

## **EXECUTIVE MEMBER REPORT TO COUNCIL**

### **EXECUTIVE MEMBER: FINANCE AND GOVERNANCE – COUNCILLOR NICKY WALKER**

**DATE OF MEETING: 11 September 2024**

1. The purpose of this report is to provide an update to members on areas of activity within my portfolio including performance against strategic priorities.

#### **STRATEGIC PRIORITIES**

2. We will ensure that we place communities at the heart of what we do, continue to deliver value for money and enhance the reputation of Middlesbrough.

#### **UPDATE**

3. I continue to have weekly briefings with each of the two directors relevant to my portfolio as well as frequent additional meetings and contact with them and other officers as appropriate.

#### **HIGHLIGHTS**

##### **Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter One 2024/25**

4. At the end of July and early August I chaired the Budget Challenge sessions for each of the directorates within the Council. These sessions were attended by senior officers, the relevant executive members and the Mayor. Members may recall that executive member involvement in these sessions was reintroduced last year, along with more robust monthly monitoring by officers.
5. The report which I will present to the Executive on 04 September included a forecast at the end of Quarter One, based on these Budget Challenge Sessions of the financial position against the approved budget which would exist at the end of the financial year, if further measures are not taken to control expenditure within approved budgets.
6. This forecast at Quarter One is a year-end overspend of £3.742m, or 2.6% of approved budget of £143.190m. This is substantially less than the figure that emerged in the first quarter of the 2023/24 financial year when there was a forecasted overspend of £11.563m, or 9.2% of that year' budget.

7. Directorates have identified £1.877m of Financial Recovery Plans which currently require further assurance, and work will continue to identify further mitigations with the aim of delivering within the approved budget by the financial year end and to avoid calling on our still critically low levels of reserves and/or further use of Exceptional Financial Support in relation to unachieved savings.
8. As can be seen from the table below the forecast overspend of £3.742m comprises potential overspends due to delayed or deliverability of savings of £2.498m and other variances of £1.244m.
9. The key figures are summarised in the table below:

	<b>£m</b>
Adult Social Care – unachieved savings	0.817
Adult Social Care – other - mainly by maximising a one-off grant	(0.387)
Children’s Social Care – increased numbers and complexity of external residential placements	2.424
Children’s Social Care –unachieved savings	1.330
Other variances (ECS, Education & Partnerships, Regeneration, Legal and Governance, Finance, and Central)	(0.442)
<b>Total</b>	<b>3.742</b>

10. A substantial amount of the forecast overspend relates to Children’s Social Care, with £2.4million relating to increased numbers and costs of external residential placements. A great deal of work is going in to address this, including identifying preventative measures through transformation, especially to reduce the numbers of children becoming looked after in the first place. A number of measures were agreed at the Budget Challenge session aimed at improving the financial position within Children’s Social Care and further detail is included in the report.
11. Following the Children’s Budget Challenge session it was agreed at my suggestion that there will be monthly updates provided for the Mayor and me following each of the monthly officer budget challenge sessions and the first of these has already been held.

### **Update of Medium-Term Financial Plan and Budget Gap**

12. A significant improvement in our financial position from that which existed at the start of the 2023/24 financial year has been achieved and the improvement measures taken to date to have been acknowledged both by our Independent Improvement and Advisory Board and by Central Government. However, as has been stated in council reports and I have reflected in earlier reports to Council, due to the financial position inherited, financial recovery was always going to take more than one year, and our journey towards long-term financial resilience which includes reducing costs through modernising and transforming service delivery continues, as does the need to strengthen the grip on our finances throughout 2024/25.

