

## THE CHAIR AND ALL MEMBERS OF THE COUNCIL

Tuesday 15 February 2022

Dear Member

### COUNCIL - WEDNESDAY 23RD FEBRUARY, 2022

You are hereby summoned to attend a meeting of the Council of the Borough of Middlesbrough to be held on **Wednesday 23rd February, 2022 at 7.00 pm** in the Council Chamber, Town Hall to transact the following business, namely:-

1. Apologies for Absence
2. Declarations of Interest

To receive any declarations of interest.

- |    |   |         |
|----|---|---------|
| 3. | Pay Policy Statement 2022/2023                      | 5 - 20  |
| 4. | Appointment of External Auditors 2023/24 to 2027/28 | 21 - 30 |
| 5. | Local Council Tax Support 2022/23                   | 31 - 82 |

A recorded vote will be carried out in respect of the above item.

Section 106 of the Local Government Finance Act 1992 places a duty to declare an interest on any councillor who is two or more months in arrears with their Council Tax payments if they attend any meeting involved in setting the Council tax rate for the local authority. They must abstain from any vote involved in the setting of the Council tax rate until they are no longer in arrears.

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|----|--|----------|
| 6. | Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2022/23 | 83 - 152 |
|----|--|----------|

A recorded vote will be carried out in respect of the above item.

Section 106 of the Local Government Finance Act 1992 places a duty to declare an interest on any councillor who is two or more months in arrears with their Council Tax payments if they attend any meeting involved in setting the Council tax rate for the local authority. They must abstain from any vote involved in the setting of the Council tax rate until

they are no longer in arrears.

Charlotte Benjamin,  
Director of Legal and Governance Services

PLEASE NOTE THERE IS RESTRICTED  
DISABLED ACCESS TO THE COUNCIL CHAMBER

Inspection of Papers – Documents referred to on 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, Democratic Services on (Direct Line 01642 729714 or e-mail on: [bernie\\_carr@middlesbrough.gov.uk](mailto:bernie_carr@middlesbrough.gov.uk)).

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Website: [www.middlesbrough.gov.uk](http://www.middlesbrough.gov.uk)

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**MIDDLESBROUGH COUNCIL**



|                   |  |
|-------------------|--|
| <b>Report of:</b> | Director of Legal and Governance and Executive Member for Finance and Governance |
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|                      |                            |
|----------------------|----------------------------|
| <b>Submitted to:</b> | Council – 23 February 2022 |
|----------------------|----------------------------|

|                 |                              |
|-----------------|------------------------------|
| <b>Subject:</b> | Pay Policy Statement 2022/23 |
|-----------------|------------------------------|

**Summary**

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| <b>Proposed decision(s)</b>                                |
| That Full Council agree the Pay Policy Statement 2022/2023 |

| <b>Report for:</b> | <b>Key decision:</b> | <b>Confidential:</b> | <b>Is the report urgent?<sup>1</sup></b> |
|--------------------|----------------------|----------------------|--|
| Decision           | No                   | No                   | No                                       |

| <b>Contribution to delivery of the 2020-23 Strategic Plan</b> |                |  |
|---|----------------|--|
| <b>People</b>   | <b>Place</b>   | <b>Business</b>  |
| Not Applicable  | Not Applicable | The Pay Policy Statement sets out the Council’s policies on remuneration of its staff in accordance with Section 38 of the Localism Act 2011. The policy must be approved by full Council and is subject to annual review. The Pay Policy Statement sets out details of the various employee policies relevant to the remuneration of Chief Officers in operation within the Council. The actual content of those policies included within the statement will continue to be determined by current mechanisms. |

|                         |
|-------------------------|
| <b>Ward(s) affected</b> |
|-------------------------|

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

The purpose of the report is to set out the Pay Policy Statement 2022/2023 for consideration by full Council.

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

It is a requirement of the Localism Act 2011 (Section 38) that the Council produces an annual Pay Policy Statement, in line with supplementary statutory guidance. The policy must be approved by full Council.

### **Report Background**

To comply with the Localism Act 2011, the Council is required to approve a Pay Policy Statement setting out details of the Council's policies on the following:

- Level of remuneration of Chief Officers
- Level of remuneration paid upon recruitment
- Payment of increments
- Enhanced / additional pension contributions
- Payment of bonuses, performance related pay and severance pay for Chief Officers
- Awarding additional fees for election work
- The creation of new posts with a salary package over £100,000 per annum
- Employment of individuals already in receipt of a local government pension
- Employment of ex-employees as Chief Officers under a contract for services

The Pay Policy Statement also sets out:

- The Council's approach to the pay of its lowest paid employees
- The relationship between Chief Officer pay and the Council's remaining employees as set out within the context of the pay multiple calculation
- How the Pay Policy Statement will be publicised

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

That Full Council agree the Pay Policy Statement 2022/2023.

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

The Pay Policy Statement is being recommended to ensure that the Council complies with statutory requirements in relation to publication of information required by the Localism Act 2011.

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

The only other option would be not to approve the Pay Policy Statement. This is not recommended because it would result in failure to comply with the Localism Act 2011.

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

### **Legal**

As set out above - the Pay Policy Statement is a requirement of the Localism Act 2011.

### **Financial**

There are no direct implications arising from this report. It sets out financial detail but this detail is determined by the Council's range of HR policies that are in place.

### **Policy Framework**

The Pay Policy Statement forms part of the Policy Framework, meaning that it is a decision reserved for full Council. Once agreed it will replace the previous year's statement, therefore amending the policy framework.

### **Equality and Diversity**

An Impact Assessment has not been completed as the Pay Policy Statement sets out details of policies already in place within the Council, rather than establishing policy in its own right. The policies set out within the statement have previously been subject to the Impact Assessment process, where required.

### **Risk**

The statement sets out how the Council remunerates its senior officers and provides assurance that it is employing fair and transparent employment practices.

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

Once approved the current statement will be published on the Council's website.

### **Appendices**

Appendix A – 2022/2023 Pay Policy Statement

### **Background papers**

| <b>Body</b> | <b>Report title</b>            | <b>Date</b> |
|-------------|--------------------------------|-------------|
| Council     | 2021/2022 Pay Policy Statement | March 2021  |

**Contact:** Nicola Finnegan, Head of Human Resources

**Email:** nicola\_finnegan@middlesbrough.gov.uk

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## **PAY POLICY STATEMENT 2022/2023**

### **INTRODUCTION**

1. This Pay Policy Statement sets out the Council's policies on remuneration of its staff in accordance with Section 38 of the Localism Act 2011. The policy must be approved by full Council and is subject to annual review. Any amendments during the course of the year must also be considered by full Council. The Pay Policy Statement will be published on the Council's website as soon as reasonably practicable after approval or amendment.
2. The Localism Act 2011 does not require the Council to consider individual schools therefore the arrangements set out in this document do not extend to members of staff employed within schools.

### **DEFINITIONS**

3. The Localism Act 2011 defines the following as Chief Officer posts:
  - Head of Paid Service designated under Section 4(1) of the Local Government and Housing Act 1989
  - Monitoring Officer designated under Section 5(1) of that Act
  - Any statutory Chief Officer mentioned in Section 2(6) of that Act
  - Any non-statutory Chief Officer mentioned in Section 2(7) of that Act
  - Any Deputy Chief Officer mentioned in Section 2(8) of that Act.
4. The following posts within the Council fall within the above definition:
  - Chief Executive
  - Executive Directors
  - Strategic Directors
  - Directors
  - Monitoring Officer (Director of Legal and Governance Services)
5. The lowest paid employee of the Council (£9.81 per hour) is currently below the Real Living Wage (previously the Living Wage Foundation Rate) of £9.90. However, this is due to ongoing national negotiations with the Trades Unions not yet being concluded. It is likely that as a minimum our lowest rate will rise to at least £9.98 based on the latest offer and will be backdated to 1<sup>st</sup> April 2021.
6. Apprenticeships have been excluded as the salaries attributable to apprenticeships are largely in line with those set out within National Minimum Wage legislation however the Council pay £4.55 in year 1 regardless of age.
7. The median salary figure for the organisation is the middle value of all employees' salaries listed in numerical order. The median salary figure is then used to calculate the organisation's pay multiple and is calculated on a fixed date each year, as at 31 December.

## CONTENT

8. To comply with the Localism Act 2011, the Council is required to approve a Pay Policy Statement setting out details of the Council's policies on the following:
- Level of remuneration of Chief Officers
  - Level of remuneration paid upon recruitment
  - Payment of increments
  - Enhanced / additional pension contributions
  - Payment of bonuses, performance related pay and severance pay for Chief Officers
  - Awarding additional fees for election work
  - The creation of new posts with a salary package over £,100,000 per annum
  - Employment of individuals already in receipt of a local government pension
  - Employment of ex-employees as Chief Officers under a contract for services
9. The Pay Policy Statement also sets out:
- The Council's approach to the pay of its lowest paid employees
  - The relationship between Chief Officer pay and the Council's remaining employees as set out within the context of the pay multiple calculation
  - How this Pay Policy Statement will be publicised

## CHIEF OFFICER REMUNERATION

### Remuneration of Chief Officers

10. The level of remuneration paid to Chief Officers is based on the Local Government Association Scheme and the policy on this was approved in December 2005 by the Mayor. The terms and conditions of Chief Officer Employment contracts incorporate nationally agreed Joint Negotiating Committee terms and conditions.

| <b>Post</b>                                  | <b>Salary Band</b>  |
|--|---------------------|
| Chief Executive                              | £152,670            |
| Executive Director                           | £111,974 - £123,754 |
| Strategic Director                           | £105,811            |
| Joint Director of Public Health <sup>1</sup> | £88,984 - £94,546   |
| Monitoring Officer <sup>2</sup>              | £88,984 - £94,546   |
| Director Level 1                             | £88,984 - £94,546   |
| Director Level 2                             | £77,860 - £83,423   |

### Level of remuneration paid upon recruitment

11. The Council's policy on pay upon recruitment is set out within the Recruitment & Selection Policy Statement and Guide, which applies to all employees. The Starting Salaries Policy states that upon recruitment to a post, remuneration will begin at the bottom of the pay band unless agreed otherwise by the Director in exceptional circumstances. In the case of Chief Officers, the Chief Executive and the Director of Finance would be required to agree any variation to this policy.

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<sup>1</sup> Director of Public Health has joint responsibility for Middlesbrough and Redcar & Cleveland

<sup>2</sup> Currently allocated to the Director of Legal and Governance Services

## **Payment of increments and increases in salary**

12. The Council's policy on the payment of increments is that all employees with less than six months' service on the first of April will receive their first increment six months after appointment, promotion or re-grading. Otherwise, all employee increments are payable on an annual basis on the first of April. Other increases in pay for any employee will only occur where:

- There is a pay award agreed by way of national / local collective bargaining
- There is a significant change to a job role which results in a higher salary being appropriate which is confirmed by an appropriate job evaluation process
- Recruitment and Retention payments which, following consideration of the circumstances at the time, are deemed necessary and in the best interests of the Council and which are determined under the relevant policy relating to such payments.

## **Enhanced / additional pension contributions**

13. The Council's policy on enhanced or additional contributions to pensions is set out within the Teesside Pension Fund Policy Statement and the Council's Statement of Policy regarding the application of the discretionary elements of the Local Government Pension Scheme regulation. These apply to all employees. These statements set out:

- Allocation of employee contribution bands
- Awarding extra benefits for early retirement situations
- Extending time limits for certain provisions
- Setting up a shared cost Additional Voluntary Contribution (AVC) scheme
- Waiving actuarial reductions for early / flexible retirements

## **Payment of bonuses, performance related pay and severance pay**

14. The Council's policy is that it does not operate bonus or performance related pay for its employees.

15. The policy on severance and redundancy pay is set out within the Reviews, Consultation and Redundancy Policy, which applies to all employees. This states that calculation of any redundancy payment to an employee will be in accordance with the Council's policy in relation to Redundancy. Redundancy payments will be based on age and years' service in line with the Statutory Redundancy table up to a maximum of 30 weeks, however the Council retains the discretion under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales Regulations) 2006 to offer discretionary payments. Such discretionary elements will be approved by the Chief Officer Appointments Committee as a Committee of full Council.

