

Report of:	Executive Member for Finance and Governance Director of Finance (S151 Officer)
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Submitted to:	Executive
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Date:	18 October 2022
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Title:	Financial Recovery Plan 2022/23
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Report for:	Decision
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Status:	Public
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Strategic priority:	All
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Key decision:	Yes
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Why:	Decision(s) will incur expenditure or savings above £150,000
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Urgent:	No
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Why:	Not Applicable
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Executive summary

This report sets out arrangements by each Directorate to support the Council's financial recovery plan for 2022/23.

The Quarter One budget monitoring report to Executive on 6 September 2022 reported a forecast overspend of approximately £9m for 2022/23. This was mainly due to pressures relating to additional inflation, the increased pay award, and increased demand, placement and agency costs within Children's Services, all of which were unknown at the start of the financial year and are national issues. Following that report, each Executive Member and Director has reviewed discretionary spending plans in their area for the remainder of the financial year. An overview is contained in this report and indicates the forecast overspend can be substantially reduced to approximately £1.6m. Work will continue throughout the remainder of the year to improve this position further, wherever possible, in order to mitigate the risk on reserves.

Executive are asked to note the progress made and approve the recovery plan as outlined in this report.

Purpose

1. The purpose of the report is for Executive to approve the financial recovery plan for 2022/23, and note the impact on each Directorate's forecast position.

Background and relevant information

2. The Council's scheme of delegation gives the Executive collective responsibility for financial management and budget monitoring with budgets delegated to Directors for operational and strategic decision making.
3. Executive will recall the first quarter's monitoring position reported in September 2022 identified a forecast overspend for 2022/23 of approximately £9m. This was mainly due to pressures relating to additional inflation, the increased pay award, and increased demand, placement and agency costs within Children's Services, all of which were unknown at the start of the financial year and are national issues. As a result, a number of actions were approved to recover the position:
 - a. Each Directorate was requested to identify where discretionary expenditure could be curtailed, stopping short of an in year spending freeze.
 - b. Additional controls around the recruitment to vacant posts and procurement of agency staff.
 - c. Member led focus meetings on the challenges facing Children's Services with an objective to mitigate demand and workforce challenges, concurrently assisting both the financial position and improvement journey.
 - d. The subsequent approval of the adoption of a Flexible Use of Capital Receipts Strategy for 2022/23 at Full Council in September 2022 to support transformation.
4. The table below shows by Directorate the results of the discretionary spend review and fees and charges implementation, and shows a revised forecast spend position for 2022/23.

Directorate	2022/23 Full Year Budget	2022/23 Q1 Forecast Variance	2022/23 Recovery Plan	2022/23 Fees & charges increases from 1 November 2022	2022/23 Revised Forecast Variance
	£'000s	£'000s	£'000s	£'000s	£'000s
Regeneration and Culture	3,474	(529)	648	129	(1,306)
Environment and Community Services	19,608	395	419	132	(156)
Adult Social Care and Public Health	40,454	1,053	1,394	52	(393)
Children's Services	45,102	6,857	811	30	6,016
Legal and Governance Services	9,604	37	156	23	(142)
Finance	200	(1,176)	225	97	(1,498)
Central Budgets *	(113)	2,375	3,240	0	(865)
TOTAL	118,329	9,012	6,893	463	1,656

NOTE

* Recovery Plan for Central Budgets includes £2.7m for adoption of the Flexible Use of Capital Receipts Strategy and £0.5m for vacancy and agency control which are currently shown centrally within Central Budgets, however these may at year-end be shown within Directorate budgets.

In-year recovery plan and impact on directorates

Regeneration and Culture (£648,000)

5. In-year savings identified from Regeneration budgets include ceasing any new activity in the town centre that requires revenue pump priming, and the reduction of activities to further develop the museums and attractions managed within Culture. A number of other opportunities will be taken to charge planned revenue expenditure to capital grants as a one-off measure.

