

Report of:	Elected Mayor of Middlesbrough – Andy Preston, Strategic Director of Finance, Governance and Support – James Bromiley
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Submitted to:	Executive, 18 February 2020
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Subject:	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2020/21
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Summary

Proposed decision(s)

That the Executive endorses the proposed budget strategy for 2020/21 as set out in paragraphs 36 to 83, endorses the proposed budget savings for 2020/21 and notes the proposed budget savings for 2021/22 (Appendices 1-3).

That the Executive endorses the budget requirement for 2020/21 to be set at £116,396,952, as detailed in Appendix 4.

Having taken into account the matters set out in Section 32 of the Local Government Act 1992 and the items set out within the report that the Executive endorses that the basic amount of Council Tax (Band D) for 2020/21 be £1,710.63 being a 1.99% increase in general Council Tax and an annual precept of 2.00% for Adult Social Care which has been continued by the Government for 2020/21 only to contribute towards the shortfall of funding for adult social care. This Council Tax increase is in line with Government assumptions relating to the funding available to the Council. In total this represents an increase of 3.99% in the basic amount of Council Tax for the whole of the Borough.

That the Executive endorses the actual amount of Council Tax (Band D) for areas without parish precepts (excluding Fire and Police) be set at £1,710.13.

That the Executive endorses the actual amount of Council Tax (Band D) for areas with parish precepts (excluding Fire and Police) be set at :-

Nunthorpe Parish	£1,714.41
Stainton and Thornton Parish	£1,719.44

That the Executive endorses the amounts of Council Tax for each category of dwelling be set in accordance with table 4 of Appendix 7 within the report.

That the Executive notes the refreshed Medium-Term Financial Plan position for 2020-23 set out in this report in paragraphs 84 to 109.

That the Executive notes the updated Investment Strategy for the period to 2022/23 as outlined in paragraphs 110 to 115 and detailed in Appendix 8.

That the Executive endorses the Capital Strategy Report (Prudential indicators, Investment Strategy and Minimum Revenue Provision) 2020/21 as outlined in paragraphs 116 to 127 and detailed in Appendix 9, and endorses the Authorised Limit for external borrowing of £300 million for the Council for 2020/21 as set out in paragraph 126.

Report for:	Key decision:	Confidential:	Is the report urgent?
Decision	Yes – over the financial threshold (£150,000) and affects more than two wards	No	Yes - Rule 15 (general exception) applies.

Contribution to delivery of the 2020-23 Strategic Plan

People	Place	Business
The setting of the Revenue Budget, Council Tax, Capital Strategy for 2020/21 and the revision of the Council's Medium-Term Financial Plan for 2020-23 plays a central role in ensuring that the Strategic Plan is delivered effectively.		

Ward(s) affected

Expenditure outlined in the revenue and capital budgets will positively impact on all wards in Middlesbrough.

What is the purpose of this report?

1. This report presents the recommended Revenue Budget of £116,396,952, Council Tax of 3.99% (paragraphs 66 to 83), and Capital Strategy Report for 2020/2021 (paragraphs 116 to 127). Attached to the report are a number of appendices which are listed at the end of the report.
2. Following on from the previous report presented to Council on 23 December 2019, this report also provides a refreshed Medium Term Financial Plan (MTFP) for the period 2020/21 to 2022/23 to reflect the 2020/21 Local Government Finance Settlement (paragraphs 84 to 109).
3. The Medium Term Financial Plan update in this report is integrated with the £214.1 million Investment Strategy for Middlesbrough for the period to 2022/23, supported by £150.4 million of the Council's own resources. The updated Investment Strategy is shown in Appendix 8. This strategy is intended to attract a total of £625 million of investment into the town and its infrastructure.
4. This budget continues to support the Mayor's commitment to invest in Middlesbrough and transform service delivery for residents. It is intended that through this strategy the Council can achieve the challenging financial targets faced in the Medium Term Financial Plan period whilst ensuring that there is a minimum impact on the level of service delivered to the public.

Why does this report require a Member decision?

5. Full Council is required under legislation to set a revenue budget and agree the level of Council Tax and Prudential Indicators for 2020/21. The Executive have a key role in proposing to Full Council the revenue budget, level of Council Tax and Prudential Indicators.

Report Background

Consultation

6. The report on the Elected Mayor's Priorities for Middlesbrough and Strategic Plan 2020-2023, which was approved by Council on 15 January 2020, sets out what the Council is aiming to prioritise over the next three years; the Medium Term Financial Plan sets out the financial envelope that is necessary to achieve those aims and the savings necessary for living within those financial plans (budget savings).
7. The Council noted a report on 23 December 2019 which provided an update in respect of the Council's Medium Term Financial Plan position for the period to 2022/23, reflecting and supporting delivery of the Strategic Plan; and set out proposed budget savings for this period which, subject to consultation, would form the 2020/21 budget and those of future years.
8. The Elected Mayor set out a series of proposed budget savings which amounted to £3.9m million in 2020/21, and these were in addition to planned savings of £4.6m for 2020/21 already approved by Council in March 2019.

9. The duty to consult, where proposals affect individuals or groups of individuals, arises both in statute and through common law. As in previous years, the proposals were all assessed for potential impact on the public; where such an impact was or may have been identified, those proposals were placed in a separate Appendix (Appendix 2) and formed part of a public consultation exercise which commenced on 24 December 2019 and concluded on 31 January 2020. This consultation was conducted in accordance with any applicable legal requirements, with appropriate impact assessments undertaken considering responses to the consultation. The same approach will be adopted for savings proposed in Appendix 3 relating to 2020/21 and 2021/22, with consultation taking place in 2020/21 or future years.
10. The Elected Mayor of Middlesbrough was clear from the outset that he wanted to create a step change in the level of consultation on the budget this year.
11. The consultation therefore included:
 - a general public survey on the Council's website, with hard copies distributed across hubs and libraries;
 - four public meetings in different areas of the town attended by senior politicians and managers;
 - consultation with the Council's partners and the local business sector;
 - greater involvement of elected members in the process overall; and
 - a new and innovative approach to promoting increased public engagement through social media.
12. In addition, a targeted approach was adopted for proposals within Appendices 2 and 3 where specific groups and / or individuals were potentially adversely affected. These approaches were bespoke to the proposal at hand and included:
 - specific online consultation;
 - public meetings;
 - targeted focus group work, and
 - face-to-face consultations.
13. The Elected Mayor also conducted a specific consultation meeting with the business sector on the 14 January 2020.
14. A general consultation email address was launched along with a consultation section on the Council's website, promotional posters in the hubs, bus station, customer contact centre, other Council buildings, and adverts on town centre advertising boards.
15. The consultation resulted in 1,157 responses to the Council's online consultation and completed hard copies of the survey on its budget proposals. Analysis of the 1,157 budget consultation responses shows:
 - 44% of respondents were in favour of a Council Tax rise of 2%. 31% were against. 25% took a neutral view of the proposal.
 - 53% were against the green waste charge, 26% were in favour and 21% took a neutral view of the proposal.