16. Corporate Affairs and Audit Committee has approved a temporary enhancement of the Council's Voluntary Redundancy Scheme. This policy currently enables a multiplier of 1.25 to be applied to voluntary redundancies that arise either as a result of a review within a specific service area or from time to time within a Council wide scheme.

17. Where consideration to allow voluntary redundancy/early retirement to terminate a contract of employment any redundancy payment, pension strain costs and/or salary in lieu of notice total amounts to a single payment of £100,000 or more, full Council or a committee thereof will be given an opportunity to vote before the package is approved.
18. Where an employee is contractually entitled to a payment in excess of £100,000 on the grounds of compulsory redundancy, failure to comply with this would place the Council in breach of contract and leave it exposed to litigation. Therefore, there is an exemption from the requirement to give Council an opportunity to vote on those cases where the payment of a severance package does not involve any discretion, this is because the Council is legally bound to comply with severance terms in any event.
19. The planned HR policy for settlement agreements, to outline the procedure and approval routes, has been delayed as a government consultation has taken place which would cover such payments (copy at Appendix 1). When the results of the consultation are published a policy will be developed accordingly.
20. In the absence of any exceptional circumstances which render it necessary in the best interests of the Council to do so, the Council will generally not re-engage any individual who has previously been employed by the Council and left that employment with the benefit of a severance, early retirement or redundancy payment.

### **Awarding additional fees**

21. The policy on the payment of additional fees is set out within the Council's Constitution and decision making is delegated to the Corporate Affairs and Audit Committee. The Council's policy on the payment of additional fees to officers within the scope of this statement is that fees for election duties for Chief Officers are not included in salaries. These are determined separately in consultation with the other Tees Valley Councils. For contested elections, the fees are based on an agreed sum for the first 1,000 electors and a further sum for each additional 1,000 electors or fraction thereof, and a set agreed sum for uncontested elections. This policy of payment is approved by the Council's Corporate Affairs Committee and is in line with national guidance and legislation.

### **Creation of new posts with a salary package over £100,000 per annum**

22. In line with the requirements of the Localism Act 2011, Council will be given the opportunity to approve salary packages for any new posts that would come within the scope of this Pay Policy Statement, defined within the Act as posts over £100,000 per annum. This includes any additional fees, charges or allowances that would be routinely payable. The approach to be taken when creating a new post is set out within the Constitution. Where a Chief Officer post is created which is under £100,000 the usual processes will be followed as set out within the Recruitment and Selection Policy and the Pay Policy Statement will be amended accordingly.

### **Employment of individuals already in receipt of a local government pension**

23. The approach to the employment of individuals already in receipt of a Local Government Pension is set by the administering authority for the pension. The Local Government Teesside Pension Fund has resolved not to abate pensions on re-employment, having regard to the enactment of regulations introducing flexible retirement, unless an enhanced



ill-health retirement has been awarded. Some pensioners have been awarded extra pensions by their former employers to compensate them for retiring early. When this happens, the extra pensions, called compensatory added years (CAYs), are paid along with the Fund's retirement pension. These extra pensions may be abated upon re-employment or upon subsequent retirement, in accordance with the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended).

### **Employment of ex-employees as Chief Officers under a contract for services**

24. The Council's position is that this is generally discouraged, however there may be some specific circumstances where employment of an ex-employee under these terms could be the most effective and efficient way of meeting the Council's needs. If this situation applies formal approval must be sought from the Chief Executive in their role as Head of Paid Service.

### **Chief Officers' Tax and National Insurance**

25. The Council does not enter into arrangements with individual employees to minimise their tax and national insurance contributions.

## **REMUNERATION OF THE LOWEST PAID EMPLOYEES WITHIN THE COUNCIL**

### **Lowest paid employees**

26. As at 31<sup>st</sup> December 2021 the lowest FTE salary within the Council grading structure is £18,933.

### **The Council's approach to the pay of its lowest paid employees**

27. The Council is committed to ensuring that pay and reward policies are fair and that the needs of the lowest paid employees are properly considered. The Council has completed the job evaluation process to ensure that all employees receive a fair and equal rate of pay for the work that they undertake. The lowest paid employees are currently paid below the Real Living Wage (previously the Living Wage Foundation Rate), the Council is signed up to nationally negotiated pay agreements.

### **Relationship between Chief Officer pay and other employees**

28. The Council publishes its pay multiple in line with the Local Authorities (Data Transparency) Code 2015. The pay multiple is the ratio between the highest paid employee (£152,670) and the median earnings across the organisation (see paragraph 7 for information on the method used to calculate this). The current median salary earned within the Council is £21,748. The current pay multiple is 7.0.

## **PUBLICATION OF THE PAY POLICY STATEMENT AND TRANSPARENCY INFORMATION**

29. The Pay Policy Statement is published on the Council's website. Further information on the remuneration of Chief Officers can be found on the Open Data section of the Council's website in line with the Local Authorities (Data Transparency) Code 2015.

## **POTENTIAL FUTURE REVIEW**

### **Recovery of Public Sector Exit Costs**

30. The Government is seeking to introduce legislation to require senior officers in the public sector (those earning over £80,000) to repay termination payments in the event that they return to the public sector within a prescribed period, which is currently proposed as 12 months. The enabling provisions are set out in the Enterprise Act which received Royal Assent in May 2016. However, there is no clear timeline for the implementation of these provisions.

### **£95k Exit Cap on Public Sector Employees**

31. The Restriction of Public Sector Exit Payments Regulations 2020 came into force on 4<sup>th</sup> November 2020. The government then dis-applied the regulations with effect from 12<sup>th</sup> February 2021 and they were formally revoked on 19<sup>th</sup> March 2021.
32. It is anticipated that the Exit Cap will be revisited at some point in the future, the Pay Policy Statement will be amended to reflect any changes in regulation as required.
33. The Department for Levelling Up, Housing and Communities plans to introduce further changes to exit payments at the same time as the exit cap is re-introduced. However further consultation will be undertaken before any changes are made. The Pay Policy Statement will be amended to reflect any changes in regulation as required.

# Statutory guidance on the making and disclosure of Special Severance Payments by local authorities

## Introduction

Most public sector workers enjoy statutory and contractual redundancy terms that are significantly better than the minimum statutory redundancy entitlement and are often higher than the value of redundancy payments made in the private sector. The Government is of the view that paying additional, discretionary sums on top of these entitlements (“special severance payments”) do not usually provide good value for money or offer fairness to the taxpayers who fund them and so, should only be considered in exceptional cases.

This guidance forms part of the best value regime. The best value duty, as set out in section 3 of the Local Government Act 1999 (“the 1999 Act”), provides that “A best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. The best value duty is relevant to local authority duties to deliver a balanced budget (Part 1 of the Local Government Finance Act 1992), provide statutory services (including adult social care and children’s services) and secure value for money in spending decisions. This will include decisions to make Special Severance Payments.

Authorities subject to the best value duty (termed “best value authorities”) are defined in section 1 of the 1999 Act. A list of these bodies can be found on page 6 of this guidance.

This guidance also sets out the Government’s position on the use of Special Severance Payments made by local authorities.

The purpose of this guidance is to:

- Set out the Government’s view that Special Severance Payments do not usually represent value for money and should only be considered in truly exceptional circumstances
- Set out the criteria employers should consider in the exceptional circumstances in which it may be appropriate to make a Special Severance Payment
- Give examples of the truly exceptional circumstances in which Special Severance Payments may be appropriate
- Clarify the disclosure and reporting requirements for Special Severance Payments.

Redundancy payments can be an important mechanism to allow employers to reform and react to new circumstances in the workplace, but employers have a responsibility to ensure that Special Severance Payments are only made when there is a clear, evidenced justification for doing so. They should also ensure that all relevant internal policies and procedures have been followed and all alternative actions have been fully explored and documented.

In the exceptional circumstances where it is decided that a Special Severance Payment should be paid, it is the responsibility of both individual employers and sponsoring departments to ensure their Special Severance Payments arrangements are fair, proportionate, lawful and provide value for money for the taxpayer.

## Chapter 1 – What is a special severance payment?

In the context of this guidance, Special Severance Payments are payments made to employees, officeholders, workers, contractors, and others outside of statutory, contractual or other requirements when leaving employment in public service. Employers may sometimes consider making such a payment in situations where the individual concerned resigns, is dismissed, or agrees a termination of contract. Which types of payments are Special Severance Payments will vary according to an employees' particular circumstances, and therefore the examples below are illustrative only.

It is established case-law<sup>3</sup> that such payments, where in accordance with legislation, may only be made where there is a convincing case that they are in the interests of taxpayers. Local authorities may not be generous at the expense of taxpayers and must genuinely consider payments to be in the public interest. In taking decisions elected members must make all proper enquiries and consider all available material that can help in coming to a decision.

The following types of payments are likely to constitute Special Severance Payments:

- a) Any payments reached under a settlement agreement between the employer and employee to discontinue legal proceedings without admission of fault;
- b) The value of any employee benefits or allowances which are allowed to continue beyond the employee's agreed exit date;
- c) Write-offs of any outstanding loans;
- d) Any paid special leave, such as gardening leave;
- e) Any honorarium payments or gifts;
- f) Any hardship payments;
- g) Any payments to employees for retraining related to their termination of employment

The following types of payments may constitute Special Severance Payments, depending on the terms of the individual's contract, relevant statutory provisions, any non-statutory applicable schemes and other relevant terms and conditions:

- a) Pay or compensation in lieu of notice (depending on the contractual basis for its payment);
- b) Pension strain payments arising from employer discretions to enhance standard pension benefits;

The following do not constitute Special Severance Payments:

- a) Statutory redundancy payments;

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- b) Contractual redundancy payments, whether applicable to voluntary or compulsory redundancy, and whether agreed by collective agreement or otherwise
  - c) Redundancy payments made in line with the requirements of the Local

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<sup>3</sup> In Re Hurlle-Hobbs's Decision (1944) 1 All E.R. 249

Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006;

- d) Payment for untaken annual leave;
- e) Payments ordered by a court or tribunal or agreed as part of a judicial or nonjudicial mediation;
- f) Payments made to compensate for ill-health, injury or death of the worker.

## Chapter 2 - Considerations for councils on potential Special Severance Payments

This Chapter provides guidance on relevant considerations for English local authorities in relation to making Special Severance Payments.

Local authorities must comply with the duty of Best Value explained in the introduction. In considering whether it is appropriate to make a Special Severance Payment, the Government expects local authorities to consider whether such a payment would be a proper use of public money.

### *Economy*

Councils should be able to demonstrate their economic rationale behind proposed Special Severance Payments including consideration of:

- whether there is any feasible possibility of exiting the individual at a lower cost. Only where there is no such possibility should a Special Severance Payment be considered;
- how the exit payment will be perceived by the public and whether it is in line with the duty to manage taxpayers money appropriately;
- what alternative use could be made of that expenditure. All Special Severance Payments necessarily reduce the funds that would otherwise be available to deliver important public services;
- the setting of any potential precedent (e.g. where a Special Severance Payment is made to certain employees and not others);
- evidence for additionality, i.e. that those offered Special Severance Payments would not have, under any circumstances, been willing to leave with their statutory and contractual benefits alone.

