

<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Chief Executive
<b>Executive Member:</b>	The Mayor and the Executive Member for Finance and Governance
<b>Submitted to:</b>	Council
<b>Date:</b>	24 April 2024
<b>Title:</b>	Transformation of Middlesbrough Council
<b>Report for:</b>	Decision
<b>Status:</b>	Public
<b>Council Plan Priority:</b>	All
<b>Key decision:</b>	Not applicable
<b>Why:</b>	Not applicable
<b>Subject to call in:</b>	No
<b>Why:</b>	n/a

**Proposed decision(s)**

Council is asked to consider and approve the proposed transformation programme, together with the 2024/25 programme investment that is required to deliver the priorities set out in the Council Plan and achieve a balanced Medium Term Financial Plan (MTFP).

Council is also asked to approve the delegations of decisions relating to the use of the contingency and redundancy Budgets to the Chief Executive, in consultation with the Elected Mayor, Director of Finance and Executive Member for Finance and Governance.

**Executive summary**

In order to provide high quality and modern services within an affordable budget, 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, thereby delivering the Mayor’s vision, “*We Will Thrive*”.

Investing in a comprehensive and structured transformation programme is critical to removing the Council from government intervention.

In its revised Best Value Notice of January 2024, the government made clear its expectations for the Council to demonstrate “capacity to transform at pace”, alongside making progress on identified governance and cultural issues.

As well as staffing changes, the approach to transformation will require investment into new technologies and 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, ensuring that staffing structure and levels are appropriate and will deliver effective services.

This report sets out the ambition and investment needed to deliver the *Recover, Reset and Deliver* Transformation Programme together with the proposed total budgeted programme expenditure of £13.7m for the full financial year 2024/25, which incorporates the £4.827m approved in the Phase 1 Flexible Use of Capital Receipts (FUoCR) Strategy, which formed part of the *Approach to the Transformation of Middlesbrough Council* report to full Council on 27 March 2024.

The approved expenditure and funding were required to ensure progress could continue to be made while the details of the transformation programme were finalised ahead of Council considering this report.

For reference, the approved expenditure comprised:

- £3.60m of estimated redundancy costs associated with staff reductions arising from the savings proposals approved by Council in the 2024/25 Revenue Budget, Medium Term Financial Plan, Council Tax setting and Treasury Management report on 8 March 2024.
- £0.26m of Programme costs relating to the contracted expenditure to implement the new members enquiry system and contracted expenditure relating to the SHiFT Children’s charity.
- £0.47m of expenditure to enable existing temporary staff resources to continue to support the Council in developing the programme and delivering approved savings in April and May 2024.
- £0.50m of expenditure to enable the continuation of external transformation and programme management resource between March and May 2024.

Phase 2 of the FUoCR Strategy incorporates revised assumptions into the Budget and Policy Framework and to comply with government regulations over the use of Flexible Capital Receipts to fund expenditure that is revenue in its nature, and to that end requires full Council approval.

The total budgeted transformation and redundancy expenditure of £13.7m is incorporated into this strategy.

## **Purpose**

1. The purpose of this report is to set out the proposed direction, aspirations, investment, and funding requirements in relation to the Council’s *Recover, Reset, Deliver* transformation programme.

**Recommendations**

1. That Council:

- a) Approves the proposed direction, aspirations, investment, and funding requirements of the Council’s *Recover, Reset, Deliver* transformation programme and to achieve financial balance over the period of the Medium-Term Financial Plan.
- b) Approves additional transformation expenditure in 2024/25 of **£8.873m** as summarised in Table 2 in the main body of the report (paragraph 34) and the revised Phase 2 Flexible Use of Capital Receipts Strategy detailed in Appendix 2 incorporating total expenditure for 2024/25 of **£13.700m** to be funded from flexible use of capital receipts in accordance with government regulations.

Table 2: Transformation Portfolio budget 2024/25

Transformation Portfolio Budget 2024/25	Budget <sup>1</sup> £m	Approved Phase 1 FUoCR <sup>2</sup> £m	Approval Requested £m	Total Expenditure 2024/25 Phase 2 FUoCR £m
Programme Costs: Investment Expenditure	5.500	1.227	4.256	5.483
Redundancy costs	6.500	3.600	2.900	6.500
Contingency	1.700	-	1.717	1.717
<b>Total Transformation Expenditure via FUOCR</b>	<b>13.700</b>	<b>4.827</b>	<b>8.873</b>	<b>13.700</b>

- c) Delegates authority to the Chief Executive in consultation with the Elected Mayor, Director of Finance and Executive Member for Finance and Governance to apply Transformation Programme contingency of **£1.717m** and remaining Redundancy Budget of **£2.900m** for the purposes set out in this report.
- d) Notes that the target return on investment in transformation of at least £2.50 for each £1.00 invested, will provide a target net financial benefit of at least £34.0m for £13.6m of programme investment costs over the term of the Medium-Term Financial Plan, which includes savings of £21.028m as approved in the 2024/25 Revenue Budget, Medium Term Financial Plan Report, approved by full Council on 8 March 2024.

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

- 2. Following Council approval of Phase 1 of the Flexible Use of Capital Receipts Strategy (FUOCR) Strategy 2024/25, this report to Council is required to agree and approve the overall direction of the programme, investment and funding requirements for the financial year 2024/25.
- 3. The FUOCR requires approval by Council under the budget and policy framework and by DLUHC to comply with the Local Government Act 2003 Sections 16(2)(b) and 20: *Treatment of Costs as Capital Expenditure regulations*, in order to provide the required funding of investment in transformation. This expenditure which is revenue in its nature is permitted through the adoption of the FUOCR to be capitalised under the regulations.

<sup>1</sup> 2024/25 Budget approved within the Capital Programme by Council on 8 March 2024.

<sup>2</sup> Approval of Expenditure and Funding via Phase 1 Flexible Use of Capital Receipts (FUOCR) Strategy 27 March 2024.

### Background and relevant information

### Delivering the Council Plan

#### How does transformation align with the Council Plan?

4. The Council has experienced considerable change following May 2023’s elections. The Council Plan 2024-27 sets out the administration’s vision and ambitions for the town and for the Council. The Transformation Programme is designed to align with the vision and ambitions of the Council Plan, aiming to deliver tangible outcomes that benefit the people of Middlesbrough whilst delivering value for money and a financially sustainable organisation.

#### Vision

5. The vision for Middlesbrough is that “We will thrive”; *Middlesbrough will be a thriving, healthier, safer and more ambitious place where people want to live, work, invest, and visit. We will support our residents to live fulfilling lives, to ensure that our communities thrive.* It is a vision of a town where prosperity, opportunity, and community spirit flourish, demonstrating an unwavering commitment to building a Middlesbrough that people want to be part of. We will *recover, reset and deliver* for the people of Middlesbrough.

#### Ambitions

6. The four priorities are all focused on the future wellbeing of our communities and provide a crucial foundation for our Transformation Programme.



*"We will build a Middlesbrough people want to be part of. Our town will always be a place where heritage meets innovation. Our ambitions are all focused on the future happiness of our communities".*

#### Values

7. Our Values are at the heart of everything we do at Middlesbrough Council. They are a critical element of our strategy to create a brighter future for Middlesbrough, and the foundation for how we operate, interact, and make decisions.

8. From creative ideas, to working collaboratively within the organisation and with external agencies, to being passionate about doing things better - we can make a real difference to the people and place we serve.

1. **Passion.** We believe in Middlesbrough and are proud to work for the town.
2. **Integrity.** We are open and transparent and treat everyone with respect.
3. **Creativity.** We have courage to try new ideas and new ways of working.
4. **Collaboration.** We work with others to make Middlesbrough better.
5. **Focus.** We are clear about what we will deliver to meet the needs of the town.

9. The Transformation Programme will deliver on the Council Plan by translating our vision, priorities, ambitions, and values into concrete actions and initiatives that benefit our communities and contribute to the long-term success and well-being of Middlesbrough.

10. The key objectives of transformation are to:

**Become more efficient in delivering services.** By eliminating inefficiencies in service delivery, the Programme aims to focus resources on priority areas and high impact initiatives to get value for money for the taxpayer.

**Develop new capabilities that currently do not exist.** Through investment in innovation and technology, the Programme seeks to modernise service delivery while developing skills and expertise to adapt to changing demands and emerging trends.

**Foster a culture of continuous improvement.** By collaborating with external partners, stakeholders and experts including residents and local community and voluntary groups, the Programme aims to leverage best practices and new ideas to drive innovation and excellence to achieve long-term sustained progress.

**Build trust and empowerment.** The Programme endeavours to foster trust and empowerment within the community, actively involving residents and communities in decision-making processes and initiatives, helping people to help themselves, recognising prevention is better than cure.

**Be an employer of choice.** The Programme will create skills and expertise within the organisation to deliver continuous change and lasting improvement, striving to become an employer of choice by valuing our staff and building on their strengths.

**Ensure financial sustainability.** Central to the Programme's success is the key objective of achieving financial sustainability which involves stabilising the Council's financial position through strict cost controls, achieving affordable services that are more cost efficient and optimise income generating opportunities, rebuilding reserves to strengthen financial resilience and enable effective management of future risks and uncertainties.

