

EXECUTIVE

Date:	Wednesday 3rd September, 2025
Time:	5.00 pm
Venue:	Mandela Room

AGENDA

1. Welcome and Fire Evacuation Procedure

In the event the fire alarm sounds attendees will be advised to evacuate the building via the nearest fire exit and assemble at the Bottle of Notes opposite MIMA.

2. Apologies for Absence

3. Declarations of Interest

4. Minutes - Executive - 16 July 2025 3 - 8

THE MAYOR

5. Corporate Performance Quarter One 2025/2026 9 - 44

EXECUTIVE MEMBER - FINANCE

6. Revenue and Capital Budget – Forecast Year-End Outturn position at Quarter One 2025/26 45 - 90
7. Medium Term Financial Plan (MTFP) update and 2026/27 budget approach and timetable 91 - 112
8. Any other urgent items which in the opinion of the Chair, may be considered.

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Tuesday 26 August 2025

MEMBERSHIP

Mayor C Cooke (Chair) and Councillors I Blades, T Furness, P Gavigan, L Henman, J Rostron, J Ryles, P Storey and N Walker

Assistance in accessing information

Should you have any queries on accessing the Agenda and associated information please contact Scott Bonner / Chris Lunn, 01642 729708 / 01642 729742, scott_bonner@middlesbrough.gov.uk / chris_lunn@middlesbrough.gov.uk

EXECUTIVE

A meeting of the Executive was held on Wednesday 16 July 2025.

PRESENT: Mayor C Cooke (Chair) and Councillors I Blades, T Furness, P Gavigan, L Henman, J Rostron, P Storey and N Walker

PRESENT BY INVITATION: Councillors L Young

OFFICERS: C Benjamin, S Bonner, B Carr, G Field, L Grabham, R Horniman, A Hoy, A Humble and E Scollay

APOLOGIES FOR ABSENCE: Councillor J Ryles

25/9 **DECLARATIONS OF INTEREST**

The Mayor and Executive Members expressed thanks to the outgoing Executive Director of Children's Services for his hard work and dedication. Members commented that services offered to Middlesbrough's children and young people were in a stronger position due to his tenure.

There were no declarations of interest received at this point in the meeting.

25/10 **MINUTES - EXECUTIVE - 11 JUNE 2025**

The minutes of the Executive meeting held on 11 June 2025 were submitted and approved as a correct record.

25/11 **PROGRESS AGAINST CONTINUOUS IMPROVEMENT PLAN**

The Mayor submitted a report for Executive Approval the purpose of which was to set out the expanded Continuous Improvement Plan. The purpose of the plan was to ensure the Council could articulate its ongoing commitment to Continuous Improvement and capture activity that had been undertaken to deliver that commitment.

In March 2025, Full Council considered the final reports of both the Local Government Association (LGA) Corporate Peer Challenge team and the Middlesbrough Independent Improvement Advisory Board (MIIAB). Both those reports were hugely positive, recognising the improvements the Council had made over the previous two years on its improvement journey.

They also contained a series of recommendations, designed to ensure the Council maintained an outcome focussed commitment to the principles of the continuous improvement journey as it transitioned from a period of intervention.

A copy of the live Continuous Improvement Plan was appended to the report and its status as of June 2025. Since the plan was agreed at Full Council in March 2025, it had been expanded to reflect actions arising from the External Assurance review undertaken by Grant Thornton as part of the Exceptional Financial Support (EFS) application. The plan also included an action arising from the Care Quality Commission inspection of Adult Social Care services.

There were currently 47 actions within the live plan. Of those 47, 16 had been completed to date with the remaining in progress. This was a live plan and a real commitment to continuous improvement. As such, even where actions had been completed, their impact would continue to be tracked, and further activity may need to be identified to ensure the actions had the required impact and / or to ensure the Council continued to proactively address the issues within the scope of the recommendations.

The Mayor commented that a LGA peer challenge follow up would be happening on the 12 and 13 November 2025. The Mayor also stated this matter would be part of his update to the

Overview and Scrutiny Board on 30 July 2025.

OPTIONS

The Council could choose to maintain multiple documents capturing continuous improvement activity; however, this would be an inefficient approach and would reduce Member's ability to see a comprehensive overview of the Council's ongoing activity in relation to continuous improvement.

ORDERED that the updated Continuous Improvement Plan be approved.

AGREED that the progress made in delivering the commitments within the Continuous Improvement Plan be noted.

REASONS

Having a Continuous Improvement Plan that captured all strategic Continuous Improvement activity, provided Members and Officers with a comprehensive overview of improvement activity within the organisation as part of a framework of assurance reports. Agreeing the revised content of the plan would ensure the Council was tracking this type of activity within one document. Further revisions to the live plan would be identified as necessary going forward.

25/12

MIDDLESBROUGH PRIORITIES FUND

The Mayor submitted a report for Executive consideration. Proposals for funding from the Middlesbrough Priorities Fund from Directorates were subject to completion of a pro-forma outlining the proposal and detailing both which of the Council Plan objectives and scheme criteria the proposal linked to. All proposals received from Directorates were added to proposals received from Executive Members and were collated into an overall 'log' spreadsheet which was assessed by the Mayor, with support from the Chief Executive, to determine which were to progress for approval by Executive within each tranche and which measures were either of lower priority or could be funded by other means.

As signalled in the Executive report of 30 April 2025, following this prioritisation the decision to implement the selected measures, or not, would be taken by Executive. Once implemented the measures would be tracked as part of the Council's performance management framework, including measurement of the impact and outcomes. As detailed in the Middlesbrough Priorities Fund report to Executive on 30 April 2025, a Middlesbrough Priorities Fund of £4.367m for 2025/26 only was established and approved by Full Council on 19 February 2025 as part of the 2025/26 Revenue Budget, Medium Term Financial Plan, and Council Tax setting report. The intention of the Fund was to deliver high impact, one-off projects for the benefit of the communities in Middlesbrough. A breakdown of the proposals submitted to date were detailed at paragraphs 4.3 to 4.18 of the report.

OPTIONS

For no further proposals to be submitted. However, the absence of any other proposals would mean that the Fund was not utilised to its maximum potential provided for in the 2025/26 Budget approved by Council on 19 February 2025.

ORDERED that the second tranche of proposals totalling £1.310m as detailed in the report, be funded from the Middlesbrough Priorities Fund.

AGREED for it be noted if the proposed schemes included in the report were approved, the unallocated balance remaining in the Fund would be £2.142m.

REASONS

This would enable effective use of the Middlesbrough Priorities Fund budget allocation set aside for 2025/26 and ensure Best Value was obtained.

25/13

NUNTHORPE COMMUNITY CENTRE – NEXT STEPS

The Executive Member for Development submitted a report for Executive consideration the purpose of which sought Executive approval for the proposed terms of the lease agreement

and the commencement of construction of the Community Centre.

In 2024, Executive considered the Developing a new Nunthorpe Community Facility report that provided an update on the progress on the scheme. That report stated that an option appraisal had been undertaken, which identified the most appropriate location for the Community Centre as being the Council owned land adjacent to Nunthorpe Surgery on Stokesley Road. That report further advised that a consortium led by Nunthorpe Parish Council with Nunthorpe Community Council and the Nunthorpe Institute had been identified as the preferred operator of the Community Centre following a formal selection process.

Since the appointment of the Management Consortium several workshops had been held with Council officers to agree minor variations from the layout that was used during the option appraisal process to identify the preferred operator. The variations permitted were limited to maintain the integrity of the option appraisal process. A detailed planning application was submitted in March 2025 for the construction of a single-story building using traditional methods of construction and associated external works comprising car parking, footpaths and minimal landscaping. The building would have two multi-purpose activity rooms, toilets, stores, kitchen and office space access from a central circulation area. The proposed layout and elevation plans were attached as Appendices one and two of the report.

A detailed planning application was heard at Planning Committee on 3 July 2025 and Members approved the development in line with the officer recommendation.

The Executive Member proposed an amendment to the recommendations of the report, specifically recommendation C. The proposed amendment included the Executive Member for Development as part of the delegation for variations between Heads of Terms and the main lease.

OPTIONS

An option appraisal was previously undertaken, which considered an alternative site for the Community Centre, but Stokesley Road was identified as the preferred location.

Expressions of interest were also sought to identify a preferred management organisation. Three organisations submitted business cases, which were scored against pre-determined scoring criteria, with the consortium led by Nunthorpe Parish Council with Nunthorpe Community Council and the Nunthorpe Institute being identified as the preferred operator.

The scheme had now been submitted for Planning Approval, and the tenders had been returned, but Executive could determine not to approve the start of construction of the Community Centre.

Failure to proceed with the construction of the Community Facility would not meet the identified needs of the Nunthorpe community and would be a reputational risk for the Council.

ORDERED that Executive

- 1. Approve the proposed amendment to recommendation C.**
- 2. Approve the proposed terms of the 25-year lease agreement with a consortium led by Nunthorpe Parish Council for the management of the facility.**
- 3. Approves the authority to enter contracts and commence construction of the Community Centre; and,**
- 4. Delegates authority for the Director of Regeneration, Section 151 Officer and Executive Member for Development to jointly agree any variations between the Heads of Terms and the main lease.**

REASONS

The planning application for the Community Centre scheme was submitted in March 2025 in accordance with the recommendations of the Developing a new Nunthorpe Community Facility report that was approved on the 22 May 2024.

The Executive Member for Environment and Sustainability submitted a report for Executive consideration. The purpose of the report was to inform Executive of statutory changes to the household waste collection service, namely:

- Weekly food waste collections service to be implemented from 31st March 2026.
- Fortnightly paper and card recycling collection to be implemented from 31st March 2026.
- Fortnightly microfilm plastics collection to commence from 31st March 2027.

The report also informed Executive of the capital and revenue funding required to implement the statutory services above and the proposed funding mechanisms to provide this.

The Council was required to commence with weekly food waste refuse collections by 31st March 2026. DEFRA had recently distributed capital funding to 251 local authorities. With Middlesbrough initially receiving funding from DEFRA for the purchase of receptacles (which were to be provided to households) and vehicles.

The details of that funding were:

- £930,834 (£127,071 for kitchen caddies, £292,263 for kerbside caddies and £511,500 for vehicles).
- Additional funding of £145,160 was then received from DEFRA (which could be allocated to both caddies and vehicles as required), totalling £1,075,994
- A Transitional Resource Grant had also been received of £343,617 from DEFRA to support the delivery of introducing weekly food waste collections (for container delivery to households, project management, procurement and communications).
- DEFRA had yet to confirm if any additional revenue funding would be provided. To begin implementation, it was assumed that DEFRA expected the Council to use the Extended Producer Responsibility (EPR) grant (detailed in paragraph 4.18 of the report) to cover any remaining costs.

To meet the statutory food waste collection implementation date of 31st March 2026, the Council had conducted a joint procurement exercise with Redcar and Hartlepool Councils to purchase the required vehicles to ensure best value and timely delivery.

Due to expected timescales for vehicle deliveries the new food waste service would commence implementation from 31 March 2026.

Each household would be provided with the appropriate food waste receptacles (an internal kitchen five litre caddy and an external 23 litre caddy). Larger households would be able to request to order more than one external caddy. It was proposed that the Council would not charge residents for additional and replacement / stolen caddies. It was proposed that the Council would provide bin liners to residents free of charge for the internal caddies for approximately one year.

Members discussed the possibility of greater public awareness on this matter. Members were advised that Environment Education Officers were being recruited to undertake this and that members of the public were free to attend any public information sessions that were taking place in their local communities. In terms of food caddies being resistant to rodents, it was clarified the food caddies were as robust as they could be and were used in other Council areas. It was also stated that increased pest control would help with this issue if the need arose.

OPTIONS

As the Council was statutorily required to comply with the DEFRA legislation no other options were put forward as part of the report.

AGREED that Executive:

1. **Notes the statutory changes to the household waste refuse collection service, namely:**
 - **Weekly food waste collections service to be implemented from 31st March 2026.**
 - **Fortnightly paper and card recycling collection to be implemented from 31st**

March 2026.

- **Fortnightly microfilm plastics collection to commence from 31st March 2027.**

2. **Notes the estimated capital and revenue funding required to implement the statutory services above, and the proposed methods of funding the required costs.**

REASONS

The Department for Environment Food & Rural Affairs (DEFRA) had made the following legislative changes mandatory:

- **A weekly household food waste collections service to be implemented from 31st March 2026.**
- **A separate fortnightly household collection service for paper and card to be implemented by 31st March 2026.**
- **The fortnightly collection of microfilm plastic from households by 31st March 2027.**

25/15

PROPOSED CHANGES TO THE VERITAU STRUCTURE

The Executive Member for Finance submitted a report for Executive consideration the purpose of which was to seek Executive approval to join a new company, limited by guarantee, for the provision of internal audit and counter fraud services, as per the attached business case at Appendix one of the report.

The report also sought Executive's approval for the payment of a dividend by VTV, which would fund Middlesbrough's subscription to VPS. The previous company will then be wound up, as the other member Redcar and Cleveland Borough Council has already moved over to the new arrangement. A Director from the Council would need to be appointed to VPS in a similar way to that already in place for governance purposes with VTV. A senior officer would also need to be appointed to the VPS members' committee.

VTV operated as a Teckal company (in accordance with the Public Contracts Regulations 2024 – as detailed in paragraph 4.7 of the report) and was currently owned by Middlesbrough Council, Redcar and Cleveland Borough Council (RCBC) and Veritau Limited. Veritau Limited was jointly owned by North Yorkshire Council (NYC) and the City of York Council (CYC) and was also a Teckal company. VTV provided internal audit and counter fraud services to the Council, reporting the outcomes of this work to the Leadership Management Team and Audit Committee. The work of VTV therefore formed a key part of the Council's overall framework of governance, control, and risk management.

The business case for the establishment of VPS was attached as Appendix one of the report.

The proposal was to join a new Teckal compliant company, limited by guarantee, which would be jointly owned by the councils who bought services from it (once the Council joined VPS, its members would be NYC, CYC, RCBC, Leicester City Council, Cherwell District Council and Middlesbrough Council). The formation and operation of the new company would provide a sustainable business model, enabling VPS to continue growing and allowing further member authorities to be admitted over time, as they bought services from VPS, whilst protecting its Teckal status.

The Mayor sought, and received, clarification that the Council still had the option to purchase more time that the contract specified if necessary.

OPTIONS

Do Nothing – This was not considered to be viable as the Council's internal audit provider would not be allowed to grow its business, otherwise it would become Teckal non-compliant under the Procurement Act 2023. The Council would then need to re-procure the services currently provided by Veritau or bring the service in-house.

As such, the alternative option was not viable, and the proposal to join the new company, limited by guarantee, remained the most appropriate solution to ensure

continued Teckal compliance and growth. This was the preferred route for both Veritau and the Council.

ORDERED that Executive

- a) Approve the membership of Veritau Public Sector Limited, a company limited by guarantee, and the novation of the existing contract.
- b) Approve the payment of a dividend from Veritau Tees Valley Limited sufficient to fund the Council's subscription to the new company.
- c) Approve a special resolution to wind up Veritau Tees Valley Limited once the Council's membership of the new company is confirmed.
- d) Delegate the approval for the Council to enter into all other necessary agreements to participate in the new company to the S151 Officer.
- e) Approve the appointment of a director to the Board of the new company and a senior officer to the members' committee to oversee its governance arrangements and performance

AGREED that the Business Case for Veritau Public Sector Limited and the reasons for the changes in the Veritau structure and how these impacted on the Council be noted.

REASONS

The change in the structure of the company was necessary to allow new member local authorities to join Veritau going forward.

By the Council joining VPS for internal audit and counter fraud services, this would allow the previous provider VTV to be wound up. A similar decision had already been made by Redcar and Cleveland Borough Council; the other local authority who was a shareholder in VTV.

25/16

ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED.

None.

The decision(s) will come into force after five working days following the day the decision(s) was/ were published unless the decision(s) become subject to the call in procedures.

MIDDLESBROUGH COUNCIL	
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Report of:	Chief Executive, Erik Scollay
Relevant Executive Member:	The Mayor, Chris Cooke
Submitted to:	Executive
Date:	3 September 2025
Title:	Corporate Performance Quarter One 2025/2026
Report for:	Decision
Status:	Public
Council Plan priority:	All
Key decision:	No
Why:	Decision does not reach the threshold to be a key decision
Subject to call in?	Yes
Why:	All Executive decisions that are non-urgent are subject to call in.

Proposed decision(s)
<p>That Executive:</p> <ul style="list-style-type: none"> • notes the progress and position of the corporate performance disciplines, including activity within the Transformation Portfolio • notes delivery status of the Council Plan 2024-27 supporting workplan, detailed at Appendix 2 • notes the Strategic Risk Register, at Appendix 4 • approves proposed changes to the Executive actions, detailed at Appendix 1 • approves the proposed changes to the Council Plan 2024-27 supporting workplan actions, detailed at Appendix 3

Executive summary
<p>This report advises the Executive of progress against corporate performance at Quarter One 2025/26, providing the necessary information to enable the Executive to discharge its performance management responsibilities against the following performance disciplines:</p> <ul style="list-style-type: none"> • Actions pertaining to decisions approved via Executive reports • Delivery of the Council Plan 2024-27 and associated outcome measures • Strategic Risk Register performance • Programme and Project management performance • Transformation progress and performance, and • Other matters of compliance

1. Purpose of this report and its contribution to the achievement of the Council Plan ambitions

1.1 This report advises the Executive of corporate performance at the end of Quarter One 2025/2026, and where appropriate seeks approval of any changes, where these lie within the authority of the Executive. The primary purpose of the report is to set out how effectively the Council is delivering activity to deliver against each of the Council Plan priorities, aims and underpinning workplan activities.

Our ambitions	Summary of how this report will support delivery of these ambitions and the underpinning aims
A successful and ambitious town	13 Council Plan Workplan initiatives are supporting delivery of the Council Plan's ambitions and aims to achieve a successful and ambitious town which are reported within this report.
A healthy place	22 Council Plan Workplan initiatives are supporting delivery of the Council Plan's ambitions and aims to achieve a healthy place which are reported within this report.
Safe and resilient communities	8 Council Plan Workplan initiatives are supporting delivery of the Council Plan's ambitions and aims to achieve safe and resilient communities across Middlesbrough which are reported within this report.
Delivering best value	13 Council Plan Workplan initiatives are supporting delivery of the Council Plan's ambitions and aims to achieve safe and resilient communities across Middlesbrough which are reported within this report.

2. Recommendations

2.1 That the Executive:

- notes the progress and position of the corporate performance disciplines, including the Transformation Portfolio
- approves the proposed changes to the Executive actions, detailed at Appendix 1
- notes delivery status of the Council Plan 2024-27 supporting workplan at Quarter One, detailed at Appendix 2
- approves the proposed changes to the Council Plan 2024-27 supporting workplan actions, detailed at Appendix 3
- notes the Strategic Risk Register, at Appendix 4

3. Rationale for the recommended decision(s)

3.1 To enable the effective management of performance and risk in line with the Council's Local Code of Corporate Governance.

4. Background and relevant information

4.1 The Council's Scheme of Delegation gives the Executive collective responsibility for corporate strategic performance, together with associated action.

4.2 This report provides the necessary information to enable the Executive to discharge its performance management responsibilities, setting out progress against priority performance disciplines and other key associated items, together with actions to be taken to address any issues identified.

4.3 The projected financial outturn at Quarter One and 2025/2026, is presented separately to this meeting of the Executive, and so not repeated here. There are plans in development to integrate performance, risk and financial reporting for future financial years.

4.4 As part of continuous improvement in performance and risk management, the Council's Leadership Management Team (LMT) has implemented monthly reviews of corporate performance utilising a Directorate Performance dashboard, drawing data from a range of performance feeder systems.

4.5 The output from these sessions is reflected through quarterly updates to the Executive and covering in addition, progress in delivering actions agreed by the Executive, key Directorate performance issues and other performance-related matters.

Overall progress at Quarter One 2025/26

4.6 The Council's performance overall at the end of Quarter One 2025/26 saw progress towards expected performance standards, as set out in the Council's risk appetite, achieved in two of the five corporate performance disciplines.

Performance discipline	Q1 2025/26	Q4 2024/25	Expected standard	Standard achieved	Trend
Executive actions	69% (50/72)	64% (30/47)	90%	No	↑
Council Plan 2024-27 outcome measures	20% (8/40)	30% (12/40)	90%	No	↓
Council Plan workplan	88% (44/56)	89% (46/56)	90%	No	↓
Strategic Risk Register	93%	91%	90%	Yes	↑
Programme and Project Management	100% (17/17)	100% (17/17)	90%	Yes	↔

4.7 As activity within the Council Plan workplan has rolled over from Quarter Four 2024/25 to Quarter One 2025/26, trend data has been carried forward to demonstrate progress.

4.8 Should be noted that performance against Council Plan outcomes for Quarter One 2025/26 is measured by tracking progress against baseline key performance indicators, as outlined in the Council Plan 2024-27 and its associated workplan. It is expected that over time, 90% of the outcome measures will be achieved.

Progress in delivering Executive actions

4.9 Actions agreed by the Executive to deliver approved decisions are tracked by LMT, each month. If following Executive approval, any action is found to be no longer feasible, appropriate, or cannot be delivered within the approved timescales, this report will be used to advise the Executive as such, and to seek approval of alternative actions or amended timescales.

4.10 At Quarter One 2025/26, 50 of 72 live actions (69%) were reported as on target to be delivered by the agreed timescales; an improvement from the 64% reported at Quarter

Four 2024/25 Year End, though continuing to remain below the 90% expected standard of achievement of actions.

4.11 There are 13 proposed amendments to Executive actions presented for approval at Quarter One, which are detailed at Appendix 1. It is assumed that the remainder of Executive actions will be achieved within originally approved timescales and a further update on progress against plans, will be provided at Quarter Two 2025/26.

4.12 Of the 13 proposed amendments detailed in Appendix 1, the reasons for the proposed amendments are as follows:

- The *Middlesbrough Council; Target Operating Model* report included an action relating to mapping out the next steps for implementation, delayed from 31/03/2025 to 30/09/2025, due to a dependency on a senior management review.
- The *Resetting the Council's Approach to Transformation and Delivery of the Council Plan* has three actions at risk, relating to the establishment of a continuous improvement team, the recruitment to a Head of Transformation post and the implementation of the Transformation Programme boards, delayed from 30/06/2025 to 30/09/2025, due to a dependency on a senior management review and future structures to be determined.
- The *Breastfeeding Borough Declaration* report has two actions at risk, one relating to the implementation of the Breastfeeding Boroughs Declaration and one relating to achieving full Breastfeeding Borough status, delayed from 31/03/2025 to 30/03/2026, as a result of awaiting funding approval through Family Hubs for infant feeding workstream and delays from partners getting work completed.
- The *Dental Health and the Impact of COVID-19* report has an action relating to developing a locally tailored oral health strategy, delayed from 30/06/2025 to 31/12/2025 due to awaiting assessment of the impact following receipt of the draft strategy from the ICB and the development of a workplan for implementation.
- The *Restoration of the Old Town Hall* report has two actions at risk, relating to the hire of a contractor, delayed from 25/06/2025 to 31/08/2025 and for work to begin on site, delayed from 30/06/2025 to 30/09/2025, due to a 6 week delay in completing the Tender process.
- The *Disposal of land at Hemlington Grange West* report has two actions at risk, one relating to POS & Land Appropriation and the submission of an Outline Planning Application, delayed from 30/06/2025 to 30/09/2025, due to a delay in receiving the outcome of Biodiversity Net Gain to progress.
- The *Newham Hall Disposal Options Update* report has an action regarding the Defray of LUF2 money to install the onsite highways infrastructure, delayed from 30/09/2025 to 30/04/2026, due to a revision of timescales based on contractor information.
- The *Levelling Up Partnership* report, has an action relating to the implementation of LUP programme for Middlesbrough, delayed from 31/03/2025 to 31/03/2026 due to the S31 grant funding been given the flexibility to extend the use of funding to the end of March 2026.

Progress in delivering the Council Plan 2024-27

- 4.13 The Council Plan is the Council's overarching business plan for the medium-term and sets out the priorities of the Elected Mayor of Middlesbrough and the ambitions for our communities and the ways in which we seek to achieve them.
- 4.14 The Leadership Team collaborated with the Mayor and the Executive to develop and shape the Mayor's priorities for the town, to inform the Council Plan 2024-27.
- 4.15 The Council Plan articulates the four priorities of the Mayor and outlines the approach that will be taken to addressing those priorities:

Mayor's Priority	Description
A successful and ambitious town	Maximising economic growth, employment, and prosperity, in an inclusive and environmentally sustainable way.
A healthy place/	Helping our residents to live longer and healthier lives, improving life chances and opportunities to thrive.
Safe and resilient communities	Creating a safer environment, where residents can live more independent lives.
Delivering best value	Changing how we operate, to deliver the best outcomes for residents and businesses.

- 4.16 The underpinning initiatives and workplans which enable effective delivery of the Council Plan 2024-27 ambitions and measures of success, and the proposed performance and governance arrangements, were approved at a meeting of the Executive on 10 April 2024, and together they demonstrate a robust approach to the delivery of key priority activities across Council services.

Council Plan 2024-27: outcomes

- 4.17 Progress of delivery of the Council Plan 2024-27, is monitored via detailed milestone plans which support each initiative under the four priorities and link to success measures determining the impact upon:
- the types of businesses being established in Middlesbrough, to ensure that we attract those which will give residents access to well-paid and rewarding careers,
 - healthy life expectancy of residents of Middlesbrough, who currently experience ill-health much earlier than wealthy areas across the UK,
 - community safety, as part of our plans to reduce crime and make residents and communities feel safer,
 - progress against the Council's governance improvement journey, to provide assurance to members of the public and our partners, that the services we are providing are value for money.
- 4.18 Performance management and monitoring of the Council Plan adheres to the corporate programme and project management framework where applicable and is reported to all senior managers and Members as part of this quarterly corporate

performance results report, presented to Executive for noting and decision, where applicable.