### *Efficiency and effectiveness*

In considering the impact of Special Severance Payments on efficiency and effectiveness, local authorities should:

- Seek legal advice on the prospects of successfully defending an employment tribunal claim, if an employee were to take a legal route to appeal any grounds of their employment being terminated. The chance of success and the costs likely to be incurred should be noted and weighed up against the costs of making a Special Severance Payments;
- Ensure that these payments are not used to avoid management action, disciplinary processes, unwelcome publicity or avoidance of embarrassment;
- Consider aligning with private sector practice, where payments are typically less generous. This is important given the added duty in the public sector to prudently manage taxpayers' money;

- Manage conflicts of interest to ensure that individuals who are the subject of complaints play absolutely no role in deciding whether cases should be settled from public funds.

## Chapter 3 - Exceptional circumstances in which it may be appropriate to consider making Special Severance Payments

There may be exceptional circumstances where the existing statutory or contractual entitlements, or both, are insufficient to facilitate an exit or to offer sufficient compensation for loss of employment or office. This can apply to office holders as well as staff. These circumstances, which we expect to be truly exceptional and provide value for money, may be taken into account by local authorities in deciding whether or not to make a Special Severance Payment.

Authorities may consider a Special Severance Payment in order to set aside what would otherwise be a reduction in entitlement caused by a break in continuity of service (e.g. where a member of staff has taken a break in service to accompany their spouse on military service overseas).

Authorities may also consider a Special Severance Payment in order to settle disputes, where it can be properly demonstrated that other routes have been thoroughly explored and excluded. After receiving appropriate professional advice, it may then possibly be concluded that a special severance payment is the most suitable option and prudent use of public money.

Those approving a Special Severance Payment related to a settlement agreement should be provided with appropriate evidence that attempts were made to resolve disputes before they escalated to a legal claim. They should also bear in mind that even if the cost of defeating an apparently frivolous or vexatious claims will exceed the likely cost of that settlement to the employer, it may still be desirable to take the case to formal proceedings. This is because winning such cases will discourage future frivolous or vexatious claims and demonstrate that the council does not reward such claims.

## Chapter 4 - Accountability and disclosure

### ***Accountability***

The Government expects that any Special Severance payments should be personally approved and signed off by the Chief Executive Officer (CEX), with a clear record of the Leader's approval and that of any others who have signed off the payment.

A system of legal duties also requires councillors to spend public money with regularity and propriety. Under section 151 of the Local Government Act 1972, "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers [the section 151 officer or Chief Finance Officer] has responsibility for the administration of those affairs". The section 151 officer has an important role in holding councils to account and has duties to alert councillors and the auditor in the case of unlawful expenditure.

This role is complemented and reinforced by authorities' duty under section 5 of the Local Government and Housing Act 1989 to appoint a monitoring officer, who must report to the council when any proposal, decision or omission is likely to lead to contravention of any enactment, rule of law or statutory code.

As part of their duties, an authority's s151 Officer, and where appropriate, the Monitoring Officer, should take a close interest in and be able to justify any special severance payments that are made by that authority and in particular any payments made that are not consistent with the content of this guidance.

## **Disclosure**

Clear and transparent reporting on exit payments is essential to make available better data on the number and level of exit payments made in local government. The availability of data on exit payments in the public domain by local authorities enables local accountability as well as effective management of public money and public confidence. In 2015, the Local Government Transparency Code was issued to increase democratic accountability through open access to information.<sup>4</sup>

MHCLG have initiated a new annual collection of data on exit payments (initially collecting data from 2014 – 2021) and the results will be published into official statistics and made available on the gov.uk website, subject to any necessary anonymisation or redaction to comply with data protection law. This data will help others to assess the number and level of exit payments made in local government.

Section 38 of the Localism Act 2011 requires the council to produce and publish a pay policy statement, which must include the authority's policies on termination payments. Further information on what the Localism Act 2011 requires can be found in existing guidance.<sup>5</sup>

In addition, Regulation 60 of the Local Government Pension Scheme Regulations 2013 requires local authorities to prepare a statement of its policy in relation to the exercise of the discretion to enhance pension benefits under Regulations 16(2)(e) and 16(4)(d) (funding of

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additional pension), Regulation 30(6) (flexible retirement), Regulation 30(8) (waiving of actuarial reduction); and Regulations 31 (award of additional pension)

As well as following existing guidance<sup>6</sup> on reporting exit payments councils should also disclose in their annual reports all redundancy payments, pension fund strain costs and other special severance payments made in consequence of termination of employment or loss of office (but excluding payments on death or ill-health retirement). All reporting should be anonymised and comply with data protection law.

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<sup>4</sup> Local Government Transparency Code 2015, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/408386/150227\\_PUBLICATION\\_Final\\_LGTC\\_2015.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/408386/150227_PUBLICATION_Final_LGTC_2015.pdf)

<sup>5</sup> Openness and accountability in Local Pay: Guidance under Section 40 of the Localism Act 2011 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/85886/Final\\_Supplementary\\_Pay\\_Accountability\\_Guidance\\_20\\_Feb.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/85886/Final_Supplementary_Pay_Accountability_Guidance_20_Feb.pdf)

<sup>6</sup> CIPFA, Code of Practice on Local Authority Accounting in the United Kingdom 2020/21

## List of bodies this guidance applies to

- an English local authority, including
  - a county council in England, a district council or a London borough council
  - the Council of the Isles of Scilly;
  - the Common Council of the City of London in its capacity as a local authority;
  - the Greater London Authority so far as it exercises its functions through the Mayor.
- a National Park authority [for a National Park in England]
- the Broads Authority
- the Common Council of the City of London in its capacity as a police authority;
- a fire and rescue authority constituted by a scheme under section 2 of the Fire and Rescue Services Act 2004 or a scheme to which section 4 of that Act applies, and a [metropolitan county fire and rescue authority in England]
- the London Fire Commissioner
- an authority established under section 10 of the Local Government Act 1985 (waste disposal authorities);
- an Integrated Transport Authority for an integrated transport area in England;
- an economic prosperity board established under section 88 of the Local Democracy, Economic Development and Construction Act 2009;
- a combined authority established under section 103 of that Act;
- a sub-national transport body established under section 102E of the Local Transport Act 2008;
- Transport for London



|                   |   |
|-------------------|---|
| <b>Report of:</b> | Ian Wright – Director of Finance<br>Councillor Barrie Cooper – Executive Member for Environment, Finance & Governance |
|-------------------|---|

|                      |                           |
|----------------------|---------------------------|
| <b>Submitted to:</b> | Council, 23 February 2022 |
|----------------------|---------------------------|

|                 |   |
|-----------------|---|
| <b>Subject:</b> | Appointment of External Auditors 2023/24 to 2027/28 |
|-----------------|---|

**Summary**

|   |
|---|
| <b>Proposed decision(s)</b>   |
| That Council approves participation in the National Appointments Scheme for the procurement and selection of external auditors from 1 <sup>st</sup> April 2023. |

| Report for: | Key decision:       | Confidential: | Is the report urgent? <sup>1</sup> |
|-------------|---------------------|---------------|------------------------------------|
| Decision    | Yes – over £150,000 | No            | No                                 |

| Contribution to delivery of the 2021-24 Strategic Plan   |       |          |
|--|-------|----------|
| People   | Place | Business |
| The external audit function is an important element of good quality financial management. As a result, it plays an integral role towards the delivery of the Council's strategic plan. |       |          |

| Ward(s) affected  |
|---|
| All wards will be affected given the corporate impact of the decision being made. |

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

1. The current auditor appointment arrangements (the 'National Scheme') cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national scheme established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.

<sup>1</sup> Remove for non-Executive reports

2. PSAA is now undertaking a procurement for the next appointing period, covering audits of the accounts for the financial years, 2023/24 to 2027/28. During autumn & winter 2021, all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.
3. This report considers the options available and asks Council to approve participation in the National Appointments Scheme, following endorsement by Executive and Corporate Affairs and Audit Committee.

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

4. Under the Local Government Audit & Accountability Act 2014 (“the Act”), the Council is required to appoint an auditor to audit its accounts for each financial year. The preferred option identified by both Officers and the Corporate Affairs and Audit Committee is to opt into the national scheme from 1<sup>st</sup> April 2023. In order to do this and comply with the regulations, this decision needs to be made by full Council.

### **Report Background**

5. The council has three options under the Audit & Accountability Act 2014. These are as follows:
  - To appoint its own auditor, which requires it to follow the procedures set out in the Act.
  - To work jointly with other authorities to procure an auditor following the procedures in the Act.
  - To opt into the national auditor appointment scheme administered by a body designated by the Secretary of State as the ‘appointing person’. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).

### **The Appointed Auditor**

6. The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and best value assessment of the council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations. For Middlesbrough, this covers the audit of both the Council and Teesside Pension Fund accounts.
7. The auditor must act independently of the Council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.
8. The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) and employ authorised Key Audit Partners to oversee the work. As the report below sets out there is a currently a shortage of registered firms and Key Audit Partners.

9. Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract. Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

### **Appointment by the Council itself or acting jointly**

10. The Council may elect to appoint its own external auditor under the Act, which would require the Council to;
  - Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.
  - Manage the contract for its duration, overseen by the Auditor Panel.
11. Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement

### **The National Auditor Appointment Scheme**

12. PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.
13. In summary the national opt-in scheme provides the following:
  - the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;
  - appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
  - managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;
  - ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;

- minimising the scheme management costs and returning any surpluses to scheme members;
- consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed;
- consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- ongoing contract and performance management of the contracts once these have been let.

### **Pressures in the current audit market and delays in issuing audit opinions**

14. Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been reducing over a long period. 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.
15. During 2018 a series of financial crises and failures in the private sector year led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.
16. The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.
17. This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges, as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.
18. None of these problems is unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

## The Invitation

19. PSAA is now inviting the Council to opt in for the second appointing period for the National Scheme, from 2023/24 to 2027/28, along with all other eligible authorities. Based on the level of opt-ins it will then enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's auditor.

## The next audit procurement

20. The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:
  - seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;
  - continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key part of the national collective scheme);
  - continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members;
  - PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in process which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.
21. The scope of a local audit is currently fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office), the format of the financial statements (specified by the Local Authority Accounting Code of Practice from CIPFA) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertaken and have a bearing on the actual fees required.
22. The current base fee for the external audit contract set by PSAA in late 2017 for the five year contract was £88,758. However, Executive may be aware that the fees charged over the contract have been higher than this due to the additional work mentioned above on corporate governance failures, plus specific issues at Middlesbrough on the financial statements work or the value for money assessment. The total fee chargeable for 2019/20 and 2020/21 being almost two to three times higher than the base amount for both the Council and Teesside Pension Fund's accounts.
23. There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms

cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

## **Assessment of Options**

24. If the Council did not opt in to the national scheme, there would be a need to establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council external audit.
25. Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
26. These would be more resource-intensive processes to implement for the council, and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process. The council is unable to influence the scope of the audit and the regulatory regime inhibits the council's ability to affect quality.
27. The Council and its auditor panel would need to maintain ongoing oversight of the contract. Local contract management cannot, however, influence the scope or delivery of an audit.
28. The national offer provides the appointment of an independent auditor with limited administrative cost to the council. By joining the scheme, the council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides.

## **The Way Forward**

29. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in to the national appointment scheme must be made by a meeting of the Council. The Council then needs to respond formally to PSAA's invitation in the form specified by PSAA by the close of the opt-in period (11 March 2022).
30. PSAA will commence their formal procurement process in early February 2022. It expects to award contracts in August 2022 and will then consult with authorities on the appointment of auditors so that it can make appointments by the statutory deadline of 31 December 2022.
31. If the Council want to opt-in, a decision will need to be made by full Council before 11<sup>th</sup> March 2022 so that a formal reply can be provided by the Director of Finance.

