

MIDDLESBROUGH COUNCIL	
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Report of:	Chief Executive
Executive Member:	The Mayor and the Executive Member for Finance and Governance
Submitted to:	Council
Date:	27 March 2024
Title:	Approach to Transformation of Middlesbrough Council
Report for:	Decision
Status:	Public
Council Plan Priority:	All
Key decision:	Not applicable
Why:	Not applicable
Subject to call in:	No
Why:	n/a

Proposed decision(s)				
That Council:				
<p>a) Notes that the transformation of Council services is critical to achieving service improvements from a lower cost base to recover the council's financial position and achieve financial sustainability over the medium to long term.</p> <p>b) Notes that officers are continuing to work on the development of transformation programme and business cases to enable full consideration of the proposed transformation portfolio to be considered by Council at a meeting on 24 April 2024.</p> <p>c) Notes the total investment required over the next three years (including d) below) as approved within the MTFP for 2024/25 as set out below.</p>				
	2024/25	2025/26	2026/27	TOTAL
Transformation Capital Scheme	£m	£m	£m	£m
Programme Costs	5.500	4.800	3.300	13.600
Redundancies	6.500	-	-	6.500
Contingencies	1.700	2.900	2.000	6.600
Total Transformation Costs	13.700	7.700	5.300	26.700

- d) Approves expenditure of the £4.827m to in respect of the items set out below and the associated Flexible Use of Capital Receipts Strategy at Appendix 2 to fund this work.

April 2024 Phase 1 Investment	FUoCR £m
Estimated Redundancy Costs of approved savings (including Pension Strain)	3.600
Programme costs - New Member's Enquiry System - IT Solution Implementation	0.120
Programme Cost - Children's Charity - SHiFT 3-year Contract	0.135
Programme Costs to 30 April continuation of existing resources	0.473
Consultancy Resource - Schemes (Subject Matter Expertise)	0.499
Total	4.827

- e) Notes that the target investment return of at least £2.50 for each £1.00 invested giving a net benefit of at least £34.0m for £13.6m of programme investment costs over the term of the MTFP.
- f) Notes the Executive-approved governance and decision-making arrangements for the Transformation Portfolio, as approved by Executive and its programmes and projects to deliver cost savings, as detailed in the 2024/25 budget (Appendix 1).

Executive summary

What we need to do and why we need to do it

The Council remains in a critical financial position. It is regularly spending more money delivering its services than it receives in income. Once savings proposals totalling £21.028m for the period to 2026/27 are taken into account, a further budget gap of at least £7.965m remains for which service transformation and redesign is required to reduce operating costs.

This financial context means the Council must change the way it delivers services and engages with the community, to reduce costs and improve outcomes for residents. *Recover, Reset, Deliver*, the Council's transformation programme, requires investment in the short and medium term to ensure savings and service improvements are sustainable in the longer term.

Service areas which contribute heavily to budget pressures are a particular focus of the proposed transformation approach. Unless the Council modernises its approach to delivering services it will be unable to achieve a balanced budget. The impact of returning to such a position was discussed extensively as part of the 2024/25 MTFP process and the Council must take all necessary steps to avoid these risks materialising.

The programme is being developed as the new Council Plan for 2024-27 is implemented. The Elected Mayor's four priorities will be the focus as part of his mission to create a healthier, safer and more ambitious Middlesbrough that delivers value for money and is financially sustainable.

Work is progressing to bring members the full and detailed transformation portfolio and required investment on 24 April 2024, and on that basis, this report outlines the Council's approach to transformation, and seeks approval for the continued resource and subject matter expertise to ensure continuity and pace.

What will transformation cost, how will we pay for it and what will it save?

In the short-term, delivering the savings proposals of the 2024/25 budget, will result in redundancies, for which there will be a one-off cost. Additional transformation activity in future

years is likely to lead to further one-off redundancy costs, in order to create a leaner, better performing and more efficient council.

Delivering transformation will also incur costs of engaging specialist short term expertise, which is not available within Council's existing staff following several years of annual budget savings, which has reduced staffing and expertise, particularly in those service areas considered the 'engine room' of the council, such as finance, project management, ICT and human resources.

The approved Capital Programme for 2024/25 to 2026/27, set out the estimated investment required to deliver transformation and meet the costs of redundancies over a three-year period, estimated to be up to £26.7m from Flexible Use of Capital Receipts generated by asset sales.

Transformation is a form of 'invest to save' – investment of resources now to achieve improved services and lower costs in the future years. In terms of specific spending on the development and delivery of invest to save proposals, a return of 2.5 to 1 is proposed, meaning that £13.6m direct investment in transformation would be expected to result in a savings return of at least £34.0m over the course of the MTFP.

Due to the critically low level of reserves, it is intended that transformation will be funded using capital receipts in accordance with government regulation, as set out in the Flexible Use of Capital Receipts Strategy 2024/25. This means that money generated from selling properties, land and other assets can be used to fund the modernisation of services which will save the Council money in the longer-term.

It should be noted that the regulations around the Flexible Use of Capital Receipts do not permit the Council to fund ordinary day-to-day services from the proceeds of land, property and other asset sales.

Without successful transformation, the Council will not return to a position of financial sustainability, will not be able to sustain the role it needs to play in the town and for and with the community., The impact of returning to such a position was discussed extensively as part of the 2024/25 MTFP process and the Council must take all necessary steps to avoid these risks materialising.

What will the Council look like in the future?

The Council needs to transform into an organisation that works with the community to achieve its aims and objectives, as set out in the Council Plan 2024-27. Indeed, the Mayor's vision is that "We Will Thrive".

As well as staffing changes, the approach to transformation will require investment into modernising our business processes and new technologies and streamlining our ways of working. Services will be modernised to make them as efficient as possible, ensuring the best outcomes for residents.

Work is underway to assess the layers of management within the Council, leading to a new structure and ensuring that staffing levels are appropriate in priority areas.

In its revised Best Value Notice of January 2024, the government made clear it expected the Council to demonstrate it had the "capacity to transform at pace", alongside making progress on identified governance and cultural issues and a deliverable plan to achieve financial sustainability.

Purpose

1. The intent of the report is to set out the proposed direction of travel in relation to the Council's *Recover, Reset, Deliver* transformation programme, with further and fuller detail to be provided to full Council on 24 April 2024. This report also reiterates the proposed funding arrangements associated with transformation, as well as seeking approval for the Flexible Use of Capital Receipts Strategy 2024/25.

Recommendations

2. That Council:

- 2.1 Notes that the transformation of Council services is critical to achieving service improvements from a lower cost base to recover the council's financial position and achieve financial sustainability over the medium to long term.
- 2.2 Notes that officers are continuing to work on the development of transformation programme and business cases to enable full consideration of the proposed transformation portfolio to be considered by Council at a meeting on 24 April 2024. Notes the total investment required over the next three years (including d) below) as approved within the MTFP for 2024/25 as set out below.
- 2.3 Notes the total investment required over the next three years (including 2.4) below) as approved within the MTFP for 2024/25 as set out below.

	2024/25	2025/26	2026/27	TOTAL
Transformation Capital Scheme	£m	£m	£m	£m
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- 2.4 **Approves** expenditure of the £4.827m to in respect of the items set out below **and** the associated Flexible Use of Capital Receipts Strategy at Appendix 2 to fund this work.

	FUoCR £m
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- 2.5 Notes that the target investment return of at least £2.50 for each £1.00 invested giving a net benefit of at least £34.0m for £13.6m of programme investment costs over the course of the MTFP.
- 2.6 Notes the Executive-approved governance and decision-making arrangements for the Transformation Portfolio, as approved by Executive and its programmes and projects to deliver cost savings, as detailed in the 2024/25 budget (Appendix 1).

Rationale for the recommended decision(s)

3. To enable the Council to approve spend to enable it to progress at pace and to approve Phase 1 of the Flexible Use of Capital Receipts Strategy (FUoCR) Strategy 2024/25 to allocate appropriate funding to meet redundancy costs of the approved savings programme and secure progress of the development of the transformation programme to enable consideration by full Council on 24 April 2024.

Background and relevant information

Corporate Governance Journey

4. The Council is currently mid-way through a corporate governance improvement journey, following the report and findings of the Council's external auditor, Ernst and Young LLP in July 2022 which reported significant areas of concerns in governance, including relations between members and officers, which impacted on decision-making.
5. Following communication of the findings of the external auditor, the Council brought in external support (CIPFA and the LGA) to support with the development of the corporate governance improvement plan, alongside undertaking a review of the organisation's financial resilience.
6. In January 2023, the Department of Levelling Up, Housing and Communities (DLUHC), issued a Best Value Notice which required the council to evidence improvements in the way in which it delivered value for money. To respond effectively to the wider governance challenges facing the Council, the corporate governance improvement plan was refreshed in September 2023 around two specific themes: cultural transformation and financial resilience. Simultaneously, the external auditor escalated concerns via statutory recommendations (Section 24 recommendations), under Section 24 of the Local Audit and Accountability Act 2014, which the Council responded to with an action plan of improvements, aligning with the Corporate Governance Improvement Plan intentions.
7. An Independent improvement Advisory Board was established to provide expertise, challenge, and advice against delivery of the revised governance improvement plan, with the first meeting taking place in September 2023. Progress against the governance improvement plan (and including the actions in response to the Section 24 recommendations), is reported at these monthly Boards, as well as each meeting of full Council and Audit Committee.
8. The Best Value Notice was extended in January 2024 for a further six months, to be reassessed in July 2024.
9. Within this timeframe, there is an expectation to demonstrate traction and progress on development and delivery of the corporate transformation portfolio that is the vehicle through which financial recovery and sustainability will be achieved.