- 4.19 Performance overall against the Council Plan 2024-27 outcome measures at Quarter One 2025/26, is reported as 8 of 40 (20%) either of an improving or static trend, against the 90% performance standard, detailed in the table below:

Outcome Status	Q1 2025/26	Q4 2024/25	Expected standard	Standard achieved	Trend
Number (%age) GREEN	8/40 (20%)	10/40 (25%)	90%	No	↓
Number (%age) AMBER	0/40 (0%)	2/40 (5%)	N/A	N/A	↓
Number (%age) RED	32/40 (80%)	28/40 (70%)	N/A	N/A	↑

- 4.20 It should be noted that trends fluctuate throughout the year, influenced by a range of factors such as seasonal variations and a time lag in published data sets being updated. The expectation is that over time and the duration of the Council Plan, 90% of the outcome measures will be achieved, as these are outcome measures predicted over the period of the Council Plan, 2024-27.

- 4.21 Current and previous outcome measures have generally focused on existing published data sets which whilst they provide consistency and regional and national comparators, meaningful localised data and insights would be more impactful.

- 4.22 A level of strategic cohesion and planning is required to ensure delivery of all Council activity, contributes towards effective and successful delivery of the Council Plan priorities through articulation of what it is we want to achieve / impact / change (the outcomes) and how we then deliver that change (through an enabling strategy) for each Priority. Those outcomes then drive our direction and intention as a Council.

- 4.23 Outcome measures for the next iteration of the Council Plan are being developed throughout Quarter Two 2025/26 and will be derived through collaboration with services, to understand the impactful work that we as an authority have influence over in shaping and affecting.

Council Plan 2024-27: workplan

- 4.24 At Quarter One 2024/25, performance against the Council Plan workplan is below the corporate standard of 90%, with 86% of all initiatives on target to be achieved in full, within approved timescales, with further detail provided at Appendix 2.

Status	Q1 2025/26 position	Q4 2024/25 position	Expected standard	Standard achieved	Trend
COMPLETED	36% (20/56)	23% (13 / 56)	90%	Yes	↓
GREEN	50% (28/56)	66% (37 / 56)			
AMBER	0% (0/56)	0% (0 / 56)	n/a	n/a	↔
RED	14% (8/56)	11% (6 / 56)	n/a	n/a	↑

4.25 There are eight Council Plan initiatives reporting as off-track at Quarter One 2025/26 as summarised below:

- *Prevent and / or delay the need for formal service provision through improved access to reliable and timely advice and information, to support independent and healthy living*, is delayed from 31/03/2025 to 31/08/2025 due to a dependency on the redesign of the Adult Social Care approach through ‘Three Conversations’.
- *Increase pathways offer for homeless households that embody choice; safety and dignity and provide routes into sustainable, long-term accommodation*, is delayed from 31/03/2025 to 30/03/2026 due to obtaining Executive approval later than planned, impacting timescales for implementation.
- *Increase the effectiveness of prevention through the development of more signposting and a consistent strengths-based approach to the promotion of independence at the “front door” of Adult Social Care*, is delayed from 31/03/2025 to 31/10/2025 due to a dependency on the implementation of the Customer Model and Three Conversations approach.
- *Work with partners to ensure safe and effective systems and processes are in place for the protection of victims of domestic abuse and their children*, is delayed from 31/03/2025 to 30/10/2025 due to a delay in a change of approach requiring a needs assessment to inform a new strategy.
- *Implement new delivery model for procurement*, delayed from 31/03/2025 to 31/12/2025, due to awaiting the outcome of piloting a new contract management model.
- *Improve health literacy through delivery of a Health Start pilot model for prevention of ill-health in schools*, delayed from 30/06/2025 to 31/12/2026 due to timescales for the pilot being extended to September 2026.
- *Increase the local economic impact of new job creation in key sectors*, delayed from 01/06/2025 to 31/01/2026 due to an unavoidable delay to timescales to relocate Community Learning as a result of asbestos being identified in the primary survey of the new location.
- *Increase the level of grant income to support the development of new service initiatives*, delayed from 01/06/2025 to 30/09/2025 due to a delay in recruiting to a Grants Officer post to support this initiative which has impacted upon delivery timescales.

4.26 There are eight proposed amendments to Council Plan workplan actions presented for approval at Quarter Four as detailed at Appendix 3. It is assumed that the remainder of Council Plan workplan actions will be achieved within originally approved timescales

and a further update on progress against plans, will be provided at Quarter Two 2025/26.

Strategic Risk Register (SRR)

- 4.27 The Strategic Risk Register (SRR) sets out the key risks, which if they occurred, could stop the Council achieving its objectives, as set out in the Council Plan.
- 4.28 The Register also sets out control measures in place to reduce the impact and / or likelihood of a risk occurring, as well as further planned actions to manage the risk. Risks in the SRR are identified and managed by the Council's Leadership Management Team in line with the Risk and Opportunity Management Policy, agreed by Executive in 2023. Progress in managing these risks is reported to the Leadership Management Team monthly, with a full review of the SRR conducted on a quarterly basis.
- 4.29 The more volatile the risk, the more closely it must be monitored and managed. Managers are responsible for identifying and recording the countermeasures / actions required to address risks and opportunities and maintaining those details within the Council's risk management solution. Countermeasures to risk will include actions to terminate, transfer, treat or tolerate the risk. Actions in relation to opportunity will include exploitation (fully or partially) or avoidance.
- 4.30 The Strategic Risk Register contains 15 risks at the end of Quarter One 2025/26. This is a rise of one risk following inclusion of the risk in relation to Dedicated Schools Grant which was reported in the Quarter Four 2024/25 report.
- 4.31 Risks within the SRR are scored three times, using the following table: the first score assesses the likelihood and impact of the risk occurring without any control measures in place; the second assesses the impact of the control measures currently in place; and the third sets a target for the management of the risk.

Likelihood (Probability)	Almost Certain >80%	5	Low (5)	Medium (10)	High (15)	High (25)	High (35)
	Likely 51% - 80%	4	Low (4)	Medium (8)	High (12)	High (20)	High (28)
	Possible 21% - 50%	3	Low (3)	Medium (6)	Medium (9)	High (15)	High (21)
	Unlikely 6- 20%	2	Low (2)	Low (4)	Medium (6)	Medium (10)	High (14)
	Rare <6%	1	Low (1)	Low (2)	Low (3)	Low (5)	Medium (7)
			1	2	3	5	7
			Insignificant	Minor	Moderate	Major	Extreme
			Impact				

Directorate Risk Registers

- 4.32 The Strategic Risk Register has a supporting suite of Directorate Risk Registers. The Council's Leadership team agrees escalations and de-escalations of risk. In addition,

directorate management teams review their risks, monthly. This and other measures ensure the Council has a grip on its risk management approach.

4.33 Below is a summary position of actions taken at Directorate level during Quarter One 2025/26, to manage risks:

Directorate Risk Register	Regeneration	Adults	Public Health	Children's Services	Environment	Finance	Legal and Governance Services
New Risks	0	1	0	0	4	0	0
New Actions	5	16	0	5	19	0	5
New Assessments	11	0	0	1	10	9	3
Deactivated Risks	2	0	0	0	0	1	1

Progress in delivering Programmes and Projects

4.34 The Council maintains a portfolio of programmes and projects in support of achievement of the Council's strategic priorities. At Quarter One 2025/26, 100% (17 in total) of the programmes / projects within the portfolio, remained on-track to deliver against project time, cost, scope, and benefits, remaining above the expected combined standard of 90%.

Status	Q1 2025/26 position	Q2 2024/25 position	Expected standard	Standard achieved	Trend
GREEN	100% (17 / 17)	100% (17 / 17)	90%	Yes	↔
AMBER	0% (0 / 17)	0% (0 / 17)			
RED	0% (0 / 17)	0% (0 / 17)	N/A	N/A	↔

Transformation progress and performance

4.35 The Council has an established Transformation Programme; *Recover, Reset, Deliver*, which is designed to align with the vision and ambitions of the Council Plan, and aims to deliver tangible outcomes that benefit the people of Middlesbrough whilst delivering value for money and a financially sustainable organisation.

4.36 The 'Approach to Transformation of Middlesbrough Council' report to full Council on 27 March 2024 outlined the contents of the Transformation Portfolio, which is structured around six themed programmes. These programmes encompass a range of activities, key business changes, and complex projects aimed at addressing the emerging challenges and opportunities.

- 4.37 The scope of the Transformation Programme and its associated investment provides assurance on and aims to secure the delivery of all the savings of £21.028m approved by Council at its budget meeting on 8 March 2024. Investment in the resource required to physically deliver, such as programme management, finance expertise and subject matter experts, will support the Council in delivering all approved savings.
- 4.38 A report on 'Resetting the Council's approach to Transformation and Delivery of the Council Plan' was approved at Executive on 30 April 2025, which will see a reduction in strategic programmes from six to four; Customer, Neighbourhood, Housing and Digital.
- 4.39 To ensure the success of the now established governance framework and board structure, key roles and responsibilities have been designated at each layer, with the Executive being the ultimate accountable body for successful delivery of the transformation portfolio, in its entirety.
- 4.40 This Executive-approved governance structure ensures that projects and programmes are scrutinised in a uniform way, with exceptions escalated to senior responsible officers to ensure action is taken to bring the portfolio, programmes and projects back on-track, where required and / or necessary.
- 4.41 The position of savings within the transformation portfolio are reported to the Leadership Team and through the Transformation Portfolio governance and performance management reporting cycle arrangements, and detail and summary for Quarter One 2025/26 of financial savings achieved, is provided in the Revenue and Capital Outturn report presented at the same meeting of the Executive and so are not repeated here.
- 4.42 As of 2025/26 and to assist with the new direction to ensure the transformation portfolio is focused on delivering true transformational change, through new approaches to service delivery design, driving improved efficiencies and the implementation of effective demand management, the portfolio now only consists of programmes and projects with savings been managed separately to ensure governance arrangements are pragmatic and proportionate.
- 4.43 At Quarter One 2025/26, the position of projects within the transformation portfolio having been reported to the Leadership Team through the Transformation Portfolio governance arrangements, is summarised below by the number of projects within the portfolio and by RAG rating, as follows:

RAG	Adults		Children's		Property		Customer		Place-Based		Target Operating Model and Core Services		Total (No.)	Total (%)
Benefits and / or saving on-track. Assured plans in place.	0	0%	2	29%	3	60%	0	0%	4	80%	1	17%	10	36%
Medium-risk to benefits and / or saving(s). Mitigation in-play, or in development.	3	75%	3	43%	2	40%	1	100%	0	0%	0	0%	9	32%
High-risk to benefits and / or saving(s). Limited scope for mitigation.	1	25%	2	29%	0	0%	0	0%	1	20%	5	83%	9	32%
TOTAL	4	14%	7	25%	5	18%	1	4%	5	18%	6	21%	28	100%

- 4.44 At the end of Quarter One 2025/26, 10 out of 28 live projects are on track to deliver, equating to 36% of the portfolio.

4.45 Delegated decision-making powers relating to any required approvals for proposed changes to time, scope, cost and benefit of individual projects programmes, enabling them to be brought back within agreed tolerances are as set out in the Programme and Project Management Framework (PPMF). This is with the exception where such changes are a key or urgent decisions and would require Executive approval through an additional report.

4.46 During Quarter One 2025/26 a number of project gateways were approved. Gateway approvals are required project lifecycle stages, which ensure appropriate and robust assurance and challenge has been applied to the scoping, planning and development of the necessary project documentation and delivery plans, which are then monitored through the transformation governance arrangements.

4.47 The gateway approvals for Quarter One 2025/26, which demonstrate movement through the project lifecycle, are summarised below:

Thematic Programme	Project	Gateway approval type	Approved
Children's	SHIFT Project, a multidisciplinary approach in prevention	Change Control	April
Customer	Cisco Finesse implementation	Project Brief	
Children's	Edge of Care	Change Control	May
Children's	High Needs Resource Allocation System	Project Brief	
Children's	Placements	Project Closure Report	
Place-Based	Junk Job collection will be chargeable	Project Closure Report	
Target Operating Model	Reduction in Contractual Spend	Change Control	
Target Operating Model	Digitalise procurement activity	Project Brief	
Target Operating Model	Magic Notes	Project Brief	
Children's	ConTROCC	Project Brief	June
Children's	High Needs Resource Allocation System	Business Case	
Place-Based	Resident Parking Permits Charge	Change Control	

Progress in other corporate performance matters

Status	Q1 2025/26 position	Q4 2024/25 position	Expected standard	Standard achieved	Trend
P 1 / 2 audit actions in time	73%	87.4%	90%	Yes	↓
FOI / EIR responded to <20 days	68%	66%	90%	No	↑
% live SARs overdue	16%	19%	90%	No	↓
Information security incidents	27	32	N/A	N/A	↓
Incidents reported to the ICO	1	2	N/A	N/A	↓
% complaints closed in time	80%	82%	90%	No	↓

4.48 In addition to the above performance and risk issues, the Leadership and Management Team now review a range of other performance measures on a quarterly basis, including compliance with agreed actions from internal audits, responsiveness to statutory information requests, information security incidents and complaints. Whilst Directorate Management receive actions for these on a monthly basis

4.49 At the end of Quarter One 2025/26, the key points of note in matters of compliance, are:

- The audit actions which were not completed in line with timescales relate to five Priority Two actions from the procurement card audit of Children's Services internal audit, for which information has been sent to Veritau and two Priority Two actions for the Commercial Property Income, again evidence has been submitted to Veritau. All other actions were completed within fourteen days of going overdue.
- There has been a slight increase in the level of compliance with our statutory timescales for FOI and EIRs, however capacity within services remains to be a root cause of continued lower compliance in this area. The new system referred to in the previous Quarter Four 2024/25 report will be active within Quarter Two 2025/26. The aim is that an improved method for responding will aid in the increase of compliance for services.
- Compliance with the legal timescales in relation to Subject Access Requests (SARs) continues to relate to a very small number of complex SARs. However, the volume of SAR requests has risen in particular for Children's Services by an average of 35%. Steps have been taken to increase the staffing capacity of the central team which manages these requests with an additional post currently out for recruitment.

5. Ward Member Engagement if relevant and appropriate

5.1 Not applicable.

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

6.1 The Council is required to operate a performance management framework in order to ensure delivery of its best value duty; to not do so would place the council at risk of failing in its statutory responsibility in this regard.

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

Topic	Impact
Financial (including procurement and Social Value)	There are no direct financial implications rising from the recommendations set out in this report.
Legal	There are no legal impacts of the proposed decisions or recommendations, and they are consistent with and will promote the achievement of the Council's legal duty to achieve Best Value.
Risk	The proposed recommendations are key to and consistent with supporting delivery of the Council's strategic priorities and risks, as set out in the Council Plan.
Human Rights, Public Sector Equality Duty and Community Cohesion	The ambitions of the Council Plan set out how the Council will improve outcomes for all its residents and highlight where additional activity is required to address inequalities in outcomes that exist across groups and individuals. This approach was impact assessed as part of the development of the 2024-2027 Council Plan, which found that the plan would have a positive impact by addressing inequalities.
Reducing Poverty	The ambitions of the Council Plan set out how the Council will work with partners to support our residents out of poverty and improve community resilience to prevent people falling into poverty. Meeting this challenge is central to all of the ambitions within the Council Plan.
Climate Change / Environmental	The ambitions of the Council Plan set out how the Council will protect and improve our environment, as part of the "A healthy place" priority which focuses on improving levels of recycling, protecting and improving parks and open spaces, and improving environment standards of the town. There are no direct impacts on this theme as a result of this and performance to date is reflected in Appendix 2: Council Plan workplan; progress at Quarter One 2025/26. Where impact on climate change and environment is considered as part of wider programmes, projects or Executive reports, these will be referenced within the detail of the report
Children and Young People Cared for by the Authority and Care Leavers	The ambitions of the Council Plan set out how the Council will respond and react to Children and Young People cared for by the authority and care leavers, across the "A successful and ambitious town", "A healthy place," and "Safe and Resilient Communities" priorities. There are no direct impacts on this theme as a result of this and performance to date is reflected in Appendix 2: Council Plan workplan; progress at Quarter One 2025/26. Where impact on Children and Young People cared for by the authority and care leavers is considered as part of wider programmes, projects or Executive reports, these will be referenced within the detail of the report.
Data Protection	Whenever the council delivers activities and uses data to assess impact, it takes the necessary steps to ensure it complies with the requirements of GDPR In any use of personal data that is undertaken within that work.

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

Action	Responsible Officer	Deadline
Performance management feeder systems to be updated according to approval from Executive.	J Chapman	30 Sept 2025

Appendices

1	Executive actions proposed amendments at Quarter One 2025/26
2	Council Plan workplan progress at Quarter One 2025/26
3	Council Plan Workplan; proposed amendments at Quarter One 2025/26
4	Strategic Risk register progress at Quarter One 2025/26

Background papers

Body	Report title	Date
Council	The Council Plan 2024-27	08/03/2024
Council	Approach to Transformation of Middlesbrough Council	27/03/2024
Council	Transformation of Middlesbrough Council	24/04/2024
Executive	Quarter One 2024/25 Corporate Performance Report	04/09/2024
Executive	Quarter Two 2024/25 Corporate Performance Report	04/12/2024
Executive	Quarter Three 2024/25 Corporate Performance Report	05/03/2025
Executive	Quarter Four and Year End 2024/25 Corporate Performance Report	11/06/2025

Contact: Gemma Cooper, Head of Strategy, Business and Customer

Email: gemma_cooper@middlesbrough.gov.uk

Appendix 1: Executive actions proposed amendments at Quarter One 2025/26

Executive of	Report	Action	Owner	Agreed Due Date	Proposed Revised Due Date
13/11/2024	Middlesbrough Council; Target Operating Model	Map out next steps at the Target Operating Model Thematic Board.	LGS	31/03/2025	30/09/25
30/04/2025	Resetting the Council's Approach to Transformation and Delivery of the Council Plan	Establish Continuous Improvement Team	FIN	30/06/2025	30/09/2025
30/04/2025	Resetting the Council's Approach to Transformation and Delivery of the Council Plan	Recruit Head of Transformation	FIN	30/06/2025	30/09/2025
30/04/2025	Resetting the Council's Approach to Transformation and Delivery of the Council Plan	Establishment of reset Programme Boards	FIN	30/06/2025	30/09/2025
13/03/2025	Dental Health and the Impact Of COVID-19	That a locally tailored oral health strategy is developed, which is based on an oral health needs assessment.	PH	30/06/2025	31/12/2025
19/07/2023	Breast Feeding Boroughs Declaration	Implementation of the Breast-Feeding Boroughs Declaration by the Infant Feeding Steering group over the next 12 months, leading to a full Breast-Feeding Boroughs status by April 2024.	PH	30/06/2025	31/03/2026
19/07/2023	Breast Feeding Boroughs Declaration	Executive agrees for South Tees to be Breast Feeding Borough status.	PH	30/06/2025	31/03/2026
08/01/2025	Restoration of the Old Town Hall	Contractor to be hired	REG	25/06/2025	31/08/2025
08/01/2025	Restoration of the Old Town Hall	Work to commence on site	REG	30/06/2025	30/09/2025
24/07/2025	Disposal of land at Hemlington Grange West	POS and Land Appropriation	REG	30/06/2025	30/09/2025
24/07/2025	Disposal of land at Hemlington Grange West	Outline Planning	REG	30/06/2025	30/09/2025
14/02/2024	Newham Hall Disposal Options Update	Defray LUF2 money to install the onsite highways infrastructure	REG	30/09/2025	30/04/2026
14/02/2024	Levelling Up Partnership	Implement the LUP programme for Middlesbrough	REG	31/03/2025	31/03/2026

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Appendix 2: Council Plan workplan progress at Quarter One 2025/26

We will attract and grow businesses to increase employment opportunities	Q1 2025/26 position
Implementation of an Economic Growth Strategy and Masterplan for the town, articulating both the aspirations of the Council and key partners and the key future investment priorities.	G
Expand the towns cultural offer through creation of a Cultural Masterplan, alongside exploration of external investment to ensure long term sustainability.	G
Increase the local economic impact of new job creation in key sectors.	R
Improve the range of health and employment related services offered to the public through successful delivery of the Levelling Up Partnership funds.	G

We will improve attainment in education and skills	Q1 2025/26 position
Transform Middlesbrough's approach to delivery of learning through implementation of the Council's Education and Skills Strategy.	G
Improve outcomes through delivery of the Priority Education Area action plan at key stages 1, 2 and 4.	C
Increase parental understanding of the importance of literacy for under 5's through a programme of learning	G
Improve life chances by increasing children's and young people's access to high quality education through delivery of the Learning and Education Strategy.	G
Develop and deliver a programme of qualifications and learning to support people into / back into employment through Middlesbrough Community Learning.	G

We will ensure housing provision meets local demands	Q1 2025/26 position
Develop and progress a new Local Plan for Middlesbrough which balances growth aspirations with the longer-term needs of the Middlesbrough community.	G
Continue to grow housing sites and opportunities in Middlesbrough, to enable the development of 450 units of new housing per year.	G
Establish a strategic leadership role for the provision of housing to ensure that the provision aligns with needs.	C
Increase pathways offer for homeless households that embody choice; safety and dignity and provide routes into sustainable, long-term accommodation.	R

We will improve life chances of our residents by responding to health inequalities	Q1 2025/26 position
Boost recruitment and retention of practitioners through delivery of the childcare expansion in Early Years	B
Roll-out the extended childcare entitlement to increased number of children from 9months+, who have access to Early Years provision	B
Increase outcomes for under 5's through successful delivery of the Best Start Pathway.	G
Develop research architecture and attract funding, to support development of our local understanding of key issues affecting health inequalities.	G

Reduce health inequalities caused by excess weight, through implementation of the core Healthy Weight Declaration commitments.	C
Improve wellbeing in Middlesbrough through embedding a 'health in all' policies approach in all planning and transport decision-making.	G
Improve health literacy through delivery of a Healthy Start pilot model for prevention of ill-health in schools.	R
Reduce inequalities through improvements to cancer screening programmes uptake	G
Improve prevention services delivered in primary and secondary care to increase uptake	G

We will protect and improve our environment	Q1 2025/26 position
Increase the levels of recycling in Middlesbrough from 30% to 38%.	G
Protect and improve our parks and open spaces through retention of Green Flag Status	G
Improve environmental standards of the town, through increased levels of environmental enforcement.	C

We will promote inclusivity for all	Q1 2025/26 position
Strengthen our approach to supporting dementia friendly communities programme through increasing voluntary and community sector capacity	C
Prevent and / or delay the need for formal service provision through improved access to reliable and timely advice and information, to support independent and healthy living	R
Develop and implement a pilot approach to housing and support, for inclusion health groups ensure this is reflected in the Supported Housing Strategy	C

We will reduce poverty	Q1 2025/26 position
Relaunch Welfare Strategy to support Middlesbrough's vulnerable residents who need financial assistance, advice and support	C

We will provide support for adults to be independent for longer	Q1 2025/26 position
Increase the effectiveness of prevention through the development of more signposting and a consistent strengths-based approach to the promotion of independence at the "front door" of Adult Social Care	R
Increase the amount of reablement provided to reduce the need for on-going care	G
Develop an enhanced range of accommodation and support options for adults with a learning disability to promote independence and reduce the reliance on residential care provision	G
Reduce the need for on-going care through the expanded use of the Connect Service, assistive technology and digital solutions	G
Re-locate and expand our specialist autism Day Care service	G
Develop a Community Capacity Building Strategy with focus on social capital and community wealth building	G

We will Improve transport and digital connectivity	Q1 2025/26 position
Implementation of a transformed customer model to achieve improved customer access, outcomes and savings	G
Improve public highways and infrastructure to support connectivity across Middlesbrough and the Tees Valley	G

We will promote new ideas and community initiatives	Q1 2025/26 position
Introduce a neighbourhood working model to ensure Council services are more closely aligned to community needs	B

We will reduce crime and antisocial behaviour	Q1 2025/26 position
Reduce Crime and Anti-Social behaviours across Middlesbrough through the continued working with the Community Safety Partnership	G
Improve the safety and health of the public and the environments in which they live and work through review of public protection policies and interventions	G
Implement a multidisciplinary approach (SHIFT) to increase prevention opportunities through early intervention	C
Work with partners to ensure safe and effective systems and processes are in place for the protection of victims of domestic abuse and their children	R
Revise and implement an Empty Homes strategy to support the Councils wider approach to tackling crime and ASB	G

We will ensure robust and effective corporate governance	Q1 2025/26 position
Implement and embed a Member Development Strategy and Programme to extend learning and development opportunities	G
Develop and implement approach to achieve organisational change through implementation of transformation portfolio of programme and projects and associated governance structure	C
Refresh the Information Strategy to ensure legal compliance in regard to information governance	C

We will set a balanced revenue budget and Medium-Term Financial Plan to restore financial resilience and sustainability	Q1 2025/26 position
Increase internal residential capacity through the purchase of suitable properties	G
Improve recruitment and retention of social worker related posts through more targeted and effective marketing	G
Maximise grant opportunities to support service delivery	C
Implementation of a People Strategy to underpin the Council's cultural transformation ambitions and financial stability	C
Increase sales and maximise rental income of the Council's asset portfolio to ensure financial sustainability and promote economic growth	G
Remodel the Council's Planning Service to reflect increasing demand and complexity, address recruitment and retention difficulties, and deliver improved customer service	G
Complete new delivery model for Procurement and Contract Management across Council services	R
Increase level of grant income to support development of new service delivery initiatives	R
Retender pensions administration service, to ensure value for money for fund and scheme members	B
Implementation and review effectiveness of demand and cost modelling forecast, for high-spend areas to feed into MTFP assumptions	C
Review of Children's and Young People placements, including processes and procedures to ensure robust decision-making and allocation	B
Increase internal residential capacity through the purchase of suitable properties	G




Key:	
C	Complete
G	On-track
A	Some slippage
R	High risk of deliverability
U	Undeliverable

