

## THE CHAIR AND ALL MEMBERS OF THE COUNCIL

Tuesday 16 February 2021

Dear Member

### COUNCIL

**Please note that this is a virtual meeting. The meeting will be live-streamed via the Council's Facebook page <https://en-gb.facebook.com/MiddlesbroughCouncil/> at 7.00 pm on Wednesday 24th February, 2021**

1. Apologies for Absence
2. Declarations of Interest

To receive any declarations of interest.

3. Announcements/Communications

To receive and consider any communications from the Chair, Mayor, Executive Members or Chief Executive (if any).

- |   |         |
|---|---------|
| 4. Strategic Plan 2021-24   | 3 - 16  |
| 5. Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22 | 17 - 80 |
| 6. Council Tax Support Scheme 2021/2022   | 81 - 84 |

Charlotte Benjamin, Director of Legal and Governance Services

AS THIS IS A VIRTUAL MEETING THERE WILL BE NO ACCESS TO THE COUNCIL CHAMBER

Inspection of Papers – This Summons may be downloaded from the Council's Website.

Should you have any queries in regard to the items on this agenda please contact Bernie Carr on (Direct Line 01642 729714 or e-mail on: - [bernie\\_carr@middlesbrough.gov.uk](mailto:bernie_carr@middlesbrough.gov.uk)).

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<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	The Elected Mayor of Middlesbrough; Chief Executive
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<b>Submitted to:</b>	Council, 24 February 2021
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<b>Subject:</b>	Strategic Plan 2021-24
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**Summary**

**Proposed decision(s)**

That Council approves the proposed revised Strategic Plan for the period 2021-24.

Report for:	Key decision:	Confidential:	Is the report urgent?
Decision	Yes – over the financial threshold, amends the Council’s policy framework and affects two or more wards.	No	Not applicable

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

People	Place	Business
The report refreshes the Strategic Plan for the 2021-24 period, ensuring that it remains current and reflective of major developments of the past year, in particular COVID-19, and those anticipated in the coming three years.		

**Ward(s) affected**

Implementation of the priorities outlined within the proposed revised plan will positively impact on all wards in Middlesbrough.

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

1. This report seeks Council's approval of the proposed revised Strategic Plan for the period 2021-24.

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

2. The Strategic Plan is the Council's overarching business plan for the medium-term, and is typically refreshed on an annual basis. This refresh follows public consultation on a number of revised strategic priorities for the Council in light of the impacts of COVID-19 on local communities and on the way the Council will do business in the future.
3. The Strategic Plan is part of the Council's Policy Framework and so requires the approval of Full Council, as set out in Article 4.2 of the Constitution. The proposed revised plan was endorsed by the Executive on 16 February 2021.

## **Report Background**

4. Full Council approved a Strategic Plan for the period 2020-23 on 15 January 2020. This plan incorporated the then newly-elected Mayor of Middlesbrough, Andy Preston's key priorities for this term of office, setting out the Council's key strategic objectives in a single, concise document for the first time.
5. However, nine days after this plan was approved, the first case of COVID-19 in Europe was reported, with the first case in the UK confirmed a week later on 31 January, in York. The first confirmed death in Middlesbrough was on 19 March and it is now well-established that since then Middlesbrough has experienced one of the highest rates of confirmed COVID-19 cases in the UK.
6. The COVID-19 pandemic (with the UK, like much of Europe, now experiencing a second wave) is an event of unprecedented global impact. The response to COVID-19, and the recovery from it, has and will continue to have a significant impact on Middlesbrough's communities, its local economy and will also fundamentally change the way the Council does business in the future.
7. The Executive has received reports across the past year regarding the Council's response to COVID-19 and its developing recovery plan. The approach to recovery will seek to identify and realise opportunities to achieve longer-term regeneration and economic development in Middlesbrough and where appropriate build on the green and digital agenda that have been expedited by the pandemic response.
8. In light of this, it was considered necessary to review the Council's Strategic Plan to reflect the impacts from COVID-19 and other significant matters arising in the last year including the economic impacts of the UK's new trading arrangements with the EU and other blocs and nations.
9. On 16 December 2020, full Council agreed to retain the three simple and interrelated corporate strategic aims of People, Place and Business. These are both well-understood and remain responsive to the long-term issues facing Middlesbrough and to political direction.

10. Council also agreed to consult the public and other stakeholders on a set of nine revised strategic priorities to provide a greater focus for the remainder of the Mayor's term.
11. This consultation ran between 17 December 2020 and 31 January 2021, taking the form of the first annual 'Let's Talk' conversation with communities on direction of travel and future plans (including spending plans), which will in future years be further embedded within the Council's emerging engagement approach.
12. The further national lockdown during this period clearly had an impact on the response rate to the consultation (this has been evident in responses received by other local authorities in the region) and the Council did not seek to aggressively pursue responses given the ongoing emergency response. In summary:
- The Let's Talk launch video, presented by the Mayor of Middlesbrough was viewed over 2,200 times and the subsequent 23 posts across the Council's Facebook and Twitter accounts resulted in a potential reach of 70,000 people.
  - 345 people responded to the Let's Talk Survey, providing almost 1,000 comments for consideration regarding the local area, Council services, the proposed strategic priorities and the proposed approach to the 2021/22 revenue budget.
13. Briefings for the Executive and all members have been held to outline the results of the consultation.
14. The proposed strategic priorities all received the majority support of respondents, as set out below.

<b>Proposed priority</b>	<b>% Agreement</b>	<b>% Disagreement</b>
Children and young people	61%	13%
Vulnerability	61%	12%
Crime and anti-social behaviour	55%	32%
Climate change	43%	18%
COVID-19 recovery	60%	16%
Physical environment	57%	31%
Town centre	51%	24%
Culture	50%	14%
Quality of service	57%	21%

15. Eighty seven comments on the proposed priorities were received, with a range of issues raised, most notably relating to physical development, community safety and the need to progress delivery and achieve benefits.
16. As such no changes to the proposed strategic priorities are considered necessary as a result of the consultation. Views and comments provided regarding the proposed approach to the 2021/22 revenue budget are set out in separate report on that matter presented to this meeting of Council. View and comments on the local area and Council services will inform the development of the Strategic Plan workplan to be considered by the Executive on 16 March 2021.

17. Appendix 1 therefore sets out a proposed revised Strategic Plan for the 2021-24 period. The plan now includes:

- an introduction from the Mayor of Middlesbrough and the Chief Executive;
- the Council's strategic aims and its corporate values;
- progress to date;
- strategic priorities for 2021-24;
- delivery and outcomes;
- further information.

18. Other matters previously outlined in the plan will be set out in a range of Directorate Plans to be developed for 2021/22, which will be agreed by Executive Members.

### **What decisions are being asked for?**

19. That Council approves the proposed revised Strategic Plan for the period 2021-24.

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

20. To ensure that the Council's overarching business plan remains fit for purpose, responding to impacts of the COVID-19 pandemic and other significant changes to the Council's operating environment arising in the past year and providing clear direction for strategic activity and budgeting over the medium-term.

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

21. It is imperative that the Council effectively articulates and communicates an overarching plan to direct activity across Directorates towards the achievement of corporate strategic objectives.

22. The only other feasible decisions therefore relate to the structure of the document, and its horizon (i.e. reverting to an annual plan). It is strongly in the Council's interest to plan over the medium-term, in line with the indicative budgets over this period outlined by the Government. The proposed document achieves this while providing an appropriate level of detail for all audiences on the Council's aims and priorities over this period.

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

#### **Legal**

23. Implementation of the Strategic Plan will enable the Council to operate within the resources available to it, and continue to meet its various statutory duties, including the overarching Duty of Best Value.

#### **Financial**

24. The Strategic Plan and the Council's annual revenue and capital budgets are developed in parallel to ensure that there is full alignment between the Council's priorities and its spending plans. In outlining an achievable programme that delivers performance improvement within reduced resources, the Strategic Plan (and its

supporting workplan) therefore demonstrates how the Council will deliver value for money for the taxpayer in the medium-term.

### **Policy framework**

25. The Strategic Plan forms part of the Council's Policy Framework and as such must be agreed by Full Council. Approval of the proposed Strategic Plan by Full Council therefore will update the Policy Framework.

### **Equality and diversity**

26. The proposed Strategic Plan has been subject to a Level 1 (screening) equality impact assessment (at Appendix 2). This identified that no negative differential impacts on diverse groups and communities within Middlesbrough is anticipated from the delivery of the Elected Mayor's priorities or other activity set out within the Strategic Plan.

27. Detailed activity underpinning the Strategic Plan 2021-24 will be set out in the Strategic Plan workplan to be considered by the Executive at its meeting of 16 March 2021. This workplan and any initiatives arising from it (where required) will be impact-assessed separately.

28. The strategic priorities relating to vulnerability, crime and anti-social behaviour and COVID-19 recovery will be adopted as the Council's equality objectives for the period to 2024, in line with the requirements of the Equality Act 2010.

### **Risk**

29. The proposed Strategic Plan will entail a range of activity to address the key risks set out within the Council's Strategic Risk Register, which is reported to the Executive on a quarterly basis.

30. Approval of the proposed revised Strategic Plan will positively impact on risk O8-054 in the Strategic Risk Register – *Failure to adhere to Local Code of Corporate Governance and deliver governance improvements outlined in the Annual Governance Statement.*

### **Actions to be taken to implement the decision**

31. To improve focus upon and strengthen delivery of the Strategic Plan, a supporting workplan will be developed in the period to March 2021, bringing together all current and planned activity in support of the Council's strategic priorities. This workplan will be presented to the Executive for approval on 16 March 2021.

32. The Strategic Plan is implemented through the Council's Performance and Risk Management Framework, which provides for quarterly progress updates to Executive in line with the requirements of the Scheme of Delegation, and to Overview and Scrutiny Board. It has also been agreed that a full member briefing on progress will be held on a quarterly basis.

### **Appendices**

- 1 Proposed Strategic Plan 2021-24
- 2 Impact Assessment

## Background papers

15/01/20 Council Strategic Plan 2020-23

**Contact:** Paul Stephens, Head of Strategy, Information and Governance

**Email:** [paul\\_stephens@middlesbrough.gov.uk](mailto:paul_stephens@middlesbrough.gov.uk)



## **Appendix 1: Strategic Plan 2021-24**

### **Introduction**

Welcome to our Strategic Plan for the 2021-24 period.

In January 2020, Council approved a Strategic Plan for 2020-23, with the expectation that we would make only minor changes to the plan during that period. Since then, of course, the world has changed significantly.

Just nine days after we approved our plan, the first case of COVID-19 in Europe was reported, with the first case in the UK confirmed a week later on 31 January, in York. The first confirmed death from COVID-19 in Middlesbrough was on 19 March and it is now well-established that since then we have experienced one of the highest rates of confirmed cases in the UK.

COVID-19 is an unprecedented global event that has and will continue to have a huge impact on our communities and our local economy. On behalf of the Council we want to express our sincere condolences to the families and friends of all those that have lost their lives and our sympathy to those that have and are continuing to experience health issues after contracting the disease. We also want to express heartfelt thanks to our staff, partners and local businesses and volunteers that continue to work tirelessly to reduce local transmission and support Middlesbrough's communities.

Recovery from COVID-19 will take some years, and will fundamentally change the way that we do business in the future. In the past year we have taken the time to review and streamline our priorities – set out in this plan – for the remainder of this Mayoral term in order to provide greater focus in this period, which will have both challenges and opportunities.

Building on our close engagement with local communities, businesses, families and individuals during the pandemic, we will ensure that our priorities are properly resourced and effectively delivered – so that together we build a better Middlesbrough for all.

Andy Preston  
*Elected Mayor of Middlesbrough*

Tony Parkinson  
*Chief Executive*

## Our aims

We have three simple, interrelated aims:

<b>People</b>	Working with communities and other public services in Middlesbrough to improve the lives of local people.
<b>Place</b>	Securing improvements in Middlesbrough's housing, infrastructure and attractiveness, improving the town's reputation, creating opportunities for local people and improving our finances.
<b>Business</b>	Promoting investment in Middlesbrough's economy and making sure we work as effectively as possible to support our ambitions for People and Place.

## Our values

We will deliver our aims in line with our values, which underpin everything we do:

<b>Passion</b>	We believe in Middlesbrough and are proud to work for the town.
<b>Integrity</b>	We are open and transparent and treat everyone with respect.
<b>Creativity</b>	We have the courage to try new ideas and new ways of working.
<b>Collaboration</b>	We work with others to make Middlesbrough better.
<b>Focus</b>	We are clear about what we will deliver to meet the needs of the town.

## Progress to date










Over the past year a number of significant achievements have been made in line with our aims, including:

- New street warden team
- TS1 Public Spaces Protection Order
- Mobile CCTV patrols
- CCTV expansion
- ASB legal actions
- Revised ASB policy
- Free bulky waste collections
- Town-wide pothole purge
- Stop the Knock
- New commissioning model for complex needs
- New youth provision model
- Initial response to Ofsted's inspection of our Children's Services
- Planting 10,000 new trees
- Prissick Base housing scheme
- Gresham housing scheme
- Centre Square office lettings
- Boho Zone North
- Boho X
- Buy Boro scheme
- COVID-19 response.

## Our priorities for 2021-24

Our priorities for the next three years are set out below.

<b>E</b>	<b>Corporate equality objective</b>
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Priority	Supports the following aim(s)	Description	Political Lead(s)	Lead Directorate(s)
 <b>Children and young people</b>	People	We will show Middlesbrough's children that they matter and work to make our town safe and welcoming and to improve outcomes for all children and young people.	Deputy Mayor and Lead Member for Children's Social Care; Executive Members for Communities and Education and Adult Social Care and Public Health	Adult Social Care and Health Integration; Children's Services
 <b>Vulnerability</b>	People	We will work to address the causes of vulnerability and inequalities in Middlesbrough and safeguard and support those made vulnerable. <b>(E)</b>		
 <b>Crime and anti-social behaviour</b>	People, Place and Business	We will tackle crime and anti-social behaviour head on, working with our partners to ensure local people feel safer. <b>(E)</b>	Mayor of Middlesbrough; Executive Member for Communities and Education	Environment and Community Services
 <b>Climate change</b>	People, Place and Business	We will ensure our town acts to tackle climate change, promoting sustainable lifestyles.	Mayor of Middlesbrough; Executive Members for Environment and Regeneration	Environment and Community Services; Regeneration and Culture
 <b>COVID-19 recovery</b>	People, Place and Business	We will ensure the recovery of local communities, businesses and the Council's operations from COVID-19, taking opportunities to build back better. <b>(E)</b>	Mayor of Middlesbrough	Chief Executive; all Directorates
 <b>Physical environment</b>	People and Place	We will work closely with local communities to protect our green spaces and make sure that our roads, streets and open spaces are well-designed, clean and safe.	Mayor of Middlesbrough; Executive Members for Environment and Regeneration	Environment and Community Services; Regeneration and Culture
 <b>Town centre</b>	People, Place and Business	We will transform our town centre, improving accessibility, revitalising unused assets, developing iconic new spaces and building more town centre homes.	Mayor of Middlesbrough; Executive Members for Communities and Education and Regeneration	Regeneration and Culture; Environment and Communities
 <b>Culture</b>	People, Place and Business	We will invest in our existing cultural assets, create new spaces and events and improve access to culture.	Executive Member for Communities and Education	Regeneration and Culture
 <b>Quality of service</b>	People, Place and Business	We will ensure that we place communities at the heart of what we do, continue to deliver value for money and enhance the reputation of Middlesbrough.	Executive Members for Finance and Governance and Communities and Education	Finance; Legal and Governance Services; Environment and Community Services

## **Delivery and outcomes**

We will develop and maintain a robust workplan to ensure that activity in support our strategic priorities is delivered effectively. If we are successful, we will see sustained improvements in the following outcomes up to and beyond 2024. We will report on our progress every three months.

- Crime and anti-social behaviour
- Street warden productivity
- Residents feeling safe
- Protected public space
- Brownfield development
- Tree cover
- Recycling
- OFSTED inspection outcomes
- Satisfaction with adult social care
- Dementia-friendly businesses
- Social and digital inclusion
- Town centre visits
- New homes built, including affordable homes
- Road and footpath condition
- Investment and jobs
- Town centre occupancy
- Festivals and events
- Council spending with local businesses
- Satisfaction with the Council
- Satisfaction with Middlesbrough as a place to live
- Overall resident life satisfaction.

## **Further information**

You can find more information on our future plans for Middlesbrough on our website [www.middlesbrough.gov.uk](http://www.middlesbrough.gov.uk). Main documents include:

Joint strategic needs assessment  
Strategic plan workplan

## **People**

Health and wellbeing strategy  
Adult prevention strategy  
South Tees health and social care integration plan  
Children and young people's plan  
Community cohesion plan

## **Place**

City centre strategy  
Local plan  
Housing strategy  
Cultural strategy  
Local transport plan

## **Business**

Tees Valley strategic economic plan  
Middlesbrough investment prospectus  
Medium term financial plan  
Annual governance statement  
Customer strategy  
Digital strategy  
Information strategy

If you have any questions about our strategic plan, or want to work with us to deliver our priorities, please contact us at: [strategicplan@middlesbrough.gov.uk](mailto:strategicplan@middlesbrough.gov.uk).