- School meals price increase, 37% were in favour of an increase in the school meal charges, with 32% opposed and 31% of respondents had a neutral view on this proposal. This proposal has been moved to Appendix 3 and will be subject to a separate report for consideration by Executive in March 2020, due to consultation not finishing until 26th February 2020.
- The proposal to remove school crossing patrols generated the most engagement. In addition to 60% of survey respondents opposing this proposal, 1,346 signatures were received on various petitions in relation to this proposal. 24% of respondents to the online survey agreed with the proposal. 16% of all comments made were in relation to this proposal
- 42% of those who responded to the area care proposal were in favour of the proposal, compared to 24% against.
- 57% of respondents were opposed to the proposal to move to a fortnightly general waste collection service, compared to 28% in favour. Analysis of responses showed that few objected to the principle of a fortnightly collection but there was significant concern that current bins would be of insufficient size and could result in an increase in fly tipping and risks to public health. 17% of all comments received were in relation to this proposal.
- 45% of respondents were in favour of the proposal to reduce the spend on drugs and alcohol services by reducing back office costs and making contract efficiencies. 18% were opposed. 5% of all comments received were in relation to this proposal. There was some concern that this would penalise those suffering from addiction and be potentially counterproductive.
- While more were in favour of the proposal to reduce use of public health grant for council services (31% compared to 15%), 54% of respondents had a neutral view.
- The proposal to decommission the contract with Middlesbrough Environment City (MEC) and cease the discretionary element of the Healthy Start vitamins was subject to consultation as part of the budget setting process and there was also targeted consultation with current and part service users of the MEC services. The budget consultation responses found that 33% of respondents were opposed to the proposal, while 32% were in favour of it. There was some support for those who could afford to, paying for their multi vitamins, but significant opposition to reducing contributions to MEC, particularly the Winter Warmth scheme. This was echoed in the targeted consultation responses. Service users all give mostly positive views around the quality of service delivery.

16. The consultation also resulted in receipt of 33 email responses from individuals:

Proposal	Opposed responses
Council Tax	3
Fortnightly collections	6
Green waste charge	4
School crossing patrol	12
School meal price increase	1
Area care	2
Staff mileage rate	1
Generic comments	4

17. Four Community meetings were offered, which were attended by approximately 80 people.
18. There was also an extensive promotion of the consultation through social media, both for the overall budget consultation and providing more detail on each of the individual proposals within Appendix 2. It is estimated that in total videos on the budget have been viewed over 10,000 times, posts were shared over 200 times and analysis of reach estimates that there was a potential reach to up to 77,000 people. Reach is an estimation based on calculation of views, shares and the size of the group posts are shared to e.g. if a person sharing a post has 200 followers, there is a potential reach of up to 200 people for that shared post.
19. Analysis of the feedback given online to social media posts is difficult to quantify as it was not a formal consultation mechanism, people were encouraged to complete the online consultation form. That being said, a significant number of comments were made on the following posts:
 - The Mayor's posts on Council Tax increase and the introduction of a green waste charge received mixed comments
 - Posts around green waste charges, school meals price increases, reduced school crossing patrols and fortnightly waste collections, generally resulted in negative comments.
20. Following the budget consultation period, the Elected Mayor has proposed that the following budget savings proposals are removed from Appendix 2 and will not be proposed for approval as part of this budget:
 - Reduced number of school crossing patrols across Middlesbrough, based on appropriate levels of risk assessments (REG 04).
 - Revised approach from universal to targeted offer for Healthy Start Vitamins contract and decommissioning of Middlesbrough Environment City Lifestyle Choice, Focus on Nutrition and Winter Warmth contracts (PHPP 08)
 - Proposal to implement a charge for the collection of green waste (ECS 18B)
 - The element of the Management and supervisory review of Area Care activities proposal (ECS 15) relating to reducing the frequency of services - £90,000
 - Proposal to move to fortnightly general waste collections (ECS 18A).
21. As mentioned in paragraph 15 the consultation highlighted that whilst people did not generally object to the principle of a fortnightly collection, there was significant concern around the size of the current bins. The Elected Mayor has proposed that this budget saving proposal be temporarily deferred to enable a full review and assessment of how waste is collected and to allow a concentrated programme of public education and encourage recycling. As a result this has now moved from Appendix 2 to Appendix 3 of this report (savings requiring further development).
22. In addition, following the consultation and a review of some of the proposed budget savings in Appendix 2 of the December report, the budget savings proposals detailed below have been moved to Appendix 1 as they are considered to have only a minimal effect on front line service delivery levels:

- The remaining element of Management and supervisory review of Area Care activities, with minimal impact on front line services (ECS 15).
 - Review of Council services which Public Health grant currently contributes to, reducing non-core PH expenditure by approximately 10% (PHPP 06).
23. The proposal to increase the charges for school meals (ECS 21) has also been moved to Appendix 3 as consultation processes will not be completed in time for it to be considered as part of this budget setting report, following a delay in starting engagement with schools because of the national election. A separate report will be brought forward for consideration by Executive in March 2020 once consultation closes.
24. Responses to the budget consultation survey were analysed to assess whether there were any concerns about impacts from proposals that varied by protected characteristic, which could give an indication of an unintended impact or a concern that there would be a disproportionate adverse impact on individuals or groups because they held one or more protected characteristics. This analysis is set out in the Equality and Diversity section in paragraphs 142 to 152 of this report. An overall impact assessment that has been completed as part of this process is appended to this report in Appendix 5. Following the changes to the budget detailed above, one proposal was subject to an individual impact assessment process which is detailed in Appendix 6 and the Equality and Diversity section of this report:
- Reduce spend of the drug and alcohol service provision via contract negotiations / associated budget adjustments (PHPP 01).

The Local Government Finance Settlement

25. The provisional Local Government Finance Report for 2020/21 was released on the 20 December 2019. This set out detailed Local Government figures on an individual authority basis for 2020/21 only. The final settlement was released on the 6 February 2020.
26. Government funding for local government as a whole has fallen substantially since 2010. Since changes were made to the Local Government Finance System in 2013/14 Middlesbrough Council has suffered a significant reduction in Government funding, with a reduction of £41.7m (51%) from £81.2m received in 2013/2014 to £39.5m in 2020/21. Further detail is provided in paragraphs 94 and 95.
27. The Government announced a Spending Round for 2020/21 only on 4 September 2019. This was a Treasury led, high level allocation of Departmental budgets for the following year, including allocations for Local Government. This one-year Spending Round has taken the place of the usual three-year Spending Review which has been deferred until Autumn 2020.
28. The Spending Round announced additional funding for local government. These were subsequently included in both the provisional local government settlement of 20 December 2019 and the final settlement of 6 February 2020.
29. Whilst the additional funding is welcomed, a large proportion of the funding announced will be for one year only (2020/21), and whilst they have been included

for 2020/21 they cannot be assumed to continue beyond that and therefore does not assist with tackling recurring funding pressures. This level of uncertainty means that future funding remains one of the most significant risks to the Council.

30. The main areas of additional funding are detailed in the following bullet points:

- Existing 2019/20 Social Care funding comprising Social Care Support Grant of £1.295m, relating to both Adults and Children's Care, and Adult Social Care Winter Pressures funding of £758,000 is continued for 2020/21 only.
- In addition to this additional funding for Social Care of £3.522m for 2020/21 only, relating to both Adults and Children's Care, was also announced.
- Revenue Support Grant (RSG) and Business Rates Top Up Grant will increase by inflation for 2020/21, which is set at the level of Consumer Price Inflation at September 2019 which was 1.63%. The inflationary increases to these grants creates additional income to the Council of £633,000 in 2020/21.
- It was announced that authorities would benefit from a 3.4% real term increase in the NHS contribution to the Better Care pooled funding (this will need to be spent in conjunction with the NHS in providing additional services). Also it was announced that there would be a real term increase in the Public Health Grant which is estimated to be worth £430,000 to the Council in 2020/21, however the Local Government Association has pointed out that it is likely that local authorities including Middlesbrough will face additional public health pressures at least as high as this in 2020/21. The individual local authority allocations of the Public Health Grant for 2020/21 have not yet been confirmed.
- The Spending Round announced and the local government finance settlement confirmed that as well as legacy payments from previous years continuing to be received, there would also be new 2020/21 allocations of New Homes Bonus Grant, however there would be no legacy payments in future years for the new 2020/21 allocations. New Homes Bonus is funded by a top slice from Settlement Funding, this means that authorities lose Settlement Funding but stand to gain from the New Homes Bonus they earn. The Government intends to consult on a new housing growth incentive beyond 2020/21. Estimates of New Homes Bonus to be received by the Council in the MTFP period have been revised to reflect this announcement.
- The Spending Round also announced and the local government finance settlement confirmed that the Troubled Families Programme, which was planned to cease at the end of March 2020, would continue in 2020/21 only. The grant funding has helped to support key preventative and early help services for children and families within Children's Services. The MTFP had previously included a provision of £486,000 per annum from 2020/21 to continue essential services following the planned removal of the grant from 2020/21, however the announcement of the continuation of funding in 2020/21 has allowed this to be put back a year to 2021/22.