Appendix 3: Council Plan Workplan; Proposed Amendments at Quarter One 2025/26




Initiative	Owner	Agreed Due Date	Reason for (R) / Impact (I) of delay	Proposed Due Date
CP-FIN-07: Implement new delivery model for Procurement and Contract Management across council services	FIN	31/03/2025	(R) Work is continuing to test and formalise new processes for contract management across council services to inform options appraisal of best approach to maximise efficiency and release savings. (I) 9mth delay to implementing a new delivery model. Monthly reviews are in place to identify if savings are being achieved.	31/12/2025
CP-REG-03 Increase the local economic impact of new job creation in key sectors	REG	01/06/2025	(R) Delay of relocation of Community Learning due to asbestos being identified in the primary survey of new location. Works are underway. (I) No other significant impact on service,	31/01/2026
CP-PH-04 Improve health literacy through delivery of a Health Start pilot model for prevention of ill-health in schools	PH	30/06/2025	(R) Timescales of pilot have been extended to September 2026. (I) No impact other than timescales	31/12/2026
CP-ASC-01 Prevent and / or delay the need for formal service provision through improved access to reliable and timely advice and information, to support independent and healthy living	ASC	31/03/2025	(R): Work delayed as redesign of the ASC approach through three conversations needs to take place before we update the information we give to the public. (I): Delay to delivery	30/09/2025
CP-ASC-02 Increase pathways offer for homeless households that embody choice; safety and dignity and provide routes into sustainable, long-term accommodation.	ASC	31/03/2025	(R): Executive approval of Homeless Strategy pushed back to June 25. (I): Delay to implementation	31/03/2026
CP-ASC-03 Increase the effectiveness of prevention through the development of more signposting and a consistent strengths-based approach to the promotion of independence at the "front door" of ASC	ASC	31/03/2025	(R): Review of Access Team structure is on hold until awaiting clarity of the Customer Model and implementation of the Three Conversations approach. (I): Delay to delivery but no direct financial impact	31/10/2025
CP-ASC-08 Work with partners to ensure safe and effective systems and processes are in place for the protection of victims of domestic abuse and their children	ASC	31/03/2025	(R): DASP Action Plan has been replaced. A needs assessment to inform new strategy and development of new action plan is in progress (I): Delay to delivery	31/10/2025
CP-E&P-01 Transform Middlesbrough's approach to delivery of learning through implementation of the Council's Education and Skills Strategy.	E&P	31/08/2025	(R): Requests to other Directorates to provide named individuals to begin stakeholder mapping has been unsuccessful. TVCA are undertaking a Tees Valley wide Skills Strategy which will inform the Middlesbrough Skills Strategy. (I): 8mth delay to delivery.	31/03/2026

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




Appendix 4: Strategic Risk Register Progress at Quarter One 2025/26








Code	Risk Description		Original Score	Current Score	Target Score	Managed By
SR-01	Failure to Maintain a balanced budget and MTFP	<p>Failure to set a legal and balanced annual budget and to maintain a sustainable Medium Term Financial Plan (MTFP)</p> <p>The Council is required to set a legally balanced revenue budget by 11 March in advance of each forthcoming financial year. Failure to achieve this objective will require the s151 Officer to issue a statutory s114 Notice to the Council.</p> <p>The Council has a best value duty to set and maintain a sustainable and balanced Medium Term Financial Plan including maintenance of its reserves position to demonstrate financial resilience to be able to respond to unforeseen and complex financial challenges presented by the wider economic environment.</p>	 35	 21	 21	Director of Finance and Transformation
Current Mitigation			Future Mitigation	Responsible Officer	Director	Target Date
<ul style="list-style-type: none"> Responsibility and Accountability for Financial Management reinforced by Accountability Agreements for all Directors Monthly budget monitoring, forecasting, and tracking of savings delivery by Directors with accountability to the Interim CEO through LMT and development and delivery of financial recovery plans to control within approved budget Monthly budget challenge sessions chaired by Director of Finance for all Directorates to enable development of insight, understanding and wider collaboration of colleagues in order to address significant financial risks. Timely briefing of Mayor and Executive Members on significant financial challenges with agreement for action. Quarterly budget challenge sessions chaired by the Executive Member for Finance & Governance to engage Executive Members. 			Development of balanced 2024/25 Budget and MTFP to 2026/27	Director of Finance and Transformation	Chief Executive; Director of Finance and Transformation	11-Mar-2024
			Refresh of the 2025-26 MTFP process	Andrew Humble		28-Jul-2024
			Failure of the Recover, Reset, Deliver Transformation Portfolio	Chief Executive		31-Mar-2025
			Failure of the Recover, Reset, Deliver Transformation Portfolio to identify further savings	Chief Executive		31-Mar-2026
			Monthly budget monitoring to be put in place	Director of Adult Social Care and Health Integration; Director of Children's Care; Director of Children's Services		31-Mar-2024
			MOU surrounding agency costs as a region to be implemented.	Director of Children's Care		30-May-2025

<ul style="list-style-type: none"> Monthly monitoring of income budgets, council tax and business rates collection rates and debt levels. Update MTFP ahead of Council Planning and budget setting process for 2024/25. Implementation of budget management Power BI dashboard over Business World financial management system in order to improve accessibility of financial information for Directors, Heads of Service and Budget Manager. Implementation and expansion of purchase to pay compliance dashboards for use by Directors, Heads of Service and Budget Managers to drive increase in compliant procurement in relation to retrospective ordering, on vs off contract spend and use of purchase cards 	Monthly budget monitoring to be put in place	Director of Adult Social Care and Health Integration; Director of Children's Care	✓	31-Mar-2024
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Code	Risk Description		Original Score	Current Score	Target Score	Managed By
Page 32 R-02	Volatility in the demand, complexity and cost of children's social care.	The risk that demand and cost of and children's social care continues to escalate on the scale experienced in 2022/23, is the single biggest risk to the Councils financial viability. More financially sustainable solutions for meeting social care needs of children need to be secured with urgency to ensure delivery within the approved budget for 2023/23.	 35	 28	 21	Chief Executive; Director of Children's Care; Director of Children's Services
Current Mitigation			Future Mitigation	Responsible Officer	Director	Target Date
Children's input <ul style="list-style-type: none"> Weekly activity data through Chat reports/ data Monthly financial monitoring with Finance BP Development of demand model Placement review has taken place to manage costs associated with young people. MOU surrounding agency costs as a region to be implemented in April 2025. Recruitment and retention strategy reviewed to increase permanent staff within the local authority. Transformation of Children's Services underway. 			Weekly placements panel to be put place for high cost placements	Director of Adult Social Care and Health Integration; Director of Children's Care	✓	30-Jun-2023
			Review Placements Manager post	Claire Walker	✓	29-Feb-2024
			Monthly budget monitoring to be put in place	Director of Adult Social Care and Health Integration; Director of Children's Care; Director of Children's Services	✓	31-Mar-2024
			MOU surrounding agency costs as a region to be implemented.	Director of Children's Care	▶	30-May-2025




• Access to grants being followed up.				
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Code	Risk Description		Original Score	Current Score	Target Score	Managed By
SR-03	Volatility in the demand and cost of adult's social care	The potential for underlying demand and cost pressures to arise in adult social care presents a significant risk to the Council's overall financial viability and measures must be put in place to manage within approved budget.	 35	 20	 9	Director of Adult Social Care and Health Integration
Current Mitigation			Future Mitigation	Responsible Officer	Director	Target Date
Local Government settlement Budget Management process Contract management processes Savings programme in place Demand model in place Monthly demand reported to DMT - activity not just finance			Monthly budget monitoring to be put in place	Director of Adult Social Care and Health Integration; Director of Children's Care 	Chief Executive; Director of Adult Social Care and Health Integration; Adult Social Care and Public Health Senior Managers	31-Mar-2024
			Develop a demand model, that monitors performance across activity demand and unit costing, to understand 'current state'.	Director of Adult Social Care and Health Integration; Dee Evans; Victoria Holmes 		31-Mar-2026
			Develop a forecast model, that uses the 'current state' model, to predict activity demand and financials across Adults Social Care in the next 1/2/5 years.	Dee Evans; Victoria Holmes 		31-Mar-2026




Code	Risk Description		Original Score	Current Score	Target Score	Managed By
SR-04	Unlawful decision by the Council	If the Council took a decision that was unlawful then there is a risk of legal challenge or regulatory action that could damage its reputation and its financial position.	 35	 10	 6	Director of Legal and Governance
Current Mitigation			Future Mitigation	Responsible Officer	Director	Target Date
Council constitution and supporting policy framework Corporate policies and procedures Compliance checks across key areas including HSE, Risk etc, covering the corporate governance framework Standard report formats Statutory officer posts to oversee governance Annual Governance Statement assessment process Internal and external audit processes Refreshed whistleblowing policy			Refresh the committee report format	Ann-Marie Johnstone 	Chief Executive; Director of Legal and Governance	31-Jul-2023
			Review the report development process	Ann-Marie Johnstone 		31-Jul-2023
			Complete delivery of the Corporate Governance Improvement Plan	Ann-Marie Johnstone 		31-Mar-2025
			Complete delivery of the Section 24 Action plan	Ann-Marie Johnstone 		31-Mar-2025


Legal and finance report clearance process Regular review of the Council Constitution.	Progress report on improvement against the Best Value Notice by the independent Board considered by Council	Ann-Marie Johnstone	✓		31-Mar-2024
	Progress report on improvement against BV notice considered by Executive	Ann-Marie Johnstone	✓		30-Sep-2024










Code	Risk Description		Original Score	Current Score	Target Score	Managed By
SR-05	Serious accident or death occurred as a result of failure to comply with Health and safety legislation and regulations	If a serious accident or death occurred as a result of failure to comply with Health and safety legislation and regulations then this could result in financial and reputational damage and individual prosecutions of staff.	 35	 15	 10	Chief Executive
Current Mitigation			Future Mitigation	Responsible Officer	Director	Target Date
Comprehensive suite of Health and Safety policies and procedures. Mandatory and complimentary Health and safety training for all Council staff. Dedicated HSE Advisor team Incident investigation system (My Compliance) to learn from incidents. HSE intranet page with important HSE information Audit schedule HSE steering group Fire Management System implemented across Council premises.			Fire Safety Management Policy Statement	Director of Regeneration; Gary Welch	Chief Executive; Director of Legal and Governance; Director of Regeneration	31-Jul-2023
			CEO to produce H&S Statement of Intent for the Council.	Chief Executive; Gary Welch		31-Jul-2023
			Risk from reinforced autoclaved aerated concrete (RAAC) collapsing in maintained schools or other Council assets	Director of Regeneration; Richard Horniman		31-Mar-2025
			Implementation of service area audits by the health and safety unit to give further assurance of sound HSMS within directorates.	Gary Welch		31-Mar-2025

Code	Risk Description		Original Score	Current Score	Target Score	Managed By
SR-07	Unable to recruit and retain key staff	If the Council is unable to recruit and retain key staff , then this could impact on its' ability to deliver critical services which could cause harm to people and could result in government intervention.	 15	 9	 3	Director of Legal and Governance




Current Mitigation	Future Mitigation	Responsible Officer	Director	Target Date
<p>Benchmarking salaries against other local authorities and similar roles in other disciplines to remain competitive.</p> <p>Work/life balance system such as agile working, 9 day fortnight, collaboration areas etc..</p> <p>Advertising roles on multiple platforms such as LinkedIn and other social networking sites with the aim of reaching target audience.</p>	Benchmark grades and salaries against NE local authorities	Kerry Rowe 	Chief Executive; Director of Legal and Governance	31-Jul-2023
	Review recruitment process	Nicola Finnegan 		31-Oct-2023
	Create new people and cultural transformation strategy	Nicola Finnegan 		31-Oct-2023
	review the people strategy after the first year of implementation	Nicola Finnegan 		30-Apr-2025
	Recruitment of Chief Executive and S151 Officer	Director of Legal and Governance 		31-Mar-2025
	Track delivery of first quarterly report to LMT on delivery against People Strategy	Nicola Finnegan 		31-Jul-2024




Code	Risk Description		Original Score	Current Score	Target Score	Managed By
Page 35 SR-08	Fail to ensure an approach to cyber security that meets good practice standards as set out by the National Cyber Security Centre and other bodies	If the Council fails to ensure a sound approach to cyber security (technology, processes and awareness), then this could result in a cyber-attack which disrupts service delivery, increases risks to service users and incurs significant financial costs to respond to and recover from an attack.	 35	 14	 10	Director of Legal and Governance; Stephanie Bradley; Gemma Cooper; Ben Knudsen
Current Mitigation			Future Mitigation	Responsible Officer	Director	Target Date
<p>* Annual ICT health checks (Internal and external penetration testing).</p> <p>* Compliance with PSN and PCI standards.</p> <p>* Internal scanning as new systems go live.</p> <p>* Robust defence systems including firewalls, content filtering and endpoint protection.</p> <p>* Robust 60 day patching and maintenance cycle.</p> <p>* Test complete and continue to test.</p> <p>* Health check recommendations reviewed and implemented.</p> <p>* Membership of North East WARP and CiSP.</p> <p>* Use of Protective DNS.</p> <p>* Robust backup regime, including off-line tape backups to ensure recovery.</p> <p>*Cyber Incident Response (CIR) partner and contract in place.</p>					Chief Executive; Director of Legal and Governance	


Code	Risk Description		Original Score	Current Score	Target Score	Managed By
SR-09	Corporate Governance arrangement not fit for purpose	If the Council's Corporate Governance arrangements are not fit for purpose and appropriate action is not taken to rectify this at pace , this could result, censure from the Council's auditors within a public interest report that would damage the Council's reputation and/or in government formal intervention including removal of powers from officers and members and direction of council spend.	 15	 10	 9	Director of Legal and Governance
Current Mitigation		Future Mitigation	Responsible Officer		Director	Target Date
Page 36 External reports commissioned on Corporate governance and findings reflected within a Corporate Governance Improvement Plan Improvement Board in place Detailed improvement plan in place that has delivered a range of changes to corporate governance processes Annual Governance Statement process and supporting action plan. Draft AGSs in place for both 2021/22 and 2022/23 Regular reports to Audit Committee on aspects of corporate governance to provide assurance	Complete delivery of the Section 24 Action plan		Ann-Marie Johnstone	✓	Chief Executive; Director of Legal and Governance	31-Mar-2025
	Refreshed approach to corporate governance agreed by council		Ann-Marie Johnstone	✓		31-Jul-2023
	Corporate peer review held to assess process		Ann-Marie Johnstone	✓		31-Jan-2025
	Develop the detailed delivery plan		Gemma Cooper	✓		30-Sep-2023
	Progress report from MIIAB to Council by end March 2024		Ann-Marie Johnstone	✓		31-Mar-2024
	Progress report from MIIAB to Executive by end July 2024		Ann-Marie Johnstone	✓		31-Jul-2024
	Continue to implement a scheme of sub-delegations where appropriate to further improve governance around officer delegated decisions.		Director of Legal and Governance	▶		31-May-2025
	Seek an LGA Corporate Peer Challenge review within the next two years to provide an external review of the Council's corporate governance arrangements.		Director of Legal and Governance	✓		25-Jan-2025
	Continue to be addressed by the Corporate Governance Improvement Plan and the sec 24 action plan put in place to respond to the statutory recommendations of the EA and the governance weaknesses identified by		Chief Executive	✓		31-Mar-2025








	CIPFA, Government and the Council itself.			
	A robust officer scheme of delegations and sub-delegations is required to ensure effective, appropriate and timely taking of decisions that can be taken by officers. (20/21 action). This will be addressed following the review of the constitution in 2024.	Director of Legal and Governance 		31-May-2025
	Refresh the Information Strategy during 2024.	Ann-Marie Johnstone 		30-Jun-2025
	In 2024/5 the Council will continue to deliver against its improvement plan and move towards BAU practices that provide assurance to government that the Council is maintaining a culture of good governance.	Chief Executive 		31-Mar-2025
	Development of a Workforce Plan to ensure staff at all levels have the skills and capabilities to be successful in their roles	Nicola Finnegan 		31-Mar-2025
	Complete the first annual review of the People Strategy	Nicola Finnegan 		30-Apr-2025
	Complete recruitment process for all interim appointments in a Leadership Management Team position	Nicola Finnegan 		31-Mar-2025
	Complete the first annual review of the Member Development Strategy to assess effectiveness and impact on culture and compliance	Ann-Marie Wilson 		30-Nov-2024
	Commence reporting annually on how the Audit Committee has complied with CIPFA good practice, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.	Director of Legal and Governance; Ann-Marie Johnstone 		31-Oct-2025
	Review current governance arrangements for Audit Committee and make recommendations in relation to inclusion of co-opted independent members for Committee consideration	Director of Legal and Governance 		31-Oct-2025






	The Council will refresh its approach to customers within a revised Customer Services Strategy that will set out how customer services will be delivered within the Council's target operating model developed within the Transformation programme	Janette Savage	✓		14-Feb-2025
	Review the Consultation and Engagement policy to ensure it aligns with the wider needs of the organisation that will emerge from the Transformation Programme.	Ann-Marie Johnstone	▶		30-Jun-2025
	Put in place a strategic Partnerships Strategy.	Chief Executive	▶		31-Oct-2025
	Review the process for managing any changes to reports that occur between publication and meetings	Director of Legal and Governance	▶		31-May-2025
	The Council is implementing a Corporate Landlord Model as part of the transformation work. This sets out the framework for property decisions and will be formally considered by Executive prior to full adoption.	David Jamison	✓		30-Nov-2024
	A clear Asset Acquisition Policy reflecting these requirements is integrated into the Corporate Landlord Model framework that will be considered by Executive.	David Velemir	⛔		31-Mar-2025

Code	Risk Description		Original Score	Current Score	Target Score	Managed By
SR-10	Negative Impact of Mayoral Development Corporation	If the Council's ambitions for town centre regeneration or the wider financial sustainability of the organisation are negatively impacted by the establishment of a Mayoral Development Corporation that would take over some of the Council's existing statutory roles. This could potentially result in a lack of investment in the town, reduction in the Council's business rates income, loss of commercial income and reduction in asset holdings affecting the Council's	 10	 15	 3	Director of Regeneration





	financial viability. Reputational damage is also possible through the incorrect discharge of responsibilities such as town planning or business rate relief.				
Current Mitigation		Future Mitigation	Responsible Officer	Director	Target Date
Council representation on the board of the MDC Pushing for no detriment clauses in the MDC constitution Engagement with TVCA on the development of future MDC projects		Heads of Terms agreed on individual asset transfers	Director of Regeneration 	Chief Executive; Director of Regeneration	31-Jul-2025
		Delivery of planning functions until robust alternative is in place	Director of Regeneration 		31-Dec-2023
		Agree robust business rates protocols	Leanne Miller; Janette Savage 		30-Apr-2025





Code	Risk Description		Original Score	Current Score	Target Score	Managed By
Page 39 R-11	Failure to have strategic partnership working.	If the Council does not work with its partners to establish a strategic approach to partnership working based on principles of timely and meaningful collaboration, co-design and with common purpose to inspire and build a team beyond the council that are galvanised to deliver for the town, it is unlikely to achieve delivery of the Council plan ambitions and outcomes for our residents will not improve.	 35	 9	 10	Chief Executive
Current Mitigation		Future Mitigation	Responsible Officer	Director	Target Date	
Partnership governance register in place. Partnership governance annual assurance report and supporting register in place to assess the health of key partnerships. Children's Controls All partnerships contain TOR - Partners contribute. External scrutiny of partnerships. New Mayor to chair Corporate Parenting Board. Formal reporting process in place - record of discussion and decision making. Adults Controls Victim support for those within ASC who require it. Additional resources as required,		Put in place a strategic Partnerships Strategy.	Chief Executive 	Chief Executive	31-Oct-2025	
		Refresh of the Partnership Governance register	Ann-Marie Johnstone 		31-Dec-2023	

Code	Risk Description		Original Score	Current Score	Target Score	Managed By
SR-12	Fail to deliver quality practice within children's safeguarding services	If the Council fail to deliver quality practice within children's safeguarding services then this may result in further government intervention, serious harm to individuals and loss of financial control.	 35	 15	 10	Director of Children's Care; Director of Children's Services
Current Mitigation			Future Mitigation	Responsible Officer	Director	Target Date
<ul style="list-style-type: none"> Delivered Children's services improvement plan Monthly performance monitoring boards in place Review to be undertaken of Children's Care Monthly audit activity and reports undertaken to consider the quality of practice. Implementation of children's improvement board April 2025. Commitment to SHIFT, to improve quality and management of practice. Ongoing monitoring via OFSTED with an annual conversation to take place. OFSTED future inspections to continue. Internal audit to review working practices. 			Implementation of post ILACs improvement plan	Director of Adult Social Care and Health Integration; Director of Children's Care 	Chief Executive; Director of Children's Care; Director of Children's Services	31-Jan-2024
			Creation and recruitment to the head of Quality Principal Social Work Learning and Review	Director of Adult Social Care and Health Integration; Director of Children's Care 		30-Sep-2023
			Review progress in delivery of the ILACS improvement plan to assess progress and impact of actions	Director of Adult Social Care and Health Integration; Director of Children's Care; Director of Children's Services 		30-Apr-2024
			Complete delivery of the ILACs improvement	Director of Adult Social Care and Health Integration; Director of Children's Care; Director of Children's Services 		31-Jan-2026




Code	Risk Description		Original Score	Current Score	Target Score	Managed By
SR-13	Failure to deliver transformation successfully	If the Council fails to transform its service delivery model to a model that can deliver outcomes for residents at a reduced cost base, then the Council's financial position will become untenable and may result in the issuing of a S114 Notice.	 35	 15	 5	Chief Executive; Director of Finance and Transformation
Current Mitigation			Future Mitigation	Responsible Officer	Director	Target Date
<ul style="list-style-type: none"> PPMF in place Transformation governance arrangements and reporting cycle agreed Funding of £4.827m agreed by Council to fund transformation work 			Failure of the Recover, Reset, Deliver Transformation Portfolio	Chief Executive 	Chief Executive	31-Mar-2025
			Failure of the Recover, Reset, Deliver Transformation Portfolio to identify further savings	Chief Executive 		31-Mar-2026






	Agree the content and approach of the transformation portfolio	Chief Executive	✓		30-Apr-2024
	First cycle of Transformation governance arrangements scheduled	Gemma Cooper	✓		30-Apr-2024
	Develop specification for transformation resourcing	Gemma Cooper	✓		30-Apr-2024

Code	Risk Description		Original Score	Current Score	Target Score	Managed By
SR-14	Failure to ensure effective governance of the Middlesbrough Development Corporation	If the Middlesbrough Development Corporation fails to reflect the relevant findings from the review of Teesworks governance in its structures, then there is a risk that it could fail to ensure value for money or good governance in its decision making, which will have an adverse impact on the economic vitality of the Town Centre.	 35	 10	 10	Director of Regeneration
Current Mitigation			Future Mitigation	Responsible Officer	Director	Target Date
<ul style="list-style-type: none"> Teesworks report and commitment from TVCA to reflect findings in the governance arrangements of the MDC Council representatives on the MDC Board 			Refresh the Local Plan	Paul Clarke 	Chief Executive; Director of Regeneration	31-Mar-2025

Code	Risk Description		Original Score	Current Score	Target Score	Managed By
SR-15	Threats to Social Cohesion and Democratic Resilience	If Communities feel disconnected and that they do not live in a safe and resilient environment that promotes the best outcomes for citizens of the town. This could lead to local flashpoints which would be damaging to community relations, the reputation and image of a multi-cultural Middlesbrough.	 35	 15	 14	Marion Walker
Current Mitigation			Future Mitigation	Responsible Officer	Director	Target Date
Internal Controls (Current Mitigations in place): <ul style="list-style-type: none"> Community tension monitoring undertaken. Community engagement undertaken. Neighbourhood safety liaison in place. 			Promote social cohesion through a dedicated local government effort, amplifying and reinforcing democratic freedoms and norms;	Marion Walker 	Chief Executive; Director of Environment & Community Services	30-Aug-2025

<ul style="list-style-type: none"> Prevent operational group risk plans in place Liaison with policing partners to verify validity of possible demonstrations. Initial credibility verification through visual audits using CCTV operations and open sources. Gatekeeping protocols with marketing and communications for potentially controversial communications Ongoing promotion of education around disinformation and building of media literacy by partners within the local authority and via social media Monthly meetings held with senior leadership. Gold and Silver recovery group meetings with senior leadership teams across the organisation and partners. Action plan developed by silver group to be reported to gold with escalations. Community safety partnership reconstituted to provide greater strategic oversight. MBC have secured £600k to be spent in response to community tensions as a further control. 	and supporting evidence-based local cohesion initiatives.				
	Build resilience in local communities against extremist ideologies and narratives, including conspiracy theories and disinformation (PREVENT).	Marion Walker	▶		30-Aug-2025
	Engage people utilising the neighbourhood model, tying in with partnership organisations, VCS, local community groups and elected members. We will work to find solutions with communities and not to them.	Marion Walker	▶		30-Aug-2025
	Develop an early tension warning system that monitors and alerts the local authority and other key local partners about growing tensions.	Marion Walker	▶		30-Aug-2025
	Marginalise and isolate extremist and other malign actors to prevent the mainstreaming of extremist ideologies and dangerous conspiracy theories which are causing severe harm and disruption in local areas (PREVENT).	Marion Walker	▶		30-Aug-2025
	Respond quickly and effectively to flashpoint incidents and triggers.	Marion Walker	▶		30-Aug-2025
	Repair relationships and engagement between local communities where they have broken down following serious conflict and flashpoint incidents.	Marion Walker	▶		30-Aug-2025

Code	Risk Description		Original Score	Current Score	Target Score	Managed By
SR-16	Removal of the statutory override preventing the DSG deficit from being met from general fund resources.	If the statutory override issued by central government expires as planned on 31 March 2026, without providing a national solution to the current shortfall in funding compared to demand and cost of high needs provision, this will mean that the High Needs Funding Deficit will be required to be met from the Council's general fund resources. Based upon the	 15	 15	 9	Director of Education and Partnerships

		current projection of the DSG high needs deficit compared to the level of revenue reserves, this will result in the Council's reserves being exhausted and the Council's s151 Officer potentially being required to issue a s114 Notice. This is likely to be the case for the majority of local authorities nationally.				
Current Mitigation		Future Mitigation	Responsible Officer		Director	Target Date
<ul style="list-style-type: none"> Lobbying Government to resolve the funding issue and provide a long term solution to the DSG deficit issue Delivering DBV (Delivering Better Value) action plan. Liaising with DofE regularly Working with schools and settings to continuously review the funding models. 		Lobbying Government to resolve the funding issue and provide a long term solution to the DSG deficit issue	Director of Finance and Transformation		Director of Children's Services; Director of Education and Partnerships	31-Mar-2026
		Ongoing monitoring of the HNF budget	Director of Education and Partnerships			31-Mar-2026
		Work with schools and settings to reduce the number of children and young people who are excluded.	Director of Education and Partnerships			31-Mar-2026
		Promote greater inclusion within mainstream settings.	Director of Education and Partnerships			31-Mar-2026
		Reduce the number of children and young people on out of area provision.	Director of Education and Partnerships			31-Mar-2026

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MIDDLESBROUGH COUNCIL	
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Report of:	Director of Finance and Transformation (s151 Officer), Andrew Humble
Relevant Executive Member:	Executive Member for Finance, Cllr. Nicky Walker
Submitted to:	Executive
Date:	3 September 2025
Title:	Revenue and Capital Budget – Forecast Year-End Outturn position at Quarter One 2025/26
Report for:	Decision
Status:	Public
Council Plan priority:	All
Key decision:	Yes
Why:	Decision(s) will incur expenditure or savings above £250,000 and have a significant impact in two or more wards
Subject to call in?	Yes
Why:	Non urgent decision

Proposed decision(s)	
That Executive:	
<ul style="list-style-type: none"> • APPROVES budget virements over £250,000 within the revenue budget (Appendix 1) • APPROVES the inclusion of new schemes and additions to existing schemes to the Capital Programme totalling £5.004m for 2025/26, of which £1.818m are externally funded and £3.186m is from existing Council funded resources (detailed in Appendix 5). Subject to approval this will increase the approved 2025/26 Capital Programme budget to £87.575m • NOTES the Council's financial performance and forecast year-end financial outturns for revenue and capital budgets for the financial year 2025/26 as at Quarter One, including that if there is no further action the overspend on the revenue budget at year end is currently forecast to be £4.482m (3.1%) after the proposed use of central contingencies and other budgets • NOTES the requirement for Directors to develop and submit further recovery plans and mitigations in order to reduce their forecast overspends and seek to achieve a balanced budget for their Directorate by the end of 2025/26, and also that corporate revenue budget spending controls will continue to be applied during 2025/26 	

Executive summary

This report advises the Executive of the Council's forecast year-end financial outturn as at Quarter One 2025/26, and seeks approval of budget virements within the revenue budget and revisions to the capital programme in relation to activity in Quarter One.

