

<b>Report of:</b>	Andy Preston - Elected Mayor of Middlesbrough Ian Wright - Director of Finance
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<b>Submitted to:</b>	Executive - 24 November 2020
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<b>Subject:</b>	Medium Term Financial Plan Update and Budget Savings Proposals 2021/2022
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**Summary**

**Proposed decision(s)**

- That the Executive notes the updated Medium Term Financial Plan position for 2020-24.
- That the Executive endorses the proposed additional budget efficiency savings for 2021/22 detailed in Appendix 1 which are considered to have minimal or no effect on front line service delivery levels, and the proposed Council Tax increase of 3.99% for 2021/22.
- That this report is presented to Council on 16 December 2020, allowing consultation on the budget and the proposed Council Tax increase to commence, with any required changes arising from the discussion of the report at the Executive delegated to the Executive Member for Finance and Governance, as advised by the Director of Finance.

<b>Report for:</b>	<b>Key decision:</b>	<b>Confidential:</b>	<b>Is the report urgent?</b>
Decision	Yes – over the financial threshold (£150,000) and affects more than two wards	No	No

**Contribution to delivery of the 2020-23 Strategic Plan**

<b>People</b>	<b>Place</b>	<b>Business</b>
The revision of the Council’s Medium Term Financial Plan for 2020-24 and the budget efficiency savings proposals in the report play a central role in ensuring that the Strategic Plan is delivered effectively.		

**Ward(s) affected**

The proposed budget and Council Tax increase will potentially affect all wards.

## **What is the purpose of this report?**

1. This report provides an update to Executive of the Council's Medium Term Financial Plan (MTFP) for the period to 2023/24, reflecting and supporting delivery of the Strategic Plan.
2. The report sets out to Executive the proposed additional budget efficiency savings and the proposed Council Tax increase for 2021/22, and notes that following approval by Council on 16 December 2020 the proposals will be, where required, subject to public consultation.

## **Why does this report require a Member decision?**

3. The Council has a legal obligation in relation to setting a balanced budget and to meet the challenging financial targets faced in the MTFP. The setting of the budget is part of the policy framework and therefore requires Full Council approval.

## **Report Background**

### **Medium Term Financial Plan to 2024**

4. The Priorities of the Elected Mayor of Middlesbrough and Strategic Plan 2020-2023 report to Council on 15 January 2020 set out what the Council was aiming to prioritise over the next three years. The "Refreshing the Strategic Plan for the 2021-24 period" report which is presented to this Executive proposes revisions to the Council's strategic priorities, with the proposed revised priorities being as follows:
  - Vulnerable people;
  - Crime and anti-social behaviour;
  - Climate change;
  - Covid-19 recovery;
  - Physical environment;
  - Town centre;
  - Culture; and
  - Quality of service.
5. The Council maintains a Medium Term Financial Plan (MTFP) that sets out the financial envelope that is necessary to achieve those aims and the savings necessary for living within those financial plans (budget savings). The MTFP :
  - 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 the MTFP period;
  - 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.
6. The Medium Term Financial Plan to 2023 was included as part of the Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2020/21 report presented to Council on 26 February 2020. Since the report to Council in February 2020 there have been a number of changes which require the Council's

MTFP to be updated. As reported previously in the 2020/21 Quarter One Projected Outturn reports to Executive on 18 August 2020 and to Council on 2 September 2020, and in the 2020/21 Quarter Two Projected Outturn report to this Executive, the Covid-19 pandemic is having a significant impact on the Council's financial position.

7. A report was presented to Executive on 29 September 2020 which provided an updated position on the MTFP. This report provides a further update report to Executive, and then to Council on 16 December 2020, as part of the usual annual budget setting process.
8. The report to Executive on 29 September 2020 detailed the anticipated changes to the Council's financial position in the period to 2022/23 since the budget report to Council in February 2020, along with the main assumptions and risks contained within the updated MTFP. The report highlighted that there was a requirement for an estimated £3m of additional budget savings in 2021/22.
9. The MTFP, along with the assumptions and risks included in it, has been further reviewed in this report, with further details being included in the paragraphs below. The table below summarises the updated position of the anticipated changes to the Council's financial position in the period to 2023/24 since the budget report to Council in February 2020.