**Appendix 2: Impact Assessment Level 1: Initial screening assessment**

<b>Subject of assessment:</b>	Strategic Plan 2021-24			
<b>Coverage:</b>	Overarching / crosscutting			
<b>This is a decision relating to:</b>	<input checked="" type="checkbox"/> <b>Strategy</b>	<input type="checkbox"/> <b>Policy</b>	<input type="checkbox"/> <b>Service</b>	<input type="checkbox"/> <b>Function</b>
	<input type="checkbox"/> <b>Process/procedure</b>	<input type="checkbox"/> <b>Programme</b>	<input type="checkbox"/> <b>Project</b>	<input type="checkbox"/> <b>Review</b>
	<input type="checkbox"/> <b>Organisational change</b>	<input type="checkbox"/> <b>Other (please state)</b>		
<b>It is a:</b>	<b>New approach:</b>	<input type="checkbox"/>	<b>Revision of an existing approach:</b>	<input checked="" type="checkbox"/>
<b>It is driven by:</b>	<b>Legislation:</b>	<input type="checkbox"/>	<b>Local or corporate requirements:</b>	<input checked="" type="checkbox"/>
<b>Description:</b>	<p><b>Key aims, objectives and activities</b></p> <p>The document sets out proposed revisions to the Council’s strategic priorities following the COVID-19 pandemic and other major events in 2020 following public consultation. The document also incorporates the Council’s equality objectives for the period to 2024.</p> <p><b>Statutory drivers</b></p> <p>Local Government Act 1999; Equality Act 2010.</p> <p><b>Differences from any previous approach</b></p> <p>This document amends the strategic priorities set out in the current Strategic Plan, for the 2020-23 period.</p> <p><b>Key stakeholders and intended beneficiaries (internal and external as appropriate)</b></p> <p>Elected members, employees of the Council, local communities and businesses, partners.</p> <p><b>Intended outcomes</b></p> <p>To ensure that the Council’s strategic objectives are clearly articulated and communicated to all stakeholders, and that the Council continues to comply with the duties of the Equality Act 2010 relating to the publication and pursuit of equality objectives.</p>			

<b>Live date:</b>	Following approval by Council on 24 February 2021.			
<b>Lifespan:</b>	Reviewed annually.			
<b>Date of next review:</b>	November 2021			
Screening questions	Response			Evidence
	No	Yes	Uncertain	
<b>Human Rights</b> Could the decision impact negatively on individual Human Rights as enshrined in UK legislation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No. Implementation of the proposed Strategic Plan would not contravene Human Rights as identified in national legislation.
<b>Equality</b> Could the decision result in adverse differential impacts on groups or individuals with characteristics protected in UK equality law? Could the decision impact differently on other commonly disadvantaged groups?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No. The Strategic Plan commits to reducing inequalities within Middlesbrough, for example within experience of crime or within health, incorporating the Council's equality objectives for the period to 2024. It responds to increased inequalities locally arising from the COVID-19 pandemic. As a result there are no concerns that the Plan or associated activity could have a disproportionate adverse impact on groups or individuals with characteristics protected in national legislation.
<b>Community cohesion</b> Could the decision impact negatively on relationships between different groups, communities of interest or neighbourhoods within the town?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No. The Plan commits to improving community engagement within the town (within the Quality of Service priority), which will result in direct benefits for cohesion. As a result there are no concerns that the proposed plan could have an adverse impact on community cohesion.
<b>Assessment completed by:</b>	Paul Stephens, Head of Strategy, Information and Governance			
<b>Date:</b>	2 February 2021			
<b>LMT approver:</b>	Tony Parkinson, Chief Executive			
<b>Date:</b>	2 February 2021			



**MIDDLESBROUGH COUNCIL**

<b>Report of:</b>	Andy Preston - Elected Mayor of Middlesbrough Ian Wright - Director of Finance
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<b>Submitted to:</b>	Council, 24 February 2021
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<b>Subject:</b>	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22
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### Summary

#### Proposed decision(s)

That the Council approves the proposed budget strategy for 2021/22 as set out in paragraphs 35 to 70, and approves the proposed budget efficiency savings for 2021/22 (Appendix 1).

That the Council approves the budget requirement for 2021/22 to be set at £116,492,035 as detailed in Appendix 2.

Having taken into account the matters set out in Section 32 of the Local Government Act 1992 and the items set out within the report, that the Council approves that the basic amount of Council Tax (Band D) for 2021/22 be £1,757.67 being a 1.99% increase in general Council Tax and an annual precept of 0.76% for Adult Social Care which has been continued by the Government to contribute towards the shortfall of funding for adult social care. In total this represents an increase of 2.75% in the basic amount of Council Tax for the whole of the Borough.

That the Council approves the actual amount of Council Tax (Band D) for areas without parish precepts (excluding Fire and Police) be set at £1,757.11.

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

Nunthorpe Parish	£1,761.41
Stainton and Thornton Parish	£1,766.42

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

That the Council notes the refreshed Medium Term Financial Plan position for 2021-24 set out in this report in paragraphs 90 to 119.

That the Council approves the updated Investment Strategy for the period to 2023/24 as

outlined in paragraphs 120 to 124 and detailed in Appendix 5.

That the Council approves the Capital Strategy Report (Prudential indicators, Investment Strategy and Minimum Revenue Provision) 2021/22 as outlined in paragraphs 125 to 136 and detailed in Appendix 6, and approves the Authorised Limit for external borrowing of £315 million for the Council for 2021/22 as set out in paragraph 135.

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

#### **Contribution to delivery of the 2021-24 Strategic Plan**

<b>People</b>	<b>Place</b>	<b>Business</b>
The setting of the Revenue Budget, Council Tax, Capital Strategy for 2021/22 and the revision of the Council's Medium Term Financial Plan for 2021-24 plays a central role in ensuring that the Strategic Plan is delivered effectively.		

#### **Ward(s) affected**

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

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

1. This report presents the recommended Revenue Budget of £116,492,035, Council Tax increase of 2.75% (paragraphs 71 to 89), and Capital Strategy Report for 2021/2022 (paragraphs 125 to 136). Attached to the report are a number of appendices which are listed at the end of the report.
2. Following on from the previous report presented to Council on 16 December 2020, this report also provides a refreshed Medium Term Financial Plan (MTFP) for the period 2021/22 to 2023/24 to reflect the 2021/22 Local Government Finance Settlement (paragraphs 23 to 34).
3. The Medium Term Financial Plan update in this report is integrated with the £149.1 million Investment Strategy for Middlesbrough for the period to 2023/24, supported by £83.7 million of the Council's own resources. The updated Investment Strategy is shown in Appendix 5.
4. This budget continues to support the Mayor's commitment to invest in Middlesbrough and transform service delivery for residents. It is intended that through this strategy the Council can achieve the challenging financial targets faced in the Medium Term Financial Plan period whilst ensuring that there is a minimum impact on the level of service delivered to the public.

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

5. Full Council is required under legislation to set a revenue budget and agree the level of Council Tax and Prudential Indicators for 2021/22.

## **Report Background**

### **Consultation**

6. The Priorities of the Elected Mayor of Middlesbrough and Strategic Plan 2020-2023 report to Council on 15 January 2020 set out what the Council was aiming to prioritise over the next three years. The "Refreshing the Strategic Plan for the 2021-2024 period" report which was presented to Executive on 24 November 2020 endorsed revisions to the Council's strategic priorities, and this was then presented to Council on 16 December 2020 allowing consultation to commence (the results of which were included as part of the Strategic Plan 2021-24 report to Executive on 16 February 2021 and to this Full Council), with the revised priorities being as follows:
  - children and young people;
  - vulnerability;
  - crime and anti-social behaviour;
  - climate change;
  - Covid-19 recovery;
  - physical environment;
  - town centre;
  - culture; and
  - quality of service.

7. The Medium Term Financial Plan sets out the financial envelope that is necessary to achieve those aims and the savings necessary for living within those financial plans (budget savings).
8. The Council noted a report from the Elected Mayor on 16 December 2020 which provided an update in respect of the Council's Medium Term Financial Plan position for the period to 2023/24, reflecting and supporting delivery of the Strategic Plan
9. The Elected Mayor set out a series of proposed additional budget efficiency savings which amounted to £1.931m million in 2021/22, and these were in addition to planned savings of £1.568m for 2021/22 already approved by Council in February 2020.
10. The Elected Mayor also set out at the Council meeting on 16 December 2020 the proposed budget and Council Tax increase of 2.75% for 2021/22. This was a reduction from the Council Tax increase of 3.99% for 2021/22 originally proposed in the report due to a review of the Council's finances following the Spending Review announcement and further information received, and that the amount of Government funding likely to be received was better than the previous MTFP assumptions for 2021/22. There was also a desire to minimise the effect of Council Tax increases to residents, especially during the challenging financial circumstances arising from the Covid-19 pandemic.
11. At the Council meeting the Mayor also announced that the previously planned budget saving relating to the proposal to move to fortnightly Waste Collections, estimated to achieve a budget saving of £396,000, would following a period of public consultation, not now be implemented in 2021/22. This was formally approved by the Executive at its meeting on 22 December 2020.
12. The duty to consult, where proposals affect individuals or groups of individuals, arises both in statute and through common law. As stated in the report to Council in December the additional budget efficiency savings proposals for 2021/22 were initially assessed and categorised using the same categories as in previous years. As stated in paragraph 52 of the report to Council in December all of the proposed additional budget efficiency savings were considered to have minimal or no effect on front line service delivery levels and therefore required no public consultation or impact assessment prior to consideration by Full Council as part of the 2021/22 revenue budget for implementation in 2021/22, and are therefore included in Appendix 1. There are therefore no proposed additional budget efficiency savings which require public consultation. The budget consultation was therefore only regarding the proposed Council Tax increase.
13. Consultation in respect of the proposed budget and Council Tax increase for 2021/22 commenced on 17 December 2020 and concluded on 31 January 2021, with appropriate impact assessments undertaken considering responses to the consultation.
14. The budget consultation was undertaken this year as part of an "annual conversation, called "Let's Talk", with local communities and the Council's stakeholders on the direction of travel and future plans (including spending plans), an approach which will

in future years be embedded within the Council's emerging locality working approach.

15. The "Let's Talk" annual conversation built on the success of the 2020/21 budget consultation, although traditional face to face engagement was severely constrained by the Covid-19 pandemic. The consultation had a clear brand identity and was promoted across social media and other channels, gathering both quantitative and qualitative information that will provide both real insight for the Council and real influence for respondents. The aim was to encourage people to take part in the annual budget consultation and the consultation on future strategic priorities of the organisation.
16. As stated previously, the consultation this year had to be adapted to comply with Covid-19 restrictions. This year steps taken included:
  - a dedicated internet page on the Council's website;
  - a general public survey on the Council's website, with hard copies available upon request;
  - a general consultation email address;
  - an increased level of digital promotion and increased public engagement through social media;
  - promotion by the Mayor on social media;
  - consultation with the Council's Overview and Scrutiny Board;
  - consultation with the Council's partners and the local business sector, including a specific consultation meeting with the town's Chamber of Commerce on the 20 January 2021;and
  - involvement of elected members in the process overall.
17. The consultation resulted in 345 responses to the Council's online consultation and completed hard copies of the survey on its budget proposals. Analysis of the budget consultation responses shows:
  - 37% of respondents were in favour of a Council Tax increase of 2.75%. 62% were against. Four did not answer the question
  - 199 comments were received of which 96% were negative. The vast majority of comments were relating to member and officer remuneration, and perceived waste within service delivery and project expenditure
  - Alternative proposals were also made relating to reducing this apparent waste and therefore reducing the need for Council Tax increases
18. The consultation also resulted in receipt of four email responses from individuals, but none were directly in relation to the Council Tax increase.
19. One virtual public meeting was offered as part of the campaign if there was enough interest in this. However, only one person expressed an interest in this and therefore such a meeting was not held.
20. There was also an extensive promotion of the consultation through social media, covering both the proposed budget and strategic priorities. The consultation launch video by the Mayor was viewed over 2,200 times, and there were 23 posts across Facebook and Twitter, which in total were shared over 50 times and analysis of

reach estimates that there was a potential reach to up to 70,000 people. Reach is an estimation based on calculation of views, shares and the size of the group posts are shared to e.g. if a person sharing a post has 200 followers, there is a potential reach of up to 200 people for that shared post.

21. Analysis of the feedback given online to social media posts is difficult to quantify as it was not a formal consultation mechanism, people were encouraged to complete the online consultation form. That being said, a number of comments were made on the following posts:
  - Comments opposing any increase in Council Tax given the current economic climate and the financial challenges people were facing as a result of Covid-19
  - Negative comments regarding dissatisfaction with some Council services
22. Responses to the budget consultation survey were analysed to assess whether there were any concerns about impacts from proposals that varied by protected characteristic, which could give an indication of an unintended impact or a concern that there would be a disproportionate adverse impact on individuals or groups because they held one or more protected characteristics. This analysis is set out in the Equality and Diversity section in paragraphs 151 to 155 of this report. An overall impact assessment that has been completed as part of this process is appended to this report in Appendix 3. It is recognised that the majority of responses were against the proposed Council Tax increase but the experience over the last year and the ongoing effect of Covid-19 means that it is felt that the Council Tax increase cannot be reduced any further without adversely affecting service delivery.

### **The Local Government Finance Settlement**

23. The Spending Review 2020 on 25 November 2020 announced details of the overall level of funding for local government in 2021/22, and confirmed that there will again be a one year allocation of funding for 2021/22, as was the case in 2020/21. The full details of the funding mechanism and the allocation to individual local authorities for 2021/22 only was provided as part of the provisional Local Government Finance Settlement which was published on 17 December 2020 and after a period of consultation was confirmed as part of the final settlement published on 4 February 2021.
24. Government funding for local government as a whole has fallen substantially since 2010. Since changes were made to the Local Government Finance System in 2013/14 Middlesbrough Council has suffered a significant reduction in Government funding, with a reduction of £41.7 million (51%) from £81.2 million received in 2013/2014 to £39.5 million in 2021/22. Further detail is provided in paragraphs 101 and 102.
25. The Spending Review announced additional funding for local government. These were subsequently included in both the provisional local government settlement of 17 December 2020 and in the final settlement published on 4 February 2021.
26. Whilst the additional funding is welcomed, a large proportion of the funding announced will be for one year only (2021/22), and therefore does not assist with

tackling recurring funding pressures. This level of uncertainty means that future funding remains one of the most significant risks to the Council.

27. It should also be noted that a large proportion of the additional funding available to local government (over 85 per cent) is expected to come from increases in council tax made by local authorities.
28. The main areas of additional funding are detailed in the following bullet points:
  - Existing 2020/21 Social Care funding comprising Social Care Grant of £4.817m, relating to both Adults and Children's Care, is continued for 2021/22. In addition to this additional Social Care Grant of £1.522m for 2021/22, relating to both Adults and Children's Care, was also announced. This means that Middlesbrough will receive £6.339m of Social Care Grant in 2021/22.
  - Revenue Support Grant (RSG) will increase by inflation for 2021/22, which is set at the level of Consumer Price Inflation at September 2020 which was 0.55%. The inflationary increases to this grant creates additional income to the Council of £67,000 in 2021/22.
  - The Spending Review announced and the local government finance settlement confirmed that as well as legacy payments from previous years continuing to be received, there would also be new 2021/22 allocations of New Homes Bonus Grant, however there would be no legacy payments in future years for the new 2021/22 allocations. New Homes Bonus is funded by a top slice from Settlement Funding, this means that authorities lose Settlement Funding but stand to gain from the New Homes Bonus they earn. The Government intends to consult on a new housing growth incentive beyond 2021/22. Estimates of New Homes Bonus to be received by the Council in the MTFP period have been revised to reflect this announcement.
  - A new Lower Tier Services Grant (LTSG) worth £111 million nationally is to be provided in 2021/22 only. The aim is to support lower-tier services including homelessness, planning, recycling, refuse collection and leisure services. Middlesbrough's allocation is £285,000. The accompanying commentary to the settlement makes it very clear that the government sees this funding as a response to the current exceptional circumstances and that it will be for one year only.
  - The Spending Review also announced and the local government finance settlement confirmed that the Troubled Families Programme, which was planned to cease at the end of March 2021, would continue in 2021/22 only. The grant funding has helped to support key preventative and early help services for children and families within Children's Services. The MTFP had previously included a provision of £486,000 per annum from 2021/22 to continue essential services following the planned removal of the grant from 2021/22, however the announcement of the continuation of funding in 2021/22 has allowed this to be put back a year to 2022/23.
29. Under the current business rates retention system Middlesbrough receives a top-up payment as the assessed cost of providing services in the Borough is greater than

the share of business rates retained locally. The top-up payment has been frozen in 2021/22 and therefore the payment to Middlesbrough has remained the same as in 2020/21 at £27.299 million.