**Financial challenge**

- 11. Further to the detailed assessment of the Council's financial position as set out in the 2024/25 Revenue Budget, Medium Term Financial Plan, Council Tax setting and Treasury Management report, approved by Council on 8 March 2024, the Council Report of 27 March 2024 summarised the critical financial challenges facing the Council, in particular the need to achieve financial sustainability over the medium term given:
  - a. The reliance upon Exceptional Financial Support in the form of borrowing to address the residual budget gap of £4.7m in 2024/25.
  - b. The need to invest in programme management, subject matter expertise and enabling resources to secure the delivery of total approved savings of £21.028m between 2024/25 and 2026/27.
  - c. The need to develop further savings plans during 2024/25 through the Transformation Programme to deliver at least a further £7.965m of savings to balance the MTFP to 2026/27.
- 12. Becoming financially sustainable requires transformation of service delivery models to operate from a lower cost base. To succeed, the Council needs to invest in increasing capability, capacity, and expertise to support the successful delivery of the Transformation Programme. Further, the report discussed the use of capital receipts, generated from the sale of Council assets as part of the financial strategy to fund the Programme.
- 13. The total investment allocation for transformation activities over the three-year life of the MTFP to 2026/27, is £26.7m within the approved capital programme. For 2024/25 the total budget allocation is £13.7m. The allocation between investment in programme costs, redundancies and a contingency budget is set out below.

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

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
<b>Total Transformation Costs</b>	<b>13.700</b>	<b>7.700</b>	<b>5.300</b>	<b>26.700</b>

14. Work to develop the detailed delivery and resource plans for each of the transformation thematic programmes was not sufficiently developed to enable detailed reporting for the Approach to Transformation of Middlesbrough Council report to full Council on 27 March. This analysis is now complete and is reflected in the Phase 2 FUoCR Strategy at Appendix 2 of this report.

**Future Middlesbrough and why transformation is necessary**

15. As outlined in the ‘Approach to Transformation of Middlesbrough Council’ Report in March 2024, the Council continues to face significant financial challenges. As with many other authorities in England, Middlesbrough is operating in a difficult and uncertain environment and a complex service delivery landscape.

16. Moreover, Middlesbrough faces unique challenges of acute poverty and inequality, often ranking among the top five of the multiple deprivation indices. Unprecedented economic events such as the COVID-19 pandemic have seen a growing demand for services, increasing cost of goods and services, and ultimately the complexity of community support needs coupled with a significant reduction in central government funding.

17. The Council has been spending more money on delivering services than it receives in income. Despite efforts to identify savings over the next three years to 2026/27, there remains a budget deficit in 2024/25 of £4.7m that has been bridged through one-off borrowing via Exceptional Financial Support. The budget gap for 2026/27 is currently estimated to be at least £7.965m. The Council’s approach to transformation will not only secure delivery of the £21.028m of approved savings but aims to generate and develop further transformational initiatives to deliver services from a lower cost base, to address the budget gap and achieve financial balance over the medium term.

18. Doing nothing and relying on repeated ‘salami slicing’ to cut costs will lead to a failure to improve services and further financial pressures and is not an option in the face of these pressing issues.

19. The redesign of service delivery models aims to optimise both efficiency and effectiveness. However, it must do so while ensuring a strong commitment to effectively outcomes for its residents and communities. The Council remains dedicated to delivering the right outcomes, without compromising the quality and accessibility of essential services for the people of Middlesbrough.

**The Transformation Portfolio**

20. The ‘Approach to Transformation of Middlesbrough Council’ report to full Council on 27 March 2024 outlined the contents of the Transformation Portfolio, structured around six themed programmes. These programmes encompass a range of activities, key business changes, and complex projects aimed at addressing the emerging challenges and opportunities.

21. The scope of the Transformation Programme and its associated investment provides assurance on and aims to secure the delivery of all the savings of £21.028m approved by Council at its

budget meeting on 8 March 2024. Investment in the resource required to physically deliver, such as programme management, finance expertise and subject matter experts, will support the Council in delivering all approved savings.

22. The Thematic Programmes seek to achieve the Council Plan objectives through modernising the services that the Council delivers and enhancing the Council’s performance to be on a par with similar councils.

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.
<b>Programme Sponsor:</b> Director of Adult Social Care and Health Integration	<b>Programme Sponsor:</b> Director of Children's Services	<b>Programme Sponsor:</b> Director of Regeneration and Culture	<b>Programme Sponsor:</b> Director Finance (S151 Officer)	<b>Programme Sponsor:</b> Director of Environment and Communities	<b>Programme Sponsor:</b> Director of Legal and Governance

**What can be expected in 2024/25**

23. £21.088m of savings and income generation opportunities were identified to be realised between 2024/05 and 2026/27 and agreed as part of the 2024/25 budget setting process. Despite this, there remains a budget deficit.

24. Whilst work continues to provide ongoing assurance of delivery of the £21.088m savings, Appendix 1 articulates our approach and intentions to develop new ideas and over and above, to help close the budget gap.

25. It should be noted that all projects that form part of the approach to transformation are at different stages of development; some delivering to the £21.088m savings agreed as part of the approved 2024/25 budget with others being developed to deliver a further pipeline of transformation, change and savings that will be deliverable in 2025/26 and over the longer-term.

26. The focus therefore for the first part of 2024/25, will be to identify and qualify those new ideas to support development of full and costed business cases and delivery plans, specifically for the *Place-Based* neighbourhood and *Customer* models.

27. The *Target Operating Model* theme is currently being developed - this is essentially, a way to show and tell how an organisation will be set up to deliver its future state and objectives. More specifically within that, the elements in relation to the ICT Service, will see work focus on ensuring that the service is in a steady state to support organisational transformation, and depending on the size of the applications and systems estate, it is anticipated that a fully costed business case will be developed towards the end of the year.

28. The emerging new transformation initiatives, can be summarised as follows:

- A new council-wide approach to delivering a consistent and standardised *customer* services model across departments. This would address the multiple 'front doors' through which customers currently access council services and the high levels of demand. Often customers contact the council because something went wrong or wasn't handled properly in the first place. This can result in an inconsistent customer experience.
- The development of an integrated *neighbourhood-based working* model. While the focus has been on crisis support it is recognised that a focus on prevention and early intervention would be beneficial. 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 which includes an examination of existing officer structures, 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 IT assets.

29. Once these new ideas and initiatives have been developed, they will be brought back to full Council for approval.

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

30. It is imperative that the Council adopts and implements a robust approach to transformation to deliver its Council Plan priorities within budget. There is no feasible alternative to transformation, capable of achieving financial sustainability, whilst meeting the complex range of statutory responsibilities.

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

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

31. The Council's approach to transformation is a key driver of the Council Plan 2024-27 and is critical to delivering a robust Medium-Term Financial Plan (MTFP) that secures the Council's financial recovery and financial resilience over the period of the MTFP.

32. The Council approved the high-level expenditure budget and capital resources to be allocated to transformation in the March budget. The approval of the FUoCR strategy agrees the allocation of budget and use of capital resources to fund revenue expenditure on programmes and projects within the transformation portfolio in accordance with government regulations as detailed in Appendix 2.

33. Table 2 below summarises the approved budget, expenditure approved by Council as detailed within the Phase 1 of the FUoCR strategy, appended to *the Approach to the Transformation of Middlesbrough Council* report to full Council on 27 March.

34. The balance of expenditure now sought is based upon the details of the programme deliverables and set out in the Phase 2 FUoCR Strategy, at Appendix 2. The FUoCR strategy analyses the expenditure over the thematic programmes and enabling services including the Transformation Programme Office and Finance.

Table 2: Transformation Portfolio budget 2024/25

Transformation Portfolio Budget 2024/25	Budget <sup>3</sup>	Approved Phase 1 FUoCR <sup>4</sup>	Approval Requested	Total Expenditure Phase 2 FUoCR (2024/25)
	£m	£m	£m	
Programme Costs: Investment Expenditure	5.500	1.227	4.256	5.483
Redundancy costs	6.500	3.600	2.900	6.500
Contingency	1.700	-	1.717	1.717
<b>Total Transformation Expenditure via FUOCR</b>	<b>13.700</b>	<b>4.827</b>	<b>8.873</b>	<b>13.700</b>

35. The investment in the transformation programme will be funded primarily through application of capital receipts in accordance with the Phase 2 FUoCR Strategy, as detailed in Appendix 2 and which requires approval of total planned expenditure by Council as part of the budget and policy framework and to comply with DLUHC regulations.
36. The forecast of ongoing required savings as set out in the MTFP is £30.384m, over the period of the MTFP to 2026/27.
37. In 2024/25, the planned investment of £5.5m in against approved savings in 2024/25 is a return of 2.79:1, providing all savings are delivered in full and there are no requests to call upon the contingency budget.
38. Over the period of the MTFP, the planned Programme Investment is £13.6m (excluding contingency budget) compared to £30.384m to balance the MTFP. This currently translates to projected return of 2.34:1 against the target of 2.5:1.
39. It should be noted that the Council will inevitably face additional financial pressures over time, and these are likely to increase the budget gap and therefore the need for more savings. The MTFP will be reassessed over Summer 2024, which will inform the level of savings required from future iterations of the transformation programme.
40. The MTFP forecast required savings, planned investment and associated return on an annual and cumulative basis is summarised below.

Table 2a: Forecasted savings return on investment.

	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m
Approved savings 2023/4 Budget setting	1.391	-	-	1.391
Approved Savings 2024/25 Budget setting	13.910	5.151	1.967	21.028
New Savings Required to meet forecast Budget gap <sup>5</sup>		7.474	0.491	7.965
<b>Total Ongoing required savings</b>	<b>15.301</b>	<b>12.625</b>	<b>2.458</b>	<b>30.384</b>
<b>Programme Investment</b>	<b>5.483</b>	<b>4.800</b>	<b>3.300</b>	<b>13.583</b>
<b>Annual Return on investment</b>	<b>2.79:1</b>	<b>2.63:1</b>	<b>1.34:1</b>	
Cumulative ongoing savings required	15.301	27.926	30.384	
Cumulative programme investment	5.483	10.283	13.583	
Cumulative Return	2.79:1	2.72:1	2.24:1	

<sup>3</sup> 2024/25 Budget approved within the Capital Programme by Council on 8 March 2024.