	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u> <u>(indicative only)</u>	<u>Total 2020-</u> <u>2024</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Gap - Council February 2020	0.000	0.000	0.337	0.000	<b>0.337</b>
Q2 2020/21 Reported Overspend	4.405	0.000	0.000	0.000	<b>4.405</b>
Latest Review - estimated gap	0.000	3.011	0.371	2.616	<b>5.998</b>
<b>Movement</b>	<b>4.405</b>	<b>3.011</b>	<b>0.034</b>	<b>2.616</b>	<b>10.066</b>
Savings identified to contribute to gap	0.000	0.000	0.000	0.000	<b>0.000</b>
Additional Contributions to/(from) Reserves	(4.405)	0.000	(0.371)	0.000	<b>(4.776)</b>
<b>Additional Requirement</b>	<b>0.000</b>	<b>3.011</b>	<b>0.000</b>	<b>2.616</b>	<b>5.627</b>
<b>TO BE MET THROUGH SAVINGS/COUNCIL TAX INCREASE IN 2021/22</b>		<b>3.011</b>			

10. It should be noted that an additional year (2023/24) has been added to the MTFP as part of this further update. This is only provided as an indicative guide at this stage due to the high level of financial uncertainty surrounding future local government funding, and at this stage no additional budget savings are proposed to cover the budget gap in 2023/24 until further information is received and estimates are more robust. The estimates and the potential requirement for any further budget savings in 2022/23 and 2023/24 will be reviewed again in the budget report to Council in February 2021.
11. The major change to the MTFP is the financial effect of Covid-19, which is £4.414m of the above total Quarter Two projected overspend of £4.405m shown for 2020/21. Full details of the projected overspend for 2020/21 including the estimated financial effect of Covid-19 are provided in the 2020/21 Quarter Two Projected Outturn report to this Executive. Full Council approved on 2 September 2020 the use of the General Fund Reserve to fund the total projected overspend in 2020/21, and the transfer of the balance on the Investment Fund Contingency Reserve of £4.928m to the General

Fund Reserve to cover this additional burden in 2020/21 without adversely affecting the minimum level of General Fund Reserve of £9.4m required to be held.

12. Whilst the above has ensured that the 2020/21 budget can be balanced on a one-off basis in 2020/21 without adversely affecting the level of the General Fund Reserve, there is a need to consider the longer term effects on the MTFP. The above table shows that following this update of the MTFP it is still currently estimated that approximately £3m of additional budget savings and/or increases in the level of Council Tax increase assumed are required in 2021/22.
13. Executive Members have held a number of discussions regarding potential additional budget savings and/or changes to the assumptions relating to the Council Tax increase in 2021/22, in order to meet the estimated budget gap of approximately £3m in 2021/22. Executive have decided to propose a number of potential additional budget efficiency savings which have minimal or no effect on front line service delivery levels, alongside an increase in the Council Tax increase to 3.99% in 2021/22. These are detailed in this report with the proposed increases in Council Tax shown in paragraphs 27 to 33 and the proposed additional budget efficiency savings being shown in paragraphs 50 to 54. These proposals are brought forward for consideration by this Executive and then by Council on 16 December 2020, after which public consultation on the budget and the proposed Council Tax increase of 3.99% for 2021/22 will commence.
14. The above approach demonstrates that the Council has considered the issues strategically and has a deliverable plan to ensure the Council's financial sustainability. However, it should be noted that due to Covid-19 and uncertainty around future Government funding this is a constantly moving situation, and this means that the financial position and the level of estimated additional savings and Council Tax increase are subject to change. The reports to Executive and Council in February 2021 will provide a further update of the MTFP incorporating any further information which has become available, including the impact of the Local Government Finance Settlement.
15. As noted in the report to Executive on 29 September 2020 there are a number of planned budget savings for 2021/22 which were proposed as part of the budget report to Council in February 2020 and are already assumed in the MTFP. These are shown in the table below. It should be noted that removal of any of these savings would require further additional savings to be made to replace them.