31. Under the current business rates retention system Middlesbrough receives a top-up payment as the assessed cost of providing services in the Borough is greater than

the share of business rates retained locally. The top-up payment to Middlesbrough has increased from £26.861 million in 2019/2020 to £27.299 million in 2020/21, an increase of £0.438 million (1.6 %).

32. An estimate has been made of retained business rates income in 2020/21 of £17.659 million. This figure represents an increase of £208,000 (1.2%) on 2019/20.
33. As part of the business rates system rate payers are entitled to submit an appeal against the valuation of their business, if successful this appeal will be backdated to the date of valuations. The cost of repaying appeals, including backdating, is met by the Council in proportion with its share of Business Rates. As a result of the valuations being new it is difficult to forecast what level of appeals will be received in relation to the new bills from business rate payers and also to understand what proportion of such appeals might be successful. Performance against this estimate will be closely monitored over the course of 2020/21.

Ofsted

34. Following a recent inspection, the Council's Children's safeguarding services have been judged as 'inadequate' by Ofsted. Ofsted uses a system of four grades in its judgements: Outstanding, Good, Requires Improvement and Inadequate. The Council's judgement (below) is the lowest possible that can be received and requires a timely and effective response.

Judgement	Grade
The impact of leaders on social work practice with children and families	Inadequate
The experiences and progress of children who need help and protection	Inadequate
The experiences and progress of children in care and care leavers	Inadequate
Overall effectiveness	Inadequate

35. The Council is currently engaging with the Department of Education to appoint a Commissioner, and develop a detailed improvement plan and the appropriate resourcing to deliver it. A separate report presented to this meeting of the Executive outlines the inspection findings and the Council's response in greater detail. The estimated costs of the delivery plan have been provided for in the revised MTFP, details are provided in paragraph 47.

Proposed Revenue Budget 2020/2021

Budget Principles

36. In preparing the 2020/21 draft revenue budget and Medium Term Financial Plan, the following principles, consistent with budget strategies in previous years and statements made by Executive have been adopted:

- to maximise the efficient, effective and economic use of resources, in conjunction with partners where appropriate;
- to keep Council Tax increases in line with Government assumptions on income raising;
- to make services fully accountable for their own budgets and spending, including additional pressures. Calls on the Medium Term Financial Plan should only be made when local and directorate resources are exhausted and all requests are required to be approved by the Council's Corporate Management Team;
- to maintain appropriate medium term budget planning and monitoring processes, ensuring known commitments are provided for and budgets are set in real terms with the effect on service delivery clearly identified;
- services will receive, in full, the impact of contractual inflationary increases (including pay awards). No inflation will be provided for general supplies and services, which are expected to be met from efficiency savings;
- to support budgetary investment in economic growth to drive increase in income through Council Tax and Business Rates;
- on termination of a specific grant, a business case for any continued funding will be prepared, which will need to be assessed against other pressures on the Medium Term Financial Plan;
- all specific reserves require approval by the Strategic Director of Finance, Governance and Support, where specific reserves exist these will be reviewed regularly by the Strategic Director – Finance, Governance and Support as part of the Medium Term Financial Plan refresh to ensure that they are still required; uncommitted funds may need to be used to fund pressures elsewhere;
- any revenue budget where there has been a significant underspend for two or more years will be reviewed with a view to reallocating funds;
- the Investment Strategy will be reviewed regularly to ensure an ongoing need for allocated funding with a view to reallocating funds which are not required;
- any new schemes for approval within the Investment Strategy must be firstly approved by the Council's Corporate Management Team; and
- a consistent framework for budgeting for staff costs will be implemented.

Budget Assumptions

37. The following budget assumptions have been applied:

Pay awards and inflation

38. Provision has been made in 2020/21 for the estimated effect of the Local Government Employers Pay Award effective from 1 April 2020. Currently a 2% pay award across the board has been assumed with an estimated impact of £1.8 million in 2020/21.
39. Contractual inflation at a total cost of £1.5 million has been assumed for 2020/21. No provision has been made for inflation for supplies and services; it is expected that any inflationary pressures in this area will be met from efficiency savings.
40. An allocation of £500,000 has been made to the central pay and prices provision for 2020/21 to guard against unexpected demand or price pressures that may arise in year. This is required to replenish the budget due to a number of calls on the

provision during 2019/20. Also the Local Government Employers Pay Award effective from April 2020 has not yet been agreed and any increase on the 2% assumed (as mentioned in para. 38) will create a draw on this provision. This provision will be closely monitored throughout 2020/21 and will be re-evaluated in future refreshes of the MTFP.

41. Income from fees and charges has been assumed to increase on average by 2.5% in 2020/21 producing an estimated total income of approximately £1.3 million in 2020/21. There is no increase assumed for car parking charges and statutory charges in 2020/2021. It should be noted that as mentioned in paragraph 26 of the report to Council in December 2019 an element of this (£1.042 million) was included as a budget saving in the Savings – Change Programme line in the table in paragraph 5 of the December 2019 report, due to the fact that it related to a previously approved Return on Investment budget saving (Increase fees and charges income to 2.5%). The total increase in income from fees and charges per annum will now be presented in one place in the MTFP under the Spending Pressures line of the table in paragraph 86 (thus reducing the Spending Pressures).
42. Provision of £1.432 million has been made in 2020/21 for the impact of the increase in the National Living Wage on the costs of adult social care services commissioned by the Council. This has increased from the £1.040 million assumed in the report to Council in December 2019, due to the recent announcement of a 6.2% increase in the National Living Wage from £8.21 in 2019/20 to £8.72 in 2020/21 (for people aged 25 and over).

Demand pressures

43. As reported in the Strategic Plan 2019-22 – Progress at Quarter Three 2019/20 report to this Executive, in line with national trends Children’s Social Care continues to be an area of increasing pressure, with resultant financial risk to the Council. The costs of these pressures in respect of increased level of need in relation to children in care and the increase in the cost of providing care is constantly being monitored.
44. Whilst the local government finance settlement provided additional funding for Social Care it was guaranteed for 2020/21 only. There is a very significant risk of additional demand and systems pressures in Children’s Services and in the event that this materialises it is intended that this will be met from the one-off funding initially and then reconsidered as part of the MTFP. There is a risk that increased demand across Children’s and Adult Social Care continues, with no Government funding to mitigate. Along with funding uncertainty, the continued upward pressure of demands on Children’s Social Care is the most significant financial risk to the Council.
45. It is proposed that the additional Social Care funding to be received in 2020/21 only, will be allocated to Children’s Social Care and Adult Social Care based on known overspends during 2019/20 and estimated demand pressures offset by planned mitigation, with £3.5 million being allocated to Children’s Social Care and £1 million to Adult Social Care for 2020/21 only. Any remaining funding will be kept in demand contingency budgets held centrally to deal with unexpected demand pressures and for the promotion of change.