30. An estimate has been made of retained business rates income in 2021/22 of £17.593 million. This figure represents a decrease of £66,000 (0.4%) on 2020/21.
31. As part of the business rates system rate payers are entitled to submit an appeal against the valuation of their business, if successful this appeal will be backdated to the date of valuations. The cost of repaying appeals, including backdating, is met by the Council in proportion with its share of Business Rates. As a result of the valuations being new it is difficult to forecast what level of appeals will be received in relation to the new bills from business rate payers and also to understand what proportion of such appeals might be successful. Performance against this estimate will be closely monitored over the course of 2021/22.
32. Alongside the Local Government Finance Settlement the Government provided details of the Local Government Covid-19 Support Package for 2021/22, which continues the provision of Government funding to local authorities for the financial effects of the Covid-19 pandemic. The funding package, which is in addition to the funding mentioned in the Local Government Finance Settlement, includes:
  - Covid-19 Expenditure Pressures Grant – an amount of £1.55 billion nationally has been provided in 2021/22, with the allocation for Middlesbrough being £5.310 million. It is proposed that this will be kept in a central budget to be used to cover costs of Covid-19 arising in 2021/22. The funding allocation to individual local authorities is based on the same formula as used in 2020/21 (the Covid-19 Relative Needs Formula) which takes account of population, deprivation and the way that service costs vary across the country.
  - Local Council Tax Support Grant – £670 million of unringfenced funding is to be provided to help cover the pressures on the council tax base as the pandemic continues. The Government is distributing the funding on the basis of each billing authority's share of working-age local council tax support caseload, adjusted to reflect average bills per dwelling. The allocation for Middlesbrough is £2.592 million in 2021/22. It is proposed that this funding is used over the MTFP period to mitigate pressures on the council tax base.
  - Local Tax Income Guarantee – the Government have confirmed their commitment to compensate councils for 75 per cent of irrecoverable council tax and business rates losses for 2020/21. The compensation scheme included detailed guidance on the method of calculation of this and it is currently estimated that Middlesbrough will receive £369,000 in 2021/22 from this.
  - Sales, fees and charges (SFC) – the SFC compensation scheme for lost income is to be continued for the first three months of 2021/22, using 2020/21 budgeted income as the baseline. It is currently estimated that Middlesbrough will receive funding of approximately £900,000 in 2021/22 from the scheme.



33. It should be noted that it is expected that costs will match the funding provided.
34. A report will be submitted to Executive in the near future to endorse a proposed scheme / process for decisions relating to the distribution and expenditure of additional grant funding received from the Government or external bodies.

## **Proposed Revenue Budget 2021/2022**

### ***Budget Principles***

35. In preparing the 2021/22 draft revenue budget and Medium Term Financial Plan, the following principles, consistent with budget strategies in previous years and statements made by Executive have been adopted:
  - to maximise the efficient, effective and economic use of resources, in conjunction with partners where appropriate;
  - to minimise the effect of Council Tax increases on residents whilst maintaining service provision;
  - to make services fully accountable for their own budgets and spending, including additional pressures. Calls on the Medium Term Financial Plan should only be made when local and directorate resources are exhausted and all requests are required to be approved by the Council's Corporate Management Team;
  - to maintain appropriate medium term budget planning and monitoring processes, ensuring known commitments are provided for and budgets are set in real terms with the effect on service delivery clearly identified;
  - services will receive, in full, the impact of contractual inflationary increases (including pay awards). No inflation will be provided for general supplies and services, which are expected to be met from efficiency savings;
  - to support budgetary investment in economic growth to drive increase in income through Council Tax and Business Rates;
  - on termination of a specific grant, a business case for any continued funding will be prepared, which will need to be assessed against other pressures on the Medium Term Financial Plan;
  - all specific reserves require approval by the Director of Finance, where specific reserves exist these will be reviewed regularly by the Director of Finance as part of the Medium Term Financial Plan refresh to ensure that they are still required; uncommitted funds may need to be used to fund pressures elsewhere;
  - any revenue budget where there has been a significant underspend for two or more years will be reviewed with a view to reallocating funds;
  - the Investment Strategy will be reviewed regularly to ensure an ongoing need for allocated funding with a view to reallocating funds which are not required;
  - any new schemes for approval within the Investment Strategy must be firstly approved by the Council's Corporate Management Team; and
  - a consistent framework for budgeting for staff costs will be implemented.

### ***Budget Assumptions***

36. The following budget assumptions have been applied:

### *Pay awards and inflation*

37. Agreement has recently been reached between the National Employers and the NJC Trade Unions as to a 2.75% pay award for 2020/21 only across the board for Local Government Services employees effective from 1 April 2020. Previously only a 2% pay award had been assumed in the MTFP, and provision has now been made in this updated MTFP for the estimated effect of the increased pay award.
38. In the Spending Review 2020 the Government announced a public sector pay freeze, however this is not legally binding on local government and local government has responsibility for making its own decisions on staff pay. There is a high level of uncertainty around local government pay awards in future years, and therefore currently for prudence purposes approximately £1.8 million has currently been provided in a central pay and prices provision for the potential effect of the pay award in 2021/22.
39. In addition to the allocation for the potential effect of the pay award in 2021/22 an allocation of approximately £1.0 million has been made to the central pay and prices provision for 2021/22 (and 2022/23 and 2023/24) to guard against unexpected demand or price pressures that may arise in year. This is required to replenish the budget due to a number of calls on the provision during previous years. Also the Local Government Employers Pay Award effective from April 2021 has not yet been agreed (as mentioned in paragraph 38) and any increase above that assumed will create a draw on this provision. This provision will be closely monitored throughout 2021/22 and will be re-evaluated in future refreshes of the MTFP.
40. Contractual inflation at a total cost of approximately £1.4 million has been assumed for 2021/22. No provision has been made for inflation for supplies and services; it is expected that any inflationary pressures in this area will be met from efficiency savings.
41. Income from fees and charges has been assumed to increase on average by 2.5% in 2021/22 producing an estimated total income of approximately £1.2 million in 2021/22. There is no increase assumed for car parking charges and statutory charges in 2021/22. In light of Covid-19 all income will be closely monitored for performance against income targets and reviewed as necessary.
42. Provision of £1.1 million has been made in 2021/22 for the impact of the increase in the National Living Wage on the costs of adult social care services commissioned by the Council.

### *Demand pressures*

43. As reported previously, in line with national trends Children's Social Care continues to be an area of financial pressure to the Council. The costs of these pressures in respect of increased level of need in relation to children in care and the increase in the cost of providing care is constantly being monitored.
44. Whilst the local government finance settlement provided additional funding for Social Care there is still a significant risk of additional demand and systems pressures in Children's Services and that in the event of this, sufficient additional Government

funding is not provided to mitigate this. Along with funding uncertainty, the continued pressure of demands on Children's Social Care is the most significant financial risk to the Council.

45. In light of the continuation of the Social Care Grant the level of funding allocated to Children's Care and Adult Social Care is to be maintained at 2020/21 levels with £3.5 million of the grant being allocated to Children's Social Care and £1 million to Adult Social Care in 2021/22.
46. In addition, it should be noted that £2.913 million was transferred to Children's Social Care from the central ongoing demand pressures budget following approval by Executive on 24 November 2020 of the virement contained within the Revenue and Capital Budget - Projected Outturn position as at Quarter Two 2020/21 report. £322,000 of funding is remaining in the central ongoing demand pressures budget.
47. As mentioned in the budget report to Council of 26 February 2020, a separate contingency budget of approximately £1.6 million has been provided in 2021/22 specifically for costs arising from the delivery of the Ofsted improvement plan, and the costs will be drawn down against this budget for this purpose, as and when they are incurred.
48. Provision has been made in the MTFP from 2021/22 for the following service demand pressures which have been identified :
  - £79,000 for income budgets within the Strategic Information and Governance Service within Legal & Governance Services which are now unachievable
  - £138,000 arising from the Locality Working model approved by Executive in September 2020
  - £250,000 for staffing pressures within Legal Services arising from an increase in work relating to child care cases and other legal work
  - £21,000 for an increase in the Members Allowances budget in line with the previous recommendations of the Independent Panel on Members Remuneration

#### *Reduced Spending Pressures*

49. As reported in the quarterly budget monitoring reports to Executive during 2020/21 there is an estimated net saving of £500,000 per annum in the budget requirement for long term residential care due to lower demand. This has been built into the MTFP from 2021/22. This will be reviewed throughout 2021/22 with any changes required to this estimated amount being incorporated in future versions of the MTFP.

#### *Covid-19*

50. As reported previously the Covid-19 pandemic is having a significant impact on the financial position on all local authorities, including Middlesbrough. Whilst as mentioned in paragraph 32 the Government has provided funding in 2021/22 for the potential effects of the Covid-19 pandemic in 2021/22 it has been recognised that there remains a potential continuing effect of Covid-19 and recovery in 2021/22 above the funding provided by the Government and for prudence purposes it is still

proposed to provide a central contingency budget of £3 million in 2021/22 only for this. This will be further reviewed throughout 2021/22.

51. There is also a major risk to the Council's finances that the future economic climate caused by Covid-19 continues to adversely affect the Council's finances, in particular the Council Tax and Business Rates Bases and the corresponding income received by the Council over the MTFP period, and that this is not compensated for by additional Government grant funding. Accounting regulations on the Collection Fund mean that this should not affect the Council's finances until 2022/23 and an amount of £1.3 million has been provided in 2022/23 for the potential financial effect of this. This will be closely monitored and updates will be provided in future reports.

#### *Other Changes*

52. Additional rental income is estimated to be received in 2021/22 from developments that the Council has made in the town, with additional income of £311,000 being assumed from the Centre Square buildings, and £396,000 from Tees Advanced Manufacturing Park (TeesAMP). A total of a further £282,000 income from TeesAMP is assumed in 2022/23.
53. Additional revenue provision of £500,000 per annum has been made in respect of the Council's agreed Investment Strategy. This will enable the Council to invest in its own assets and provide for adequate maintenance of assets in order to ensure that they remain fit for purpose in the future. It will also allow for delayed / reduced capital receipts arising mainly from the effects of Covid-19. The Capital Financing budget will be closely monitored throughout 2021/22 and any required changes will be reflected in future refreshes of the MTFP.
54. Revenue funding of £260,000 has been provided from 2021/22 for the future delivery model for Youth Services following approval by Executive on 14 July 2020. The funding for this investment was provided from savings achieved following a review of the Council's senior management.

#### ***Budget Savings***

55. As mentioned in paragraph 9 planned budget savings for 2021/22 totalling £1.568m were proposed as part of the budget report to Council in February 2020 and are already assumed in the MTFP. A large proportion of the planned budget savings approved in previous years did not require further public consultation, as they were considered to have minimal or no effect on front line service delivery levels, and are in delivery or have been fulfilled. However, a number of the previously planned budget savings for 2021/22 required further consultation during 2020/21 and details are provided in the paragraphs below.
56. The major planned budget saving proposed which required further consultation was the proposal to move to fortnightly Waste Collections estimated to achieve a budget saving of £396,000. As mentioned in paragraph 11 following a period of public consultation, this saving will not now be adopted in 2021/22.
57. Also as detailed in the report to Council in December 2020 after consideration of the planned budget saving previously approved relating to "Review of Area Care

activities” it was deemed that this would no longer be achievable due to the significant effect the planned budget saving would have on service delivery levels. It is therefore proposed that the budget saving of £186,000 is replaced with two alternative savings within Environment & Community Services relating to a £100,000 saving on the Premises Running costs budget due to savings on energy costs and internal rates charges, and a £86,000 saving within the Streetlighting budget from efficiencies achieved following the maintenance contract being returned in-house. Following evaluation of these two alternative savings it was considered that they will have minimal or no effect on front line service delivery levels and therefore required no further consultation.

58. The revised MTFP includes provision totalling £839,000 for a number of previously planned budget savings for 2020/21 and 2021/22 which have been removed from the MTFP as they are no longer deemed fully or partly achievable for a number of reasons. These are summarised in the table below :

*Savings proposals removed or partly removed*

Directorate	Ref	Proposal:	£'000s
<b>2020/21 UNACHIEVABLE PLANNED SAVINGS</b>			
Environment and Community Services	ECS 19	Reduction in operational costs of fleet vehicles in line with planned efficiencies in services across the authority	86
Environment and Community Services	REG 06	Review of Transporter Bridge operational arrangements	40
Finance	CCC 09	Increase advertising income from Love Middlesbrough to ensure self-sufficiency	9
Public Health and Public Protection	PHPP 08	Reduced partnership contributions, decommissioning of small contracts, maintaining existing vacancies and identification of alternative funding sources (part of total saving unachieved)	100
Legal and Governance Services	DIG various	Various Digital savings	256
Regeneration	Invest to Save	Housing Delivery Vehicle	90
Public Health and Public Protection	Invest to Save	The Live Well Centre expansion	93
<b>TOTAL 2020/21</b>			<b>674</b>
<b>2021/22 UNACHIEVABLE PLANNED SAVINGS</b>			
Environment and Community Services	ECS 19	Reduction in operational costs of fleet vehicles in line with planned efficiencies in services across the authority	66
Finance	CCC 09	Increase advertising income from Love Middlesbrough to ensure self-sufficiency	9
Regeneration	Invest to Save	Housing Delivery Vehicle	90
<b>TOTAL 2021/22</b>			<b>165</b>

59. As reported in the quarterly budget monitoring reports throughout 2020/21 there are a number of budget savings which have been previously approved which were likely to be unachievable in 2020/21 due to Covid-19. One such saving is “FGS15 - Reduction in staff mileage rates from 60p to 45p”. During 2020/21 this saving was mitigated by savings arising from reduced mileage undertaken by staff as a result of Covid-19, as staff were using alternative methods to undertake their work during the Covid-19 pandemic. Due to the new ways of working and the lessons learnt the Council will review the method of achieving this saving, and in the meantime in 2021/22 this saving will again be mitigated by savings from reduced mileage undertaken by staff. A further report will be brought to Executive during 2021/22 regarding this saving.
60. The additional budget efficiency savings proposed for 2021/22 were outlined in the report to Council on 16 December 2020. As detailed in paragraph 12 of this report it was determined that all of the proposed additional budget efficiency savings were

considered to have minimal or no effect on front line service delivery levels and that they required no, or no further public consultation or impact assessment prior to consideration by Full Council and are therefore included as part of the 2021/22 revenue budget for implementation in 2021/22.

61. The recommended budget savings for 2021/22 are summarised below :
- £1.568 million in relation to ongoing efficiencies/budget savings for 2021/22 that were previously approved by Council in February 2020
  - Less £0.396 million relating to the removal of the Fortnightly Waste Collection saving
  - Less £0.674 million due to unachievable previously planned budget savings for 2020/21
  - Less £0.165 million due to unachievable previously planned budget savings for 2021/22
  - £0.057 million additional saving from an ERVR previously agreed in 2020/21
  - £1.931 million in relation to additional budget efficiency savings that required no further consultation (Appendix 1)

### ***Adequacy of Financial Reserves***

62. The Council is required to maintain an appropriate level of reserves and balances. Whilst current guidance is not prescriptive, all Local Authorities are required, when reviewing their Medium Term Financial Plan to consider the establishment and maintenance of reserves.
63. Proper consideration has to be given to: -
- working balances to help cushion the impact of uneven cash flows and to avoid unnecessary temporary borrowing;
  - general fund reserves to provide a contingency for the impact of unexpected events or emergencies; and
  - specific earmarked reserves to meet known or predicted liabilities.
64. The Director of Finance has reviewed the proposed level of balances held in the General Fund Reserve and advised that he considers it is appropriate to increase the minimum level to £11 million in 2021/22 (and future years). This advice is based on an assessment of financial risks against criteria set out by the Chartered Institute of Public Finance and Accountancy and the extent to which specific provisions are available to meet known and expected liabilities.
65. The main high level factors affecting this assessment are the degree of uncertainty in the financial and economic climate for local government, notably the ongoing impact of the Covid-19 pandemic; future introduction of a new funding formula; the potential impact of Brexit; the continued potential for increased demand and costs in Children's and Adults Social Care; and the reduction in the level of specific reserves and provisions over previous years. The calculation of the £11 million level is made by using the mid-point of the following factors:

- Inflation: to provide for an increase of 1%-2% above that currently provided equating to £1.8m to £3.6m.
- Demand-led pressures (mainly Adults and Children's Social Care): to provide for a realistic upturn in demand £2m to £4m
- Efficiency savings: provide for non-achievement of 5-15% given no more “low hanging fruit” equating to £0.1m to £0.3m.
- Local Government Finances: uncertainty post-2021 around Government funding and business rates reform equating to £0.8m to £2m.
- General Economic Climate: mainly the effect on Business Rates & Council Tax Income equating to £1m to £2.5m
- Covid-19 continuing effect: expenditure and income shortfalls continuing and lack of Government funding equating to £1m to £3m

66. The current estimated level of the General Fund Reserve at the end of 31 March 2021 is £12.278 million as reported in the Revenue and Capital Budget – Projected Outturn position as at Quarter Three 2020/21 report to Executive on 16 February 2021.