<b>Directorate</b>	<b>Detail of saving</b>	<b>(£'000)</b>
Environment & Community Services	Proposal to move to fortnightly Waste Collections*	396
Environment & Community Services	Review of Area Care activities, with exploration and potential joint working	186
Regeneration	Reviews and restructures across services areas formerly part of the Culture, Communities and Communications Directorate	37
Public Health & Public Protection	Full year effect of variation to contract for School Nursing and Health Visiting with Harrogate and District NHS Hospital Foundation Trust to realise efficiencies	68
	<b>Savings as outlined in 2020/21 Budget Report to Council 26/02/20</b>	<b>687</b>
Various	Incremental ongoing effects in 2021/22 of savings approved and commenced in previous years	791
Various	Invest to Save projects	90
	<b>TOTAL SAVINGS FOR 2021/22 ALREADY ASSUMED IN MTFP</b>	<b>1,568</b>

*\* It should be noted that the consultation period for the proposal to move to fortnightly waste collection ended on 31 October 2020 and a separate report to this Executive recommends that the proposal is approved. If this saving does not proceed, then replacement savings will need to be identified*

## ***Assumptions***

16. The budget report to Council in February 2020 detailed the key assumptions made in the MTFP, and the MTFP update report to Executive on 29 September 2020 highlighted the key assumptions and risks including any major changes since February 2020. The following paragraphs provide an update to the assumptions and risks and any changes that have been made in this update of the MTFP.

### *Covid-19*

17. The current update of the MTFP assumes the level of estimated financial pressure from Covid-19 and the assumed Government grant funding for Covid-19 in 2020/21 will be the same as detailed in the 2020/21 Quarter Two Projected Outturn report to this Executive. It currently does not assume any further financial effect of a potential major second wave of Covid-19 locally or nationally, or takes account of future increased lockdowns locally or nationally.
18. In the updated MTFP it has been recognised that there is a potential continuing effect of Covid-19 and recovery in 2021/22. As detailed in paragraph 16 of the report to Executive on 29 September 2020 there are a number of service areas across the Council that could potentially see budget pressures as a result of the continuing effect of Covid-19 and recovery in 2021/22, and that a potential estimated financial impact to the Council of £3m in 2021/22 has been calculated. Therefore in the updated MTFP a central contingency budget of £3m has been provided in 2021/22 only for this. This estimate is based on currently available information and this is an evolving situation and will be further updated in the budget report to Council in February 2021.
19. There is also a major risk to the Council's finances that the future economic climate caused by Covid-19 adversely affects the Council's finances, in particular the Council Tax and Business Rates Bases and the corresponding income received by the Council over the MTFP period, and that this is not compensated for by additional Government grant funding. Accounting regulations on the Collection Fund mean that this should not affect the Council's finances until 2022/23 and an amount of £1.300m has been provided in 2022/23 for the potential financial effect of this. This will be closely monitored and updates will be provided in future reports.

### *Government funding*

20. The Government launched on 21 July 2020 the 2020 Comprehensive Spending Review (CSR) which was intended to set out the government's spending plans for the lifetime of the parliament. The period for representations to the Review closed on 24 September 2020. Subsequently the Chancellor has announced that plans for a multi-year comprehensive spending review have been scrapped for the time being, due to the more immediate challenges such as Covid-19 pandemic and Brexit dominating government attention, and that the Government's spending review will be a one year review for 2021/22 only and this will be publically launched on 25 November 2020.
21. No details have yet been provided of the funding mechanism or the level of funding for local government in 2021/22, however as mentioned above the Chancellor has confirmed that there will again be a one year allocation of funding for 2021/22, as was the case in 2020/21. The amount of funding for local government and also the

allocation to individual local authorities as part of the Local Government Finance Settlement is expected to be provisionally published in late December 2020 (no date has yet been announced) and confirmed in February 2021. This level of uncertainty means that future funding remains one of the most significant risks to the Council.