<sup>4</sup> Approval of Expenditure and Funding via Phase 1 Flexible Use of Capital Receipts (FUOCR) Strategy 27 March 2024.

<sup>5</sup> The budget gap is as calculated for the MTFP period 2024/25 to 2026/27 and will be reassessed over the period May to August as part of financial planning and budget development for 2025/26. This will be reported to Executive in September 2024.

**Legal**

- 41. Approval of the transformation investment 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.
- 42. And delegated decision making, following approvals sought in this report would be required to comply with Constitutional and legal requirements.

**Risk**

- 43. The thematic programmes and key business-change projects 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.
- 44. This will 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.
- 45. As a result, a new risk has been added to the Strategic Risk Register of the organisation to capture the risk relating to the Council failing to transform its service delivery model deliver outcomes for residents at a reduced cost base, will see the Council’s financial position will become untenable and may result in the issuing of a S114 Notice.
- 46. Agreement of the recommendations within this report will contribute to work that will reduce the likelihood of this risk occurring, by ensuring resources are in place to deliver the required transformation.

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

47. Not applicable.

**Climate Change / Environmental**

48. Not applicable.

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

49. Not applicable.

**Data Protection / GDPR**

50. 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)**

51. Not applicable.

**Appendices**

<b>1</b>	Future Middlesbrough
<b>2</b>	Flexible Use of Capital Receipts Strategy 2024/25 (comprising Annexes 1 - 4)

**Background papers**

<b>Body</b>	<b>Report title</b>	<b>Date</b>
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
Council	Council Plan 2024-27	8 Mar 2024
Council	2024/25 Revenue Budget, Medium Term Financial Plan, Council Tax setting and Treasury Management	8 Mar 2024
Executive	Transformation: Governance Arrangements	13 Mar 2024
Council	Approach to Transformation of Middlesbrough Council	27 Mar 2024

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## **Appendix 1: Future Middlesbrough**

### ***Adult Social Care***

#### *What could and should it look like?*

In the future, Adults receiving care and support in Middlesbrough will be empowered to live Independently, with their strengths and outcomes being placed at the heart of all conversations. Working in partnership with community organisations we will develop creative options to meet individual needs, connecting them to others and the wider community without requiring a formal package of care, ensuring that statutory duties are met.

More people will have access to short-term support to help them to return home after a hospital stay, or to prevent their needs from getting worse. Staff from the *Front Door* care teams will be confident in using strengths-based practice; an approach where an individuals' strengths and community support networks are taken in to account when assessing how best to meet those care requirements, working in partnership with colleagues within and outside the Council to provide high quality care. This approach may mean that the individuals do not then require a formal care package.

As these working practices are modernised, staff will have the right technology in place to support them e.g. tablets, etc., to increase personal interactions versus desk-based time.

Assistive Technology will be confidently used to support people to remain in a place they call home, and there will be greater availability of specialist housing for both older people and adults with learning disabilities. This will enable a service to be delivered whereby individuals are supported to live independent lives for as long as possible, that is informed by their voices, and that will achieve a positive CQC outcome.

#### *What's happening elsewhere?*

**The City of Doncaster** is working to embed the lived experience of those who draw on care and support into the way that they deliver services, including co-developing assessment forms and decision-making processes. In a commitment to transparency to their residents, Doncaster also publish an annual Local Account highlighting progress against key metrics and sharing planned goals for the year ahead.

**Lincolnshire County Council** achieved the highest overall score in the pilot CQC inspections and have invested in strengths-based transformation to embed a shift in practice for all staff within the service. This included encouraging staff to consider a 'TEC First' approach, considering where technology could be used in place of formal care packages. In addition to providing more independence to residents; this has seen a reduction in the number of people who are receiving long-term care, a 50% reduction in the rate of referrals from the Front Door and has supported the delivery of savings more than £1.8m.

#### *Where is Middlesbrough in relation?*

Compared to other local authorities, Middlesbrough has higher rates of demand, with more residents being supported in residential care than elsewhere, limiting their independence, and increasing costs to the Council.

There is limited availability and understanding of creative solutions to meet needs, such as Assistive Technology, specialist housing and voluntary organisations, which means residents may be receiving a higher level of support than is necessary.

Staff currently have mixed understanding of strengths-based practice, which the service is working to address via Partners for Change 'innovation sites' to test new ways of working.

*What does this mean for Middlesbrough?*

The current approach is not financially sustainable, and inaction is not an option. Without transformation in Adult Social Care, the Council will continue to experience high costs and high demand, with Middlesbrough residents missing opportunities to achieve better outcomes and goals.

*What will members see happen in 2024/25?*

The Adults Programme has a targeted saving of £7.701m, as agreed as part of the 2024/25 budget setting process. The Programme consists of 13 projects that are 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.

The programme seeks to optimise resource allocation while maintaining or enhancing service quality. Ultimately, the Adults Programme is poised to deliver tangible improvements in service provision, enhancing the quality of life for service users and their families within our community.

Throughout 2024/25, Members will see the establishment of a new model of Social Work practice based on a more person-centred, '*strengths based*' approach, working with Partners for Change and their Three Conversations model.

Implementation of this approach in other Local Authorities has seen increased satisfaction on the part of the members of the public we work with and staff members, whilst demonstrating significant cost reduction.

There are plans to expand both the reablement team (reducing the need for on-going care) and autism day care provision, which it is anticipated will develop over time into an income stream for the Council.

## **Children's Services**

### *What could and should it look like?*

In the future, the focus of Children's Services will be on early intervention and prevention, ensuring that children, young people and their families get the right support at the right time. Establishing a strong corporate parenting and whole council approach to children's services with meaningful and active involvement of all senior leaders will ensure that children's wellbeing is at the heart of any decision-making.

Clear and recognised pathways will be in place across the system with support in place at every transition stage from pregnancy through to adulthood. Through collaboration with partners and local groups, community capacity and resilience and peer support networks will be built, so that children and families can access support locally, when they need it most and where they feel little or no stigma in asking for help, to avoid crisis and costly interventions.

Modernisation of working practices, using relationship-based and trauma-informed approaches to achieve the best outcomes, supported with the right technology will cultivate an environment where social workers pride themselves on working in and for Middlesbrough, as part of a high-performing Children's Service working towards an outstanding Ofsted rating, an exemplar of best practice.

### *What's happening elsewhere?*

**Derby** Early Help services are focused on vulnerable families where there is a need for coordinated support from agencies to prevent issues escalating to the point where families may require statutory Social Care services. Through integration with children's safeguarding services (Children's Social Care), there are three locality teams and bases that cover the city. In their most recent inspection, they achieved an outstanding Ofsted rating.

**Solihull Metropolitan Borough Council** implemented early intervention measures for children, young people and families, establishing Solihull as an '**early help place**'. This involved helping families at the earliest opportunity, improving children and young people's life chances, and reducing demand for crisis services. The Council's vision was built on five principles; causes not symptoms, families and communities can deliver earlier help, lives not services, early childhood help and not all help is equal. The work includes early intervention through schools, and community-focused and led activity.

**Leicestershire County Council** established an innovative partnership approach, in 2018, between the Council, the voluntary sector and other statutory services included NHS health partners and the Police. By working together, the Partnership has maximised resources and expertise, is more coordinated in the services provided and has avoided duplication of effort. It has made great strides in improving the lives of children, young people and their families.

### *Where is Middlesbrough in relation?*

Middlesbrough's Children's Social Care is one of the Council's largest areas of expenditure and faces ongoing demand and cost pressures. A significant proportion of these costs is attributed to the lack of in-house provision of placements and limited availability of placements within Middlesbrough, resulting in a reliance on high cost, out of area provision, alongside a shortage nationally of such placements.

Additionally, the profile of children coming into the care of Middlesbrough is increasingly complex and brings with it, bespoke needs, and increased costs.

The ongoing challenges in recruitment and retention in both leadership and social workers have meant the service has been reactive to crisis management rather than being able to focus on early

intervention and prevention. Further, the quality and use of data is limited, meaning the service cannot plan and therefore manage demand more effectively.

Although the service is currently on an improvement journey, significant challenges in recruitment and retention of a skilled workforce have resulted in draft and delay in planning and a reactive approach to crisis management.

*What does this mean for Middlesbrough?*

The current approach is not financially sustainable, and inaction is not an option. Not only is this affecting the quality of services for children, young people and their families but also results in poorer outcomes and higher costs for the Council.

*What will members see happen in 2024/25?*

The Children's Programme has a targeted saving of £6.501m, as agreed as part of the 2024/25 budget setting process.

The Programme 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.

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.

## ***Place-Based Services***

### *What could and should it look like?*

There is a need to bring the council to the community, creating closer working relationships through physical location. This approach will bring to the forefront visibility of potential challenges as they emerge, providing more opportunity to respond proactively through the development of an Integrated Neighbourhood Working model.

In the future, the focus will be on keeping people and families well and thriving by reducing the need for expensive and complex statutory interventions, moving away from a model of siloed, professionally led public services designed to respond to presenting needs, to one which identifies root causes and then works proactively with individuals, families, partners and the wider community to overcome them. The approach will centre on people, their agency, and their prospects for progress.

