budget Uplift <i>Note these vires relate to the 23/24 effect based on filled posts - permanent effect for all budgeted posts will be provided as part of 24/25 budget setting</i>	0.320	1.489	0.000	0.362	1.043	0.868	0.462	0.000	0.452	(4.997)
<b>Total Virement</b>	<b>(0.036)</b>	<b>1.834</b>	<b>3.194</b>	<b>0.288</b>	<b>(0.840)</b>	<b>0.495</b>	<b>0.202</b>	<b>0.000</b>	<b>(0.142)</b>	<b>(4.997)</b>
									<b>Total:</b>	<b>0.000</b>

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## Appendix 5 : Capital Programme Quarter Three 2023/24 – Details of capital slippage

Capital slippage is a way of reprofiling capital budgets between financial years to match forecast timing of expenditure, whilst staying within the approved project budget.

The following details the slippage from Quarter Two to Quarter Three. Details of the slippage from Quarter One to Quarter Two were shown in Appendix 6 of the Quarter Two budget monitoring report. These added together total the £18.891m total slippage for 2023/24 as at the end of Quarter Three.

Project	Scheme	2023/24 £m	2024/25 £m	2025/26 £m	Funding Source	Slippage Explanation
Regeneration	Middlehaven Projects	-	(0.500)	0.500	Council Borrowing	No specific scheme has been identified to date.
Regeneration	Housing Growth	0.006	(2.963)	2.957	Council Borrowing / Other Contributions	Expenditure profile reviewed to align with planned infrastructure works at Nunthorpe Grange and Newham Hall.
Regeneration	Boho X	(0.600)	(5.000)	5.600	Grant	£0.600m of costs relating directly to wider Boho region will now be spent in 2024/25, the remaining unallocated grant will be transferred to and used on Captain Cook Shopping Precinct and other schemes in 2025/26
Regeneration	Towns Fund	(0.228)	(11.415)	11.643	Grant	Predominantly housing initiatives which following Town Deal Board approval will be spent on Homelessness initiatives and infrastructure works at Newham Hall in 2025/26. Other re-profiling into includes the Old Town Hall and Nunthorpe Community Hub
Regeneration	Towns Fund - East Middlesbrough Community Hub	-	(3.218)	3.218	Council Borrowing / Grant	Delay in planned expenditure due to a final design of the building still to be determined.
Regeneration	Acquisition Of Town Centre Properties	-	(1.207)	1.207	Council Borrowing	There are not currently any plans to acquire properties within the town centre.
Regeneration	Affordable Housing Via Section 106	-	(1.495)	1.495	Council Borrowing / Other Contributions	There are currently no affordable housing scheme plans in place to expend the funds.
Regeneration	Highways Infrastructure Development Section 106	-	(1.442)	1.442	Council Borrowing / Other Contributions	Expenditure profile reviewed to align with planned infrastructure works at Newham Hall.
Regeneration	Property Services Investment Programme	0.381	(0.381)	-	Council Borrowing	Numerous works brought forward, including fire audit works and those on commercial units.
Regeneration	Town Hall Roof	-	(2.149)	2.149	Council Borrowing	Planned works on the roof have been paused until prioritisation of which elements of this and the Municipal element of the roof are repaired are agreed.
Regeneration	Resolution House	0.010	(0.502)	0.492	Council Borrowing	
Regeneration	Cleveland Centre	(0.321)	(0.713)	1.034	Council Borrowing	
Regeneration	Cultural Development Fund - Enhancements To Central Library & Partner Organisations	(0.699)	0.699	-	Grant	Delays in funded body signing legal agreements.
Regeneration	Other Small Scale Slippage Across The Directorate	(0.030)	0.043	(0.013)		
	<b>Regeneration Total</b>	<b>(1.481)</b>	<b>(30.243)</b>	<b>31.724</b>		
Environment and Community Services	Purchase of New Vehicles	(0.500)	(1.000)	1.500	Council Borrowing	Increasing lead in time between ordering and delivery have meant that some high cost vehicles such as refuse wagons, gritters will now not be received until after 31 March 2024
Environment and Community Services	Bridges & Structures (Non Local Transport Plan)	(1.000)	(0.500)	1.500	Council Borrowing	Linby and Belle Vue bridges costs higher than expected resulting in further contract negotiations. North Ormesby & Borough Rd detailed inspections revealed additional essential works resulting in the need for re-tender.
Environment and Community Services	Highways Infrastructure	(0.700)	(0.300)	1.000	Council Borrowing	Delays from contractors regarding the pricing negotiations have resulted in the need to carry forward part of the resource into 2024/25.
Environment and Community Services	Urban Traffic Management Control 2	(0.988)	0.988	-	Grant	Final specifications and timescales have now been established which has resulted in the need to carry forward the grant received from TVCA into 2024/25.
Environment and Community Services	Linthorpe Road Cycleway	(0.424)	0.424	-	Grant	A decision to remove the cycleway has been deferred by Members until the Council's financial situation has settled. Therefore any additional works have been put on hold until a final decision is made
Environment and Community Services	Local Transport Plan-General Traffic Management	0.769	(0.769)	-	Grant	Grant brought into 2023/24 to replace Council funding which has been removed from programme.
Environment and Community Services	Newport Bridge	0.060	(0.238)	0.178	Council Borrowing	Emergency safety works were needed to be carried out on the bridge which resulted in Stockton Council reviewing the original repairs and painting schedule.
Environment and Community Services	Other Small Scale Slippage Across The Directorate	(0.122)	0.122	-	Council Borrowing / Grant	
	<b>Environment and Community Services Total</b>	<b>(2.905)</b>	<b>(1.273)</b>	<b>4.178</b>		
Public Health	Other Small Scale Slippage Across The Directorate	(0.036)	0.036	-	Contribution	
	<b>Public Health Total</b>	<b>(0.036)</b>	<b>0.036</b>	<b>0.000</b>		

## Appendix 5 : Capital Programme Quarter Three 2023/24 – Details of capital slippage

Capital slippage is a way of reprofiling capital budgets between financial years to match forecast timing of expenditure, whilst staying within the approved project budget.

The following details the slippage from Quarter Two to Quarter Three. Details of the slippage from Quarter One to Quarter Two were shown in Appendix 6 of the Quarter Two budget monitoring report. These added together total the £18.891m total slippage for 2023/24 as at the end of Quarter Three.

Project	Scheme	2023/24 £m	2024/25 £m	2025/26 £m	Funding Source	Slippage Explanation
Education and Partnerships	St Bernadette's expansion scheme	(0.250)	0.250	-	Grant	The design of the scheme has not finalised, resulting in delays in implementation.
Education and Partnerships	Basic Needs Block Budget	-	(1.750)	1.750	Grant	The expenditure profile has been reviewed and re-aligned to ensure that schemes are undertaken in a timely manner in order to accommodate assumed pupil numbers.
	Other Small Scale Slippage Across The Directorate	(0.419)	0.359	0.060	Grant	
	<b>Education and Partnerships Total</b>	<b>(0.669)</b>	<b>(1.141)</b>	<b>1.810</b>		
Children's Care	Children's Services Financial Improvement Plan	(0.232)	(2.128)	2.360	Council	The strategy for the acquisition of suitable accommodation facilities has been reviewed which has caused delays to the acquisition programme.
	<b>Children's Care Total</b>	<b>(0.232)</b>	<b>(2.128)</b>	<b>2.360</b>		
Adult Social Care and Health Integration	Other Small Scale Slippage Across The Directorate	(0.218)	0.218	-	Council Borrowing / Grant / Other Contributions	
	<b>Adult Social Care and Health Integration Total</b>	<b>(0.218)</b>	<b>0.218</b>	<b>0.000</b>		
Legal and Governance Services	IT Refresh	(0.650)	0.650	-	Council Borrowing	Pricing negotiations in relation to enterprise agreements and licences and the number of licences required have resulted in less costs than anticipated. Additionally, delays have been encountered on the Sharepoint project due to finalisation of specifications.
	Other Small Scale Slippage Across The Directorate	(0.037)	0.037	-	Council Borrowing	
	<b>Legal and Governance Services Total</b>	<b>(0.687)</b>	<b>0.687</b>	<b>0.000</b>		
	<b>TOTAL</b>	<b>(6.228)</b>	<b>(33.844)</b>	<b>40.072</b>		

**Appendix 6 - Revised Capital Programme to 2025/26**

	Actual	Forecast Expenditure			TOTAL
	2022/23	2023/24	2024/25	2025/26	
	£m	£m	£m	£m	£m
<b>Regeneration</b>					
Town Centre Related Projects	0.736	1.082	0.158	-	1.976
Middlehaven Related Projects	-	-	0.007	0.500	0.507
Housing Growth	0.042	0.058	0.435	2.957	3.492
BOHO X	10.610	1.799	0.600	-	13.009
Unallocated Grant Following Completion Of Boho X Project	-	-	-	5.600	5.600
BOHO 8	0.002	-	-	-	0.002
Brownfield Housing Fund	0.236	0.068	-	-	0.304
Towns Fund	2.275	1.029	1.528	11.630	16.462
Towns Fund - East Middlesbrough Community Hub	0.218	0.051	0.400	3.218	3.887
Future High Streets Fund	5.621	6.303	1.300	-	13.224
Acquisition of Town Centre Properties	-	-	-	1.207	1.207
Acquisition of The Crown	0.785	0.102	-	-	0.887
Live Well Relocation	-	0.100	-	-	0.100
New Civic Centre Campus	5.358	0.200	0.210	-	5.768
Middlesbrough Development Company	6.480	2.665	1.702	-	10.847
Teesside Advanced Manufacturing Park	0.010	0.005	-	-	0.015
Local Authority Delivery 2 Green Homes Grant	0.798	-	-	-	0.798
Capitalisation Of Major Schemes Salaries	0.530	0.530	0.530	0.530	2.120
Capitalisation of Planning Services Surveys	0.020	0.030	0.090	0.040	0.180
Affordable Housing Via Section 106	-	-	-	1.495	1.495
Highways Infrastructure Development Section 106	-	-	1.500	1.442	2.942
Zetland Solar Panels	0.100	-	-	-	0.100
Lingfield Education Units	0.038	0.009	-	-	0.047
Levelling Up Fund - South Middlesbrough Accessibility	-	0.140	3.863	0.809	4.812
Derisking Sites	0.105	0.200	1.000	1.566	2.871
Gresham Projects	0.010	-	-	-	0.010
Property Services Building Investment	0.340	0.340	0.340	0.340	1.360
Property Asset Investment Programme	1.661	0.781	1.084	1.866	5.392
Captain Cook Public House	0.255	0.013	-	-	0.268
Town Hall Roof	0.044	-	0.807	2.149	3.000
Municipal Buildings Refurbishment	-	0.307	1.193	-	1.500
Resolution House	0.085	0.010	-	0.492	0.587
Cleveland Centre	0.310	0.126	0.500	1.034	1.970
Changing Places Toilet Albert Park	0.083	0.007	-	-	0.090
Members Small Schemes	0.063	0.098	0.120	0.060	0.341
Empty Homes 2015 To 2018	0.128	-	-	-	0.128
Theatre Bar Refurbishment	0.004	0.040	-	-	0.044
Leisure Trust Investment - Equipment	0.002	0.804	-	-	0.806
Stewart Park Section 106	0.006	0.005	0.034	-	0.045
Investment In Parks	0.035	0.016	-	-	0.051
Teessaurus Park	0.043	-	-	-	0.043
Archives Relocation	0.126	-	-	-	0.126
Cultural Development Fund - Enhancements to Central Library & Partner Organisations	0.101	0.163	4.181	-	4.445
Museum Estate and Development Fund	-	0.331	-	-	0.331
<b>Total Regeneration</b>	<b>37.260</b>	<b>17.412</b>	<b>21.582</b>	<b>36.935</b>	<b>113.189</b>