Environment and Community Services (£419,000)

6. The Environment and Community Services recovery plan includes the following elements :

- Delay the introduction of household pest control - this will have the effect of the Council not being able to offer a subsidised pest control service to Middlesbrough residents
- The enhanced tree maintenance programme will be delayed in its implementation, and this will mean less tree work will be able to be undertaken than anticipated in 2022/23
- The allocation of funds to community groups through the environment community pot will be stopped
- Temporary stop to book purchases, which will mean a delay in the purchase of new book issues and replacement books. This may mean people have to wait longer than normal
- The Council will stop purchase of new eBooks until the end of 2022/23. This means that new titles will not be available
- Stop security in libraries and hubs, which we will be covered through the use of wardens and other staff
- The contribution to community events will be reduced, and this will require organisers to seek funding from elsewhere
- Recruitment to 5 vacant street warden posts will be frozen. This will reduce the level of activity undertaken by street wardens
- Recruitment to a vacant highways supervisor post to be frozen, this will not have any effect in the short term

Adult Social Care and Public Health (£1,394,000)

7. The measures proposed within Adult Social Care are made up of the following :

- plans to increase contributions from the NHS in line with our own fee increases for cases where there are shared responsibilities
- transfer of all Tees Community Equipment Service costs from revenue to capital funding from the Disabled Facilities Grant to surrender uncommitted resources from a 2020/21 grant
- to discontinue a small hospital discharge project, which has been “dormant” for some three years
- to suspend current plans to recruit a number of additional agency/temporary Social Workers and to delay recruitment of two day care support workers (as the parent day care unit is currently running at below maximum capacity)

While none of these measures means a reduction in provision for existing service users, the suspension of the plans to employ additional staff on a temporary basis does make service improvement in advance of the commencement of inspections of Adult Social Care by the Care Quality Commission (scheduled to commence nationally in April 2023) a more challenging prospect.

8. The proposed in-year savings from Public Health will come from the overhead contribution from the Health Determinant Research Collaboration (HDRC) external grant funding that the Council have secured over the next 5 years. The remaining proposed savings will come from deleting current vacancies from the structure, which will have an impact on leadership and management and capacity within the service, particularly with regards to Health Protection. Other savings have been identified from tariff based services that are not back to their full capacity since Covid-19.

Children's Services (£811,000)

9. Middlesbrough has the highest demand for social care in England. It continues to rise, particularly due to the pandemic, and additional resources are required to manage this pressure particularly due to the cost of agency social workers and the increased cost of external residential placements for young people who are looked after by the authority both of which are national issues. Due to the acute budget pressure, a freeze on all non-essential vacancies will be applied. This will result in additional pressures on existing team members to ensure that demand will be managed within existing resources, which will potentially adversely impact on future performance.
10. The Family Group Conference team delivers family networking support to remain at home or to be cared for within their extended family. The team of 5 FTE staff has three vacancies which will not be filled, and the remaining workers will be absorbed into the existing workforce. The element of statutory provision of Family Group Conferences will be delivered from within the service. This will result in a saving of £49,000.
11. Funding for enhanced Youth Services of £150,000 was agreed at Council in February 2022, however the model has not yet been agreed and the service is not yet in place. The enhanced services were intended to work with vulnerable children in Middlesbrough impacted on by high levels of anti-social behaviour, which will not now take place.
12. The current Head of Strategic Services left the Council at the end of September and it is proposed that the post is deleted. However, the post is central to delivering certain aspects of the Children's Services Improvement Plan and the Improvement Adviser commissioned by the Department of Education is concerned about the impact on Children's Services improvement journey. Therefore, 2-3 days consultancy cover per week will be commissioned until Ofsted have carried out their judgement inspection, likely to be in February 2023. This would result in a saving of £20,000.
13. The proposal is to reduce the amount spent on external residential placements by a further £300,000 by the end of 2022/23. This is a very challenging target as all possible reductions in the number of external residential placements have already been factored into the existing budget prior to this proposals being made. The reduction in the number of such placements cannot be equated with a reduction in budget spend because of the increased cost of placements. The decrease in the number of placements over the last year has not resulted in a decrease in budget spend. All placement moves have to be considered in the context of children and young people's needs and the plans in place

to support them. The rising costs of external residential placements is a national issue and not particular to Middlesbrough or surrounding authorities.