This will be achieved through gaining a better understanding of the root causes of more complex issues for individuals and households. Using data and insights, will enable proactive identification of those households that need help early, like those struggling with poverty, rent, debt, domestic violence or mental health challenges.

Working in partnership with other statutory organisations, such as the Police, NHS health partners and the local community and voluntary sectors, the move will be towards colocation to single teams, with single leadership and pooled resources, as opposed to shared pathways. By doing this support can be offered that empowers individuals and builds resilience. By offering better support services, community well-being and strength will be boosted, lessening how often crises occur and how severe they are. Through early and effective intervention, there will be a reduction in demand on key services, such as social care and homelessness.

Technology will be used as a means to bring people together and support cross-organisation and collaborative working, including mobile technology to enable staff to spend less time in the office and more time engaging with the community.

### *What's happening elsewhere?*

**Barking and Dagenham Council** implemented a new and innovative '**Community Solutions**' department, which brought together 16 services across Adults, Children's, Housing, Homelessness, Domestic Abuse, Drug and Alcohol, Community Safety, Debt and Money advice into an integrated strengths-based neighbourhood model with a single front door. The service was founded on the principles of relational practice and was co-designed with staff and residents. It delivered year 1 savings of £3.6m and went on to enable significant reductions in homelessness, as well as evidenced reductions in demand in Adults and Children's services.

**Salford City Council** pushed their neighbourhood model to become the key driver in their strategy to unlock community power and tackle the root causes of demand. They not only co-located services but have embarked on re-designing and transforming how those teams work (establishing single teams, and common approaches to triage, universal services, and targeted support) and common pathways with other partners. Not only has this achieved better outcomes for residents it has saved 25-30% on baseline staffing budgets of around £30m.

**Lewes District Council** has over the past decade been using collaboration software to enable staff across all partner agencies to work in a more joined-up way.

*Where is Middlesbrough in relation?*

With extreme levels of local deprivation and complex issues within Middlesbrough, there is significant opportunity to support better outcomes for people and place, by building upon the existing neighbourhood approach. In recognition of the benefits of integrated neighbourhood working approaches of support, some work has already started, but focus to-date has been crisis support.

*What does this mean for Middlesbrough?*

The current approach is not financially sustainable, and inaction is not an option. Not only is it affecting the quality of services but also results in poorer outcomes for the most at risk and vulnerable households and increased costs for the Council.

*What will members see happen in 2024/25?*

In 2024/25 we will develop a detailed and costed business case, to articulate as to the extent to which further integrated Neighbourhood Services can deliver improved services for the people of Middlesbrough.

To do this we will test 3-4 high priority areas of work (serious violent crime, youth justice, homelessness and antisocial behaviour) to understand better what neighbourhood working can deliver.

This cross-cutting piece of work will involve partner organisations as well as internal services and will allow us to quantify and qualify the level of savings and service improvements that can be made.

## **Customer Services**

### *What could and should it look like?*

In the future, the Council will adopt a strong customer focused approach to the delivery of services to its customers who include its residents, businesses, and visitors to the town. It will provide consistent means of access to information and services that are appropriate to the nature and complexity of the service need. It will seek to provide resolution to requests for service at the first point of contact wherever possible and will ensure that complex service requests are directed to the appropriate service specialism to ensure timely and efficient and appropriate support is provided.

The Council will improve its communication of the scope and standards of service to be expected and will engage with its customers to improve the quality and timeliness of its service offerings to inform, meet and manage customer expectations for 'on demand services'.

The Council will review and redesign the customer routes of access to services which will rationalise the management and operation of multiple service entry points that currently exist and currently drive avoidable cost through duplication of effort, inconsistent processes, and data management. Customer access routes will continue to include on-line, telephone and face to face contact with the objective to optimise service provision through the most cost-effective route given the nature and complexity of the service request. The Council will adopt a 'digital by design' approach, whilst taking account of the need to provide inclusive and accessible services to digitally excluded groups given this is generally the most cost-effective route. Enabling customers to self-serve wherever possible, provides an opportunity to direct more costly specialist staff resource to satisfy more complex and detailed service requests which may require one to one support.

The Council will invest in its systems, processes and technology in order to provide simplified, more intuitive and automated processes for use by customers. It will explore and develop Artificial Intelligence where appropriate to achieve more accurate, timely and consistent performance of tasks through automation, which would otherwise be done manually and be subject to variation, delay and incur costly staff resources.

Data will be analysed and used to better understand the service needs of our customers and to inform the design of future processes and systems deployed in the delivery of services to achieve more cost-efficient services that meet the needs of residents businesses and visitors to the town.

We aim to develop a singular view of the customer through integration of multiple service records that currently exist, to enable cross-cutting support to be offered at the point of an individual service request, building on existing examples and instances where multiple enquiries are dealt with in one conversation, to enable customers to tell us once', reducing duplication and administrative costs of routine enquiries, freeing up resource to focus upon more complex and specialist service requirements.

Customers will be supported to do more things online by redesigning access points to be simple, accessible, and more intuitive. For those customers who have difficulty or cannot access on-line, there will continue to be alternative ways to access help and support. We will use innovation and listen to customer feedback and use data to enhance the customer experience and build trust, whilst also reducing demand and therefore cost.

### *What's happening elsewhere?*

**Westminster City Council** set the trend by centralising all customer contact within the Council in around 2000. Not so long ago, they developed a joint Customer Experience and Digital Strategy which sets out how they will understand what customers need, ensuring they have the right culture, information and skills are in place to be able to deliver this. The strategy is underpinned by '**tell us once**', meaning if you want to apply for a parking permit or become a member of a library, you don't

have to scan or produce evidence of residence because the Council use data that they already have. Westminster have saved millions of pounds in front-office and back-office costs.

**Southampton City Council** invested in an Artificial Intelligence chatbot to enhance communication with residents and deliver better public services. With a 90% success rate in answering residents' questions, this technology has proven effective in improving overall service delivery.

**Manchester City Council** is halfway through four-year digital transformation programme to make it easier and quicker for residents and businesses to interact with the Council's services online. The Council will help residents use online services confidently and improve joint working across different council services. Manchester aspires to become a leading digital public services organisation, modernising its systems and embracing new technologies, whilst saving time and money. Manchester currently have planned savings of £0.650m in customer services and a further £1.5m in the rationalisation of systems.

#### *Where is Middlesbrough in relation?*

Customer service provision at Middlesbrough Council is currently not standardised across all customer-facing services, with the provision of service response requests, resting with individual Directorates and service areas. That being said, there are business areas across the council that demonstrate best practice; one example is Residents and Business Support service where the customer service model used in delivery of the Council Tax, Business Rates and Benefits Services, has been independently assessed and accredited with the prestigious award of Customer Service Excellence, recognised as delivering 'Elite' customer service. The delivery model is tried and tested, and the intention is to expand this model across all customer-facing services of the Council, where practicable.

At this time, there are many ways customers can engage / interact with the Council, such face to face, telephone or via on-line systems, although can result in variable customer experiences. Standard automated systems or approaches for managing and processing customer service requests, providing feedback to customers and service response are reliant upon manual systems and processes which can result in unmet demand as customers fail to make contact, complaints, duplication of effort in costly staff resources in operating manual processes, delays in responding and chasing up progress to reach a resolution.

The Council website and online services do not currently meet the reasonable expectations of residents and businesses and whilst officers work hard within available resources to respond to those requests, elected Members frequently bear the brunt of customer frustrations, having to follow up on behalf of residents, businesses and visitors who make complaints. This drives more volume of activity which requires human intervention to resolve, driving staff cost whilst failing to adequately meet the reasonable expectations of both customers and elected Members.

#### *What does this mean for Middlesbrough?*

The current approach undermines quality of services but also results in poorer outcomes for residents and businesses as well as Members and staff, and ultimately drives duplication of effort, extra processes and steps and therefore results in an inherently higher cost model which is not financially sustainable.

We need to work smarter and change the way we manage and deliver our services to meet customer demand and to be more joined up and better coordinated as described above. We aim to apply the customer service model currently operating in Resident and Business Support and overlay this across all customer-facing services where practicable, to achieve a consistent approach to managing service demand across all areas including but not limited to adults, children's, and environment.

We need to invest in data and information management. High volume of customer demand is often driven by issues that weren't addressed properly in response to the first request, known as 'failure demand' which diverts resources away from delivering added value services to customers.

We aim to reduce costly activity due to failure demand and focus our resources on delivering a right first-time service that meets customer need at lower cost.

*What will Members see happening in 2024/25?*

During 2024/25, this programme will invest in the preparation of a full business case to develop the approach to applying the customer model currently operating in Residents and Business Support to the wider organisation. The development work is due to be achieved by the end of September at which point the business case setting out the overall investment requirement, financial and non-financial benefits, risks, and opportunities will be presented to the Corporate Transformation Board for consideration and approval. Subject to approval, implementation is planned to be phased by Directorate, starting with Adults and Childrens to optimise the realisation of financial benefits that will improve the opportunities for prioritising future budget setting decisions around investment and savings across the wider organisation.

## **Target Operating Model and core enabling services**

### *What could and should it look like?*

In the future, Middlesbrough Council's ICT systems will be integrated, and digitally enabled, to the fullest extent possible. Underpinned by a single source of data, an environment can be created whereby data is inputted once and is a 'single source of data'. With integrated systems, data will be used to inform decisions and shape delivery of services.

Updating and modernising how we work, with the right amount of ICT resources, the number of systems used will be reviewed, those systems not adding value will be removed, systems not currently integrated or those that store information in multiple places, will be replaced. The dependency on ageing and physical IT infrastructure will look to be provided as cloud-based solutions.