Council Funding	External Funding
£m	£m
1.558	0.418
0.500	0.007
2.792	0.700
2.062	10.947
-	5.600
-	0.002
-	0.304
0.100	16.362
2.600	1.287
-	13.224
1.207	-
0.887	-
-	0.100
5.768	-
6.165	4.682
0.015	-
-	0.798
2.120	-
0.180	-
0.302	1.193
0.142	2.800
0.070	0.030
0.047	-
-	4.812
2.869	0.002
0.008	0.002
1.360	-
5.392	-
-	0.268
3.000	-
1.500	-
0.587	-
1.970	-
0.010	0.080
0.341	-
-	0.128
0.044	-
0.806	-
-	0.045
0.051	-
0.043	-
0.038	0.088
0.087	4.358
0.020	0.311
<b>44.641</b>	<b>68.548</b>

	Actual	Forecast Expenditure			TOTAL
	2022/23	2023/24	2024/25	2025/26	
	£m	£m	£m	£m	£m
<b>Environment and Community Services</b>					
Purchase of New Vehicles	0.734	2.819	2.197	3.760	9.510
Capitalisation of Wheeled Bin Replacement	0.100	0.100	0.100	0.100	0.400
Replacement Wheeled Bins As Part Of Waste Strategy Review	-	1.200	-	-	1.200
Capitalisation Of Street Furniture / Dog Fouling & Litter Bins	0.055	0.055	0.055	0.055	0.220
Capitalisation of Highways Maintenance	0.575	0.575	0.575	0.575	2.300
Waste Disposal Plant Investment	0.139	-	-	-	0.139
Local Transport Plan - Highways Maintenance	2.433	2.535	2.638	4.678	12.284
Local Transport Plan - Incentive Funding	0.805	1.036	1.377	2.130	5.348
Street Lighting-Maintenance	0.465	0.468	0.468	0.468	1.869
Urban Traffic Management Control 1	0.163	0.074	-	-	0.237
Flood Prevention	0.023	-	-	-	0.023
Section 106 Ormesby Beck	-	0.015	-	-	0.015
Section 106 Cypress Road	-	0.020	-	-	0.020
Hostile Vehicle Mitigation	0.100	0.031	-	-	0.131
Bridges & Structures (Non Local Transport Plan)	0.707	1.782	2.620	3.740	8.849
Transporter Bridge	-	0.216	-	-	0.216
Henry Street	0.001	-	0.039	-	0.040
CCTV	0.168	0.141	0.060	-	0.369
Cargo Fleet Nature Reserve	0.047	0.047	-	-	0.094
Towns Fund Initiatives	0.399	0.280	0.071	-	0.750
Traffic Signals - Tees Valley Combined Authority	0.301	0.073	-	-	0.374
Hemlington MUGA	0.030	-	-	-	0.030
Highways Infrastructure	1.374	2.426	2.700	1.000	7.500
Libraries Improvement Fund	0.023	0.027	0.070	-	0.120
Urban Traffic Management Control 2	0.129	1.400	0.988	-	2.517
Traffic Signals Non Tees Valley Combined Authority	-	0.250	1.550	0.980	2.780
Newport Bridge	-	0.335	1.000	1.795	3.130
Street Lighting Column Replacement	-	0.464	0.464	0.500	1.428
Linthorpe Road Cycleway	1.425	-	0.424	-	1.849
Replacement of Pay & Display	0.026	0.163	-	-	0.189
<b>Total Environment and Community Services</b>	<b>10.222</b>	<b>16.532</b>	<b>17.396</b>	<b>19.781</b>	<b>63.931</b>

Council Funding	External Funding
£m	£m
9.510	-
0.400	-
1.200	-
0.220	-
2.300	-
0.139	-
-	12.284
0.003	5.345
1.869	-
-	0.237
-	0.023
-	0.015
-	0.020
0.131	-
8.849	-
0.108	0.108
-	0.040
0.369	-
-	0.094
-	0.750
-	0.374
0.030	-
7.500	-
-	0.120
-	2.517
2.030	0.750
3.130	-
1.428	-
-	1.849
0.026	0.163
<b>39.242</b>	<b>24.689</b>

	Actual	Forecast Expenditure			TOTAL
	2022/23	2023/24	2024/25	2025/26	
	£m	£m	£m	£m	£m
<b>Public Health</b>					
Relocation Of The Safe Haven To Middlesbrough Bus station	0.219	0.031	-	-	0.250
New Project - Live Well East – Internal Alterations & Improvements	-	0.120	0.043	-	0.163
<b>Total Public Health</b>	<b>0.219</b>	<b>0.151</b>	<b>0.043</b>	<b>-</b>	<b>0.413</b>

Council Funding	External Funding
£m	£m
0.105	0.145
-	0.163
<b>0.105</b>	<b>0.308</b>

	Actual	Forecast Expenditure				TOTAL
	2022/23	2023/24	2024/25	2025/26		
	£m	£m	£m	£m	£m	
<b>Education and Partnerships</b>						
Block Budget (Grant) Devolved Formula Capital - Various Schools	-	-	0.129	-	0.129	
Block Budget (Grant) Devolved Formula Capital (Energy Efficiency) - Various Schools	-	-	0.077	-	0.077	
Block Budget (Grant) Section 106 Avant Low Gill	-	-	-	0.035	0.035	
Block Budget (Grant) School Condition Allocation	-	-	0.773	-	0.773	
Block Budget (Grant) Basic Needs	-	0.018	1.766	1.775	3.559	
Block Budget (Grant) High Needs Provision Capital Allocation (HNPCA)	-	-	0.515	-	0.515	
Block Budget Childcare Expansion Grant	-	-	0.231	-	0.231	
Schemes In Maintained Primary Schools	1.047	0.892	0.075	-	2.014	
Schemes In Primary Academies	-	0.154	0.250	0.250	0.654	
Schemes In Secondary Academies	2.414	0.157	1.036	0.300	3.907	
Schemes In Special Schools	0.480	1.303	6.071	0.366	8.220	
Capitalisation Of Salary Costs	0.109	0.111	0.115	-	0.335	
Contribution To New School at Middlehaven	-	0.500	0.400	0.746	1.646	
Block Budget (Grant) EFA Early Years 2 Year olds Entitlement (Trajectory Project)	-	0.007	-	-	0.007	
Special Education Needs Projects	-	0.245	0.424	-	0.669	
Sandringham House (Hospital Teaching Service)	-	-	0.125	0.125	0.250	
Family Hubs	-	0.082	0.053	-	0.135	
<b>Total Education and Partnerships</b>	<b>4.050</b>	<b>3.469</b>	<b>12.040</b>	<b>3.597</b>	<b>23.156</b>	

Council Funding	External Funding
£m	£m
-	0.129
-	0.077
-	0.035
-	0.773
-	3.559
-	0.515
-	0.231
0.489	1.525
-	0.654
-	3.907
0.064	8.156
-	0.335
0.646	1.000
-	0.007
-	0.669
-	0.250
-	0.135
<b>1.199</b>	<b>21.957</b>

	Actual	Forecast Expenditure				TOTAL
	2022/23	2023/24	2024/25	2025/26		
	£m	£m	£m	£m	£m	
<b>Children's Care</b>						
Rosecroft renovations	0.008	-	-	-	0.008	
34 Marton Avenue, Fir Tree - Garage Conversion	0.009	-	-	-	0.009	
Contact Centre - Bus Station Unit 1	0.234	0.017	-	-	0.251	
Bathroom Refurbishment	0.005	-	-	-	0.005	
Holly Lodge Sensory Room	0.089	0.011	-	-	0.100	
Transformational Expenditure Funded Through Flexible Use Of Capital Receipts	0.755	3.000	-	-	3.755	
Caravan Purchase	-	0.050	-	-	0.050	
Children's Services Financial Improvement Plan	-	0.105	2.035	2.360	4.500	
<b>Total Children's Care</b>	<b>1.100</b>	<b>3.183</b>	<b>2.035</b>	<b>2.360</b>	<b>8.678</b>	

Council Funding	External Funding
£m	£m
0.008	-
0.009	-
0.251	-
0.005	-
0.022	0.078
3.755	-
0.050	-
4.500	-
<b>8.600</b>	<b>0.078</b>

	Actual	Forecast Expenditure				TOTAL
	2022/23	2023/24	2024/25	2025/26		
	£m	£m	£m	£m	£m	
<b>Adult Social Care</b>						
Chronically Sick & Disabled Persons Act - All schemes	0.788	0.938	0.702	0.610	3.038	
Disabled Facilities Grant - All schemes	1.963	2.264	0.376	-	4.603	
Capitalisation of Staying Put Salaries	0.050	0.050	0.050	0.050	0.200	
Home Loans Partnership (formerly 5 Lamps)	0.006	0.005	0.070	-	0.081	
Small Schemes	-	-	0.015	-	0.015	
Connect / Telecare IP Digital Switchover	0.077	0.170	-	-	0.247	
<b>Total Adult Social Care</b>	<b>2.884</b>	<b>3.427</b>	<b>1.213</b>	<b>0.660</b>	<b>8.184</b>	

Council Funding	External Funding
£m	£m
1.304	1.734
-	4.603
0.100	0.100
-	0.081
-	0.015
-	0.247
<b>1.404</b>	<b>6.780</b>

	Actual	Forecast Expenditure				TOTAL
	2022/23	2023/24	2024/25	2025/26		
	£m	£m	£m	£m	£m	
<b>Legal and Governance Services</b>						
Desktop Strategy / Device Refresh	0.739	0.380	-	-	1.119	
Enterprise Agreements	0.922	0.935	-	-	1.857	
CRM	0.041	-	-	-	0.041	
IT Refresh - Network Refresh	0.283	0.178	-	-	0.461	
IT Refresh - Lights On	0.313	0.364	-	-	0.677	
ICT Essential Refresh & Licensing	0.517	0.472	2.313	2.185	5.487	
GIS Replacement	0.039	-	-	-	0.039	
Prevention & Partnership Tablets	0.051	-	-	-	0.051	
Sharepoint	0.318	0.541	-	-	0.859	
HR Recruitment	-	0.047	-	-	0.047	
IKEN	-	0.038	-	-	0.038	
HR Pay	-	-	0.037	-	0.037	
Capitalisation of Transformation Expen (FCR)	-	-	-	-	-	
<b>Total Legal and Governance Services</b>	<b>3.223</b>	<b>2.955</b>	<b>2.350</b>	<b>2.185</b>	<b>10.713</b>	

Council Funding	External Funding
£m	£m
1.119	-
1.857	-
0.041	-
0.461	-
0.677	-
5.487	-
0.039	-
0.051	-
0.859	-
0.047	-
0.038	-
0.037	-
-	-
<b>10.713</b>	<b>-</b>

	Actual	Forecast Expenditure				TOTAL
	2022/23	2023/24	2024/25	2025/26		
	£m	£m	£m	£m	£m	
<b>Finance</b>						
Former Partnership Investment (ICT Infrastructure Revenues & Benefits)	0.003	-	0.264	-	0.267	
Business World Upgrade	0.001	-	0.026	-	0.027	
Capitalisation of Property Finance Lease Arrangements	-	-	4.500	-	4.500	
<b>Total Finance</b>	<b>0.004</b>	<b>-</b>	<b>4.790</b>	<b>-</b>	<b>4.794</b>	

Council Funding	External Funding
£m	£m
0.267	-
0.027	-
4.500	-
<b>4.794</b>	<b>-</b>