14. The purpose of Section 17 budgets is to prevent children and young people being received into care, by expenditure on items such as food and necessary clothing. The proposal is to introduce a policy and framework of spend to introduce consistency and standardisation of spend across Children's Services. The arrangements will be managed through the community support team in Residential and Business Support. A review of welfare support will be undertaken by the Service and where appropriate to do so alternative government funding will be used rather than Council funds. The review including the introduction of a framework and policy will commence September 2022 and be complete by the end of November 2022. The amount of savings will be determined by the framework and policy. Currently it is estimated that there will be £100,000 of savings due to this by the end of 2022/23.
15. There is also a proposal to reduce the number of agency staff by 12 by recruiting to the same number of permanent social workers, which it is estimated will equate to a saving of £125,000. This is a challenging target as for an example a continuous recruitment campaign and a 'Welcome Aboard' payment of £5,000 has only attracted two permanent workers. In addition, in the current climate permanent workers are leaving Middlesbrough as well as other authorities to become agency workers to earn more money particularly in managed teams. An enhanced recruitment drive, including the use of market supplements, is to be implemented shortly. Ofsted have confirmed that we have a good workforce development offer. The challenges of recruiting permanent, experienced social workers is a national one and not particular to Middlesbrough or surrounding authorities.

Legal and Governance (£156,000)

16. Savings of £126,000 will be made by keeping posts vacant within ICT and Democratic Services, and a further £25,000 will be made by charging the cost of two posts to grant funding within Adult Social Care to support project management of preparation for CQC inspections and compliance with the Care Act. In addition, the ICT SLIDO survey system will be cancelled.

Finance (£225,000)

17. Savings of £50,000 will be made by keeping posts vacant within Financial Planning & Support and Finance and Investment, and a further £25,000 by reducing spend within the centralised budget for Council stationery costs. Additional revenue of £150,000 will be achieved by reviewing charging of overheads to grants, applying this wherever possible, and by increasing support service charges to external bodies.

Central (£3,240,000)

18. Savings of £2.7m will be potentially achieved through the adoption of the Flexible Use of Capital Receipts Strategy for 2022/23, which was approved by Council on 7 September 2022. A further saving will be made by leaving uncommitted the remaining £40,000 of the Funding Available for Service Investment created at 2022/23 budget setting, which had previously been earmarked towards Locality Working. A further £500,000 of savings are expected to be achieved through enhanced vacancy management and agency control across all Directorates, this has been accounted for as a central saving for the

purpose of this recovery plan. More detail on this is contained in the following paragraphs.

Progress on vacancy and agency control

19. Arrangements to progress the recruitment to vacant posts and the appointment of agency staff now require collective LMT approval in advance. This arrangement has been in place since August and is intended to bring about added scrutiny to the business need of the Council. It is not a universal restriction on recruitment, but with a focus on ensuring recruitment is conducted with a focus on critical posts. In effect, it is an enhanced vacancy turnover (abatment) factor to those already in place across the Council.
20. It is anticipated that enhanced vacancy management will bring about a further £500,000 reduction in workforce costs over the remainder of the year and this is currently included within the central budget line in the table in paragraph 4 above.

Children's Focus Group

21. This group is member led. To date the discussion has largely focussed on workforce development to consider how the council's own workforce strategy can bring about an improved recruitment and retention offer to stabilise the council's own workforce and to reduce the reliance on agency staff. This intent would benefit both the financial position of the Council and also positively impact the Ofsted Improvement plan. This is planned to provide some £125,000 additional savings in agency costs for the remainder of the year. The revised plans around workforce are included within the Children's recovery plan above.
22. Further work is being developed to consider the future commissioning strategy and market position, however this will impact longer-term financial health rather than provide an immediate cash benefit.
23. Following the proposed recovery plan by Children's Services there are still continuing overspends forecast for the remainder of the year in Children's Services of approximately £6m, however as shown in the table in paragraph 4 these pressures have been significantly offset by the actions of other Directorates.

Flexible Use of Capital Receipts

24. Full Council on 7 September 2022 approved the adoption of a Flexible Use of Capital Receipts Strategy for 2022/23 in support of transformation activity. This flexibility has currently been made available by central government and is in line with the legislation and detailed guidance. The success of the Strategy is dependent on the availability of capital receipts for investment and the demonstration that those transformation projects are able to provide future ongoing revenue savings or reduce future demand for services. Full Council has approved some £2.7m capital receipts as being available for potential flexible use in 2022/23 and this is currently included within the central budget line in the table in paragraph 4 above.