Transformation Portfolio Management Office: purpose and structure

10. The *Recover, Reset, Deliver* transformation programme will be governed and overseen by the Council's Portfolio Management Office (PMO).
11. The PMO has responsibility for the strategic oversight of the Council's portfolio of programmes and projects that are managed within the corporate Programme and Project Management framework (PPMF), to ensure consistent approach to programme and project management governance and documentation.
12. Established in 2016, the Portfolio Management Office already provides support and assurance for existing priority programmes and projects across the Council, though is significantly under-

resourced to support transformation, as well as underpinning the achievement of existing programmes and projects and the Council Plan 2024-27 priorities and aims.

13. The scope, scale and pace of change required over the course of the MTFP will require building upon these foundations, refining governance and delivery approaches, applying best practice programme and project management principles in a pragmatic and proportional manner, and ensuring the PMO has the capability and capacity to deliver effectively.
14. The PMO will be the glue between the programmes within the portfolio, promoting best practice, providing challenge, and coordinating transformation efforts to assure delivery and maximise impact through effective management of activity, evidence-based decision making, enhancing change capability and effective management of resources and risk.
15. Day to day responsibilities of the Transformation PMO will be cover portfolio, programme and project:
 - **Standards.** Set and uphold programme and project standards, ensuring consistent application of principles, in a proportional and pragmatic manner.
 - **Governance and Assurance.** Set and uphold governance standards across the programme and projects, managing and facilitate portfolio level governance. Tracking portfolio status and standardising the way programme information is compiled, providing independent assurance.
 - **Reporting.** Report at progress and performance at Portfolio, Programme and Project level against the corporate governance framework and performance management arrangements, engaging with officers and members, alike.
 - **Coordination.** Based on a total view of programmes and their deliverables, milestones, resources, risks, issues, assumptions and interdependencies.
 - **Strategic alignment.** Support for portfolio design, programme and project selection, and continually review the portfolio to ensure activity remains aligned to strategic priorities.

Transformation Portfolio: Governance

16. Proposed governance of the Transformation Portfolio will not deviate from the existing arrangements outlines in the PPMF, with all programmes and projects within the Transformation Portfolio governed through a clear and integrated board structure that will approve the initiation and continuation of project activity via gateway controls, including routes for escalation and change control(s) where required.
17. The governance board structure is made up of several layers, with the Executive being the ultimate accountable body for successful delivery of the transformation portfolio, in its entirety. To ensure the success of this governance framework, key roles and responsibilities are designated at each layer (see Appendix 1).
18. The Transformation Assurance Board will be Chaired by the Mayor, and will provide political accountability, ownership, and oversight to ensure the portfolio, programmes and projects have the political and organisational support to be successfully delivered and that they align with key political and operational priorities. The Transformation Assurance Board is ultimately accountable to the Executive, the body with mandate over the Transformation Portfolio.
19. The Leadership Management Team will sit as the Corporate Transformation Board, chaired by the Chief Executive as the Transformation Portfolio Sponsor / Senior Responsible Officer (SRO) and the key leadership figure in driving the portfolio forward, and to ensure that the portfolio meets its objectives and delivers the projected benefits. The Transformation Portfolio SRO supports and holds Thematic Programme Sponsors to account and is accountable to the Executive, leading the interface with the Transformation Assurance Board.

20. The Transformation Portfolio SRO has overall responsibility for portfolio budgetary control, with the Head of Service responsible for the Portfolio Management Office (PMO) accountable and responsible for central PMO costs, and Thematic Programme Sponsors accountable for associated programme costs.
21. The Corporate Transformation Board is supported by the Thematic Programme Boards, chaired the relevant Programme Sponsor; a representative of LMT and provide guidance and challenge to the Programme Manager and projects. They are accountable for the overall success of their respective programme, defining what success looks like, and ensuring the successful delivery of projects and benefits within the programme. Accountable to the Transformation Portfolio SRO (the Chief Executive), programme progress will be reported to the Corporate Transformation Board.
22. Localised / operational project boards will be stood up as appropriate, depending on scale and scope of projects.
23. This Executive-approved structure ensures that projects and programmes are scrutinised in a uniform way with exceptions escalated to senior responsible officers to ensure action is taken to bring the portfolio, programmes and projects back on-track, where required and / or necessary.

Delegated decision-making and reporting

24. Scheduling of the governance reporting framework will align with existing monthly corporate performance reporting cycle, for consistency. Furthermore, the Executive will receive quarterly progress reports against the Transformation Portfolio with quarterly all staff and member briefings provided by the Chief Executive on progress today and key matters of interest.
25. To ensure transparency of those specialist project resourcing costs within the transformation portfolio and its agreed project financial profiling, any decision to appoint project expense on an interim basis to ensure specialist input with a focus on return on investment, will be taken by the Chief Executive as Transformation Portfolio Senior Responsible Officer, in consultation with the Mayor, ensuring full compliance with the Council's constitution and contract and financial procedure rules.
26. It is also proposed that the delegated decision-making powers relating to approval of proposed changes to time, scope, cost and benefit of individual projects programmes, enabling them to be brought back within agreed tolerances are as set out in the Programme and Project Management Framework (PPMF), except where this would be a key decision and Executive approval would be sought through the governance arrangements outlines in this report or via an additional Executive report where a more urgent decision is required.
27. Some projects may require Executive approval in addition; however, they must first have a fully justified and Sponsor-approved Business Case that supports the Executive report to be considered.

Transformation Portfolio, Programmes and Projects

28. Successful Council-wide transformation of the organisation is integral to delivering the Council Plan 2024-27, its Medium-Term Financial Plan, and removal of the Best Value Notice through development of new approaches to the design of service delivery, driving of improved controls and efficiencies, implementation of effective demand management measures as part of the wider governance improvement arrangements currently in play.
29. In recognising the evolving landscape, the Council is committed to adopting innovative approaches in the design and delivery of services, encompassing new strategies, partnerships and collaborative efforts with stakeholders.

30. As an authority in the midst of significant change and challenge, transformation is key to delivering services more effectively and making positive changes to improve our culture. This involves a continuous process of monitoring external factors, staying abreast of best practice and innovation, and being agile in responding to emerging challenges and opportunities. The Council sees transformation not as a one-time event but as an ongoing journey that transitions into an approach of continuous improvement, aligning with the ever-changing landscape of public service and governance and which works in partnership with our communities.

31. The proposed Transformation Portfolio comprises six thematic programmes, each containing a number of projects, and which are sponsored by a member of the Leadership Management Team.

Adults	Children's	Property	Customer	Place-based Services	Target Operating Model and Core Services
Improved efficiency of current systems and transformation of delivery model through enhanced early intervention, use of digital technologies, increased reablement and review of accommodation offer.	Improved efficiency of current systems, transformation of delivery model through enhanced early help and prevention, development of new models of placement provision and increased in-house fostering capacity.	A review of Council's asset holdings to identify short-term opportunities to maximise generation of revenue and capital receipts to support organisational transformation.	Transformation of the organisation's approach to engaging with our customers and implementation of a customer-centric end-to-end journey, enabled through a behavioural change.	A review of service accessibility to allow more focused delivery and better meet the needs of residents, alongside transformation of the Council's approach to community engagement with the public.	Design and implementation of a Target Operation Model, alongside a review of the management structure to ensure stability and delivery of core enabling service-related savings.
Programme Sponsor: Director of Adult Social Care and Health Integration	Programme Sponsor: Director of Children's Services	Programme Sponsor: Director of Regeneration and Culture	Programme Sponsor: Director Finance (S151 Officer)	Programme Sponsor: Director of Environment and Communities	Programme Sponsor: Director of Legal and Governance

32. The scope of the transformation portfolio of programmes is firstly, to ensure the successful delivery of the existing initiatives developed to deliver the commitments within the Council Plan and the savings agreed as part of the 2024/25 budget by Council on 8 March, detailed at Appendix 3. Work leading up to February 2024, was undertaken to provide assurance on the deliverability of approved savings, alongside exploration of new and further transformation ideas to find additional savings over and above the £21.028, to as a minimum close the budget gap of £7.965m by 2026/27:

- A new council-wide approach to delivering a consistent and standardised customer services model across departments and thereby addressing the multiple 'front doors' through which customers currently access council services, the high levels of demand, often customers contact the council because something went wrong or was handled incorrectly, resulting in an inconsistent customer experience.
- The development of an integrated neighbourhood based working model. While the focus has been on crisis support it is a recognised necessity to pivot towards prevention and early intervention. This Programme is focused on gaining a better understanding of the root causes of demand and develop interventions or strategies to address them and thereby reducing the need for expensive and complex statutory services.
- Designing a new operating model for the council that which includes an examination of existing officer structures, which aims to establish a robust framework for effective governance and service delivery, whilst reducing costs and increasing productivity.
- Leading the ICT Service through an improvement journey to stand up a stable and fit for purpose service, recognising its pivotal role as a critical enabler of the council's overall transformation programme within the wider operating model. Additionally, opportunities for potential savings through the process of the rationalisation of ICT assets.

33. The second is identifying, qualifying, and then delivering further transformation to address the remaining budget deficit, creating a financially sustainable Council that can continue to meet its commitments i.e., the emerging opportunities identified in Customer, Integrated Neighbourhood Working, ICT and Target Operating Model.

The Transformation Portfolio

34. The following section of the report describes the programmes that make up the transformation portfolio in further detail.

Adult Transformation Programme

35. The Adults Programme has a targeted saving of £7.701m, as agreed as part of the 2024/25 budget setting process and consists of 13 projects aimed at improving the efficiency of the current systems and transformation of the delivery model for the provision of Adult Social Care services through enhanced intervention, the use of technologies, increased reablement and review of accommodation offer.
36. The programme seeks to optimise resource allocation while maintaining or enhancing service quality. Ultimately, the Adult Transformation Programme is poised to deliver tangible improvements in service provision, enhancing the quality of life for service users and their families within our community.

