

MIDDLESBROUGH COUNCIL	
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Report of:	Chief Executive - Clive Heaphy
Relevant Executive Member:	The Mayor and Executive Member for Adult Social Care and Public Health - Chris Cooke
Submitted to:	Individual Executive Member Decision-Making Meeting - The Mayor and Executive Member for Adult Social Care and Public Health
Date:	17 July 2024
Title:	Productivity in Local Government: A Response to the Department for Levelling Up, Housing and Communities
Report for:	Decision
Status:	Public
Council Plan priority:	Delivering Best Value
Key decision:	No
Why:	Decision does not reach the threshold to be a key decision
Subject to call in?	No
Why:	Plans must be submitted to Government by 19 July 2024.

Proposed decision(s)	That the proposed productivity plan, attached to this report at Appendix 1 is agreed and submitted to government.
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Executive summary	<p>On 16 April 2024, the then Minister for Local Government, Simon Hoare MP, wrote to all Local Authority Chief Executives, asking councils to produce productivity plans as part of the terms of the Local Government Finance Settlement. Productivity plans are also required under the conditions accepted by the Council in relation to the in-principle agreement of £13.4m of Exceptional Financial Support (EFS) which was applied for to enable a legally balanced budget to be agreed at its meeting on 8 March 2024.</p> <p>This report sets out the proposed productivity plan for the Council, attached at Appendix 1. The draft productivity plan provides the context for savings made to date, the demands on services and the focus of the Council's resources on transformation, performance management, use of data, working with partners and transforming our workforce.</p>
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1. Purpose

- 1.1 The purpose of this report is to set out the Council's approach to improving its productivity, that is already embedded within its current plans to transform and improve service delivery. Activities to do this are embedded within the Council Plan, the Council's Transformation Programme, People Strategy, Section 24 Action Plan and Corporate Governance Improvement Plan.
- 1.2 The report also proposes a draft productivity plan for the Council, which, if agreed, will be submitted to government for consideration. Progress against the plan will be embedded within the quarterly performance and budget outturn reports to Executive.

2. Recommendations

- 2.1 That the proposed productivity plan, attached to this report at Appendix 1 is agreed and submitted to government.

3. Rationale for the recommended decision(s)

- 3.1 Adoption of a productivity plan has been made a requirement of the 2024/25 Local Government Financial Settlement.

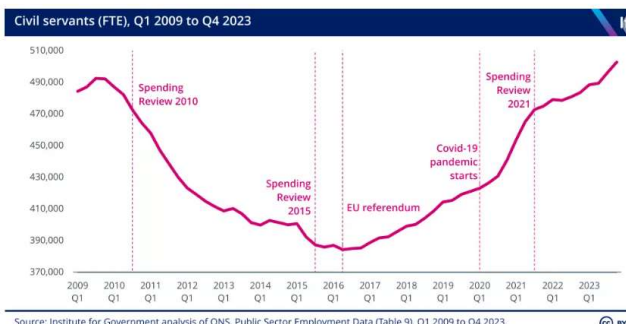
4. Background and relevant information

- 4.1 On 16 April 2024, the then Minister for Local Government, Simon Hoare MP, wrote to all Local Authority Chief Executives, asking councils to produce productivity plans which was announced as part of the Local Government Finance Settlement. Productivity plans are also required as under the conditions accepted by the Council when it accepted the 'in principle approval of £13.4m of Exceptional Financial Support (EFS) to enable a legally balanced budget to be set for 2024/25.
- 4.2 Appendix 1 sets out the Council's proposed response to this request. The Council's draft productivity plan reflects that it, and other local authorities have been successfully delivering year on year improvements to productivity since 2010. Middlesbrough Council launched its first Change Programme to deliver savings and reconfigure services in 2014.
- 4.3 Since that time, two further iterations of change programmes have been delivered successfully, seeing the Council move from an operating budget of £133.6m in 2010 to £126.354m in 2023/24, while also managing significant increases in costs incurred to deliver services, demand, and complexity of need in key areas while also managing a real term cut in funding. While Middlesbrough has had a cash increase in Core Spending Power from 2010/11 to 2024/25, it has actually suffered a £62.1m (25.6%) cumulative 'real terms' cut in Core Spending Power from 2010/11 to 2024/25 based on 2023/24 prices, equating to a 'real term cut' of £958.5 per dwelling:

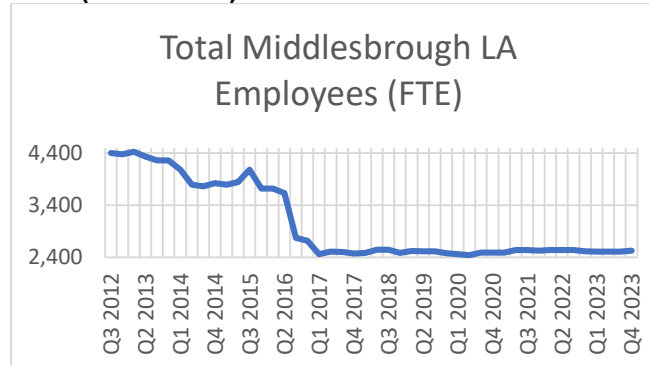
Local authority	Real terms cuts			Cash terms cuts		
	Cum. Cut 14 years 10-11 to 24-25 at 2023-24 prices	Percentage real term cut	£ per dwelling real term cut	Cash increase/cut 14 years 10-11 to 24-25	Percentage cash term increase/ cut	Cash Increase/ Cut 10-11 to 24-25 Per dwelling
	£m	%	£ pd	£m	%	£ pd
England	-13,902.2	-18.1%	-556.4	8,723.6	15.7%	349.1
Middlesbrough	-62.1	-25.6%	-958.5	8.6	4.7%	132.4
SIGOMA	-4,765.0	-23.3%	-756.3	1,193.7	7.9%	189.46

4.4 As well as transformation of service delivery, cessation of services and reducing service delivery levels, the Council has significantly reduced its staffing levels. The diagram below shows the councils FTE level reductions since 2009, in comparison to trend data for the Civil Service:

Civil Service FTE levels and trend data (2009 – 2023)



Middlesbrough Council FTE levels and trend data (2012-2023)



4.5 At the same time, the Council has seen increases in costs and demand for services, in particular, the rise in pressure from social care related expenditure over the last 14 years is clearly evidenced within this document. **82%** of net revenue expenditure is now spent on Children’s and Adult care, up from 40% in 2010/11.

4.6 The Council’s financial position remains critical given that it required Exceptional Financial Support in order to set a balance budget for 2024/25. It has run down its unrestricted usable revenue reserves in recent years particularly due to spending pressures in children’s care. The 2024/25 MTFP sets out further ambitious but essential savings plans totalling £13.910m in 2024/25, rising to £21.028m by 2026/27 which need to be delivered to recover the Council’s financial position.

4.7 2024/25 savings equate to 11% of the 2023/24 Net Revenue Budget, rising to 16.6% in 2026/27. These plans are to be delivered through the Recover, Reset, Deliver Transformation Portfolio. The Council faces a further challenge to close the remaining budget gap of £7.474m in 2025/26 rising to £7.965m in 2026/27 and return to financial sustainability. Therefore, further productivity gains are essential.

4.8 The appended draft productivity plan provides the context for savings made to date, the demands on services and the focus of the Council’s resources on transformation, performance management, use of data and transforming our workforce.

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

5.1 Not applicable.

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

6.1 Financial (including procurement and Social Value)

There are no direct financial implications arising from the Productivity Plan, however it sets out the action being taken to drive further efficiencies that are required in order to deliver a balanced budget.

6.2 Legal

There is a government expectation that the Council will put this plan in place. Regardless, the Council has a statutory duty to ensure **Best Value**, by ensuring it has the effective arrangements in place across the seven Best Value themes:



6.3 Risk

Provision of a productivity plan has been requested as part of the local government financial settlement. Provision of this document will support effective management of the following risks within the Strategic Risk Register:

Risk Ref	Title and Description
SRR-01	<p><i>Failure to set a legal and balanced annual budget and to maintain a sustainable Medium Term Financial Plan (MTFP):</i> The Council is required to set a legally balanced revenue budget by 11 March in advance of each forthcoming financial year. Failure to achieve this objective will require the s151 Officer to issue a statutory s114 Notice to the Council. The Council has a best value duty to set and maintain a sustainable and balanced Medium Term Financial Plan including maintenance of its reserves position to demonstrate financial resilience to be able to respond to unforeseen and complex financial challenges presented by the wider economic environment.</p>
SRR-09	<p><i>Corporate Governance arrangements are not fit for purpose:</i> If the Council's Corporate Governance arrangements are not fit for purpose and appropriate action is not taken to rectify this at pace, this could result in censure from the Council's auditors within a public interest report that would damage the Council's reputation and / or result in government formal intervention, including removal of powers from officers and members and direction of council spend.</p>
SRR-13	<p><i>Failure to deliver transformation successfully:</i> If the Council fails to transform its service delivery model to a model that can deliver outcomes for residents at a reduced cost base, then the Council's financial position will become untenable and may result in the issuing of a S114 Notice.</p>

6.4 Human Rights, Public Sector Equality Duty (PSED) and Community Cohesion

There are no direct implications for human rights, the PSED or community cohesion as a result of this report.

6.5 Climate Change / Environmental

There are no direct implications for the environment or climate change as a result of this report.

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

There are no direct implications for this group as a result of this report.

6.7 Data Protection

There are no direct implications for data protection as a result of this report.

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

Action	Responsible Officer	Deadline
Submit the agreed Productivity Plan to government	Head of Governance, Policy and Information	19/07/2024

Appendices

1	Draft Productivity plan
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Background papers

Body	Report title	Date
Council	Corporate Governance Improvement Plan update	18/09/2023
Council	Council Plan	8/3/2024
Council	2024/25 Revenue budget, Medium Term Financial Plan, Council Tax setting and Treasury Management	8/3/2024
Council	Approach to Transformation of Middlesbrough Council	27/03/2024
Council	Transformation of Middlesbrough Council	24/04/2024

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