22. The report to Executive on 29 September 2020 highlighted the main assumptions regarding government funding made in the updated MTFP, and since then there have been no further announcements or information available that have led to the assumptions being required to be amended. The estimates of government funding will be revised when further information is available from the one year Spending Review and the provisional Local Government Finance Settlement which is expected in late December 2020, and will be updated in the 2021/22 budget report to Council in February 2021 upon receipt of the final confirmed Local Government Finance Settlement for 2021/22.
23. Currently the following main assumptions regarding government funding have been made in the updated MTFP:
  - That additional funding for Social Care of £4.817m provided in 2020/21 relating to both Adults and Children's Care is assumed to continue in 2021/22 only.
  - That there will be no increase or decrease to the current levels of Revenue Support Grant (RSG) and Business Rates Top Up Grant in 2021/22, 2022/23 and 2023/24.
  - That currently there are no changes to the other grant assumptions outlined in the report to Council in February 2020.
24. As mentioned in the report to Executive on 29 September 2020, as part of the Spending Round in November 2019 the Government also announced that the planned re-set of business rates retention of 75% (from the current 50%) and the introduction of a new "fair funding" formula for local government would be delayed until 2021/22. The Government have now announced that this will be further deferred to 2022/23. 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. This is not currently planned for and would result in a requirement for further budget savings.
25. The potential impact of Brexit, in particular a "no deal" Brexit, on the local economy also remains a considerable issue for the Council's strategic objectives.
26. Notwithstanding these high levels of uncertainty, the Council's budgetary assumptions are based on the most up to date reliable information.

#### *Local funding increases*

27. The MTFP update provided in the report to Executive on 29 September 2020 assumed that the Council will apply a 1.99% increase per year in the core element of Council Tax in both 2021/22 and 2022/23. The estimated approximate £3m budget

gap in 2021/22 is based on the currently assumed 1.99% Council Tax increase in 2021/22, and therefore if the Council Tax increase for 2021/22 remains at 1.99% additional budget savings of approximately £3m would be required in 2021/22.

28. Following discussions regarding the estimated budget gap in 2021/22, Executive Members have now indicated that their recommendation is that the Council adopts a 3.99% increase in Council Tax for 2021/22. This is an increase from the previous assumption of a 1.99% increase.
29. The proposed increase in Council Tax to 3.99% in 2021/22 will mean that the approximate £3m of estimated additional budget savings required in 2021/22 as outlined in paragraph 9 can be reduced by approximately £1.1m to approximately £1.9m, as each 1% increase in Council Tax produces estimated additional income to the Council of approximately £550,000.
30. The effect of the proposed Council Tax increase to 3.99% in 2021/22 on the Middlesbrough Council only element of the Council Tax (excluding Fire, Police and Parish precepts) for Band A and Band D properties is shown in the table below:

	<b>3.99% increase</b>	
<b>Band</b>	<b>Annual (£)</b>	<b>Weekly (£)</b>
A	45.49	0.87
D	68.23	1.31

31. The Government have not yet indicated to local authorities whether a referendum limit for Council Tax increases will be set for 2021/22 and at what level any such referendum limit will apply for 2021/22. The proposed 3.99% increase in Council Tax in 2021/22 assumes that the Government will continue to allow this level of increase without the need for a referendum. Any change to this will mean that the level of proposed Council Tax increase for 2021/22 will have to be reviewed.
32. The Government have also not yet announced whether the Adult Social Care Precept, which was allowed at 2% in 2020/21, will apply in 2021/22 and 2022/23. This in previous years 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. This could potentially change the level of Council Tax increase that is proposed for 2021/22.
33. The effect of the above would mean that for 2021/22 Council Tax would increase by 3.99%, and then by a further 1.99% in both 2022/23 and 2023/24.
34. There is estimated to be an increase in Council Tax income in 2021/22, 2022/23 and 2023/24 of approximately £700,000 per year due to a predicted increase in the Council's Tax Base resulting from projected Housing Growth over the period. These estimates are being reviewed on a regular basis in light of the potential effect of Covid-19 on delays to house building, and these will be updated as part of the budget report to Council in February 2021 when further information is available.
35. At this stage for prudence purposes no inflationary increase or growth in the Local Share of Business Rates in 2021/22, 2022/23 and 2023/24 has been assumed.