Children's Transformation Programme

37. The Children's Programme has a targeted saving of £6.501m, as agreed as part of the 2024/25 budget setting process and consists of 8 projects that are aimed at enhancing the efficiency of current systems while fundamentally transforming service delivery. By prioritising early help and prevention measures, the Programme aims to address challenges proactively, thereby mitigating potential risks and reducing long-term costs.
38. Moreover, through the development of new models for placement provision and the expansion of in-house fostering capability, the Programme seeks to improve the outcomes, safety and experience of the children supported by the council so that children in need of care have access to stable, nurturing and local environments.

Property Programme

39. The Property Programme is undertaking a comprehensive review of the Council's asset portfolio, with a focus on identifying immediate opportunities to maximise the generation of revenue and capital receipts to support organisational transformation.

Customer Programme

40. The Customer Programme will look to transform and enhance the customer service model across Middlesbrough enhancing the experience for customers, delivering joined up services in a way that best meets their needs rather than aligning with organisational structures, with a view to achieving efficiencies of digitalisation and a singular front door, but also leverage significant opportunities within the Council through the creation of a council-wide customer service resolution and prevention hub.
41. By the end of May 2024, the programme will have concluded its foundation phase, during which, the focus will be on evaluating high-demand service areas for a phased roll out of a proposed new customer model (services in scope to be agreed during April, such as Adults and Children's).

Place-based Services Programme

- 42. The Place-based Services Programme consists of existing savings proposals and emerging transformation initiatives. With the existing savings proposals there is a target saving of £3.854m, as agreed as part of the 2024/25 budget setting process. The Programme consists of 21 projects that are a combination of initiatives across both Environment and Communities and Regeneration and Culture Directorates as well as emerging opportunities.
- 43. This Programme is aimed at delivering a review of service accessibility to allow more focused delivery and to better meet the need of residents, alongside transformation of the council's approach to community engagement with the public. The emerging opportunities within this Programme include the introduction of a council owned vehicle recovery pound and an integrated neighbourhood model.
- 44. By the end of May 2024, the programme will have concluded its foundation phase, evaluating 3-4 high-demand and high-cost priority areas of the Council, such as homelessness and youth justice (areas in scope to be confirmed in March).
- 45. The assessment will identify the demand and cost pressures, analyse root cause factors influencing demand, and assess gaps in outcomes for specific cohorts / locations. Additionally, the foundation phase will define the case for change for service integration and re-design.

Target Operating Model and Core Enabling Services Programme

- 46. The Target Operating Model and Core Enabling Services Programme consists of existing savings proposals and emerging transformation initiatives. With the existing savings proposals there is a target saving of £3.023m, as agreed as part of the 2024/25 budget setting process. The Programme consists of 22 projects that include savings proposals across the core enabling services e.g., Finance and emerging transformation initiatives.
- 47. Further savings opportunities have been identified in designing a new target operating model for the council, including reviewing the current council officer structures. This will provide a solid framework on which to build strong governance and services which perform well and deliver good outcomes for the people of Middlesbrough, whilst also reducing costs and improving productivity.
- 48. Additionally, the ICT Service transformation is an expedited component of the future operating model as the council will need a stable and fit for purpose ICT Service which will play a pivotal role as a critical enabler of the council's overall transformation programme. Further opportunities for targeted savings exist in the rationalisation of ICT assets, this is detailed further below.
- 49. The approach will be to review the ICT application estate, ensuring maximum effectiveness and efficiency, whilst delivering savings on current spend, and underpinning the Council's ambition for joined up services that better serve its people.

Transformation resourcing, investment

Why we need to change

- 50. The Council's financial position is critical given that it has been unable to set a balanced revenue budget for 2024/25 without reliance upon Exceptional Financial Support (EFS) to close the gap of £4.7m between its planned spending levels and its revenue income sources. It also has insufficient revenue reserves to cover risks in its operating environment totalling a further £8.7m.
- 51. Service areas which contribute heavily to budget pressures are a particular focus to the approved savings plans and of the further work of the transformation programme. Unless the Council modernises its approach to meeting its statutory duties in relation to adult and children's social care provision, and waste disposal, it will be unable to achieve a balanced budget and meet its

legal obligations. This would lead to adverse consequences for staff and residents, including the likelihood of the issuing of a s114 Notice by the s151 Officer and further government intervention in the Council's decision making.

52. In addition, the Council is forecast to overspend its 2023/24 budget by £4.805m (Period 10 figures).
53. The Council's financial pressures are driven mainly by volume and complexity of demand in the statutory people-based services of adults and children's social care, SEND transport, along with the expected commercial price increases for residual waste disposal for which the Council has also has statutory responsibilities.
54. In developing the 2024/25 budget and MTFP to 2026/27, an ambitious and challenging savings programme has been developed which aims to deliver expenditure savings of £13.910m in 2024/25, rising to £21.028m in 2026/27. These service areas and sources of financial pressure are of particular focus within the savings programme. Without modernising and rethinking its approach to meeting statutory responsibilities, including managing and reducing demand for such service over time, the Council is unable to balance its annual budget and achieve a financially sustainable position over the medium term.
55. After all identified savings and utilisation of EFS in 2024/25, a budget gap of £7.474m remains in 2025/26 and a further £0.491m in 2026/27, totalling £7.965m over the period. The development of further projects within the Transformation Programme is required in order to deliver further savings of at least £7.965m over the period. This will be set out in more detail in the further report to Council in April.
56. The table below details the inflationary and demand pressures, together with planned savings

Budget Item	2024/25 £m	2025/26 £m	2026/27 £m
Net Budget brought forward	126.354	134.865	141.126
Pay Inflation	5.051	3.575	1.778
Contractual inflation	1.550	1.550	1.550
Other inflation	0.209	-	-
Fees & Charges inflation	(1.853)	(0.648)	(0.648)
Inflation subtotal	4.957	4.477	2.680
Service Demand pressures	20.764	7.361	5.331
Service Demand pressures subtotal	20.764	7.361	5.331
Technical adjustments	4.878	1.599	0.207
Risk Management	1.952	0.750	0.750
Grant Funding adjustments	(4.661)	-	-
Savings - approved in previous years	(0.769)	-	-
New savings proposals	(13.910)	(5.151)	(1.967)
Budgeted contribution to Reserves	8.325	-	-
Other adjustments subtotal	(4.185)	(2.802)	(1.010)
Projected Net Budget	147.890	143.901	148.127
Exceptional Financial Support	(4.700)	4.700	-
REVISED PROJECTED NET BUDGET	143.190	148.601	148.127
Council Tax	(71.438)	(75.770)	(80.319)
Business Rates	(48.305)	(49.781)	(51.274)
Estimated Collection Fund Surplus	(8.325)	-	-
Revenue Support Grant	(15.122)	(15.576)	(16.043)
Assumed Funding	(143.190)	(141.127)	(147.636)
Incremental Budget Gap + / Surplus ()	(0.000)	7.474	0.491
Cumulative Budget Gap + / Surplus ()	(0.000)	7.474	7.965

and income sources. This illustrates the budget gap between planned expenditure and income sources.

What we need to do

57. The analysis of savings approved by Council on 8 March 2024 is summarised below by directorate and type of saving. All savings must be delivered in full in order to ensure that the Council's financial recovery is achieved.

Directorate	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Adult Social Care	(5.757)	(1.283)	(0.750)	(7.790)
Children's Care	(4.254)	(1.400)	(0.715)	(6.369)
Education & Partnerships	(0.132)	-	-	(0.132)
Environment & Community Services	(1.459)	(0.670)	(0.120)	(2.249)
Regeneration	(0.551)	(0.794)	(0.200)	(1.545)
Finance	(1.379)	(0.959)	(0.182)	(2.520)
Legal & Governance Services	(0.378)	(0.045)	-	(0.423)
	(13.910)	(5.151)	(1.967)	(21.028)

Directorate	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Income	(3.156)	(1.502)	(0.182)	(4.840)
Efficiency	(5.849)	(1.027)	(0.120)	(6.996)
Service Reduction / Stop	(0.532)	(0.157)	-	(0.689)
Transformation	(3.541)	(2.465)	(1.665)	(7.671)
Demand Management	(0.832)	-	-	(0.832)
	(13.910)	(5.151)	(1.967)	(21.028)

58. The Transformation Programme Management Office will ensure robust governance, monitoring and reporting of the delivery of all approved savings. In addition, new projects are being developed in order to deliver at least £7.474m in 2025/26. The Director of Finance will issue a savings target to all thematic programmes during April in order to target a level of savings that will exceed the current budget gap estimate, so that the transformation programme is preparing for the review of the MTFP that will take place in July 2024 for the 2025/26 MTFP cycle.

59. The table below analyses the approved savings by thematic programme and the financial year profile, together with the estimated range of savings that is anticipated from new initiatives subject to the development and implementation of further project business cases.

	2024/25 £m	2025/26 £m	2026/27 £m	Sub Total £m	2023/24* £m	TOTAL £m	New ** £m
Analysis of savings by Theme							
Adults	(5.757)	(1.283)	(0.750)	(7.790)	0	(7.790)	TBC
Children's	(4.386)	(1.400)	(0.715)	(6.501)	(0.979)	(7.480)	TBC
Property	(0.080)	(0.220)	(0.200)	(0.500)	0	(0.500)	TBC
Customer	(0.136)	0.000	0.000	(0.136)	0	(0.136)	c£2.6m to
Place Based Services	(1.930)	(1.244)	(0.120)	(3.294)	(0.119)	(3.413)	£5.2m
Target Operating Model and Core Services	(1.621)	(1.004)	(0.182)	(2.807)	(0.294)	(3.101)	£0.580m+TBC
	(13.910)	(5.151)	(1.967)	(21.028)	(1.392)	(22.420)	
* 2023/24 Saving Initiative for delivery in 2024/25							
** New Savings in the process of identification and assurance by Transformation Programme							

60. The range of projects are in different stages of maturity:

- Some projects are well developed and will be implemented from the start of the new financial year to start to deliver savings immediately as part of business-as-usual activity.
- some projects require the deployment of expert resources for example project management or subject matter expertise in order to secure delivery.