	Actual	Forecast Expenditure				TOTAL
	2022/23	2023/24	2024/25	2025/26		
	£m	£m	£m	£m	£m	
<b>ALL DIRECTORATES</b>						
<b>Total ALL DIRECTORATES</b>	<b>58.962</b>	<b>47.129</b>	<b>61.449</b>	<b>65.518</b>	<b>233.058</b>	

Council Funding	External Funding
£m	£m
<b>110.698</b>	<b>122.360</b>

	Actual	Forecast Funding				TOTAL
	2022/23	2023/24	2024/25	2025/26		
	£m	£m	£m	£m	£m	
<b>FUNDED BY:</b>						
Borrowing	24.597	19.300	23.037	28.009	94.943	
Capital Receipts	0.755	3.000	6.000	6.000	15.755	
Grants	30.653	23.644	29.897	27.931	112.125	
Contributions	2.957	1.185	2.515	3.578	10.235	
<b>Total FUNDING</b>	<b>58.962</b>	<b>47.129</b>	<b>61.449</b>	<b>65.518</b>	<b>233.058</b>	

Council Funding	External Funding
£m	£m
94.943	-
15.755	-
-	112.125
-	10.235
<b>110.698</b>	<b>122.360</b>

<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Director of Regeneration
<b>Relevant Executive Member:</b>	Executive Member for Regeneration
<b>Submitted to:</b>	Executive
<b>Date:</b>	14 February 2024
<b>Title:</b>	Levelling Up Partnership
<b>Report for:</b>	Decision
<b>Status:</b>	Public
<b>Strategic priority:</b>	Quality of service
<b>Key decision:</b>	Yes
<b>Why:</b>	Decision(s) will incur expenditure or savings above £250,000
<b>Subject to call in?:</b>	Yes
<b>Why:</b>	Non-urgent Report, and place on Executive Forward Work Programme.

<b>Executive summary</b>	
<p>This report seeks an Executive decision for Middlesbrough Council to agree to a package of projects to be delivered through Levelling Up Partnership capital funding.</p> <p>Middlesbrough was identified in the Spring Budget of 2023 as one of 20 Levelling up Partnership areas; based on deprivation indices. Each area was to receive enhanced capital funding support of up to £20.816m to invest in initiatives which would impact some of the most pervasive and pernicious issues which limit the life chances of Middlesbrough residents.</p> <p>Following a desktop exercise conducted by the Department of Levelling Up, Housing and Communities (DLUHC), internal and external stakeholders were engaged to identify the most pressing issues facing Middlesbrough and develop a deliverable package of interventions.</p> <p>The decision being sought to invest is a key decision with the value of proposed investment exceeding the £250,000 threshold.</p>	

## Purpose

1. The purpose of the report is to seek Executive approval for Middlesbrough Council to accept £20.816 million of Levelling Up Partnership (LUP) funding and agree as the Accountable Body to deliver and enable local partners to deliver the package of proposed projects.
2. Having been identified as an area of need by Government, Middlesbrough Council has been working alongside the Department for Levelling Up Homes and Community (DLUHC) to develop a series of projects to be delivered by 31<sup>st</sup> March 2025, to address Middlesbrough's greatest areas of need. The funding will be provided under a S31 grant to the authority, and is expected to be provided in two tranches of approximately £9.900m in 2023 -2024 and £10.916 in 2024 - 2025 financial years. The first payment of £9.9m was received in December 2023.

## Background & relevant information

3. Levelling up partnerships aim to bring the collective power of Government to provide bespoke place-based regeneration in twenty of England's areas in greatest need of levelling up over 2023-24 and 2024-25.
4. Middlesbrough has been selected based on the analysis in the levelling up White Paper which considered places in England against four key metrics: the percentage of adults with Level 3+ qualifications; gross value added (GVA) per hour worked; median gross weekly pay; and healthy life expectancy.
5. There is up to £20.816m capital resource available for the Levelling Up Partnership in FY 2023 - 2024 and 2024 - 2025. Total funding allocated will depend on the policies agreed and subject to business case approvals.
6. Awarded capital resource can cover expenditure on assets, investment in existing assets and capital grants to third parties, with respect to this programme this will be delivered via capital grant from Central Government which will fund capital costs of delivering bespoke local programmes.
7. Revenue resource spending is money that is spent on day-to-day resources (i.e. spent on goods or services that are consumed within one financial year). Revenue budgets are very limited and also fund the delivery of the programme internally. DLUHC are not providing accountable bodies with revenue unless there is a strong case that it is a) deemed strategically critical, b) is not intended to meet Business as Usual (BAU) pressures, c) is non-recurrent. Modest amounts of LUP revenue may be made available in specific cases to enable faster delivery of capital funding.
8. DLUHC ministers will make the final decisions on all funding proposals and policy interventions in each Levelling Up Partnership Location.
9. All funding proposals will require a business case which has been approved through DLUHC and His Majesty's Treasury (HMT) clearance processes. DLUHC will produce business cases but will rely on local authorities and other local partners to provide information on their internal governance and commercial processes and on the delivery and value for money parameters of the specific projects being considered.
10. Subject to approved business cases, grants will be given as a direct award to Partnerships on an allocative basis as a S31 unringfenced grant payment. Grants will be

directly awarded to each of the Accountable Bodies. Accountable Bodies are responsible for ensuring the delivery of the programmes in accordance with the funding conditions issued by DLUHC in their Grant Determination Letter. Grant recipients will primarily be local authorities.

11. DLUHC expect that interventions will be delivered through non-ringfenced section 31 grants to local authorities acting as the Accountable Body. These will be administered by the relevant lower-tier local authority (i.e., unitary, borough or district) in line with the terms of its existing procurement, delivery and governance structures and constitutional arrangements. Grant Determination Letters, will set out how DLUHC expect local authorities to spend the funding provided and how they will monitor and report delivery.
12. Where interventions are being delivered by local authorities, DLUHC will work with them to agree what milestones should be set on the package as a means of monitoring progress and to ensure projects are being delivered to schedule. There will be a minimum expectation of a quarterly check point between DLUHC and the local authority on progress and learning for the first year and then move to six monthly reviews. This will be done as part of wider DLUHC engagement wherever possible.
13. Once policies are agreed and approved, DLUHC will agree a final list of priority outcomes for the Council for monitoring and evaluation purposes, which reflect the overall theory of change for the partnership and the specific interventions agreed.
14. In order for the DLUHC Accounting Officer to be able to sign-off on grant funding to local authorities, they require assurance through certification of the Grant Determination Letter from the Section 151 officer at the Council that if they were to receive funds they would be utilised to honour the programme of works agreed as interventions. The respective annual funding must be defrayed by the end of each relevant financial year. The strict definition of 'defrayal' in accounting terms means that the funds must have been expended from the Council's bank account by the 31 March each financial year.
15. As we are well into the 2023 - 2024 financial year at the time of this report. It is extremely difficult to defray funds against the prescribed programme interventions. However, as a S31 grant payment, the funding can be used to off-set alternative Council spend against the capital programme, on the understanding that this off-set funds the agreed LUP programme interventions at the earliest opportunity. The programme delivery package should be complete by 31 March 2025. The Finance Department confirms that there is sufficient Capital programme spend in both 2023 - 2024 and 2024 - 2025 to legitimately offset the LUP funding, should it be required.
16. This provides the Interim Director of Finance(S151), with the appropriate comfort and authority to apply the grant to alternative Capital commitments, allowing for the LUP programme package to be delivered compliantly.

## **Proposed Programme**

17. Through Middlesbrough's selection as a Levelling Up Partnership, DLUHC firstly led on a piece of research to understand the most immediate needs of the towns. This was achieved though the study of data and discussions with key stakeholders, which included Council departments and external organisations.

18. Findings were then presented to Middlesbrough Council and a long list of projects was established to address the areas of greatest need, as well as tackling regional issues such as skills requirements for projects such as Teesworks.

19. Full details of the programme can be found in Appendix A, an overview can be seen below:

Project	Indicative Spend Profile		
	2023 – 2024 £m	2024 - 2025 £m	Total £m
Live Well Centre Relocation	0.500	3.500	4.000
Live Well East	0.500	0.650	1.150
New Employment Hub in Cleveland Shopping Centre	0.200	1.050	1.250
Middlesbrough College improvements	2.200	0.000	2.200
Middlesbrough College expansion (purchase of 100 Russell Street)	3.700	0.000	3.700
Family Hubs facilities	0.000	1.100	1.100*
Crime and ASB improvements	0.400	1.500	1.900
House of Fraser refurbishment pilot	0.500	1.500	2.000
Playzones	0.000	0.125	0.125*
The Junction	0.500	0.500	1.000*
The International Centre	0.000	0.250	0.250*
Increase Temporary Accommodation stock	1.400	0.741	2.141
	<b>10.000</b>	<b>10.9166</b>	<b>20.816</b>

\*budget will be adjusted subject to match funding from various sources – maximum programme resource £20.816m.

### What decision(s) are being recommended?

20. That Executive:

- a) approves the Levelling Up Partnership Programme as set out in appendix A;
- b) approves the acceptance of funding and Council status as accountable body for the funds – on the basis that the the formal grant offer letter is in the form of an unringfenced S31 Capital grant and funding conditions being achievable; and, formally approved by the Director of Finance (S151); and,
- c) approves that the submission of any programme amendments / change control processes with DLUHC be delegated to the Director of Regeneration and Culture, and Director of Finance (S151), subject to consultation with the relevant Executive members.

### Rationale for the recommended decision(s)

21. The LUP funding provides the opportunity to carry out a range of interventions that would not be possible without external funding. Each project has been designed to address an evidence-based need within the town, that will benefit a wide number of residents.

## **Other potential decision(s) and why these have not been recommended**

### ***Do nothing***

22. Not accepting the funding would represent a missed opportunity to provide new facilities, improve existing ones and create new opportunities for Middlesbrough residents.

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

23. To successfully deliver the above programme the Section 151 Officer is required to assure that Middlesbrough can defray capital of £9.900m and £10.916m (equivalent to the grant received) in each of the 2023 - 2024 and 2024 - 2025 financial years, whilst undertaking to deliver the programme interventions, with the balance allocated. The Council's current, and projected, capital programme has sufficient capacity to off-set the required capital balances.

### ***Legal***

24. The investment of Levelling Up Partnership funds would be subject to a funding agreement with the Department for Levelling Up Homes and Communities.

## ***Strategic priorities and risks***

25. The proposal does not require any change to the Council's existing policy framework.
26. The proposal accords with the strategic aims for town centre regeneration and contributes positively towards the vision for Middlesbrough – creating employment opportunities, driving enterprise and generating economic activity within the Borough.
27. The programme of projects is at risk of not being able to defray the funding within the prescribed delivery timescales. As we are well into the 2023 - 2024 financial year at the time of this report. It is extremely difficult to defray funds against the prescribed programme interventions. However, as a S31 grant payment, the funding can be used to off-set alternative Council spend against the capital programme, on the strict understanding that this off-set funds the agreed LUP programme interventions at the earliest opportunity. The Finance Department confirms that there is sufficient Capital programme spend in both 2023 - 2024 and 2024 - 2025 to legitimately offset the LUP funding, should it be required.

## **Human rights, equality and data protection**

28. There will be no negative, differential impact on protected groups and communities.
29. The Council's building control, licensing and development control processes would also serve to ensure that any future use proposed would be appropriate for the estate.
30. The proposed decision does not involve the collation and use of personal data.

## **Financial**

31. The financial package will be structured as follows:
  - a) 100% Capital funding (save for minor, incidental revenue overheads – by agreement);
  - b) administered under an unringfenced, Section 31 grant payment.
  - c) profiled £9.900m 2023 - 2024 and £10.916m 2024 - 2025, respectively.