This approach will not only improve efficiency and reduce running costs but will also foster digital innovation and deliver better outcomes for staff, residents, businesses, and the wider community.

### *What's happening elsewhere?*

**Leeds City Council** participated in the local government pathfinder programme and has been held up as an example of best practice. Their initiative was launched in 2015, and they have invested in a permanent team to lead the digital inclusion programme and drive the digital inclusion agenda across the city. Their 'Integrated Digital Service' (IDS) is a joint initiative funded by Leeds City Council and Leeds Health and Care Partnership NHS West Yorkshire Integrated Care Board. The team works with over 200 organisations, teams, settings, and services. They have brought over £2million into the city, increasing the capacity of third sector organisations and building the digital inclusion ecosystem across Leeds.

**Cambridgeshire County Council** recognised that Technology Enabled Care Services could be a cost-effective way of providing services to support adults with learning disabilities live independently but is currently being underutilised. The project has enabled greater independence of adults with learning disabilities through greater adoption of a range of technology (such as telecare, digital and apps). It has increased collaboration and better relationships with IT and across council teams. By reducing the need for more costly formal care have saved £1.8m.

### *Where is Middlesbrough in relation?*

The current approach to the ICT service is traditional, and largely reactive, typically responding to needs as they arise rather than taking proactive steps. There are a variety of disparate ICT systems accumulated over time, which has led to fragmentation, duplication, and inefficiencies within our operations.

Our ICT Service will become mature, stable and fit for purpose, serving as a critical enabler for the council's overall transformation.

### *What does this mean for Middlesbrough?*

The ICT Service in Middlesbrough Council is a critical enabler of the overall transformation programme. Currently however, the service lacks the necessary capacity, capability, and experience to fully support the organisation-wide transformation programme.

Nevertheless, there is a significant requirement and reliance for ICT support to the Council to successfully change the way services are delivered, to support the implementation of new digital solutions to achieve better outcomes for the people of Middlesbrough as well as making savings.

### *What will members see happen in 2024/25?*

Work on the *Target Operating Model* theme and more specifically the elements in relation to the ICT Service, will see work focus on ensuring that the service is in a steady state to support organisational transformation, and depending on the size of the applications and systems estate, it is anticipated that a fully costed business case will be developed towards the end of the year.

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

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## 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 2.20 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 funding of 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.
- 1.6 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 **£13.700m** (consisting of Phase 1 approved 27 March 2024)) within the approved capital budget. Further details are set out in section 2, though incorporates the approval of the total expenditure in 2024/25, including:
- 1.6.1 Total Programme Costs of £5.483m (incorporating phase 1 FUoCR strategy) investment in 2024/25, to:
- secure delivery of the planned and approved savings of up to £21.028m
  - to develop a pipeline of extended and/or new transformation projects for inclusion in the Transformation Programme to deliver savings that meet the forecast budget gap of £7.965m by 2026/27.
- 1.6.2 Delegated authority to the Chief Executive in consultation with the Elected Mayor, Director of Finance and Executive Member with responsibility for Finance portfolio, to apply Transformation Programme contingency of **£1.717m** and remaining Redundancy Budget of **£2.900m** for the purposes set out in this report.

- 1.6.3 £3.6m of estimated redundancy costs (approved in phase 1 FUoCR strategy) relating to the savings included in the £13.910m to £21.028m of approved budget savings.
- 1.7 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 Executive and Council at intervals throughout 2024/25 financial year, as per the corporate performance management framework, referenced in the *Approach to Transformation of Middlesbrough Council report* to full Council on 27 March 2024, and as required by the Council's Constitution and in order to consider and approve revisions to the FUoCR Strategy as required by regulations.
- 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, with a view to preserving limited revenue resources. The Council's ability to implement these revisions is dependent upon the actual expenditure and 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 Change Fund Reserve, for example specific redundancy cost elements that are excluded by government regulations.
- 1.10 The 2024/25 budget, MTFP, Capital Programme and Treasury Management Policy approved on 8 March 2024<sup>6</sup> 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 Section 2 below). The approved funding source is capital receipts in accordance with an approved Flexible Use of Capital Receipts Strategy.
- 1.11 [Appendix 2](#) of the 2024/25 Revenue Budget, Medium Term Financial Plan and Council Plan and Council Tax setting report<sup>7</sup>, approved by Council on 8 March 2024, provided a schedule of all budget proposals for expenditure savings or income growth which totalled £13.910m in 2024/25, rising to £21.028m in 2026/27. The proposals were subject to public consultation where required. An explanation of each budget proposal was provided, together with the financial profile of the saving/income over the period of the MTFP and the anticipated FTE reduction in staff or investment in ongoing staff resources required to deliver these savings at that time.
- 1.12 Paragraphs 5.3 and section 9 of the s151 Officer's s25 report<sup>8</sup> to Council on 8 March 2024, explained the risks identified in relation to lack of capacity to deliver the scale of change required. Further, it articulated the need for investment in transformation, programme management, subject matter expertise and enabling services capacity, to secure the delivery of the planned large scale savings programme that would be incorporated into a formal Transformation Portfolio which would also develop a pipeline of further savings to address the remaining budget gap over the period of the MTFP. Whilst a high level estimate of cost was provided within the capital programme as a result, the work to develop detailed delivery and resource plans within each of the thematic programmes has been ongoing. This is summarised in Annex 1 of this strategy document and sets out the enabling investment to

<sup>6</sup> Budget 2024/25 and MTFP Refresh to 2026/27 Report <https://moderngov.middlesbrough.gov.uk/documents/s20940/Report.pdf>

<sup>7</sup> [Appendix 2 - Savings & Growth schedules](#)

<sup>8</sup> [section 25 report](#)

operate the enabling services including Portfolio Management Office (PMO), Finance, HR etc; together with the programme management support for each thematic programme and specific investment required to secure the delivery of individual approved savings projects.

**2 Transformation Investment 2024/25 within MTFP to 2026/27**

2.1 The 2024/25 budget, MTFP, Capital Programme and Treasury Management Policy approved on 8 March 2024 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.

2.2 The budgeted allocation for the 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 in Table 1:

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

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
<b>Total Transformation Costs</b>	<b>13.700</b>	<b>7.700</b>	<b>5.300</b>	<b>26.700</b>

2.2.1 Table 2 summarises the Transformation Programme Budget for 2024/25, reflecting the initial Phase 1 approval by Council on 27 March, the Expenditure requested for approval and consolidating these into the total expenditure for 2024/25 through the Phase 2 FUoCR strategy to be approved by Council on 24 April 2024.

Table 2 Transformation Budget 2024/26

Transformation Programme Budget 2024/25	Budget <sup>9</sup> £m	Approved Phase 1 FUoCR <sup>10</sup> £m	Approval Requested £m	Total Expenditure 2024/25 Phase 2 FUoCR £m
Programme Costs: Investment Expenditure	5.500	1.227	4.256	5.483
Redundancy costs	6.500	3.600	2.900	6.500
Contingency	1.700	-	1.717	1.717
<b>Total Transformation Expenditure via FUOCR</b>	<b>13.700</b>	<b>4.827</b>	<b>8.873</b>	<b>13.700</b>

2.4 In relation to the Transformation Portfolio, a one-off programme cost investment of £13.6m over the three-year period, an ongoing financial return in terms of expenditure savings or income growth of 2.5:1, is proposed which equates to total savings to be delivered of at least £34m including the approved savings of £21.028m. Estimated redundancy costs are *not* included in the calculation of the 2.5:1 return target, given that redundancy costs would be incurred to deliver the required savings irrespective of whether they were achieved through transformation and service redesign, or the more traditional ‘salami slicing’ approach previously adopted. Further, the biggest element of this expenditure is the disproportionate

<sup>9</sup> 2024/25 Budget approved within the Capital Programme by Council on 8 March 2024.

<sup>10</sup> Approval of Expenditure and Funding via Phase 1 Flexible Use of Capital Receipts (FUOCR) Strategy 27 March 2024.

and exceptional impact of one-off pension fund liabilities which would distort the investment case for transformation.

- 2.5 It should be noted that the risk of failing to provide sufficient capacity to deliver transformation has been previously highlighted by the Chief Executive, the s151 Officer, CIPFA, MIIAB and DLUHC. The Council must invest in resources capable of delivering modernisation and change if it is to successfully recover and reset the organisation to be able to deliver for the people of Middlesbrough in a financially sustainable way.
- 2.6 The due diligence work undertaken with Inner Circle Consulting over the period November 2023 to February 2024, provided an estimated level of investment in additional capacity in the form of expertise for transformation, programme management, subject matter expertise and enabling resources such as Finance and HR to assure delivery of planned savings. The estimated investment in transformation capacity was critically necessary to provide assurance on deliverability of savings in assessing the robustness of the budget, as well as providing for the development of longer-term financial sustainability.
- 2.7 The detailed allocation of investment in this capacity to individual programmes was not finalised and assured enough to enable reporting to Council on the FUoCR in March. It has now been established and is quantified in Annex 1. Further explanation of what the investment is being spent on and what it is programmed to deliver is detailed in Appendix 1 to this Transformation report to Council on 24 April. In summary, this temporary specialist resource will focus upon the delivery of the 2024/25 approved savings plan as well as developing a pipeline of new projects during 2024/25 that will be deliverable from 2025/26 to deliver the residual MTFP budget gap of £7.965m.
- 2.8 For completeness of the referencing to the full savings programme, Annex 2 summarises the approved 2024/25 budget savings, indicating those that have received specific transformation resource allocation to secure delivery.