- Some of the bigger and more complex transformation initiatives require investment to develop the full business case for which specification of required investment and expected financial and non-financial benefits of implementation will be articulated and funding approved later in the financial year.

How will we do it?

61. Transformation provides the route through which the Council will achieve improved service efficiency and cost reduction, whilst striving to deliver improved services and outcomes for the people of Middlesbrough. This will be delivered through a diverse range of projects of varying size and complexity. It will involve changes to the way that the Council interacts with citizens and in the way that it meets their needs.
62. Whilst a range of proposed savings are within the Council's capacity and capability to deliver as part of business-as-usual activity, those involving redesign through efficiency and transformation will require enhanced support to deliver reliably and successfully.
63. The Council's capability in terms of transformation, programme and project management expertise has been substantially reduced over recent years as a result of annual cost saving measures. Therefore, it has been necessary to engage the support of external consultants [Inner Circle Consulting Ltd - ICC] to work with Directors to assure the deliverability of all the planned savings and to ensure that robust delivery and resource plans are in place for all proposals. Advice from both ICC and the Middlesbrough Independent Improvement Advisory Board (MIIAB) has confirmed the assessment of the Chief Executive that the council lacks sufficient capacity to deliver on the transformative aspects of the plan.
64. In particular, the Council needs to supplement its permanent staff capacity with programme and project management expertise; subject matter expertise within various programmes; enabling services such as Finance, HR, ICT and data analytics. This will be achieved through a combination of external consultancy services, interim staff, reallocating internal resources with appropriate 'backfilling' arrangements and some fixed term contracts.
65. Robust governance arrangements in the form of an enhanced Transformation PMO and Enabling services (PMO, Finance, ICT, HR, Procurement, Legal and Business Intelligence) is critical to ensure full alignment between the Council's ambitions and its spending plans. In outlining an achievable programme of work that delivers performance improvement within reduced resources, the approach to transformation governance will support the Council in delivering value for money in the medium-term.

What will it cost and how will we pay for it.

66. The 2024/25 budget, MTFP, Capital Programme and Treasury Management Policy approved on 8 March¹ set out the estimated investment required to deliver transformation and to meet the estimated cost of redundancies over the 3-year period of the MTFP. The total cost is estimated to be up to £26.7m over the period and the approved funding source is the application of Flexible Use of Capital Receipts. In relation to Transformation Programme investment of £13.6m, a financial return of 2.5:1 is proposed, which equates to total savings of £34m over the period of the MTFP.
67. Given that the Council needs to extend its financial planning horizon from the historical annual focus to a medium term focus, this programme is developing a blend of short, medium and longer term savings in order to underpin more robust financial planning and resilience over time. Therefore, some savings may extend beyond the period of the current MTFP to 2026/27. The Director of Finance intends to develop the MTFP to run over a period of 5 years from 2025/6

budget setting i.e. through to 2029/30 to enable investment and savings to be tracked beyond the current MTFP period.

68. Transformation programme costs comprise programme management and transformation expertise, subject matter expertise and enabling services costs. Redundancy costs (including the cost to the Council of funding reimbursing the Pension Fund for the costs of liabilities) and a Contingency budget. The high-level approved budget is summarised below:

Transformation Capital Scheme	2024/25 £m	2025/26 £m	2026/27 £m	TOTAL £m
Programme Costs	5.500	4.800	3.300	13.600
Redundancies	6.500	-	-	6.500
Contingencies	1.700	2.900	2.000	6.600
Total Transformation Costs	13.700	7.700	5.300	26.700

69. It should be noted that the estimated cost for redundancies includes the estimated 75.4 FTE reduction associated with the approved savings programme as set out in the 2024/25 budget report, plus an estimate of staff FTE reductions that are yet to be confirmed through the review of the Target Operating Model of the Council which will involve a review of the management structure. Further details associated with this workstream will be provided in the April report to Council.

70. The approval of the allocation of Flexible Capital Receipts to be deployed to fund the proposed investment remains subject to Council approval of a Flexible Use of Capital Receipts (FUOCR) Strategy. The first phase of the strategy is set out in this report at Appendix 2 for approval in order to approve the funding of expenditure that will enable transformation work to continue to progress beyond 31 March 2024 and until the full Transformation Programme and associated funding is considered by Council for approval on 24 April 2024. It will be necessary for further revisions to the FUOCR Strategy to be submitted to Council throughout the 2024/25 financial year for approval of further allocations of this budget as business cases are developed.

71. Investment in Transformation is subject to an Eligible spend criteria under the Flexible Use of Capital Receipts regulations operated by DLUHC. Eligible expenditure under the regulations must evidence:

- Revenue expenditure, which is designed to generate ongoing expenditure savings, income generation, and/or more efficient delivery of services, and/or
- Transforms service delivery to reduce costs/ reduce demand; and/or
- Improves the quality-of-service delivery in future years.

72. The Resources planned expenditure is split into the following elements:

- Programme Management and subject matter expertise and additional enabling services support required to deliver targeted to deliver the £21.028m of approved savings projects.
- expenditure identified for further programmes and projects for which business case development and governance is required, for example Customer Services, Place Based and Target Operating Model.

73. A ringfenced budget allocation is in place for estimated redundancy costs, arising from transformation of £6.5m from FUoCR. In 2022 a new restriction was introduced to prevent authorities from funding discretionary redundancy payments, i.e. those not necessarily incurred under statue. For further details on eligible expenditure under the FUoCR regulations see Appendix 2.

- 74. Contingency budget allocation, £6.6m over the period of which £1.7m applies to 2024/25 will be subject to additional financial approval in line with the Transformation Programme Governance.
- 75. Financial reporting and monitoring of savings and Investment of costs will be assured through the PMO, Finance and Directorate Services reporting through both the Transformation Programme and the Council’s Budget Monitoring process.
- 76. Council approval of the FUoCR strategy is sought for allocation of expenditure of £4.827m of the £13.7m FUOCR allocation in 2024/25 to fund:
 - a. the associated redundancy costs to support the delivery of approved savings
 - b. funding the transformation improvements to the new Member Enquiries system
 - c. funding of SHiFT programme (Executive report 20 December 2023)
 - d. securing existing interim specialist resource and funding for specific projects within the transformation programme.

April 2024 Phase 1 Investment Costs	FUoCR £m	Revenue Change Fund £m	Total £m
Estimated Redundancy Costs of approved savings (including Pension Strain)	3.600	0.400	4.000
Programme cost: Member Enquiries system implementation	0.120	0.000	0.120
Programme cost: Children's Charity - SHiFT 3-year Contract	0.135	0.000	0.135
Programme costs to 31/05/24: continuation of existing resources	0.473	0.000	0.473
Consultancy Resource to 31/05/24: Schemes (Subject Matter Expertise)	0.499	0.000	0.499
Total	4.827	0.400	5.227

- 77. The SHiFT Programme under Children’s Services which is aligned to deliver savings, (ref CC06 SHiFT Project, a multidisciplinary approach in prevention). It is an investment in a 3-year partnership with a children’s charity SHiFT, reducing costs through intensive preventative work with children and young people caught up in, or at highest risk of, cycles of crime and exploitation, also providing more positive outcomes for them and their families. Match funding is provided by DLUHC. The contractual commitment for 3 years was approved by Executive 20 December 2023.
- 78. Costs allocated to the new Member Enquiries front-end system shows the implementation cost of the IT software. This is an enabling activity to support a more efficient provision of addressing member enquiries and will form part of the wider approach to customer transformation.
- 79. The council will require continued consultancy resource, currently supplied through external consultancy, Inner Circle Consulting Ltd for subject matter expertise to complete the full Business case development. In some cases, implementation over a period of 6 to 10 months of new savings ideas to address the budget gap outlined in paragraph 63
- 80. A full overview of the Transformation Portfolio and associated resource plan will be presented to Council in April 2024, for approval, in the event that all or partial elements of the plan are amended, there will be an impact on delivery of the transformation savings for which mitigations will be required.
- 81. Subject to approval of the resourcing investment, the routes to procurement will be explored for PMO and delivery staff where no internal resource is available or suitable. Where internal resource is suitable subject to implementation of backfill arrangements, appropriate HR processes will be implemented. A specification will be developed, to go out to existing procurement frameworks. Execution of contracts beyond 30 April 2024 will be subject to Council approval on 24 April unless otherwise stated. To note investment outlined for SHiFT programme

and the IT implementation of the New Members Enquiry System are committed in full and therefore not subject to further procurement approvals.

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

82. It is imperative that the Council effectively articulates the governing arrangements to ensure achievement of the intended financial and non-financial benefits of the Transformation Portfolio.

Impact(s) of the recommended decision(s)

Financial (including procurement and Social Value)

83. The Council’s approach to transformation is one of the key drivers of the Council Plan 2024-27 and delivering the Medium-Term Financial Plan (MTFP) to deliver the Council’s financial recovery and secure financial resilience over the period of the MTFP.

84. The Council approved the high level expenditure budget and capital resources to be allocated to transformation. The approval of the FUoCR strategy agrees the allocation of budget an resources to programmes and projects within the transformation portfolio.