- d) there is an expectation that the funding is fully defrayed in the relevant financial year therefore permitted flexible use of this capital resources can off-set alternative Council capital spend in the short term, insofar as the Council undertakes to deliver the agreed package of interventions and allocations; and,
  - e) that the Chief Financial Officer / Section 151 will be required to assure that such all S31 spending criteria is met.
32. There are revenue implications in respect of a number of the proposals, these are further detailed below.
33. The Live Well, Family Hubs and Employment Hub projects will be funded via existing service revenue / grant expenditure being incurred at their current locations.
34. Revenue expenditure associated with the external projects, Middlesbrough College and The Junction, will be met from the respective grant recipients. This will be a specific condition within the funding agreements that they will be required to enter into with the Council. This would also be the case for any capital cost overruns within their projects.
35. A business case is under development in relation to the House of Fraser refurbishment pilot. The business case must prove to be financially viable, to be reviewed and financially assured by Finance to ensure that the Council is not exposed to additional revenue costs.
36. There will be ongoing maintenance costs associated with the Temporary Accommodation project. However, these costs are considered to be far outweighed by the savings the Council will achieve through ensuring that such “in-house” accommodation is available, reducing costs that external providers are currently charging.
37. The envisaged overall costs for the use of the grant is currently overprogrammed by £1.066m. However, both The Junction Foundation and Middlesbrough College seeking further match funding from the Department for Education which if successful will reduce the requirement from the Levelling Up Partnership fund. Should this funding not transpire, the overall programme will be reviewed and reduced in order to stay within the £20.816m grant provided.

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

Action	Responsible Officer	Deadline
Subject to Executive approval, officers will  a) Implement the LUP programme for Middlesbrough	Sam Gilmore	Ends March 2025

**Appendices**

<b>A</b>	Levelling Up Partnership Programme
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**Background papers**

Levelling Up White Paper Executive Summary - [Levelling Up the United Kingdom: Executive Summary \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/92111/levelling-up-white-paper-executive-summary.pdf)

Policy	Procurement	Adjusted budget £m	Summary	Comments	Revenue Implications	Lead	Department
<b>Middlesbrough</b>							
Live Well Centre Relocation	Will require procurement	4.000	Complete relocation and dilapidations for whole service move to Cleveland Centre, from Dundas.		Ongoing rent and maintenance Covered by Existing Service budgets - no additional revenue ask	MBC	Capital Projects
Live Well East	Will require procurement	1.150	Refurbishment of Live Well east centre for expanded range of facilities		Ongoing rent and maintenance	MBC	Capital Projects
New Employment Hub in Cleveland Shopping Centre	Will require procurement	1.250	Complete relocation of Adult Education from Multi-media exchange to Cleveland Centre - This is a preferred option for the employment hub as would tie in well with the proposed LWC move.		Ongoing rent and maintenance	MBC	Capital Projects
Middlesbrough College improvements	External Responsibility	2.200	Improved facilities for construction, high pressure welding and healthcare will enable the college to address skills gaps in Tees Valley. Resources for school outreach should help to raise aspirations and attainment.		Formal Funding agreement - condition of grant that cost overruns and full revenue liability to be picked up by external applicant	EXTERNAL	EXTERNAL
Middlesbrough College expansion (purchase of 100 Russell Street)	External Responsibility	3.700	Growing demand has led to a need for more space, particularly for an adult learning centre to expand skills bootcamps and free courses to support the LSIP. Purchasing 100 Russell Street allows room for expansion while securing the temporary site for Outwood Riverside secondary school in the short-term.		Formal Funding agreement - condition of grant that cost overruns and full revenue liability to be picked up by external applicant	EXTERNAL	EXTERNAL
Family Hubs facilities	Will require procurement	1.100	Refit and capital equip for existing services across locality sites, already in use. <ul style="list-style-type: none"> <li>•West Middlesbrough Family Hub (Stainsby Rd, Middlesbrough TS5 4JS) - Refit kitchen and purchase equipment - £310k.</li> <li>•Park End Family Hub (Overdale Rd, Park End, Middlesbrough TS3 0AA) - Refurbish indoor space, redecorating and purchasing furniture - £673k.</li> <li>•Thorntree Family Hub (Thorntree Community Centre, Birkhall Rd, Thorntree Ave, Middlesbrough TS3 9JW) - Kitchen refurbishment and layout amendment for access to hub - £117k.</li> <li>•Multiple sites - new resources for use in hubs, including books, baby baths etc - £10k</li> </ul>		Ongoing future maintenance - not anticipated to be in excess of current arrangements	MBC	Capital Projects
Crime and ASB improvements	Will require procurement	1.900	Flexible pot for crime and ASB improvements.	Proposals total £5.4m but could adjust depending on relative priority within the overall envelope. Flexible pot for crime and ASB improvements.	CCTV monitoring costs - existings ervice revenue and no additional revenue ask.	MBC	ECS
House of Fraser refurbishment pilot	To be procured	2.000	Cultural cluster space to be developed over two floors only. Collective responsibility - cultural animation and music	Potential for lead partner or consortium involvement	Ongoing rent and maintenance	MBC	Capital Projects
Playzones	match funding for FF - Bidding Windows	0.125	70% match funding from Football Foundation. 125k for 2 facilities - possibly three sites with existing Towns Fund Match	70% match funding from Football Foundation. 125k for 2 facilities match funding for FF - Bidding Windows need to be aligned	Football Foundation require a sinking fund from revenue generated, although this likely to be limited given the nature of target users. The council would be expected to fund some long term maintenance costs.	TBC	TBC
The Junction	External Procurement and full design and build	1.000	Currently, only one dedicated youth facility in the town and not easily accessible for the young people of Hemlington. The building will become a permanent and dedicated youth and training facility and administrative base. <£1m depending on outcome of YIF, £116k (if successful)	Currently, only one dedicated youth facility in the town and not easily accessible for the young people of Hemlington. The building will become a permanent and dedicated youth and training facility and administrative base. <£1m depending on outcome of YIF, £116k (if successful)	Formal Funding agreement - condition of grant that cost overruns and full revenue liability to be picked up by external applicant	EXTERNAL	EXTERNAL
The International Centre	External Procurement and full design and build	0.250	Expanded community facilities in Central Middlesbrough * subject to successful COF bid.				
Increase Quality of Temporary Accommodation stock	Procure Refurbishment x 5 Units - Direct purchase of up to 15 units	2.141	Quality of accommodation options for vulnerable service users and families. LA purchasing some of their own Temporary Accommodation stock to improve outcomes and make efficiencies. 20 units various tenures		Ongoing maintenance	MBC	Capital Projects / V&E
<b>Total</b>		<b>20.816</b>	<b>NB Programme will be adjusted to a maximum assumed settlement of £20m</b>				

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<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Director of Regeneration and Interim Director of Finance
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<b>Relevant Executive Member:</b>	Executive Member for Regeneration and Executive Member for Finance
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<b>Submitted to:</b>	Executive
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<b>Date:</b>	14 February 2024
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<b>Title:</b>	The Disposal of Land at Newham Hall for Housing
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<b>Report for:</b>	Decision
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<b>Status:</b>	Public
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<b>Strategic priority:</b>	Physical environment
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<b>Key decision:</b>	Yes
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<b>Why:</b>	Decision(s) will incur expenditure or savings above £250,000
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<b>Subject to call in?:</b>	Yes
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<b>Why:</b>	Non urgent report, placed on Executive work programme
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<b>Proposed decision(s)</b>
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<p>That Executive be asked to:</p> <ul style="list-style-type: none"> <li>a) approve the approach of Middlesbrough Council acting as the master developer for the Newham Hall site - being financially responsible for bringing the site forward for phased disposal and marketing without external intervention or support from Homes England;</li> <li>b) approve the use of the awarded Levelling Up Fund 2 (LUF2) and Towns Fund grants, Strategic Highways Section 106 (S106) Funding, other developer contributions and pre-existing Council capital funding of £4.129m dedicated to Housing Growth or other projects already contained within the current capital programme to unlock and derisk the Newham Hall housing site;</li> <li>c) provides Delegated Authority for the Director of Regeneration in respect of Public Open Space; and,</li> </ul>
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- d) provides Delegated Authority for the Director of Regeneration and Director of Finance for further amendments to the proposed disposal route.

### **Executive summary**

The site at Newham Hall is identified in the Local Plan (2014) for residential development. It is the Council's largest parcel of surplus land at 71ha. With 42ha of net developable land the site has capacity for approximately 1,000 dwellings (Appendix 1).

Although the land has not been marketed for sale, Middlesbrough Council has received two speculative offers for the land in the last three years. More recently, the Council received a Joint Venture proposition from Homes England and entered into an Exclusivity Agreement with them for the period December 2022 - September 2023.

Following assessment of these offers and insights from market research this report seeks approval for Middlesbrough Council to:

- progress with the disposal and marketing of the land independently rather than sell to a third party developer or through a Joint Venture with Homes England and
- to utilise LUF2, Towns Fund grant, Strategic Highways and S106 monies, other developer contributions and Council capital programme resources to undertake site derisking to ensure best consideration for the site at the point of sale.

The disposal of the land is recommended in order to meet the Council's requirements to generate capital receipts, increase annually recurring revenue streams and, as the value of the individual site exceeds £250,000 it is a key decision.

This report will seek continued delegated authority to be granted for the Director of Regeneration and Director of Finance to ensure a smooth and efficient disposal and delivery process to take place.

The implications of the recommendations of this report have been considered by the appropriate officers of the Council and are set out in the main body of this report.

### **Purpose**

1. The purpose of this report is:
  - a) to detail the Council's preferred route for the disposal of Newham Hall;
  - a) to seek permission to utilise capital and grant to invest in specific infrastructure schemes to 'derisk' the site in order to maximise the capital receipt received by the Council. This will be complimented with the use of designated S106 monies; and,
  - b) to seek permission for Delegated Authority for decisions related to the disposal of the site.

### **Recommendations**

2. It is recommended that the Executive approves:

- a) the approach of Middlesbrough Council acting as the master developer for the Newham Hall site - being financially responsible for bringing the site forward for phased disposal and marketing without external intervention or support from Homes England;
- b) the use of the awarded Levelling Up Fund 2 and Towns Fund grants, Strategic Highways Section 106 Funding, other developer contributions and existing Council capital funding of £4.129m dedicated to Housing Growth or other projects already contained within the current capital programme to unlock and derisk the Newham Hall housing site;
- c) Delegated Authority for the Director of Regeneration in respect of Public Open Space and Land Appropriation process;
- d) Delegated Authority for the Director of Regeneration and Director of Finance for further amendments to the proposed disposal route; and,

### **Rationale for the recommended decision(s)**

3. This report contains financial information considered to be commercially confidential. Where reference is made to these figures, which relate to valuations and identifiable expenditure, specific reference will be provided to the confidential appendix – Appendix A, which accompanies this report. A series of supplementary papers support this report as Appendices. Two have been identified as confidential, as they provide descriptive rationale for the confidential figures.
4. The development of Newham Hall will bring an underutilised Council held asset into far more beneficial use in the future – creating a new community and a high-quality place.
5. Newham Hall is critical to the supply of land for housing development and is in turn critical for supporting economic growth in the town and the delivery of Council services.
6. The disposal of the subject parcel of land is recommended in order to meet the Council's requirements to generate capital receipts and increase annually reoccurring Council Tax revenue streams.
7. The development will produce in the region of 1,000 residential dwellings which will primarily be a mix of Council Tax Bands ranging from B to F. Modelling of the site indicates that upon completion this would generate additional Council Tax income of approximately £2.5m per annum on completion, based on current Council Tax levels.
8. Middlesbrough Council has received three offers for the land in advance of it being marketed for disposal. It is concluded that the presented offers do not demonstrate Best Value for Money (BVM) for the Council, with advice from external, independent property consultants, Knight Frank demonstrating that the Council would likely receive a higher residual land value than those offered.
9. It is proposed that Middlesbrough Council acts independently of third party involvement in disposing of this site. This approach allows the Authority to retain the greatest level of control and independence over the delivery of the site and the procurement of the necessary consultants. It will allow the Council to control the release of development parcels in a timely manner to ensure that the site's disposal is proportionate to market demand and avoid over

supply. It will also reduce the Council's reliance on third parties, protecting the Council from political or economic shocks.