**Phase 1 FUoCR**

- 2.9 The Approach to Transformation of Middlesbrough Council report 27 March 2024 set out phase 1 of the 2024/25 FUoCR, expenditure totalling £4.827m summarised in Table 3 below.
- 2.10 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 provides 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.

*Table 3: Phase 1 Investment*

Phase 1 Investment 2024/25 to May 2024	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 May 2024: continuation of existing resources	0.473
Consultancy Resource Schemes: Subject Matter Expertise	0.499
<b>Total</b>	<b>4.827</b>

**Phase 2 FUoCR**

- 2.11 Phase 2 requests approval for the balance of the budget allocation of £8.873m:
  - Further programme investment expenditure of the £4.256m in respect of the items set out below table 4 (paragraph 2.22) and the revised Flexible Use of Capital Receipts Strategy to fund this work. The investment will fund activity for the 2024/25 financial year to secure the delivery of approved savings and develop a pipeline of extended and new transformation projects that will deliver improved service delivery and savings to meet the forecast budget gap.
  - The balance of the redundancy budget of £2.900m which will be addressed through work to develop the business cases for the Target Operating Model, Customer Service Model and Neighbourhoods Model (subject to delegated approvals in accordance with the Constitution).
  - A virement of £0.017m from Programme Costs to Contingency and approval of the use of the Contingency Budget of £1.717m (subject to delegated approvals in accordance with the Constitution).
- 2.12 The estimates of transformational expenditure have been made on a prudent basis. Any increase in the use of capital receipts on a flexible basis during 2024/25 above the £13.7m budget contained in this strategy, will as per the statutory regulations, require an amended plan and strategy to be made and approved by Council, and notified to DLUHC.
- 2.13 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. The vision for each thematic programme is set out in Appendix 1 of the Transformation of Middlesbrough Council report to be considered and approved by Council on 24 September 2024.

- 2.14 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 as explained in 2.3 to 2.8 above.
- 2.15 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 [to be determined and subject to tender process] 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 our current external consultants Inner Circle Consulting Ltd (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 and associated savings.
- 2.16 In particular, the Council needs to supplement its permanent staff capacity with programme and project management expertise, subject matter expertise in various programmes, and 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.
- 2.17 Robust governance arrangements in the form of an enhanced Transformation Portfolio Management Office (PMO) and its application of the Programme and Project Management Framework, are 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.
- 2.18 The 2024/25 budget, MTFP, Capital Programme and Treasury Management Policy approved on 8 March<sup>11</sup> 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 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.
- 2.19 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 that forecasts to 2026/27. The intention is to develop the MTFP to run over a period of 5 years from 2025/26 budget setting i.e. through to 2029/30, to enable investment and savings to be planned, reported and tracked over an MTFP period that reflects the timescales for delivery of the *Recover, Reset, Deliver* Transformation Programme.
- 2.20 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.

2.21 The Resources planned to fund this expenditure is split into the following elements:

- Programme Management, 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, e.g. Customer, Neighbourhood Working and Target Operating Model.
- A further budget gap of at least £7.965m to 2026/27 remains, for which service transformation and redesign is required to reduce operating costs. Expenditure identified for further programmes and projects for which business case development and governance is required to develop new savings initiatives for example Adults Social Care, Children's Services Property and Environment and Communities.

2.22 Council approval of the FUoCR strategy is sought for allocation of expenditure of **£4.256m** of the £13.7m FUOCR allocation in 2024/25 as itemised in the table below and in Annex 1.

Table 4: Breakdown of Phase 2 expenditure

Phase 2 Investment 2024/25	FUoCR £m
Programme Costs: Adults	0.927
Programme Costs: Childrens	0.492
Programme Costs: Customer	0.712
Programme Costs: Placed Based Services	0.120
Programme Costs: TOM / Core Enabling Services	0.764
Programme Costs: Property	0.077
Enabling Services: Programme Management Office, Finance, HR, ICT	1.164
<b>Total Programme Costs</b>	<b>4.256</b>

2.23 Subject to approval of the resourcing investment, the routes to procurement will be explored for PMO, external consultancy resource 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.

### 3.0 Financial Benefits over the MTFP Period 2024/25 to 2026/27

3.1 The analysis of savings approved by Council on 8 March 2024, 2024/25, Revenue Budget, Medium Term Financial Plan, 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.

Table 5: Council approved savings by Directorate

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 and Partnerships	(0.132)	-	-	(0.132)
Environment and Commercial 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 and Governance Services	(0.378)	(0.045)	-	(0.423)
	<b>(13.910)</b>	<b>(5.151)</b>	<b>(1.967)</b>	<b>(21.028)</b>

Table 6: Council approved savings by type

Type	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)
	<b>(13.910)</b>	<b>(5.151)</b>	<b>(1.967)</b>	<b>(21.028)</b>

3.2 The Transformation Portfolio Management Office will ensure robust governance, monitoring and reporting of the delivery of all approved savings. In addition, the PMO will support the development of new projects across the thematic areas, are being developed to deliver at least £7.474m in 2025/26, and the overall budget gap of £7.965m to 2026/27. Additionally, there is scope for savings targets to be issued to all thematic programme sponsors 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 in July 2024, for the 2025/26 MTFP cycle.

3.3 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.

Table 7: Council approved savings by Thematic Programme

	2024/25 £m	2025/26 £m	2026/27 £m	Sub Total £m	2023/24* £m	TOTAL £m	Estimated New ** £m
<b>Analysis of savings by Theme</b>							
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 £5.2m
Place Based Services	(1.930)	(1.244)	(0.120)	(3.294)	(0.119)	(3.413)	
Target Operating Model	(1.621)	(1.004)	(0.182)	(2.807)	(0.294)	(3.101)	£0.580m+TBC
	<b>(13.910)</b>	<b>(5.151)</b>	<b>(1.967)</b>	<b>(21.028)</b>	<b>(1.392)</b>	<b>(22.420)</b>	

\* 2023/24 Saving Initiative for delivery in 2024/25

\*\* Estimated New Savings in the process of identification and assurance by Transformation Programme

3.4 The range of projects are in different stages of maturity, ranging as follows:

- Well-developed and to be implemented from the start of the 2024/25 financial year to deliver savings immediately, as part of business-as-usual activity.
- Require deployment of expert resources, e.g. project management or subject matter expertise.
- Investment to develop the bigger and more complex transformation initiatives, which require full business cases and for which specification of required investment and expected financial and non-financial benefits of implementation, will require articulation and approved funding later in the financial year, to deliver additional savings over the £21.028m already approved.

#### 4.0 Monitoring of the FUoCR Strategy

4.1 Delivery against the updated strategy will be monitored throughout the financial year as part of the Transformation Programme governance arrangements, reflected in regular corporate budget monitoring arrangements and reported quarterly to Executive, which will include

updates on 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.

- 4.2 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 Portfolio and the Council's Budget Monitoring process.
- 4.3 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.

**5.0 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 FUoCR 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 the FUoCR Strategy are set out in the 2024/25 Revenue Budget, Medium Term Financial Plan, Council Tax setting and Treasury Management report approved by Council on 8 March 2024.

### Annex 1: Investment expenditure 2024/25 for Phase 1 (previously approved to May 2024) and Phase 2 (to March 2025), funded via FUoCR

