

# MIDDLESBROUGH COUNCIL

AGENDA ITEM 9

## COUNCIL REPORT

### Medium Term Financial Plan Update

### The Elected Mayor of Middlesbrough

### Strategic Director of Finance, Governance and Support: James Bromiley

24 January 2018

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#### PURPOSE OF THE REPORT

1. To provide members with an update to the Medium Term Financial Plan in response to the Local Government Finance Settlement figures received on 19 December 2017, the National Pay Award offer and continued national funding pressures in relation to Children's Social Care.
2. To propose a change in the Council Tax increase set out in the Strategic Plan report of 6 December 2017.

#### SUMMARY OF RECOMMENDATIONS

2. a) Note the contents of the report.  
b) Agree to consult on increasing Council Tax for the financial year 2018/19 by 2.99% plus the Adult Social Care Precept of 2% (4.99%) rather than the figure of 1.99% plus the Adult Social Care Precept of 2% (3.99%).

#### IF THIS IS A KEY DECISION WHICH KEY DECISION TEST APPLIES?

3. It is over the financial threshold (£150,000)   
It has a significant impact on 2 or more wards   
Non Key

#### DECISION IMPLEMENTATION DEADLINE

4. For the purposes of the scrutiny call in procedure this report is

Non-urgent   
Urgent report   
If urgent please give full reasons

## BACKGROUND AND EXTERNAL CONSULTATION

5. The Strategic Plan approved by Council on the 6 December 2017 set out the revised Medium Term Financial Plan and began consultation on budget savings proposals to deliver a balanced budget.
6. In addition the Strategic Plan also set out the Councils strategy for Council Tax increases for the period 2018 to 2021. These were as follows:

<b>Year:</b>	<b>Council Tax Increase:</b>	<b>Adult Social Care Precept:</b>	<b>Total Increase in Council Tax:</b>
2018/19	1.99%	2.00%	3.99%
2019/20	1.99%	2.00%	3.99%
2020/21	1.99%	0.00%	1.99%

7. Council Tax increase assumptions were based upon the Local Government Finance Settlement for 2017 to 2018 confirmed on 20<sup>th</sup> February 2017. This settlement assumed that Councils would increase Council Tax by the maximum envisaged for the period 2017/18, 2018/19 and 2019/20 which was 1.99%. Furthermore the settlement provided for an additional precept to be used to fund Adult Social Care which could be split either 2% in each of the years 2017/18, 2018/19 and 2019/20 or 3% in the years 2017/18 and 2018/19 and 0% in 2019/20.
8. The Draft Local Government Finance Settlement for 2018 to 2019 published on 19 December 2017 increased the proposed flexibility for Councils to increase Council Tax from 1.99% to 2.99% for the Financial Year 2018/19. In its spending power calculations the Government also assumed that all Councils would make use of this increased flexibility in both 2018/19 and 2019/20.
9. Since the approval of the Strategic Plan on the 6<sup>th</sup> December 2017 there has been a National Pay Award Offer made to the Unions covering the two year period 2018/19 and 2019/20. The headline offer is a 2% increase per annum, with significant bottom loading to the lower end of the pay spine. The Strategic Plan assumed annual increases of 1% with additional provision for the Living Wage Foundation rate but this offer would have a total additional cost of £2.1m in 2018/19 and 2019/20.
10. Nationally Local Government has made the case that ending the pay freeze in the sector should be covered by increased funding from Central Government and Middlesbrough Council carried a motion on 1 November 2017 in support of this position. However in the Draft Local Government Finance Settlement of 19 December there was no additional funding for the Council apart from the increased flexibility to raise funds locally through the Council Tax.
11. Increasing Council Tax in line with the revised Central Government assumptions would not cover the entire additional cost of the proposed pay award but applying the increase would mitigate the effect of the national pressure.

12. Increasing Council Tax in line with the revised assumptions in the Draft local Government Finance Settlement would have the effect of revising the budget assumptions as follows:

Year:	Council Tax Increase:	Adult Social Care Precept:	Total Increase in Council Tax:
2018/19	2.99%	2.00%	4.99%
2019/20	2.99%	2.00%	4.99%
2020/21	1.99%	0.00%	1.99%

13. This approach would generate additional income of £1.0m over the period 2018/19 to 2020/21 which could contribute to the increased costs of the pay offer not funded by Central Government.
14. The Strategic Plan assumption on the Adult Social Care Precept to implement at 2% in both of the years 2018/19 and 2019/20 rather than front load the precept by increasing by 3% in 2018/19 and 1% in 2019/20 would remain unchanged.

## OPTION APPRAISAL/RISK ASSESSMENT

15. The Council has a statutory obligation to set a balanced budget and maintain a robust Medium Term Financial Plan. In line with the Strategic Plan it aims to do this in a proactive and systematic manner whilst continuing to reshape the Council to lead the delivery of the 2025 vision for Middlesbrough.
16. In the light of increasing spending pressures and reducing Central Government funding the Council must explore all of the options open to it for reducing costs and increasing income.
17. Consulting on increasing Council Tax in line with the revised assumptions from Central Government is consistent with this approach and allows the Council to fully consider the views of residents and other stakeholders ahead of setting the budget for 2018/19.
18. The level of the Council Tax for 2018/19 will be set by Council on 7 March 2018 as part of the Elected Mayor's 2018/19 Budget following consideration at Executive on 20 February 2018.

## FINANCIAL, LEGAL AND WARD IMPLICATIONS

19. **Financial Implications** – This report requests a consultation on increasing Council Tax by an additional 1% in the financial years 2018/19 and 2019/20 in line with Central Government assumptions, so generating an additional £1.0m in revenue to partially mitigate the effect of the National Pay Award offer.
20. **Ward Implications** – Any increase in Council tax in Middlesbrough would impact on residents in all wards.
20. **Legal Implications** – The Council has a legal duty to set a balanced budget and exploring and consulting on options to achieve this is an important part of the process.

## RECOMMENDATIONS

21. It is recommended that Council:-

- a) Note the contents of the report.
- b) Agree to consult on increasing Council Tax for the financial year 2018/19 by 2.99% plus the Adult Social Care Precept of 2% (4.99%) rather than the figure of 1.99% plus the Adult Social Care Precept of 2% (3.99%).

## **REASONS**

17. The recommendations are supported by the following reasons: -

- a) The Council faces increased spending pressures as a result of the National Pay Award offer of December 2017.
- b) In view of the legal duty of Councils to set a balanced budget the Council should explore, and consult on, options to increase revenue.
- c) The additional flexibility to increase Council Tax allowed and assumed in the Draft Local Government Finance Settlement is an option that the Council should consider and seek the views of residents upon.

## **BACKGROUND PAPERS**

18. None.

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