10. Despite its size, and the presence of competing sites, professional advice provided by Knight Frank indicates that there is room in the market for the site to be brought forward at this time.
11. Installation of an electricity connection will allow the Council to derisk the site through increasing the accessibility of the parcels of land available for development, which will in turn expedite the delivery of housing numbers and income. Whilst this reduces risks and upfront investment requirements for developers it places the Council in greater control of the overall disposal allowing multiple phases and products to be developed simultaneously and preventing the site from stalling.
12. The commissioning of due diligence is in line with the Council's own policy to maximise capital receipts. A masterplan is a policy requirement as set out in the adopted Local Plan. It is a valuable tool in the planning and development process. The National Planning Policy Framework (NPPF) emphasises that good design is a key aspect of sustainable development, and that design guides (such as masterplans) should be prepared to provide clarity over design expectations and a framework for creating distinctive places with a consistent and high quality of design. Masterplans are used to ensure high quality schemes are delivered and in line with national planning push for developments to meet local standards of beauty, quality, and design. Poor quality and ill-thought-out developments are a real risk if there is no masterplan in place.

## **Background and relevant information**

### Planning Policy

13. The overall integrity of the Local Plan (2014) depends upon the land supply identified within it being made available. Following Executive approval in 2017 to terminate the Agricultural Tenancy, approval to dispose of the land was granted by Executive in July 2022 via the Asset Disposal Business Case process (Appendix 2 - Confidential).

### Housing in Middlesbrough

14. Middlesbrough's housing offer needs to keep pace with the demands of the market. The release and development of this suburban site will allow that to be achieved; stemming outward migration and making Middlesbrough a more desirable place to live, with a quantity of residential properties that will address the needs of a changing, growing and evolving population.
15. The development of new housing is a key component of the Council being able to achieve financial sustainability through growth in its tax base which generates increased Council Tax income. In addition, the capital receipts generated from sale of land, including housing sites, will support the delivery of the Council Plan and its Medium Term Financial Plan (MTFP).
16. This greenfield site sits in a strong market area, and coupled with a masterplan and outline planning permission it will be a site that generates significant developer demand.

17. It is likely that 3 and 4 bed detached properties will be popular in this suburban location and attract a decent sales price. Properties of this size will probably account for up to 75% of the total property mix with some smaller 2 bed properties (and possibly 1 bed units) accounting for 10 - 15% of the site and bungalows and larger executive homes (4/5 bed) making up the remaining 10 - 15% of the development. 15% affordable housing will also be provided on site.

#### Offers received to Date

18. Middlesbrough Council has received two direct offers from one developer, despite the land not yet being marketed for sale. Both speculative offers received in 2020 and 2021 were evaluated for best consideration using independent advice from Knight Frank and were subsequently declined by the Council.
19. The Council was advised that the offer made by the developer in 2020 did not constitute good value. Whilst it would have provided Middlesbrough Council with a lump sum and uplift over the following years it was deemed that the capital receipt received could be just 50% of the true market value. Their view was that if the Council was happy with the principle of the offer there would be several parties who would be interested in an outright purchase of the site with an overage agreement or promotion agreement; in excess of the offer made by the developer.
20. In 2021, an updated offer was submitted to the Council by the same developer. Knight Frank again concluded that the offer received did not constitute best value for money (BVM) for the Council, stating their belief that the net developable land value was far higher than the maximum value offered.

#### Homes England Proposal

21. Homes England entered into an Exclusivity Agreement with Middlesbrough Council in 2022. They offered to acquire the land from the Council with an upfront payment (Appendix A – Ref 1). This offer is based on agricultural land value, which was not considered by the Council to be the appropriate valuation due to the site being allocated to housing within the Local Plan and as such planning permission for a housing development would be granted by the Council.
22. Homes England's expectation was that Middlesbrough Council would contribute any relevant grant funding towards the scheme. The expectation would be that the £9.912m grant funding secured through the Towns Fund and Levelling Up Partnership would be contributed prior to any financial benefit being shared.
23. Homes England would undertake all of the infrastructure works and once they had recuperated these costs an unqualified overage payment would be provided to the Council.
24. Furthermore, Homes England's masterplan looked to deliver 940 homes on a site capable of delivering in the region of 1,000 units which would have reduced the Authority's long term Council Tax income.

25. The proposal included significant levels of site development and abnormal cost items that skewed the residual land value figure making some proposed development scenarios appear to be economically unviable.

### Land Valuation

26. The valuation figure listed on the Council's Asset Register was revised by Align in March 2023 (Appendix A – Ref 2). This valuation makes assumptions on the timeline for bringing phased land sales forward and the likely abnormal costs applicable to the development being proposed. This valuation therefore does not take into account the fact that the Council will undertake all of the works in an accelerated fashion.
27. Knight Frank provided the Council with a desktop valuation for the site in June 2022. The valuation determined that the site had a residual value (Appendix A – Ref 3), reflecting a net developable acre value (Appendix A – Ref 4). This valuation made no allowances for on and off-site infrastructure and abnormal development costs.
28. Knight Frank provided a further opinion (Appendix 3 - Confidential) on the value of the land (Appendix A – Ref 5) in light of the anticipated costs presented by Homes England, however this did not take into account the fact that the Council has significant grants available to undertake the infrastructure works. Additionally, the valuation was based on 940 units built as opposed to the anticipated number of 1000.
29. In each of the valuations above no consideration was given to the fact that the Council has £14.823m of externally provided resources to undertake the infrastructure works. When acknowledging these funds and the proposed Council capital funding the valuations can be inflated (Appendix A – Ref 6). Although, it does require factoring in that there are contingencies built into the cost assumptions so the enhanced valuations do require tempering down. It would be reasonable to assume (Appendix A – Ref 7) as the total value of the capital receipt to be achieved upon completion.
30. It is therefore the Council's considered view that Best Value would be achieved if the asset was marketed and disposed of without any third party involvement.
31. The current level of residential land value in the UK is linked to the overall state of the economy and confidence of direct and indirect customers actively investing in the housing market. The site will be subject to national market and economic trends with any significant shifts in supply and demand impacting on house prices and land value accordingly. Consequently, the market conditions and demand may require the Council to reduce or even halt development should the housing market stall. In these circumstances, the potential delivery of capital receipts and the flow of recurring Council Tax revenue may be affected. Whilst it is impossible to predict the future impact of market price levels of both land and houses, a proportional percentage reduction could be applied across the board to highlight the likely financial shift in the market if deemed necessary for the purposes of information – with this perhaps being presented as a sensitivity based estimate of values predicated upon a defined percentage range [i.e. 10% to 30%] and provided subject to future market conditions.

## Due Diligence

32. Partial due diligence has been undertaken by Homes England and further due diligence work will be completed during the derisking sites process. Whilst Middlesbrough Council does not feel that the estimates provided by Homes England are over inflated it does take an alternative view of the total cost. It is the Authority's view that a proportion of the stated abnormal costs would either be considered developer costs or interventions that Middlesbrough Council should seek to undertake with grant or capital funding to derisk the site and gain best consideration in terms of land value.
33. As part of the proposed Joint Venture, Homes England sought professional advice from consultants including Mace Consult Ltd, Ramboll and RPS in relation to the cost of infrastructure delivery. A detailed technical due diligence report has subsequently been produced and shared with the Council.
34. The report assessed various infrastructure and delivery costs, including access and movement, ground conditions and surveys, services and utilities, ecology, historic environment, landscape, views and arboriculture and those associated with nutrient neutrality, with the conclusion that £24.200m would be required to undertake all the required works.
35. The Council has reviewed these assumptions and deemed that elements, particularly the costs assumed for ecology, historic environment and landscape, views and arboriculture should be treated as costs that would be required to be borne by the developers. The total of these costs is £4.523m and can be deducted from the Homes England assessment of the abnormal costs that could be funded.
36. There are also costs within the Homes England report which the Council considers to be legitimate abnormal costs, such as drainage, services and utilities and ground conditions and foundations, that are expected to be met by the developer. Whilst these costs will be deducted from any capital receipt they can also be deducted from the Homes England assessment. The total of these costs is (Appendix A – Ref 8).
37. Upon its review of the Homes England report, the Council has however identified certain requirements that it will be required to undertake, such as marketing of the site, planning fees and masterplanning.
38. Taking all into consideration, the costs currently assumed to fully de-risk the site are £16.763m. These costs include contingencies of up to 10%. However, it is anticipated that the infrastructure works will be undertaken over a period of three years and in order to insulate against rising costs of construction, it is deemed appropriate that an additional 10% is added to the overall budget. This would bring the total requirement to £18.438m.
39. The impact on the highway network has been assessed using the authorities Strategic Aimsum Highways modelling. Due to uncertainty around the build out of the Stainton Way Western Extension (SWWE) at the Stainsby site the modelling has projected for a scenario whereby the SWWE is not developed. It was identified that the modelled area would be subject to a significant increase in congestion, lengthier journey times and increased queuing because of the development of the two housing allocations. As per the definition

within the National Planning Policy Framework these impacts could be considered as severe, presenting grounds for the refusal of planning consent. To offset detriment to the operation of the highway network, effectively returning the highway operating capacity to the base situation existent prior to the development of both housing sites, the modelling has highlighted the need for 8 mitigation schemes, two of which are a priority with costs for delivery to be covered by the overall proposed capital allocation to the scheme. Whilst the remaining six schemes are also needed they are not envisaged to be required until 2030 – 2040.

40. The total anticipated costs include (Appendix A – Ref 9) for the provision of the first two junction improvements schemes that are required to be delivered to support a planning application as per advice received from the Highways Authority.

### External Funding

41. In partnership with Redcar and Cleveland Council, Middlesbrough Council successfully bid for £4.812m from LUF2 for infrastructure funding to unlock the Newham Hall housing site. This capital only grant will deliver the South Middlesbrough Accessibility project which will see the delivery of a roundabout on the B1365 creating an access point into the southern aspect of the site and delivery of Phases 1 - 3 of the internal spine road. The opportunity to deliver the internal highway infrastructure in advance of housing development will address a potential coordination based failure based on the likelihood that the site will be brought forward by multiple housebuilders/developers. Furthermore, it will increase the capital receipt received for the site as the infrastructure requirements from developers are reduced.
42. On the 4<sup>th</sup> December 2023 the Towns Deal board approved an allocation of £5.100m from the Urban Living element of the Council's Towns Fund allocation to be utilised within the Newham Hall project. The use of these funds will ensure that the housing outputs required as per the conditions of the grant will be achieved.
43. The Council is in receipt of £3.500m Section 106 funding that is specifically provided for Strategic Highways within the area. There is an additional £0.897m of accrued developer contributions that can be attributed to the project.
44. The total amount of external funding attributed to the project is therefore calculated at £14.309m.