### *Pay awards and inflation*

36. Agreement has recently been reached between the National Employers and the NJC Trade Unions as to a 2.75% pay award for 2020/21 only across the board for Local Government Services employees effective from 1 April 2020. Previously only a 2% pay award had been assumed in the MTFP, and provision has now been made in this updated MTFP for the estimated effect of the increased pay award. There is a high level of uncertainty around local government pay awards in future years, and therefore currently for prudence purposes a 2% pay award per annum has been assumed in future years.
37. Contractual inflation has been provided in the MTFP period. The level of contractual inflation will be reviewed again in the budget report to Council in February 2021. 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.
38. Income from fees and charges has been assumed to increase on average by 2.5% per annum. This excludes car parking and statutory charges. The level of income inflation will be reviewed again in the budget report to Council in February 2021.

### *Living Wage*

39. Increases in the National Living Wage, will impact upon organisations – principally care providers – who are contracted to carry out functions on behalf of the Council. It is currently assumed that the National Living Wage will increase by approximately 5% per annum over the period from 2021/22 to 2023/24, and an amount of £3.4m has been allocated to cover the increases in costs expected as a result of this. As with future pay awards there is a high level of uncertainty around this and whether Government will maintain their manifesto commitment to increase this to the levels previously announced. Information about the planned rate for the National Living Wage for the forthcoming year and future years is usually announced following the Spending Review and therefore this will be reviewed again in the budget report to Council in February 2021.

### *Demand pressures*

40. In line with the revised assumption in paragraph 23 that additional funding for Social Care is assumed to continue in 2021/22 only, the additional grant funding projected to be received in 2021/22 will be allocated to Children's Social Care and Adult Social Care in the same levels as in 2020/21, with £3.5m being allocated to Children's Services and £1m being allocated to Adult Social Care.
41. As outlined in paragraph 39 of the Quarter Two 2020/21 Projected Outturn Executive report it is intended that the budget held centrally for ongoing demand pressures is transferred to Children's Services and used on a permanent basis to offset the ongoing demand pressures within Children's Care.
42. Further Children's Social Care demand increases and any delays to the implementation of the Council's Ofsted Improvement Plan continue to be a major potential risk to the Council and these will be closely monitored over the MTFP period.

There is also a risk that funding from central government does not reflect increased demand in Social Care, in particular in Children's Social Care.

### ***Use of Reserves and Balances***

43. The Director of Finance 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 £9.4m 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.
44. Full Council approved on 2 September the use of the General Fund Reserve to fund the total projected overspend in 2020/21, and the transfer of the balance on the Investment Fund Contingency Reserve of £4.928m to the General Fund Reserve to mitigate the effect on the General Fund Reserve of the total projected revenue overspend in 2020/21.
45. This updated MTFP including the proposed level of additional budget savings and proposed Council Tax increases will enable the level of the General Fund Reserve to remain above the minimum recommended level throughout the MTFP period.