32. This report was discussed previously at Corporate Affairs and Audit Committee on 8<sup>th</sup> December 2021 given their responsibility for the external audit function under the Constitution. There was broad support from Members to participate in the PSAA national appointments scheme. It was also endorsed by Executive at their meeting on 14<sup>th</sup> February 2022.

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

33. That Council approves participation in the National Appointments Scheme for the procurement and selection of external auditors from 1<sup>st</sup> April 2023.

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

34. The scheme delivered by PSAA is the most effective and efficient way of delivering local audit services to the Council, and to the appropriate level of quality required by the National Audit Office and the Financial Reporting Council, for the next five years from 1<sup>st</sup> April 2023.
35. Once the decision has been made, the Director of Finance will notify PSAA of the Council's participation in the Scheme.

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

36. The other potential decisions are outlined in the 'assessment of options' section within the report with pros and cons highlighted of all three options. The opt-in to the National Auditor Appointments scheme has a number of significant benefits, as against establishing a local or joint audit panel.

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

37. The recommended decision will ensure that the Council complies with the requirement to have an external auditor in place prior to the relevant financial year. To an extent, this is about ensuring service continuity as opposed to any level of change in relation to the new contract.

### ***Legal***

38. Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.
39. Section 8 governs the procedure for their appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements.

40. Section 12 makes provision for the failure to appoint a local auditor. The Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.
41. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

### ***Financial***

42. There is a risk that existing external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work.
43. There are also concerns about capacity and sustainability in the local audit market. Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large-scale collective procurement arrangement.
44. If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed, it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

### ***Policy Framework***

45. There are no direct implications on the policy framework of the Council.

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

46. There are no implications in these areas because of this report.

### ***Risk***

47. The principal risks are that the Council;
  - fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
  - does not achieve value for money in the appointment process.

By selecting a way forward, the Council will mitigate the risk of not having an external auditor in place when the current contract expires at the end of March 2023.



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

48. Not applicable to this report.

### **Appendices**

49. No appendices are attached to this report.

### **Background papers**

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

**Contact:** Justin Weston, Head of Finance & Investments  
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|-------------------|--|
| <b>Report of:</b> | <i>Director of Finance – Ian Wright<br/>Executive Member for Finance and Governance – Cllr Barrie Cooper</i> |
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|                      |                                      |
|----------------------|--------------------------------------|
| <b>Submitted to:</b> | <i>Full Council 23 February 2022</i> |
|----------------------|--------------------------------------|

|                 |  |
|-----------------|--|
| <b>Subject:</b> | <i>Local Council Tax Support 2022/23</i> |
|-----------------|--|

**Summary**

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|--|
| <b>Proposed decision(s)</b>  |
| <i>That Full Council approve a revised Council Tax Support (CTS) scheme for 2022/23.</i> |

| <b>Report for:</b> | <b>Key decision:</b> | <b>Confidential:</b> | <b>Is the report urgent?<sup>1</sup></b> |
|--------------------|----------------------|----------------------|--|
| <i>Approval</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 purpose of the change is to implement a new working age CTS scheme which will not only provide additional support to low-income families but also improve current administration, make it easier to claim and to assist in the collection of Council Tax within the area.</i> | <i>N/A</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> |

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|---|
| <b>Ward(s) affected</b>   |
| <i>All wards are affected by the decision to change the CTS scheme.</i> |

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

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1. This report seeks approval for the amendment of the Council's Council Tax Support (CTS) scheme for 2022/2023.

### **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 Support Scheme – Section 13 (2) confirms that each billing Authority in England must make a Council Tax Support 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. Council Tax Support (CTS) was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of the Department for Work and Pensions (DWP). As part of the introduction, the Government:
  - Placed the duty to create a local scheme for **Working Age** claimants with billing authorities;
  - Reduced initial funding by the equivalent of ten per cent from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
  - Prescribed that persons of **Pensionable age** would be dealt with under regulations set by Central Government and not the authorities' local scheme.
4. Pensioners, subject to their income, can receive up to 100 per cent support towards their Council Tax. The Council has no power to change the level of support provided to pensioners and therefore any changes to the level of CTS can only be made to the working age scheme.
5. When CTS was introduced in 2013, for working age claimants, the majority of Councils including Middlesbrough broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. Due to the reduction in funding from Central Government, the Council also required all working age claimants, even those on the lowest income, to pay a minimum payment of 20%. In Middlesbrough, we usually refer to CTS as Council Tax Reduction (CTR).
6. Since that time the minimum payment required has reduced to 15% and only slight changes have been made to bring the scheme into line with either Housing Benefit or Universal Credit (UC).
7. This report follows on from the report discussed at Executive on 5 October 2021, where permission to consult the public, major preceptors and stakeholders on a revised scheme was sought and granted.

### **The current scheme**

8. There are some areas within the current scheme which can be amended which in turn will provide a differing level of support to low-income taxpayers, and will also help the Council to provide the service in a more efficient manner. The main areas are as follows:
  - The need to further assist low-income households and assist in the collection of Council Tax;
  - The introduction of UC for working age claimants; and

- The need for a simplification of the scheme.

9. Each of the above are examined in detail below.

### **Assisting low-income households and the collection of Council Tax**

10. In 2013, 80% maximum support was provided to working age claimants. In 2018/19, this increased to 85% maximum support to working age claimants.

11. A number of authorities have and are making changes to the CTS scheme (see Appendix A), for reasons such as;

- More support for claimants on passported benefits;
- Simplification of the scheme;
- Reduction in the administrative burden collecting from those households with limited means;
- Reduction in the provision made for bad debtors;
- Reduce, if not remove, the high level of rebilling that occurs throughout the year due to benefit changes which ultimately leads to a delay in cash collection.

Middlesbrough's proposed scheme will equally address these underlying concerns.

### **Council Tax Support and the roll out of Universal Credit**

12. The introduction of UC within the area has, as experienced in all other areas, brought a number of significant challenges to both the administration of CTS and also the collection of Council Tax generally. Many Councils have experienced the following:

- The reluctance of UC claimants to make a prompt claim for CTS leading to a loss in entitlement;
- A high number of changes to UC cases are received from the Department for Work and Pensions requiring a change to CTS entitlement. On average 40% of UC claimants have between 8 and 12 changes in entitlement per annum. These changes result in amendments to Council Tax liability, the re-calculation of instalments, delays and the demonstrable loss in collection; and
- The increased costs of administration through multiple changes with significant additional staff and staff time being needed.

13. It is clear that the existing means tested CTS scheme, which is too reactive to change, will not be viable in the longer term now that UC has been rolled out fully within the area and with the massive increase in UC claimants due to the COVID-19 crisis. Giving weight to these circumstances, it would be appropriate to move to a more efficient scheme from 2022/23.

### **The need for a simplified approach to the Council Tax Support Scheme.**

14. Notwithstanding the introduction of UC, the existing scheme is based on a 'pre-dated' means-tested benefit scheme:

- It is difficult for customers to understand and is based on a complex calculation of entitlement;
- The administration for staff is very convoluted, with staff having to request significant amounts of information from claimants;
- Staff have to undergo extensive training to be proficient in processing claims;

- The timescales for processing applications is lengthy, mainly due to the complexity and evidence required to support the applications; and
- The administration of the scheme is costly when compared to other discounts for Council Tax.

15. There is a need to simplify the scheme, not only to mitigate the effects of UC, which have been fast tracked as a consequence of Covid, but also make it easier for customers to make a claim, reduce the likelihood of fraud, and to reduce the costs of administration.

### The proposed approach for the 2022/23 Council Tax Support Scheme

16. It is proposed that an alternative approach be taken from 2022/23, through the redesign of the scheme to address all of the main areas highlighted in this report.

17. Work has been ongoing since early 2021 on designing and modelling a proposed alternative scheme.

18. Following approval at Executive on 5 October 2021, consultation with stakeholders, partners and the general public has now been undertaken, as well as with Major Precepting authorities. This consultation has resulted in a few minor suggested changes to the proposed scheme. If agreed by the Council, the proposed alternative scheme will take effect from 1<sup>st</sup> April 2022.

19. The proposed alternative scheme has a number of features as follows:

- More support shall be given to those households on the lowest of incomes than in the current scheme;
- The changes can **only be made to the working age schemes** as the current schemes for pensioners are prescribed by Central Government;
- The grid below represent weekly amounts.
- The current means - tested schemes will be replaced by a simple income grid model as shown below:

| Discount Band               | Discount | Single Person     | Single person with one child | Single person with two or more children | Couple            | Couple with one child | Couple with two or more children |
|-----------------------------|----------|-------------------|------------------------------|---|-------------------|-----------------------|----------------------------------|
| <b>WEEKLY Income Ranges</b> |          |                   |                              |   |                   |                       |                                  |
| <b>Band 1*</b>              | 90%      | £0 - £100.00      | £0 - £160.00                 | £0 - £220.00                            | £0 - £140.00      | £0 - £205.00          | £0 - £260.00                     |
| <b>Band 2</b>               | 72%      | £101.01 - £180.00 | £160.01 - £240.00            | £220.01 - £295.00                       | £140.01 - £240.00 | £205.01 - £281.00     | £260.01 - £340.00                |
| <b>Band 3</b>               | 36%      | £180.01 - £215.00 | £240.01 - £255.00            | £295.01 - £350.00                       | £240.01 - £290.00 | £281.01 - £320.00     | £340.01 - £400.00                |
| <b>Band 4</b>               | 23%      | £215.01 - £255.00 | £255.01 - £280.00            | £350.01 - £450.00                       | £290.01 - £340.00 | £320.01 - £370.00     | £400.01 - £480.00 **             |
|                             | 0%       | Over £255.00      | Over £280.00                 | Over £450.00                            | Over £340.00      | Over £370.00          | Over £480.00**                   |

\*If the claimant is in receipt of a 'passport benefit' such as Income Support, Jobseeker's Allowance (Income Based) and Employment and Support Allowance (Income Related), it is proposed (as outlined above) that the maximum level of support will be 90% (Band 1);

\*\* - the amounts for Band 4 (Couple with two or more children), were originally proposed on the report to Executive on 5 October 2021 as being £400.01 to £430.00. Following consultation, it is now proposed that this rate be increased to £400.01 to £480.00, as this was inconsistent when compared to the band for Single Person with two or more children. This reflects a fairer and slightly more generous approach.

- All other discount levels are based on the claimant's (and partner's if appropriate) net weekly income;
- The scheme allows for variation in household size with the levels of income per band increasing where a claimant has a partner, and / or dependants. Couples (and lone parents) with 2 or more children are all combined into the same income level. This means the income band is the same regardless of whether a claimant has 2 children or more;
- There will be no charges made where a claimant has non-dependants living with them. This is a significant change and means that the administration of the scheme will be more straightforward whilst also protecting low-income families where adult sons and daughters, for example, remain at home;
- To support claimants in or into work, the first £25 per week of the claimant / partner's net earnings will be disregarded before comparing the level of weekly income to the income grid. This will take the place of the current standard disregards and additional earnings disregards.
- Disability benefits such as Disability Living Allowance and Personal Independence Payments will continue to be disregarded;
- Where any claimant, their partner or dependant child(ren) are disabled, a further disregard will be given, thereby maintaining the current level of support to those with disabilities;
- Carer's Allowance and the Support Component of Employment and Support Allowance will be disregarded;
- Child benefit and Child Maintenance will be disregarded;
- An amount in respect of the housing element, limited capability for work elements, carers element and disabled child elements within UC will be disregarded;
- The total disregard on war pensions and war disablement pensions will continue;
- Extended payments will be removed; and
- The current scheme has a capital limit of £16,000. For consultation purposes the Council's proposed scheme was to reduce this limit to £6,000, which would have impacted 105 claimants out of 18,000. Having now concluded the consultation, it is proposed that the capital limit reduces from £16,000 to £10,000, which will reduce the 105 impacted claimants to 55.