The report enables the Executive to discharge its financial management responsibilities by setting out the following position at Quarter One (30 June 2025):

- General Fund Revenue Budget forecast outturn;
- virements
- statement of the Council's reserves and provisions;
- Capital Programme forecast outturn;
- statement of the Council's borrowing and prudential indicators;
- statement of the level of debt owed to and to be recovered by the Council;
- actions that have been taken and are planned to be taken in order address the issues identified.

The main highlights of the report are:

- the 2025/26 revenue budget forecast year-end outturn as at Quarter One for Directorate and Central budgets is an overspend of £10.677m at year end. If actions to reduce this are not successful, the proposed use of central contingencies and other budgets totalling £6.195m can reduce the **forecast overspend to £4.482m (3.1%)** at year end (Table 1 in paragraph 4.10)
- the main areas of overspending are within Children's and Adults Social Care, Environment & Community Services (Bereavement Services, Fleet Services, and home to school and vulnerable adults transport), Strategic Commercial Properties income, and Central budgets (paragraphs 4.17 to 4.30), and Directors are required to develop and submit further recovery plans and mitigations in order to reduce their forecast overspends and seek to achieve a balanced budget for their Directorate by the end of 2025/26
- the forecast year-end overspend includes **£5.701m of net savings which are currently forecast to not be deliverable in 2025/26** (Table 2 and Appendix 2)
- the 2025/26 budgets and commitments against the central Corporate Contingency budget and Change Fund (paragraph 4.31 and Table 3)
- **forecast total usable unrestricted revenue reserves at 31 March 2026 of £23.860m** (Table 4 and Appendix 3). This is in line with that recommended by the Director of Finance and Transformation in the Reserves Policy for 2025/26 approved by Council on 19 February 2025 to rebuild the Council's financial resilience.
- **the forecast deficit of £9m for 2025/26 on the Dedicated School Grant**, increasing the **forecast cumulative deficit to £31.213m at 31 March 2026** (Table 5). This is a major risk as whilst the statutory override (which instructs Councils to account for the DSG deficits in a separate reserve and not to fund it by using its General Fund resources) has been extended recently it is due to end on 31 March 2028. The DSG recovery actions and risks to the Council's financial resilience are detailed in Appendix 4.
- the **addition of £5.004m for new schemes and additions to existing schemes (externally and Council funded) to the Capital Programme in 2025/26** creating a revised budget of £87.575m for 2025/26 (paragraphs 4.45 and 4.47 and Appendix 5)

- **the 2025/26 Capital Programme forecast year-end outturn of £78.619m** which is a reduction of £8.956m from the revised £87.575m budget (Table 6). This is largely due to slippage of planned expenditure from 2025/26 into 2026/27 and future years (Appendix 6)
- **that £7.500m of qualifying revenue expenditure is planned to be funded from Flexible Use of Capital Receipts (FUoCR) for Transformation in 2025/26** in accordance with the FUoCR strategy for 2025/26 approved by Council on 26 March 2025 (paragraph 4.55 to 4.57 and Appendix 7)
- the budget and forecast positions on **treasury management prudential indicators** at Quarter One for 2025/26 (Table 8)
- the forecast level of Debtors on 31 March 2026 (Table 9)

1. Purpose of this report and its contribution to the achievement of the Council Plan ambitions

- 1.1 The report discharges the responsibilities of the Executive to manage and control the revenue budget, capital programme, and overall balance sheet position of the Council.

Our ambitions	Summary of how this report will support delivery of these ambitions and the underpinning aims
A successful and ambitious town	This report covers both the revenue budget and capital programme of the Council and as a result it supports all the ambitions within the Council Plan.
A healthy Place	
Safe and resilient communities	
Delivering best value	The proposed recommendations are consistent with and will promote the achievement of the Council's general legal duty to achieve Best Value in accordance with Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007). The report provides assurance that the Council has effective corporate governance arrangements in place, and that the Council is attempting to manage its finances within the budget approved by Council for 2025/26, and also ensures that the Medium Term Financial Plan to restore financial resilience and sustainability is not impacted.

2. Recommendations

2.1 That Executive:

- **APPROVES** budget virements over £250,000 within the revenue budget (Appendix 1)
- **APPROVES** the inclusion of new schemes and additions to existing schemes to the Capital Programme totalling £5.004m for 2025/26, of which £1.818m are externally funded and £3.186m is from existing Council funded resources (detailed in Appendix 5). Subject to approval this will increase the approved 2025/26 Capital Programme budget to £87.575m

- **NOTES** the Council's financial performance and forecast year-end financial outturns for revenue and capital budgets for the financial year 2025/26 as at Quarter One, including that if there is no further action the overspend on the revenue budget at year end is currently forecast to be £4.482m (3.1%) after the proposed use of central contingencies and other budgets
- **NOTES** the requirement for Directors to develop and submit further recovery plans and mitigations in order to reduce their forecast overspends and seek to achieve a balanced budget for their Directorate by the end of 2025/26, and also that corporate revenue budget spending controls will continue to be applied during 2025/26

3. Rationale for the recommended decision(s)

- 3.1 To enable the effective management of finances, in line with the Council's Local Code of Corporate Governance, the Scheme of Delegation and financial regulations.

4. Background and relevant information

- 4.1 The Council's Scheme of Delegation gives the Executive collective responsibility for corporate strategic performance and financial management, monitoring and control. Standing Orders and Financial Procedures require the Executive's approval for major virements between revenue budgets, and in-year changes to the Council's Capital Programme within approved Council resources within the approved policy framework.
- 4.2 This report enables the Executive to discharge its financial management responsibilities by setting out the Council's financial position at Quarter One 2025/26.
- 4.3 Financial Procedure Rule 18.38.3 of the Council's constitution requires the Executive's approval of revenue and capital programme budget virements over £250,000.
- 4.4 Financial Procedure Rule 18.80.2 requires approval by Executive of the write off of debt over financial thresholds set out in the Financial Limits Annex of the Council's Constitution (summarised in Table 10 in paragraph 4.73).
- 4.5 The forecasts within this budget monitoring report as at 31 March 2026 have been prepared using the following major assumptions :
- All known staffing changes have been captured
 - Agreed pay award of 3.2% for local government officers for 2025/26 included
 - Income and Expenditure forecasts have been prepared in conjunction with budget holders using the best information currently available

Revenue Budget

- 4.6 The 2025/26 Revenue Budget, Medium Term Financial 2025/26 to 2028/29, and Council Tax report to Council on 19 February 2025 set out the future financial position of the Council. Both this report and that report should be read together to fully understand the context within which the Council is operating and the financial challenges that it faces.

- 4.7 As part of that report a net revenue budget for 2025/26 of £143.304m was approved by Full Council. Within the report the Director of Finance and Transformation (S151 Officer) issued his Section 25 Report to Council Members which set out the basis upon which the revenue budget was considered to be robust and the basis upon which reserves were considered adequate.
- 4.8 While the Council has achieved significant improvement in its financial position from that which existed at the start of the 2024/25 financial year, there is still a need to control expenditure within the approved 2025/26 budget whilst developing further savings and income generating opportunities through the Recover, Reset, Deliver Transformation Portfolio in order to balance the MTFP and stabilise the Council's financial position and rebuild its financial resilience. This requires the delivery of all approved 2025/26 savings plans in full. Budgetary control measures as detailed in the 2024/25 Revenue and Capital Outturn report to Executive on 11 June 2025 will continue to be implemented during 2025/26.
- 4.9 Table 1 below summarises the overall position per Directorate and shows that the 2025/26 forecast year end outturn at 30 June 2025 (Quarter One) is an overspend of £10.677m (7.5%) against the approved budget of £143.304m.
- 4.10 As shown at the bottom of Table 1 if actions to reduce the overspend are not successful it is currently proposed to use central contingencies set aside for this purpose and other central budgets to reduce the forecast year end overspend to £4.482m (3.1%). The use of these would mean that there would be limited central contingencies remaining for use in the rest of 2025/26, therefore Directorates need to make every effort to reduce their forecast overspends and achieve a balanced budget by the end of 2025/26.

Table 1 – Summary of Net Revenue Budget Forecast Outturn 2025/26 at Quarter One

Directorate	Current Full Year Budget £m	Forecast Outturn £m	Forecast Outturn Variance £m	MEMO FORECAST VARIANCE SPLIT	
				Savings Delivery Variance £m	Other variances £m
			Adv/(Fav)	Adv/(Fav)	Adv/(Fav)
Adult Social Care	55.264	56.762	1.498	0.211	1.287
Public Health	0.086	0.086	0.000	0.000	0.000
Children's Care	56.998	63.670	6.672	2.064	4.608
Education & Partnerships	6.595	7.022	0.427	0.343	0.084
Regeneration	1.605	1.806	0.201	0.375	(0.174)
Environment & Communities	22.142	24.040	1.898	0.624	1.274
Legal & Governance	11.503	11.440	(0.063)	0.136	(0.199)
Finance	4.943	4.104	(0.839)	0.000	(0.839)
Chief Executive	0.251	0.251	0.000	0.000	0.000
Total Directorates	159.387	169.182	9.795	3.753	6.042
Central Budgets	(16.083)	(15.200)	0.883	1.948	(1.065)
Total	143.304	153.981	10.677	5.701	4.976

Proposed use of central contingencies and other budgets to reduce forecast overspend

	£m
Savings Delivery Risk Budget held centrally	(2.000)
Corporate Contingency Budget	(1.050)
Pay & Prices Contingency - amount remaining after use for agreed 3.2% pay award for 2025/26	(1.000)
Middlesbrough Priorities Fund - remaining balance after report to Executive 16/7/25	(2.145)

Remaining forecast outturn variance 4.482

- 4.11 A summary of the main variances for each Directorate is included in paragraphs 4.17 to 4.30 including any recovery plans proposed by Directorates. Table 1 also includes a split of the forecast outturn variance between those due to potential non-delivery of required budget savings (detailed in paragraphs 4.12 to 4.16 and Appendix 2), and other variances.

Budget Savings Delivery

- 4.12 The budget for 2025/26 is predicated on a total of £11.876m of savings being delivered in 2025/26 (£7.036m of new savings being delivered in addition to £4.840m of savings previously approved in 2024/25).
- 4.13 In addition to these new budget savings required there was also a total of £2.291m of previous savings which were not fully achieved during 2024/25 and are still remaining to be achieved in 2025/26. This makes a total of £14.167m of savings which are required to be achieved in 2025/26.
- 4.14 Table 2 summarises projected delivery performance in 2025/26 against the savings required. Further details of savings categorised as unachievable in 2025/26 are attached at Appendix 2, Savings delivery plans are monitored via the Thematic/Directorate and Corporate Transformation Boards.
- 4.15 Any forecast unachieved savings in 2025/26 are required to be achieved in full or replaced fully with alternative approved savings in future years otherwise this will have negative impact on the Council's MTFP. Any savings that are deemed unachievable permanently will need to be submitted for Council approval to remove in the 2026/27 budget setting, and this will only be approved if finances allow.
- 4.16 As announced at Full Council on 26 March 2025 the plan to charge for residents parking permits approved as part of the 2024/25 budget setting process was being paused. It is proposed that the savings associated with this (£0.250m) are submitted for removal from the Council's budget as part of the 2026/27 budget setting. Pending formal approval of the removal the savings will be funded from the Corporate Contingency budget in 2025/26 and a temporary virement is included for approval by Executive in Appendix 1.

Table 2 – Savings Programme Assurance Summary for 2025/26 by Directorate

Directorate	2025/26 Budgeted Savings Target	2025/26 Forecast Savings Achieved	2025/26 Savings (over) / under achieved
	£m	£m	£m
Adult Social Care	(2.733)	(2.522)	0.211
Children's Care	(4.112)	(2.048)	2.064
Education & Partnerships	(0.359)	(0.016)	0.343
Regeneration	(1.394)	(1.019)	0.375
Environment & Communities	(2.040)	(1.416)	0.624
Legal & Governance	(0.367)	(0.231)	0.136
Finance	(0.395)	(0.395)	-
Central	(2.767)	(0.819)	1.948
	(14.167)	(8.466)	5.701

Directorate main variances

- 4.17 The explanations for Directorate major variances and current proposed mitigations, where appropriate, which have been agreed with Directorates following the Member led Budget Clinics, are summarised below.
- 4.18 Directors are required to develop and submit further recovery plans and mitigations in order to reduce their forecast overspends and seek to achieve a balanced budget for their Directorate by the end of 2025/26, and an update of this will be provided in the Quarter Two budget monitoring report.
- 4.19 Proposed revenue budget virements above £250,000 require Executive approval, and those proposed following Quarter One monitoring are set out at Appendix 1 for consideration and approval.

Adult Social Care : forecast overspend £1.498m

Adult Social Care	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	55.264	56.762	1.498

- 4.20 An overall overspend of £1.498m is currently forecast for the Directorate at year end, the main reasons for this are detailed below:
- Prevention, Provider & Support Service : £0.578m*

Mainly as a result of unachieved savings and a shortfall of income in respect of the re-provisioning of Levick Court. Complex negotiations have been on-going for a number of months with Tees, Esk and Wear Valley Health Trust regarding the sale of beds to them on a block basis, and these are expected to conclude during Quarter Two, with anticipated mobilisation in the latter half of the financial year.
 - Purchasing - Growth : £1.076m*

Demand for services (mainly residential care) have exceeded the available budget for the year during Quarter One. The forecast includes a provision for future growth for the remainder of 2025/26.
 - Purchasing - Residential : (£0.281m)*

A number of over-payments for Out of Area placements have been identified and recovered. This was as a result of service users passing away some months ago and the care homes failed to inform the authority in a timely manner. Procedures have now been implemented to prevent reoccurrence.
 - Other Variances across the Directorate : £0.125m*

Public Health : forecast break even

Public Health	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	0.086	0.086	0.000

- 4.21 An underspend of £0.085m is currently forecast on Public Health budgets for 2025/26, however in accordance with the grant conditions this will be transferred to the Public Health reserve at year end. The Public Health Reserve totalled £1.686m at 31 March 2025 and plans are in place for this to be utilised on public health activities in accordance with the grant conditions.

Children's Care : forecast overspend £6.672m

Children's Care	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	56.998	63.670	6.672

- 4.22 An overall overspend of £6.672m is currently forecast for the Directorate at year end, the main reasons for this are detailed below:

- *External Residential placements: £4.493m*

The number of Children Looked After (CLA) within Middlesbrough has remained broadly the same. However, there are both increasing numbers of external residential placements (77 at 30 June 2025) and increased costs due to the complexity of number of young people's placement requirements against that budgeted for.

It should be noted that a significant proportion (20.4%) of the Council's CLA are placed in residential type settings (102 children out of a total CLA of 501 as at 30 June 2025) and this is currently increasing.

During the last year three projects have been set up with the aim to reduce numbers; whilst the reunification project has delivered reduced numbers, the Modernising Fostering and Edge of Care projects have not yet seen the effect of reducing numbers and numbers have actually increased in Quarter One.

This budget has potential to be a volatile forecast across the financial year due to a number of highly complex placements that currently exist (these are greater in number than in previous years).

£0.750m of mitigation has been proposed by the Service as part of its recovery plans and these will be included in future forecasts if assured. A full review of placement planning across all related services is being undertaken along with placement plans for the next couple of years for existing young people in order to feed into the Council's MTFP for 2026/27 onwards. This includes the Fostering project and internal residential occupancy review and statement of purpose.

- *Other placement pressures: £0.482m*

Services within the Directorate are overspending against budgets for transport (a review of this is currently taking place), and emergency placements for looked after young people and those on the edge of care to support.

The Internal Fostering service is currently spending in excess of that budgeted due to increased numbers against budget. Generally this would be a positive position if budgets for other placement types were on target. The increased numbers in Internal Fostering have not yet had a forecast impact upon the demand for external residential position.

- *Staffing & agency: £1.023m*

Demand for staffing has increased this year, including agency staff to support with challenges within across the Directorate. Some agency staff have been recruited for sickness and maternity cover whilst others are above budgeted structure. A review of this is required to determine what is required on a longer term for MTFP planning purposes.

- *Other Variances across the Directorate: £0.674m*

Services are overspending against budget on emergency related support packages including Section 17 budgets, and are reviewing whether any of those in future can be offset by other grants within the Council.

Education & Partnerships : forecast overspend £0.427m

Education & Partnerships	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	6.595	7.022	0.427

- 4.23 This forecast overspend is within the Integrated Transport Service which provides home to school transport for children and transport for vulnerable adults. The forecast overspend is mainly due to forecast unachievable savings of £0.345m which the Service are looking at alternative ways of achieving the required savings and/or replacing with alternative savings, alongside the service review of all routes and efficiencies for the school academic year from September.

Regeneration : forecast overspend £0.201m

Regeneration	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	1.605	1.806	0.201

- 4.24 An overall overspend of £0.201m is currently forecast for the Directorate at year end, the main reasons for this are detailed below

- *Strategic Commercial Properties £0.367m*

£0.438m Boho Buildings - Currently only 20% of the buildings are occupied, resulting in lost rent and increased building related costs to the Council. The Council is reviewing rents charged and employing a local agent and examining other options to increase the level of tenants within the buildings.

£0.129m Centre Square 1 and 2 - The major tenant at Centre Square 1 is in the process of renewing its lease agreement but is intending to reduce the space occupied, therefore increasing the cost to the Council due to the vacated space

£0.218m income below budget at Cleveland Centre and Captain Cook Square shopping centres

The above pressures are partially alleviated by the Investment Property Contingency budget being fully utilised.

- *Unachieved Savings*

The savings of £0.300m relating to homelessness will now not be achieved. Whilst actions are being undertaken which will address costs, the nature of the budgets which sit within other directorates and the increase in homeless cases will only result in cost reduction as opposed to budget savings. It is proposed that this saving is permanently replaced by a reduction in unrequired supplies and services budgets across Regeneration.

There will be an underachievement of a saving relating to the Captain Cook Museum of £0.075m due the service only receiving half of the £0.150m of sponsorship and donations income that were previously assumed. The unachieved element of the savings will be permanently covered by general savings across the Cultural Services.

4.25 There are other variances across the Directorate below £0.250m which reduce the total forecast overspend across the Regeneration Directorate to £0.201m.

Environment & Communities : forecast overspend £1.898m

Environment & Communities	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	22.142	24.040	1.898

4.26 An overall overspend of £1.898m is currently forecast for the Directorate at year end, the main reasons for this are detailed below:

- *Bereavement Services £0.463m overspend* - due to a significant reduction in the number of cremations, an income shortfall of £0.280m is anticipated. In addition, the expenditure budget is expected to overspend by £0.183m, mainly due to the need to replace the current digital display and music system. The Service are currently reviewing operations and processes in order to increase the income stream and reduce expenditure.

- *Catering Service £0.226m overspend* - due to rising food costs. School meal prices have not been increased to reflect the cost of delivering the Service. A decision is required as to whether to increase prices to cover costs.
- *Fleet Services £0.600m overspend* - the recruitment and retention of mechanical fitters and the sharp rise in the cost of vehicle parts have resulted in a forecast overspend totalling £0.600m. A comprehensive review of the Service has been undertaken to look at how this might be mitigated, and a report will be completed in August 2025.
- *On Street Car Parking £0.250m overspend* - A budgeted saving (totalling £0.250m) was applied as part of the 2024/25 Savings Programme with the intention to charge residents for issuing parking permits. Executive have made the decision not to proceed with the charge and it is proposed that this saving is permanently removed from the budget as detailed in paragraph 4.16.
- *Management Review Savings* - Increased service demands, growth and a health and safety issue has meant that the Director of Environment and Community Services has had to delay his staffing restructure. This is expected to result in a pressure of £0.374m. The original review will need to be re-configured to align with the updated service needs and is expected to complete in 2026/27.
- *Vacancy Factor Savings* – Current projections show that the savings target is expecting a shortfall in achievement of £0.464m. This will be partially offset by additional grant received totalling £0.344m.

Legal & Governance : forecast underspend (£0.063m)

Legal & Governance	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	11.503	11.440	(0.063)

4.27 An overall underspend of (£0.063m) is currently forecast for the Directorate at year end, the main reasons for this are detailed below:

- *ICT Service (£0.251m) underspend* - There are a number of posts that had been kept vacant until the new Head Of Service commenced her role, resulting in (£0.261m) of forecast salary savings in 2025/26.
- *Customer Centre / Mail and Print £0.062m overspend* - Mail & Print volumes for April and May 2025 are 13% higher than the previous year, and assuming this continues for whole financial year the budget is set to overspend by £0.050m. The contract is due to transfer to a different supplier in December 2025 which when confirmed will create some in-year savings in 2025/26 and bring the budget back to balance in future years.
- *Cross Cutting Admin. Savings £0.136m overspend* - The savings will be achieved through the Customer Programme, however, until planned actions are agreed and costed the savings are considered to be currently unachieved. It is proposed that

this budget is transferred to Central Budgets along with other cross cutting savings, and a virement will be actioned for this.

Finance : forecast underspend (£0.839m)

Finance	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	4.943	4.104	(0.839)

4.28 An overall underspend of (£0.839m) is currently forecast for the Directorate at year end – the main reasons for this are detailed below:

- (£0.403m) underspend within *Financial Planning & Business Partnering* mainly due to MTFP growth provided at 2025/26 budget setting not forecast to be fully utilised in 2025/26 as the associated staff review has not yet been implemented
- £0.236m overspend within *Corporate Finance* mainly due to pressures on bank charges and costs of cash collection
- (£0.183m) underspend within *Pensions Governance and Investments* due to staff savings on vacant posts
- (£0.306m) underspend within *Resident & Business Support (excluding Housing Benefits Subsidy)* due to staff savings, higher than anticipated income, and changes in bad debt provision requirement
- (£0.193m) underspend within *Strategic Commissioning & Procurement* mainly due to staff savings from vacant posts and staff working reduced hours to those budgeted

Chief Executive : forecast break even

Chief Executive	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	0.251	0.251	0.000

4.29 The *Chief Executive* budget is made up of the Chief Executive's salary budget, plus a small budget for supplies and services, and at this stage, it is forecast that this budget will be spent in full, with no variance to budget expected.

Central Budgets: forecast overspend £0.883m

Central Budgets	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	(16.083)	(15.200)	0.883

4.30 The main issues comprising the latest forecast position for Central budgets are detailed below, however it should be noted that due to the nature of the budgets contained in this area, including Central Contingency budgets, the position on Central budgets is

volatile, and it is to be expected that the forecast position on these budgets will change between accounting reporting periods.

- (£0.600m) underspend on *Capital Financing* due to a combination of Exceptional Financial Support (EFS) financed by borrowing now not being required and slippage within the capital programme, resulting in lower revenue costs of financing capital expenditure
- (£0.465m) underspend on *Centrally Held Grants* due to final confirmation of the Extended Producer Responsibility (EPR) Grant funding which was higher than anticipated at the time of budget setting
- £0.244m overspend due to the *Senior Management Review* savings target which will now not be achieved in 2025/26
- £1.704m overspend due to *Cross Cutting Savings* which are now not expected to be achieved due to the following:
 - £0.700m relating to Contractual Spend Review, which has now been identified as a double count of a 2024/25 saving.
 - £1.004m of savings relating to Business Rates and Council Tax, which whilst savings have been made as intended these are recognised in the Collection Fund rather than the General Fund. Due to the prescribed mechanisms for operating the Collection Fund, the savings in the Collection Fund do not impact the General Fund position until the next year and therefore these cannot be included within the revenue outturn for 2025/26 (see paragraph 4.69 for details)
- The ongoing effect of the above unachieved savings is being considered within the MTFP for future years, as noted in the separate report to this Executive.

Contingency Budget and Change Fund

4.31 Table 3 summarises the 2025/26 budgets and commitments against the central Corporate Contingency budget and Change Fund Reserve which are controlled under the delegated powers of the S151 Officer.