### ***Budget Savings requirement and proposals***

#### ***Budget Savings already assumed in the current MTFP***

46. As noted in paragraph 15 planned budget savings for 2021/22 totalling £1.568m were proposed as part of the budget report to Council in February 2020 and are already assumed in the MTFP. A large proportion of the planned budget savings approved in previous years did not require further public consultation, as they were considered to have minimal or no effect on front line service delivery levels, and are in delivery or have been fulfilled. However, a number of the previously planned budget savings for 2021/22 required further consultation during 2020/21 and details are provided in the paragraphs below. It should be noted that if any of the planned budget savings do not proceed then replacement additional budget savings will need to be identified.
47. The major planned budget saving proposed which required further consultation is the proposal to move to fortnightly Waste Collections estimated to achieve a budget saving of £396,000. The consultation period for this ended on 31 October 2020 and a report to this Executive recommends that the proposal is approved. It should be noted that the total saving that is estimated that can be achieved is now £322,000 against the savings target of £396,000. The shortfall of £74,000 will be accounted for in the revised MTFP.
48. After consideration of the planned budget saving previously approved relating to "Review of Area Care activities" it has been deemed that this will no longer be achievable due to the significant effect the planned budget saving would have on service delivery levels. It is therefore proposed that the budget saving of £186,000 is replaced with two alternative savings within Environment & Community Services relating to a £100,000 saving on the Premises Running costs budget due to savings on energy costs and internal rates charges, and a £86,000 saving within the

Streetlighting budget from efficiencies achieved following the maintenance contract being returned in-house. Following evaluation of these two alternative savings it is considered that they will have minimal or no effect on front line service delivery levels and therefore will require no further consultation.

49. The revised MTFP includes provision of approximately £0.6m for a number of previously planned budget savings which have been removed from the MTFP as they are no longer deemed fully or partly achievable for a number of reasons. These are summarised in the table below :

*Savings proposals removed or partly removed*

Ref:	Budget saving proposal
ECS19	Reduction in operational costs of fleet vehicles in line with planned efficiencies in services across the authority
REG 06	Review of Transporter Bridge operational arrangements
CCC 09	Increase advertising income from Love Middlesbrough to ensure self-sufficiency
PHPP 08	Reduced partnership contributions, decommissioning of small contracts, maintaining existing vacancies and identification of alternative funding sources (partly unachievable)
DIG various	Various Digital savings
Invest to Save	Housing Delivery Vehicle
Invest to Save	The Live Well Centre expansion

**Proposed Additional Budget Savings**

50. As noted in paragraph 9 the refreshed MTFP identifies that there is an estimated budget gap of approximately £3m in 2021/22, however as detailed in paragraph 29 the proposed increase in the Council Tax to 3.99% will reduce the additional budget savings required in 2021/22 to approximately £1.9m.
51. Executive have proposed additional budget efficiency savings totalling approximately £1.9m and these have been categorised using the same categories as in previous years as set out below :

Appendix	Description
1	<b><u>Efficiency Savings proposals that are considered to have minimal or no effect on front line service delivery levels -</u></b> These proposals require no, or no further public consultation or impact assessment prior to consideration by Full Council as part of the 2021/22 revenue budget for implementation in 2021/22 or future years. Some internal consultation may be required prior to implementation if the proposals have a significant impact on employees, and this will be undertaken by management as appropriate
2	<b><u>Savings proposals considered to potentially affect front line service delivery levels -</u></b> These proposals will form part of the 2021/22 revenue budget, and will be subject to the impact assessment process and consultation either prior to consideration by Full Council as part of the 2021/22 revenue budget, or during 2021/22 for implementation in that year or future years.
3	<b><u>Savings proposals requiring further development prior to being brought forward for approval -</u></b> These are proposals 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 2021/22 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.

52. Following consideration of the proposed additional budget efficiency savings it has been determined that all of the proposed additional budget efficiency savings are considered to have minimal or no effect on front line service delivery levels and that they require no, or no further public consultation or impact assessment prior to consideration by Full Council as part of the 2021/22 revenue budget for implementation in 2021/22. All of the proposed additional budget efficiency savings are therefore shown in Appendix 1, and currently there are no proposed additional budget savings to be included in Appendix 2 or 3. The budget consultation will therefore be regarding the proposed Council Tax increase only.
53. If it becomes necessary to move any of the budget savings between appendices, further work will be undertaken as appropriate.
54. Future years' savings proposals are subject to robust governance and monitoring and full delivery is assumed, therefore no alternative or additional savings are required for the MTFP period at this time. If full delivery of the proposed budget savings is not achieved then alternative or additional savings will be required.