67. The level of balance in all reserves available to the Council may be affected by any change in the current projected overspend for 2020/21. The total projected overspend for 2020/21 of £2.796 million as at the end of Quarter Three is detailed in the Revenue and Capital Budget – Projected Outturn position as at Quarter Three 2020/21 report to Executive on 16 February 2021. As stated in that report the level of overspend reported as at Quarter Three (including the estimated costs of the Covid-19 pandemic) can be covered on a one-off basis by the Council's overall reserves in 2020/21, but if this continues it is a significant risk to the Council's financial position in the longer term.

68. The appropriate level of reserves for 2022/23 onwards will need reconsidering in light of financial performance in 2021/22, the ongoing effect of Covid-19, and the outcome of the expected Spending Review in Autumn 2021.

69. The Council intends to allocate an additional £0.2 million in 2021/22 to its Change Fund in order to support transformational activity. It is estimated that only a negligible amount will be remaining within the Change Fund by 2022, in light of the need to invest in projects in the meantime.

70. The Director of Finance has confirmed that the budget calculations for 2021/22 are robust in that;

- proper medium term budget planning and monitoring processes are in place and maintained which ensure that known commitments are provided for and budgets are set in real terms with the effect on service delivery clearly identified;
- appropriate provisions are made within the budget for pay and inflation;
- a prudent view of the net costs of the Council's overall cash flow and prudential borrowing is taken;
- an analysis of financial risks affecting the budget are completed; and
- appropriate consideration is given to the level of Council Tax and external funding available to the Council.

## ***Determination of Council Tax***

71. A number of factors have been considered in respect of the level of Council Tax increase including our current level of Council Tax, minimising the effect of Council Tax increases to residents, the current levels of inflation, pressures from caring for our vulnerable people, the level of budget reductions required, and the medium to long term implications of the Local Government Finance Settlement 2021/22.
72. In the Final Local Government Finance Settlement published on 4 February 2021 the Government confirmed that Councils would be able to increase the core element of Council Tax by up to 2% in 2021/22 without the requirement to hold a referendum, and also confirmed that the level of funding available to Councils assumed a Council Tax increase at this rate. A 1.99% increase in the core element of Council Tax in 2021/22 is proposed for Middlesbrough Council.
73. The Local Government Finance Settlement also confirmed the continuation of the Adult Social Care Precept at 3%, which can be split over 2021/22 and 2022/23. This has allowed Councils with Adult Social Care responsibility to increase their Council Tax by a set amount to help pay for the increased costs of Adult Social Care. In recognising of the effect of a potential 3% increase in Council Tax on Council Tax payers within Middlesbrough, it is proposed to increase Council Tax for the Adult Social Care Precept by 0.76% in 2021/22, which will generate approximately £450,000 of resources in 2021/22 to support our most vulnerable adults through a series of preventative and early help initiatives.
74. Local authorities can therefore potentially increase their Council Tax by a total of up to 5% in 2021/22, without the requirement for a referendum.
75. In determining the level of Council Tax increase consideration should be given in relation to the impact on the local Council Tax payer. In essence the Government's proposal is to pass on the liability to the local taxpayer, rather than a national distribution of resources to meet what is an agreed national priority. Authorities such as Middlesbrough with a significant proportion of vulnerable Council Tax payers and a lower Council Tax Base as a result of lower property values are disadvantaged by this approach, as each percentage increase in Council Tax will raise less than more affluent areas with a greater proportion of higher banded properties.
76. This has meant that the effect of the above means that it is proposed and assumed that for 2021/22 Council Tax will increase by 2.75% on the Middlesbrough Council only element of the Council Tax (excluding Fire and Police and Parish precepts).
77. Since 2013/14 the Council's Housing Growth Strategy has delivered an increase in the Council Tax Base of 4,313 Band D Equivalent properties, an increase in Middlesbrough Council's Tax Base of 14.3%. The cumulative effect is £7.6 million per annum and reduces the need to make further annual savings within Council services by this amount.
78. The Council is required to set a budget for 2021/22. The budget will determine the level of resources to be made available to services and forms part of the determination of the Council Tax to be levied in 2021/22.



79. The Budget requirement for 2021/22 is estimated to be £116.492 million as detailed in Appendix 2.
80. The basic (Band D) Council Tax for Middlesbrough as a whole is calculated as follows:

	£	£
Budget Requirement		116,492,035
Less:		
Revenue Support Grant	12,220,903	
Top up Payment	27,299,015	
Local Share of NNDR	17,592,625	
		57,112,543
Net Requirements		59,379,492
Estimated Collection Fund Deficit 2020/21		1,232,000
	(a)	60,611,492
Taxbase	(b)	34,484
Basic Council Tax	(a) / (b)	1,757.67

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

81. The table at paragraph 80 relates only to Middlesbrough Council's element of the Council Tax and excludes Cleveland Police and Crime Commissioner and Cleveland Fire Authority precepts.
82. The level of Council Tax associated with the budget requirement represents a general 1.99% increase in Council Tax and an additional 0.76% increase in the Adult Social Care Precept. In total this represents a 2.75% increase for Middlesbrough Council's element of the Council Tax for those areas without precepts.
83. The calculation of the actual Council Tax (Band D) for parish and non-parish areas (Middlesbrough Council only element) is as follows:-

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

	£	£
Basic Amount as above:		1,757.67
Less : Parish Precepts	19,401	
Divided by Tax Base	34,484	
Equals		0.56
<b>Band D Tax</b>		<b>1,757.11</b>

b) Nunthorpe:-

	£	£
Add: Parish Precept	9,272	
Divided by Tax Base	2,157	
Equals		4.30
<b>Band D Tax</b>		<b>1,761.41</b>

c) Stainton & Thornton:-

	£	£
Add: Parish Precept	10,129	
Divided by Tax Base	1,088	
Equals		9.31
<b>Band D Tax</b>		<b>1,766.42</b>

84. Tax levels for all bands are set in varying proportions to the band D level, and are set out in table 1 of Appendix 4.
85. The effect of the proposed Council Tax increase to 2.75% in 2021/22 on the Middlesbrough Council only element of the Council Tax (excluding Fire, Police and Parish precepts) for Band A and Band D properties is shown in the table below:

Band	2.75% increase	
	Annual (£)	Weekly (£)
A	31.32	0.60
D	46.98	0.90

86. Cleveland Fire Authority has set a precept for Middlesbrough of £2,770,100. The Council Tax levels for 2021/22 are set out in table 2 of Appendix 4.
87. Cleveland Police and Crime Commissioner has set a precept of £9,163,433 and Council Tax levels for 2021/22 are set out in table 3 of Appendix 4.
88. The total tax to be levied for each band (including Middlesbrough Council, Cleveland Fire Authority, Cleveland Police and Crime Commissioner, and Parishes) is set out in table 4 of Appendix 4.
89. The overall impact on the band D Council Tax is as follows:-

Middlesbrough Council	2.75%
Cleveland Police and Crime Commissioner	1.99%
Cleveland Fire Authority	1.90%
Overall Increase	2.62%

## Medium-Term Financial Plan to 2024

90. The Priorities of the Elected Mayor of Middlesbrough and Strategic Plan 2020-2023 report to Council on 15 January 2020 set out what the Council was aiming to prioritise over the next three years. The “Refreshing the Strategic Plan for the 2021-2024 period” report which was presented to Executive on 24 November 2020 endorsed revisions to the Council’s strategic priorities, and this was then presented to Council on 16 December 2020 allowing consultation to commence (the results of which were included as part of the Strategic Plan 2021-24 report to Executive on 16 February 2021 and to this Full Council), with the revised priorities being as follows:

- children and young people;
- vulnerability;
- crime and anti-social behaviour;
- climate change;
- Covid-19 recovery;
- physical environment;
- town centre;
- culture; and
- quality of service.

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

- accurately analyses the current financial climate and the medium-term horizon, including the range of spending pressures facing the Council;
- addresses the budget savings requirements; and
- focuses investment on growing the town’s economic base to improve local prosperity, and secure a robust and independent income stream to fund the Council’s services.

92. The following table summarises anticipated changes to the Council’s financial position in the period of the current medium term financial plan to 2023/24:

	2021/22 £ms	2022/23 (Indicative) £ms	2023/24 (Indicative) £ms	Total £ms
Spending pressures	10.038	(3.633)	4.966	11.371
Government funding changes	(8.383)	6.132	0.081	(2.170)
Local funding increases	(0.029)	(1.906)	(1.944)	(3.880)
<b>Budget gap</b>	<b>1.626</b>	<b>0.593</b>	<b>3.103</b>	<b>5.322</b>
Savings - Previously Approved	(1.568)	0.000	0.000	(1.568)
less removal of Fortnightly Waste Collection Saving	0.396	0.000	0.000	0.396
less Unachievable previously planned budget savings	0.839	0.000	0.000	0.839
Savings - from 2020/21 ERVR	(0.057)	0.000	0.000	(0.057)
Additional Budget Efficiency Savings	(1.931)	0.000	0.000	(1.931)
Transfer to / (from) reserves	0.695	(0.593)	0.000	0.102
<b>In-year budget position</b>	<b>0.000</b>	<b>0.000</b>	<b>3.103</b>	<b>3.103</b>

93. It should be noted in the table above that the Government Funding Changes line includes a total of £8.271 million of Covid-19 grants and £285,000 of Lower Tier Services Grant which are to be received in 2021/22 only. These have been matched with expenditure in the Spending Pressures line.
94. The above table demonstrates that the Council has considered the issues strategically and has a deliverable plan to ensure the Council's financial sustainability, and also ensures that reserves are maintained at appropriate levels. However, it should be noted that there is less certainty in the indicative figures for 2022/23 and 2023/24 than there is for the 2021/22 figures, due mainly to ongoing uncertainty regarding the future funding model for local government. The approximate £3.1 million budget gap in 2023/24 is only indicative and at this stage no additional budget savings are proposed to cover the budget gap in 2023/24. This will be reviewed in light of Covid-19, the "fair funding review", and other information received, and the budget gap for 2023/24 will be updated in future MTFP updates over the next year.
95. Through the Council's Investment Strategy the MTFP focuses on investment and efficiency, and creating growth in Council Tax, Business Rates and income from commercial activity, and aims to minimise service-level and job reductions over this period.
96. The following assumptions have been applied in refreshing the Council's MTFP:

***National Context***

97. It is likely that financial resilience will become one of the key components of external audit work in future years, and CIPFA has recently produced a draft financial resilience index for local authorities.
98. According to figures from the National Audit Office that were produced a couple of years ago, the impact on spending power has been felt most acutely in local authorities such as Middlesbrough with relatively high levels of deprivation. While Middlesbrough has faced a 36% decrease in overall spending power since 2010, the national average is 29% and some authorities have seen lower reductions, for example Wokingham has reduced by only 16%. The decrease in Middlesbrough Council's overall spending power would be higher than 36% if the Council had not achieved significant Housing Growth and increased Council Tax.
99. As mentioned previously the Covid-19 pandemic is having a significant impact on the financial position on all local authorities, including Middlesbrough, and there remains a risk in the future that this will have a significant financial effect on the Council in future years and that adequate Government funding will not be provided to cover the effect of this. This creates a level of uncertainty.
100. The potential impact of Brexit on the local economy also remains an issue for the Council's strategic objectives.

## Government funding changes

101. As part of the Spending Round and subsequent local government finance settlement the Government announced that the potential re-set of business rates retention of 75% (from the current 50%), and the introduction of a new “fair funding” formula for local government at 2020 would be delayed again until at the very earliest 2022/23. The key for Middlesbrough, as with other local authorities, will be the detail of the new systems and in how the new formulae are derived. The extent to which deprivation is recognised as a key cost driver for service need, in particular for adults and children’s social care and public health, will be vital. There is a risk that Middlesbrough sees further reductions in funding both in real terms and in relation to other local authorities. At this stage, in the absence of any detailed information from the Government it has been assumed that any changes to the funding formula and business rate retention will not result in a further reduction in general Government funding for the Council, in the form of Revenue Support Grant and Business Rates Top Up Grant for 2022/23 and 2023/24. However, in order to be prudent and following recent exemplifications produced by the Local Government Association as to the potential effect of the proposed new Adult Social Care funding formula, provision of £1.4 million has been made from 2022/23 for any potential impacts of this. This will be reviewed as and when further information is received during 2021.
102. Notwithstanding these high levels of uncertainty, the Council’s budgetary assumptions are based on the most up to date reliable information, and the predicted Government funding changes are set out below. In this report the impact for 2022/23 and 2023/24 has been estimated, but these figures are necessarily less robust than the figures for 2021/22.

Funding Stream	2021/22	2022/23	2023/24
	£ms	(Indicative) £ms	(Indicative) £ms
Revenue Support Grant	12.221	12.221	12.221
Business Rates Top Up	27.299	27.299	27.299
New Homes Bonus	0.249	0.081	0.000
Housing Benefit & Council Tax Subsidy Admin. Grant	0.997	0.997	0.997
Public Health Grant	16.774	16.774	16.774
Improved Better Care Fund	8.392	8.392	8.392
S31 Grant for Business Rates Compensation for Reliefs	4.151	4.151	4.151
Social Care Grant	6.339	6.339	6.339
2021/22 New Lower Tier Services Grant (for 21/22 only)	0.285	0.000	0.000
2021/22 Covid Support General Grant (for 21/22 only)	5.310	0.000	0.000
2021/22 Covid Council Tax Support Grant	0.864	0.864	0.864
2021/22 Covid Local Tax Income Guarantee Grant (for 21/22 only)	0.369	0.000	0.000
<b>Total:</b>	<b>83.249</b>	<b>77.117</b>	<b>77.036</b>

### **Local funding increases**

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

<b>Funding Stream</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£ms</b>	<b>(Indicative)</b>	<b>(Indicative)</b>
		<b>£ms</b>	<b>£ms</b>
Council Tax : Core (includes Housing Growth)	55.071	56.977	58.922
Council Tax : Adult Social Care Precept	5.541	5.541	5.541
Local Share of Business Rates	17.593	17.593	17.593
Collection Fund Surplus / (Deficit)	(1.232)	(1.232)	(1.232)
<b>Total:</b>	<b>76.973</b>	<b>78.879</b>	<b>80.824</b>

104. While there is a direction of travel towards self-funding for local authorities, as mentioned above there is now increased uncertainty in respect of how and when this will be implemented. This potentially will mean that Government support to local government through the Revenue Support Grant will be reduced, and councils will need to be self-funding, through Council Tax, Business Rates, and other localised sources of income.
105. The Spending Review proposed and the Local Government Finance Settlement confirmed that Councils can increase the core element of Council Tax by up to 2% in 2021/22 without the requirement to hold a referendum. As detailed in paragraph 72 it is proposed that Middlesbrough Council will implement a 1.99% increase in the core element of Council Tax in 2021/22 and also apply a 1.99% increase in both 2022/23 and 2023/24. These assumptions are now reflected in this updated MTFP.
106. As detailed in paragraph 73 the Government announced the continuation of the Adult Social Care Precept, and it is proposed to continue to increase Council Tax for the Adult Social Care Precept by 0.76% in 2021/22 only, which will generate approximately £450,000 of resources in 2021/22 to support our most vulnerable adults through a series of preventative and early help initiatives.
107. The effect of the above means that it is currently proposed and assumed in the MTFP that for 2021/22 Council Tax will increase by a total of 2.75%, and then by 1.99% in each of the years 2022/23 and 2023/24.
108. Housing growth assumptions and the growth in the council tax base have been made on a prudent approach taking into account currently available information. These are reviewed regularly throughout the year jointly by Finance and Regeneration officers based on the latest information available, and these will be reflected in future MTFP updates.

### **Pay awards and inflation**

109. As detailed in paragraph 38 provision of approximately £1.8 million has been made in 2021/22 for the estimated effect of the Local Government Employers Pay Award effective from 1 April 2021. Currently a similar amount has been provided for 2022/23 and 2023/24.

110. Contractual inflation at a total cost of £4.3 million has been assumed in the MTFP period. No provision has been made for inflation for supplies and services; it is expected that any inflationary pressures in this area will be met from efficiency savings.
111. Income from fees and charges has been assumed to increase on average by 2.5% per annum in 2021/22, and by approximately 1% in 2022/23 and 2023/24. This excludes car parking and statutory charges. It is estimated that this will provide approximately £1.9 million of income to the Council over the MTFP period. As mentioned in paragraph 41 In light of Covid-19 all income will be closely monitored for performance against income targets and reviewed as necessary.