13. The Council's updated financial position is set out in the report on the 2025/26 Medium Term Financial Plan which I will present to the Executive on 04 September. The key figures are set out below:

2023/24	2024/25	2025/26	Reserves at 01.04.24
<p>Revenue Budget <b>Overspend</b> <b>£3.6m</b></p> <p>(2.8% of Net Revenue Budget)</p> <p>Improved from £11.5m at Q1</p>	<p><b>Exceptional Financial Support (£4.7m) one off solution to balance budget</b></p> <p><b>Q1 forecast:</b></p> <ul style="list-style-type: none"> <li>• <b>£3.8m overspend</b></li> <li>- £2.5m savings unachieved</li> <li>- £1.3m pressures</li> <li>• £1.9m recovery plans to be assured</li> </ul>	<p><b>£7.9m budget gap</b> (revised from £7.5m as at 01.04.24)</p> <ul style="list-style-type: none"> <li>- Working figure</li> <li>- Based on best information and assumptions</li> <li>- Will change as we move through the budget process</li> <li>- Assumes 24/25 no overspend and savings delivered</li> <li>- Actions req'd reduce/control pressures</li> <li>- Identify new savings/income proposals</li> </ul>	<p><b>General Fund £11.1m</b> (minimum level) Usable unrestricted <b>Reserves £9.3m</b></p> <p>Fragile and 8<sup>th</sup> lowest of all unitary Local Authorities 2022/23</p> <p>Need to rebuild reserves – resilience</p> <p><b>Reserves can only be used once</b></p>

14. The figures in red indicate where there are ongoing pressures which, if not addressed, have an impact on future years and those in blue indicate resources that can only be used once.

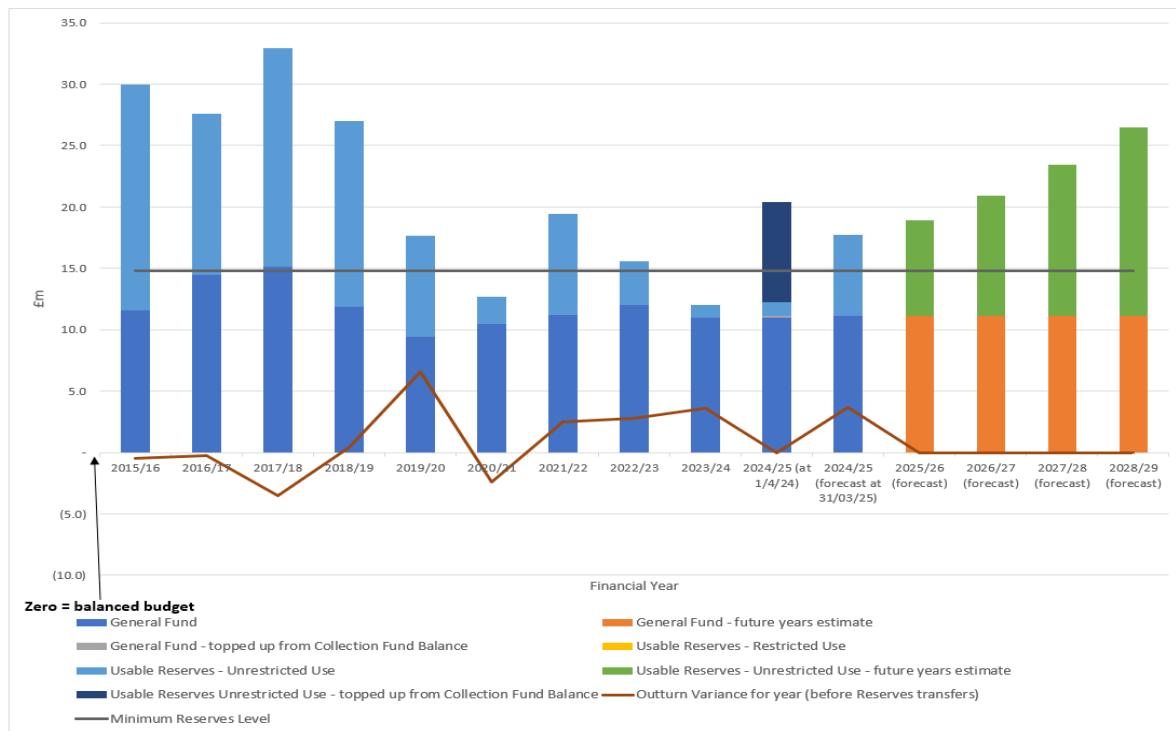
15. The revised forecasted gap on the revenue budget for the 2025/26 budget has increase slightly from £7.474m as at 01 April 2024 reported to members as part of the budget in March 2023 to £7.864m (rising to £8.749m by 2028/29). The gap represents the figure that will have to be addressed through transformation or other savings in order to deliver a balanced budget for 2025/26. All Council members have a legal obligation to agree a balanced robust budget and set the Council Tax by 11 March 2025 and will be consulted on proposals to bridge this gap.