46. In addition, similar to that included for 2019/20, provision has been made in the 2020/21 budget for ongoing demand pressures of £2.913 million, principally relating to pressures in Children's and Adults' Social Care in line with national trends in these areas. This provision is to be kept centrally as a contingency budget and will be utilised as and when required during 2020/21.
47. As mentioned previously in paragraphs 34 and 35, following the recent Ofsted inspection the Council are required to develop a detailed improvement plan, and the appropriate resourcing to deliver it. The costs to the Council of the delivery of the improvement plan are estimated to be approximately £1.5 million per annum for 2020/21 and 2021/22. It is proposed that these costs will be drawn down from a separate contingency budget held specifically for this purpose, as and when they are incurred.
48. Provision has been made in the MTFP from 2020/21 for estimated additional costs of £815,000 per annum arising from a Fair Price for Residential Care review which has taken place within Adult Social Care.
49. The report to Executive of 11 July 2019 set out the background to a shortage of school places for pupils starting secondary school for the first time in September 2019. It highlighted recurring five year expenditure to facilitate the nurture group at Trinity Catholic College (estimated to be £70,000 per annum), and for home-to-school transport (estimated to be £100,000 per annum). Provision has been made from 2020/21 in the MTFP for both these additional costs.
50. Provision has been made for estimated additional costs within the Public Health Budget including the increased drug costs and the effect of the NHS pay award on commissioned contracts. These additional costs are estimated to be £430,000 per annum from 2020/21 and these are matched by a predicted increase in the Public Health Grant.

Reduced spending pressure

51. The above spending pressures have been partly mitigated by a predicted 3.8% decrease in Employer Pension contributions to the Teesside Pension Fund from 1 April 2020 until 31 March 2023, following the tri-annual actuarial valuation of the Fund. This is estimated to create a saving of £2.261 million per annum from 2020/21 for the MTFP period. This is an increase of £957,000 per annum from the 2% increase assumed in the report to Council in December 2019 due to updated information received from the Actuary.

Other Changes

52. Additional revenue provision of £1,018,000 in 2020/21 has been made in respect of the Council's agreed Investment Strategy, along with a total of a further £100,000 in 2021/22 and 2022/23. This allows the Council to dedicate £150.4 million of its own resources over the MTFP period to supporting the Investment Strategy intended to attract £625 million of investment in order to improve the fabric of the town and grow our economic base. This allocation will be reviewed early in 2020/21 in light of potential commercial investment, and will be reflected in future refreshes of the MTFP.

53. Provision of £320,000 has been made in the 2020/21 budget for additional staff within the Revenues and Benefits Service in order to improve the collection rates for Council Tax and reduce the Bad Debt Provision required. These posts are intended to be self-financing as they should increase the amount of income generated by the Council from Council Tax. The provision of funding for the posts will be reviewed on an annual basis, based on their effectiveness at generating additional income.

Budget Savings

54. The budget savings proposed for 2020/21 were outlined in the report to Council on 23 December 2019, and following the budget consultation period the Elected Mayor has proposed the removal of four budget proposals and an element of one budget proposal as detailed in paragraph 20. Also as mentioned in paragraphs 21 to 23, following the consultation and a review of some of the proposed budget savings in Appendix 2 of the December report two budget savings proposals have been moved to Appendix 1 as they are considered to have only a minimal effect on front line service delivery levels, and two budget saving proposals have been moved to Appendix 3.
55. Also as mentioned in paragraph 41, a Return on Investment budget saving of £1.042 million in 2020/21 relating to Increasing Fees and Charges to 2.5% has been moved from budget savings to be part of the Spending Pressures section in the table contained in paragraph 86.
56. The recommended budget savings for 2020/21 are summarised below and detailed in Appendices 1-3:
- £3.509 million in relation to ongoing efficiencies/budget savings that were previously approved by Council in March 2019
 - £2.376 million in relation to budget savings that required no further consultation (Appendix 1)
 - £0.302 million in relation to specific budget savings that have been subject to consultation prior to the 2020/21 budget (Appendix 2)
 - £0.216 million in relation to specific budget savings requiring an in year decision in 2020/21 once the detail of the proposal is developed (Appendix 3)

Adequacy of Financial Reserves

57. The Council is required to maintain an appropriate level of reserves and balances. Whilst current guidance is not prescriptive, all Authorities are required, when reviewing their Medium Term Financial Plan to consider the establishment and maintenance of reserves.
58. Proper consideration has to be given to: -
- working balances to help cushion the impact of uneven cash flows and to avoid unnecessary temporary borrowing;
 - general fund reserves to provide a contingency for the impact of unexpected events or emergencies; and

- specific earmarked reserves to meet known or predicted liabilities.

59. The Strategic Director of Finance, Governance and Support has reviewed the proposed level of balances held in the General Fund Reserve and advised that he considers it is appropriate to continue to maintain a minimum of £9.4 million over the medium term. This advice is based on an assessment of financial risks against criteria set out by the Chartered Institute of Public Finance and Accountancy and the extent to which specific provisions are available to meet known and expected liabilities.
60. The main high level factors affecting this assessment are the degree of uncertainty in the financial and economic climate for local government, notably the introduction of a new funding formula from 2021/22; the potential impact of Brexit; the continued potential for increased demand and costs in Children's and Adults Social Care; and the reduction in the level of specific reserves and provisions over the last two years.
61. As the current estimated level of the General Fund Reserve at the end of 31 March 2020 is at the minimum level of £9.4 million it is not prudent for the Council to utilise its general balances in the current assumptions for the MTFP period.
62. The level of balance in all reserves available to the Council may be affected by any change in the current projected overspend for 2019/20. The projected overspend for 2019/20 of £5.707 million as at the end of Quarter Three is detailed in a separate report to this Executive. As stated in that report the level of overspend reported as at Quarter Three can be covered on a one-off basis by the Council's overall reserves in 2019/20, but if this continues it is a significant risk to the Council's financial position in the longer term.
63. The appropriate level of reserves for 2021/22 onwards will need reconsidering in light of financial performance in 2020/21 and the outcome of the expected Spending Review in Autumn 2020.
64. The Council intends to use £1.6 million from its Change Fund in order to support transformational activity. It is estimated that only a negligible amount will be remaining within the Change Fund by 2022, in light of the need to invest in projects in the meantime.
65. The Strategic Director of Finance, Governance and Support has confirmed that the budget calculations for 2020/21 are robust in that;
 - proper medium term budget planning and monitoring processes are in place and maintained which ensure that known commitments are provided for and budgets are set in real terms with the effect on service delivery clearly identified;
 - appropriate provisions are made within the budget for pay and inflation;
 - a prudent view of the net costs of the Council's overall cash flow and prudential borrowing is taken;
 - an analysis of financial risks affecting the budget are completed; and
 - appropriate consideration is given to the level of Council Tax and external funding available to the Council.