### ***Living Wage***

112. Increases in the National Living Wage, will impact upon organisations – principally adult social care providers – who are contracted to carry out functions on behalf of the Council. The Government previously announced that it was their intention for the National Living Wage to reach its target of £10.50 by 2024, and based on this assumption approximately £3.4 million has currently been allocated over the MTFP period to cover the increases in costs expected as a result of these pressures.

### ***Demand pressures***

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

### ***Other***

114. The Council’s Leisure Services Contract with Sport & Leisure Management (SLM) will produce estimated additional income of approximately £450,000 to the Council over the MTFP period. This may be required to be reviewed in future updates of the MTFP due to any potential long term effects of Covid-19 on the provision of services.
115. Additional income of £282,000 is estimated to be received from Tees Advanced Manufacturing Park (TeesAMP) in 2022/23.
116. In addition to the additional revenue provision of £500,000 per annum that has been made in respect of the Council’s agreed Investment Strategy as detailed in paragraph 53, there is also a total of £310,000 of additional investment in the Capital Financing budget over the MTFP period.

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

117. Over the MTFP period the Council plans to maintain the Council’s General Fund balance above the minimum level of £11 million, in line with the Council’s current recommended General Fund level as set out in paragraphs 64 and 65 of this report.
118. Over the MTFP period, the Council intends to use the remaining funding from its Change Fund in order to support transformational activity to deliver its Strategic

Plan. It is estimated that only a negligible amount will be remaining in the Change Fund by 2022 in light of the need to invest in projects in the meantime.

### **Contingency**

119. As mentioned in paragraph 51 provision has been made in the MTFP for an amount of £1.3 million from 2022/23 for the potential future impact of Covid-19 on Council Tax and Business Rates Bases and the corresponding income received by the Council over the MTFP period This will be closely monitored and updates will be provided in future reports.

### **Investment Strategy**

120. Full Council approved an Investment Strategy for the period 2020-2023 on 26 February 2020. The Executive on 29 September 2020 approved the removal and addition of a number of schemes and a revised Investment Strategy to 2022/23. This has been revised further by Executive at Quarters Two and Quarter Three following quarterly monitoring, in line with its constitutional powers.
121. The following “business as usual” schemes which are essential to the delivery of Council services have been reviewed and it is proposed that the following amounts are added to the Investment Strategy in order to extend these schemes to 2023/24:

<b>Scheme</b>	<b>Amount £</b>
Capitalisation of Major Schemes Salaries	530,000
Purchase of New Vehicles	1,200,000
Capitalisation of Wheeled Bin Replacement	100,000
Capitalisation of Street Furniture	55,000
Capitalisation of Highways Maintenance	575,000
Property Services Building Investment	340,000
Members Small Schemes	60,000
Capitalisation of Street Lighting	468,000
Property Asset Investment Programme	1,200,000
Chronically Sick & Disabled Persons Act	610,000
Capitalisation Of Staying Put Salaries	50,000
ICT - Essential Refresh & Licensing	2,185,000
Derisking Sites	900,000
<b>Total :</b>	<b>8,273,000</b>

122. Following a review of the Investment Strategy the amount included in the Acquisition of Town Centre Properties line has been reduced by £29 million in light of the current review of future Council office accommodation.
123. The updated Investment Strategy is included at Appendix 5 and Council are requested to approve the updated Investment Strategy.
124. The proposed changes to the Investment Strategy are within the Council’s overall borrowing limits and prudential indicators required as part of the Prudential Code (as detailed in paragraphs 125 to 136 below).



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

125. The Local Government Act 2003 created a new legal framework for capital investment from April 2004 and Local Authorities are now required by law to follow the CIPFA Prudential Code.
126. The key objectives of the Prudential Code are to ensure, within a clear framework, a local authority's capital programme is affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.
127. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account to ensure appropriate treasury management. From 2019/2020 the Code set out that these must be presented in the form of a Capital Strategy Report which links the Council's investment strategy with the financial and budgetary implications of these decisions and the overall level of indebtedness.
128. The Prudential Code also introduced guidance regarding the way in which surplus funds are invested and it is a statutory requirement that an Annual Investment Strategy is approved by Council before the start of each financial year.
129. The Government has released guidance relating to how local authorities set aside some of their revenues as provision for debt repayment. This requires authorities to prepare an annual statement of their policy on for determining the Minimum Revenue Provision.
130. The fundamental objective in considering the affordability of the Council's capital plans is to ensure that the total capital investment of the authority remains within sustainable limits and, in particular, to consider its impact on the local authority's revenue budget position. Affordability is ultimately determined by a judgement about available resources and one of the Prudential Indicators (% of capital financing costs against the net revenue budget) addresses this explicitly over the medium term financial planning period.
131. In considering the affordability of its capital plans, the Council must consider all of the resources currently available to it and estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the following two years. The authority is also required to consider known significant variations beyond this timeframe. This requires the maintenance of three-year revenue forecasts and three-year forward estimates of council tax as well as three-year capital expenditure plans. These are rolling scenarios, not fixed for three years.
132. Appendix 6 sets out the proposed Capital Strategy Report (covering the necessary prudential indicators, together with the investment strategy and minimum revenue provision policy) for Council to approve. This report explains the context of the Council's financial plans against the required prudential indicators to assist in drawing conclusions around affordability, sustainability and prudence.

133. There are some large financial commitments in the level of capital expenditure over the next two financial years. Most of these changes (apart from the business as usual capital maintenance spend) are either fully funded by grant and contributions or are invest to save schemes, where income generated from the investment in these assets generates a level of financial return which at least covers any capital financing costs associated. The prudential indicator which demonstrates affordability (capital financing cost as a % of the revenue budget) remains fairly static over the three year period of the MTFP.
134. A change for Members to note that affects both the level of expenditure in the investment strategy and the prudential indicator totals relates to the inclusion of finance leases. In previous years most leases taken out would have been categorised as a rental arrangement and a cost against the revenue budget. However, amendments to the reporting standard that covers this area now means that most leases constitute the 'right to use' or purchase of an asset. The appropriate capital expenditure therefore needs to be included in the capital strategy report funded by external debt. Leases that have a major impact on the prudential indicators for the Council are those for the new buildings in Centre Square plus any properties or equipment that is leased by service directorates going forward.
135. The Director of Finance has reviewed these investment plans and prudential indicators, and is satisfied that the Council is acting in line with legal requirements and the resources available when setting its budget. The authorised limit for external borrowing for the 2021/22 budget will be £315 million. This is an increase of £15 million over that used in 2020/21 and reflects the need for extra flexibility on borrowing to support the Strategic Plan. Many of these priorities require up front capital investment by the Council to create the transformation required to address economic and housing growth.
136. The Chartered Institute of Public Finance & Accountancy has just announced a review of both its Prudential & Treasury Management Codes in response to some concerns on individual local authorities taking advantage of the freedoms given to them under these codes and their budgets and being heavily reliant on commercial investments & income – essentially borrowing to invest. It is expected that these codes will be updated to ensure that these situations do not occur in the future. Section 151 Officers will need to give assurances to both Government and their local authorities that their financial plans do not involve significant exposure to these type of investment for yield projects. The Director of Finance is content that this is not the case for the Council for the 2021/22 financial year and the two subsequent years.

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

137. That the Council approves the proposed budget strategy for 2021/22 as set out in paragraphs 35 to 70, and approves the proposed budget efficiency savings for 2021/22 (Appendices 1).
138. That the Council approves the budget requirement for 2021/22 to be set at £116,492,035 as detailed in Appendix 2.

139. Having taken into account the matters set out in Section 32 of the Local Government Act 1992 and the items set out within the report that the Council approves that the basic amount of Council Tax (Band D) for 2021/22 be £1,757.67 being a 1.99% increase in general Council Tax and an annual precept of 0.76% for Adult Social Care which has been continued by the Government to contribute towards the shortfall of funding for adult social care. In total this represents an increase of 2.75% in the basic amount of Council Tax for the whole of the Borough.
140. That the Council approves the actual amount of Council Tax (Band D) for areas without parish precepts (excluding Fire and Police) be set at £1,757.11.
141. That the Council approves the actual amount of Council Tax (Band D) for areas with parish precepts (excluding Fire and Police) be set at :-
- |                              |           |
|------------------------------|-----------|
| Nunthorpe Parish             | £1,761.41 |
| Stainton and Thornton Parish | £1,766.42 |
142. That the Council approves the amounts of Council Tax for each category of dwelling be set in accordance with table 4 of Appendix 4 within the report.
143. That the Council notes the refreshed Medium-Term Financial Plan position for 2021-24 set out in this report in paragraphs 90 to 119.
144. That the Council approves the updated Investment Strategy for the period to 2023/24 as outlined in paragraphs 120 to 124 and detailed in Appendix 5.
145. That the Council approves the Capital Strategy Report (Prudential indicators, Investment Strategy and Minimum Revenue Provision) 2021/22 as outlined in paragraphs 125 to 136 and detailed in Appendix 6, and approves the Authorised Limit for external borrowing of £315 million for the Council for 2021/22 as set out in paragraph 135.

**Why is this being recommended?**

146. To enable the Council to meet its statutory responsibility to set a balanced revenue budget for the financial year 2021/22 and to ensure that a proper framework is in place for the medium term financial management of the Council.

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

147. Not Applicable.

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

***Legal***

148. The Council is required under legislation to set a revenue budget and agree the level of Council Tax and prudential indicators for 2021/22.

## ***Financial***

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

## ***Policy Framework***

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

## ***Equality and Diversity***

151. The Public Sector Equality Duty (PSED) (as set out in the Equality Act 2010) places a statutory duty on the Council in exercising its functions, to have regard to the need to:
- eliminate discrimination, harassment and victimisation;
  - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
  - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
152. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
  - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and
  - encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
153. 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.
154. Additional Budget Efficiency Savings Proposals have been developed which protect frontline services and the town's most vulnerable groups as far as possible. The proposals for the 2021/22 budget were presented as part of the report to Council on 22 December 2020 and were classified against three categories. All the proposed additional budget efficiency savings were considered to have minimal or no effect on front line service delivery levels and therefore required no public consultation or

impact assessment prior to consideration by Full Council as part of the 2021/22 revenue budget for implementation in 2021/22, and are therefore included in Appendix 1.

155. An Impact assessment was completed to assess the proposed budget (appended to this report at Appendix 3). It found that there were no concerns that the Council's approach to budget setting could result in a disproportionate adverse impact on groups or individuals because they hold one or more protected characteristics.

### **Risk**

156. The proposed approach will ensure that the Council has adequate governance processes in place (08-054) to ensure it complies with the statutory duties to set a balanced budget (08-055). The MTFP has been reviewed to ensure that the correct assumptions are made to ensure that there is no unforeseen/unmitigated funding gap (08-059) and that a balanced budget can be set for future years.

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

157. If approved, the proposals set out in this report will form the basis of the 2021/22 revenue budget of the Council.

### **Appendices**

- Appendix 1: Budget Efficiency Savings proposals that are considered to have minimal, or no effect on front line service delivery levels.
- Appendix 2: Revenue Budget 2021/22
- Appendix 3: Revenue Budget 2021/22 – Impact Assessment (overall)
- Appendix 4: Council Tax Bands 2021/22
- Appendix 5: Updated Investment Strategy to 2023/24
- Appendix 6: Capital Strategy Report (Prudential indicators, Investment Strategy and Minimum Revenue Provision) 2021/22

### **Background papers**

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

24/11/20	Executive	Medium Term Financial Plan Update, and Budget Savings Proposals 2021/22
22/12/20	Council	Medium Term Financial Plan Update, and Budget Savings Proposals 2021/22
22/12/20	Council	Refreshing the Strategic Plan for the 2021-24 period
16/02/21	Executive	Revenue and Capital Budget – Projected Outturn position as at Quarter Three 2020/21
16/02/21	Executive	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22
16/02/21	Executive	Strategic Plan 2021-24
24/02/21	Council	Strategic Plan 2021-24

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## **Appendix 1: Budget Efficiency savings proposals that are considered to have minimal, or no effect on front line service delivery levels**

These proposals require no, or no further public consultation or impact assessment prior to consideration by Full Council as part of the 2021/22 revenue budget for implementation in 2021/22. Some internal consultation may be required prior to implementation if the proposals have a significant impact on employees, and this will be undertaken by management as appropriate.

<b>Ref.</b>	<b>Directorate</b>	<b>Budget Efficiency saving proposal</b>	<b><u>2021/22</u> <u>(£'000)</u></b>	<b><u>2022/23</u> <u>(£'000)</u></b>	<b><u>2023/24</u> <u>(£'000)</u></b>
<b>CEN01</b>	Central Budgets	Section 31 NNDR (Business Rates) Grant Income - increase income budget to match expected actual income due	300	0	0
<b>CEN02</b>	Central Budgets	Remove budget for Vancouver House following staff vacating building	101	0	0
<b>CEN03</b>	Central Budgets	Reduced budget requirement for Capital Financing in light of planned Investment Strategy and borrowing and current interest	700	0	0
<b>FIN01</b>	Finance	Removal of vacant posts in both Financial Planning & Support and Financial Governance & Revenues	50	0	0
<b>FIN02</b>	Finance	Remove Social Regeneration budget to reflect the impact of a previous Executive decision	93	0	0
<b>CEX01</b>	Chief Executive	Remove vacant post & reduce supplies & services budgets	64	0	0
<b>CEX02</b>	Chief Executive	Reduce budget available for Corporate Initiatives	50	0	0
<b>CEX03</b>	Chief Executive	Removal of vacant post within Marketing & Communications	63	0	0
<b>LEG01</b>	Legal & Governance Services	ICT Services - savings through reduced mobile phone usage, reduced ICT vehicle usage, renegotiation of parking meters contract, apps rationalisation & removal of redundant telephone lines	50	0	0
<b>LEG02</b>	Legal & Governance Services	Service review within Strategy, Information & Governance	50	0	0
<b>LEG03</b>	Legal & Governance Services	Staff reductions through removal of vacant posts within Customer Experience	14	0	0
<b>REG01</b>	Regeneration	Highways Management - further capitalisation of eligible salary costs for direct support to Local Transport Plan (LTP) funded capital schemes	59	0	0
<b>REG02</b>	Regeneration	Planning - capitalisation of technical studies for Local Plan	40	0	0
<b>REG03</b>	Regeneration	Economic Development - Reduced staffing, reduced charges from ICT for services provided at BOHO from 21/22, utilising existing staff to generate additional income at TeesAMP and Centre Square, and reduced supplies & services expenditure	96	0	0
<b>REG04</b>	Regeneration	Removal of internal catering provision for committees and other meetings at Town Hall	10	0	0
<b>ECS01</b>	Environment & Community Service	Amend Traffic Management responsive maintenance budget to reflect anticipated impact on demand of recent pothole purge	9	0	0
<b>ASC01</b>	Adult Social Care	Reduction in demand for residential care as a result of Covid-19 changing the nature of services required in Adult Social Care	175	0	0
<b>PHP01</b>	Public Health	Realisation of efficiencies from improved contract management in Public Health	2	0	0
<b>CHL01</b>	Children's Services	Realisation of efficiencies within budget for Place Planning	5	0	0
		<b>TOTAL:</b>	<b>1,931</b>	<b>0</b>	<b>0</b>

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## REVENUE BUDGET 2021/22

Appendix 2

	2020/21		2021/22	
	£'Million	£'Million	£'Million	£'Million
<b>Net Service Expenditure</b>				
Regeneration	5.057		3.175	
Environment & Community Services	17.243		18.955	
Public Health & Public Protection	(2.248)		(2.230)	
Prevention & Partnerships	1.950		0.000	
Education	0.197		0.000	
Education & Partnerships	0.000		2.291	
Children's Care	11.330		36.862	
Business Performance & Change	22.703		0.000	
Adult Social Care & Health Integration	40.269		40.988	
Legal & Governance Services	1.355		8.042	
Finance	7.181	105.037	0.320	108.403
<b>Levies</b>				
Environment Agency	0.111		0.114	
River Tees Port Health Authority	0.017	0.128	0.017	0.131
<b>Central Provisions &amp; Budgets</b>				
Covid-19 Expenditure Central Budget 2021/22	0.000		5.310	
Covid-19 Grant Income Held Centrally	0.000		(6.174)	
Covid-19 Local Tax Income Guarantee Grant	0.000		(0.369)	
Provisions for Pay & Prices and Contingencies	6.669		7.916	
Social Care Grant Income Held Centrally	(4.817)		(6.339)	
Local Tier Services Grant Held Centrally	0.000		(0.285)	
Change Fund	1.230		0.230	
Net Capital Financing Costs	10.440		9.517	
Added Years Pensions *	0.000		1.266	
Apprentice Levy *	0.000		0.275	
Section 31 NNDR Grant	(3.101)		(4.151)	
Designated Authority Costs	0.040		0.040	
Custodian Properties	0.008	10.469	0.008	7.244
<b>Net Spending</b>		115.634		115.778
Contribution (from) / to Reserves & Provisions		0.746		0.695
<b>Net Revenue Budget</b>		116.380		116.473
<b>Parish Precepts</b>				
Nunthorpe		0.009		0.009
Stainton & Thornton		0.008		0.010
<b>Net Revenue Budget (inc. Precepts)</b>		116.397		116.492
<b>Funded by:</b>				
Revenue Support Grant		12.154		12.221
Top up Payment		27.299		27.299
Retained Business Rates		17.659		17.593
Council Tax		58.707		60.611
Collection Fund Balance		0.578		(1.232)
		116.397		116.492