### **Investment Strategy**

55. The Executive on 29 September 2020 approved the removal and addition of a number of schemes and a revised Investment Strategy to 2022/23. The Investment Strategy has been further revised as part of the Revenue and Capital Budget – Projected Outturn position as at Quarter Two 2020/21 report to this Executive.
56. The Council's Investment Strategy is updated each quarter via the quarterly budget monitoring reports, and also a full revision of the Investment Strategy for the MTFP period, including 2023/24, will be included in the budget report to Council in February 2021.

### **What decision(s) are being asked for?**

57. That the Executive notes the updated Medium Term Financial Plan position for 2020-24.
58. That the Executive endorses the proposed additional budget efficiency savings for 2021/22 detailed in Appendix 1 which are considered to have minimal or no effect on front line service delivery levels, and the proposed Council Tax increase of 3.99% for 2021/22.
59. That this report is presented to Council on 16 December 2020, allowing consultation on the budget and the proposed Council Tax increase to commence, with any required changes arising from the discussion of the report at the Executive delegated to the Executive Member for Finance and Governance, as advised by the Director of Finance.

## **Why is this being recommended?**

60. To enable the Council to meet its statutory responsibility to set a balanced revenue budget and to ensure that a proper framework is in place for the medium term financial management of the Council, which will enable the Council to take a systematic, coherent and controlled approach to addressing ongoing financial challenges over the medium-term, while maximising its contribution to the Mayor's priorities for Middlesbrough.

## **Other potential decisions and why these have not been recommended**

61. The Council has no option but to monitor its financial position, addressing any potential financial pressures and any budget savings required, to ensure the Council's financial position is balanced. The updated Medium Term Financial Plan for 2020-24 will provide the means to achieve this in a proactive and systematic manner, while continuing to reshape the Council to lead the delivery of the priorities for Middlesbrough.

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

### ***Legal***

62. The Council is required under legislation to set a balanced budget for each year. The Medium Term Financial Plan and revenue and capital budgets form part of the Council's policy framework, as set out in its constitution. The approach outlined within the document will enable the Council to operate within the resources available and continue to meet its many statutory duties.
63. Elected members (individually and collectively) have a fiduciary duty to local taxpayers and so duty to facilitate, rather than frustrate, the setting of a lawful budget, and not to do so would bring damaging legal, financial, operational and reputational consequences for the Council, and precepting authorities such as the police, fire service and local parish councils. It may also give rise to personal liability for individual members for misfeasance in public office, negligence or breach of statutory duty, should they be found to be purposely failing to set a lawful budget.

### ***Financial***

64. This report proposes additional budget efficiency savings and increases in Council Tax for 2021/22 to meet an estimated budget gap of approximately £3m in 2021/22.
65. Additional budget efficiency savings for 2021/22 totalling approximately £1.9m are proposed, and it is considered that they will have minimal or no effect on front line service delivery levels, and therefore will require no public consultation (see paragraphs 50 to 54 for details).
66. These proposed additional budget efficiency savings are in addition to planned savings of £1.568m for 2021/22 previously approved by Council in February 2020 and already assumed in the MTFP (see paragraphs 46 to 49 for details).

67. It is proposed that for 2021/22 Council Tax will increase by 3.99%, and then by 1.99% in each of the years 2022/23 and 2023/24 (see paragraphs 27 to 33 for details).
68. The final proposed 2021/22 budget will be presented to Executive on 16 February 2021, and then to Council for approval on 24 February 2021.
69. In the event that significant changes to the Council's financial position come to light in the interim then the proposed additional budget efficiency savings and Council Tax increase in 2021/22 may need to be revised ahead of the budget report to Council on 24 February 2021.