Table 3 – Summary of 2025/26 budget and commitments - Corporate Contingency Budget and Change Fund Reserve

	Corporate Contingency	Change Fund Reserve
	£m	£m
Starting Budget 2025/26	1.327	2.766
Contributions 2025/26	-	0.730
Available for use	1.327	3.496
Approved use to date		
Middlesbrough Independent Improvement Advisory Board costs 2024/25 - residual costs falling into 2025/26	(0.007)	
Employers Pension Contribution Rate Review costs	(0.001)	
Interim Finance consultant - Infrastructure, assets and leasing	(0.002)	
Financial improvement - Interim finance lead - accounts closure and audit, financial reporting, systems, and control	(0.007)	
Armed Forces Day Council contribution	(0.001)	
Turner Prize contribution	(0.150)	
<i>Earmarked for potential use from Contingency Budget - if other budgets not available within Directorates</i>		
Education - Literacy work & events	(0.010)	
Finance - Community Grants - VE Day Celebrations	(0.027)	
General contingency for remainder of year	(0.073)	
Approved use to date	(0.277)	-
BALANCE REMAINING CURRENTLY UNCOMMITTED ON CORPORATE CONTINGENCY	1.050	
- AVAILABLE TO MITIGATE FORECAST OVERSPEND		
FORECAST CLOSING BALANCE ON CHANGE FUND RESERVE AT 31/03/26		3.496

Council Reserves and Provisions

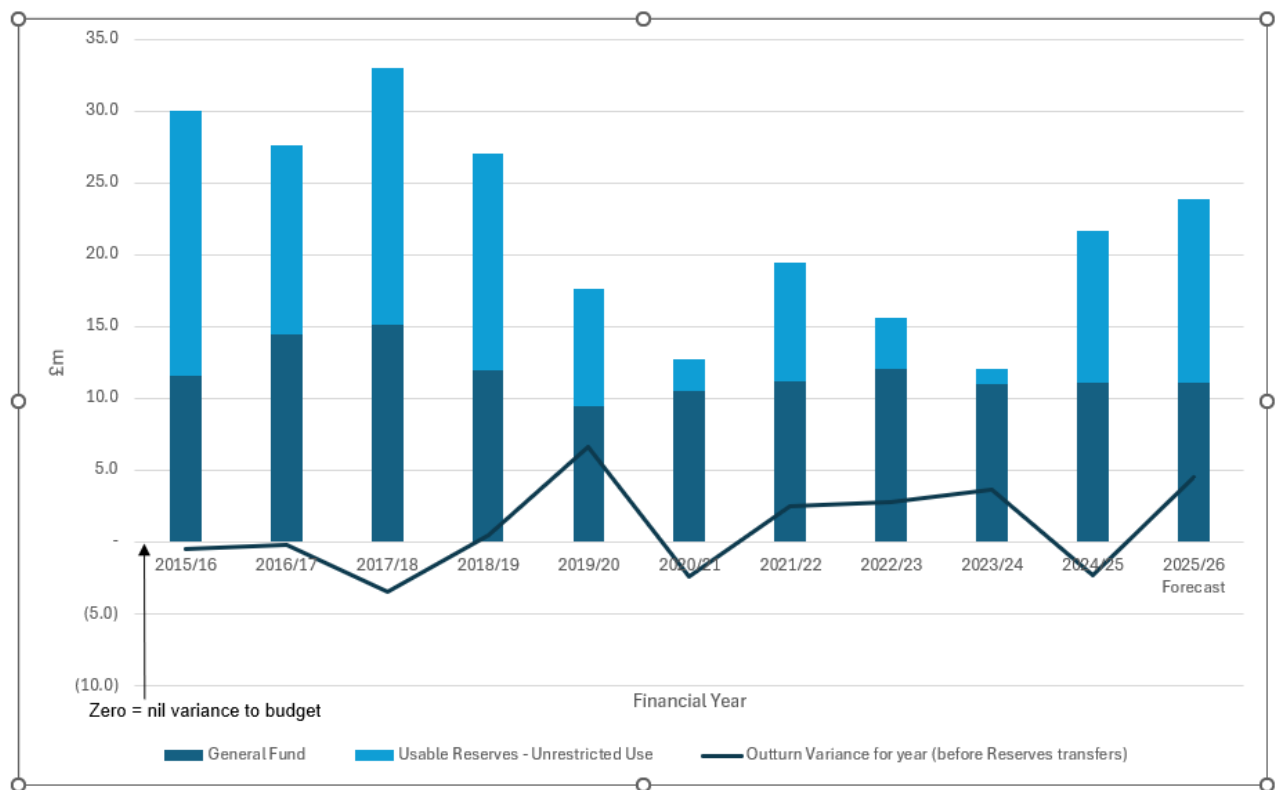
4.32 Table 4 summarises the Council's General Fund reserves and provisions showing the movement between 31 March 2025 and that currently forecast at 31 March 2026, with full details included in Appendix 3. It shows that the Council has forecast usable unrestricted revenue reserves at 31 March 2026 of £23.860m (highlighted yellow).

Table 4 – Summary of General Fund Balance, Reserves, and Provisions

	<u>Opening</u> <u>Balance</u> <u>1/4/25</u>	<u>Forecast</u> <u>Use in</u> <u>Year</u>	<u>Projected</u> <u>Additional</u> <u>Contributions</u>	<u>Projected</u> <u>Transfers</u> <u>from / (to)</u> <u>General Fund</u>	<u>Projected</u> <u>Transfers</u> <u>between</u> <u>Reserves</u>	<u>Forecast</u> <u>2025/26</u> <u>year end</u> <u>overspend</u>	<u>Forecast</u> <u>Balance at</u> <u>31/3/26</u>
	£m	£m	£m	£m	£m	£m	£m
GENERAL FUND RESERVE	11.100	-	-	-	-	-	11.100
USABLE EARMARKED RESERVES							
Restricted Use	2.689	-	0.500	-	-	-	3.189
Unrestricted Use	10.554	-	6.688	-	-	(4.482)	12.760
	13.244	-	7.188	-	-	(4.482)	15.950
UNUSABLE EARMARKED RESERVES	(16.813)	-	-	(9.000)	-	-	(25.813)
SCHOOL BALANCES	3.050	-	-	-	-	-	3.050
PROVISIONS	3.814	-	-	-	-	-	3.814
	14.395	-	7.188	(9.000)	-	(4.482)	8.101

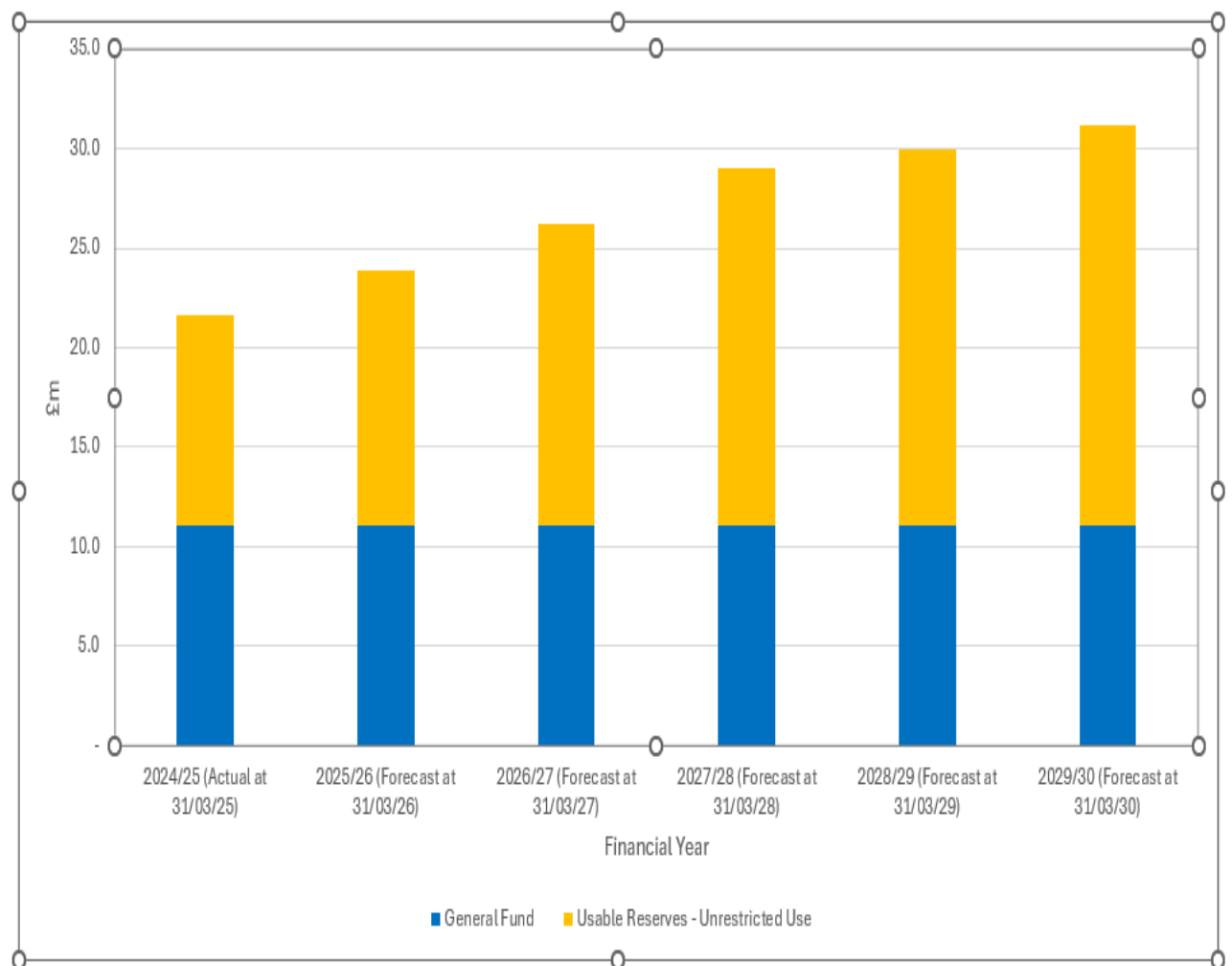
- 4.33 Figure 1 below shows the trajectory of Middlesbrough's unrestricted usable reserves from 2015/16 through to 2025/26 year-end forecast closing balance against both the recommended minimum reserves level and the reported outturn position per year.

Figure 1 - Middlesbrough Council - Unrestricted Reserves Balances from closing balance 2015/16 through to year-end forecast closing balance 2025/26 and reported outturn variance per year



- 4.34 The Council must continue to rebuild its unrestricted revenue reserves over the period of the MTFP in order to strengthen the Council's financial resilience and to provide sufficient resilience to support the management of risks in the delivery of the revenue budget over the current MTFP period. Reserves will increase in future years due to planned contributions to reserves as set out in the Reserves Policy in the 2025/26 Revenue Budget, Medium Term Financial 2025/26 to 2028/29, and Council Tax report to Council on 19 February 2025.
- 4.35 Figure 2 below shows the projected unrestricted usable reserves through to the end of 2029/30 after planned contributions, however this will depend on any unplanned drawdowns of reserves.

Figure 2 - Forecast Unrestricted Usable Reserves from closing balance 2024/25 through to closing balance 2029/30 (following planned contributions and drawdowns)



Dedicated Schools Grant (DSG)

4.36 Local authorities receive a ring-fenced grant from central government each year, which can only be used to fund education – Dedicated Schools Grant (DSG). The DSG budget is accounted for separately to the main Revenue Budget. The funding comprises of a number of blocks:

- Schools Block
- Central School Services Block
- High Needs Block
- Early Years Block

4.37 Table 5 below summarises the latest position on the DSG budget and shows that there is a forecast year-end overspend of £9.000m on DSG within 2025/26 and this when added to the cumulative deficit at the end of 2024/25 means that there is currently forecast a total cumulative deficit of £31.213m at 31 March 2026.

Table 5 - Dedicated Schools Grant (DSG) after recoupment and deductions

	2025/26 Income	2025/26 Expenditure	2025/26 Year-end Overspend	Balance as at 31/03/2025	Cumulative DSG Deficit as at 31/03/2026
	£m	£m	£m	£m	£m
Early years Block	22.674	22.674	0.000	(0.749)	(0.749)
Schools Block	12.526	12.526	0.000	(0.490)	(0.490)
High Needs Block	33.910	42.910	9.000	23.515	32.515
Central school services Block	1.136	1.136	0.000	(0.063)	(0.063)
TOTAL	70.246	79.246	9.000	22.213	31.213

- 4.38 The DSG is subject to a statutory override by central Government which instructs Councils to account for the DSG deficits and resulting negative balance in a separate reserve and not to fund it by using its General Fund resources. This was planned to end on 31 March 2026, however in the Government's Fair Funding review consultation published on 20 June 2025 it was announced that this would be extended by a further two years to 31 March 2028 to tie in with the transition to a reformed Special Education Needs and Disabilities (SEND) system, details of which will be set out in a White Paper in the autumn.
- 4.39 The limited impact of measures taken to date and if the statutory override is removed without a government led solution in 2028, this presents a significant risk to the Council's financial position as the forecast DSG deficit at 31 March 2026 of £31.213m is greater than all of the Council's forecast usable revenue reserves of £23.860m at 31 March 2026, and the DSG deficit is currently forecast to increase in future years of the MTFP by more than the forecast increase in reserves. Like many local authorities, this could result in the Council being subject to a s114 Notice in the future without a solution by the Government.
- 4.40 The Delivering Better Value (DBV) programme is due to end in Summer 2025 and the results of this will be analysed and further work undertaken by the Education Service and Finance to look at options to improve the deficit figures during future years. However there is a likelihood of significant deficits continuing to arise in future years and this will therefore remain a significant risk in the future even if the Government resolves the deficits accumulated from previous years.
- 4.41 Further details of the DSG budget and the management actions being taken alongside the DBV programme are provided in Appendix 4.
- 4.42 The DSG risk is included in the Council's Strategic Risk Register and was reflected in the Annual Governance Statement for 2024/25.

Medium Term Financial Plan issues

4.43 Quarter One budget monitoring has identified several issues for consideration along with other strategic longer term issues within the next update of the Council's Medium Term Financial Plan (MTFP) for which a separate MTFP update and 2026/27 budget approach and timetable report is included in the agenda for this meeting. These mainly relate to increased demand for Children's and Adults Social Care, Integrated Transport Unit (home to school and vulnerable adults transport), Bereavement, Catering and Fleet Services, Strategic Commercial Property income, and unachieved savings.

2025/26 Capital Programme Forecast Outturn as at Quarter One

4.44 On 19 February 2025 Council approved a Capital Programme for 2025/26 of £74.798m (the original 2025/26 capital budget). This was revised to £82.571m as approved by Executive within the 2024/25 Revenue and Capital Outturn report of 11 June 2025 to take account of 2024/25 programme slippage and some new externally funded schemes.

4.45 The budget has been further revised at Quarter One by the addition of a total of £1.818m of new externally funded schemes / additional external funding to existing schemes, mainly relating to Regeneration grant funded schemes and schemes in schools.

4.46 Also £3.186m of existing Council funding has been added to 2025/26 to fund new and existing schemes (shown below), this has been provided from the cessation of the Children's Services Financial Improvement Plan scheme where £2.931m of Council funding was withdrawn from the Capital Programme at Quarter Four 2024/25 and other minor changes to the capital programme.

- £1.6m relating to investment in Middlesbrough College to enable facility expansion
- £1.515m to acquire additional bins to comply with the new legislation for Simpler Recycling
- £0.071m for investment in equipment with the Council's leisure provider as part of the contract

4.47 The total additional funding of £5.004m has increased the Capital Programme for 2025/26 to £87.575m as at Quarter One.

4.48 An additional £8.275m of externally provided funding has also been added to the Capital Programme relating to financial years 2026/27 to 2028/29.

4.49 Details of all of the additional funding and the schemes to which it is attributed to are provided at Appendix 5.

4.50 There are no virements over £0.250m requested for approval by Executive between schemes in the Capital Programme approved by Council on 19 February 2025 which are funded from within existing Council resources. There are two virements between Directorates that are under £0.250m and several virements between schemes within

Directorates, and for information all virements between schemes are provided at Appendix 5. The virement relating to East Middlesbrough Community Hub does not require Executive approval as the movement of Council resources is below £0.250m.

4.51 Table 6 below summarises the capital programme approved budget, revised budget, forecast year end outturn, and forecast year end outturn variance for 2025/26. It shows that the 2025/26 forecast year end outturn on capital expenditure at Quarter One is £78.619m, against the revised budget of £87.575m for 2025/26.

4.52 The £78.619m of planned expenditure is expected to be funded by:

- £46.903m (60%) grants and external funding / contributions
- £13.500m (17%) capital receipts
- £18.216m (23%) borrowing

Table 6 – summary of capital programme approved budget, revised budget, forecast year end outturn and variance for 2025/26

Directorate	2025/26 Capital Programme Budget (as approved by Council 19/2/25)	2025/26 Revised Capital Programme Budget (as per Executive report 11/6/25)	2025/26 Revised Capital Programme (as at Quarter One)	2025/26 Year-end Forecast Outturn	2025/26 Year-end Forecast Outturn Variance	2025/26 Year-end Forecast Outturn Variance against Revised Budget at Quarter One	MEMO Explanation of Year- End Forecast Outturn Variance	
	£m	£m	£m	£m	£m	%	Slippage	Underspend
							£m	£m
Regeneration	32.716	32.617	34.145	28.908	(5.237)	(15.34)	(5.237)	-
Environment and Community	20.198	24.774	26.538	25.039	(1.499)	(5.65)	(0.876)	(0.623)
Public Health	0.779	0.971	1.042	1.042	-	0.00	-	-
Education and Partnerships	7.553	10.241	11.772	9.342	(2.430)	(20.64)	(2.325)	(0.105)
Children's Care	0.550	0.711	0.821	0.821	-	0.00	-	-
Adult Social Care	3.701	3.925	3.925	3.925	-	0.00	-	-
Legal and Governance Services	1.610	1.629	1.629	1.839	0.210	12.89	0.210	-
Finance	0.191	0.203	0.203	0.203	-	0.00	-	-
Transformation Programme	7.500	7.500	7.500	7.500	-	0.00	-	-
Total	74.798	82.571	87.575	78.619	(8.956)	(10.23)	(8.228)	(0.728)

4.53 Capital slippage results from a delay in delivery of projects compared to the planned delivery. Whilst expenditure remains within the approved project budget, this results in an in-year underspend which is required to be carried forward to future financial years. The amount of capital slippage (currently forecast at £8.228m) is reprofiled and carried forward to 2026/27 and future years to reflect revisions to the expected delivery and expenditure timescale. Details of capital slippage for 2025/26 as at Quarter One are shown in Appendix 6.

4.54 The major reasons for the underspend of (£0.728m) are as follows:

- (£0.380m) of assumed contributions from Stockton Borough Council has been removed from the Transporter Bridge scheme within Environment and Community Services due to a reduction in the overall costs of the scheme
- The Food Waste Collection scheme in Environment and Community Services has reduced by (£0.243m) as the Department for Environment, Food and Rural Affairs (DEFRA) have confirmed that this element of the grant is to be used for revenue purposes.

Transformation

4.55 The Capital Programme 2025/26 to 2028/29 and Capital Strategy 2025/26 (Appendix 6) of the 2025/26 Revenue Budget, Medium Term Financial Plan and Council Tax setting report approved by Council on 19 February 2025 noted the inclusion of transformation and redundancy expenditure totalling £7.500m which can be capitalised under the Flexible Use of Capital Receipts Strategy (FUoCR) in 2025/26 (as part of the planned £26.700m Transformation Programme from 2024/25 to 2028/29), and the annual Flexible Use of Capital Receipts (FUoCR) Strategy for 2025/26 approved by Council on 26 March 2025 confirmed this and provided further details.

4.56 This section provides an update on the FUoCR with £7.500m still anticipated to be spent within 2025/26, however there has been a change in how it will be spent as shown in Appendix 7. Appendix 7 also shows that the total remaining allocation of £14.753m for 2026/27 onwards has also been reviewed at Quarter One with the following changes to assumptions being made :

- On 30 April 2025 Executive approved the Neighbourhoods Model report. The report detailed £2.042m of required expenditure for increased staffing over a two year period. In addition, £5.000m was included for significant investment into the building works at the Neighbourhood Hubs. The total amount of £7.042m has been ringfenced to Neighbourhood transformation, and a further report will be presented to Executive relating to this element of expenditure once a detailed plan has been completed.
- The total allocation for 2025/26 to 2028/29 for Transformation / Subject Matter Expertise has changed from £11.362m to £6.802m.
- The total amount allocated for redundancies for 2025/26 to 2028/29 has reduced to £0.547m, this is based on all current known redundancies that will be required due to savings initiatives.
- As overall costs for Transformation are firmed up the need for the contingency decreases, as such the contingency allowance has reduced to £3.362m for 2025/26 to 2028/29.

4.57 An update of Transformation expenditure forecast to be incurred in 2025/26 will be provided at Quarter Two along with details of the forecast expenditure.

4.58 Table 7 summarises and Appendix 7 details updated forecast year-end outturn expenditure for 2025/26 and forecast expenditure for the period 2026/27 to 2028/29 split over the various schemes and the proposed funding.

Table 7 – Summary of Capital Programme 2025/26 to 2028/29

Directorate	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m	TOTAL £m
Regeneration	28.908	41.103	8.329	7.783	86.123
Environment and Community Services	25.039	12.024	5.108	7.256	49.427
Public Health	1.042	-	-	-	1.042
Education and Partnerships	9.342	3.436	-	-	12.778
Children's Care	0.821	-	-	-	0.821
Adult Social Care	3.925	1.669	1.050	1.120	7.764
Legal and Governance Services	1.839	2.012	2.185	2.185	8.221
Finance	0.203	0.389	-	-	0.592
Transformation Programme	7.500	9.522	5.231	-	22.253
Total EXPENDITURE	78.619	70.155	21.903	18.344	189.021
Funded by					
Borrowing	18.216	25.315	-	-	43.531
Capital Receipts	6.000	6.000	12.560	14.231	38.791
Flexible Use of Capital Receipts	7.500	9.522	5.231	-	22.253
Grants	45.165	22.810	-	-	67.975
Contributions	1.738	6.508	4.112	4.113	16.471
Total FUNDING	78.619	70.155	21.903	18.344	189.021

Treasury Management - Borrowing & Prudential Indicators

- 4.59 The Council's investment and borrowing activity is managed in accordance with the Treasury Management Strategy (TMS) which is a key element of the MTFP alongside the annual revenue budget and capital programme which are approved by Council annually before the start of the financial year, with the TMS for 2025/26 approved by Council on 19 February 2025.
- 4.60 The affordability & sustainability of the Capital Programme and its total level of external borrowing and capital financing costs is self-regulated by the Council through a set of prudential indicators. CIPFA and central government view this approach as best practice in ensuring resources are allocated prudently to capital schemes and the local authority achieves value for money in the use of resources.
- 4.61 Investment and borrowing decisions are taken to manage the short, medium, and long-term cash needs of the Council and these are driven primarily by the following:
- the extent to which the Council finances its capital expenditure by borrowing which is measured by the Capital Financing Requirement (CFR)
 - the timing differences between operational income and expenditure flows
 - the level of cash backed reserves held, and.
 - current short to long term interest rate forecasts.

- 4.62 The budget and forecast positions on these prudential indicators at Quarter One for 2025/26 are summarised in Table 8 below.