Determination of Council Tax

66. A number of factors have been considered in respect of the level of Council Tax increase including our current level of Council Tax, minimising the effect of Council Tax increases to residents, the current levels of inflation, pressures from caring for our vulnerable people, the level of budget reductions required, and the medium to long term implications of the Local Government Finance Settlement 2020/21.
67. In the Final Local Government Finance Settlement announced on the 6 February 2020 the Government confirmed that Councils would be able to increase the core element of Council Tax by up to 2% in 2020/21 without the requirement to hold a referendum, and also confirmed that the level of funding available to Councils assumed a Council Tax increase at this rate. In the report to Council in December 2019 the Executive proposed, that in order to limit Council Tax increases to residents, it did not intend to apply any increase in the core element of the Council Tax in 2020/21. However, due to the proposed removal of three budget savings following the consultation exercise (as detailed in paragraph 20), the increased overspend in Quarter Three 2019/20 (reported in a separate report to this Executive), and the potential costs arising from the recent Ofsted inspection, Executive is now proposing a 1.99% increase in the core element of Council Tax in 2020/21.
68. The Local Government Finance Settlement also confirmed the continuation of the Adult Social Care Precept at 2% for 2020/21 only. This has allowed Councils with Adult Social Care responsibility to increase their Council Tax by a set amount to help pay for the increased costs of Adult Social Care. As with in previous years, in recognising that Middlesbrough is seeing increasing demand for Adult Social Care, the Executive is proposing to continue to increase Council Tax for the Adult Social Care Precept by 2% in 2020/21 only, which will generate £1.1 million of resources in 2020/21 to support our most vulnerable adults through a series of preventative and early help initiatives.
69. Consideration should be given in relation to the impact on the local Council Tax payer. In essence the Government's proposal is to pass on the liability to the local taxpayer, rather than a national distribution of resources to meet what is an agreed national priority. Authorities such as Middlesbrough with a significant proportion of vulnerable Council Tax payers and a lower Council Tax Base as a result of lower property values are disadvantaged by this approach, as each percentage increase in Council Tax will raise less than more affluent areas with a greater proportion of higher banded properties.
70. The effect of the above means that it is proposed and assumed that for 2020/21 Council Tax will increase by 3.99% (excluding Fire and Police and Parish precepts).
71. Since 2013/14 the Council's Housing Growth Strategy has delivered an increase in the Council Tax Base of 4,148 Band D Equivalent properties, an increase in Middlesbrough Council's Tax Base of 13.7%. The cumulative effect is £7.1 million and reduces the need to make further annual savings within Council services by this amount.

72. The Council is required to set a budget for 2020/21. The budget will determine the level of resources to be made available to services and forms part of the determination of the Council Tax to be levied in 2020/21.
73. The Budget requirement for 2020/21 is estimated to be £116.397 million as detailed in Appendix 4.
74. The basic (Band D) Council Tax for Middlesbrough as a whole is calculated as follows:

	£	£
Budget Requirement		116,396,952
Less:		
Revenue Support Grant	12,153,694	
Top up Payment	27,299,015	
Local Share of NNDR	17,659,556	
		57,112,265
Net Requirements		59,284,687
Council Tax Collection Fund Surplus		(577,576)
	(a)	58,707,111
Taxbase	(b)	34,319
Basic Council Tax	(a) / (b)	1,710.63

The basic amount is now relevant only for statistical purposes, but must still be calculated by law. It represents the average tax paid across the Council area, including parish precepts.

75. The table at paragraph 74 relates only to Middlesbrough Council's element of the Council Tax and excludes Cleveland Police and Crime Commissioner and Cleveland Fire Authority precepts.
76. The level of Council Tax associated with the budget requirement represents a general 1.99% increase in Council Tax and an additional 2.00% increase in the Adult Social Care Precept. In total this represents a 3.99% increase for Middlesbrough Council's element of the Council Tax for those areas without precepts.
77. The calculation of the actual Council Tax (Band D) for parish and non-parish areas (Middlesbrough Council only element) is as follows:-

a) Areas other than Nunthorpe and Stainton & Thornton:-

	£	£
Basic Amount as above:		1,710.63
Less : Parish Precepts	17,270	
Divided by Tax Base	34,319	
Equals		0.50
Band D Tax		1,710.13

b) Nunthorpe:-

	£	£
Add: Parish Precept	9,180	
Divided by Tax Base	2,145	
Equals		4.28
Band D Tax		1,714.41

c) Stainton & Thornton:-

	£	£
Add: Parish Precept	8,090	
Divided by Tax Base	869	
Equals		9.31
Band D Tax		1,719.44

78. Tax levels for all bands are set in varying proportions to the band D level, and are set out in table 1 of Appendix 7.
79. For the Middlesbrough Council only element of the Council Tax (excluding Fire, Police, and Parish precepts) this represents a £43.74 annual and a £0.84 weekly increase for Band A Council Tax payers and a £65.62 annual and a £1.26 weekly increase for Band D Council Tax payers.
80. Cleveland Fire Authority has set a precept for Middlesbrough of £2,705,367. The Council Tax levels for 2020/21 are set out in table 2 of Appendix 7 (subject to formal approval).
81. Cleveland Police and Crime Commissioner has set a precept of £8,941,472 and Council Tax levels for 2020/21 are set out in table 3 of Appendix 7.
82. The total tax to be levied for each band (including Middlesbrough Council, Cleveland Fire Authority, Cleveland Police and Crime Commissioner and Parishes) is set out in table 4 of Appendix 7.

83. The overall impact on the band D Council Tax is as follows:-

Middlesbrough Council	3.99%
Cleveland Police and Crime Commissioner	3.99%
Cleveland Fire Authority (subject to formal approval)	1.90%
Overall Increase	3.91%

Medium-Term Financial Plan to 2023

84. The report on the Elected Mayor's Priorities for Middlesbrough and Strategic Plan 2020-2023, which was approved by Council on 15 January 2020, sets out what the Council is aiming to prioritise over the next three years. The Medium Term Financial Plan sets out the financial envelope that is necessary to achieve those aims and the savings necessary for living within those financial plans (budget savings).

85. The Council maintains a Medium-Term Financial Plan (MTFP) that:

- accurately analyses the current financial climate and the medium-term horizon, including the range of spending pressures facing the Council;
- addresses the budget savings requirements for 2020/21 to 2022/23 through transformational efficiency initiatives managed through the Council's Change Programme; and
- focuses investment on growing the town's economic base to improve local prosperity, and secure a robust and independent income stream to fund the Council's services.

86. The following table summarises anticipated changes to the Council's financial position in the period of the current medium term financial plan to 2022/23:

	2020/21 £ms	2021/22 (Indicative) £ms	2022/23 (Indicative) £ms	Total £ms
Spending pressures	12.724	(4.399)	2.121	10.446
Government funding changes	(3.230)	6.703	0.122	3.595
Local funding increases	(3.838)	(1.342)	(1.906)	(7.087)
Budget gap	5.657	0.962	0.337	6.956
Savings - Change Programme	(6.015)	(1.478)	0.000	(7.493)
Savings - Invest to Save projects	(0.388)	(0.090)	0.000	(0.478)
<i>Transfer to / (from) reserves</i>	<i>0.746</i>	<i>0.606</i>	<i>0.000</i>	<i>1.352</i>
In-year budget position	0.000	0.000	0.337	0.337

87. The above table demonstrates that the Council has considered the issues strategically and has a deliverable plan to ensure the Council's financial sustainability, and also ensures that reserves are maintained at appropriate levels. However, it should be noted that there is less certainty in the indicative figures for 2021/22 and 2022/23 than there is for the 2020/21 figures, due mainly to ongoing uncertainty regarding the future funding model for local government.
88. Through the Council's Investment Strategy the MTFP focuses on investment and efficiency, and creating growth in Council Tax, Business Rates and income from commercial activity, and aims to minimise service-level and job reductions over this period.
89. The following assumptions have been applied in refreshing the Council's MTFP:

National Context

90. It is likely that financial resilience will become one of the key components of external audit work in future years, and CIPFA has recently produced a draft financial resilience index for local authorities.
91. According to figures from the National Audit Office, the impact on spending power has been felt most acutely in local authorities such as Middlesbrough with relatively high levels of deprivation. While Middlesbrough has faced a 36% decrease in overall spending power since 2010, the national average is 29% and some authorities have seen lower reductions, for example Wokingham has reduced by only 16%. The decrease in Middlesbrough Council's overall spending power would be higher than 36% if the Council had not achieved significant Housing Growth and increased Council Tax.
92. The potential impact of Brexit on the local economy also remains an issue for the Council's strategic objectives.
93. Additionally the potential impact of Government policies following the General Election creates a level of uncertainty.