### **How the proposed alternative scheme will address the problems with the current scheme**

20. With the simplification of the proposed alternative scheme, it will address the following:

- **Claiming process.** Claimants will see a reduction in the claiming process and, where appropriate to do so, CTS will be awarded automatically. For UC claimants any UC data received from the Department for Work and Pensions (DWP) will be treated as a claim for CTS. Where information is received from DWP, the entitlement to CTS will be processed automatically without the need to request

further information from the taxpayer. These changes will have the following distinct advantages namely:

- **Speed of processing** – all claims will be able to be calculated promptly and largely automatically without the need to request further information which inevitably leads to delays;
- **Maximising entitlement to every claimant.** As there will no requirement for UC claimants to apply separately for CTS, and for all other claimants, the claiming process will be simplified, and backdating will be kept to a minimum;
- **Maintenance of collection rates** – the proposed alternative scheme will avoid reissuing of demand notices and re-setting instalments, and support the approach to the improvement of collection rates. The increased level of CTS support will mean those claimants on the lowest levels of weekly income will pay less Council Tax;
- **The income bands are sufficiently wide to avoid constant changes in discount.** The current CTS scheme is very reactive and will alter even if the overall change to the person's liability is small. The proposed alternative scheme, with its simplified income banding approach will have the following advantages:
  - Only significant changes in weekly income will affect the level of award;
  - Council Tax payers who receive CTS will not receive multiple Council Tax demands and adjustments to their instalments; and
  - The proposed alternative scheme is designed to reflect a more modern approach, where any discount changes will be effective from the day of the change rather than the Monday of the following week.

### **Transition to the proposed alternative scheme and the Exceptional Hardship Scheme**

21. Any change in scheme or a transition to a proposed alternative scheme may result in a change to the entitlement of certain claimants.
22. The changes to the scheme, will mean those regarded as the most vulnerable will gain in award, with others (as shown above) having a reduced award (i.e. those with capital over £10,000). It is proposed that the alternative scheme will contain additional provisions to protect individuals who experience exceptional hardship. Where any claimant is likely to experience exceptional hardship, they will be encouraged to apply for an exceptional hardship payment. The Council will consider all applications for exceptional hardship on an individual basis, taking into account available income and essential outgoings. Where appropriate further support will be given to the claimant.
23. This approach will enable individual claimants to be dealt with in a fair and equitable manner. The Exceptional Hardship Scheme will form part of the CTS scheme and fall to be paid through the Collection Fund.

### **Consultation Process**

24. Major preceptor and public consultation was open from 14 October 2021 to 7 December 2021 and publicised by way of:
  - Multiple social media posts advertising the consultation;



- Advertisement on numerous pages on the Council’s website with links to its online form available to complete. It also featured on the Latest News at the bottom of each page.
- Direct contact with partners, including
  - Major Preceptors,
  - members of Middlesbrough Council’s Financial Improvement Group,
  - Councillors,
  - Middlesbrough Citizen’s Advice Bureau and other welfare groups,
  - other targeted partners and stakeholders.
- Middlesbrough Council’s weekly e-bulletin for staff
- Inclusion on the Council’s resident’s e-Newsletter sent out to approximately 20,000 subscribers.

25. The consultation produced responses from organisations, major preceptors and the public. A summary of the results from the 45 completed questionnaires can be found at Appendix D. The actual wording of the questionnaire can be found in Appendix C.

26. The results suggest that a majority of respondents in general support the options presented, however following consultation we have slightly amended the proposals in 2 areas:

- the amounts for Band 4 (Couple with two or more children) of the income grid is now proposed be increased to ‘£400.01 to £480.00’ (see paragraph 19)
- the capital limit for the proposed scheme is proposed to be £10,000 instead of £6,000 (see paragraph 19)

### **Energy Bills Rebate Payments**

27. In addition to the above proposed changes to the scheme, on 11 February 2022 Council Tax (Demand Notices and Reduction Schemes) (England) (Amendment) Regulations 2022 [“the Regulations”] were laid which amend the Council Tax Reduction Schemes (Prescribed Requirements (England) Regulations 2012 to require that from 1 April 2022 all local council tax support schemes (including those for persons of working age as well as those of pension age) must disregard Energy Bills Rebate payments in determining a person’s eligibility for a council tax reduction and the amount of any such reduction.

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

28. That Full Council approve a revised Council Tax Support (CTS) scheme for 2022/23.

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

29. The proposed changes, will simplify a complicated scheme, further assist low income households and support the collection of council tax, whilst also fulfilling the obligations on Local Authorities to support the roll out of Universal Credit.

30. Changes to the existing scheme have been subject to full consultation which ran from the 14 October 2021 to 7 December 2021, a period of over 7 weeks. Responses informed the

scheme, were broadly accepted, and resulted in minor changes to the proposed capital limit and income bands for couples with 2 or more children (see paragraph 19). The questions which were asked during the consultation can be found at Appendix C, and a summary of the responses can be found at Appendix D.

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

31. The alternative to introducing a proposed alternative scheme for CTS from 2022/23 is to leave the existing scheme in place. This would be a short-term option; leading to increasing costs of administration; and in the longer term, significantly affect the collection of Council Tax and the effectiveness of the scheme to support households within the Council's area.

32. Modelling (see below) has also been done on an alternative 'income grid' scheme with 85% maximum support and 100% maximum support.

- 100% support scheme is not recommended as this would be a cost to the Council in excess of £1,000,000 and on that basis would be unaffordable.
- 85% support scheme is equally not recommended. Whilst the overall cost of the scheme would be cheaper, it would have a detrimental impact on the cost of collection, and in addition places a further financial burden on some of the lower income residents of the town.
- Retain the existing means tested scheme with 85% support is not recommended. Although the current scheme will be cost neutral, it is complicated and difficult for claimants to navigate their way through, and this is resulting in a reduction in take up. It is also impacting on the timeliness of billing and collecting Council Tax amounts, and is also more resource intensive to administer. (see also para 11).

33. The principles of the 85% and 100% scheme are exactly as described earlier in this report (Para 19), however given weight to the options appraisal/rationale (**Appendix B**) these are not recommended.

| Option | Scheme / Support                           | Cost / Saving to the Council       | Support                               | Recommended / Not Recommended     |
|--------|--|------------------------------------|---------------------------------------|-----------------------------------|
| 1      | Income Banded Scheme – 85% maximum support | £700,000 saving ***                | 85% - similar to existing support     | Not recommended – See Appendix B  |
| 2      | Income Banded Scheme – 90% maximum support | Cost neutral ***                   | 90% - 5% increase on existing support | Recommended – See Appendix B      |
| 3      | Income Band – 100% maximum support         | £1,000,000 cost to the council *** | 100% - 15% increase in support        | Not recommended – See Appendix B. |
| 4      | Do nothing / remain with the same CTS      | Cost neutral                       | 85%                                   | Not recommended – See Appendix B  |

|  |        |  |  |  |
|--|--------|--|--|--|
|  | Scheme |  |  |  |
|--|--------|--|--|--|

\*\*\* - modelling and re-modelling of the proposed scheme and alternatives has continued weekly since June 2021 to ensure any weekly fluctuations in the caseload and CTS entitlement are continually monitored and reflected in these proposals.

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

34. Any decision whether to change the scheme will need to be approved by full Council.

### **Legal**

35. Schedule 1A (3) of the Local Government Finance Act 1992, states:

Before making a scheme, the authority must:

- consult any Major Precepting authority which has power to issue a precept to it,
- publish a draft scheme in such manner as it thinks fit, and
- consult such other persons as it considers are likely to have an interest in the operation of the scheme.

This consultation has been carried out, following permission to consult being granted by Executive on 5 October 2021 (see paragraph 26)

36. In addition, in order to set a new scheme, the Council is obliged to make a resolution by **11<sup>th</sup> March** of the year prior to the scheme coming into place.

### **Financial**

37. The current CTS scheme budget is **£19.1m** which is borne by the Council's Collection Fund. Costs are shared between the Council and the Major Precepting Authorities in the following proportions:

- Middlesbrough Council (83.55%);
- Police and Crime Commissioner for Cleveland (12.63%)
- Cleveland Fire Brigade (Fire and Rescue Service) (3.82%).

38. Based on current modelling, were the proposed alternative scheme to be in place at the current time, the costs of this scheme is estimated to be cost neutral (this figure is subject to change as claimants move on and off the scheme over the remainder of the year)..

39. The proposed scheme has been costed on the current number of active claims as at the time this report is submitted. It does not assume any further impact to the scheme brought about by changes to claimant circumstances (for example, as a consequence of any future Covid restrictions or their removal). It is not possible to estimate the impact of any unforeseeables, hence the model has been costed on the current position.

40. The changes brought about by the proposed simplified scheme, should generate capacity to undertake age debt collection (leading to a reduction in bad debt), and compliance (which would reduce potential fraudulent claims).

41. The cost of the scheme has to be affordable to the council, and as such is not mandated by Central Government. The council can choose to fund the scheme over and above the current cost (or vice versa), however our options appraisal (appendix B) shows why remaining with the current scheme and various alternative options are not recommended.

## ***Policy Framework***

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

## ***Equality and Diversity***

43. Any proposed alternative scheme shall be implemented in accordance with the Council's equality and diversity policies.

44. A Level 1 and Level 2 Impact Assessment has been carried out and can be found at Appendix E and F. Based on the proposed scheme, the Impact Assessments show that due to the Council's aim to adopt a proposed cost neutral Council Tax Support scheme, by increasing the maximum support from 85% to 90% there will be some who gain support and some who lose support. This impact is justified due to the aim to maintain a cost neutral scheme, and can be partially mitigated by the additional support available through the Council's Section 13a Exceptional Hardship fund.

## ***Risk***

45. This policy will impact positively on the following risks.

- 08-059 Incorrect assumptions in the MTFP;
- 08-075 Reduction in Council Tax Collection;

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

46. Following approval of Full Council, the scheme will be published on the Council's website by 11<sup>th</sup> March 2022

## **Appendices**

47. Appendix A – Other CTS schemes in the area and future plans  
Appendix B – Options appraisal - Rationale  
Appendix C – Consultation Questions  
Appendix D – Summary of consultation responses  
Appendix E – Level 1 Impact Assessment  
Appendix F – Level 2 Impact Assessment

## **Background papers**

48. There are no background papers associated with this report

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Local council tax support schemes

The Regulations also amend the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 to require that from 1 April 2022 all local council tax support schemes (including those for persons of working age as well as those of pension age) must disregard Energy Bills Rebate payments in determining a person's eligibility for a council tax reduction and the amount of any such reduction. Where a local authority has already determined its local council tax support scheme for 2022-23, it will need to revise it by the statutory deadline of 11 March 2022.