Table 8 – Prudential Indicators – Quarter One 2025/26

	<u>Budget</u> <u>(as approved</u> <u>by Council</u> <u>19/2/25)</u> <u>(£m)</u>	<u>Forecast</u> <u>at Quarter</u> <u>One</u> <u>(£m)</u>	<u>Variance</u> <u>(£m)</u>	<u>Variance</u> <u>as %</u> <u>of Budget</u> <u>%</u>
Capital Expenditure	74.798	78.619	3.821	5.11
<u>Financing</u>				
External Sources	44.213	46.903	2.690	6.08
Own resources	13.500	13.500	0.000	0.00
Debt	17.085	18.216	1.131	6.62
	74.798	78.619	3.821	5.11
Capital Financing Requirement	310.197	312.261	2.064	0.67
External Debt	292.388	249.860	(42.528)	(14.55)
Investments	15.000	14.812	(0.188)	(1.25)
Capital Financing	13.205	12.605	(0.600)	(4.54)
Cost as a % of Revenue Budget	9.21%	8.80%	-0.42%	

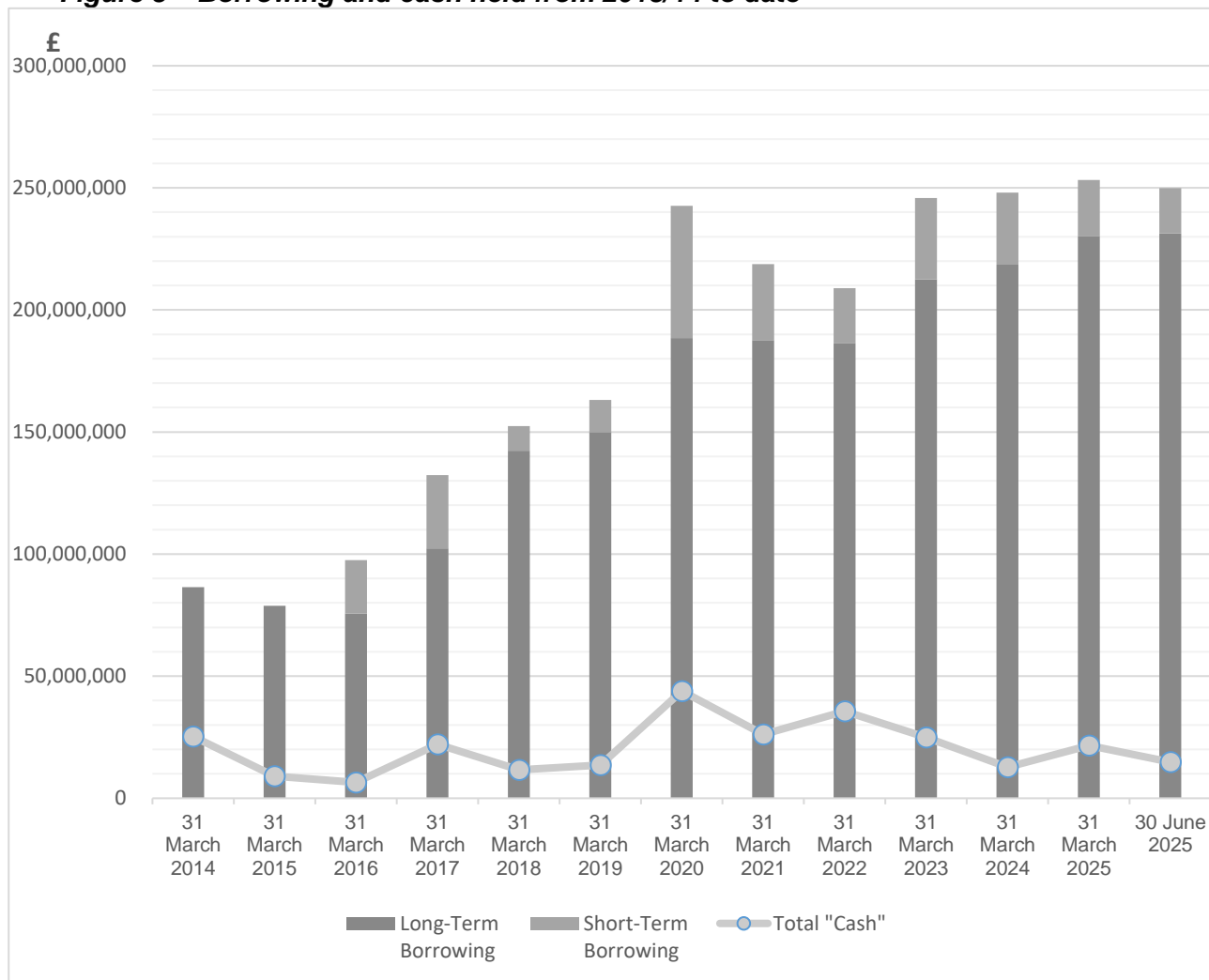
- 4.63 The Council's forecast Capital Expenditure outturn at Quarter One is £78.619m compared to an original approved budget of £74.798m for 2025/26, a forecast increase of £3.821m (5.1%) against the original approved budget for 2025/26. The increase in capital expenditure is due to new schemes funded by grants and contributions of £2.690m, plus additional borrowing of £1.131m (mainly the loan of £1.6m to Middlesbrough College approved by Executive in July 2025, offset by some minor rephasing).
- 4.64 During the first quarter of 2025/26, external borrowing decreased from £253.441m on 1 April 2025, to £249.860m on 30 June 2025. This decrease of £3.581m reflects the repayment of principal on annuity loans only. Long-term interest rates from the Public Works Loan Board have increased above 5.00% during the first quarter. This is well above the target borrowing rate of 4.75% for the financial year. As a result, no new long or short-term borrowing has been taken during the period, mainly due to those higher interest rates and with cash flow being generally positive within the first three months.
- 4.65 The ratio of long-term to short-term borrowing has also remained stable during the quarter given that repayments only have been made to date. The Council's total under borrowed position (external debt compared to the capital-financing requirement – or underlying need to borrow for the financial year) is £62.401m on 30 June 2025, or 20.0%. Total borrowing of around £40m is required over the remainder of the financial year to finance the forecast spend on the capital programme and to keep liquidity balances at a sustainable level. The over-riding objective continues to be to demonstrate value for money and affordability from any borrowing decisions taken over the medium term, whilst using internal cash balances in the interim.

4.66 The amount of external debt at £249.860m and the total underlying need to borrow of £312.261m, are both below the Council's authorised debt limit of £331.000m for the year. This is the threshold above which any borrowing would be unlawful. The difference relates to the contingency buffer included within the authorised limit for any unexpected and unbudgeted borrowing required by the Council outside of the capital programme. The total annual cost of financing the capital investment plans is forecast at £12.605m, or 8.8% of the current net revenue budget. This is a £0.600m underspend against the approved budget, which relates to a combination of Exceptional Financial Support (EFS) financed by borrowing now not being required, and interest savings from slippage on the capital programme into later financial years.

4.67 Cash balances have reduced from £21.555m to £14.082m between the start of April 2025 and the end of June 2025. This reflects the capital and revenue spending plans of the Council to date in this financial year and that internal balances have been used in lieu of new borrowing.

4.68 The debt and cash levels held by the Council and how these have changed over time is showing in the graph below.

Figure 3 – Borrowing and cash held from 2013/14 to date



Collection Fund - Council Tax and Business Rates income

- 4.69 Income received from Council Tax and Business Rates (NNDR) is a major source of revenue income for the Council and funds around 62% of its annual expenditure in delivering all Council services. It is accounted for within the Collection Fund and operates under the Government regulations. Due to the prescribed mechanisms for operating the Collection Fund, the financial impact of any 2025/26 income collection variances from the budgeted amount used in setting the Council Tax for 2025/26 do not immediately affect the General Fund position. By illustration, the impact of any estimated surplus or deficit variance on the Collection Fund for 2025/26 is fed into the development of the 2026/27 budget and MTFP and any cost/ benefit does not impact the 2025/26 financial year.
- 4.70 An update on the Collection Fund position will be provided in the Quarter Two budget monitoring report.

Debt Recovery Performance

- 4.71 A key workstream within the plans to recover the Council's financial position is the renewed focus upon recovering monies owed to the Council from the following sources
- Council Tax
 - Business Rates
 - Sundry (general) debt
 - Housing Benefit Overpayments
- 4.72 The Council's approach to improving debt recovery performance whilst maintaining appropriate support to residents and businesses who are entitled to available help, advice and support, was detailed in Appendix 11 of the Quarter Three 2024/25 report. The position at Quarter One 2025/26 (30 June 2025) is shown in Table 9 below

Table 9 – Debt Collection Performance Quarter One 2025/26 (as at 30 June 2025)

Category of Collectable Debt	Balance at 1/4/25 (£m)	Movement in-year (£m)	Balance at 30/6/25 (£m)
Council Tax	40.683	(0.701)	39.982
Business Rates	8.508	(1.382)	7.126
Sundry Debt	8.905	0.301	9.206
Housing Benefits Overpayments	5.358	(0.215)	5.143
Total	63.454	(1.997)	61.457

Note that the figures for Council Tax and Business Rates are Middlesbrough's share of the Collection Fund debt (Council Tax 83% and Business Rates 49%).

- 4.73 The financial procedure rules (Financial Procedure Rule 18.80.2 and Financial Limits Annex) for the Council set out the thresholds for debt write offs between the S151 Officer (and nominated deputies) and the Executive. These are set out in Table 10 below for information:

Table 10 – Debt write off levels as per the Constiution

Category of Collectable Debt	S151 Officer (Amount per debtor)	Executive (Amount per debtor)
Council Tax	£0 - £10,000	Above £10,000
Business Rates	£0 - £100,000	Above £100,000
Sundry Debt (single debts)	£0 - £10,000	Above £10,000
Sundry Debt (subscription debts)	£0 - £50,000	Above £50,000
Housing Benefits Overpayments	£0 - £10,000	Above £10,000

- 4.74 All debts raised by the Council require an element of recovery to receive the cash amounts from the appropriate third parties. Due to the wide range of income streams and the volumes of debts raised, there are times where amounts cannot always be recovered, for example council tax debts due to lack of household income, business rates due to companies being winding up, sundry debts due to changing circumstances etc.
- 4.75 Where all avenues for collection of the debt have been exhausted and these can be significant and take several financial years, there is no choice but to write these debts off, generally against the revenue budget which received the benefit of the income previously.
- 4.76 It is recommended accounting practice to assess the level of debts and their recoverability at the end of each financial year, both at directorate level or corporately. Where there is the possibility of non-recovery, an assessment of the likelihood of this happening against the financial value should be calculated for each debt, and the appropriate amount placed in a bad debt provision. This will then act as a buffer against any amounts that subsequently need to be written off.
- 4.77 Most of these debts that do need to be written off are relatively low in value and can be considered and approved by the Director of Finance and Transformation (s151 Officer). However, there has only been partial delegation of debt write offs to the s151 Officer under the Constitution (financial procedure rules). The current amounts delegated (set at the 2023 review and under guidance from CIPFA and in comparison with other councils of a similar size) are set out in Table 10 above.
- 4.78 In exceptional circumstances following appropriate due diligence being applied over all aspects of the collection process and with no prospect of recovery for the reasons given, debt amounts that cannot be recovered and need to be written off, do exceed these levels and these will be required to be submitted to Executive for approval.
- 4.79 A separate report will be presented to Executive later in the year for approval of the write off a number of such debts, detailing the debtor involved, date raised, amount involved, recovery action taken to date, and the reason why this debt cannot be collected.

5. Ward Member Engagement if relevant and appropriate

5.1 Not applicable

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

6.1 The alternative would be to not approve the revenue budget virements over £250,000 and the changes to the Council's capital programme, and to not report on the Council's forecast year-end financial outturn for the financial year 2025/26. This would not enable the Executive to discharge their responsibilities to manage and control the revenue budget, capital programme and overall balance sheet position of the Council.

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

Topic	Impact
Financial (including procurement and Social Value)	This report sets out the implications associated with the financial performance of the Council in managing its revenue, grant and capital resources for the financial year 2025/26 and the financial implications are incorporated throughout. The report should be read in conjunction with the 2025/26 Budget, Medium Term Financial Plan 2025/26 to 2028/29, and Council Tax setting report and the Prudential Indicators and Treasury Management Strategy 2025/26 report presented to Council on 19 February 2025 to fully understand the financial position of the Council.
Legal	The proposed recommendations are consistent with and will promote the achievement of the Council's general legal duty to achieve Best Value in accordance with Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007).
Risk	In line with the Council's Risk Management Policy, the corporate Strategic Risk Register will be reported to this Executive as part of the Corporate Performance Quarter One 2025/26 report.
Human Rights, Public Sector Equality Duty and Community Cohesion	The complete overall impact assessment included in Appendix 3 of the 2025/26 budget report to Council on 19 February 2025, along with all the individual impact assessments found that there was a justified adverse impact from these proposals in order to ensure the Council is able to maintain a balanced budget and continue to meet its statutory obligations.
Reducing Poverty	The proposed recommendations in this report do not directly impact on Reducing Poverty.
Climate Change / Environmental	The proposed recommendations in this report do not directly impact on Climate Change/Environmental issues.

Children and Young People Cared for by the Authority and Care Leavers	The proposed recommendations in this report do not directly impact on Children and Young People Cared for by the Authority and Care Leavers.
Data Protection	The proposed recommendations in this report do not directly impact on Data Protection issues.

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

Action	Responsible Officer	Deadline
Subject to approval by Executive revenue budget virements detailed in Appendix 1 to be actioned	Head of Financial Planning & Business Partnering	30/9/25
Subject to approval by Executive, amendments to the capital programme for 2025/26 to be actioned	Head of Financial Planning & Business Partnering	30/9/25
Corporate revenue budget spending controls will continue to be applied to Directorates in 2025/26.	Director of Finance and Transformation	31/3/26
Directors are required to develop and submit further recovery plans and mitigations in order to reduce their forecast overspends and seek to achieve a balanced budget for their Directorate by the end of 2025/26.	All Directors	31/10/25

Appendices

1	Proposed revenue budget virements above £250,000 at Quarter One 2025/26
2	Details of savings currently classified as unachievable at Quarter One 2025/26
3	Detail of Forecast Reserves and Provisions Movements in 2025/26
4	Dedicated Schools Grant
5	Capital Programme Quarter One 2025/26 – New External Funding, Additions to Council Funded Schemes, and Virements Between Schemes
6	Capital Programme Quarter One 2025/26 – Details of capital slippage
7	Revised Capital Programme Forecasts 2025/26 to 2028/29

Background papers

Body	Report title	Date
Executive	2025/26 Budget, Medium Term Financial Plan 2025/26 to 2028/29, and Council Tax setting	5/2/25
Council	2025/26 Budget, Medium Term Financial Plan 2025/26 to 2028/29, and Council Tax setting	19/2/25
Council	Prudential Indicators and Treasury Management Strategy 2025/26 report	19/2/25
Council	Flexible Use of Capital Receipts Strategy 2025/26	26/3/25
Executive	2024/25 Outturn Report	11/6/25

Contact: **Andrew Humble**
Director of Finance and Transformation (s151 Officer)

Email: andrew_humble@middlesbrough.gov.uk

Appendix 1 : Proposed revenue budget virements above £250,000 at Quarter One 2025/26
(under Financial Procedure Rule 18.38.3)

Proposed Virement Request	Regeneration	Environment & Community Services	Public Health	Education & Partnerships	Children's Care	Adult Social Care	Legal & Governance Services	Chief Executive	Finance	Central Budgets
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<u>Permanent</u>										
Transfer of Street Lighting budget	1.322	(1.322)								
Disaggregation of Strategic Commissioning and Procurement budget - Adult Social Care Commissioning element moved from Finance to Adult Social Care						0.826			(0.826)	
<u>Temporary</u>										
Resident's Parking Saving ECS08 - unachievable as no longer going ahead with charging - to be covered by Central Contingency budget in 2025/26		0.250								(0.250)
Total Virement	1.322	(1.072)	-	-	-	0.826	-	-	(0.826)	(0.250)
									Total:	-

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Appendix 2 - Detail of savings currently classified as unachievable in 2025/26

Year Saving Initiative Introduce	Saving Reference	Saving Detail	Unachieved savings at Quarter One	Reason for underachievement
			£m	
Adult Social Care				
2024/25	ASC11	Re-provision use of Levick Court	0.211	Negotiations with Health are on-going - due to conclude Sept 2025, and due to time required to mobilise new service, no savings are anticipated in 25/26, however a one-off mitigation of (£0.100m) has been identified.
			0.211	
			0.211	
Children's Care				
2024/25	CS04 - in year	Reduction in agency costs	0.380	This saving was brought forward from 2024/25 unachieved savings. Numbers of agency Social work related posts are not reducing and there is also a forecast overspend against staffing.
2024/25	CS07 - in year	Introduce Supplier Incentive Scheme across Children's Care	0.031	This saving was brought forward from 2024/25 unachieved savings. To date, there has been minimal take up of early payments. (The full year effect of early payments required to achieve this savings would need to be £6.2m).
2024/25	CC03	Improvement of Internal Residential Capacity through the purchase of suitable properties and refurbishment of existing Council properties into residential homes	0.308	Partly unachieved as it is no longer planned to progress new internal homes within this financial year, and staffing costs cannot be reduced due to demand requirements within existing registered homes.
2025/26	CC08	Modernising Foster Care	0.735	Placements into residential care are currently increasing rather than decreasing, this saving was linked to reducing residential care placements, and increasing fostering placements instead.. Part of Recovery Plan for Children's Services is to increase fostering provision.
2025/26	CC10	Introduce Edge of Care Team	0.610	Reduction in numbers has not yet materialised, and placements into residential care are currently increasing rather than decreasing.
			2.064	
Education & Partnerships				
2025/26	EDC02	Deliver passenger assistance training internally	0.037	The majority of the budgeted savings are unachieved to date in 2025/26. Plans for achievement or replacement savings for the remainder of the financial year are currently updated and updates will be provided in future Quarterly reports.
2025/26	EDC03	Increase transport capacity	0.084	
2025/26	EDC04	Management Review	0.044	
2025/26	EDC05	Recharge Discretionary Home to School Transport Services	0.062	
2025/26	EDC06	Increase management fee income	0.015	
2025/26	EDC07	Travel Training	0.102	
			0.343	
Regeneration				
2024/25	REG03	Review and implementation of alternative operating models for Captain Cook Birthplace Museum	0.075	It was assumed that the service would receive an annual contribution of (£0.150m) to keep the museum open, however following negotiations, only half of this will be received. Whilst there are actions being undertaken which will address costs, the nature of the budgets which sit within other directorates and the increase in homeless cases will only result in cost reduction rather than budget savings. As mentioned in paragraph 4.24 this saving will be replaced permanently by an alternative saving.
2024/25	REG07	Investing in better coordination of the way the Council provides housing to reduce the overall spend on emergency, temporary and short term accommodation for people	0.300	
			0.375	
Environment & Community Services				
2024/25	ECS05	Integrate Environment Services and Supporting Communities functions and create a Neighbourhood Management approach	0.092	Due to service growth, it has not been possible to achieve the full £0.287m saving, as in order to meet service demands, staffing numbers could not be reduced further. A saving of £0.195m was achieved in 2024/25.
2024/25	ECS08	Resident Parking Permits charge	0.250	A decision was made by Executive not to proceed with charging residents for issuing parking permits. See paragraph 4.16 for details.
2025/26	ECS13	Management Review	0.282	The Director of Environment and Community Services has delayed his review until the Senior Management Review across the Council has been completed. It is expected that the original saving will need to be re-configured due to growth and new service demands and will not commence until
			0.624	
Legal & Governance Services				

Year Saving Initiative Introduce	Saving Reference	Saving Detail	Unachieved savings at Quarter One	Reason for underachievement
			£m	
2024/25	LGS03	A Cross Council review of administrative roles and functions	0.136	The savings will be achieved through the Customer Programme, however, until planned actions are agreed and costed the savings are considered to be currently unachieved. As mentioned in paragraph 4.27 this saving will be moved to Central budgets.
			0.136	
Central				
2023/24	CEN02	Senior Management Review	0.244	Review has not yet been completed.
2024/25	FIN02	Review of Single Person Discount and Student Exemption for Council	0.264	Saving will be realised in Collection Fund, not General Fund
2024/25	FIN03	Collection of Council Tax (Old Debt)	0.110	Saving will be realised in Collection Fund, not General Fund
2024/25	FIN04	Collection of Council Tax (Charging Orders)	0.504	Saving will be realised in Collection Fund, not General Fund
2024/25	FIN05	Collection of Business Rates	0.126	Saving will be realised in Collection Fund, not General Fund
2025/26	FIN13	Procurement Contract Management (Council wide)	0.700	Double count of saving FIN07 from 24/25 budget setting
			1.948	
TOTAL SAVINGS CURRENTLY CLASSIFIED AS UNACHIEVABLE IN 2025/26			5.701	

Appendix 3 - Detail of Forecast Reserves and Provisions movements in 2025/26

	<u>Opening Balance 1/4/25</u>	<u>Forecast Use in Year</u>	<u>Projected Additional Contributions</u>	<u>Projected Transfers from / (to) General Fund</u>	<u>Projected Transfers between Reserves</u>	<u>Forecast Balance at year-end (before any adjustments for forecast outturn variance)</u>	<u>Forecast 2025/26 year end overspend</u>	<u>Forecast Balance at 31/3/26 (after adjustment for forecast outturn variance)</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
GENERAL FUND RESERVE	11.100	-	-	-	-	11.100	-	11.100
USABLE EARMARKED RESERVES								
<i>Restricted Use</i>								
Public Health	1.686					1.686		1.686
Insurance Fund	0.013		0.500			0.513		0.513
Better Care Fund	0.897					0.897		0.897
Marton Library S106	0.025					0.025		0.025
Housing Rental Sinking Fund	0.068					0.068		0.068
	2.689	-	0.500	-	-	3.189	-	3.189
<i>Unrestricted Use</i>								
Financial Resilience Reserve	6.711		2.836		1.000	10.547	(1.430)	9.117
Legacy Accounts Reserve	1.000				(1.000)	-		-
Savings Delivery Risk Reserve	-		3.052			3.052	(3.052)	-
Change Fund	2.766		0.730			3.496		3.496
Elections Costs	0.077		0.070			0.147		0.147
	10.554	-	6.688	-	-	17.242	(4.482)	12.760
	13.244	-	7.188	-	-	20.432	(4.482)	15.950
UNUSABLE EARMARKED RESERVES								
Revenue Grants Unapplied (Technical Reserve)	5.400					5.400		5.400
Dedicated Schools Grant Adjustment Account	(22.213)	(9.000)				(31.213)		(31.213)
	(16.813)	(9.000)	-	-	-	(25.813)	-	(25.813)
SCHOOL BALANCES	3.050	-	-	-	-	3.050	-	3.050
PROVISIONS								
Business Rates Appeals	1.041					1.041		1.041
Insurance	2.606					2.606		2.606
Other	0.167					0.167		0.167
	3.814	-	-	-	-	3.814	-	3.814
	14.395	(9.000)	7.188	-	-	12.583	(4.482)	8.101

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Appendix 4

Dedicated Schools Grant

1. The DSG conditions of grant require that any local authority with an overall deficit on its DSG account at the end of financial year 2021/22, or who's DSG surplus had substantially reduced, present a plan to the DfE for managing its DSG spend in 2022/23 and future years and commit to reducing the deficit. There is also a requirement to provide information as and when requested by the DfE about pressures and potential savings on its High Needs budget.
2. The Council complete regular DSG management recovery plans to outline forecasts over the next 5 years. The Council continues working with the DfE and have received a Stage 1 grant of £45,000 and a Stage 2 grant of £1m for the "Delivering Better Value" (DBV) programme that is supporting work to reduce the ongoing pressures within the High Needs Block using best practice and benchmarking across the country. This funding is due to expire in summer 2025. Within this programme it has been identified that, to be successful, inclusion in mainstream schools needs to improve. DBV is a long-term programme and 55 other local authorities as well as Middlesbrough Council are participating in the DBV programme. It should be noted that Middlesbrough Council is not involved in the "Safety Valve" programme, which is support for those local authorities with the greatest DSG deficits.
3. DfE also expect that schools be regularly updated via the Schools Management Forum about the authority's DSG account and plans for handling it, including high needs pressures and potential savings.
4. The DBV programme (which commenced in September 2023) highlighted there were risks to the programme outcomes without significant change, regarding inclusion in mainstream schools. Inclusion within mainstream has remained a challenge, which has resulted in continued increased demand for specialist provision for children with an Education, Health and Care Plan (EHCP) and alternative provision for those children and young people who are permanently excluded. This has resulted in increasing numbers of over commissioned places, the financial impact of which is pressure to provide additional place funding alongside high needs top up to meet the individual needs of the pupils. There have also been rate increases from specialist providers. The number of commissioned Alternative Provision placements has also increased to meet rising demand from the significantly high rates of exclusion; this again places additional financial pressure on the High Needs Block.
5. A range of management actions are being taken alongside the DBV programme these include initiatives such as:
 - Launch of Special Educational Needs & Disabilities (SEND) and Inclusion clinics in all schools to review how they are using their notional SEND budget as well as identifying training and support required within the setting.
 - Work with health colleagues to identify health contributions where relevant,
 - On-going reviews of Education, Health, and Care Plans (EHCPs)

- Dedicated training for school staff to support inclusive practice,
 - On going work with school to prioritise the reintegration of excluded pupils into mainstream school where possible
 - Review of funding provided to schools including special schools,
 - Continued early intervention and prevention work with schools to reduce exclusions,
 - Review of maintained schools' reserves and updated policy for challenging the use of those reserves
 - New Free School to be built by September 2026 which will support more children access local provision.
 - Ongoing development of local provision to meet needs and reduce the number of out of area placements,
 - Greater support during transitions
6. Regular meetings take place with the DfE and the DBV lead to monitor the actions within our DBV plan. Regular monitoring reports are also produced in line with the DBV grant conditions. The pressures on the High Needs Block are highlighted as part of this process to ensure the DfE are fully aware of the ongoing pressures within Middlesbrough.
7. The increasing pressure in DSG and the High Needs Block is due to the fact that alongside social care, the Service has seen, and is predicting, an increase in more complex placements with a forecast increase in Education, Health, and Care plans (EHCPs) in the future. In Middlesbrough, the number of EHCPs have increased from 1,659 in 2022 and 1,804 in 2023 to a current level of 2,040 in January 2025, an 8% increase between start of 2024 to 2025. It should be noted that the number of children with and EHCP is also a key cost driver in relation to home to school transport costs that are met by the General Fund through the Integrated Transport Unit. Some children in Alternative Provision are also a factor in relation to home to school transport costs. In 2022 132 children accessed Alternative Provision and in 2023 the figure was 175, and this figure has currently risen to 297. This is a national issue affecting many local authorities and presents a growing and significant financial risk to the Council. The Government have partly recognised this by an increase in funding allocated in the finance settlements in recent years for both Schools and High Needs Blocks. However, no specific funding has been provided in recognition of the adverse impact upon the General Fund cost of home to school transport.
8. Table 1 below shows the actual and forecast Education, Health, and Care plans (EHCPs), and is periodically being updated and used to calculate the forecasted increase in required demand on alternative provision services and also the Council's SEND transport requirements and also used to inform updates of the DSG Management Plan for Middlesbrough.