Fees and Charges increases

25. Fees and Charges would usually be increased as part of the budget report in February each year in line with the prevailing inflation rate at the time. However, in order to help the financial position in 2022/23 and the increased rate of inflation that currently exists, it is proposed that Fees and Charges are increased earlier than usual in line with inflation from 1 November 2022, subject to any statutory requirements regarding notice and consultation.
26. Details of the areas of Fees and Charges proposed to be increased from 1 November 2022 are included in Appendix 1. A cautious approach has been taken to estimate the potential additional income that can be achieved in the remainder of 2022/23 taking into account the achievability of each increase and the consultation required and any statutory constraints, with £463,000 being estimated to be achieved by the end of 2022/23. The total per Directorate has been included in the table in paragraph 4.
27. An impact assessment has been completed to assess the proposed Fees and Charges increases (appended to this report at Appendix 2). It found that there were no concerns that these could result in disproportionate adverse impact on groups or individuals because they hold one or more protected characteristics.

Reserves

28. The Social Care Transformation reserve which was created at the end of 2021/22 is held to support the strategic development of Children's and Adults' Social Care services and to mitigate risks of overspend arising from demand. This Reserve currently has a balance of £5m remaining and it was initially intended to be used to support social care improvement in 2023/24. However, it is now forecast that this Reserve will be required to be reduced to approximately £3.4m if the overspend shown in table in paragraph 4 is not recovered during the remainder of this financial year.

What decision(s) are being recommended?

That the Executive:

- Note the progress being made to recover the financial position in 2022/23 by each Directorate
- Approve the recovery plan for 2022/23 as set out in the report
- Note the recovery plan will be used as a benchmark for reporting future budget variations

Rationale for the recommended decision(s)

29. To enable the effective management of finances, in line with the Council's Local Code of Corporate Governance, the Scheme of Delegation and agreed corporate financial regulations.

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

30. To not propose a recovery plan for 2022/23 will mean that the Council's financial health is severely and adversely impacted with a continuing overspend, and if not corrected the Council's spending will be unsustainable.

Impact(s) of the recommended decision(s)

Legal

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

Strategic priorities and risks

32. Without adequate financial control, there is a risk that resources will not be aligned to corporate priorities.

33. External financial and economic uncertainty give rise to budget sensitivities and cost fluctuations that might not currently be foreseen but arise during the remainder of this year.

Human Rights, Equality and Data Protection

34. The Public Sector Equality Duty (PSED) (as set out in the Equality Act 2010) places a statutory duty on the Council in exercising its functions, to have regard to the need to:

- eliminate discrimination, harassment and victimisation;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

35. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and
- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

36. The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Where proposed decisions may be relevant to one or more of these protected characteristics, the Council is obliged to assess the impact. If there is judged to be an adverse impact on these characteristics that is relevant to the duty above steps are taken to consider whether it can be avoided or mitigated. Where it cannot be avoided or mitigated, a decision can only be taken if it can be justified.

37. The financial recovery plan does not create policy change for service users, clients and customers. The proposed Fees and Charges increases also do not result in disproportionate adverse impact on groups or individuals because they hold one or more protected characteristics.

Financial

38. Financial implications are included in the main body of this report, with a summary of the effect being provided in the table in paragraph 4.

Actions to be taken to implement the recommended decision

Action	Responsible Officer	Deadline
Implement proposals	Each Director	Immediately
Consider requests to appoint to vacancies and procurement of agency staff	LMT	Immediately
Implement changes to reduce numbers of agency staff	Director of Children's services	Immediately
Implement the proposed increases to fees and charges	Each Director	1 November 2022
Effect changes to budget management and control	Director of Finance	Immediately

Appendices

1	Detail of proposed Fees and Charges increases from 1 November 2022
2	Impact assessment of proposed Fees and Charges increases

Background papers

Body	Report title	Date
Council	Revenue Budget, Council Tax, Medium Term Financial Plan, and Capital Strategy 2022/23	23/2/22
Executive	Revenue and Capital Budget – Projected Outturn position as at Quarter One 2022/23	6/9/22
Council	Flexible Use of Capital Receipts Strategy 2022/23	7/9/22

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