Note:

Budget figures per Directorate for 2021/22 shown above reflect the new Directorate structure following the Senior Management Review which was implemented during Quarter One of 2020/21, and therefore direct comparison between years per Directorate is not possible

\* Included in Provisions for Pay & Prices and Contingencies in 2020/21

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### Appendix 3: Overall Budget Impact Assessment 2021/22

<b>Subject of assessment:</b>	Middlesbrough Council Budget 2021/22			
<b>Coverage:</b>	Crosscutting			
<b>This is a decision relating to:</b>	<input type="checkbox"/> <b>Strategy</b>	<input type="checkbox"/> <b>Policy</b>	<input checked="" type="checkbox"/> <b>Service</b>	<input type="checkbox"/> <b>Function</b>
	<input type="checkbox"/> <b>Process/procedure</b>	<input type="checkbox"/> <b>Programme</b>	<input type="checkbox"/> <b>Project</b>	<input checked="" type="checkbox"/> <b>Review</b>
	<input checked="" type="checkbox"/> <b>Organisational change</b>	<input checked="" type="checkbox"/> <b>Other (please state) Budget</b>		
<b>It is a:</b>	<b>New approach:</b>	<input type="checkbox"/>	<b>Revision of an existing approach:</b>	<input checked="" type="checkbox"/>
<b>It is driven by:</b>	<b>Legislation:</b>	<input checked="" type="checkbox"/>	<b>Local or corporate requirements:</b>	<input checked="" type="checkbox"/>
<b>Description:</b>	<p><a href="#">Key aims, objectives and activities</a></p> <p>By law the Council has to agree a balanced budget annually. The purpose of this Impact Assessment is to assess the cumulative impact of the 2021/22 budget proposals. The Public Sector Equality Duty (PSED) places a statutory duty on the Council to ensure that identified where decisions would impact disproportionately adversely on groups that share a protected characteristic under UK law. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. To ensure compliance with the PSED the Council has to identify what the impact of proposals will be. Where there is a risk that they will have a disproportionate adverse impact, consideration must be given to steps needed to avoid or mitigate that impact. Mitigation will include steps to take account of the different needs of groups and may result in adjustments to meet their needs. Where decisions cannot be fully mitigated or avoided, they must be justified. The proposals for the 2021/22 budget have been developed which protect frontline services and the town's most vulnerable groups as far as possible. Prior to submission of the proposals for the 2021/2022 budget to Council on 22 December 2020, they were assessed and classified against three categories. All the proposed additional budget efficiency savings were considered to have minimal or no effect on front line service delivery levels and therefore required no public consultation or impact assessment prior to consideration by Full Council as part of the 2021/22 revenue budget for implementation in 2021/22, and are therefore included in Appendix 1 of that report. No proposals were identified as impacting significantly on the public. As a result there are no separate impact assessments of individual proposals to accompany this impact assessment.</p>			

	<p>A general consultation email address was launched along with a consultation section on the Council's website, and a social media campaign to encourage engagement in the consultation which covered both the proposed budget increase and the proposed priorities for the refreshed strategic plan. This resulted in receipt of four email responses from individuals, along with 345 responses through the online consultation survey. In relation to impacts on those with protected characteristics as described previously, there were no concerns that the proposed approach to result in a disproportionate adverse impact on groups or individuals.</p> <p><a href="#">Statutory drivers (set out exact reference)</a></p> <p>A number of statutory duties, guidance, legislation and regulations are relevant to this proposal which will be considered, these include but are not limited to:</p> <ul style="list-style-type: none"> <li>• Budget setting - Local Government Act 1972</li> <li>• Impact Assessment process – Equality Act 2010.</li> </ul> <p><a href="#">Differences from any previous approach</a></p> <p>The budget sets out a range of changes to services and functions as a result of financial pressures on the Council. These are outlined in the main body of the report.</p> <p><a href="#">Key stakeholders and intended beneficiaries (internal and external)</a></p> <p>All residents of Middlesbrough and customers of MBC. Some proposals also impact on staff.</p> <p><a href="#">Intended outcomes.</a></p> <p>To present a budget to Council that has given full consideration to the impact of proposals and gives proper consideration to the Council's equality duties.</p>
<b>Live date:</b>	April 2021
<b>Lifespan:</b>	April 2021 – March 2022
<b>Date of next review:</b>	March 2022

Assessment issue	Impacts identified					Rationale and supporting evidence
	None	Positive	Negative		Uncertain	
			Justified	Mitigated		
<b>Human Rights</b>						
Engagement with Convention Rights (as set out in section 1, appendix 2 of the Impact Assessment Policy).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>None of the proposals were identified as having an adverse impact on human rights as a result of the proposed budget.</p> <p>Evidence used to assess the impact includes analysis of the proposals and feedback from the consultation exercise.</p>
<b>Equality</b>						
Age	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>None of the proposals were identified as having an adverse impact on any of the protected characteristics as a result of the proposed budget.</p> <p>Evidence used to assess the impact includes analysis of the proposals and feedback from the consultation exercise.</p>
Disability	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Gender reassignment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pregnancy / maternity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Race	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Religion or belief	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sex	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sexual Orientation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Marriage / civil partnership**	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Dependants / caring responsibilities**	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Criminal record / offending past**	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

\*\* Indicates this is not included within the single equality duty placed upon public authorities by the Equality Act. See guidance for further details.

Assessment issue	Impacts identified					Rationale and supporting evidence
	None	Positive	Negative		Uncertain	
			Justified	Mitigated		
<b>Community cohesion</b>						
Individual communities / neighbourhoods	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	None of the proposals were identified as having an adverse impact on community cohesion as a result of the proposed budget.  Evidence used to assess the impact includes analysis of the proposals and feedback from the consultation exercise.
Relations between communities / neighbourhoods	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Further actions		Lead	Deadline
<b>Mitigating actions</b>	Not applicable		
<b>Promotion</b>	Not applicable		
<b>Monitoring and evaluation</b>	Overall monitoring of the impact will be embedded within performance management arrangements for 2021/22	Paul Stephens	May 2021

<b>Assessment completed by:</b>	Ann-Marie Johnstone	<b>Head of Service:</b>	Paul Stephens
<b>Date:</b>	3 February 2021	<b>Date:</b>	4 February 2021

**Middlesbrough Council  
Council Tax Bands 2021/22**

<b>Table 1</b>				
<b>Middlesbrough Council tax bands excluding Police &amp; Fire Precepts</b>				
<b>Band</b>	<b>Proportion</b>	<b>Areas without Parishes £</b>	<b>Nunthorpe £</b>	<b>Stainton &amp; Thornton £</b>
A	6/9	1,171.41	1,174.27	1,177.61
B	7/9	1,366.64	1,369.99	1,373.88
C	8/9	1,561.88	1,565.70	1,570.15
D	1	1,757.11	1,761.41	1,766.42
E	11/9	2,147.58	2,152.83	2,158.96
F	13/9	2,538.05	2,544.26	2,551.50
G	15/9	2,928.52	2,935.68	2,944.03
H	18/9	3,514.22	3,522.82	3,532.84

<b>Table 2</b>	
<b>Cleveland Fire Authority</b>	
<b>Band</b>	<b>Tax £</b>
A	53.55
B	62.48
C	71.40
D	80.33
E	98.18
F	116.03
G	133.88
H	160.66

<b>Table 3</b>	
<b>Cleveland Police &amp; Crime Commissioner</b>	
<b>Band</b>	<b>Tax £</b>
A	177.15
B	206.68
C	236.20
D	265.73
E	324.78
F	383.83
G	442.88
H	531.46

<b>Table 4</b>			
<b>Middlesbrough Council tax bands including Police &amp; Fire Precepts</b>			
<b>Band</b>	<b>Areas without Parishes £</b>	<b>Nunthorpe £</b>	<b>Stainton &amp; Thornton £</b>
A	1,402.11	1,404.97	1,408.31
B	1,635.80	1,639.15	1,643.04
C	1,869.48	1,873.30	1,877.75
D	2,103.17	2,107.47	2,112.48
E	2,570.54	2,575.79	2,581.92
F	3,037.91	3,044.12	3,051.36
G	3,505.28	3,512.44	3,520.79
H	4,206.34	4,214.94	4,224.96

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## Appendix 5 : Updated Investment Strategy To 2023/24

Highlighted cells indicate new investment							
	Total Funding Required					Council Funding £'000	External Funding £'000
	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	TOTAL £'000		
<b>Regeneration</b>							
Town Centre Related Projects	775	1,798	580	204	3,357	2,478	879
Middlehaven Related Projects	132	102	500	-	734	734	-
Housing Growth	406	2,155	1,201	-	3,762	3,711	51
BOHO X	1,110	11,415	13,960	-	26,485	1,900	24,585
BOHO 8	2,462	-	-	-	2,462	-	2,462
Acquisition of Town Centre Properties	10,090	-	1,000	-	11,090	11,090	-
Middlesbrough Development Company	1,745	12,158	-	-	13,903	9,703	4,200
Teesside Advanced Manufacturing Park	1,543	380	-	-	1,923	1,540	383
<b>Capitalisation Of Major Schemes Salaries</b>	530	530	530	530	2,120	2,120	-
Affordable Housing Via Section 106	-	1,255	-	-	1,255	830	425
Highways Infrastructure Development Section 106	-	730	1,000	-	1,730	-	1,730
Stainton Way Dixon Bank Junction - Section 106	12	-	-	-	12	12	-
The Big Screen	-	20	-	-	20	20	-
A66 Throughabout	2,537	-	-	-	2,537	-	2,537
Mandale Interchange	319	100	-	-	419	-	419
Tees Amp Footway / Cycleway	293	-	-	-	293	-	293
Replacement of Ticket Machines	-	189	-	-	189	189	-
LED Street Lighting Upgrade (Phase 2)	332	85	-	-	417	417	-
Joint Air Quality Unit (JAQU) - All schemes	622	-	-	-	622	-	622
Members Small Schemes	64	-	-	-	64	29	35
Grove Hill Joint Venture Projects	-	14	-	-	14	-	14
Gresham Projects	789	-	-	-	789	789	-
North Ormesby Housing Joint Venture - Section 106 funded	100	321	-	-	421	-	421
Empty Homes 2015 To 2018	-	416	-	-	416	-	416
Local Transport Plan	1,072	621	-	-	1,693	13	1,680
Town Hall Venue Development	85	22	-	-	107	107	-
Cultural Transformation	-	35	-	-	35	35	-
Theatre Winches / Lifts	-	43	-	-	43	43	-
Dorman Museum	21	-	-	-	21	21	-
Contribution To Public Arts Projects	-	17	-	-	17	17	-
Public Art Work	27	31	-	-	58	58	-
Newham Grange Leisure Farm	99	-	-	-	99	99	-
Leisure Trust Investment - Equipment	-	75	-	-	75	75	-
Town Hall Telephone Kiosks Upgrade	15	-	-	-	15	15	-
Stewart Park Section 106	-	45	-	-	45	-	45
<b>Total Regeneration</b>	<b>25,180</b>	<b>32,557</b>	<b>18,771</b>	<b>734</b>	<b>77,242</b>	<b>36,045</b>	<b>41,197</b>

	Total Funding Required					Council Funding £'000	External Funding £'000
	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	TOTAL £'000		
<b>Environment &amp; Community Services</b>							
Purchase of New Vehicles	358	870	1,000	1,200	3,428	3,428	-
Capitalisation of Wheeled Bin Replacement	100	100	100	100	400	400	-
Capitalisation of Street Furniture/Dog Fouling & Litter Bins	55	55	55	55	220	220	-
Capitalisation of Highways Maintenance	575	575	575	575	2,300	2,300	-
Property Services Building Investment	340	340	340	340	1,360	1,360	-
Parks Improvement	83	-	-	-	83	83	-
Bereavement Services	-	-	-	-	-	-	-
Nunthorpe Playing Fields S106	57	-	-	-	57	-	57
Local Transport Plan-Highways Maintenance	2,465	2,198	-	-	4,663	2,098	2,565
Street Lighting-Maintenance	578	468	468	468	1,982	1,982	-
Urban Traffic Management Control	393	100	-	-	493	-	493
Flood Prevention	144	-	-	-	144	-	144
Department For Transport Pothole Fund	1,100	-	-	-	1,100	-	1,100
Members Small Schemes	33	108	60	60	261	261	-
Property Asset Investment Strategy	1,083	548	1,099	1,200	3,930	3,875	55
Nunthorpe Sports Facilities	-	100	-	-	100	-	100
East Middlesbrough Community Hub	129	900	-	-	1,029	1,029	-
Christmas Lights	350	-	-	-	350	350	-
Section 106 Ormesby Beck	-	15	-	-	15	-	15
Section 106 Cypress Road	-	20	-	-	20	-	20
Hostile Vehicle Mitigation	495	75	-	-	570	570	-
Transporter Bridge	655	-	-	-	655	328	327
<b>Total Environment &amp; Community Services</b>	<b>8,993</b>	<b>6,472</b>	<b>3,697</b>	<b>3,998</b>	<b>23,160</b>	<b>18,284</b>	<b>4,876</b>

	Total Funding Required					Council Funding £'000	External Funding £'000
	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	TOTAL £'000		
<b>Public Health &amp; Public Protection</b>							
Health & Wellbeing Hub	-	756	-	-	756	679	77
<b>Total Public Health &amp; Public Protection</b>	<b>-</b>	<b>756</b>	<b>-</b>	<b>-</b>	<b>756</b>	<b>679</b>	<b>77</b>

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
<b>Education &amp; Partnerships</b>	£'000	£'000	£'000	£'000	£'000
Block Budget (Grant) School Condition Allocation	-	124	-	-	124
Block Budget (Grant) Basic Needs	-	6,907	-	-	6,907
Schemes in Maintained Primary Schools	2,786	930	125	-	3,841
Schemes in Primary Academies	221	28	-	-	249
Schemes in Secondary Academies	865	1,786	-	-	2,651
Schemes in Special Schools	936	147	-	-	1,083
Capitalisation of Salary Costs	104	106	-	-	210
Contribution to New School at Middlehaven	-	1,700	-	-	1,700
Block Budget (Grant) Education Funding Agency Early Years 2 Year olds Entitlement (Trajectory Project)	-	7	-	-	7
<b>Total Education &amp; Partnerships</b>	<b>4,912</b>	<b>11,735</b>	<b>125</b>	<b>-</b>	<b>16,772</b>

Council Funding	External Funding
£'000	£'000
-	124
-	6,907
1,068	2,773
-	249
-	2,651
591	492
-	210
700	1,000
-	7
<b>2,359</b>	<b>14,413</b>

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
<b>Children's Care</b>	£'000	£'000	£'000	£'000	£'000
Edge Of Care Project (Hub)	336	35	-	-	371
Edge Of Care Project (Spencerfield 117-120)	11	-	-	-	11
Edge Of Care Project (3 Broadwell)	8	-	-	-	8
Rosecroft Renovations	20	150	16	-	186
Children's Care Residential Provision	-	230	-	-	230
Contact Centre - Bus Station Unit 1	20	214	20	-	254
<b>Total Children's Care</b>	<b>395</b>	<b>629</b>	<b>36</b>	<b>-</b>	<b>1,060</b>

Council Funding	External Funding
£'000	£'000
371	-
11	-
8	-
186	-
230	-
254	-
<b>1,060</b>	<b>-</b>

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
<b>Adult Social Care &amp; Health Integration</b>	£'000	£'000	£'000	£'000	£'000
Chronically Sick & Disabled Persons Act - All schemes	630	735	610	610	2,585
Disabled Facilities Grant - All schemes	2,681	2,729	-	-	5,410
Capitalisation of Staying Put Salaries	50	50	50	50	200
Home Loans Partnership (formerly 5 Lamps)	60	21	-	-	81
Small Schemes	48	-	-	-	48
Connect / Telecare IP Digital Switchover	128	110	-	-	238
Purchase of 5 vehicles - Tees Community Equipment Service	-	-	-	-	-
<b>Total Adult Social Care &amp; Health Integration</b>	<b>3,597</b>	<b>3,645</b>	<b>660</b>	<b>660</b>	<b>8,562</b>

Council Funding	External Funding
£'000	£'000
2,513	72
821	4,589
200	-
-	81
-	48
238	-
-	-
<b>3,772</b>	<b>4,790</b>