Government funding changes

94. As part of the Spending Round and subsequent local government finance settlement the Government announced that the potential re-set of business rates retention of 75% (from the current 50%), and the introduction of a new "fair funding" formula for local government at 2020 would be delayed until 2021/22. The key for Middlesbrough, as with other local authorities, will be the detail of the new systems and in how the new formulae are derived. The extent to which deprivation is recognised as a key cost driver for service need, in particular for adults and children's social care and public health, will be vital. There is a risk that Middlesbrough sees further reductions in funding both in real terms and in relation to other local authorities. At this stage, in the absence of any detailed information from the Government it has been assumed that any changes to the funding formula and business rate retention will not result in a further reduction in general Government funding for the Council, in the form of Revenue Support Grant and Business Rates

Top Up Grant for 2021/22 and 2022/23. However, in order to be prudent and following recent exemplifications produced by the Local Government Association as to the potential effect of the proposed new Adult Social Care funding formula, provision of £1.4 million has been made from 2021/22 for any potential effects of this. This will be reviewed as and when further information is received during 2020.

95. Notwithstanding these high levels of uncertainty, the Council's budgetary assumptions are based on the most up to date reliable information, and the predicted Government changes are set out below. In this report the impact for 2021/22 and 2022/23 has been estimated, but these figures are necessarily less robust than the figures for 2020/21.

Funding Stream	2020/21 £ms	2021/22 (Indicative) £ms	2022/23 (Indicative) £ms
Revenue Support Grant	12.154	12.154	12.154
Business Rates Top Up	27.299	27.299	27.299
New Homes Bonus	1.332	0.204	0.082
Housing Benefit & Council Tax Subsidy Admin. Grant	0.997	0.997	0.997
Public Health Grant	16.774	16.774	16.774
Improved Better Care Fund (includes Adult Social Care Winter Pressures Grant for 2020/21 only)	8.392	7.634	7.634
S31 Grant for Business Rates Compensation for Reliefs	3.101	3.101	3.101
Additional Social Care Grant (2020/21 only)	3.522	0.000	0.000
Social Care Support Grant (2020/21 only)	1.295	0.000	0.000
Total:	74.866	68.163	68.041

Local funding increases

96. Local funding has been assumed to increase during the same period:

Funding Stream	2020/21 £ms	2021/22 (Indicative) £ms	2022/23 (Indicative) £ms
Council Tax : Core (includes Housing Growth)	53.614	55.534	57.441
Council Tax : Adult Social Care Precept	5.093	5.093	5.093
Local Share of Business Rates	17.659	17.659	17.659
Collection Fund Surplus / (Deficit)	0.578	0	0
Total:	76.944	78.286	80.193

97. While there is a direction of travel towards self-funding for local authorities, as mentioned above there is now increased uncertainty in respect of how and when this will be implemented. This potentially will mean that Government support to local government through the Revenue Support Grant will be reduced, and councils will need to be self-funding, through Council Tax, Business Rates, and other localised sources of income.

98. The Spending Round proposed that Councils can increase the core element of Council Tax by up to 2% in 2020/21 without the requirement to hold a referendum. As detailed in paragraph 67 the Executive proposes that it will implement a 1.99% increase in the core element of Council Tax in 2020/21 and also apply a 1.99% increase in both 2021/22 and 2022/23. These assumptions are now reflected in this updated MTFP.
99. In the Spending Round the Government proposed the continuation of the Adult Social Care Precept at 2% for 2020/21 only. This has allowed Councils with Adult Social Care responsibility to increase their Council Tax by a set amount to help pay for the increased costs of Adult Social Care. As with in previous years, in recognising that Middlesbrough is seeing increasing demand for Adult Social Care, the Executive is proposing to continue to increase Council Tax for the Adult Social Care Precept by 2% in 2020/21 only, which will generate £1.1m of resources in 2020/21 to support our most vulnerable adults through a series of preventative and early help initiatives. This has therefore been assumed in this updated MTFP.
100. The effect of the above means that it is proposed and assumed in the MTFP that for 2020/21 Council Tax will increase by 3.99%, and then by 1.99% in each of the years 2021/22 and 2022/23.

Pay awards and inflation

101. As detailed in paragraph 38 provision has been made in 2020/21 for the estimated effect of the Local Government Employers Pay Award effective from 1 April 2020. Currently a 2% pay award across the board has been assumed for future years with an estimated impact of £1.8 million in each year of the MTFP period.
102. Contractual inflation at a total cost of £4.3 million has been assumed in the MTFP period. No provision has been made for inflation for supplies and services; it is expected that any inflationary pressures in this area will be met from efficiency savings.
103. Income from fees and charges has been assumed to increase on average by 2.5% per annum in 2020/21 and 2021/22, and by 1% in 2022/23. This excludes car parking and statutory charges. It is estimated that this will provide approximately £3 million of income to the Council over the MTFP period.

Living Wage

104. Increases in the National Living Wage, will impact upon organisations – principally adult social care providers – who are contracted to carry out functions on behalf of the Council. The Government has recently announced that it is their intention for the National Living Wage to reach its target of £10.50 by 2024, which will mean an increase of 5% per annum from the recently announced rate for 2020/21 of £8.72 (as detailed in paragraph 42). Therefore, £3.7 million has currently been allocated over the MTFP period to cover the increases in costs expected as a result of these pressures.

Statutory minimum wage (National Living Wage)	2020/21 £ms	2021/22 £ms	2022/23 £ms
Additional in-year	1.432	1.098	1.142

Demand pressures

105. As mentioned earlier in the report, both Children’s and Adult Social Care demand continues to be identified as a potential risk and will be closely monitored over the Medium Term Financial Plan period.

Other

106. The Council’s Leisure Services Contract with Sport & Leisure Management (SLM) will produce additional income of £366,000 to the Council over the MTFP period.

Use of Reserves and Balances

107. Over the MTFP period to 2023 the Council plans to maintain the Council’s General Fund balance at a minimum level of £9.4 million, in line with the Council’s recommended General Fund level.
108. Over the MTFP period to 2023, the Council intends to use the remaining £1.6 million from its Change Fund in order to support transformational activity to deliver its Strategic Plan. It is estimated that only a negligible amount will be remaining in the Change Fund by 2022 in light of the need to invest in projects in the meantime.

Contingency

109. Provision has been made for an ongoing budget for ongoing demand pressures (£2.913 million in 2020/21, £3.235m in 2021/22 and 2022/23), principally relating to pressures in Children’s and Adults’ Social Care in line with national trends in these areas. This provision and its use will be reviewed annually, and it is intended to keep this centrally as a contingency budget for utilisation as and when required.