### Disposal Strategy and Rationale

45. Middlesbrough Council sought independent advice in 2020 to determine the best route to market. This outlined the need for a masterplan and design code and concluded that there were five viable options for the delivery and disposal of the site each with their own financial caveats.
46. The Council is advised that a site of this size would benefit from a phased disposal sales strategy which would allow the Council to regulate supply which in turn creates market demand. Through a controlled process of tender releases the Council will be able to control the quality of housing being delivered through the flow of planning permissions granted. The sale of the site on a phased basis would also provide the Council with opportunity to react to market changes and adopt a more flexible, controlled approach to the release or retention

of housing phases. Such an approach has the potential to generate greater income overtime as land values tend to increase over time.

47. Furthermore, this strategy would provide the Council with the ability to maintain control over the flow of recurring Council Tax revenue to a far greater degree than an upfront disposal to a single entity or developer would offer.
48. Importantly the approach would also deter land banking of a critical supply of land for housing development in Middlesbrough. Additionally, it would support the Council's wider strategic aims through quality placemaking with increased access to open space and green infrastructure.
49. Despite the size of the site and the presence of competing sites, professional advice indicates that there is room in the market for the site to be brought forward at this time, with plots ranging from 50 units to 300 units disposed of in a phased approach. The phasing will be determined through the development of a bespoke masterplan, supported by due diligence work, which will identify distinct parcels of land with consideration given to the scale and product offering, with each generating a differing net value.
50. In accordance with section 233 of the Town and Country Planning Act 1990 and under section 123 of the Local Government Act 1972(2A) a Public Open Space (POS) notice will be issued using a delegated authority to conclude the outcome of the process.
51. The disposal would be led by Valuations and Estates and predicated on an open and transparent tender based competition, designed to generate best consideration, with interested parties bidding competitively on the open market at regular planned intervals.
52. It would be reasonable to assume that a site of this size will be developed out over a ten year period. Assuming a commencement from the point of booking, procuring and installing the electricity supply the first phase of development could be released for sale with internal spine road, services infrastructure and an outline planning permission in place in 18 - 24 months' time. Follow on phases would come forward for marketing every 12 - 18 months thereafter assuming market conditions allow and that this strategy met the requirements of the Council.

### Infrastructure Requirements

53. Before bringing the site to market Middlesbrough Council will facilitate the upfront delivery of highway and electrical infrastructure.
54. The Highway Authority has advised that in sync with the proposed development timescales for Newham Hall the first two junction improvement schemes need to be delivered to support a planning application. The total anticipated costs include (Appendix A – Ref 13) for the provision of the first two junction improvements schemes that are required to be delivered to support a planning application as per advice received from the Highways Authority.
55. Delivery of the highway infrastructure improvement schemes will prevent infrastructure costs becoming the burden of other developments in the future and the possibility of those costs becoming prohibitive and creating unviable schemes that see housebuilding stymied and

developers relocating to another Local Authority boundary, compromising Middlesbrough's Council Tax receipt.

56. The upfront installation of the electricity provision will present the best opportunity for Middlesbrough Council to maximise the net capital receipt payable for the development and will allow for the site to be disposed of as serviced plots. Additionally, this approach will prevent the development of the site from being stalled and further support the rate at which the phases can be released to the market for sale.
57. It should be noted that the estimated infrastructure costs should only increase in line with inflation unless, for example, statutory requirements alter and the delivery of further costed items become necessary. The unknown rates of inflation may potentially have a negative impact upon the net offer received for development parcels over time.
58. National Highways are a Statutory Consultee and as such will need to be consulted on the proposed development and will need to assess the potential impact of the Newham Hall development on the Strategic Road Network. This may result in the requirement for a financial contribution or investment from MBC to National Highways. In the eventuality that this is required it is proposed that it will be agreed by Delegated Authority unless it amounts to a cost beyond the budget envelope approved for the overall housing scheme.
59. The scheme is likely to require Sustainable Urban Drainage system (SUDs) to attenuate the land to reduce risks from flood events. The responsibility for SUDs is currently placed with the developers, however, maintenance costs may pass to the Local Authority if they choose to adopt the land as open space.
60. Consultation is also underway on the Governments Flood and Water Management Act. Under Schedule 3 of the new proposals, local authorities will be required to adopt and maintain SUDs for new developments.
61. This cost will be fully understood once survey work has taken place to de-risk the site and when the Government either issues further guidance and/or legislates the proposals within the consultation on the Flood and Water Management Act.
62. Should the scheme be introduced ahead of any planning approval for Nunthorpe Grange, site specific costs will be presented to Executive once a preferred bidder is identified and formal approval is sort to dispose of the site.
63. As the Council is to seek outline planning permission before marketing the site s106 monies cannot be accrued from developers. Ordinarily capital deductions would be made from the capital receipt to address education, green infrastructure, local strategic highways and affordable housing. In this instance affordable housing will be delivered wholly onsite and land will be earmarked on site to accommodate future education provision as and when need and demand dictates. Capital will be made available for the longer-term investment in highways and green infrastructure as and when required. This will be achieved by a unilateral agreement or Memorandum of Understanding as part of the outline planning application. It should be noted that the emerging Local Plan may identify additional housing sites which may be required to provide financial contributions towards infrastructure improvements in the future.

## **Other potential alternative(s) and why these have not been recommended**

### Don't sell the land

64. This would result in significant financial implications for the Council, including no capital receipt and no Council Tax revenue growth. Failure to dispose of the land would be contrary to the Local Plan (2014). The overall integrity of the Local Plan depends upon the land supply identified within it being made available; the Council would be open to significant challenge from the housebuilding industry if it were seen to constrain land supply. Furthermore, this approach would result in significant abortive costs for the Council resulting from the due diligence work undertaken to date and the cost of legal proceedings relating to the farming tenancy.

### Sell the land as a whole now

65. Advice from Knight Frank highlights that this approach does not demonstrate Best Value for the Council. The approach would present a vastly reduced land receipt and there would be significant uncertainties around the timescales for delivery which could negatively impact upon Middlesbrough's housing supply and Council Tax income, especially as the land does not currently come with the benefit of an outline planning permission. To undertake this approach would also negate the Council's ability to spend the grants received, which further reduces the Council's net receipt.

### Sell the land without the benefit of outline planning permission or a masterplan

66. It is known that developers will pay for the benefit of a derisked site. Disposal without planning consent would prove financially and strategically detrimental to the Council and prove risky for developers, potentially leading to fewer than normal offers and at a reduced financial rate. A masterplan is a planning requirement for a site of this size. Without both the planning permission and masterplan the ability to manage development and competitively market the land would be significantly reduced.

### Install highways and electricity infrastructure using LUF2 and Towns Fund then sell the land as a whole

67. Whilst this option would derisk the site and provide benefit against the capital receipt it would be less so than the preferred option, as the potential exists to achieve a greater income over time as land values increase. This option also increases the risk of land banking and stagnating the supply of available homes.

### Enter into a JV with Homes England

68. Independent advice and professional analysis consistently draws the conclusion that the proposal to collaborate with Homes England on the disposal and delivery of the Newham Hall housing site does not present Best Value for Money for the Council. Under the terms of the payment mechanism proposed by Homes England, the Council would have only received a capital payment equating to 50% of the land value, further reducing the overall value of the Council's asset from the perspective of best consideration.

Accept Offer made by Independent Developer

69. Independent advice and professional analysis highlighted that both offers made not present Best Value for Money for the Council.

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

***Financial (including procurement and Social Value)***

70. The total anticipated costs of £18.438m include construction contingencies and an additional allowance of 10% to protect against further inflationary cost increases. Building Cost Information Construction (BCIS) data is currently forecasting that inflation will add an additional 2.6% to costs to the period March 2025 and a further 4.0% increase from April 2025 to March 2026. Therefore, the proposed additional contingency is considered to be adequate based on the BCIS data.
71. The total cost to derisk the site in the medium term sits at approximately (Appendix A – Ref 14). £14.309m of which has already been identified from external funding sources.
72. The Council is required to provided £4.129m of its own funds in order to fully fund the delivery of this site. These funds already sit within the Council's approved capital programme.
73. £14.282m is available through grants and contributions that have been secured by the Council, therefore in order to fully undertake the required works £4.129m of Council resources would be required. The total project cost and funding availability is summarised within the Cost Category table (Appendix A – Ref 10).
74. In September 2023 the Council received confirmation from Tees Valley Combined Authority (TVCA), via a funding agreement, that £1.400m of Indigenous Growth Fund grant (IGF) was allocated to the Council to be utilised on the East Middlesbrough Community Hub project. This releases £1.400m of Council funding allocated to the project. It is proposed that these Council funds are transferred to the Newham Hall project to part fund the £4.129m Council requirement for the infrastructure works. This proposal does not increase the Council funding within the current approved capital programme.
75. The remaining £2.729m required Council funds can be vired from other projects from the approved capital programme without increasing the Council's overall commitment to the programme. Each of these projects are dedicated to Housing Growth, the table (Appendix A – Ref 11) demonstrates the potential availability within the project.
76. It is proposed that the remaining required £2.729m is funded as per the minimum funding highlighted within the table (Appendix A – Ref 11). However, should the roundabout at Nunthorpe Grange not be required, it is proposed that the £2.729m is transferred equally between the Housing Growth and De-Risking Sites budgets with any remaining budget being retained within the capital programme for future Housing Growth related projects. Any residual available funding relating to Middlesbrough Development Company will be removed from the approved capital programme.

77. Depending upon the need for roundabout at Nunthorpe Grange, the remaining available funding for future Housing Growth projects excluding any remaining balances available from funding committed to Middlesbrough Development Company ranges from £0.837m to £2.637m. This is prior to any uplift provided to the De-Risking Sites budget as part of the capital programme refresh.
78. There will be a requirement to undertake future works in respect of highways junction requirements. The total current cost estimate for these works is (Appendix A - Ref 12). However current traffic modelling suggests that the junctions will be required throughout 2030 to 2040.
79. Given the externally provided valuations, it would be realistic for the Council to expect total capital receipts of (Appendix A - Ref 7) upon completion of the sales.
80. The Council has received offers for the disposal of the site. The table below summarises the offers and compares against the anticipated receipt that the Council will achieve through the preferred method of disposal. The table (Appendix A - 13) demonstrates that the Council's preferred method of disposal significantly increases the net value of the capital receipt when compared to the offers received.
81. The table demonstrates that the Council's preferred method of disposal significantly increases the net value of the capital receipt when compared to the offers received, with an increased receipt of (Appendix A – Ref 14) when compared to the Homes England proposal.
82. It is intended to sell the site in parcels over the period of eight years. With the first capital receipt anticipated to be received towards the latter end of financial year 2025/26.
83. The disposal and development of this site will contribute significantly towards the delivery of the Council Plan and MTFP as the site will generate a significant capital receipt and reoccurring Council Tax income of circa £2.473m through Council Tax upon the completion of the development.
84. The recommended method for disposal of the site is designed to both maximise the value of the capital receipt and ensure that Council Tax receipts are achieved at the most optimum time.
85. The following table depicts the assumed house build rates and the full year effect of the annual increase in Council Tax throughout the course of the development.