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
<b>Legal &amp; Governance Services</b>	£'000	£'000	£'000	£'000	£'000
Desktop Strategy / Device Refresh	283	177	-	-	460
Enterprise Agreements	345	361	-	-	706
Customers Relationship Management	69	46	-	-	115
IT Refresh - Network Refresh	7	156	-	-	163
IT Refresh - Lights On	253	48	-	-	301
IT Refresh - LCS Development Capture	-	25	-	-	25
IT Refresh - Business Intelligence	3	-	-	-	3
ICT Essential Refresh & Licensing	341	2,339	2,185	2,185	7,050
ICT Innovation Budget	324	162	-	-	486
GIS Replacement	38	129	-	-	167
Prevention & Partnership Tablets	-	70	-	-	70
HR Pay	-	37	-	-	37
Dashboards	50	-	-	-	50
<b>Total Legal &amp; Governance Services</b>	<b>1,713</b>	<b>3,550</b>	<b>2,185</b>	<b>2,185</b>	<b>9,633</b>

Council Funding	External Funding
£'000	£'000
460	-
706	-
115	-
163	-
301	-
25	-
3	-
7,050	-
486	-
167	-
70	-
37	-
50	-
<b>9,633</b>	<b>-</b>

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
<b>Finance</b>	£'000	£'000	£'000	£'000	£'000
Former Partnership Investment (ICT Infrastructure Revenues & Benefits)	74	360	-	-	434
Business World Upgrade	35	30	-	-	65
Derisking Sites	254	104	1,200	900	2,458
Town Centre Accommodation Strategy	42	-	4,396	-	4,438
Capitalisation of Property Finance Lease Arrangements	-	3,500	500	500	4,500
<b>Total Finance</b>	<b>405</b>	<b>3,994</b>	<b>6,096</b>	<b>1,400</b>	<b>11,895</b>

Council Funding	External Funding
£'000	£'000
434	-
65	-
2,458	-
4,438	-
4,500	-
<b>11,895</b>	<b>-</b>

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
<b>All Directorates</b>	£'000	£'000	£'000	£'000	£'000
<b>Total All Directorates</b>	<b>45,195</b>	<b>63,338</b>	<b>31,570</b>	<b>8,977</b>	<b>149,080</b>

Council Funding	External Funding
£'000	£'000
<b>83,727</b>	<b>65,353</b>

	Total Funding Required				
	2020/21	2021/22	2022/23	2023/24	TOTAL
<b>Funded by:-</b>	£'000	£'000	£'000	£'000	£'000
Borrowing	18,549	13,490	11,572	156	43,767
Finance Leases	-	3,500	500	500	4,500
Capital Receipts	5,358	14,597	5,951	8,273	34,179
Grants	18,081	25,787	12,547	48	56,463
Contributions	2,140	5,750	1,000	-	8,890
Revenue Resources	1,067	214	-	-	1,281
Funding from Reserves	-	-	-	-	-
<b>Total Funding</b>	<b>45,195</b>	<b>63,338</b>	<b>31,570</b>	<b>8,977</b>	<b>149,080</b>

Council Funding	External Funding
£'000	£'000
43,767	-
4,500	-
34,179	-
-	56,463
-	8,890
1,281	-
-	-
<b>83,727</b>	<b>65,353</b>

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**CAPITAL STRATEGY REPORT 2021/22**

**Introduction**

The Capital Strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activities contribute to the provision of local public services at the Council. In addition, it also gives an overview of how the associated risks are managed and the implications for future financial sustainability.

The report is a requirement of the 2017 Code of Practice on Treasury Management, issued by the Chartered Institute of Public Finance & Accountancy, and has been produced in an accessible way to enhance members' understanding of these often-technical areas. It is a replacement for the prudential indicator and treasury management report included within previous budget setting reports prior to 2019/20, but gives a wider context on the capital financing processes used by the Council.

**Capital Expenditure and Financing**

Capital Expenditure is where the Council spends money on assets, such as property, IT and vehicles that will be used for more than one financial year. In local government, this also includes spending on assets owned by other bodies, finance leases and loans & grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are generally not capitalised.

- For details of the Council's policy on the capitalisation of assets, see the accounting policies section of the annual statement of accounts on the Council's website ([www.middlesbrough.gov.uk](http://www.middlesbrough.gov.uk)).

In the 2021/22 financial year, the Council is planning a total capital expenditure of £63.338m as summarised below:

**Table 1:** Prudential Indicator: Estimates of Capital Expenditure in £ millions

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Total Capital Expenditure – Investment Strategy	47.343	45.195	59.838	31.070	8.477
Total Capital Expenditure – Finance Leases	12.374	0.000	3.500	0.500	0.500
<b>Total Capital Expenditure</b>	<b>59.717</b>	<b>45.195</b>	<b>63.338</b>	<b>31.570</b>	<b>8.977</b>

The main areas of capital expenditure to be undertaken by the Council in 2021/22 include the new BOHO X scheme - £11.4m, Middlesbrough Development Company projects - £12.2m, Affordable Housing & Housing Growth schemes - £3.4m, Town Centre development projects £1.8m, School capital projects £11.7m, Disabled Facilities Grant schemes £2.7m, ICT related projects £3.6m, and Environment & Community Services projects £6.5m.

**Governance:** Service managers generally bid during the previous financial year to include projects in the Council's forward capital programme. Bids are collated by the Council's finance team who calculate the financing costs of each project (which can be nil if the project is fully externally financed). The Council's Management Team (CMT) appraises all bids based on a comparison of service priorities against financing costs and then makes recommendations to Members for which schemes progress against the capital resources available. The final capital programme to support the Medium Term Financial Plan is then presented to Executive during February and to Council in February/March each year for approval.

All capital expenditure has to be financed, from either external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and private finance initiative). The planned financing of the above expenditure is as follows:

*Table 2: Capital financing in £ millions*

	<b>2019/20 actual</b>	<b>2020/21 forecast</b>	<b>2021/22 budget</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>
External sources	17.860	20.221	31.537	13.547	0.048
Own resources	2.038	6.425	14.811	5.951	8.273
Debt	39.819	18.549	16.990	12.072	0.656
<b>TOTAL</b>	<b>59.717</b>	<b>45.195</b>	<b>63.338</b>	<b>31.570</b>	<b>8.977</b>

Any external debt (loans and leases) must be repaid over time by other sources of finance. This comes from the revenue budget in the form of Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace/repay debt finance. The Council generally uses capital receipts to finance new capital expenditure rather than to redeem debt. The total cost of MRP included in the Council's revenue budget is as follows:

*Table 3: Minimum Revenue Provision in £ millions*

	<b>2019/20 actual</b>	<b>2020/21 forecast</b>	<b>2021/22 budget</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>
Cost to Revenue Budget	3.440	4.743	5.013	5.306	5.764

- The Council's minimum revenue provision statement for 2021/22 is available towards the end of this report.

The Council's cumulative amount of debt finance still outstanding is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure each year and then reduces with minimum revenue provision and capital receipts used to redeem debt.

The CFR is expected to increase by £8.9m or 3.6% during the 2021/22 financial year. This increase is due to the new capital expenditure funded by external debt of £17m less the MRP set aside of £5.0, plus other income streams of £3.1m.

Based on the above plans for expenditure and financing, the Council's estimated CFR for the period of the Medium Term Financial Plan is as follows:

*Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions*

	<b>31.3.2020 actual</b>	<b>31.3.2021 forecast</b>	<b>31.3.2022 budget</b>	<b>31.3.2023 budget</b>	<b>31.3.2024 budget</b>
<b>TOTAL CFR</b>	<b>232.481</b>	<b>246.287</b>	<b>255.164</b>	<b>261.630</b>	<b>256.223</b>

**Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or be used to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts.

The Council plans to receive £14.6m of capital receipts in the coming financial year as follows:

*Table 5: Capital receipts in £ millions*

	<b>2019/20 actual</b>	<b>2020/21 forecast</b>	<b>2021/22 budget</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>
<b>TOTAL</b>	<b>1.968</b>	<b>5.358</b>	<b>14.597</b>	<b>5.951</b>	<b>8.273</b>

- The level of capital receipts for each financial year is monitored between Regeneration, Finance and Valuation & Estates teams, and any significant changes are reported to Executive as part of the Quarterly budget updates.
- The Council has not adopted the Flexible Use of Capital Receipts Policy where these proceeds may be used for funding service transformation costs that would otherwise be classed as revenue expenditure

## Treasury Management

Treasury Management is concerned with keeping sufficient but not excessive cash resources, available to meet the Council's spending needs, while managing the risks involved in these investments. Surplus cash is invested until required, whilst a shortage of cash will be financed by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

The Council is typically cash rich in the short-term as revenue income is received and before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. Revenue cash surpluses are therefore offset against capital cash shortfalls to reduce the overall borrowing amount required, as part of an integrated strategy on Treasury Management. This is in line with best practice.

The Council at the end of January 2021 had £229.9m of borrowing at an average interest rate of 2.5% and £20.8m of treasury investments at an average rate of around 0.1%.

Both investment and borrowing rates available to the Council continue to be at historic lows due to ongoing government policy plus also the impact of the current coronavirus pandemic. There is an outside chance that the UK could see a negative bank rate in the 2021/22 financial year for the first time in its history.

**Borrowing strategy:** The Council's main objectives when borrowing are to achieve a low but certain cost of finance for long-term capital projects whilst retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between using cheap short-term loans (currently available at variable rates between 0.05% & 0.5%) and long-term fixed rate loans where the future cost is known but interest costs are higher (currently between 1% to 2.5%). In recent years, the Council has also been in negotiation with funders around lease arrangements as an alternative method of securing external finance for its capital projects.

Projected levels of the Council's total outstanding debt (which comprises borrowing and relevant finance leases) are shown below, compared with its capital financing requirement (need to borrow)

*Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions*

	<b>31.3.2020 actual</b>	<b>31.3.2021 forecast</b>	<b>31.3.2022 budget</b>	<b>31.3.2023 budget</b>	<b>31.3.2024 budget</b>
External Debt	242.900	233.900	<b>248.100</b>	258.000	252.600
Capital Financing Requirement	232.481	246.287	<b>255.164</b>	261.630	256.223



Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term where the benefits of short term borrowing may be taken. As can be seen from Table 6, the Council expects to comply with this in the medium term with debt being lower than the capital financing requirement in all relevant financial years. The only exception to this being at the end of the 2019/20 financial year where £20m of additional borrowing was taken for grants to business and general liquidity purposes as a result of the Council's initial response to Covid-19. This funding was quickly reimbursed by Government and the short term debt borrowed was repaid during April 2020.

**Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt levels start to approach the legal limit and is a more realistic rather than worst-case view of what will happen during the financial year. Any need to change these during the 2021/22 financial year from the original budget assumptions will be reported by the Director of Finance to the Executive at the earliest opportunity.

*Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m*

	<b>2020/21 limit</b>	<b>2021/22 limit</b>	<b>2022/23 limit</b>	<b>2023/24 limit</b>
Authorised Limit (OB + £30m)	300.000	<b>315.000</b>	322.000	316.000
Operational Boundary (CFR + £30m)	280.000	<b>285.000</b>	292.000	286.000

**Investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield, which focuses on minimising risk rather than maximising returns. Cash that is likely to be spent in the short term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss.

Table 8: Treasury management investments in £millions

	<b>31.3.2020 actual</b>	<b>31.3.2021 forecast</b>	<b>31.3.2022 budget</b>	<b>31.3.2023 budget</b>	<b>31.3.2024 budget</b>
Short-term investments	43.863	15.268	17.228	15.000	15.000
Longer-term investments	0.000	0.000	0.000	0.000	0.000
<b>TOTAL</b>	<b>43.863</b>	<b>15.268</b>	<b>17.228</b>	<b>15.000</b>	<b>15.000</b>

**Governance:** Decisions on treasury management in relation to investment and borrowing are made daily and are therefore delegated by the Director of Finance to the Head of Finance & Investments and staff within the financial governance team, who act in line with the treasury management strategy approved by Council. Quarterly updates on treasury management activity are reported to Executive as part of the regular budget monitoring process.

### **Revenue Budget Implications**

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to the revenue budget, offset by any investment income received. The net annual charge is reported as capital financing costs; this is compared to the net revenue stream i.e. the amount funded from council tax, business rates and general government grants. This is an important indicator around the affordability of the Council's capital plans going forwards.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	<b>2019/20 actual</b>	<b>2020/21 forecast</b>	<b>2021/22 forecast</b>	<b>2022/23 forecast</b>	<b>2023/24 forecast</b>
Financing costs (£m)	8.857	9.542	<b>9.689</b>	9.965	10.285
Net Revenue Budget (£m)	111.926	116.397	<b>116.492</b>	118.399	120.343
Proportion of net revenue stream	7.9%	8.2%	<b>8.3%</b>	8.4%	8.5%

**Sustainability:** Due to the very long-term nature of capital expenditure and its financing, the revenue budget implications of this expenditure incurred in the next few years could extend for up to some 50 years into the future.

The figures in table above remain relatively stable at a time when debt levels for the Council are still increasing. Members should be aware that this is as a result of various capital investments in commercial property made by the Council during 2019/20 and 2020/21 for regeneration purposes. This results in around £3.1m of income per year being credited to the capital financing budget by the end of the 2023/24 financial year. It is imperative and a key budget risk that these rental levels are maintained and the income assumed in the estimates above are generated. Progress will be reported as part of future budget monitoring and performance reports each quarter to Executive. The forecasts above may also differ slightly from the total included in the revenue budget for 2021/22 due to timing.

The Director of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable because appropriate resources have been allocated from the Council's medium term financial plan, any finance leases have been appropriately vetted and any borrowing plans have been fully costed and reviewed.

*Table 10 – Total Borrowing required for each year of the MTFP*

	2020/21 £000 Estimate	2021/22 £000 Estimate	2022/23 £000 Estimate	2023/24 £000 Estimate
Investment Strategy	18,549	13,490	11,572	156
Finance Leases	0	3,500	500	500
Debt Restructuring	0	0	0	0
Total	18,549	16,990	12,072	656

This takes into account any debt needed by the Council to either finance the capital programme, in respect of leasing arrangements, or to finance any debt restructuring required.

Current interest rates at present (with historical lows) mean that this is not possible for the next three financial years and therefore no amounts have been factored into the borrowing plans of the Council for this. If this situation changes, this will be reported to Executive at the earliest opportunity.

The prudential indicators & limits set out in this report are consistent with the Council's current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices.

The Director of Finance confirms that these are based on estimates of the most likely and prudent scenarios, with in addition sufficient headroom over and above this to allow for operational management and some scope for flexibility. For example unusual cash movements or any unbudgeted capital expenditure required. Risk

analysis and management strategies have been taken into account; as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.

### **Prudence – Treasury Management Indicators**

It is recommended that the Council sets an upper limit on its fixed interest rate exposures for 2021/22, 2022/23 and 2023/24 of 100% of its estimated total borrowing undertaken.

It is further recommended that the Council sets an upper limit on its variable interest rate exposures for 2021/22, 2022/23 and 2023/24 of 25% of its estimated total borrowing undertaken.

This means that the Director of Finance will manage fixed interest rate exposures on total debt within the range 75% to 100% and variable interest rate exposures on total debt within the range 0% to 25%.

It is also recommended that the Council sets upper and lower limits for the maturity structure (when the debt needs to be repaid) of its total borrowing as follows.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate at the start of the period:

	<b><u>Upper limit</u></b>	<b><u>Lower limit</u></b>
under 12 months	50%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	90%	20%

Currently investments are limited to a maximum of 3 years, with any deals being arranged so that the maturity will be no more than 3 years and one month after the date the deal is arranged.

The maximum % of the total of all investments that have an outstanding period of one year or longer, at the time the investment is made, is 10%.

### **Knowledge and Skills**

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Head of Finance and Investments has in

excess of 20 years' experience in local government treasury management. There is similar experience within the finance teams in relation to budgeting & accounting for capital expenditure and financing. The Council also pays junior staff to study towards relevant professional qualifications including CIPFA, CIMA, ACCA, AAT and other relevant vocational studies.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

- Further details on staff training and the policy on the use of external advisers can be seen with reference to its Treasury Management Practices document which is on the Council's website.

### **Treasury Management Practices**

Further details of how the treasury management function operates, the procedures used to manage banking, treasury and capital market transactions, how risk is managed by the in-house team and how this fits with the CIPFA Code of Practice is included in the Council's set of Treasury Management Practices.

This document is available to Members for further information on request.