Table 1 – Actual and forecast Education, Health, and Care plans (EHCPs)

Year	2022	2023	2024	2025	2026	2027
Number of EHCP – actual and forecast	1,659	1,804	1,881	2,040	2,046	2,147

Appendix 5 : Capital Programme Quarter One 2025/26 - new externally funded schemes / additional external funding to existing schemes, additions to Council funded schemes, and virements between schemes

Directorate	Scheme	Total Value 2025/26	Total Value Future Years	Reason	Total Change to Capital Programme	External Funding	Council Funding
		£m	£m		£m	£m	£m

New Externally Funded Schemes / Additional External Funding To Existing Schemes

Regeneration	Towns Fund	-	0.050	The Council has received Section 106 funding which has been allocated to the Nunthorpe Community Hub scheme	0.050	0.050	-
Regeneration	Levelling Up Partnership	0.068	-	The Council has received a grant from the Department for Education relating to the Family Hubs and Start for Life programme. This has been added to the Levelling Up Funds already secured for improvements to Family Hubs.	0.068	0.068	-
Regeneration	Affordable Housing Via Section 106	-	4.721	The Council has received additional Section 106 contributions relating to affordable housing.	4.721	4.721	-
Regeneration	Highways Infrastructure Development Section 106	-	3.504	The Council has received additional Section 106 contributions relating to highways infrastructure schemes.	3.504	3.504	-
	Total Regeneration	0.068	8.275		8.343	8.343	-
Environment and Community Services	City Region Sustainable Transport Settlement	0.249	-	The Council has received notification of an Additional Resurfacing Grant to be received from the Department for Transport via Tees Valley Combined Authority.	0.249	0.249	-
	Total Environment and Community Services	0.249	-		0.249	0.249	-
Education and Partnerships	Block Budget - High Needs Provision Capital Allocation (HNCPA)	1.426	-	The Council has received confirmation of the 2025/26 grant award from the Department for Education	1.426	1.426	-
Education and Partnerships	Block Budget - Basic Need	0.064	-	Following a reconciliation of the Basic Need grant £0.064m of unallocated grant funding has been added to the capital programme	0.064	0.064	-
	Other Small Scale Additions	0.011	-	Following a reconciliation of a grant received in relation to reinforced autoclaved aerated concrete, £0.011m of unallocated grant funding has been added to the capital programme	0.011	0.011	-
	Total Education and Partnerships	1.501	-		1.501	1.501	-
	TOTAL ALL DIRECTORATES	1.818	8.275		10.093	10.093	-

Additions To Council Funded Schemes

Regeneration	Middlesbrough College Investment	1.600	-	On 11 June 2025 Executive approved the Middlesbrough College Investment report. The report approved investment of £1.600m in the college to enable facility expansion to grow the education capacity of the college. The report also agreed an amendment to their existing lease, to introduce rent of £0.130m per annum for 20 years.	1.600	-	1.600
	Total Regeneration	1.600	-		1.600	-	1.600
Environment and Community Services	Simpler Recycling	1.515	-	On 16 July 2025 Executive approved the Simpler Recycling - Legislation changes for Waste Streams report, which identified that an additional £1.515m of Council capital was required in order to acquire additional bins that are necessary to comply with the new legislation.	1.515	-	1.515
	Total Environment and Community Services	1.515	-		1.515	-	1.515
Public Health	Leisure Contract (SLM) Investment - Equipment	0.071	-	In accordance with the contract with the Council's external leisure provider, £0.071m has been provided for investment in the leisure centres.	0.071	-	0.071
	Total Public Health	0.071	-		0.071	-	0.071
	TOTAL ALL DIRECTORATES	3.186	-		3.186	-	3.186

Virements Within Directorates

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APPENDIX 5

Regeneration	Derisking Sites	0.000	(0.240)	Funds have been re-allocated from the Derisking Sites and general Towns Fund	(0.240)	-	(0.240)
Regeneration	Towns Fund - East Middlesbrough Community Hub	0.680	0.240	Grants schemes to the Towns Fund - East Middlesbrough Community Hub	0.920	0.680	0.240
Regeneration	Towns Fund	(0.680)	-	scheme to ensure that all costs associated with the scheme are budgeted for following the approval of the main tender contract.	(0.680)	(0.680)	-
Regeneration	Property Asset Investment Programme	0.066	-	To fund the demolition of the outbuildings at the Lingfield Countryside Centre.	0.066	-	0.066
Regeneration	Derisking Sites	(0.066)	-		(0.066)	-	(0.066)
Regeneration	Levelling Up Partnerships	0.038	-	To add to grant funding for the completion of improvement works at Thorntree	0.038	-	0.038
Regeneration	Derisking Sites	(0.038)	-	Family Hub.	(0.038)	-	(0.038)
	TOTAL REGENERATION	-	-		-	-	-

Virements Between Directorates

Education and Partnerships	Building Condition Improvements - Primary School	0.030	-	To complete roof and structural works at Whinney Banks Primary School	0.030	-	0.030
Regeneration	Property Asset Investment Programme	(0.030)	-		(0.030)	-	(0.030)
Children's Care	Children's Services Financial Improvement Plan	0.110	-	For the adaptation works within the Hilton Drive property	0.110	0.110	-
Regeneration	Towns Fund	(0.110)	-		(0.110)	(0.110)	-
	TOTAL ALL DIRECTORATES	-	-		-	-	-

Appendix 6 : Capital Programme Quarter One 2025/26 – Details of capital slippage

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Capital slippage is a way of reprofiling capital budgets between financial years to match forecast timing of expenditure, whilst staying within the approved project budget. The following details the slippage during Quarter One.

Directorate	Scheme	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Funding Source	Slippage Explanation
Regeneration	Levelling Up Fund	(2.835)	2.835	-	-	Grant	£0.700m has been re-profiled in relation to the Employment as the CAT B works are now expected to conclude in 2026/27. The Live Well East building will now be used as a Neighbourhood hub. As such an alternative building requires sourcing for Public Health, this has resulted in changes to spend assumptions, resulting in £1.135m being re-profiled. The external Junction project has experienced delays in securing grant funding, whilst this is now resolved, the Council's contribution of £1.000m is no longer expected to be made in this financial year.
Regeneration	Towns Fund	(1.664)	2.164	(0.500)	-	Grant	The spend profile for the Old Town Hall scheme was previously estimated. A full tender programme is now in place, giving greater certainty as to the timing of the works. Consequently, £1.664m of grant funding have been re-profiled into 2026/27. The scheme is expected to be completed within 2026/27.
Regeneration	Towns Fund - East Middlesbrough Community Hub	-	0.500	(0.500)	-	Grant	The Community Hub is due for completion in 2026/27, the grant funding assumed within 2027/28 has been re-profiled accordingly.
Regeneration	Levelling Up Fund - South Middlesbrough Accessibility	(1.000)	1.000	-	-	Grant	The works to construct the spine road at the Newham Hall housing development are now expected to conclude in Spring 2026, this has resulted in £1.000m of grant funding being re-profiled into 2026/27.
Regeneration	Indigenous Growth Fund - Captain Cook Square	1.000	(1.000)	-	-	Grant	The transformation of Captain Cook Shopping Precinct into a high quality leisure destination continues to work at pace, resulting in £1.000m being re-profiled into 2025/26 to fund works, including the completion of Roxv Cinema which opened in July 2025.
Regeneration	Cemetery Provision	(0.701)	0.701	-	-	Borrowing	The external consultants recommended that the Council undertook three additional surveys relating to the underground soil, this coupled with some unforeseen delays in the design phase have resulted in an up to two month delay in the scheme.
Regeneration	Other Small Scale Slippage Across The Directorate	(0.037)	0.037	-	-	Grant / Borrowing	
	Regeneration Total	(5.237)	6.237	(1.000)	-		
Environment and Community Services	Bridges & Structures - City Regional Sustainable Transport	(0.750)	0.750	-	-	Borrowing	Delays to the contract process have been experienced due to internal capacity issues, resulting in the re-profiling of funds.
Environment and Community Services	Other Small Scale Slippage Across The Directorate	(0.126)	0.126	-	-	Grant / Borrowing	
	Environment and Community Services Total	(0.876)	0.876	-	-		
Education and Partnerships	Block Budget - School Condition Allocation (SCA)	(0.800)	0.800	-	-	Grant	The improvement programme for 2025/26 has been agreed and costed, £0.800m of grant funding has been re-profiled to part fund future years works.
Education and Partnerships	Block Budget - High Needs Provision Capital Allocation 2025-26	(1.426)	1.426	-	-	Grant	The improvement programme for 2025/26 has been agreed and costed, £1.426m of grant funding has been re-profiled to part fund future years works.
Education and Partnerships	Other Small Scale Slippage Across The Directorate	(0.099)	0.099	-	-	Grant	
	Education and Partnerships Total	(2.325)	2.325	-	-		
Legal and Governance Services	Other Small Scale Slippage Across The Directorate	0.210	(0.210)	-	-	Borrowing	
	Legal and Governance Services Total	0.210	(0.210)	-	-		
Transformation	Transformation / Subject Matter Expertise	1.507	(1.639)	(2.928)	(0.750)	Capital Receipts	The Council's Transformation programme has been reviewed as at Quarter 1 with significant reductions on the assumptions regarding redundancies based on current savings requirements. Additionally, it has now incorporated the Neighbourhood theme as approved by Executive on 30 April 2025.
Transformation	Neighbourhood	1.146	3.556	2.340	-	Capital Receipts	
Transformation	Redundancy	(1.153)	(0.850)	(1.041)	-	Capital Receipts	
Transformation	ICT	(0.750)	0.750	-	-	Capital Receipts	
Transformation	Contingency	(0.750)	0.555	0.557	(0.550)	Capital Receipts	
	Transformation Total	-	2.372	(1.072)	(1.300)		
	TOTAL	(8.228)	11.600	(2.072)	(1.300)		

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Appendix 7 : Revised Capital Programme Forecasts 2025/26 to 2028/29

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
Regeneration	£m	£m	£m	£m	£m
Town Centre Related Projects	0.083	-	-	-	0.083
Housing Growth	0.030	0.624	-	-	0.654
Newham Hall	1.340	11.892	-	-	13.232
BOHO X	0.418	-	-	-	0.418
Indigenous Growth Fund - Captain Cook Square	1.441	1.541	-	-	2.982
Towns Fund	6.053	5.731	-	-	11.784
Towns Fund - East Middlesbrough Community Hub	3.519	1.340	-	-	4.859
Acquisition of Town Centre Properties	-	1.000	-	-	1.000
Acquisition of The Crown	0.005	-	-	-	0.005
Levelling Up Partnership	4.251	4.976	-	-	9.227
New Civic Centre Campus	-	0.237	-	-	0.237
Capitalisation Of Major Schemes Salaries	0.530	0.530	0.530	0.530	2.120
Capitalisation of Planning Services Surveys	0.086	0.050	0.009	-	0.145
Affordable Housing Via Section 106	-	1.495	2.360	2.361	6.216
Highways Infrastructure Development Section 106	-	0.722	1.752	1.752	4.226
Levelling Up Fund - South Middlesbrough Accessibility	3.470	1.000	-	-	4.470
Middlesbrough College Investment	1.600	-	-	-	1.600
Derisking Sites	0.063	0.864	1.300	1.300	3.527
Property Services Building Investment	0.340	0.340	0.340	0.340	1.360
Property Asset Investment Programme	2.007	2.706	1.500	1.500	7.713
Town Hall Roof	-	2.956	-	-	2.956
Municipal Buildings Refurbishment	0.257	0.891	-	-	1.148
Resolution House	-	0.482	-	-	0.482
Cleveland Centre	0.748	0.226	-	-	0.974
Cemetery Provision	0.350	1.500	0.538	-	2.388
Investment In Parks	0.007	-	-	-	0.007
Cultural Development Fund - Enhancements to Central Library & Partner Organisations	2.309	-	-	-	2.309
Museum Estate and Development Fund	0.001	-	-	-	0.001
Total Regeneration	28.908	41.103	8.329	7.783	86.123

Council Funding	External Funding
£m	£m
0.083	-
0.654	-
4.094	9.138
0.042	0.376
-	2.982
1.125	10.659
1.940	2.919
1.000	-
0.005	-
0.081	9.146
0.237	-
2.120	-
0.145	-
0.302	5.914
0.142	4.084
-	4.470
1.600	-
3.527	-
1.360	-
7.713	-
2.956	-
1.148	-
0.482	-
0.974	-
2.388	-
0.007	-
0.090	2.219
-	0.001
34.215	51.908

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
Environment and Community Services	£m	£m	£m	£m	£m
Purchase of New Vehicles	3.567	1.200	1.200	1.200	7.167
Capitalisation of Wheeled Bin Replacement	0.100	0.100	0.100	0.100	0.400
Capitalisation of Street Furniture / Dog Fouling & Litter Bins	0.055	0.055	0.055	0.055	0.220
Capitalisation of Highways Maintenance	0.575	0.575	0.575	0.575	2.300
City Regional Sustainable Transport Scheme - Highways Maintenance	3.995	2.339	-	-	6.334
City Regional Sustainable Transport Scheme - Incentive Funding	1.455	1.291	-	-	2.746
Street Lighting-Maintenance	0.585	0.468	0.468	0.468	1.989
Urban Traffic Management Control 1	0.033	-	-	-	0.033
Flood Prevention	0.090	-	-	-	0.090
Section 106 Ormesby Beck	0.015	-	-	-	0.015
Bridges & Structures	2.125	3.380	2.650	4.798	12.953
Newport Bridge	0.877	0.500	-	-	1.377
CCTV	0.010	-	-	-	0.010
Towns Fund Initiatives	0.016	-	-	-	0.016
Traffic Signals -Tees Valley Combined Authority	0.029	-	-	-	0.029
Highways Infrastructure	1.371	-	-	-	1.371
Libraries Improvement Fund	0.006	-	-	-	0.006
Urban Traffic Management Control 2	0.389	-	-	-	0.389
Traffic Signals Non Tees Valley Combined Authority	0.516	-	-	-	0.516
Traffic Signals Obsolescence Grant	1.877	-	-	-	1.877
FUSION adaptive travel control solution	0.372	-	-	-	0.372
Food Waste Collection	1.076	-	-	-	1.076
Street Lighting Column Replacement	0.209	0.363	-	-	0.572
Levelling Up Partnership - Neighbourhood Safety	0.915	-	-	-	0.915
Section 106 Marton West Beck	0.094	-	-	-	0.094
Community Reaction Fund	0.033	-	-	-	0.033
Parks Play zones	0.125	-	-	-	0.125
Members Small Schemes	0.060	0.210	0.060	0.060	0.390
Linthorpe Road Cycleway Removal	2.169	-	-	-	2.169
Carriageway Resurfacing Programme	0.187	0.687	-	-	0.874
Footways Repairs Programme	0.100	0.500	-	-	0.600
Regulatory Services ICT System	0.466	0.356	-	-	0.822
Section 106 Stewart Park	0.032	-	-	-	0.032
Simpler Recycling	1.515	-	-	-	1.515
					-
Total Environment and Community Services	25.039	12.024	5.108	7.256	49.427

Council Funding	External Funding
£m	£m
7.167	-
0.400	-
0.220	-
2.300	-
-	6.334
-	2.746
1.989	-
-	0.033
-	0.090
-	0.015
12.953	-
1.377	-
0.010	-
-	0.016
-	0.029
1.371	-
-	0.006
-	0.389
0.516	-
-	1.877
-	0.372
-	1.076
0.572	-
-	0.915
-	0.094
-	0.033
-	0.125
0.390	-
-	2.169
0.874	-
0.600	-
0.822	-
-	0.032
1.515	-
33.076	16.351

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
Public Health	£m	£m	£m	£m	£m
Live Well East – Internal Alterations & Improvements	0.010	-	-	-	0.010
Swimming Pool Support Fund	0.182	-	-	-	0.182
Middlesbrough Sports Village Full Size 3g Pitch Repair	0.507	-	-	-	0.507
Neptune Leisure Centre Boiler Replacement	0.172	-	-	-	0.172
Live Well West Building Works	0.100	-	-	-	0.100
Investment with Council's Leisure provider - Equipment	0.071	-	-	-	0.071
Total Public Health	1.042	-	-	-	1.042

Council Funding	External Funding
£m	£m
-	0.010
-	0.182
0.507	-
0.172	-
0.100	-
0.071	-
0.850	0.192

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
Education and Partnerships	£m	£m	£m	£m	£m
Block Budget - Family Hubs	0.003	-	-	-	0.003
Block Budget - Devolved Formula Capital (DFC) - All Schools	0.097	-	-	-	0.097
Block Budget - School Condition Allocation (SCA)	0.014	0.737	-	-	0.751
Block Budget - Basic Need	2.388	-	-	-	2.388
Block Budget - High Needs Provision Capital Allocation (HNCPA)	0.357	1.426	-	-	1.783
Block Budget - Early Years 2 years old entitlement	0.001	-	-	-	0.001
Section 106 - Lowgill	0.035	-	-	-	0.035
Contingency Funding Reserve	0.105	-	-	-	0.105
Building Condition Improvements - Primary School	0.404	0.010	-	-	0.414
Building Condition Improvements - Special Schools	0.033	0.005	-	-	0.038
School led Capital schemes - All Maintained Schools	0.130	0.100	-	-	0.230
Sufficiency Schemes - Primary	0.315	0.185	-	-	0.500
Sufficiency Schemes - Secondary	2.703	0.746	-	-	3.449
Sufficiency Schemes - Special Educational Needs & Disabilities (SEND) and Alternative Education	2.343	0.100	-	-	2.443
Special Educational Needs (SEN) Small Capital Grant Schemes	0.249	-	-	-	0.249
Family Hubs and Early Years	0.042	-	-	-	0.042
Capitalisation of Salary Costs	0.123	0.127	-	-	0.250
Total Education & Partnerships	9.342	3.436	-	-	12.778

Council Funding	External Funding
£m	£m
-	0.003
-	0.097
-	0.751
-	2.388
-	1.783
-	0.001
-	0.035
-	0.105
0.043	0.371
-	0.038
-	0.230
-	0.500
0.646	2.803
-	2.443
-	0.249
-	0.042
-	0.250
0.689	12.089

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
Children's Care	£m	£m	£m	£m	£m
Gleneagles Refurbishment	0.030	-	-	-	0.030
Children's Services Financial Improvement Plan	0.791	-	-	-	0.791
Total Children's Care	0.821	-	-	-	0.821

Council Funding	External Funding
£m	£m
0.030	-
0.550	0.241
0.580	0.241

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
Adult Social Care	£m	£m	£m	£m	£m
Chronically Sick & Disabled Persons Act - All schemes	1.090	0.935	1.000	1.070	4.095
Disabled Facilities Grant - All schemes	2.674	0.684	-	-	3.358
Capitalisation of Staying Put Salaries	0.050	0.050	0.050	0.050	0.200
Home Loans Partnership (Formerly 5 Lamps)	0.067	-	-	-	0.067
Small Schemes	0.044	-	-	-	0.044
Total Adult Social Care	3.925	1.669	1.050	1.120	7.764

Council Funding	External Funding
£m	£m
3.899	0.196
-	3.358
0.200	-
-	0.067
-	0.044
4.099	3.665

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
Legal & Governance Services	£m	£m	£m	£m	£m
Desktop Strategy / Device Refresh	0.106	-	-	-	0.106
Enterprise Agreements	0.908	-	-	-	0.908
IT Refresh - Network Refresh	0.144	-	-	-	0.144
IT Refresh - Lights On	0.254	-	-	-	0.254
ICT Essential Refresh & Licensing	0.295	1.975	2.185	2.185	6.640
SharePoint	0.085	-	-	-	0.085
HR Recruitment	0.020	-	-	-	0.020
Iken Legal Case Management System	0.027	-	-	-	0.027
HR Pay	-	0.037	-	-	0.037
Total Legal & Governance Services	1.839	2.012	2.185	2.185	8.221

Council Funding	External Funding
£m	£m
0.106	-
0.908	-
0.144	-
0.254	-
6.640	-
0.085	-
0.020	-
0.027	-
0.037	-
8.221	-

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
Finance	£m	£m	£m	£m	£m
Former Partnership Investment (ICT Infrastructure Revenues & Benefits)	0.025	0.239	-	-	0.264
Business World Upgrade	0.028	-	-	-	0.028
Capitalisation of Property Finance Lease Arrangements	0.150	0.150	-	-	0.300
Total Finance	0.203	0.389	-	-	0.592

Council Funding	External Funding
£m	£m
0.264	-
0.028	-
0.300	-
0.592	-

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
Transformation Programme	£m	£m	£m	£m	£m
Transformation / Subject Matter Expertise	4.507	2.211	0.084	-	6.802
Neighbourhood	1.146	3.556	2.340	-	7.042
Redundancy	0.347	0.200	-	-	0.547
ICT	0.750	2.250	1.500	-	4.500
Contingency	0.750	1.305	1.307	-	3.362
Total Transformation	7.500	9.522	5.231	-	22.253

Council Funding	External Funding
£m	£m
6.802	-
7.042	-
0.547	-
4.500	-
3.362	-
22.253	-

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
ALL DIRECTORATES	£m	£m	£m	£m	£m
Total ALL DIRECTORATES	78.619	70.155	21.903	18.344	189.021

Council Funding	External Funding
£m	£m
104.575	84.446

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
FUNDED BY:	£m	£m	£m	£m	£m
Borrowing	18.216	25.315	-	-	43.531
Capital Receipts	6.000	6.000	12.560	14.231	38.791
Flexible Use of Capital Receipts	7.500	9.522	5.231	-	22.253
Grants	45.165	22.810	-	-	67.975
Contributions	1.738	6.508	4.112	4.113	16.471
					-
Total FUNDING	78.619	70.155	21.903	18.344	189.021

Council Funding	External Funding
£m	£m
43.531	-
38.791	-
22.253	-
-	67.975
-	16.471
104.575	84.446

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MIDDLESBROUGH COUNCIL	
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Report of:	Director of Finance and Transformation (s151 Officer), Andrew Humble
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Relevant Executive Member:	The Mayor, Chris Cooke Executive Member for Finance, Cllr. Nicky Walker
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Submitted to:	Executive
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Date:	3 September 2025
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Title:	Medium Term Financial Plan (MTFP) update and 2026/27 budget development approach and timetable
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Report for:	Decision
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Status:	Public
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Council Plan priority:	Delivering Best Value
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Key decision:	No
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Why:	Decision does not reach the threshold to be a key decision
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Subject to call in?	Yes
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Why:	Non urgent report
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Proposed decision(s)	
That the Executive: <ul style="list-style-type: none"> • NOTES the update of the Council's Medium Term Financial Plan (MTFP) • APPROVES the budget development approach and timetable set out in Appendix 2 for developing the 2026/27 Budget and Medium Term Financial Plan (MTFP) to 2029/30 	

Executive summary
<p>Each year, the Council undertakes a service and financial planning exercise with the intention to achieve a balanced annual revenue budget and MTFP in order to secure a financially sustainable position, capital programme, sets the capital and treasury management strategy, and agrees the annual level of council tax.</p> <p>This report provides an update of the Council's Medium Term Financial Plan (MTFP) since it was approved by Council on 19 February 2025. It also sets out for consideration and approval by the Executive, the proposed approach and timetable for the 2026/27 budget setting and the MTFP for the four-year period 2026/27 to 2029/30.</p>

1. Purpose of this report and its contribution to the achievement of the Council Plan ambitions

- 1.1 The report provides an update for Executive of the issues affecting the Council's current Medium Term Financial Plan.
- 1.2 The report also seeks approval of the budget development approach and timetable within which Officers will work with the Mayor, Executive and other elected members to develop the 2026/27 budget and Medium Term Financial Plan (MTFP) for the four-year period to 2029/30.

Our ambitions	Summary of how this report will support delivery of these ambitions and the underpinning aims
A successful and ambitious town	The MTFP underpins the delivery of the Council's vision for Middlesbrough and therefore supports all the ambitions within the Council Plan.
A healthy Place	
Safe and resilient communities	
Delivering best value	The proposed recommendations are consistent with and will promote the achievement of the Council's general legal duty to achieve Best Value in accordance with Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007). The report provides assurance that the Council has effective corporate governance and financial planning arrangements in place, and that the Council is working towards managing its finances by the development of a balanced budget for 2026/27 and MTFP to 2029/20 for approval by Council in February 2026, whilst also ensuring that resilience and sustainability are not impacted. The forward planning for and setting of a robust budget and balanced MTFP enables the Council to provide and deliver services within its overall corporate and financial planning framework.

2. Recommendations

2.1 That the Executive:

- **NOTES** the update of the Council's Medium Term Financial Plan (MTFP)
- **APPROVES** the budget development approach and timetable set out in Appendix 2 for developing the 2026/27 Budget and Medium Term Financial Plan (MTFP) to 2029/30

3. Rationale for the recommended decision(s)

- 3.1 The forward planning for and setting of a robust budget and balanced MTFP enables the Council to provide and deliver services within its overall corporate and financial planning framework. The MTFP underpins the delivery of the Council's vision for

Middlesbrough to be a thriving, healthier, safer, and more ambitious place where people want to live, work, invest, and visit, and where we will support our residents to live fulfilling lives, to ensure that our communities thrive.

- 3.2 All Council elected members have a legal obligation to agree a balanced robust budget and set the Council Tax by 11 March 2026. In addition, the Council has a Best Value duty to demonstrate financial sustainability through the delivery of a balanced MTFP over a period of at least 3 years. The setting of the budget is part of the budget and policy framework and therefore requires Full Council approval scheduled for 18 February 2026.
- 3.3 The Council is required to take a systematic, coherent, and controlled approach to addressing its ongoing financial challenges over the medium-term, while enabling the delivery of the Mayor's vision and priorities for Middlesbrough through delivery of the wider Council Plan.

4. Background and relevant information

- 4.1 Each year the Council engages in an annual financial planning and budget setting cycle with the intention to achieve a balanced annual revenue budget and MTFP, sets the council tax, and sets out the capital and treasury management strategy. A high level overview of the annual financial planning cycle is summarised in Figure 1 below. A more detailed timetable for the 2026/27 budget and MTFP is summarised in Table 1 and set out in Appendix 2.

Figure 1 Annual Financial Planning Cycle



4.2 The annual financial planning cycle involves the periodic review and updating of financial planning assumptions in the light of new information and data at key stages of the financial year in order to inform the Council's budgetary control, financial forecasting and medium to long term financial planning. Particular areas of focus include:

- The Council's actual financial performance against its financial forecasts for the previous financial year and current year financial performance in terms of budgetary control and savings delivery against plan.
- Changes in information and intelligence concerning external factors outside the Council's direct control, such as: the general state of the national economic forecast, inflation, interest rates, pay inflation and market factors that will impact upon the cost of services and anticipated demand for services. Also demographic forecasting and level of service demand experienced across key service areas
- Internal factors relating to the design and operation of service delivery models to meet demand from residents, businesses, and visitors to the town.
- The level of reserves and forecast impact of all factors upon reserves.

4.3 The above cycle needs to align with the Recover, Rest, Deliver Transformation Programme which aims to improve, modernise, and transform the delivery of the services by the Council, and potentially providing savings for use in the MTFP. Funding of £26.7m has been allocated for the costs of the Transformation Programme from 2024/25 to 2028/29.

4.4 This report is the first stage of the budget development strategy for the four-year period 2026/27 to 2029/30. It builds upon the MTFP approved by Council on 19 February 2025, the 2024/25 financial outturn reported to Executive on 11 June 2025, and the 2025/26 forecast financial position at Quarter One contained elsewhere on this agenda. It sets out the financial framework and timetable within which Officers will work with the Mayor and Executive, with input from elected members to develop budget proposals that will deliver the Council Plan within available resources.