Thematic Programme and focus of investment		FUoCR Criteria	Phase 1 £m	Phase 2 £m	2024/25 total £m	Investment Type			One-off investment breakdown
						Programme Management	Subject Matter Expertise (SME)	Enabling Services	
Redundancy costs	Cost estimate of redundancy to support staff reductions 75.4FTE	Savings	3.600	0.000	3.600				To enable delivery of £2.895m savings
<b>Total Redundancy Costs</b>			<b>3.600</b>	<b>0.000</b>	<b>3.600</b>				
Adult Social Care	Dedicated Programme Support (across all Adult's initiatives)	Savings / Enabling / Service Improvement	0.032	0.161	0.193	✓	✓	✓	Delivery of approved savings, developing pipeline of new savings initiatives, namely Programme Management (£0.168m), core enabling support (£0.236m), SME (£0.643m)
	ASC05:Review of Care Packages Funding	Income Growth	0.006	0.031	0.037			✓	
	ASC12:Transformation of Adult Social Care Services	Savings / Enabling / Service Improvement/Demand Mgmt	0.075	0.696	0.771	✓	✓	✓	
	ASC15:Review of Adult Social Care Client Income contribution for non-residential care	Income Growth	0.008	0.038	0.046			✓	
<b>Total Adult Social Care Transformation investment</b>			<b>0.121</b>	<b>0.927</b>	<b>1.047</b>				
Children's Services	Dedicated Programme Support (across all Children's initiatives)	Savings / Enabling / Service Improvement	0.040	0.197	0.237	✓	✓	✓	Investment: Delivery of approved savings, developing pipeline of new savings initiatives, namely Programme Management (£0.160m), core enabling services (£0.149m), SME (£0.425m)
	CC01: Review of all Services across Children's Care	Saving / Service Improvement	0.006	0.029	0.035			✓	
	CC02: Review of Placements (including Processes and Procedures)	Saving / Demand Management	0.025	0.124	0.149			✓	
	CC03: Improvement of Residential Capacity	Saving / Service Improvement	0.000	0.041	0.041	✓		✓	
	CC04: Workforce Development	Saving	0.028	0.083	0.111	✓		✓	
	CC06: Children's Charity - SHIFT 3 year Contract commitment £0.556m	Saving / Service Improvement	0.135	0.000	0.135			✓	
	CC07: Special Guardianship Order Payment Review	Income Growth	0.009	0.018	0.027			✓	
<b>Total Children's Services Transformation investment</b>			<b>0.242</b>	<b>0.492</b>	<b>0.734</b>				
Customer	1) Phase 0: Outline Business Case 2) Phase 1: Full Business Case 3) Phase 2: Adults (including Housing) 4) Phase 3: Childrens 5) Phase 4: Environment and Communities / Finance 6) Phase 5: Legal and Governance / Regeneration	Savings / Service Improvement	0.165	0.000	0.165				New saving(s): Business case development and implementation plan and roll-out.
			0.026	0.189	0.215				
			0.000	0.449	0.449	✓	✓	✓	
			0.000	0.075	0.075				
			0.000	0.000	0.000				
			0.000	0.000	0.000				
<b>Total Customer Transformation investment</b>			<b>0.191</b>	<b>0.713</b>	<b>0.904</b>				
Place-Based Services	Programme Management (across all initiatives)	Enabling	0.000	0.034	0.034	✓			Programme Management (£0.034m)
	ECS08: Resident Parking Permits Charge	Income Growth	0.000	0.018	0.018			✓	Core enabling services (£0.018m)
	Integrated Neighbourhood Working Programme	Saving	0.142	0.069	0.211	✓	✓	✓	New saving: Integrated Neighbourhood mode
<b>Total Place-Based Services Transformation investment</b>			<b>0.142</b>	<b>0.120</b>	<b>0.262</b>				
Target Operating Model and core enabling services	Dedicated Programme Management Support (across all initiatives)	Enabling	0.000	0.023	0.023	✓			Investment: Delivery of approved savings, developing pipeline of new savings initiatives, namely; Programme Management (£0.023m), core enabling services (£0.428m), SME (£0.494m)  'Enabling' investment represents one-off investment of FTE to boost capacity for 12mths (as approved budget savings in 8 March 2024 report).  It is intended that this investment will form part of mainstream budget in 2025/26, netted off from forecasted ongoing increased income, as reflected in the 2024/25 MTFP.
	FIN01: Collection of Housing Benefit Overpayments	Income Growth	0.005	0.027	0.032			✓	
	FIN02: Council Tax Reviews	Income Growth	0.015	0.077	0.092			✓	
	FIN03: Collection of Council Tax - Aged Debt Recovery	Income Growth	0.011	0.053	0.064			✓	
	FIN04: Collection of Council Tax - Charging Orders	Income Growth	0.006	0.030	0.036			✓	
	FIN05: Collection of Business Rates	Income Growth	0.005	0.027	0.032			✓	
	FIN06: Collection of Council Debt	Income Growth	0.010	0.050	0.060			✓	
	FIN07: Reduction in Contractual Spend	Saving	0.021	0.106	0.127			✓	
	FIN10: Centralisation of Grants Administration and Maximisation of Opportunities for Grant Income	Income Growth	0.008	0.040	0.048			✓	
	Core Enabling Services: ICT Service Maturity	Service Improvement	0.057	0.113	0.170			✓	
	Core Enabling Services: Application Rationalisation	Savings	0.041	0.186	0.227			✓	
	New Savings Initiative: Decision Making Authority Review	Savings	0.000	0.034	0.034			✓	
<b>Total Target Operating Model Transformation investment</b>			<b>0.180</b>	<b>0.765</b>	<b>0.944</b>				
Property	REG07: Investing in better co-ordination of the way the Council provides housing to reduce the overall spend on emergency, temporary and short term accommodation for people	Savings / Service Improvement	0.008	0.077	0.085			✓	SME
<b>Total Property</b>			<b>0.008</b>	<b>0.077</b>	<b>0.085</b>				
<b>Total Transformation Programme Schemes</b>			<b>0.884</b>	<b>3.092</b>	<b>3.977</b>				
Enabling Services	Portfolio Management Office	Enabling / Service Improvement	0.150	0.434	0.584	✓			
	Finance	Enabling / Service Improvement	0.064	0.520	0.584			✓	
	HR	Enabling / Service Improvement	0.009	0.116	0.124			✓	
	IT Services	Enabling / Service Improvement	0.000	0.095	0.095			✓	
	New Member's Enquiry System: IT software solution costs	Service Improvement	0.120	0.000	0.120			✓	
<b>Total Enabling Services</b>			<b>0.343</b>	<b>1.164</b>	<b>1.507</b>				
<b>Total Transformation Costs</b>			<b>1.227</b>	<b>4.256</b>	<b>5.483</b>				
<b>Total Transformation Investment: Phases 1 and 2</b>			<b>4.827</b>	<b>4.256</b>	<b>9.083</b>				

Notes:

1) Not all approved savings proposals have required dedicated resources to secure their delivery, and 2) 'Enabling' activity covers enabling implementation and delivery of savings, income growth, service improvement and / demand management.

## Annex 2: Approved 2024/25 budget savings and associated investment

Adults	2024/25 Approved Budget Proposals (as 8 March 2024/25 Council Report)	Profile of Approved Savings				(Reduction)/ Investment in Staff over 2024/25 to 2025/26 FTE	One-off Transformation Programme Investment 2024/25 (£m)	
		24/25 (£m)	25/26 (£m)	26/27 (£m)	Total (£m)			
ASC01	Accommodation and Support review.	(0.072)	(0.480)		<b>(0.552)</b>	-		
ASC02	Temporary Accommodation and support review.	(0.165)			<b>(0.165)</b>	-		
ASC03	Introduction of Residential Care Panel.	(0.200)			<b>(0.200)</b>	-		
ASC04	Review of domiciliary care.	(0.091)			<b>(0.091)</b>	-		
ASC05	Review of Care Packages Funding.	(0.402)			<b>(0.402)</b>	-	0.037	
ASC06	Expansion of reablement provision.	(0.632)			<b>(0.632)</b>	-		
ASC07	Fairer Charging / Fair Cost of Care.	(0.100)			<b>(0.100)</b>	-		
ASC08	Review of high-cost care packages.	(0.238)			<b>(0.238)</b>	-		
ASC09	Review of Independent Supported Living schemes.	(0.176)			<b>(0.176)</b>	-		
ASC10	Expand Autism Day Care through relocation to Cumberland Resource Centre	(0.130)			<b>(0.130)</b>	(2.9)		
ASC11	Re-provision use of Levick Court.	(0.311)			<b>(0.311)</b>	-		
ASC12	Transformation of Adult Social Care services.	(1.900)	(0.750)	(0.750)	<b>(3.400)</b>	-	0.771	
ASC13	Review of Direct Payments.	(0.660)			<b>(0.660)</b>	-		
ASC14	Court of Protection Service Charges.	(0.100)	(0.053)		<b>(0.153)</b>	-		
ASC15	Review of Adult Social Care Client Income contribution for residential care.	(0.500)			<b>(0.500)</b>	1.0	0.046	
FIN09	Invoice reconciliation.	(0.080)			<b>(0.080)</b>	-		
Dedicated Programme Support (across all Adult's initiatives) approved and new ideas, including Programme Management, Subject Matter Expertise and enabling services								0.193
<b>Total Adults approved savings and 2024/25 investment</b>		<b>(5.757)</b>	<b>(1.283)</b>	<b>(0.750)</b>	<b>(7.790)</b>	<b>(1.9)</b>	<b>1.047</b>	

Children's	2024/25 Approved Budget Proposals (as 8 March 2024/25 Council Report)	Profile of Approved Savings				(Reduction)/ Investment in Staff over 2024/25 to 2025/26 FTE	One-off Transformation Programme Investment 2024/25 (£m)	
		24/25 (£m)	25/26 (£m)	26/27 (£m)	Total (£m)			
CC01	Review of all Services across Children's Care.	(0.700)	(0.500)		<b>(1.200)</b>	(27.0)	0.035	
CC02	Review of Placements (including Processes and Procedures).	(1.100)			<b>(1.100)</b>	-	0.149	
CC03	Improvement of Internal Residential capacity through the purchase of suitable properties and refurbishment of existing MBC properties into Residential homes.	0.000	(0.450)	(0.615)	<b>(1.065)</b>	-	0.041	
CC04	Workforce Development Review of recruitment and retention and marketing of job roles, in particular Social Worker related posts.	(0.800)			<b>(0.800)</b>	-	0.111	
CC05	Maximising grant opportunities.	(0.454)	(0.150)	(0.100)	<b>(0.704)</b>	-		
CC06	SHIFT Project, a multidisciplinary approach in prevention.	(0.400)			<b>(0.400)</b>	-	0.135	
CC07	Special Guardianship Order Payment review.	(0.800)	(0.300)		<b>(1.100)</b>	1.0	0.027	
EDC01	Review of Integrated Transport Unit arrangements.	(0.132)	-		<b>(0.132)</b>			
CC04 (23/24)	Re-purpose Safe Families Contract.	(0.019)			<b>(0.019)</b>			
CS01 (23/24)	Reduction in the use of high-cost external family support provision.	(0.318)			<b>(0.318)</b>			
CS04 (23/24)	Introduce supplier incentive Scheme across Childrens purchasing.	(0.031)			<b>(0.031)</b>			
CS05 (23/24)	Combine posts to release efficiencies in quality.	(0.048)			<b>(0.048)</b>			
CS07 (23/24)	Reduction in agency costs.	(0.380)			<b>(0.380)</b>			
CS08 (23/24)	Redesign of short break provision.	(0.030)			<b>(0.030)</b>			
EP06 (23/24)	Develop Children's Centre into Family Hubs.	(0.153)			<b>(0.153)</b>			
Dedicated Programme Support (across all Children's initiatives) approved and new ideas, including Programme Management, Subject Matter Expertise and enabling services								0.237
<b>Total Children's approved savings and 2024/25 investment</b>		<b>(5.365)</b>	<b>(1.400)</b>	<b>(0.715)</b>	<b>(7.480)</b>	<b>(26.0)</b>	<b>0.734</b>	