## **ANNUAL INVESTMENT STRATEGY & TREASURY**

### **MANAGEMENT POLICY STATEMENT 2021/22**

1. In accordance with revised guidance from the Ministry of Housing, Communities and Local Government (MHCLG) a local authority must prepare and publish an Annual Investment Strategy which must be approved by full Council before the start of the financial year to which it relates.
2. The MHCLG guidance offers councils greater freedom in the way in which they invest monies, providing that prior approval is received from Members by approving the Annual Investment Strategy. The guidance also considers the wider implications of investments made for non-financial returns and how these can be evaluated.
3. The Local Government Act 2003, which also introduced the Prudential Code, requires that a local authority must have regard to such guidance as the Secretary of State issues relating to prudent investment practice.
4. In addition the Chartered Institute of Public Finance & Accountancy (CIPFA) has published a revised Code of Practice for Treasury Management in the Public Services in December 2017. This replaces the 2011 Code which had been adopted in full by Middlesbrough Council. The revised Code requires the Council to clearly state, in the Annual Investment Strategy document, its policy on effective control, and monitoring of its treasury management function. These controls are set out in Treasury Management Practices (TMP's) which have been approved as part of acceptance of the previous Code.
5. The revised Strategy, showing where the Guidance has determined Council policy, can be set out as:

### **ANNUAL INVESTMENT STRATEGY 2021/22**

6. Middlesbrough Council will create and maintain as the cornerstones for effective treasury management:
  - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
  - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

7. The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.
8. Middlesbrough Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy in advance of the year, a mid-year review which will include an annual report on the previous year, in the form prescribed in its TMP's. Revised Strategies can be presented to the Council for approval at any other time during the year if the Director of Finance considers that significant changes to the risk assessment of significant parts of the authority's investments has occurred.
9. Middlesbrough Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Director of Finance. The execution and administration of treasury management decisions is further delegated to the Head of Finance & Investments, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's *Standard of Professional Practice on Treasury Management*.
10. Middlesbrough Council nominates the Corporate Affairs & Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
11. The Council is very circumspect in its use of credit rating agencies with the section on Specified Investments setting out the current policy. Ratings are monitored on a real time basis as and when information is received from either our treasury management consultants or any other recognised source. Decisions regarding inclusion on the Approved List are made on the basis of market intelligence drawn from a number of sources.
12. All staff involved in treasury management will, under the supervision of the Head of Finance & Investments, act in accordance with the treasury management practices and procedures, as defined by the Council. Such staff will undertake relevant training, identified during the Council's induction process and, on an on-going basis, the Council's appraisal policy.
13. The general policy objective contained in the guidance is that local authorities should invest prudently the short-term cash surpluses held on behalf of their communities. The guidance emphasises that priority should be given to security and liquidity rather than yield. Within that framework the authority must determine a category of borrowers, who must be of "high credit quality" classified as **Specified Investments**, with whom it can invest surplus cash with minimal procedural formalities and further identify a category of borrowers classified as **Non-Specified Investments**, with whom it can also invest but subject to prescribed limits.

14. Although the guidance definition of Non-Specified Investments is "one not meeting the definition of a Specified Investment", the authority is required to identify which categories of investments are identified as prudent to use and the limits on any such investment either individually or in total. It is because some organisations do not subscribe to credit rating agencies that they have to be included as Non-Specified Investments, rather than any concern over their creditworthiness.
15. The guidance defines investment in such a way as to exclude pension fund and trust fund investments. In practice, Middlesbrough Council, in its role as Administering Authority for the Teesside Pension Fund, follows similar procedures as approved by Members as part of compliance with the CIPFA Code of Practice, albeit with different limits.

### **LIMITS & DEFINITION OF SPECIFIED INVESTMENTS**

16. The following are currently determined as meeting the criteria for Specified Investments:
  17. The investment is made with the UK Government, or a local authority (as defined in the Local Government Act 2003), or a police authority, or fire, or a UK Nationalised Industry, or UK Bank, or UK Building Society.
  18. The investment is made with a Money Market Fund that, at the time the investment is made, has a rating of AAA.
  19. The investment is made with one of the bodies listed in section 4 of Schedule 1E of the current version of the Treasury Management Practices document which, at the time the investment is made, has a short-term "investment grade" rating with either Standard & Poors, Moody's Investors Search Ltd or Fitch Ratings Ltd (or in the case of a subsidiary the parent has such a rating). Where ratings awarded differ between the rating agencies any one award below investment grade will prevent the investment being categorised as a Specified Investment. The rating of all listed bodies must be monitored on a monthly basis. Where officers become aware of a downward revision of rating, that moves the body out of the "investment grade" category, between such monthly checks, the body should be removed from the list of Specified Investments and, if considered appropriate, the investment should be recalled.
  20. All specified investments must be denominated in sterling and must be one where the authority may require it to be repaid or redeemed within 12 months of the date on which the investment is made and must be considered of high credit quality. This is defined as having met the criteria set out above. The investment must not constitute the acquisition of share capital or loan capital in any body corporate.



- The minimum % of the total of all investments which must be Specified Investments, at the time the investment is made, is 70%
- The maximum investment with any one counterparty is £15 million, except for the Debt Management Office which has no limit.
- The maximum investment in any one group (i.e. a bank and its wholly-owned subsidiaries) is £15m.

## **LIMITS & DEFINITION OF NON-SPECIFIED INVESTMENTS**

21. These categories of investment currently meet the criteria for non-specified investments:
22. The investment is made with a UK bank, or UK building society, or a UK subsidiary of an overseas bank.
23. The investment is made with one of the bodies listed in section 4 of Schedule 1E of the current version of the Treasury Management Practices document, which is not a Specified Investment.
24. The investment is for a period of one year or longer.
25. All non-specified investments must be denominated in sterling. The investment must not constitute the acquisition of share capital or loan capital in any body corporate.

- The maximum % of the total of all investments which can be non-specified investments, at the time the investment is made, is 30%.
- The maximum investment with any one counterparty is £15 million
- The maximum investment in any one group (i.e. a bank and its wholly-owned subsidiaries) is £15m.
- The maximum % of the total of all investments that have an outstanding period of one year or longer, at the time the investment is made, is 10%.

26. The maximum period for which an investment can be made is 3 years, with the maturity date no more than 3 years and 1 month from the time the deal is agreed.
27. As referred to earlier in the report, borrowing should be kept at, or below, the expected capital financing requirement over the medium term to reduce the risk of exposure to interest rate fluctuations. The balance of 'net borrowing' (loans less investments) should also be monitored to, where prudent, minimise interest rate differences.

28. The Council considers that it is empowered by Section 12 of the Local Government Act 2003 for the temporary investment of funds borrowed for the purpose of expenditure in the reasonably near future. While not “borrowing to invest” it is prudent to invest monies raised in advance of expenditure. As required by the Guidance such investment is permitted providing the anticipated expenditure is within this or the next financial year or within a period of eighteen months, whichever is the greater.

## TREASURY MANAGEMENT POLICY STATEMENT

29. Middlesbrough Council defines its treasury management activities as:  
*'The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'*
30. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage those risks.
31. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
32. The high level policies and monitoring arrangements adopted by the Council for Borrowing and Investments are as follows:

### Borrowing

- Any borrowing decisions will aim to strike an appropriate risk balance between securing low interest rates and achieving cost certainty over the periods for which funds are required. Economic forecasts available from our treasury management advisers and any other available sources will be used to form a view on the target borrowing rates and overall borrowing strategy;
- Any decisions should also look to maintain the stability and flexibility of the longer term debt portfolio, given the current low interest rate environment where short term borrowing or borrowing from internal resources offer revenue budget savings;
- The main sources of funding for external borrowing for the Council are the Public Works Loan Board, Other Local Authorities and private sector financial institutions;

### Investments

- The CIPFA and MHCLG guidance require the Council to invest its funds prudently and to have regard to security, liquidity and yield when making these decisions;
- Security being the arrangements in place to protect principal sums invested by a local authority;

- Liquidity being to ensure that enough cash resources are available on a day to day basis for transactional needs;
- Yield being the interest rate and total financial return applicable to the investment being made;
- With these strategic issues in mind, the management of credit risk (or security) is key to the Council's investment strategy and any subsequent activity. The Council uses the external advisers' credit worthiness matrix to determine limits with individual counterparties.

## MINIMUM REVENUE PROVISION POLICY 2021/22

### INTRODUCTION

33. Local authorities are required each year to set aside some of their revenue income as provision for debt repayment. There is a simple duty for an authority each year to make an amount of revenue provision, which it considers “prudent”. (Minimum Revenue Provision) MRP Guidance makes recommendations to authorities on the interpretation of that term.
34. Authorities are legally obliged to “have regard” to any such guidance – which is exactly the same duty as applies to other statutory guidance including, for example, the CIPFA Prudential Code, the CIPFA Treasury Management Code and the CLG Guidance on Investments.
35. Authorities are asked to prepare an annual statement of their policy on making MRP and to have this approved by the body before the start of each financial year.

### MEANING OF “PRUDENT PROVISION”

36. The main part to the guidance is concerned with the interpretation of the term “prudent provision”. The guidance proposes a number of options. It explains that provision for repayment of the borrowing, which financed the acquisition of an asset, should be made over a period bearing some relation to that over which the asset continues to provide a service or has economic benefit. It should also cover the gap between the Capital Financing Requirement and the various sources of capital income available to the Council to finance its capital programme, such as capital receipts, capital grants, contributions and direct revenue financing.

### OPTIONS FOR PRUDENT PROVISION

#### Option 1: Regulatory Method

37. For debt supported by (Revenue Support Grant) RSG in previous years, authorities will be able to continue to use the formulae in regulations, since the RSG was provided on that basis.

#### Option 2: CFR Method

38. This is a technically simpler alternative to Option 1 and may also be used in relation to supported debt. While still based on the concept of the Capital Financing Requirement (CFR), which can be derived from the balance sheet, it avoids the complexities of the formulae in the regulations.

### **Option 3: Asset Life Method**

39. For new borrowing under the Prudential system (from 2008) for which no government support is given, there are two main options. Option 3 is to make provision for debt repayment in **equal annual instalments** over the estimated life of the asset for which the borrowing is undertaken. This is a possibly simpler alternative to the use of depreciation accounting (Option 4), though it has some similarities to that approach.
40. The formula allows an authority to make **voluntary extra provision** in any financial year that this is affordable.
41. In the case of the construction of a new building or infrastructure, MRP would not need to be charged until the new asset comes into service. This “**MRP holiday**” would be perhaps 2 or 3 years in the case of major projects and could make them more affordable. There would be a similar effect in the case of Option 4 under normal depreciation rules.

### **Option 4: Depreciation Method**

42. Alternatively, for new borrowing under the prudential framework for which no Government support is being given, Option 4 may be used. This means making MRP in accordance with the standard rules for depreciation accounting.
43. Councils will normally need to follow the standard procedures for calculating depreciation when making this revenue provision.

### **Option 5: 2% Annuity Method**

44. This method recognises the time value of money and the useful life of the assets funded from borrowing and is seen as a fairer way of charging MRP. It is supported by the Council's treasury management advisers (Arlingclose) and is being adopted by many local authorities nationally as the way of accounting from pre 2008 debt.

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45. The Secretary of State recommends that before the start of each financial year a local authority prepares a statement of its policy on making MRP in respect of that financial year and submits it to the full council as part of its budget setting process. The statement should indicate which of the options listed above are to be followed in the financial year.
46. For supported capital expenditure Middlesbrough Council intends to use option 5, a 2% annuity basis for the coming financial year.
47. For unsupported capital expenditure Middlesbrough Council intends to use option 3, the asset life method for the coming financial year.

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**MIDDLESBROUGH COUNCIL**

<b>Report of:</b>	<i>Director of Finance – Ian Wright Executive Member for Finance &amp; Governance – Councillor Chris Hobson</i>
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<b>Submitted to:</b>	<i>Council - 24 February 2021</i>
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<b>Subject:</b>	<i>Council Tax Support Scheme 2021/2022</i>
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**Summary**

<b>Proposed decision(s)</b>
<i>That Council approves the Council Tax Support (CTS) scheme for 2021/2022.</i>

<b>Report for:</b>	<b>Key decision:</b>	<b>Confidential:</b>	<b>Is the report urgent?</b>
<i>Decision</i>	<i>Yes</i>	<i>No</i>	<i>No</i>

<b>Contribution to delivery of the 2020-23 Strategic Plan</b>		
<b>People</b>	<b>Place</b>	<b>Business</b>
<i>The CTS scheme will enable residents to pay their required Council Tax instalments which, in turn, will mean that the Council has funding to allow physical regeneration.</i>	<i>Support to Middlesbrough’s local economy. When residents are billed for the correct amount of Council Tax, this will give them certainty of their remaining income which will in turn support the local economy.</i>	<i>The CTS scheme is important in ensuring residents who need support in paying their required Council Tax are billed for the correct amount based on their financial circumstances. This will ensure the right amount is collected from the correct residents.</i>

<b>Ward(s) affected</b>
<i>All wards are affected by the proposals put forward in the CTS scheme.</i>

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

1. This report seeks approval for the CTS scheme for 2021/2022.

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

2. The Local Government Finance Act Section 67 (2012 Act) inserted into LGFA 1992 (Functions to be discharged by the Authority) making or revising a Council Tax Reduction Scheme – Section 13 (2) confirms that each billing Authority in England must make a Council Tax Reduction scheme by no later than 11 March each year. Any scheme cannot be made by officers, with the above legislation confirming that authorisation of the full scheme is subject to member approval.

## **Report Background**

3. From 1 April 2013, the Government replaced the national Council Tax Benefit scheme with a new CTS scheme to be designed and administered by Local Authorities. The Government passed this responsibility to Council's with a 10% cut in the grant funding and prescribed that pensioners must be no worse off under any local scheme. This translated into an effective reduction in funding for working age claimants of 20% and meant that some residents, many of whom had previously been required to pay nothing, now had to pay at least 20% of their Council Tax. Middlesbrough's scheme was approved by full Council on 9 January 2013 and remained unaltered (apart from some minor legislative changes) until 2018/2019 when the scheme was amended to bring regulations in line with the current Housing Benefit scheme, whilst also increasing the amount of support provided to 85% for working age residents. This therefore meant residents claiming CTS had a minimum of 15% of their Council Tax to pay as opposed to the previous 20% charge.
4. The current CTS scheme is working well with no challenges to the regulations. Central Government made some slight changes to the prescribed regulations between late December and early February each year which will be incorporated into the new scheme. Apart from these minor changes, it is not recommended to alter any other elements.

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

5. That Council approves the Council Tax Support (CTS) scheme for 2021/2022. The proposals were previously considered at the Executive meeting on 19 January 2021 and no revisions to the proposals were made at this meeting.

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

6. The Council recognised the financial challenges faced by some residents due to the Government's welfare reforms when increasing the amount of support provided through the CTS scheme in 2018/2019. The roll out of Universal Credit (UC) in Middlesbrough which commenced in October 2018 has been a challenge for some residents to claim CTS although the Revenues and Benefits service has amended its procedures so that UC claimants can be smoothly transitioned on to CTS.

7. As the only changes to the scheme are minor legislative changes set by Central Government, no stakeholder consultation has been carried out. Similarly, these proposals have not been examined by the Overview and Scrutiny Board or by a Scrutiny Panel due to the scheme remaining the same.

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

8. The Council could reduce the amount of support awarded. However, as indicated earlier in this report, the Council recognised the financial challenges placed on residents through the Government's welfare reforms when increasing the CTS support for 2018/2019 therefore this is not considered a viable option.
9. In addition, the Council is not in a financial position to consider awarding additional support without affecting other Council services. If this were to be considered, a full consultation exercise would also need to be carried out which has not taken place during the current financial year.

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

#### ***Legal***

10. There are no legal implications regarding this report, apart for the need to adopt the 2021/22 scheme by 11<sup>th</sup> March 2021.

#### ***Financial***

11. There are no additional costs to the Council under the proposals for the 2021/2022 CTS scheme.
12. Although the Council Tax collection figures are lower for those receiving CTS than the overall in-year collection figures, the Revenue Services section will continue to actively pursue the debt which is owed to the Council.
13. The option of absorbing more of the cost of the CTS scheme, or amending the percentage working age claimants have to pay remains an option for future years.
14. The impact of the full Universal Credit roll out and other welfare reforms will be closely monitored to confirm the effect this has on residents' ability to pay their Council Tax and will be taken into account with any future proposals around the CTS scheme.

#### ***Policy Framework***

15. The CTS scheme does not change the Policy Framework.

#### ***Equality and Diversity***

16. There are no disproportionate adverse impacts on any group or individuals with characteristics protected in UK equity law. The previous impact assessment carried out when the scheme was revised for 2018/2019 is still relevant.

#### ***Risk***

17. The Council Tax Support scheme is a statutory requirement, agreed annually by full Council. By implementing a local scheme, this ensures that there is adequate

governance in place to comply with all relevant legislation and ensures the Council does not breach governance requirements or fail to deliver organisational priorities (08-054). In addition, by reviewing the scheme annually, the Council continues to effectively review and amend the scheme to comply with legislative changes (08-055).

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

18. The CTS scheme will be updated in line with the Government's prescribed regulations. Subject to Council giving approval for this scheme, the scheme for 2021/2022 will be published on the Council's website by 31 March 2021.

### **Appendices**

19. No appendices attached to this report.

### **Background papers**

20. No background papers were used in the preparation of this report.

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