## **Appendix A – Council Tax Support Schemes**

| <b>Council</b>     | <b>2021/22 Scheme</b>                     | <b>2022 / 23 Plans</b>  |
|--------------------|---|---|
| Stockton           | 80% - means tested                        | 100% - Income Banded – out to consultation  |
| Darlington         | 80% - means tested                        | No plans to change.   |
| Hartlepool         | 88% - means tested                        | Considering options but expect to stay the same.  |
| Redcar & Cleveland | 82.5% - means tested                      | Considering options   |
| Durham             | 100% - means tested                       | No plans to change  |
| Newcastle          | 90% - Income Banded                       | Looking to increase support to 100%. Retaining Income Banded scheme – considering options |
| Gateshead          | 91.5% - means tested                      | No plans to change  |
| Hambleton          | 90% - Income Banded                       | No plans to change – minor tweaks to existing scheme                                      |
| North Tyneside     | 85% - means tested                        | No plans to significantly change  |
| Northumberland     | 88% - means tested                        | No plans to change  |
| South Tyneside     | 70% (or 15% if vulnerable) – means tested | No plans to change  |
| Sunderland         | 91.5% - means tested                      | No plans to change  |

\* - means tested schemes are similar to the type of scheme Middlesbrough currently operate where the whole of a claimant and their partner's income is compared to an allowance and the entitlement is worked out based on this comparison. It is similar to the way Housing Benefit is currently calculated.

\*\* - Income Banded scheme is a scheme calculated in the way proposed in this report for Middlesbrough going forward. Broad income ranges are set based on a claimant and their partner's circumstance, and a set discount is given based on an income range.

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**Appendix B – Options appraisal of the differing support in an income banded CTS scheme.**

| Scheme           | Pros  | Cons   |
|------------------|---|--|
| 85% Income Band  | <ul style="list-style-type: none"> <li>• Saving of £700k</li> </ul>   | <ul style="list-style-type: none"> <li>• Bad Debt Provision will increase = cost to the council</li> <li>• Increase in the amount of CTax arrears / burden of collection – reduced collection rates</li> <li>• MBC – one of the most income deprived areas in the UK</li> <li>• Further pressure on the courts and additional increases in debt due to court costs</li> <li>• Where schemes have changed, no councils has taken money out / reduced support</li> </ul> |
| 90% Income Band  | <ul style="list-style-type: none"> <li>• Affordable</li> <li>• Provides greater level of support for those on low levels of income</li> <li>• Supports those going back into work and those who are already in work</li> <li>• Links in with other welfare strategies such as Stop the Knock, our Crisis support and other discretionary funds, and is part of our toolkit to respond to differing degrees of poverty</li> <li>• Current scheme requires improvement and proposed scheme seeks to address</li> <li>• the amount left to pay be more affordable = realising a greater opportunity to pay</li> <li>• Scheme is easier to administer = more likely to claim</li> </ul> | <ul style="list-style-type: none"> <li>• Still an amount to pay for the most financially vulnerable</li> </ul>   |
| 100% Income Band | <ul style="list-style-type: none"> <li>• 100% support for the most vulnerable</li> <li>• Any other payments will go against historical / bad debt</li> <li>• Significant reduction in the administration of collection</li> <li>• Less pressure on courts</li> </ul>  | <ul style="list-style-type: none"> <li>• Significant cost to the council – circa £1million plus – likely unaffordable</li> </ul>   |

Do nothing /  
Remain with  
Current CTR  
scheme

- Scheme continues 'as is' with no changes to processes.

- No additional support for the most vulnerable.
- Take up of scheme is compromised due to the complexities of the current scheme
- The scheme is administratively resource intensive, and over the coming years may cost the council more to administer.
- The scheme creates difficulties in collection due to multiple changes to entitlement leading to resetting of instalments and recovery stages.
- As more and more claimants transition to Universal Credit, the efficiencies of assessing Housing Benefit and Council Tax Reduction together are lost.



# Middlesbrough Council - Council Tax Reduction Scheme 2022/23 Consultation

## 1. Background to the Consultation

### What is this consultation about?

Each year the Council has to decide whether to change the Council Tax Reduction scheme for working age applicants in its area. This year the Council has decided to consult on proposals to significantly change the Council Tax Reduction scheme so that the overall level of support can be increased for those applicants on the lowest incomes, and due to the full roll out of Universal Credit within the area. In effect the traditional link between Housing Benefit (which will no longer be available to most new working age claimants) and Council Tax Reduction will no longer exist and it is essential that the scheme is changed to meet future requirements, to reduce administration costs and to ultimately prevent any additional costs being added to the Council Tax

### What is Council Tax Reduction?

Council Tax Reduction is a discount for Council Tax. The level of discount is based on the income of the household. Currently the maximum discount is 85% of Council Tax for working age households and 100% for pensioners.

### Why is a change to the Council Tax Reduction scheme being considered?

In April 2013 the Council Tax Benefit Scheme was replaced by a new Council Tax Reduction Scheme. Council Tax Benefit had been funded by the Department for Work and Pensions (DWP) and supported people on low incomes by reducing the amount of Council Tax they have to pay.

The Council Tax Reduction scheme is determined locally by Middlesbrough Council rather than the Department for Work and Pensions. Although the Government initially provided funding for the scheme, the funding has reduced each year in line with the reduction in Revenue Support Grant provided to councils.

Applicants in receipt of income-based Jobseekers Allowance, Income Support and Income Related Employment and Support Allowance generally receive the maximum level of support. Others receive a level of Council Tax Reduction based on their income and other factors.

A separate Central Government scheme is retained for people of pension age and Councils are only able to vary their schemes for people of working age.

Each Council is required to review their schemes each year and decide if they want to make any changes. Before any proposed changes can be implemented, they must consult with the public.

The Council is proposing a number of changes to its existing scheme and, in line with legislation, we have a duty to consult with you and provide you with the opportunity to tell us your views on the proposed changes to our Council Tax Reduction Scheme.

The changes to the scheme are considered necessary for the following reasons:-

- The current scheme is means tested and as such is complex and difficult for many residents to understand. Administratively this is both time consuming and costly and is not in alignment with Universal Credit;
- Some residents are missing out, due to the complexities around the current claims process;
- The complexity of the scheme and its relationship to Universal Credit means that many Council Tax accounts are regularly rebilled, instalments are reset, amended bills are issued, and claimants are being told differing amounts to pay;
- Non- payment of Council Tax continues to be a problem for those on the lowest of incomes, and this scheme gives more support for many claimants on a low income;

The Council is consulting on the following proposed changes to its scheme for 2022/23:

Introducing an income 'grid' scheme for all working age applicants replacing the current scheme which was based on the previous Council Tax Benefit scheme. This will provide up to 90% support in certain cases (currently there is a maximum of 85%) **(Option 1)**. An 'income grid scheme' is a grid where you can look at how much weekly income you have and instantly see what discount you will get;

Limiting the number of dependent children used in the calculation of support to two for all working age applicants **(Option 2)**;

Removing Non-Dependant deductions **(Option 3)**;

Disregarding Carers Allowance, the Support Component of the Employment and Support Allowance and the housing element of Universal Credit in the calculation of income **(Option 4)**;

Removing all of the current earnings disregards\*\* and replacing them with a standard £25 disregard for all applicants where they or their partner are in work **(Option 5)**;

Where a person is disabled and in receipt of certain disability benefits, allowing a further deduction from their income before calculating any entitlement to Council Tax Reduction **(Option 6)**;

Removing the Extended Payment provision **(Option 7)**. The extended payment provision continues to pay a council tax reduction for 4 weeks after a claimant starts work.

Making all new claims and changes in circumstances which change any entitlement to Council Tax Reduction on a daily basis rather than the current (benefit based) weekly basis (**Option 8**); and

Allowing the discretion to backdate any discount to the commencement of the financial year where a good reason is provided (**Option 9**).

Reducing the maximum capital limit from £16,000 to £6,000 (**Option 10**)

In Middlesbrough, over 18,000 households currently receive Council Tax Reduction. The gross cost of the scheme is over £17,500.00 which is spread across the Council (83.55%), Fire (3.82%), and Police (12.63%) in accordance with the proportion of Council Tax which each organisation levies (which is shown in brackets).

\*\*A disregard under the Council's proposed scheme means an amount which is not taken into account, or a standard amount which is deducted from a specific weekly income, before using that income in the calculation of the discount.

#### **Who will this affect?**

Working age households in the Council's area who currently receive or will apply for Council Tax Reduction.

Pension age households will not be affected as Central Government prescribes the scheme.

#### **Are there any alternatives to changing the existing Council Tax Reduction scheme?**

We have also thought about other ways to make the administration simpler. These have not been completely rejected (including maintaining the current scheme) and you are asked about them in the questionnaire, but, at the moment we do not think we should implement them for the reasons given.

#### **We have considered:**

- **Continuing with the current scheme**  
This would mean less support and higher administration costs generally. Not making these proposed changes would significantly increase the administration of Council Tax Reduction. The current scheme will not work effectively with the Government's Universal Credit system. The multiple changes in Universal Credit inevitably lead to multiple changes in Council Tax Reduction. This would increase the costs for all council tax payers in the area paying towards the scheme. The decision to increase Council Tax may need to be made by voting in a local referendum; or
- **Reducing funding to other Council services to pay for additional administration costs**  
Keeping the current Council Tax Reduction scheme will mean an increase in administration costs and less money available to deliver other Council services.

**1. I have read the background information about the Council Tax Reduction Scheme: This question must be answered before you can continue.**

Yes

No

## 2. Paying for the Scheme

2. Should the Council keep the current Council Tax Reduction scheme? (Should it continue to administer the scheme as it does at the moment?)

Yes

No

Don't Know

3. Please use the space below to make any comments you have on protecting the Council Tax Reduction Scheme from these proposed changes.

## 3. Option 1 – The introduction of an Income Grid scheme to replace the current scheme for all applicants of working age

As explained in the background information, the Council is primarily consulting on the following proposals to change the existing Council Tax Reduction Scheme from 1st April 2022, which will increase the overall level of support to those households on the lowest income and also reduce the administration cost of the scheme generally. The proposed changes will also make the scheme simpler. Please note that whilst the proposed changes are intended to reduce the level and cost of administration, the Council is not looking to reduce the total overall level of support available. In fact for the lowest income households, the proposed changes may increase the amount of reduction received. Your responses are a part of this consultation.

The current scheme for Council Tax Reduction is largely based on the previous Council Tax Benefit scheme which was assessed alongside Housing Benefit. Housing Benefit for working age applicants is being phased out and it is generally not now possible to make new claims. Whilst Housing Benefit was the main provider of housing support for working age persons, it was logical to maintain a Council Tax Reduction scheme that mirrored this approach. Now that Universal Credit is being rolled out, it gives the Council the opportunity to significantly simplify what is in effect a Council Tax Discount.

It is proposed that a simplified income 'grid' scheme will be introduced with some slight differences where applicants fall within a 'protected group \*'. For 'non-protected' groups, Table 1 shows the level of discount available.

Table 1

| Discount Band        | Discount | Single Person     | Single person with one child | Single person with two or more children | Couple            | Couple with one child | Couple with two or more children |
|----------------------|----------|-------------------|------------------------------|---|-------------------|-----------------------|----------------------------------|
| <b>Income Ranges</b> |          |                   |                              |   |                   |                       |                                  |
| <b>Band 1 *</b>      | 90%      | £0 - £100.00      | £0 - £160.00                 | £0 - £220.00                            | £0- £140.00       | £0 - £205.00          | £0 - £260.00                     |
| <b>Band 2</b>        | 72%      | £100.01 - £180.00 | £160.01 - £240.00            | £220.01 - £295.00                       | £140.01 - £240.00 | £205.01 - £281.00     | £260.01 - £340.00                |
| <b>Band 3</b>        | 36%      | £180.01 - £215.00 | £240.01 - £255.00            | £295.01- £350.00                        | £240.01 - £290.00 | £281.01 – £320.00     | £340.01 - £400.00                |
| <b>Band 4</b>        | 23%      | £215.01 - £255.00 | £255.01 - £280.00            | £350.01 – £450.00                       | £290.01 - £340.00 | £320.01 - £370.00     | £400.01 - £430.00                |
|                      | 0%       | Over £255.00      | Over £280.00                 | Over £450.00                            | Over £340.00      | Over £370.00          | Over £430.00                     |

\* - Where any applicant or their partner are in receipt of Income Support, Income-Based Jobseeker's Allowance or Income-Related Employment and Support Allowance, a Band 1 discount will be given (unless they have savings or capital over £6,000).