85. The financial implications associated with the programme are referred to in the main body of the report. The funding of transformation expenditure set out in the transformation programme will be funded primarily through application of capital receipts in accordance with the FUoCR Strategy as detailed in Appendix 2.

Legal

86. Implementation of the transformation governance arrangements will enable the Council to deliver planned transformation within the resources available to it, and continue to meet its various statutory duties, including the overarching Duty of Best Value.

Risk

87. The thematic programmes within the Transformation Portfolio will be cross-referenced against the Council’s Strategic Risk Register, following a review against the recently approved Council Plan 2024-27, to reduce the risk of impacting negatively on the Council’s ability to achieve the ambitions set out in the Council Plan and Transformation Portfolio and a positive impact on the risk against failure to achieve a balanced budget.

Human Rights, Public Sector Equality Duty and Community Cohesion

88. Not applicable.

Climate Change / Environmental

89. Not applicable.

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

90. Not applicable.

Data Protection / GDPR

91. There are no concerns that the proposed governance arrangements could impact adversely on data protection or GDPR.

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

Action	Responsible Officer	Deadline
Implementation of Flexible Use of Capital Receipts Strategy 2024/25	Director of Finance (s151 officer)	27 March 2024

Appendices

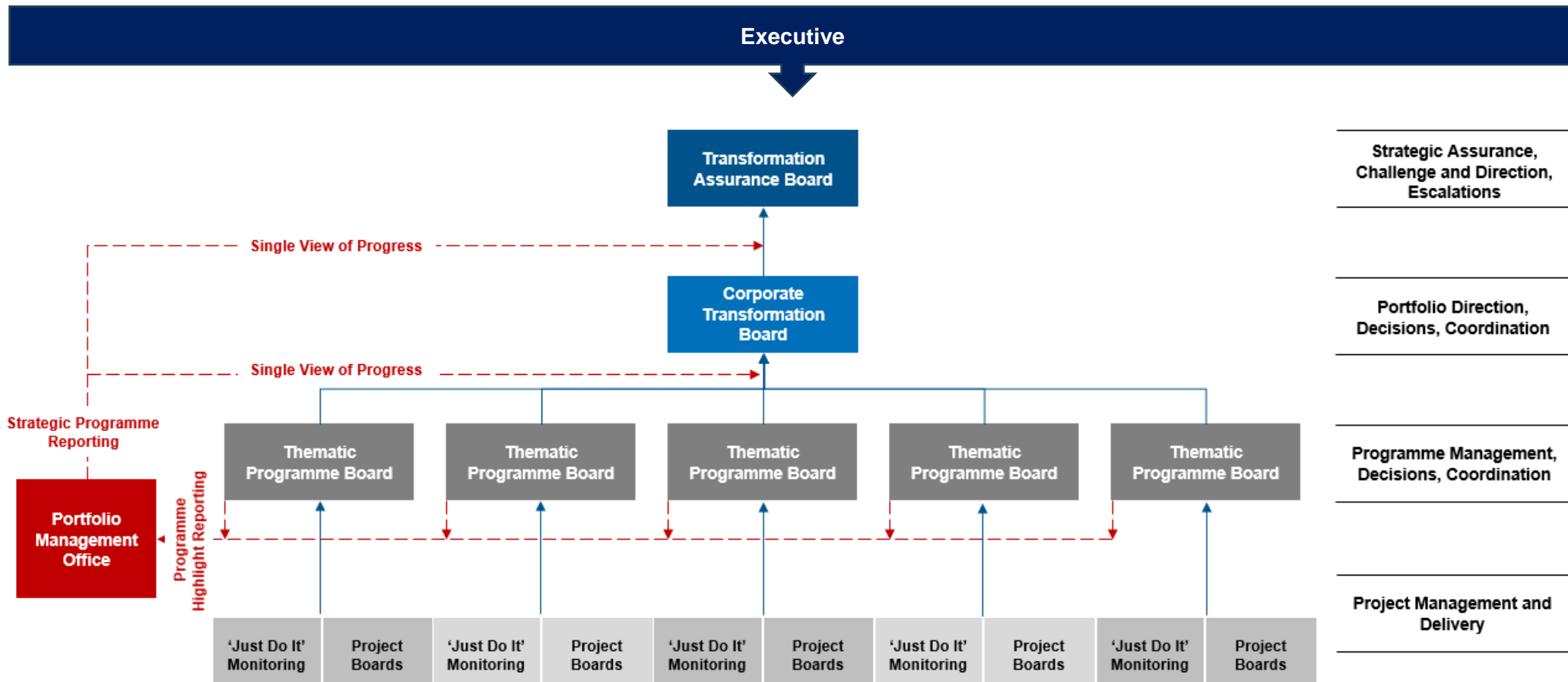
1	Transformation Portfolio governance framework and associated roles and responsibilities
2	Flexible Use of Capital Receipts Strategy 2024/25
3	Transformation Portfolio proposed programmes and projects to deliver cost savings

Background papers

Body	Report title	Date
Executive	Council Plan 2024-27	28 Feb 2024
Executive	2024/25 Revenue Budget, Medium Term Financial Plan, Council Tax setting and Treasury Management	28 Feb 2024
Executive	Transformation: Governance Arrangements	13 Mar 2024

Contact: Gemma Cooper, Head of Strategy, Business and Customer
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Appendix 1: Transformation Portfolio governance framework and associated roles and responsibilities



Transformation Portfolio SRO	<p>The SRO for the Transformation Portfolio is the CEX, responsible for ensuring that a portfolio meets its objectives and delivers the projected benefits and responsible for budgetary control of the portfolio. The SRO is the visible owner of the overall organisational change, should be recognised throughout the organization as the key leadership figure in driving it forward. The SRO chairs the Corporate Transformation Board and supports and holds Thematic Programme Sponsors to account, though is accountable to the Executive and leads the interface with the Transformation Assurance Board.</p>
Thematic Programme Sponsor	<p>The Programme Sponsor is a representative of LMT. They are accountable for the overall success of their respective programme, including appointing the Programme Manager, defining what success looks like, and ensuring the successful delivery of projects and benefits within the programme. They chair their Programme Board, providing guidance and challenge to the Programme Manager and projects. They are accountable to the Transformation Portfolio SRO and report programme progress through the Corporate Transformation Board.</p>
Thematic Programme Manager	<p>The Programme Manager is a dedicated senior delivery role reporting to their respective Programme Sponsor. They are responsible for designing the overarching Programme Plan, and ensuring the projects within the programme are appropriately controlled, adequately resourced, and coordinated. They proactively and robustly monitor progress, manage interdependencies, resolve issues, and initiate appropriate corrective action on a day-to-day basis. They produce the monthly Programme Highlight Report and maintain the programme level Benefits Tracker and RAID Log.</p>
Project Sponsor	<p>The Project Sponsor is accountable for ensuring that their respective project is governed effectively and delivers in accordance with the agreed Project Plan. The Project Sponsor is in charge of moving their project forward in order to realise the associated values and benefits. The Project Sponsor chairs their respective Project Board, providing direction, support and challenge to the Project Manager and Project Team. They report progress through the Thematic Programme Board.</p>
Project Manager	<p>The Project Manager is the individual responsible for delivering the project on a day-to-day basis. The individual leads and manages the Project Team, with authority and responsibility from the Project Board / Project Sponsor. As well as the formal responsibilities set out in methods such as PRINCE2, the Project Manager has an important role in interfacing between the project and the service areas directly affected.</p>

Appendix 2: Flexible Use of Capital Receipts Strategy 2024/25

Flexible Use of Capital Receipts Strategy 2024/25

1. The role of Transformation in delivering Financial Sustainability

- 1.1 The Council is required to deliver transformational change of its service delivery models in order to achieve financial recovery and sustainability over the period of the Medium Term Financial Plan (MTFP) 2024/25 to 2026/27. The Council's 2024/25 budget contains plans to spend £4.7m more than its available income streams after identifying £14m of savings that are to be delivered. This shortfall has been met on a one-off basis in 2024/25 using Exceptional Financial Support in the form of borrowing as approved in principle by Department for Levelling Up, Housing and Communities, (DLUHC). It is therefore essential that the Council works at pace to deliver all planned savings and to develop and deliver plans that will be capable of closing the estimated budget gap of £7.5m in 2025/26 rising to £7.965m by 2026/27.
- 1.2 In the absence of sufficient revenue reserves to fund investment in transformation, the principal source of funding available to the Council is the use of capital receipts from asset sales that are applied to fund the associated revenue expenditure that is eligible under Government regulation. This is achieved through the adoption of a Flexible Use of Receipts (FUoCR) Strategy that is required to be approved by Council and is overseen (but not approved) by the Department for Levelling Up Housing and Communities (DLUHC).
- 1.3 The Council can only apply capital receipts to fund eligible expenditure in accordance with the plans set out in the FUoCR strategy and cannot exceed the level of planned expenditure without formally reviewing and approving a revised strategy. Revisions can be made during the financial year subject to Council approval and are required to be notified to DLUHC.
- 1.4 These regulations allow capital receipts to be used to finance revenue expenditure for specific purposes set out in paragraph 2.1 and subject to certain conditions. The current statutory direction applies to financial years from 1 April 2022 up to and including 31 March 2025 and it is expected that the scheme will continue into future years as a tool that brings flexibility to local authorities pursuing transformation and modernisation to improve value for money. Government is currently consulting on offering local authorities further flexibilities on use of capital resources to support the management of revenue pressures although the outcome is not yet known.
- 1.5 The FUoCR strategy is critical to enable the development and implementation of Transformation plans that seek to improve the efficiency and effectiveness of services to the community and deliver the cost reduction and/or income generation that is required in order to achieve a balanced budget and MTFP. This FUoCR Strategy is the first phase for 2024/25 and reflects progress to date on the development of the Transformation Programme. It sets out the first estimate of investment requirements, together with forecast savings over the period of the MTFP that will be further updated as the Transformation Programme develops.