## Reserves

16. As previously reported, due to overspends in recent years the Council's Reserves fell to a critically low level, which was also below the recommended minimum level, and one of the lowest levels of reserves as a percentage of net revenue expenditure of all unitary authorities in the country. This was addressed as part of 2024/25 budget setting following a one-off fundamental review of the Collection Fund bad debt provision which has restored the unrestricted reserves balances to a total of £20.380m as at 1 April 2024. Further contributions to reserves are

planned within the 2025/26 Medium Term Financial Plan in order to rebuild financial resilience.

17. The graph below illustrates annual variances against budget, levels of General Fund and Unrestricted Usable Reserves, the one-off sum added from the Collection Fund in 2024/25 and from 2025/26 the planned rebuilding of reserves in order to return to a position of financial resilience.



## THE TIME AHEAD

### Cross-Party Financial Resilience Working Group

18. The Mayor and I have both been keen to establish a group that will work collaboratively on a cross-party/group basis on the Council's future financial resilience, including providing additional opportunity to suggest proposals for savings and discussions on the budget for 2025/26. To that end there have been two recent initial meetings with group leaders to formulate the group and its remit. This is in addition to and will not replace all member briefings or the involvement of scrutiny through OSB.

### Councillor Gateway

19. The Councillor Gateway has now been live for two months, as with any new system there have been expected and anticipated snagging/teething issues being worked through and by and large resolved quickly.

### Old system

20. As planned all remaining enquiries submitted through the onestop email were closed down by Monday 15th July. Approximately 1800 cases were responded to as part of the move to the new system. The dual running ended on 15th July and

one single route/system is now in place to log, manage and monitor Members Enquiries.

### New system

21. The new system went live on 01 July 2024 and as of 05 August there had been 489 enquiries logged. Nearly all councillors have used the system.
22. Feedback in relation to the new system in the main has been positive, and officers have supported and worked closely with both councillors and other council officers guiding them through the change from the old to the new system.
23. There were as expected technical issues arising, especially within the first 2-4 weeks, which were resolved as quickly as possible. These issues are very normal when implementing a brand new system and the system is maturing week by week. Project Team Meetings were held every two days to keep issue management, resolutions and actions on point. Regular meetings and check-ins with councillors following go-live also took place, to identify both problems they might be experiencing and also where there was scope to make other improvements. As well as taking part in this with the other Councillor Champions, I have had additional contact and meetings with officers separately.

### Training & Comms

24. Communications have been sent out consistently to both councillors and council officers, providing regular updates highlighting known issues, providing fixes to snagging issues, as well as useful system hints and tips. Comms have been kept simple and easy to read as possible and I have reviewed these prior of circulation. Post go-live drop-in sessions have also been provided for Councillors with more planned.

### Dashboard

25. An impressive dashboard has been developed to enable directors, heads of service and relevant managers to monitor and manage Members Enquiries at a more granular level and be used in the planning of service delivery. It is intended to produce something similar which can be accessed by councillors.
26. I'd like to extend my thanks to all of the councillors who have taken their time to provide an input into this process as well as to the officers for all their hard work on this.

**NAME:** Cllr Peter Gavigan  
**DATE:** 11 September 2024