**Table 1 – Assumed House Build Rates and Full Year Effect of Annual Increase in Council Tax Income**

	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	Future Years	Total
Number of Assumed House Builds	15	60	60	60	60	60	685	1000
Annual Full Year Effect Increase in Council Tax (£m)	0	0.037	0.148	0.148	0.148	0.148	1.842	2.473
Cumulative Full Year Effect Increase in Council Tax (£m)	0	0.037	0.185	0.334	0.482	0.631	2.473	

- 86. The Department of Levelling Up, Housing and Communities undertook a consultation in 2021 with respect to the New Homes Bonus (NHB) grant. They have subsequently paid one years growth but not yet indicated its continuation, however they have provided grant for growth in each of the subsequent years. Should this stance continue then the dwellings will contribute towards the net addition to the housing stock that is required in order to qualify for NHB grant payable.
- 87. Capital receipts secured from the sale of housing sites are used to fund the Council’s Capital Programme and the critical investments within it. These investments include ‘business as usual’ activity, periodic purchases, and investments in economic growth initiatives. Failure to receive a capital receipt, from this site will stem economic growth and prosperity across the town. In July 2022 Executive approved the Strategic Housing Site Disposals report which included the disposal of this site.
- 88. It is recognised that development of the scale proposed for the site will result in impacts on local infrastructure, some of which is identified elsewhere in this report. In order to enable permission to be granted for any planning application it is important that mitigation is provided to address these impacts, this is usually provided through a S106 Agreement that accompanies any planning permission granted.
- 89. The Council as landowner and Local Planning Authority cannot be both signatories on such an agreement. It is essential therefore to enable the permission to be granted that the Council makes a formal commitment to delivery of the necessary infrastructure at the time that it is required.
- 90. A mechanism will need to be identified to enable this to happen. Without such a commitment in place planning permission will not be forthcoming. In this instance the required infrastructure will include:
  - a) affordable housing (to be determined, depending on whether this is provided on-site);
  - b) off-site highways/transport improvements and mitigation;
  - c) education;
  - d) green infrastructure; and,
  - e) community facilities.
- 91. It is not possible at this stage to identify the exact nature of the infrastructure requirements as these will be determined via the planning application process and will only be identified

through the proper assessment of the application including consultation with infrastructure providers and the community. This assessment will identify the cost (at current values) and timing for delivery of the infrastructure and the contribution required from development of the site.

92. On 13 April 2021, Executive approved the 'Community Benefit Arising from Asset Disposal' report. The report approved an amendment to the Asset Disposal Policy to 'facilitate local communities benefitting whereby a Council owned asset is disposed within their locality above market value'. If an asset achieves a price in excess of the projected market value, 3% of the capital receipt will be made available for local community use for the ward in which the asset is located. As the most recent valuation held does not take the fact that the Council will be undertaking the infrastructure works, a revised valuation has been requested to reflect this.

### ***Legal***

93. The Council will follow the relevant legal processes when disposing of sites, the nature of which will depend on the presence of any existing designations (such as allotments or public open space).
94. The process of disposing of sites requires significant input from Legal Services and Procurement, as the process is inherently contractual in nature and the Council needs to achieve Best Consideration in respect of any asset disposal.
95. The marketing and disposal strategy will cover internal client related matters concerning procurement, subsidy control and best value, together with Legal matters associated with contractual structures that protect the Council's interest.
96. The Council's governance processes will be observed accordingly throughout the disposal process.

### ***Risk***

97. The project will contribute towards the following strategic aims and objectives:
- a) Place - Securing improvements in Middlesbrough's housing, infrastructure and attractiveness, improving the town's reputation, creating opportunities for local 2 people and improving our finances; and,
  - b) People - Working with communities and other public services in Middlesbrough to improve the lives of local people.
98. The following high level risks identified in the Strategic and Directorate Risk Registers, will be reduced as a consequence of the market intervention enabled by the recommended decisions:
- a) O1-045 - If the Housing Programme does not meet the projected targets then this can have a negative impact on the assumptions within the MTFP;
  - b) O8-059 - If incorrect assumptions are made in the MTFP this will result in a funding gap requiring further savings to be made; and,

- c) O1-029 - Insufficient Council Tax Band D+ properties are built to enable Middlesbrough to retain its economically active population resulting in further population decline and impact upon the MTFP.

**Human Rights, Public Sector Equality Duty and Community Cohesion**

- 99. The Impact Assessment, attached as Appendix 4, has concluded that the decisions would not have any disproportionately negative impacts on protected groups.
- 100. The proposed decision does not involve the collation and use of personal data.

**Climate Change / Environmental**

- 101. As part of the Council’s drive to achieve net carbon and in line with One Planet Living, developers will be encouraged to implement energy efficiency measures in line with building regulations, and to reuse and source local materials and labour to reduce transportation impacts.

**Children and Young People Cared for by the Authority and Care Leavers**

- 102. The Impact Assessment demonstrated that this development presents no impact on children and young people cared for by the Authority and care leavers.

**Data Protection / GDPR**

- 103. The proposed decision does not involve the collation and use of personal data.
- 104. The Data Protection Impact Assessment is attached as Appendix 5.

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

Action	Responsible Officer	Deadline
The Council will commence the Land Appropriation	Project Manager / Director of Regeneration	February 2024
The Council will advertise its intentions to dispose of the land via a Public Open Space Disposal advert	Delegated to Director of Regeneration	February 2024
Masterplan consultant will be procured	Project Manager	March 2024
Hybrid Planning Application will be submitted for the road and the housing	Masterplanner	August 2024

Site will be marketed for sale via a formal competitive tender process	Valuation and Estates Manager	April 2025
Defray LUF2 money to install the onsite highways infrastructure	Principal Engineer	September 2025

**Appendices**

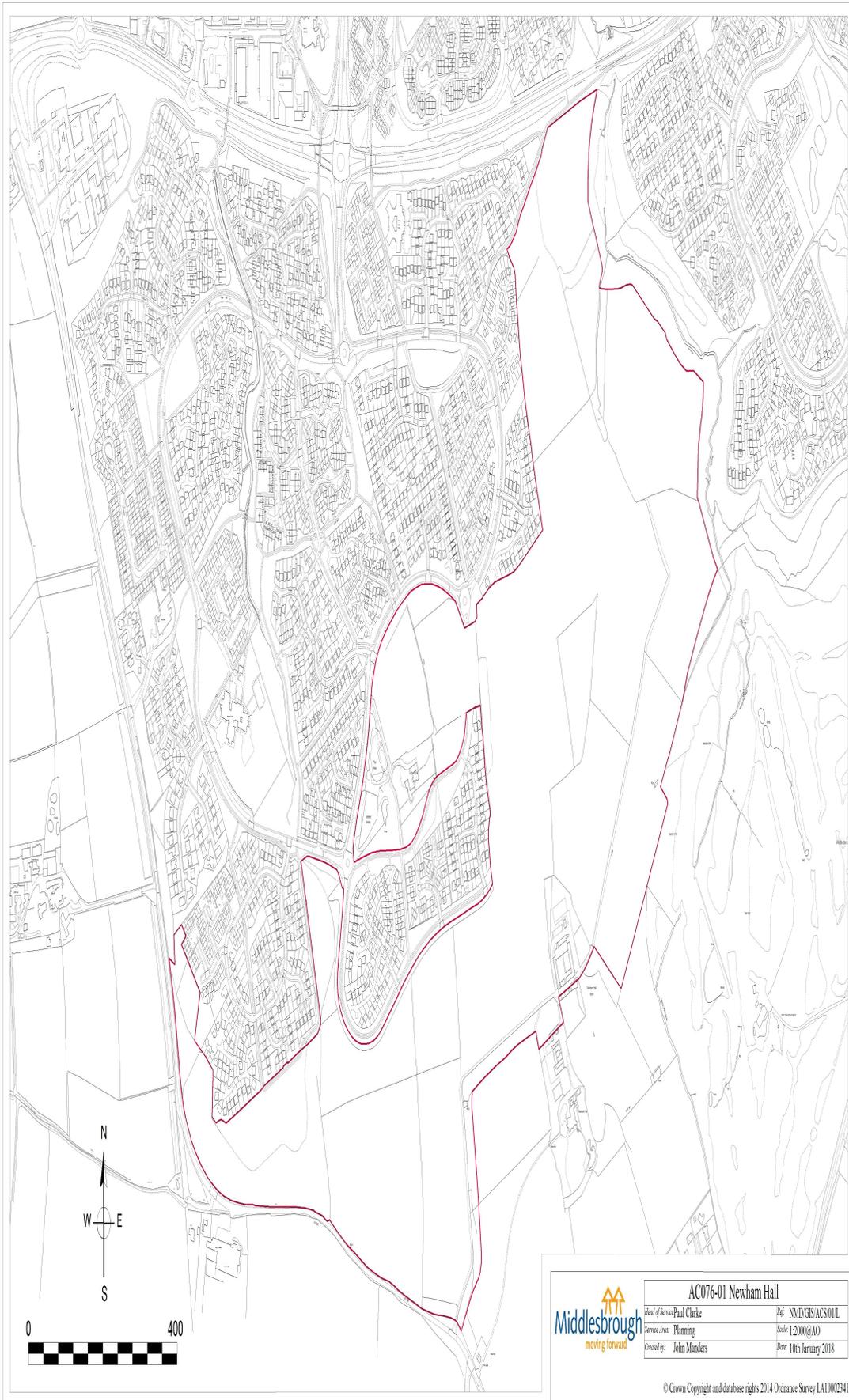
<b>A</b>	Confidential - Commercially Confidential Figures
<b>1</b>	Newham Hall Redline Boundary
<b>2</b>	Confidential - Asset Disposal Business Case October 2023
<b>3</b>	Confidential - Knight Frank’s Draft Appraisal September 2023
<b>4</b>	Newham Hall Impact Assessment
<b>5</b>	Newham Hall Data Protection Impact Assessment

**Background papers**

Body	Report title	Date
Council	Middlesbrough Local Plan	November 2014
Executive	Strategic Housing Site Disposals	July 2022

**Contact:** Claire Bell  
**Email:** [claire\\_bell@middlesbrough.gov.uk](mailto:claire_bell@middlesbrough.gov.uk)

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**Appendix 4 - Impact Assessment Level 1: Initial screening assessment**

<b>Subject of assessment:</b>	Nunthorpe Grange			
<b>Coverage:</b>	Site-specific			
<b>This is a decision relating to:</b>	<input type="checkbox"/> <b>Strategy</b>	<input type="checkbox"/> <b>Policy</b>	<input type="checkbox"/> <b>Service</b>	<input type="checkbox"/> <b>Function</b>
	<input type="checkbox"/> <b>Process/procedure</b>	<input checked="" type="checkbox"/> <b>Programme</b>	<input checked="" type="checkbox"/> <b>Project</b>	<input type="checkbox"/> <b>Review</b>
	<input type="checkbox"/> <b>Organisational change</b>	<input type="checkbox"/> <b>Other (please state)</b>		
<b>It is a:</b>	<b>New approach:</b>	<input checked="" type="checkbox"/>	<b>Revision of an existing approach:</b>	<input checked="" type="checkbox"/>
<b>It is driven by:</b>	<b>Legislation:</b>	<input type="checkbox"/>	<b>Local or corporate requirements:</b>	<input checked="" type="checkbox"/>

<p><b>Description:</b></p>	<p><b>Key aims, objectives and activities</b></p> <p>To assess the impact of the proposal to dispose of Council land for residential development.</p> <p>Disposal of the assets are required to assist the Council in meeting its MTFP projections, reducing financial risk and uncertainty, and aligns with the Local Plan (2014). Controlled sale of the parcels will ensure that development is delivered across the town in line with market demand.</p> <p><b>Statutory drivers</b></p> <p>The Local Government Act 1972 Section 123, as amended by the Local Government Planning and Land Act 1980 Section 118 Schedule 23 Part V.</p> <p><b>Differences from any previous approach</b></p> <p>Not applicable.</p> <p><b>Key stakeholders and intended beneficiaries (internal and external as appropriate)</b></p> <p>The Council, developers and the local community.</p> <p><b>Intended outcomes</b></p> <p>The proposed disposals would allow the Council to secure capital receipts, generate Council Tax, redevelop underutilised land and meet its obligations under the Local Plan (2014).</p>
<p><b>Live date:</b></p>	<p>October 2023</p>
<p><b>Lifespan:</b></p>	<p>Until the site is developed or the site allocation in the Housing Local Plan is removed/changed.</p>
<p><b>Date of next review:</b></p>	<p>Not applicable</p>