- 1.6 Work to develop business cases for service redesign that will deliver further savings from 2025/26 onwards is progressing and will be further reported to Council in April 2024 and at intervals throughout 2024/25 financial year in order to consider and approve revisions to the FUoCR Strategy as required by regulations.
- 1.7 In order to facilitate the progression of financial recovery plans in 2023/24 and to lay the foundations to progress transformational work in some service areas, some transformational expenditure has been incurred in relation to external consultancy and interim expert capacity in order to provide additional skills, capability and capacity on a fixed term basis in order to develop and implement projects and initiatives that will deliver improved outcomes and ongoing cost reductions. This expenditure has been funded from the Change Fund Reserve as reported through quarterly budget monitoring reports to the Executive.
- 1.8 The 2023/24 FUoCR strategy was revised and approved by Council on 17 January 2024 to enable this qualifying expenditure to be funded by capital receipts as far as possible in order to preserve limited revenue resources. The Council's ability to implement these revisions is dependent upon the realisation of sufficient capital receipts by 31 March 2024 and will be reported as part of the 2023/24 financial outturn to the Executive in June 2024.
- 1.9 The majority of qualifying transformation expenditure in 2024/25 is planned to be met from capital receipts under the FUoCR Strategy, given that the Council's critically low revenue reserves are insufficient to fund the investment required. Limited expenditure that does not qualify for capitalisation under the Strategy will be met from the Transformation Fund Reserve, for example specific redundancy cost elements that are excluded by government regulations.
- 1.10 In order to retain the current resources deployed across the Council beyond 31 March 2024, to enable the progression, development and implementation of the Transformation Programme, approval is sought through this FUoCR strategy to apply capital receipts to fund eligible expenditure up to **£4.827m** of the £13.700m capital budget allocated for this purpose in accordance with the approved 2024/25 budget and capital programme. Further details are set out in section 4.

2. Legislative framework

- 2.1 In 2016/17, the Department of Levelling up Housing and Communities) (DLUHC) implemented a time limited relaxation to the regulations under the Local Government Act 2003 Sections 16(2)(b) and 20: Treatment of Costs as Capital Expenditure. A summary of the key points of the current direction and the Statutory Guidance are set out below:
 - a. Capital receipts are the money that councils receive from asset sales, the use of which is normally restricted to either funding capital expenditure or repaying debt. The receipts cannot usually be used to fund revenue expenditure under s15(1) of the Local Government Act 2003 (as amended).

- b. The direction allows authorities to use the proceeds from asset sales to fund the revenue costs in specific circumstances where projects:
- will reduce costs, or
 - increase revenue income, or
 - support a more efficient provision of services.
- c. Local authorities are only permitted to use the flexible use of capital receipts concession from a 'qualifying disposal' of property, plant and equipment assets received in the years in which this flexibility is offered under the direction (i.e. currently 2021/22 to 2024/25).
- d. In 2022, a new restriction was introduced to ensure that capital receipts obtained must be from disposals by the local authority to an entity outside the local authority's group structure. The intent of this condition is that capital receipts which are to be used by authorities under the flexibilities afforded by the direction, should be from genuine disposals of assets by the authority. Where an authority retains some control of the assets, directly or indirectly, and retains exposure to the risks and rewards from those assets, the disposal does not give rise to a capital receipt that can be used in accordance with the direction.
- e. 'Qualifying expenditure' is defined as 'expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. The Statutory Guidance provides some examples of qualifying expenditure.
- f. In 2022 a further new restriction was also introduced to prevent authorities from funding discretionary redundancy payments, i.e., those not necessarily incurred under statute. This does not affect other types of severance payments, and to be clear, does not restrict including pension strain costs, which may still be qualifying expenditure.

Statutory payments that can be claimed through the flexible use of capital receipts are:

- Redundancy pay – based on the capped weekly wage for statutory payments of £643 and a maximum 30 weeks as per the statutory guidance (therefore the maximum statutory redundancy pay claimable under flexible use of capital receipts is £19,290)
- Pension strain costs – not including any discretions, added years etc. Pension strain is the financial contribution that the Council must make to the Teesside Pension Fund to compensate for the reduction in pension contributions for staff who are entitled to take an unreduced pension upon taking redundancy. This is determined by personal circumstances of individuals e.g., salary, age, length of pensionable service.

- g. Authorities wishing to take advantage of FUoCR are required to annually prepare a “Flexible Use of Capital Receipts Strategy” to be approved by Full Council. This requirement can be satisfied by including relevant documents within the Annual Budget documents or as part of the Mid-Term Financial Plan (or equivalent).
- h. As a minimum, the Strategy should list each project for which it is proposed to make use of the capital receipts flexibility and that on a project-by-project basis, details of the expected savings/service transformation are provided. The Strategy should report the impact on the local authority’s Prudential Indicators for the forthcoming year and subsequent years.
- i. Since 2022 local authorities must send details setting out their planned use of the flexibility in advance of use for each financial year to DLUHC. This condition can be met by sending the authority’s own strategy documents, provided they contain the detail asked for in the direction. The form to cover this requirement and for submitting the strategy for the Flexible Use of Capital Receipts for 2023/24 is to be submitted via DLUHC’s DELTA system by 30 September. This is not an approval process, but the information must be sent to ensure transparency and allow proper monitoring by central government.
- j. Since 2022/23 the Strategy is required to contain details on projects approved in previous years, including a commentary on whether the planned savings or service transformation have been/are being realised in line with the initial analysis.
- k. The Statutory Guidance allows local authorities to update their Strategy during the year and must notify DLUHC to enable central Government to keep track of planned and actual use of the flexibility. Full Council must approve the revised plan.
- l. The amount of expenditure capitalised in the financial year must not exceed the amount set out in the plan, including any updated plans, provided to the DLUHC. This is to allow central Government to keep track of planned use of the flexibility for national accounts purposes.

3. Use of Flexible Capital Receipts in previous years

- 3.1 It is a requirement of the FUoCR guidance, that authorities must include details on projects approved in previous years, including a commentary on whether the planned savings or service transformation have been/are being realised in line with the initial analysis.

Middlesbrough Council implemented a Flexible Use of Capital Receipts Strategy for the first time in 2021/22 and a report was approved by Council on 20 October 2021.

2021/22

- 3.2 The Flexible Use of Capital Receipts Strategy for 2021/22 approved by Council on 20 October 2021 included proposed projects along with estimated costs and potential savings. Progress against the approved Strategy for 2021/22 was monitored throughout the financial year as part of regular budget monitoring arrangements and reported accordingly as part of the current quarterly budget monitoring reports to Executive, along with any updates to the Strategy as proposals were developed and expenditure was incurred. The final statement of expenditure on projects to transform services that were funded through flexible use of capital receipts for 2021/22 and the associated estimated annual revenue savings or future cost avoidance, was reported as part of the Revenue and Capital Budget – Year-End Outturn position 2021/22 report to Executive on 14 June 2022², and was also shown in the Strategy for 2022/23.
- 3.3 Entries were made in the Council’s accounts in 2021/22 for these having due regard to the Local Authority Accounting Code of Practice, including the effect on the Council’s Investment Strategy.

2022/23

- 3.4 The Strategy for 2022/23 was approved by Council on 7 September 2022³. The report summarises the projects intended to transform services and proposed to be funded through the flexible use of capital receipts for 2022/23. These totalled approximately £2.7m along with estimated projected costs and associated estimated annual revenue savings or future cost avoidance. In some cases, there is a clear link between a project and the realisable financial benefit. In other cases, that link is less clear, and the project or additional resource contributes to enabling savings or costs avoidance in other areas or provides a wider benefit, which would not otherwise be realised.
- 3.5 Delivery against the 2022/23 Strategy was reported through quarterly monitoring reports and the final year-end position against the Strategy was reported as part of the Revenue and Capital Budget – Year-End Outturn position 2022/23 report to Executive on 20 June 2023.
- 3.6 Entries were made in the Council’s accounts for these having due regard to the Local Authority Accounting Code of Practice, including the effect on the Council’s Investment Strategy.

2023/24

- 3.7 The planned use of flexible capital receipts in 2023/24 was set out in the budget and MTFP report approved by Council on 27 February 2023. The plan incorporated £3m of expenditure on transformation and other eligible expenditure within an overall MTFP strategy that forecast flexible receipts in year in excess of £9m, the balance of receipts assumed to be used to finance the main capital programme.