MTFP Update

4.5 Since the budget report to Council on 19 February 2025 there have been a number of developments which will impact on the Council's current MTFP as outlined in paragraphs 4.6 to 4.25. Further detailed information is required regarding these in order to provide robust figures for inclusion in an update of the MTFP, and at this stage no figures are provided in this report until greater assurance can be obtained on the figures. Work will continue as further information becomes available and an updated MTFP is planned to be submitted to Executive on 3 December 2025 along with the start of the budget consultation for 2026/27.

Local Government Funding

- 4.6 On 20 June 2025 the Government published a consultation on a review of Local Government Funding (known as Fair Funding Review 2.0). This is a comprehensive consultation which outlines proposed fundamental reforms to local government funding in the UK and seeks views on the approach to determining new funding allocations for local authorities and fire and rescue authorities. The approach proposed by the Government aims to make the way funding is provided for local authorities fairer and simpler and aims to move funding to authorities who have the greatest need, such as Middlesbrough.
- 4.7 A summary of the main points of the consultation is included at Appendix 1 for information.
- 4.8 Analysis of the potential effects on the Government's proposed approach on individual authorities has been undertaken in conjunction with organisations such as SIGOMA (Special Interest Group of Municipal Authorities) and Pixel Financial Management who the Council subscribes to. The Government has also provided some further information and clarification of some parts of the consultation.
- 4.9 Whilst no detailed information has been provided by the Government as to the effect on individual local authorities, the analysis undertaken to date indicates that Middlesbrough will obtain substantial additional funding from the proposed new approach, due to a recognition of the needs and demands that Middlesbrough faces in providing services and the fact that Middlesbrough has not received appropriate funding to meet its needs in previous years. There is still a high level of uncertainty in some aspects of the proposed approach and therefore at this stage no estimated figures are included in this report.
- 4.10 The consultation closed on 15 August 2025, and the Council submitted a response to the consultation which generally welcomed the Government's proposed approach.
- 4.11 After considering all the responses to the consultation the Government will provide detailed allocations of funding to individual local authorities for the next three years as part of the provisional Local Government Finance Settlement which is planned to be published in late November 2025. The Government have indicated that they will also publish a Local Government Finance Policy Statement by October 2025 and other information before the Settlement is published. The modelling of funding projections will be reviewed through the budget process to reflect new information as it becomes available. The timing of the provisional Settlement will determine how much certainty can be placed on the figures to be included in the report to Executive in December 2025.

General economic climate

- 4.12 The following paragraphs provide an overview of the general economic climate and main factors that currently exist. These will be monitored closely along with the potential effects for the Council in order to inform the MTFP.

- 4.13 UK Gross Domestic Product (GDP) grew by 0.7% in the first quarter of 2025, slightly above expectations, supported by strong business investment and a boost from net trade and inventories, this is likely due to activity brought forward ahead of new US tariffs.
- 4.14 Since late 2024, underlying employment growth has been broadly flat, reflecting subdued economic activity and rising employment costs. While weak GDP momentum accounts for part of this stagnation, firms have also cited higher employer National Insurance Contributions (NICs) and increases in the National Living Wage (NLW) as factors discouraging hiring. Sectors like retail and hospitality have been hit particularly hard.
- 4.15 Headline Consumer Price Index (CPI) inflation rose to 3.8% in July 2025, exceeding the 2% target and slightly surpassing expectations and remaining stubbornly high. This increase reflects reduced drag from energy prices, stronger core goods inflation, and higher food prices. Inflation is projected to peak at 4.0% in September 2025 before declining gradually. Core inflation remains elevated due to persistent services inflation, which stood at 5% in July 2025, and is influenced by high wage growth and one-off cost increases.
- 4.16 The Bank of England cut interest rates at its August 2025 meeting to 4%. A further 0.25% cut is expected in November 2025. There are concerns that with a weakening labour market and low economic activity, perhaps signalling that higher interest rates are hindering growth and employment.

Service Demand Pressures

- 4.17 In common with most local authorities, the combination of previous high and existing stubbornly high inflation and the cost of living crisis and other issues as outlined above have significantly impacted the local and national economy and put significant pressure upon demand for Council services and the cost of providing them. As detailed in the Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter One 2025/26 report to this Executive existing financial pressures are continuing, and further financial pressures are emerging in relation to:
- Adult Social Care – increased demand for services (mainly residential care)
 - Children's Social Care – increased numbers and complexity of external residential placements
 - Potential shortfalls on income from strategic commercial investments.
 - Crematorium – reduced demand and associated reduction in income
 - Fleet Management – increased staff costs due to recruitment and retention challenges and a sharp increase in the cost of vehicle parts
 - Integrated Transport Service - home to school transport for children and transport for vulnerable adults
- 4.18 There are also a number of other significant potential financial pressures that are emerging in future years, and which may require the MTFP to be amended for. The major significant area is in Waste Services where firstly there are an estimated £2.279m remaining annual revenue costs that will be required to be incurred from

2026/27 onwards relating to Simpler Recycling – Legislation changes for Waste Streams as detailed in the report to Executive on 16 July 2025. The Government have confirmed as part of the Spending Review 2025 published on 11 June 2025 that local authorities will continue to receive Extended Producer Responsibility (EPR) funding, and it is proposed that EPR funding will be used to cover the annual revenue costs arising from Simpler Recycling.

- 4.19 Also, there are potential significant financial pressures arising in future years of the MTFP relating to Waste Disposal where there is a new waste disposal contract and Tees Valley Energy Recovery Facility planned to operate from 2030 which could impact on the price per tonne of waste disposed that the Council has to pay. Alongside this there is a need to consider the effects of the introduction of Simpler Recycling in 2026/27 on waste tonnages. Detailed financial modelling is currently being undertaken on the Waste Disposal budget to inform the MTFP.
- 4.20 The Government have announced the planned introduction of the Emissions Trading Scheme (ETS) from 2028/29. This will increase costs for local authorities, particularly those operating energy-from-waste (EfW) facilities or incinerators. This is because the ETS puts a price on carbon emissions, and waste management operations that produce emissions will need to purchase permits to cover their carbon footprint. The financial implications of this are not yet fully clear but the Local Government Association (LGA) estimates that the scheme could cost local authorities between £367m and £747m per year in total.
- 4.21 The Government have announced that EPR schemes where producers are responsible for the end-of-life management of their products, is expected to reduce the amount of waste going to landfills and incineration, potentially lowering ETS costs and reducing the burden of the ETS. The Government have also indicated that EPR funding which the Council will receive can be used to offset the costs of ETS, however the overall financial impact on local authorities is likely to still be significant.

Savings now found to be unachievable

- 4.22 The Quarter One budget monitoring report highlighted a number of previously approved budget savings that are now likely to be unachievable in the future and potentially will need removing from the MTFP or replacing with other savings. These are summarised below, and these will be considered as part of the updated MTFP to Executive in December 2025:
- Charging residents for issuing parking permits (£0.250m) - as announced at Full Council on 26 March 2025 the plan to charge for residents parking permits approved as part of the 2024/25 budget setting process was being paused. It is proposed that the savings associated with this (totalling £0.250m) are submitted for removal from the Council's budget as part of the 2026/27 budget setting.
 - Savings relating to Business Rates and Council Tax (£1.004m) - whilst savings will be made as intended these are recognised in the Collection Fund rather than the General Fund. Due to the prescribed mechanisms for operating the Collection Fund under legislation, the savings in the Collection Fund do not impact the General Fund position until the next year in the form of a surplus on

the Collection Fund which can be used in the budget setting. Budgeting for surpluses on the Collection Fund is not recommended, as whilst surpluses may exist on the Collection Fund which can be used for budget setting it is better practice to not budget for these in the MTFP. It is therefore recommended that these budgeted savings are considered for removal from the MTFP.

- Contractual Spend Review savings for 2025/26, which has now been identified as a double count of a 2024/25 saving (£0.700m).

Dedicated Schools Grant (DSG)

- 4.23 As mentioned in the Quarter One budget monitoring report the level of the DSG deficit and the future uncertainty relating to the treatment of this creates a significant future risk to the Council. This will need to be closely monitored and considered in future updates of the MTFP.

Pay awards

- 4.24 On 23 July 2025 agreement was reached between the employers and the trade unions as to the pay award of 3.2% for 2025/26 for local government employees from 1 April 2025. This along with other available information will inform the estimates of pay awards in future years of the MTFP.

2025 Pension Fund triennial valuation

- 4.25 A triennial valuation of the Teesside Pension Fund took place on 31 March 2025, and this will inform the contributions required from employers for the three years from 2026/27. The MTFP will be updated for the effects of this when employer contribution rates are provided, which should be by November 2025 at the latest.

Budget Strategy

- 4.26 It is essential that the Council develops a robust medium term financial strategy to achieve financial sustainability over the course of its MTFP whilst demonstrating that it is achieving Best Value in its use of resources. It is essential that the 2026/27 budget process achieves the following key objectives:

- Set and deliver a balanced General Fund budget for 2026/27
- Continue to ensure the Council's financial resilience through the achievement of a balanced MTFP and rebuilding of revenue reserves
- Further develop the Transformation Portfolio to establish programmes and projects that deliver improved outcomes at lower cost whilst meeting the Mayor's priorities within a Council Plan
- Establishes and utilises more robust and reliable demand and cost modelling that can be used to plan, manage, forecast and control the cost of services more effectively in order to improve forecasting of MTFP requirements.

4.27 The proposed budget strategy for 2026/27 and over the medium term will focus upon further development of the following themes in order to establish a robust and affordable MTFP:

- Further development of robust demand and cost modelling that will support the development of budgeting over the MTFP
- Develop prevention and demand management strategies in relation to meeting statutory responsibilities
- Service redesign and transformation and efficiency to deliver improved outcomes from a lower cost base
- Review statutory duties and functions and align policy and practice to remove provision in excess of statutory requirements where this is unaffordable
- Review, benchmark, and prioritise services within resource constraints
- Continue to review, rationalise and optimise the use of Council assets and where appropriate create further capital receipts to fund further transformation and the longer term capital programme whilst reducing operational costs of assets
- Review and optimise debt recovery
- A renewed focus upon the detection and prevention of fraud against the Council

4.28 The budget strategy for 2026/27 and the MTFP will heavily depend on the amount of Government funding which the Council will receive for future years as determined by the Fair Funding Review and the Council's allocation of funding from the Local Government Finance Settlement. The modelling of funding projections will be reviewed through the budget process to reflect new information as it becomes available. The government has indicated that the provisional Settlement will be issued in late November 2025.

4.29 As mentioned above initial analysis has indicated that it is likely that the Council will receive additional funding resulting from the Fair Funding Review, but this is still to be confirmed. It is proposed that the approach to determining how any additional funding is allocated will be in the following order:

- 1) Council Tax decisions
- 2) Demand / inflation pressures
- 3) Re-basing of budgets
- 4) Removal of unachievable budget savings
- 5) Service growth in line with Mayoral priorities

4.30 All the above will be subject to detailed analysis based on all available information and discussion with Executive members, and further information will be provided to all elected members at various points of the budget setting process. An all elected member briefing will be arranged for September 2025 to provide information on the main points of this report and any updates that can be provided. The Council's proposed 2026/27 budget and MTFP will be submitted to Executive on 3 December 2025 along with the start of the budget consultation process. A full briefing will be provided to all elected members regarding this when the Executive papers are circulated.

Budget Development Timetable

- 4.31 It is proposed that the Council adopts the following timetable summarised in Table 1 and detailed in Appendix 2, so that suitable proposals for the MTFP 2026/27 to 2029/30 can be published for public consultation before final decisions are made by Council in February 2026.

Table 1 -2026/27 Budget Setting – Summary Budget Timetable

2026/27 Budget Setting - Budget Timetable		
Date	Responsible	Action
September - end of December 2025	Executive Member for Finance / S151 Officer	Monthly Financial Resilience Working Group meetings
September 2025	Elected Mayor / S151 Officer	Briefing - All Elected Members
August 2025 - end of October 2025	LMT / Executive	Development of budget proposals
25 November 2026	Elected Mayor / S151 Officer	Briefing - All Elected Members
3rd December 2025	Executive	Executive - budget proposals agreed for consultation. Capital Programme review. 2026/27 Council Tax Base set
4th December 2025 - 7th January 2026	Finance	Budget Consultation period with public, political groups, OSB, business community & other stakeholders
December 2025 / Early January 2026	Finance	Consider Provisional Local Government Finance Settlement (expected to be available late November 2025)
End January 2026	Finance	Final Local Government Finance Settlement to be considered
January 2026	Elected Mayor / Executive / LMT	Amend budget proposals in light of consultation, feedback/updated officer advice and consider any alternative budget proposals
27 January 2026	Elected Mayor / S151 Officer	Briefing - All Elected Members
4th February 2026	Executive	Executive - agree final budget proposals for recommendation to Council
18th February 2026	Council	Full Council - to set 2026/27 revenue budget, 2026/27 Council Tax, revised MTFP to 2029/30 and Capital Strategy 2026/27

Member engagement in developing the budget and MTFP

- 4.32 The annual budget financial planning cycle requires a collaborative and co-ordinated approach by all elected members and officers in order to achieve a balanced budget and MTFP and ensure the financial sustainability of the Council. As outlined above in Table 1, briefings for all elected members will be arranged at various points of the process to ensure that key issues are understood. The Financial Resilience Working Group (FRWG) comprising cross party member representation will be re-established and will play a key role in the budget setting process. The first meeting will be held in September, and these will run through to the end of December.

5. Ward Member Engagement if relevant and appropriate

- 5.1 As detailed in paragraph 4.32 all elected members, including ward members, have a role to play in the budget setting process.

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

- 6.1 The Council is required by law to set a balanced budget and to operate robust and meaningful financial planning arrangements and this report sets out the development process and timeline for achieving that objective. Therefore, no other options are feasible.

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

Topic	Impact
Financial (including procurement and Social Value)	<p>This report represents the first step in a budget process that will continue over the coming months with further detailed consideration of the outcomes being evaluated prior to the Executive considering and approving a draft budget for public consultation in December 2025.</p> <p>The budget process will culminate in the Chief Finance Officer's (S151 Officer) assessment of the robustness of the proposed budget and adequacy of reserves statement contained within the final report presented to Executive and Council in February 2026, followed by approval of the Budget, MTFP, Capital Programme, Treasury Management Strategy and annual council tax by Council.</p>
Legal	<p>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.</p>
Risk	<p>The S151 Officer is required to provide statutory advice to the Council on the robustness of the budget estimates and adequacy of reserves. As such, an assurance was provided to Full Council at the time it set the 2025/26 budget it had been reasonably based on the best available information and assumptions.</p> <p>However, the uncertainties of the economic environment over the short to medium term present a high risk to the authority as reflected in the pressures being experienced and reflected in the Quarter One forecast overspend in the 2025/26 financial year. It is essential that Directors in consultation with Executive Members are focused upon developing and delivering financial recovery plans to control expenditure within the approved budget for 2025/26. Any actual overspend will impact upon the 2026/27 budget and MTFP to 2029/30.</p>

	<p>The development of the Council's MTFP is periodically reviewed and will build upon projections for the current period and beyond as further details and analysis become available. Throughout the budget process a range of different options will be considered including various levels of council tax, investment, expenditure reductions and income generation proposals. These will be regularly reported and thoroughly considered as part of an iterative process involving LMT, the Elected Mayor, Executive Members and briefings to all elected members. Impact assessments will be considered before final decisions are taken on whether to implement each proposal.</p>
<p>Human Rights, Public Sector Equality Duty and Community Cohesion</p>	<p>The Council must ensure that, in line with the Public Sector Equality Duty, that any budget saving proposals, other budget proposals, or proposed Council Tax increases thought to impact on those with protected characteristics are assessed, mitigated where possible and/or justified. As such impact assessments for any savings proposals will be undertaken as part of the budget process and included as part of the budget report to Council in February 2026.</p> <p>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:</p> <ul style="list-style-type: none"> • 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. • 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: <ul style="list-style-type: none"> - 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

	<p>are different from the needs of persons who do not share it; and</p> <ul style="list-style-type: none"> - 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. <p>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.</p>
Reducing Poverty	The proposed recommendations in this report do not directly impact on Reducing Poverty.
Climate Change / Environmental	The proposed recommendations in this report do not directly impact on Climate Change/Environmental issues.
Children and Young People Cared for by the Authority and Care Leavers	The proposed recommendations in this report do not directly impact on Children and Young People Cared for by the Authority and Care Leavers.
Data Protection	The proposed recommendations in this report do not directly impact on Data Protection issues.

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

Action	Responsible Officer	Deadline
Leadership Management Team (LMT) in consultation with Executive Members to prepare detailed plans and budget proposals in accordance with the Council's priorities and proposed budget strategy (paragraphs 4.26 to 4.30) taking account of periodic updates in MTFP assumptions.	Leadership Management Team (LMT) / Executive Members	25/11/25
That a further report is submitted to Executive on 3 December 2025 updating the MTFP and starting the consultation on budget proposals	Director of Finance and Transformation (s151 officer) / Head of Financial Planning & Business Partnering	3/12/25

Appendices

1	Summary of Government's Fair Funding Review Consultation
2	2026/27 Budget Setting – Detailed Budget Timetable

Background papers

Body	Report title	Date
Executive	2025/26 Budget, Medium Term Financial Plan 2025/26 to 2028/29, and Council Tax setting	5/2/25
Council	2025/26 Budget, Medium Term Financial Plan 2025/26 to 2028/29, and Council Tax setting	19/2/25
Executive	2024/25 Outturn Report	11/6/25

Contact: Andrew Humble

Director of Finance and Transformation (s151 Officer)

Email: andrew.humble@middlesbrough.gov.uk

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BRIEFING NOTE

Local Government Funding Consultation – Fair Funding Review 2.0

The consultation published by the Government on 20 June 2025 outlines proposed reforms to local government funding in the UK, including consultation details, changes in needs assessments, and the impact on various authorities.

- Consultation period: June 20 2025 - August 15 2025
- Known as Fair Funding Review 2.0, linking to 2018 consultation
- Policy Statement to be released in Autumn 2025, detailing the government's response and final policy positions
- Provisional local government finance settlement expected by year-end

The Government states that the Consultation covers :

- determining local authority funding allocations
- approach to consolidating funding
- measuring differences in demand for services and the cost of delivering them
- measuring differences in locally available resources
- the New Homes Bonus
- transitional arrangements and keeping allocations up-to-date
- long-term approach to the business rates retention system
- devolution and wider reforms, including how we can bring Strategic Authorities closer to the Local Government Finance Settlement
- ways we can reduce demands on local government to empower them to deliver for communities, and sales, fees and charges reform.

Documents relating to this can be found at

- written statement, [here](#).
- the consultation documents, [here](#).
- the government response to the first consultation, [here](#).

Changes in Funding Distribution

- significant shifts in funding distribution, with notable changes in "needs" assessments affecting various local authorities
- shift in needs assessments and funding from Inner London and shire districts to shire counties and unitary authorities
- Metropolitan districts to receive a larger share of needs, but increases may be minimal
- Significant changes anticipated in funding for 2026/27

Multi-Year Settlement for Local Authorities

- Multi-year settlement for 2026/27 to 2028/29
- First multi-year settlement since 2016/17
- Provides certainty for financial planning, but some authorities may face significant cuts

Simplifying funding formula

- Grants from across government will be brought into large ringfenced consolidated grants, delivered as part of the Settlement. Anticipated to be 4 ringfenced consolidated grants – Homelessness and Rough Sleeping Grant, Public Health Grant, Crisis and Resilience Grant and Children, Families, and Youth Grant
- End of competitive bidding between local authorities for grants

- Shift towards outcome based accountability for local authorities
- Seeks to roll in current grants which are part of the existing settlement into Revenue Support Grant (RSG), include New Homes Bonus, Recovery Grant, 3 adult social care grants, Children's Care Prevention Grant and maybe NI Contribution. Also other grants outside the Settlement that cannot be placed into a suitable consolidated grant

Approach to accessing demand

- Details of formula to be used for each service area provided
- The number of Relative Needs Formulas (RNFs) will be reduced from 15 to 9
- Full details of "needs" assessments published to assess demand
- Proposed formulas and control totals available for each authority
- Enables estimation of funding shares for local authorities

Area Cost Adjustment (ACA)

- accounts for differences in the cost of delivering local government services in both urban and rural areas when determining funding allocation
- ACA to be updated to include accessibility and remoteness adjustments, which will benefit rural authorities
- Each authority will have its own ACA reflecting local cost variations, moving away from regional groupings
- Aims to compensate for variations in unit costs

Council Tax Equalisation Plans

- Over time, local authorities have become increasingly reliant on locally generated revenue from Council Tax, but the ability to raise Council Tax has not been fully accounted for when allocating grant funding. The government believes it is not right that these areas do not currently receive their 'fair' share of government funding
- The government proposes to act as an equaliser for local government income, directing funding towards the places that are less able to meet their needs through locally raised income
- Full council tax equalisation planned for 2026/27
- The objective of equalisation is to make funding available in such a way as to enable all local authorities to provide the same level of service to their residents
- This will be based on an assumed or "notional" level of Council Tax for all authorities, not local income
- "Notional" Council Tax level will be set at the average Band D level of Council Tax in England. The consultation paper indicates that this will be around £2,000 in 2026/27
- A "resource adjustment" will be applied to account for differing abilities of councils to raise income from council tax
- The taxbase used for equalisation will include all the deductions for mandatory discounts, exemptions and disregards
- Discretionary discounts (e.g. second-home premium) will not be deducted (i.e. councils continue to retain the benefit of additional income from these sources, without any equalisation)
- A deduction will be made for council tax support (CTS) for working-age people. It was recognised that the cost of CTS is linked to deprivation. The deduction will be made using a formula (population-weighted IMD score/ proportion of total population that is working age, i.e. 18-64) and not the actual cost of CTS in individual authorities, which varies according to local policy and well as the underlying pressures
- The Government intends to apply a uniform collection rate assumption for all authorities (estimated to be set at 95.9%). Consideration was given to using a formula because areas with higher levels of deprivation tend to have lower collection rates., but this

approach was dismissed, largely because the government “wants to retain a clear incentive for all authorities to reduce the avoidance of council tax”

- The impact of equalisation will be hugely important to the outcome of the funding reforms. The reforms are a package that will include the impact of equalisation, the new needs assessments, and the baseline reset. These all need to be taken together to come up with overall figures for each local authority
- No adjustment will be made to equalisation for any income from sales, fees and charges, or from parking income. Therefore authorities will continue to benefit from income raised from these sources
- The government confirms that there are “no plans to reform council tax”. *To be clear the above Council Tax equalisation relates to the approach to accounting for Council Tax income in the allocation of government funding and as mentioned above this is a key focus of funding reform proposals*

Business Rates Retention System (BRRS)

- The consultation paper confirms that there will be a full business rates baseline reset in 2026/27. Any surplus from the reset (estimate to be at least £1.5bn) will be “allocated based on the updated Settlement Funding Assessment”.
- There was a separate consultation on the reset earlier this year.
- Views are invited about changes to the levy, safety net and future resets.

Ending of New Homes Bonus (NHB)

- NHB will be abolished in 2026/27 as planned, and the funding from NHB (£270m) and the funding will be returned to the core settlement distributed via the updated Settlement Funding Assessment
- The Government has concluded that NHB was an “ineffective incentive”

Transitional arrangements

- Transitional support package proposed to mitigate funding for certain authorities, ensuring no cash-terms reductions in overall funding
- Transition to occur over three years, with bespoke arrangements for affected authorities facing significant losses

Specific Arrangements for Unique Authorities

- Separate grant allocation for the Isles of Scilly
- Discussions planned with the GLA regarding significant RNF reductions
- Potential bespoke arrangements for other authorities with unique circumstances

Special Educational Needs and Disabilities (SEND) Deficits and Future Reforms

- Government plans to extend the override for SEND deficits until the end of 2027/28
- Further details on reforms to be announced later in the year

Sales, Fees and Charges

- invites views on modernising and increasing flexibilities on sales, fees and charges, whilst minimising impact on service users.
- Sets out proposed framework for updating fees and charges and longer-term options for devolving certain fees to local authorities, which balance fairness with the need for fees and charges to better meet the cost of delivering services.

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2026/27 BUDGET SETTING - DETAILED BUDGET TIMETABLE

2026/27 budget & Medium Term Financial Plan (MTFP) (includes budget proposals and consultation process)

Internal Review of MTFP	June - August 2025
Fair Funding Review Consultation published by Government	20 June 2025
Response to Government - Fair Funding Review Consultation	15 August 2025
Executive agenda circulation	26 August 2025
Executive - Medium Term Financial Plan (MTFP) update and 2026/27 budget development approach and timetable (also Q1 budget monitoring)	3 September 2025
All Elected Member Briefing - Medium Term Financial Plan (MTFP) update and 2026/27 budget development approach and timetable	September 2025
Local Government Finance Policy Statement (published by Government)	expected late September 2025 / early October 2025
Provisional 2026/27 Local Government Finance Settlement	expected late November 2025
Executive – draft budget proposals agenda circulation	25 November 2025
All Elected Member Briefing - draft budget proposals	25 November 2025
Executive – draft budget proposals	3 December 2025
Start of budget consultation period	4 December 2025 (5 weeks)
End of budget consultation period	7 January 2026

2026/27 budget setting

Final 2026/27 Local Government Finance Settlement	expected late January 2026
Executive agenda circulation	27 January 2026
All Elected Member budget briefing	27 January 2026
Executive (Also Q3 Budget Monitoring)	4 February 2026
Full Council agenda circulation	10 February 2026
Full Council (budget setting)	18 February 2026
Full Council (reserve budget setting)	4 March 2026

Consultation

Political parties / members briefings	December 2025
Public Consultation Meetings	December 2025
Overview and Scrutiny Board	December 2025
Chamber of Commerce consultation	December 2025

2025/26 Council Tax Base

Executive agenda circulation	25 November 2025
Executive	3 December 2025

MEMBER ENGAGEMENT

All Member Briefings

September 2025 (MTFP Update & Budget development approach & timetable)
December 2025 (Draft Budget)
February 2026 (Final Budget)

Policy Development Group

every 2 weeks starting early September 2025

Financial Resilience Working Group (all political parties)

Monthly September - December 2025 (exact dates TBC)

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