### ***Policy Framework***

70. 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***

71. Additional budget efficiency savings proposals for 2021/22 have been initially assessed and categorised in Appendices 1-3 as detailed in paragraph 51. As stated in paragraph 52 all of the proposed additional budget efficiency savings are considered to have minimal or no effect on front line service delivery levels and therefore require no public consultation or impact assessment prior to consideration by Full Council as part of the 2021/22 revenue budget for implementation in 2021/22, and are therefore included in Appendix 1. There are therefore no proposed additional budget efficiency savings to be included in Appendices 2 or 3. The budget consultation will therefore be regarding the proposed Council Tax increase only.
72. The Council must ensure that, in line with the Public Sector Equality Duty, that any budget saving proposals or Council Tax increase thought to impact on those with protected characteristics are assessed, mitigated where possible and/or justified. As such impact assessments for specific proposals and Council Tax increase will be completed prior to consideration by the appropriate decision-making body, where required. This will be prior to the presentation of the 2021/22 budget report to Council in February 2021.

### ***Risk***

73. The MTFP has been reviewed to ensure that the correct assumptions are made to ensure that there are no unforeseen / unmitigated funding gap (08-059) and that a balanced budget can be set for future years.

### **Actions to be taken to implement the decision(s)**

74. Consultation in respect of the proposed budget and Council Tax increase for 2021/22 will, following approval by Council on 16 December 2020, commence on 17 December 2020 and conclude on 31 January 2021, with appropriate impact assessments undertaken considering responses to the consultation.
75. It is planned that the budget consultation will be undertaken this year as part of an "annual conversation" with local communities and the Council's stakeholders on the

direction of travel and future plans (including spending plans), an approach which will in future years be embedded within the Council's emerging locality working approach. The "annual conversation" will build on the success of the 2020/21 budget consultation, closely involving elected members in proactively engaging stakeholders in the development of the Council's plans and spending decisions. It will have a clear brand identity and be promoted across social media and other channels, gathering both quantitative and qualitative information that will provide both real insight for the Council and real influence for respondents. The aim is to encourage more people to take part in the annual budget consultation.

76. The consultation this year has had to be adapted to comply with Covid-19 restrictions and it is planned that it will include:

- a dedicated internet page on the Council's website;
- a general public survey on the Council's website, with hard copies distributed across hubs and libraries;
- a general consultation email address;
- an increased level of digital promotion and increased public engagement through social media;
- short explanatory films by the Mayor and Director of Finance regarding the planned budget;
- potential virtual public meetings attended by senior politicians and managers;
- other opportunities for residents who are not digitally enabled to take part and give their views;
- designed postcards delivered to households/community venues with key questions and freepost address to return;
- promotional posters and adverts in key footfall and community locations;
- consultation with the Council's Overview and Scrutiny Board;
- consultation with the Council's partners and the local business sector, including a virtual meeting with the town's Chamber of Commerce; and
- greater involvement of elected members in the process overall, including two virtual briefings with Elected Members.

77. The output of the consultation process will then be reported to Executive on 16 February 2021 and Council on 24 February 2021, which will:

- again refresh the MTFP following the Local Government Finance Settlement, set the 2021/22 budget and associated budget savings and targets, and set the Council Tax level for 2021/22;
- comply with the Public Sector Equality Duty and set out any impacts identified from the proposals to meet savings targets for 2021/22 and future years.

## **Appendices**

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

## Background papers

15/01/20	Council	Priorities of the Elected Mayor of Middlesbrough and Strategic Plan 2020-2023
26/02/20	Council	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2020/21
16/06/20	Executive	Strategic Plan 2020-23 – Progress at Year-end 2019/20
18/08/20	Executive	Revenue and Capital Budget – Projected Outturn position as at Quarter One 2020/21
02/09/20	Council	Revenue and Capital Budget – 2020/21 Quarter One Projected Outturn position and the use of reserves for in year Covid-19 Pressures
29/09/20	Executive	Medium Term Financial Plan Update
24/11/20	Executive	Revenue and Capital Budget – Projected Outturn position as at Quarter Two 2020/21
24/11/20	Executive	Refreshing the Strategic Plan for the 2021-24 period

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