Investment Strategy

110. Full Council approved an Investment Strategy for the period 2019-22 on 4 March 2019. This has been refiled by Executive throughout 2019/20 following quarterly monitoring, in line with its constitutional powers.
111. The following “business as usual” schemes which are essential to the delivery of Council services have been reviewed and it is proposed that the following amounts are added to the Investment Strategy in order to extend these schemes to 2022/23:

Scheme	Amount £
Capitalisation of Major Schemes Salaries	530,000
Purchase of New Vehicles	1,200,000
Capitalisation of Wheeled Bin Replacement	100,000
Capitalisation of Street Furniture	55,000

Capitalisation of Highways Maintenance	575,000
Property Services Building Investment	340,000
Members Small Schemes	60,000
Capitalisation of Street Lighting	468,000
Property Asset Investment Programme	1,200,000
Chronically Sick & Disabled Persons Act	610,000
Capitalisation Of Staying Put Salaries	50,000
ICT - Essential Refresh & Licensing	2,185,000
Derisking Sites	900,000
Total :	8,273,000

112. Also the following major schemes previously approved by Executive and in line with the Elected Mayor's priorities are to be added to the Investment Strategy :

Scheme	Amount £
Contribution to new school at Middlehaven	1,700,000
Acquisition of Town Centre Properties	12,350,000
Total :	14,050,000

113. The updated Investment Strategy now also includes finance leases due to a required accounting standards change in treatment. Further details of the reasons for this change are provided in paragraph 125. The additions to the Investment Strategy due to this are outlined in the table below and are highlighted in the updated Investment Strategy included at Appendix 8.

Scheme	Amount £
Acquisition of Town Centre Properties	30,000,000
Centre Square Buildings 1 & 2	20,835,000
Capitalisation of Property Finance Lease Arrangements	4,500,000
Total :	55,335,000

114. The updated Investment Strategy is included at Appendix 8, and Executive are requested to endorse the updated Investment Strategy for approval by Full Council on 26 February 2020.
115. The proposed changes to the Investment Strategy are within the Council's overall borrowing limits and prudential indicators required as part of the Prudential Code (as detailed in paragraphs 116 to 127 below).

Capital Strategy Report (Prudential indicators, Investment Strategy and Minimum Revenue Provision) & Treasury Management Practices

116. The Local Government Act 2003 created a new legal framework for capital investment from April 2004 and Local Authorities are now required by law to follow the CIPFA Prudential Code.
117. The key objectives of the Prudential Code are to ensure, within a clear framework, a local authority's capital programme is affordable, prudent and sustainable and that

treasury management decisions are taken in accordance with good professional practice.

118. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account to ensure appropriate treasury management. From 2019/2020 the Code set out that these must be presented in the form of a Capital Strategy Report which links the Council's investment strategy with the financial and budgetary implications of these decisions and the overall level of indebtedness.
119. The Prudential Code also introduced guidance regarding the way in which surplus funds are invested and it is a statutory requirement that an Annual Investment Strategy is approved by Council before the start of each financial year.
120. The government has released guidance relating to how local authorities set aside some of their revenues as provision for debt repayment. This requires authorities to prepare an annual statement of their policy on for determining the Minimum Revenue Provision.
121. The fundamental objective in considering the affordability of the Council's capital plans is to ensure that the total capital investment of the authority remains within sustainable limits and, in particular, to consider its impact on the local authority's revenue budget position. Affordability is ultimately determined by a judgement about available resources and one of the Prudential Indicators (% of capital financing costs against the net revenue budget) addresses this explicitly over the medium term financial planning period.
122. In considering the affordability of its capital plans, the Council must consider all of the resources currently available to it and estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the following two years. The authority is also required to consider known significant variations beyond this timeframe. This requires the maintenance of three-year revenue forecasts and three-year forward estimates of council tax as well as three-year capital expenditure plans. These are rolling scenarios, not fixed for three years.
123. Appendix 9 sets out the proposed capital strategy report (covering the necessary prudential indicators, together with the investment strategy and minimum revenue provision policy) for Executive to endorse. This report explains the context of the Council's financial plans against the required prudential indicators to assist in drawing conclusions around affordability, sustainability and prudence.
124. There are some significant increases in the level of capital expenditure over the next two financial years. Almost all of these changes are either fully funded by grant and contributions or are invest to save schemes, where income generated from the investment in these assets generates a level of financial return which at least covers any capital financing costs associated. The prudential indicator which demonstrates affordability (capital financing cost as a % of the revenue budget) has in all cases either remained static or reduced over the medium term planning period even though expenditure levels have increased.

125. A change for Members to note that affects both the level of expenditure in the investment strategy and the prudential indicator totals relates to the inclusion of finance leases. In previous years most leases taken out would have been categorised as a rental arrangement and a cost against the revenue budget. However, amendments to the reporting standard that covers this area now means that most leases constitute the 'right to use' or purchase of an asset. The appropriate capital expenditure therefore needs to be included in the capital strategy report funded by external debt. Leases that have a major impact on the prudential indicators for the Council are those for the new buildings in Centre Square and also the assumed acquisition of a town centre property for the new civic building.
126. The Strategic Director for Finance, Governance Support has reviewed these investment plans and prudential indicators and is satisfied that the Council is acting in line with legal requirements and resources available when setting its budget. The authorised limit for external borrowing for the Council for the 2020/21 budget will be £300.000m. This is an increase of £27.000m over that used in 2019/20 and mainly reflects the planned new town centre acquisitions and the requirement to include leases as financing rather than rental arrangements going forward.
127. An additional element of the Treasury Management Code of Practice for local authorities, which is the operating framework for most local authorities under the Prudential Code, is that they should adopt a set of Treasury Management Practices as a best practice requirement. This document was adopted initially by the Council back in 2008, and changes to the document were approved by the Council in March 2019.

What decision(s) are being asked for?

128. That the Executive endorses the proposed budget strategy for 2020/21 as set out in paragraphs 36 to 83, endorses the proposed budget savings for 2020/21 and notes the proposed budget savings for 2021/22 (Appendices 1-3).
129. That the Executive endorses the budget requirement for 2020/21 to be set at £116,396,952 as detailed in Appendix 4.
130. Having taken into account the matters set out in Section 32 of the Local Government Act 1992 and the items set out within the report that the Executive endorse that the basic amount of Council Tax (Band D) for 2020/21 be £1,710.63 being a 1.99% increase in general Council Tax and an annual precept of 2.00% for Adult Social Care which has been continued by the Government for 2020/21 only to contribute towards the shortfall of funding for adult social care. This Council Tax increase is in line with Government assumptions relating to the funding available to the Council. In total this represents an increase of 3.99% in the basic amount of Council Tax for the whole of the Borough.
131. That the Executive endorses the actual amount of Council Tax (Band D) for areas without parish precepts (excluding Fire and Police) be set at £1,710.13.

132. That the Executive endorses the actual amount of Council Tax (Band D) for areas with parish precepts (excluding Fire and Police) be set at :-

Nunthorpe Parish	£1,714.41
Stainton and Thornton Parish	£1,719.44

133. That the Executive endorses the amounts of Council Tax for each category of dwelling be set in accordance with table 4 of Appendix 7 within the report.

134. That the Executive notes the refreshed Medium-Term Financial Plan position for 2020-23 set out in this report in paragraphs 84 to 109.

135. That the Executive notes the updated Investment Strategy for the period to 2022/23 as outlined in paragraphs 110 to 115 and detailed in Appendix 8.

136. That the Executive endorses the Capital Strategy Report (Prudential indicators, Investment Strategy and Minimum Revenue Provision) 2020/21 as outlined in paragraphs 116 to 127 and detailed in Appendix 9, and endorses the Authorised Limit for external borrowing of £300 million for the Council for 2020/21 as set out in paragraph 126.

Why is this being recommended?

137. To enable the Council to meet its statutory responsibility to set a balanced revenue budget for the financial year 2020/21 and to ensure that a proper framework is in place for the medium term financial management of the Council.

Other potential decisions and why these have not been recommended

138. Not applicable.

Impact(s) of recommended decision(s)

Legal

139. The Council is required under legislation to set a revenue budget and agree the level of Council Tax and prudential indicators for 2020/21.

Financial

140. This approach set out within the report would allow the Council to meet its legal obligations in relation to budget setting, and meet the challenging financial targets faced in the MTFP period, while ensuring that there is a minimum impact on the level of service delivered to the public.