Place-Based Services	2024/25 Approved Budget Proposals (as 8 March 2024/25 Council Report)	Profile of Approved Savings				(Reduction)/ Investment in Staff over 2024/25 to 2025/26 FTE	One-off Transformation Programme Investment 2024/25 (£m)
		24/25 (£m)	25/26 (£m)	26/27 (£m)	Total (£m)		
ECS01	Fortnightly Collection Residual Waste.	(0.374)			(0.374)	(12.0)	
ECS02	Green Waste Collection Charge.	(0.406)			(0.406)	-	
ECS03	Junk' Job collection will be chargeable.	(0.092)			(0.092)	-	
ECS04	Replacement Wheeled bins charge		(0.033)		(0.033)	-	
ECS05	Integrate Environment Services and Supporting Community functions and create a Neighbourhood management approach.	(0.287)	(0.113)		(0.400)	(12.0)	
ECS06	Increase in Education and Enforcement around Recycling.	(0.030)	(0.169)	(0.020)	(0.219)	-	
ECS07	Cease Council financial support for Environment City.	(0.105)			(0.105)	(2.0)	
ECS08	Resident Parking Permits Charge.	(0.125)	(0.125)		(0.250)	-	0.018
ECS10	Review of Community Facilities.		(0.200)	(0.100)	(0.300)	-	
ECS11	Review contribution to Community Hubs running costs.	(0.040)			(0.040)	-	
ECS12	Charge for Waste Bins on New Developments.		(0.030)		(0.030)	-	
REG01	Reducing the number of staff needed to deliver regeneration activities by implementing new ways of working.	(0.263)	(0.129)		(0.392)	(10.0)	
REG02	Changing the way the Middlesbrough News e-newsletter is produced and delivered.	(0.008)			(0.008)	-	
REG03	Review and implementation of alternative operations for Capitan Cook Birthplace Museum.	(0.100)	(0.245)		(0.345)	-	
REG04	Improve the commercial potential of the Town Hall and Theatre to maximise the potential of the buildings and provide a greater range of performances.	(0.050)	(0.100)		(0.150)	-	
REG05	Use grant funding to cover some of the existing economic growth activities the Council carries out.	0.000	(0.050)		(0.050)	-	
REG06	Reducing staff required to deliver the Council's marketing and communication activities by implementing new ways of working.	(0.050)	(0.050)		(0.100)	(2.0)	
ECS14 (23/24)	Reduce opening hours of hubs in line with demand introduce self-serve at Rainbow and Neptune Libraries.	(0.063)			(0.063)	-	
RC05 (23/24)	Events team to reduce by 1-2 posts, and external funding to be sought to delivery events.	(0.028)			(0.028)	-	
RC08 (23/24)	Reduction of 20% in the Council's Marketing and Communications function.	(0.028)			(0.028)	-	
NEW Transformation Project: Integrated Neighbourhood Working Programme		Business Case to be developed					0.211
Dedicated Programme Support (across all Place Based Service Initiatives) approved and new ideas, including Programme Management, Subject Matter Expertise and enabling services							0.034
<b>Total Place Based Services approved savings and 2024/25 investment</b>		<b>(2.049)</b>	<b>(1.244)</b>	<b>(0.120)</b>	<b>(3.413)</b>	<b>(38.0)</b>	<b>0.262</b>

Target Operating Model	2024/25 Approved Budget Proposals (as 8 March 2024/25 Council Report)	Profile of Approved Savings				(Reduction)/ Investment in Staff over 2024/25 to 2025/26 FTE	One-off Transformation Programme Investment 2024/25 (£m)	
		24/25 (£m)	25/26 (£m)	26/27 (£m)	Total (£m)			
FIN01	Collection of Housing Benefit Overpayments.	(0.105)	(0.035)		<b>(0.140)</b>	1.0	0.032	
FIN02	Review of Single Person Discounts and Student Exemption for Council Tax.	(0.198)	(0.066)		<b>(0.264)</b>	3.0	0.092	
FIN03	Collection of Council Tax.		(0.110)	(0.037)	<b>(0.147)</b>	2.0	0.064	
FIN04	Collection of Council Tax.		(0.504)	(0.103)	<b>(0.607)</b>	1.0	0.036	
FIN05	Collection of Business Rates		(0.126)	(0.042)	<b>(0.168)</b>	1.0	0.032	
FIN06	Collection of Council Debt	(0.188)	(0.070)		<b>(0.258)</b>	2.0	0.060	
FIN07	Reduction in Contractual Spend	(0.700)			<b>(0.700)</b>	2.0	0.127	
FIN08	Reduction in the allocation of resource for voluntary and community sector grants from the local authority.	(0.138)	(0.028)		<b>(0.166)</b>	-		
FIN10	Centralisation of grants administration and maximisation of opportunities for grant income across the authority	(0.050)			<b>(0.050)</b>	1.0	0.048	
FIN11	Closure of Cashiers at Middlesbrough House.		(0.020)		<b>(0.020)</b>	-	-	
LGS01	Reduce car mileage rate paid to staff from current 60p per mile for petrol/diesel/hybrid cars to HMRC rate of 45p per mile	(0.116)			<b>(0.116)</b>	-	-	
LGS02	DBS Renewals (staff to self-declare at renewal stage).	(0.012)			<b>(0.012)</b>	-	-	
LGS03	A Cross-Council review of administrative roles and functions.	(0.136)			<b>(0.136)</b>	(6.0)	-	
LGS04	Review corporate mobile telephone contract.	(0.050)			<b>(0.050)</b>	-	-	
LGS05	Centralisation of Data Analytics (Cross Council)	(0.058)			<b>(0.058)</b>	(1.5)	-	
LGS06	Legal Services Service Review		(0.045)		<b>(0.045)</b>	-	-	
LGS08	Reduction in Member Allowances	(0.006)			<b>(0.006)</b>	-	-	
LGS03 (23/24)	Democratic Services reduction in member and non-member related administration	(0.031)			<b>(0.031)</b>	-	-	
LGS06 (23/24)	Delete political assistant vacancy	(0.019)			<b>(0.019)</b>	-	-	
CEN02 (23/24)	Senior Management Review	(0.244)			<b>(0.244)</b>	-	-	
Dedicated Programme Support (across all Target Operating Model initiatives) approved and new ideas, including Programme Management, Subject Matter Expertise and enabling services								0.023
NEW Transformation Project: ICT Service Maturity		Business Case to be developed				-	0.170	
NEW Transformation Project: Application Rationalisation		Business Case to be developed				-	0.227	
NEW Transformation Project: TOM Decision Making Authority Review		Business Case to be developed				-	0.034	
<b>Total Target Operating Model approved savings and 2024/25 investment</b>		<b>(2.051)</b>	<b>(1.004)</b>	<b>(0.182)</b>	<b>(3.237)</b>	<b>5.5</b>	<b>0.944</b>	

Property	2024/25 Approved Budget Proposals (as 8 March 2024/25 Council Report)	Profile of Approved Savings				(Reduction)/ Investment in Staff over 2024/25 to 2025/26 FTE	One-off Transformation Programme Investment 2024/25 (£m)
		24/25 (£m)	25/26 (£m)	26/27 (£m)	Total (£m)		
REG07	Investing in better co-ordination of the way the Council provides housing to reduce the overall spend on emergency, temporary and short-term accommodation for people.	(0.080)	(0.220)	(0.200)	(0.500)	0.0	0.085
<b>Total Property approved savings and 2024/25 investment</b>		<b>(0.080)</b>	<b>(0.220)</b>	<b>(0.200)</b>	<b>(0.500)</b>	<b>0.0</b>	<b>0.085</b>

Enabling services and Customer	2024/25 Approved Budget Proposals (as 8 March 2024/25 Council Report)	Profile of Approved Savings				(Reduction)/ Investment in Staff over 2024/25 to 2025/26 FTE	One-off Transformation Programme Investment 2024/25 (£m)
		24/25 (£m)	25/26 (£m)	26/27 (£m)	Total (£m)		
Enabling Services (Including Portfolio Management Office, Finance, HR and ICT)							1.507
NEW Transformation Project: Customer		Business Case to be developed				-	0.904
<b>Total Enabling Services and Customer approved savings and 2024/25 investment</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.411</b>

<b>Total Portfolio approved savings and 2024/25 investment</b>		<b>(15.302)</b>	<b>(5.151)</b>	<b>(1.967)</b>	<b>(22.420)</b>	<b>(60.4)</b>	<b>5.483</b>
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### Annex 3: Flexible Use of Capital Receipts Legislative Framework

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 Medium-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.

## **Annex 4: Use of Flexible Capital Receipts in previous years**

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**

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 2022<sup>12</sup>, and was also shown in the Strategy for 2022/23.

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**

The Strategy for 2022/23 was approved by Council on 7 September 2022<sup>13</sup>. 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.

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. 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**

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.

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.

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<sup>12</sup> Year-end Outturn position 2021/22 14 June 2022:  
<https://moderngov.middlesbrough.gov.uk/documents/s12560/Report.pdf>

<sup>13</sup> 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>

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.

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.

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.

In order to reduce the forecasted 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 2024<sup>14</sup>.

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.

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.

Performance against this plan will be reported as part of the 2023/24 financial 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.

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<sup>14</sup> Flexible use of Capital Receipts Policy: 17 January 2024:  
<https://moderngov.middlesbrough.gov.uk/documents/s20224/Report.pdf>