² Year-end Outturn position 2021/22 14th June 2022:
<https://moderngov.middlesbrough.gov.uk/documents/s12560/Report.pdf>

³ Report on Flexible Use of Capital Receipts 2022/23 7 September 2022:
<https://moderngov.middlesbrough.gov.uk/documents/s13772/Flexible%20Use%20of%20Capital%20Receipts%20Strategy%202022-23.pdf>

- 3.8 The main emphasis of the Flexible Use of Capital Receipts Strategy in 2023/24 was associated with expenditure within the Children's Financial Improvement Plan targeted to realise savings in expenditure and cost avoidance arising from a range of projects.
- 3.9 The estimates of transformational expenditure were made on a prudent basis, and it was noted that there may be a need to review and revise the original plan dependent upon whether the initial planned projects were delivered given the significant transformation work required within Children's Services which presented the single biggest risk to the Council's financial sustainability.
- 3.10 It was noted that if it was necessary to increase the use of capital receipts on a flexible basis during 2023/24 above that contained in the Strategy, that an amended plan and strategy would be submitted for approval by Council and notified to DLUHC as required by the FUoCR guidance.
- 3.11 A number of schemes within the original plan for 2023/24 for £3m approved by Council in February 2023 did not progress as originally intended and a number of new projects were added for which the expenditure qualifies under the regulations for flexible use of capital receipts funding.
- 3.12 In order to reduce the forecast overspend, it was necessary for the Council to develop implement a further range of transformational and efficiency plans to secure cost reduction and income growth within 2023/24 and into 2024/25 and future years, and therefore a revised FUoCR strategy for 2024/25 was approved by Council on 17 January 2024⁴.
- 3.13 In order for expenditure within the 2023/24 revised plan to be funded from flexible use of capital receipts, assets must be sold, and cash received by the Council before 31 March 2024. The final position will be reported in the 2023/24 outturn report to Executive in June 2024.
- 3.14 Progress against the 2023/24 Strategy has been reported in the quarterly budget monitoring reports to Executive. The impact of planned transformation and efficiency measures has contributed towards lowering the overspend during 2023/24 but is not expected to mitigate it fully and further transformational initiatives are planned for 2024/25 and are incorporated into the 2024/25 approved savings plans.
- 3.15 Performance against this plan will be reported as part of the 2023/24 outturn to Executive in June 2024. Entries will be made in the Council's accounts in 2023/24 for these having due regard to the Local Authority Accounting Code of Practice, including the effect on the Council's Capital Programme.

4

4. 2024/25 Transformation and FUoCR Strategy

- 4.1 The 2024/25 budget, MTFP, Capital Programme and Treasury Management Policy approved on 8 March 2024⁵ set out the estimated investment required to deliver transformation and to meet the estimated cost of redundancies over the 3-year period of the MTFP. The total cost is estimated to be up to £26.7m over the period of which £13.7m relates to 2024/25 (see Table 1). The approved funding source is capital receipts in accordance with an approved Flexible Use of Capital Receipts Strategy.
- 4.2 In relation to Transformation Programme investment of £13.6m over the three-year period, a financial return of 2.5:1 is proposed, which equates to total savings to be delivered of £34m.
- 4.3 The budgeted allocation is summarised below:

Transformation Capital Scheme	2024/25 £m	2025/26 £m	2026/27 £m	TOTAL £m
Programme Costs	5.500	4.800	3.300	13.600
Redundancies	6.500	-	-	6.500
Contingencies	1.700	2.900	2.000	6.600
Total Transformation Costs	13.700	7.700	5.300	26.700

Table 1: Flexible Use of Capital Receipts, Transformation Capital Scheme.

- 4.4 A number of transformation projects are in development as detailed in the main report. This is the first phase of the Transformation Programme funding pending a further report to Council in April 2024. The table below sets out the qualifying expenditure that is required to be approved to enable transformation work to continue to progress beyond 31 March 2024. A further report on the Transformation Programme and associated funding will be presented for consideration by Council for approval on 24 April 2024.
- 4.5 It will be necessary for further revisions to the FUoCR Strategy to be submitted to Council throughout the 2024/25 financial year for approval of further allocations of this budget as business cases are developed.

Phase 1 FUoCR

- 4.6 Table 2 summarises expenditure totalling **£4.827m** for phase 1 of the 2024/25 FUoCR. Further phases and details will follow as projects reach ‘business case’ stage.
- 4.7 In some cases there is a direct link between a project and the realisable financial benefit, however in others it is difficult or not possible to quantify a direct impact on savings, and the investment contributes to enabling savings or costs avoidance in other areas or provide a wider benefit, which would not otherwise be realised; for example the Portfolio Management Office (PMO), some enabling services and some elements of external consultancy costs.

⁵ Budget 2024/25 and MTFP Refresh to 2026/27 Report
<https://moderngov.middlesbrough.gov.uk/documents/s20940/Report.pdf>

April 2024 Phase 1 Investment	FUoCR £m
Estimated Redundancy Costs of approved savings (including Pension Strain)	3.600
Programme costs - New Member's Enquiry System - IT Solution Implementation	0.120
Programme Cost - Children's Charity - SHiFT 3-year Contract	0.135
Programme Costs to 30 April continuation of existing resources	0.473
Consultancy Resource - Schemes (Subject Matter Expertise)	0.499
Total	4.827

Table 2: April 2024 Phase 1 Investment
See Annex 1 for further details regarding Table 2

4.8 The estimated cost of up to **£3.600m** funded from Flexible Use of Capital Receipts is required to fund one off estimated Redundancy and Pension strain costs to facilitate the delivery of savings initiatives approved in the Budget 2024/25 and MTFP Refresh to 2026/27 Report. The estimated £2.895m ongoing savings including 75.4 FTE staff reductions. See details in Annex 1 and 2.

4.9 Programme Costs cover the costs:

- to implement improvement to the new IT solution for the member portal, **£0.120m**. This investment is intended to enable an improved whole system solution for the new Member Enquiries system, to enable a more user-friendly front end for members and enable more efficient and timely response to queries and provision of information to members. It is not expected to deliver cashable savings.
- the SHiFT Programme under Children's Services, **£0.135m**, is an investment in a 3-year partnership, (total contractual commitment, £0.556m), with a children's charity SHiFT, reducing costs through intensive preventative work with children and young people caught up in, or at highest risk of, cycles of crime and exploitation, also providing more positive outcomes for them and their families. Match funding is provided by DLUHC. The investment is aligned to deliver savings, (ref CC06 SHiFT Project, savings of £0.400m in 2024/25, a multidisciplinary approach in prevention).
- **£0.473m** are required for the continuation of existing interim resources to 31 May 2024. This includes additional capacity for programme management enabling services and subject matter expertise across the transformation themes.

4.10 The expenditure from November to March 2024 with Inner Circle Consulting Ltd represents external specialist transformation and programme management support in the form of short-term specialist skills and capacity will be needed in order to achieve our transformation goals. It includes:

- £0.247m covering Discovery, Design and Portfolio Management activity already funded from the Change Fund between November to February under officer delegations with Inner Circle Consulting.
- **£0.499m**, is proposed in relation to Inner Circle Consulting for subject matter expertise and programme management from March to May 2024 to support

the development of new savings projects to deliver at least the MTFP Budget Gap in 2025/26 and 2026/27 . Beyond this, a competitive tender process will be undertaken to seek a partner over the next 2 years.

- 4.11 A full resource plan will be presented to Council in April 2024 alongside the Transformation Programme deliverables for approval. If all or partial elements of the plan are amended, there will be an impact on delivery of the transformation savings for which mitigations will be required.
- 4.12 The estimates of transformational expenditure have been made on a prudent basis, and it should be noted that there will be potentially other expenditure which will be incurred due to the significant transformation work that will be required within the Council that will be reflected in further phases of the FUoCR Strategy to be considered by Council during 2024/25.
- 4.13 Any increase in the use of capital receipts on a flexible basis during 2024/25 above that contained in this Strategy, will as per the Statutory Guidance, require an amended plan and strategy to be made and approved by Council, and notified to DLUHC.

Monitoring the Strategy

- 4.14 Delivery against the updated strategy will be monitored throughout the financial year as part of the Transformation Programme governance arrangements and reflected in regular corporate budget monitoring arrangements and be reported quarterly to Executive including the realisation of cashable capital receipts. It should be noted that the final financing position on the strategy will be determined as part of the accounts closure process on 31 March 2025.
- 4.15 The legitimacy of the use of the Strategy has been determined by the Council's s151 Officer to be in accordance with the statutory regulations.

5. The Prudential Code

- 5.1 The Council will have due regard to the requirements of the Prudential Code and the impact on its prudential indicators from implementing the proposed Strategy. The prudential Code and indicators ensure that the Council's borrowing to fund capital investment is affordable over the long term. It governs the overall investment in the capital programme to ensure the balance of borrowing, grant and other external funding and capital receipts can deliver planned investment. The capital expenditure prudential indicators will be amended and approved as appropriate.
- 5.2 The indicators that will be impacted by this Strategy are set out in the 2024/25 budget and MTFP and Capital Strategy report approved by Council on 8 March 2024.

Annex 1 Details on Table 2 April 2024 FUoCR Phase 1 Investment

April 2024 - Phase 1 Investment	FUoCR Criteria	FUoCR Investment		Approved Savings £21.028m (Extract)				Estimated New Savings Proposals £m	Enabling Deliverables
		Sub Total £m	Total £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m		
Redundancy Costs: Cost estimate of redundancy to support staff reductions 75.4FTE	Saving		3.600	(2.103)	(0.792)	0.000	(2.895)		See Annex 2 for details
Programme Costs									
New Member's Enquiry System - IT software solution costs	Service Improvement		0.120	0	0	0	0	0	Investment of a combination of capital and revenue costs to support service improvement and a more efficient provision of services
Children's Charity - SHiFT 3 year Contract commitment £0.556m	Saving		0.135	(0.400)	0.0	0.0	(0.400)	0	Savings Ref CC06 £0.400m in 2024/25, with potential further savings upon benefits realisation
Continuation of existing resources to 31 May	Service Improvement / Enabling		0.473	0	0	0	0	0	Supporting Programme Management, £0.030m, Enabling Services, £0.073m and Subjective Matter Expertise, £0.370m across the programme
Customer - Investment to progressing to 31 May for Outline Business case stage which will determine full investment requirements and benefits.	Savings	0.139		0	0	0	0	c£2.600m to £5.200m	Development of a business case for change, including a phased roll out of the new customer model
Place Based Services : Neighbourhoods, Investment to progressing to 31 May for Outline Business case stage which will determine full investment requirements and benefits.	Savings	0.142		0	0	0	0		Transformation for Integrated Neighbourhood Working, baselining and assessing 3-4 high demand / high-cost priority areas to develop a baseline analysis and assessment of those services in scope and a detailed business case and implementation plan
Core Enabling Services ICT Service Maturity Assessment to 31 May for Phase 1	Service Improvement	0.057		0	0	0	0	c£0.580m	ICT Service Maturity Assessment
Core Enabling Services ICT Application Rationalisation to 31 May for Phase 1	Savings	0.041		0	0	0	0		ICT Application Rationalisation
Subject Matter Expertise for Enabling Services to 31 May	Service Improvement / Enabling	0.120		0	0	0	0	0.000	Support a more efficient provision of services : Programme Management, Business Analyst, Transformation Lead and Business Planner Resource to support continuation of programme support for 6 months
Sub-total : Consultancy Resource - Schemes			0.499						
Total			4.827	(2.503)	(0.792)	0.000	(3.295)	c£3.180 to £5.780m	