Screening questions	Response			Evidence
	No	Yes	Uncertain	
<b>Human Rights</b> Could the decision impact negatively on individual Human Rights as enshrined in UK legislation?*	☒	☐	☐	It is considered that the disposal of the subject parcels of land will not impact negatively on individual human rights as the proposal represents a significant and positive enhancement for the local and wider areas, which outweighs the loss of the parcel of land.
<b>Equality</b> 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>a) The Council has a duty to consider the impact of the proposed decision on relevant protected characteristics, to ensure it has due regard to the public sector equality duty. Therefore, in the process of taking decisions, the duty requires the Council to have due regard to the need to:</p> <ul style="list-style-type: none"> <li>(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;</li> <li>(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it, and</li> <li>(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.</li> </ul> <p>It is considered that the proposal to facilitate the development of housing will not have a disproportionate adverse impact on a group, or individuals, because they hold a protected characteristic. Evidence</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
	No	Yes	Uncertain	
				used to inform this assessment includes engagement to date with relevant Council departmental teams.
<b>Community cohesion</b> 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"/>	It is not considered that there will be any adverse impact on community cohesion or negative impact on relationships between different groups, communities of interest or neighbourhoods within the town.
<b>Sustainable Community Strategy objectives</b> Could the decision impact negatively on the achievement of the vision for Middlesbrough? Does the decision impact on statutory duties associated with these key objectives? *	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>The parcels of land are already allocated for residential use in the Council's adopted Housing Local Plan, which underwent several rounds of public consultation – in full accordance with the Middlesbrough Statement of Community Involvement (SCI) – and a stringent Public Examination by an Independent Planning Inspector, who declared the Plan sound. As such, the principle of residential development in these locations has already been established as being suitable.</p> <p>The existing or pending development guidance and masterplans are intended to ensure satisfactory development for residential purposes. Consultation on the development guidance and masterplan documents will be undertaken in full accordance with the Council's adopted (SCI).</p> <p>In light of the above, it is not considered that there will be any negative impact on the Council's sustainable community strategy objectives.</p>

Screening questions	Response			Evidence
	No	Yes	Uncertain	
<b>Organisational management / transformation</b> Could the decision impact negatively on organisational management or the transformation of the Council's services as set out in its transformation programme? *	☒	☐	☐	Disposal of the parcel of land would generate Capital Receipt and Council Tax, supporting the Council's Medium Term Financial Plan. In light of the above, it is not considered that there will be any negative impact on the organisational management or the transformation of the Council's services set out in its transformation programme
<b>Next steps:</b> ➡ 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.				

<b>Assessment completed by:</b>	Claire Bell	<b>Head of Service:</b>	Steve Fletcher
<b>Date:</b>	25/10/23	<b>Date:</b>	25/10/23

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# Data Protection Impact: Screening and Assessment Form

Decision/Project:	Newham Hall	DPO to add PIA #.
Lead Officer:	Claire Bell	Project Officer
Head of Service (IAO):	Steve Fletcher	Head of Development



**Any new decision or project involving high risks to the rights and freedoms of natural persons must have a 'Data Protection Impact Assessment' (DPIA) carried out on it BEFORE any personal data is used or 'processed' – this includes buying new ICT solutions. The Council can be fined up to £9million if it does not complete a DPIA when one was required by law.**

- Answer **ALL** of the following screening questions in Step 1 to determine if your decision or project requires a data protection impact assessment (DPIA).
- This is not an exclusive list and DPIAs are required where there is likely to result in 'high risks to the rights and freedoms of natural persons'.
- The Information Commissioner's Office (ICO) recommends that a DPIA is completed where a major project requires the processing of personal data, particularly of vulnerable people.
- If you decide you need to complete a DPIA, fill in steps 2 to 7.
- Hover your mouse cursor over the  images for each question to see further information or examples or go here for [more information about the DPIA process](#).

## Step 1: Screening Questions

**Section A: Review and answer ALL of the following eight questions. Answering 'Yes' for any will automatically require a DPIA to be completed**

1. <b>Systematic and extensive evaluation</b> based on automated processing or profiling resulting in decisions with legal or other significant effects		No
2. <b>Large scale</b> use of special category and/or criminal convictions or offences data		No
3. <b>Systematic monitoring</b> of a publicly accessible area on a large scale		No
4. <b>Decisions about access</b> to a product, service, opportunity or benefit that is based on automated decision-making (including profiling) or involves special category data		No
5. <b>Any profiling</b> of individuals on a large scale		No
6. <b>Combining, comparing or matching</b> personal data obtained from multiple sources		No

## Step 1: Screening Questions

7. <b>Targeting of children / other vulnerable individuals</b> for marketing, profiling, or other automated decision-making, or the offer of online services directly to children	?	No
8. Use of data that could <b>jeopardise the physical health or safety</b> of individuals if it were disclosed in a personal data breach	?	No

## Section B: Review and answer ALL of the following nine questions. Answering 'Yes' for two or more will automatically require a DPIA to be completed

1. <b>Evaluation or scoring, profiling or predicting</b> , especially aspects about performance at work, economic situation, health, personal preferences or interests, reliability or behaviour, location or movements	?	No
2. <b>Automated-decision making</b> with legal or similar significant effect e.g. which could lead to exclusion or discrimination	?	No
3. <b>Observation, monitoring or control of individuals</b> , including data collected through networks or a systematic monitoring of a publicly accessible area	?	No
4. <b>Special category or criminal convictions or offence information use</b> or anything that could increase the possible risk to the rights and freedoms of individuals	?	No
5. <b>Large scale use of any personal data</b> either by number of individuals, volume, duration, or geographical extent	?	No
6. <b>Matching or combining datasets from two or more sources</b> where the original purposes were different	?	No
7. <b>Information about vulnerable individuals including children, adults, employees</b> where there is an imbalance of power with the organisation	?	No
8. <b>Innovative use of or applying new technological or organisational solutions</b>	?	No
9. <b>Preventing individuals from exercising a right or using a service or a contract</b> as a result of use of their information	?	No

## Section C: Review and answer ALL of the following five questions. Answering 'Yes' for any in Section C AND one or more in Section B above will automatically require a DPIA to be completed

1. <b>Use of innovative technologies</b> , or the novel application of existing technologies (including AI)	?	No
2. <b>Biometric data use</b> (e.g. fingerprint or facial recognition)	?	No
3. <b>Genetic data use</b> , (other than that processed by an individual GP or health professional for the provision of health care <b>direct</b> to the data subject)	?	No
4. <b>Invisible processing</b> where personal data that has not been obtained direct from the individuals and providing a privacy notice would prove impossible or involve disproportionate effort	?	No
5. <b>Tracking an individual's geolocation or behaviour</b> , including but not limited to the online environment	?	No

## Section D: Justification for not completing a DPIA

The project will be delivered in line with the Council's wider Housing Growth Programme with the aim of assisting the Council to set a sustainable budget, as the capital receipts from housing sites along with the subsequent Council Tax are the key components of the Medium Term Financial Plan.

It is believed the project would not require the collection of data that would impact upon the rights and freedoms of natural persons.



Send the form with completed screening questions to:

[dataprotection@middlesbrough.gov.uk](mailto:dataprotection@middlesbrough.gov.uk).

It will then be checked and advice provided on your responses.

**If you do not need to complete a DPIA, you do not need to follow the rest of this procedure.**

### Step 2: Identifying the Need

**Explain broadly what project aims to achieve and what type of processing it involves. You may find it helpful to refer or link to other documents, such as a project proposal. Summarise why you identified the need for a DPIA.**

### Step 3: Describe the Processing

**Nature of the processing:** how will you collect, use, store and delete data? What is the source of the data? Will you be sharing data with anyone? You might find it useful to refer to a flow diagram or other way of describing data flows. What types of processing identified as likely high risk are involved?

**Scope of the processing:** what is the nature of the data, and does it include special category or criminal offence data? How much data will you be collecting and using? How often? How long will you keep it? How many individuals are affected? What geographical area does it cover?

**Context of the processing:** what is the nature of your relationship with the individuals? How much control will they have? Would they expect you to use their data in this way? Do they include children or other vulnerable groups? Are there prior concerns over this type of processing or security flaws? Is it novel in any way? What is the current state of technology in this area? Are there any current issues of public concern that you should factor in? Are you signed up to any approved code of conduct or certification scheme (once any have been approved)?

**Purposes of the processing:** what do you want to achieve? What is the intended effect on individuals? What are the benefits of the processing – for you, and more broadly?

### Step 3: Describe the Processing

### Step 4: Consider consultation

**Consider how to consult with relevant stakeholders:** describe when and how you will seek individuals' views – or justify why it's not appropriate to do so. Who else do you need to involve within your organisation? Do you need to ask your processors to assist? Do you plan to consult information security experts, or any other experts?

### Step 5: Necessity and Proportionality

**Describe compliance and proportionality measures, in particular:** what is your lawful basis for processing? Does the processing actually achieve your purpose? Is there another way to achieve the same outcome? How will you prevent function creep? How will you ensure data quality and data minimisation? What information will you give individuals? How will you help to support their rights? What measures do you take to ensure processors comply? How do you safeguard any international transfers?

### Step 6: Risk Identification and Assessment

Describe source of risk and nature of potential impact on individuals <b>without any controls in place.</b>	Likelihood of harm	Severity of harm	Overall risk
Click here to enter text.	Choose an item.	Choose an item.	Choose an item.
Click here to enter text.	Choose an item.	Choose an item.	Choose an item.
Click here to enter text.	Choose an item.	Choose an item.	Choose an item.
Click here to enter text.	Choose an item.	Choose an item.	Choose an item.
Click here to enter text.	Choose an item.	Choose an item.	Choose an item.

Step 7: Risk Mitigations

Identify additional measures you could take to reduce or eliminate risks identified in step 6

Risk	Options to reduce or eliminate risk	Effect on risk	Likelihood of harm	Severity of harm	Residual risk	Measure approved
Click here to enter text.	Click here to enter text.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
Click here to enter text.	Click here to enter text.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
Click here to enter text.	Click here to enter text.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
Click here to enter text.	Click here to enter text.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
Click here to enter text.	Click here to enter text.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
Click here to enter text.	Click here to enter text.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.

## Step 8: Sign-off and Outcomes

<b>Consultation responses reviewed by and date:</b>	Click here to enter name.	Click here to enter a date.	
<b>Reasons for departing from consultees views:</b>			
If your decision departs from individuals' views, you must explain your reasons.			
<b>DPO advice provided by and date:</b>	Click here to enter name.	Click here to enter a date.	
<b>Summary of DPO advice</b>			
DPO should advise on compliance, step 7 measures, and whether processing can proceed.			
<b>Advice accepted or rejected, by, and date:</b>	Choose an item.	Click here to enter name.	Click here to enter a date.
<b>Reasons for rejection of DPO advice:</b>			
If rejected, you must explain your reasons.			
<b>Measures approved / not approved by:</b>	Choose an item.	Click here to enter name.	Click here to enter a date.
<b>Residual risks accepted or rejected by:</b>	Choose an item.	Click here to enter name.	Click here to enter a date.
<b><u>If accepting any residual high risk, you must ask the DPO to consult the ICO before going ahead.</u></b>			
<b>DPIA to be reviewed by and next review date:</b>	Click here to enter name.	Click here to enter a date.	
<b>Previously reviewed by and date:</b>	Click here to enter name.	Click here to enter a date.	

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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of the Local Government Act 1972.

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