The key principles of the scheme are as follows:

- The level of discount (shown in the grids) will be based on the total net weekly income (determined by the Council) of the applicant and their partner; and
- Income levels can vary in accordance with household size;

Certain other aspects of the current scheme will be carried forward into the new scheme such as Disability Living Allowance, Personal Independence Payments, Child Benefit and Child Maintenance. They will continue to be disregarded from the calculation.

- Introducing an income 'grid' scheme for all working age applicants replacing the current scheme. This will provide up to 90% support in certain cases (currently there is a maximum of 85%) (**Option 1**);
- Applicants receiving Income Support, Income Related Employment and Support Allowance, and Income-based Jobseeker's Allowance will fall into Band 1. Where applicants are not in receipt of those benefits and their income is above the levels specified in Band 1, Council Tax Reduction shall be awarded at the appropriate level (Bands 2, 3 & 4);
- The grid will be limited to a maximum of two dependants (**see Option 2**);
- No charges will be made for non-dependants who live with the applicant (**see Option 3**);

- Disregarding Carers Allowance and the Support Component of the Employment and Support Allowance and the Housing elements of Universal Credit (**see Option 4**);
- Removing all of the current earnings disregards and replacing them with a standard £25 disregard for all applicants where they are in work (**see Option 5**);
- Where a person is disabled and in receipt of certain disability benefits, allowing a further deduction from their income before calculating any entitlement to Council Tax Reduction (**see Option 6**);
- Removing the Extended Payment provision (**see Option 7**);
- Making all new claims and changes in circumstances which change any entitlement to Council Tax Reduction on a daily basis rather than the current (benefit based) weekly basis (**see Option 8**);
- Allowing the discretion to backdate any discount to the commencement of the financial year where a good reason is provided (**see Option 9**);
- Reducing the maximum capital limit from £16,000 to £6,000 (**Option 10**).

It is inevitable that there will be a beneficial increase for some or a reduction in support for others, however, the Council is keen to protect as many applicants as possible. The Council is minded to increase the level of support to those on the lowest incomes.

The majority of applicants will receive the same or more support next year. In particular, parents and those in low paid jobs will often have less Council Tax to pay, however some households will have more to pay. Where an applicant experiences exceptional hardship, they will be able to apply for additional support from the Council under its new Exceptional Hardship Fund.

**The possible benefits of changing the scheme:**

- It provides more support to those on the lowest incomes;
- It provides a simpler scheme, easily understood by all applicants – see background for further details;
- It will save significant increases in administration costs due to the introduction of Universal Credit; and
- It should prevent applicants receiving multiple Council Tax demands during the year and prevents multiple changes to monthly instalments.

**The possible disadvantages of doing this are:**

- Whilst the Council will look to protect applicants as far as possible, there may be a reduction in support for some claimants; and
- Some households with more than two children or high capital are likely to receive less support.

**4. Do you agree with this proposed change to the scheme?**

Yes

No

Don't Know

5. If you disagree what alternative would you propose?

#### **4. Option 2 - To limit the number of dependant children within the calculation for Council Tax Reduction to a maximum of two for all applicants.**

Within the current scheme, applicants who have children are awarded a dependant's addition (an extra amount you can get if you have children) within the calculation of their needs (Applicable Amounts). From April 2017 the Government scheme limited dependants in Universal Credit, Housing Benefit and Tax Credits to a maximum of two. Some applicants were protected where they made a claim for reduction before that date and already had more than two dependants. The new scheme will be based on an income grid system which takes into account the number of dependants within the household; however, it will be limited to two, for all applicants.

Child benefit continues to be paid for every dependant and this will not count towards the applicants' household income for the purpose of calculating Council Tax Reduction.

##### **The possible benefits to the Council of doing this are:**

- Council Tax Reduction will be brought into line with other welfare benefits for all applicants; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

##### **The possible disadvantages of doing this are:**

- Applicants who have three or more dependants may receive less Council Tax Reduction. However, this is offset by the Child Benefit not being counted and, if the applicants face exceptional hardship, they may apply for additional support through the Council's Exceptional Hardship Scheme.

#### **6. Do you agree with this proposed change to the scheme?**

- Yes
- No
- Don't Know

#### **7. If you disagree what alternative would you propose?**



## 5. Option 3 – To remove Non-Dependant Deductions from the scheme

Currently, where an applicant (and their partner if they have one) has other adults living with them such as adult sons, daughters etc., their Council Tax Reduction may be reduced. Any charge made is called a Non-Dependant Deduction. The Council currently makes a range of deductions depending on the circumstances of the non-dependant. In theory, the applicant should look to recoup this deduction from those adults. The Council cannot recover these charges from the non-dependant and must seek payment from the applicant, who may be in receipt of a low income or benefits.

### The possible benefits of this option is:

- Applicants will not be worse off for having additional adults living with them (other than if they are living there commercially); and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

### The possible disadvantages of doing this are:

- There are no financial disadvantages for removing non dependant deductions.

### 8. Do you agree with this proposed change to the scheme?

- Yes
- No
- Don't Know

### 9. If you disagree what alternative would you propose?

## 6. Option 4 – Disregarding Carers Allowance, the Support Component of the Employment and Support Allowance and the housing element of Universal Credit

By moving to an income-based grid scheme it is essential that certain benefits are disregarded from the calculation of income. In order to protect the most vulnerable applicants, it is proposed that the following are not counted when assessing a person's income. These are:

- Carer's Allowance;
- The Support Component of Employment and Support Allowance; and
- Any amount determined by the authority as being awarded for the Housing Element of Universal Credit;

The possible benefits of this option is:

- It will assist and support the most vulnerable; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

The possible disadvantages of doing this are:

- There may be a slight increase in the overall cost of the scheme.

10. Do you agree with this proposed change to the scheme?

- Yes
- No
- Don't Know

11. If you disagree what alternative would you propose?

## 7. Option 5 – Removing the current earnings disregards and replacing them with a standard £25 disregard for all working applicants.

Currently, where applicants (or their partner if they have one) have earnings and work over 16 hours per week, an earnings disregard is applied depending on their individual circumstances. A disregard is the amount we ignore of your weekly earnings before calculating what you are entitled to. The standard disregards (only one is awarded) are £5 per week for a single person, £10 per week for a couple, £20 per week if they meet certain conditions such as disablement or part time special employments or £25 for lone parents. If they work additional hours, in some circumstances they may receive an additional £17.10 disregard per week. Also, if child care is paid by the applicant above that received free from Central Government, then further disregards can be made again earnings for monies paid out.

The proposed change to the scheme would introduce a standard, single disregard of £25 for all applicants where they or their partner work. The disregard will apply against earnings only. All other earnings related disregards will be removed.

**The possible benefits of this option is:**

- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information..

**The possible disadvantages of doing this are:**

- There will be applicants with larger families and who have high child care costs (not met by Government schemes) who will see a reduction in support. (It should be noted that applicants that face exceptional hardship may apply for additional support under the Council's Exceptional Hardship Scheme)

**12. Do you agree with this proposed change to the scheme?**

- Yes
- No
- Don't Know

**13. If you disagree what alternative would you propose?**

## 8. Option 6 - To allow further income disregards where an applicant, their partner or any dependant is in receipt of a disability benefit.

Where an applicant, their partner or any dependant who resides with them is disabled and in receipt of certain disability benefits, the Council will allow a further deduction from their income before calculating any entitlement to Council Tax Reduction.

This option replicates the rules which exist within the current scheme whereby a person who is entitled to a Disability Premium, Enhanced Disability Premium, Severe Disability Premium or Disabled Child Premium will have their income reduced (for calculation purposes).

### The possible benefits of this option is:

- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.; and
- It protects the most vulnerable applicants.

### 14. Do you agree with this proposed change to the scheme?

Yes

No

Don't Know

### 15. If you disagree what alternative would you propose?

## 9. Option 7 – Removing the Extended Payment provision

In certain cases, where applicants have been in receipt of prescribed benefits (such as Income Support, Jobseekers Allowance or Employment and Support Allowance) and move into work which ends their entitlement, Council Tax Reduction can be paid for an additional 4 weeks after commencing work or increasing their hours. Similar provisions do not exist for Universal Credit claimants. As Universal Credit is to replace those existing (legacy) benefits, the Council's proposal is to align the scheme to other Government benefits.

### The possible benefits of this option is:

- It will treat all applicants in receipt of DWP benefits equally; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information..

### The possible disadvantages of doing this are:

- Applicants who are still in receipt of legacy benefits and who move into work before being transferred to Universal Credit may lose any potential extended payment.

### 16. Do you agree with this proposed change to the scheme?

- Yes
- No
- Don't Know

### 17. If you disagree what alternative would you propose?

## **10. Option 8 – Any new claim or change in circumstances which changes Council Tax Reduction entitlement will be made from the date on which the change occurs, (rather than on a weekly basis as at present).**

New claims and changes in circumstances that affect entitlement to Council Tax Reduction, under the current scheme, are largely effected on a weekly basis. This is a 'throwback' to previous benefit schemes that were weekly based. As Council Tax is a daily charge, the Council believes it makes more sense to change entitlement to Council Tax Reduction on a daily basis. It should be noted that, the proposed new scheme is designed to reduce the number of changes that will affect entitlement in any event.

### **The possible benefits of this option is:**

- It is in line with the way that Council Tax is charged and operated; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

### **18. Do you agree with this proposed change to the scheme?**

- Yes
- No
- Don't Know

### **19. If you disagree what alternative would you propose?**

## 11. Option 9 – Extending the ‘backdating’ provisions within the scheme

The current scheme limits the backdating of any application for Council Tax Reduction to 1 month before the date of application where continuous ‘Good Cause’ is proven.

The Council is of the opinion that the backdating of applications should allow for better alignment with the date that the applicant's circumstances changed and that the Council be given a general discretion to backdate any discount to the commencement of the financial year where a good reason is provided.

**The possible benefits of this option is:**

- This option will allow the Council more flexibility in granting support where the applicant has a good reason for not claiming earlier; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

**20. Do you agree with this proposed change to the scheme?**

Yes

No

Don't Know

**21. If you disagree what alternative would you propose?**

## 12. Option 10 – Reducing the capital limit to £6,000

The current scheme has a capital limit of £16,000. It is proposed that the capital limit is reduced to a level of £6,000.

The possible benefits of this option is:

- It will make the administration of the scheme simpler as there will be no requirement to calculate a 'tariff' or assumed income from capital; and
- The proposed change is simple and administratively easy to incorporate within the scheme. – see background to the proposed changes for further information.

The possible disadvantages of doing this are:

- Some applicants who have more than £6,000 capital will no longer be able to claim Council Tax Reduction. If entitlement drops below £6,000 further applications can be made.

22. Do you agree with this proposed change to the scheme?

Yes

No

Don't Know

23. If you disagree what alternative would you propose?



## 13. Alternatives to changing the Council Tax Reduction Scheme

If the Council keeps the current scheme, it will be less supportive to low-income households and administratively more complex. The proposals set out in this consultation will deliver more support and administration savings. The alternatives are set out in the background information.

Do you think we should choose any of the following options rather than the proposed changes to the Council Tax Reduction Scheme? Please select one answer for each source of funding.