Annex 2 Details on Savings approved in Budget 2024/25 and MTFP refresh enabled by estimated Redundancy Investment

Directorate	Ref:	Categorisation	Budget savings proposal	24/25 (£m)	25/26 (£m)	26/27 (£m)	Total (£m)	Proposed reduction in Staff over 2024/25 to 2025/26 FTE	Current Vacant Posts FTE
Adult Social Care	ASC10	E / I	Expand Autism Day Care through relocation to Cumberland Resource Centre	(0.130)			(0.130)	(2.9)	4.0
Children's Care	CC01	T	Review of all Services across Children's Care.	(0.700)	(0.500)		(1.200)	(27.0)	114.0
Environment & Communities	ECS01	E	Fortnightly Collection Residual Waste.	(0.374)			(0.374)	(12.0)	6.0
Environment & Communities	ECS05	E	Integrate Environment Services and Supporting Community functions and create a Neighbourhood management approach.	(0.287)	(0.113)		(0.400)	(12.0)	8.0
Environment & Communities	ECS07	S	Cease Council financial support for Environment City	(0.105)			(0.105)	(2.0)	0.0
Regeneration	REG01	S	Reducing the number of staff we need to deliver regeneration activities by implementing new ways of working.	(0.263)	(0.129)		(0.392)	(10.0)	45.9
Regeneration	REG06	E	Reducing the number of staff we need to deliver the Council's marketing and communication activities by implementing new ways of working.	(0.050)	(0.050)		(0.100)	(2.0)	1.0
Legal & Governance	LGS05	E	Centralisation of Data Analytics (Cross Council)	(0.058)			(0.058)	(1.5)	1.5
Legal & Governance	LGS03	E	A Cross-Council review of administrative roles and functions.	(0.136)			(0.136)	(6.0)	0.0
TOTAL				(2.103)	(0.792)	0.000	(2.895)	(75.4)	180.4

Appendix 3: Transformation Portfolio proposed programmes and projects to deliver cost savings, as detailed in the 2024/25 budget.

Adults Programme			TOTAL SAVINGS (£m)					
			2024/25	2025/26	2026/27	TOTAL		
			(5.757)	(1.283)	(0.750)	(7.790)		
No. Projects: 6		Stage: In Plan	No. Projects: 4		Stage: In Plan	No. Projects: 4		Stage: In Deliver
Documentation: Business Case + Project Workbook			Documentation: Project on a Page			Documentation: Project on a Page		
Ref	Description	2024/25	Ref	Description	2024/25	Ref	Description	2024/25
ASC02	Temporary Accommodation and support review	(0.165)	ASC07	Fairer Charging / Fair Cost of Care	(0.100)	ASC03	Introduction of Residential Care Panel	(0.200)
ASC08	Review of high-cost care packages	(0.238)	ASC14	Court of Protection Service Charges	(0.100)	ASC04	Review of Domiciliary Care	(0.091)
ASC09	Review of Independent Supported Living schemes	(0.176)	ASC15	Review of ASC client income contribution for non-residential care	(0.500)	ASC05	Review of Care Packages Funding	(0.402)
ASC11	Re-provision use of Levick Court	(0.311)	FIN09	Invoice Reconciliation	(0.080)	ASC10	Expand Autism Day Care relocating to Cumberland Resource Centre	(0.130)
ASC12	Transformation of Adult Social Care Services	(1.900)		TOTAL	(0.780)		TOTAL	(0.823)
ASC13	Review of Direct Payments	(0.660)						
	TOTAL	(3.450)						
No. Projects: 2		Stage: In Plan						
Documentation: Project Workbook								
Ref	Description	2024/25						
ASC01	Accommodation and Support review	(0.072)						
ASC06	Expansion of reablement provision	(0.632)						
	TOTAL	(0.704)						

Children's Programme

TOTAL SAVINGS (£m)	2024/25	2025/26	2026/27	TOTAL
	(4.386)	(1.400)	(0.715)	(6.501)

No. Projects: 5			Stage: In Plan			No. Projects: 1			Stage: In Deliver		
Documentation: Business Case + Project Workbook			Documentation: Project Workbook			Documentation: Project Workbook			Documentation: Project Workbook		
Ref	Description	204/25	Ref	Description	2024/25	Ref	Description	2024/25			
CC01	Review of all Services across Children's Care.	(0.700)	CC05	Other savings - Maximising grants	(0.454)	CC02	Review of Placements (including Processes and Procedures).	(1.100)			
CC03	Improvement of Internal Residential capacity	0.000		TOTAL	(0.454)	CC07	Special Guardianship Order Payment review.	(0.800)			
CC04	Workforce Development	(0.800)					TOTAL	(1.900)			
CC06	SHIFT Project	(0.400)									
EDC01	Review of Integrated Transport Unit arrangements	(0.132)									
	TOTAL	(2.032)									

Place-based Services Programme

TOTAL SAVINGS (£m)	2024/25	2025/26	2026/27	TOTAL
	(2.010)	(1.464)	(0.320)	(3.794)

No. Projects:	4	Stage:	In Plan
Documentation	Business Case + Project Workbook		
Ref	Description	2024/25	
ECS06	Recycling Education and Enforcement	(0.030)	
REG03	Town's museum offer in the Dorman Museum	(0.100)	
REG04	Commercial potential, Town Hall and Theatre	(0.050)	
REG07	Better housing provision co-ordination	(0.080)	
TOTAL		(0.260)	
No. Projects:	1	Stage:	In Plan
Documentation	Project Workbook		
Ref	Description	2024/25	
ECS08	Resident Parking Permits Charge	(0.125)	
TOTAL		(0.125)	
No. Projects:	1	Stage:	In Plan
Documentation	No requirements		
Ref	Description	2024/25	
REG02	Changing the way the Middlesbrough News e-newsletter is produced and delivered	(0.008)	
TOTAL		(0.008)	

No. Projects:	9	Stage:	In plan
Documentation	Project on a Page		
Ref	Description	2024/25	
ECS04	Replacement Wheeled bins charge	0.000	
ECS05	Integrate Environment Services and supporting Communities functions and create a Neighbourhood management approach	(0.287)	
ECS11	Review contribution to Community Hubs running costs	(0.040)	
ECS12	Charge for Waste Bins on New Developments	0.000	
ECS07	Cease Council financial support for Environment City	(0.105)	
ECS10	Review of Community Facilities	0.000	
REG01	Reducing the number of staff - regen activities	(0.263)	
REG05	Use grant funding for existing economic growth activities the Council carries out	0.000	
REG06	Reducing the number of staff - marketing and comms activities	(0.050)	
TOTAL		(0.745)	

No. Projects:	3	Stage:	In Deliver
Documentation	Project Workbook		
Ref	Description	2024/25	
ECS01	Fortnightly Collection Residual Waste	(0.374)	
ECS02	Green Waste Collection Charge	(0.406)	
ECS03	"Junk' Job collection will be chargeable	(0.092)	
TOTAL		(0.872)	

Target Operating Model and Core Services Programme

TOTAL SAVINGS (£m)	2024/25	2025/26	2026/27	TOTAL
	(1.757)	(1.004)	(0.182)	(2.943)

No. Projects:	4	Stage:	In Deliver
Documentation	No requirements		

Ref	Description	2024/25
LGS01	Reduce car mileage rate paid to staff	(0.116)
LGS02	DBS Renewals - staff to self-declare at renewal stage.	(0.012)
LGS04	Review corporate mobile telephone contract.	(0.050)
LGS07	Review of Subscription spend	(0.006)
	TOTAL	(0.184)

No. Projects:	2	Stage:	In Plan
Documentation	Business Case + Project Workbook		
Ref	Description	2024/25	
LGS03	A Cross-Council review of administrative roles and functions.	(0.136)	
LGS06	Legal Services Service Review	0.000	
	TOTAL	(0.136)	

No. Projects:	5	Stage:	In Plan
Documentation	Project on a Page		
Ref	Description	2024/25	
FIN03	Collection of Council Tax (recovery of old debt)	0.000	
FIN04	Collection of Council Tax (increase the recovery of debt)	0.000	
FIN05	Collection of Business Rates	0.000	
FIN07	Reduction in Contractual Spend	(0.700)	
FIN10	Centralisation of grants administration and maximisation of opportunities for grant income across the authority	(0.050)	
	TOTAL	(0.750)	

No. Projects:	6	Stage:	In Deliver
Documentation	Project on a Page		
Ref	Description	2024/25	
FIN01	Collection of Housing Benefit Overpayments.	(0.105)	
FIN02	Review of Single Person Discounts and Student Exemption for Council Tax.	(0.198)	
FIN06	Collection of Council Debt	(0.188)	
FIN08	Reduction in the allocation of resource for voluntary and community sector grants from the local authority.	(0.138)	
FIN11	Closure of Cashiers at Middlesbrough House.	0.000	
LGS05	Centralisation of Data Analytics (cross Council)	(0.058)	
	TOTAL	(0.687)	