Policy Framework

141. The revenue and capital budgets form part of the Council's Policy Framework and as such must be agreed by Full Council.

Equality and Diversity

142. The Public Sector Equality Duty (PSED) (as set out in the Equality Act 2010) places a statutory duty on the Council in exercising its functions, to have regard to the need to:

- eliminate discrimination, harassment and victimisation;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

143. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and
- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

144. The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Where proposed decisions may be relevant to one or more of these protected characteristics, the Council is obliged to assess the impact. If there is judged to be an adverse impact on these characteristics that is relevant to the duty above steps are taken to consider whether it can be avoided or mitigated. Where it cannot be avoided or mitigated, a decision can only be taken if it can be justified.

145. Proposals have been developed which protect frontline services and the town's most vulnerable groups as far as possible. The proposals for the 2020/2021 budget were presented as part of the Report to Council on 23 December in three categories:-

- **Appendix 1: Savings proposals that are considered to have minimal or no effect on front line service delivery levels.**

These proposals require no, or no further public consultation or impact assessment prior to consideration by Full Council as part of the 2020/2021 revenue budget for implementation in 2020/2021 or future years. Some internal consultation may be required prior to implementation if the initiatives have a significant impact on employees, and this will be undertaken by management as appropriate.

- **Appendix 2: Savings proposals considered to potentially affect front line service delivery levels.**

These proposals will form part of the 2020/2021 revenue budget, and will be subject to the impact assessment process and consultation prior to consideration by Full Council as part of the 2020/2021 revenue budget setting process.

- **Appendix 3: Savings proposals requiring further development prior to being brought forward for approval**

These are initiatives that will be subject to the impact assessment process (where necessary) and on which the Council will consult prior to consideration via either member or officer decision (as appropriate) either during 2020/2021 or in future years. The likely relevant decision making body and provisional timing is listed for each proposal, which may change depending on the nature of the final proposal.

146. Following this announcement and movement of a number of proposals, as outlined previously in this report, a screening assessment was completed on the following budget proposal contained in Appendix 2 of the report:

- Reduce spend of the drug and alcohol service provision via contract negotiations / associated budget adjustments (PHPP 01).

147. As outlined previously in paragraph 22, two of the proposals announced in the 23 December 2019 report were moved to Appendix 1 as it was determined that there will be minimal impact on front line services:

- The remaining element of management and supervisory review of Area Care activities, with minimal impact on front line services (ECS 15).
- Review of Council services which Public Health grant currently contributes to, reducing non-core PH expenditure by approximately 10% (PHPP 06).

148. The following proposals were removed from Appendix 2 and will not be proposed for approval as part of this budget:

- Reduced number of school crossing patrols across Middlesbrough, based on appropriate levels of risk assessments (REG 04).
- Revised approach from universal to targeted offer for Healthy Start Vitamins contract and decommissioning of Middlesbrough Environment City Lifestyle Choice, Focus on Nutrition and Winter Warmth contracts (PHPP 08)
- Proposal to implement a charge for the collection of green waste (ECS 18B)
- The element of the Management and supervisory review of Area Care activities proposal (ECS 15) relating to reducing the frequency of services - £90,000
- Proposal to move to fortnightly general waste collections (ECS 18A).

149. The proposal to increase the charges for school meals has been moved to Appendix 3 as consultation processes will not be completed in time for it to be considered as part of this budget setting report, following a delay in starting engagement with schools because of the national election. A separate report will be brought forward

for consideration to Executive in March 2020 once targeted consultation closes. Also, as detailed in paragraph 21, the fortnightly waste collection budget saving proposal has been moved from Appendix 2 to Appendix 3, as a result of it being temporarily deferred.

150. The stage one impact assessment process resulted in one impact assessment being completed for consideration as part of this report, as detailed below and appended to this report at Appendix 6, along with an overall impact assessment (appended to this report at Appendix 5).
- **Reduce spend of the drug and alcohol service provision via contract negotiations / associated budget adjustments (PHPP 01)** - The proposal is relevant to all the protected characteristics because of the nature of the services that will be provided within the revised commissioning model. The impact assessment found that whilst the revised model for commissioned services will continue to meet the needs of service users, ensuring that the same or better outcomes for individuals can be achieved, the proposal is for a further reduction in the global budget for services within scope. Therefore the impact assessment found there was a risk of a disproportionate adverse impact on protected equality characteristics if the reduced budget is insufficient to meet demand.
151. Following the screening stage, the proposal progressed to stage two because it identified potential disproportionate impacts.
152. The stage two impact assessment, identified some concerns around the link between mental health and substance abuse. The Council acknowledges this concern and this is one of the reasons the revised model has been put in place, in order to better meet the needs of those with multiple need and reduce the number that escalate to crisis intervention. Analysing the feedback by age shows that support increases for the proposal as age increases. Those under the age of 24 were least likely to support the proposal (31%). Data from the consultation showed that men were more likely to support the proposal than women, although women were almost twice as likely to have no views on this topic, than men. Levels of those opposing the proposal were very similar (17.1% of women and 17.8% of men). The impact assessment concluded that the impact of the proposal was justified because a revised model was required to improve outcomes and it was felt there were sufficient resources to meet current demand. Please note, for the purposes of equality analysis, blank responses have been removed from analysis, they will be factored in when presenting wider feedback.

Risk

153. The proposed approach will ensure that the Council has adequate governance processes in place (08-054) to ensure it complies with the statutory duties to set a balanced budget (08-055). The MTFP has been reviewed to ensure that the correct assumptions are made to ensure that there is no unforeseen/unmitigated funding gap (08-059) and that a balanced budget can be set for future years. The Change Programme is seeking to transform the organisation for both employees and customers so the identified saving required can be achieved (08-056).

Actions to be taken to implement the decision(s)

154. If approved, the budget savings proposals set out in this report will form the basis of the 2020/21 revenue budget of the Council.

Appendices

- Appendix 1: Savings proposals that are considered to have minimal or no effect on front line service delivery levels.
- Appendix 2: Savings proposals considered to potentially affect front line service delivery levels.
- Appendix 3: Savings proposals requiring further development prior to being brought forward for approval.
- Appendix 4: Revenue Budget 2020/21
- Appendix 5: Revenue Budget 2020/21 – Impact Assessment (overall)
- Appendix 6: Revenue Budget 2020/21 – Impact Assessment (detail)
- Appendix 7: Council Tax Bands 2020/21
- Appendix 8: Updated Investment Strategy to 2022/23
- Appendix 9: Capital Strategy Report (Prudential indicators, Investment Strategy and Minimum Revenue Provision) 2020/21

Background papers

Body	Report title	Date
Council	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2019/20	4 March 2019
Member Briefing	Budget and Medium Term Financial Plan C:\users\mtf088\Work Folders\Documents\Political Groups MTFP presentation July '19 presentation slides.pptx	July 2019
Member Briefing	Budget and Medium Term Financial Plan C:\users\mtf088\Work Folders\Documents\Political Groups MTFP presentation Oct 19 presentation slides Final.PPTX	October 2019
Executive	Strategic Plan 2019-22 – Progress at Quarter Two 2019/20	19 November 2019
Executive	2020/21 Revenue Budget Timeline	19 November 2019
Member Briefing	Budget and Medium Term Financial Plan arrangements C:\users\mtf088\Work Folders\Documents\Budget MTFP Member briefing 25 Nov 2019 final.PPTX	25 November 2019
Council	Medium-Term Financial Plan and Budget Savings Proposals 2020/21	23 December 2019
Council	Elected Mayor's Priorities for Middlesbrough and Strategic Plan 2020-2023	15 January 2020

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