### 24. Increase the level of Council Tax to cover the additional administration costs

- Yes
- No
- Don't Know

### 25. Find the additional administration costs by cutting other Council Services

- Yes
- No
- Don't Know

### 26. Do you have any further comments on the proposed scheme?

### 27. Do you have any alternative proposals for the Council to consider?

**28. Do you have any further comments or questions regarding the Council Tax Reduction Scheme that you haven't had opportunity to raise elsewhere?**

## **14. About You**

We ask these questions to:

- find out if different groups of people in the Council's population have been able to take part in the consultation and identify if any groups have been excluded. This means it is not about you as an individual but to find out if people with similar characteristics have had their say.
- find out if different groups of people feel differently about the options and proposals in comparison to each other and all respondents. This means it is not about you as an individual but to find out if people with similar characteristics have answered in the same way or not.

This information is completely confidential and anonymous. Your personal information will not be passed on to anyone and your personal details will not be reported alongside your responses.

**29. Are you, or someone in your household, getting a Council Tax Reduction in Middlesbrough at this time?**

- Yes
- No
- Don't Know

**30. What is your sex?**

- Male
- Female
- Prefer not to say

**31. Age**

- 18-24
- 25-34
- 35-44

- 45-54
- 55-64
- 65-74
- 75-84
- 85+
- Prefer not to say

**32. Disability: Are your day-to-day activities limited because of a health problem or disability which has lasted, or is expected to last, at least 12 months?**

- Yes
- No
- Don't know
- Prefer not to say

**33. Ethnic Origin: What is your ethnic group? Select each that apply.**

- Prefer not to say
- White British
- White Irish
- White Gypsy or Irish Traveller
- Any other White background
- Mixed/Multiple ethnic groups - White & Black African
- Mixed/Multiple ethnic groups - White & Black Caribbean
- Mixed/Multiple ethnic groups - White & Asian
- Any other multi mixed background
- Asian or Asian British Pakistani

- Asian or Asian British Indian
- Asian or Asian British Bangladeshi
- Asian or Asian British Chinese
- Any other Asian background
- Black African
- British Caribbean
- Black British
- Any other Black background

#### 34. Other Ethnic Group

## 14. Next steps....

Thank you for completing the questionnaire.

Progress reports on the consultation will be added to our website.

You may submit further evidence, ideas, comments or questions (marked CTR consultation) by email to [consultationportal@middlesbrough.gov.uk](mailto:consultationportal@middlesbrough.gov.uk)

The consultation closes on 30/11/2021.

We will listen carefully to what you tell us and take the responses into consideration when making a final decision on the 2022/23 scheme.

Following the decision, the full results from the consultation will be available on the Council's website.

The new scheme (if approved) will start on 1 April 2022. The Council will consider the impact of the scheme annually and consult again if it thinks further proposed changes need to be made.

**The link to the survey: <https://arcg.is/11r8qX>**

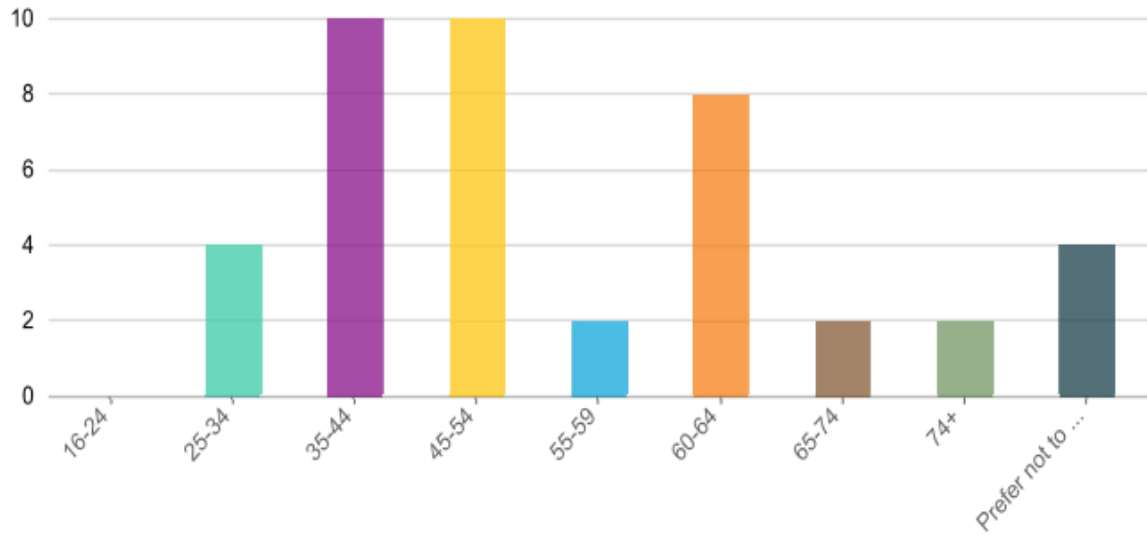
## Appendix D – Council Tax Reduction Scheme

### Summary of responses.

| Question  | Yes (%) | No (%) | Don't Know (%) | Skipped question |
|---|---------|--------|----------------|------------------|
| I have read the background information about the Council Tax  | 93.33%  | 6.67%  | --             | –                |
| Should the Council keep the current CTR scheme?   | 22.22%  | 55.56% | 15.56%         | 6.66%            |
| <b>Option 1</b> - Introduction of Income Grid Scheme. Do you agree?   | 57.78%  | 17.78% | 17.78%         | 6.66%            |
| <b>Option 2</b> - Limit dependant children within the calculation to a maximum of 2. Do you agree?  | 60.00%  | 15.56% | 17.78%         | 6.66%            |
| <b>Option 3</b> - Remove non dependant deductions. Do you agree?  | 62.22%  | 22.22% | 8.89%          | 6.67%            |
| <b>Option 4</b> - Disregard Carers All, the Support Component of Employment and Support Allowance, and the Housing element of Universal Credit. Do you agree? | 64.44%  | 15.56% | 13.33%         | 6.67%            |
| <b>Option 5</b> – Remove the current earnings disregards and replacing them with a standard £25 disregard for all working applicants. Do you agree?           | 64.44%  | 15.56% | 13.33%         | 6.67%            |
| <b>Option 6</b> - Allow further income disregards where applicant, partner or any dependant is in receipt of disability benefit? Do you agree?                | 71.11%  | 13.33% | 8.89%          | 6.67%            |

|  |               |                |                     |       |
|--|---------------|----------------|---------------------|-------|
| <b>Option 7</b> - Remove the Extended Payment provision. Do you agree?   | 53.33%        | 17.78%         | 22.22%              | 6.67% |
| <b>Option 8</b> – Any new claim or change in circumstance will be made from the date the change occurs – Do you agree? | 75.56%        | 8.89%          | 8.89%               | 6.66% |
| <b>Option 9</b> - Extend the 'backdating' provisions within the scheme. Do you agree?                                  | 73.33%        | 11.11%         | 8.89%               | 6.67% |
| <b>Option 10</b> - Reducing the capital limit to £6,000. Do you agree?   | 51.11%        | 31.11%         | 11.11%              | 6.67% |
| Alternatives to changing the CTR Scheme – Increase level of Council Tax. Do you agree?                                 | 13.33%        | 75.56%         | 4.44%               | 6.67% |
| Alternatives to changing the CTR Scheme – Find the admin costs by cutting other Council services. Do you agree?        | 24.44%        | 57.78%         | 11.11%              | 6.67% |
| Are you, or someone in your household getting a Council Tax Reduction in Middlesbrough?                                | 31.11%        | 57.78%         | 4.44%               | 6.67% |
| Are you male or female?  | Female<br>60% | Male<br>26.67% | Didn't say<br>6.67% | 6.66% |
| Do you consider yourself to be a person with a disability?   | 22.22%        | 68.89%         | 2.22%               | 6.67% |

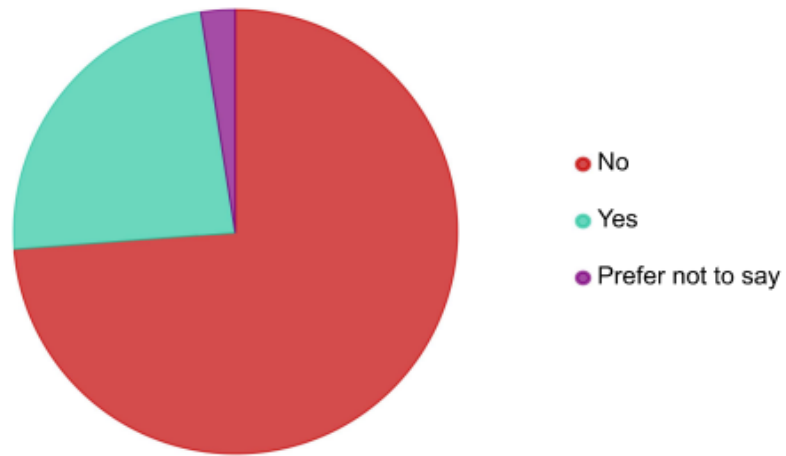
Q31. Please indicate which age band you fit into?



| Answers           | Count | Percentage |
|-------------------|-------|------------|
| 16-24             | 0     | 0%         |
| 25-34             | 4     | 8.89%      |
| 35-44             | 10    | 22.22%     |
| 45-54             | 10    | 22.22%     |
| 55-59             | 2     | 4.44%      |
| 60-64             | 8     | 17.78%     |
| 65-74             | 2     | 4.44%      |
| 74+               | 2     | 4.44%      |
| Prefer not to say | 4     | 8.89%      |

Answered: 42 Skipped: 3

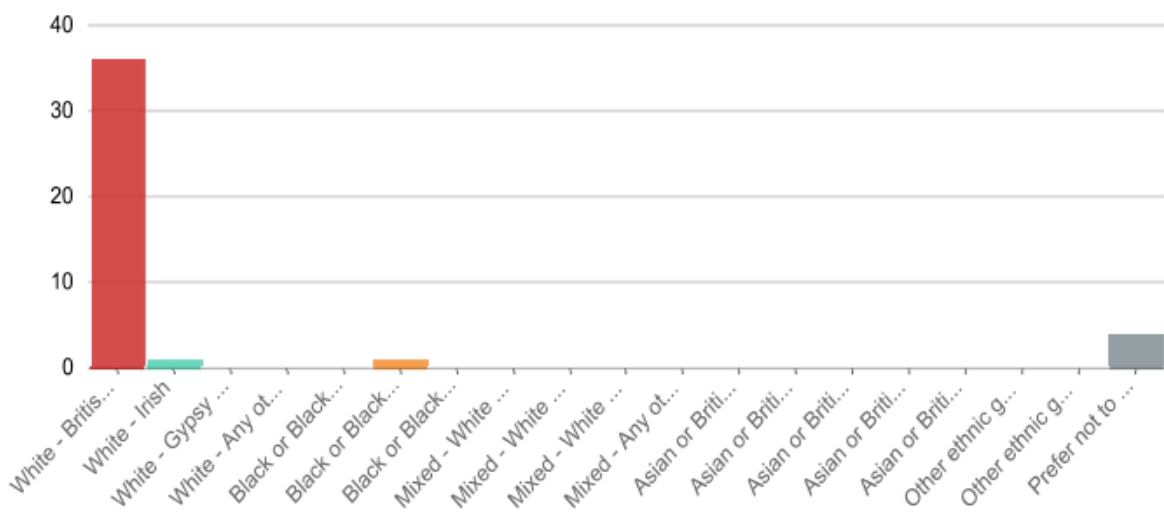
Q32. Do you consider yourself to be a person with a disability?



| Answers           | Count | Percentage |
|-------------------|-------|------------|
| No                | 31    | 68.89%     |
| Yes               | 10    | 22.22%     |
| Prefer not to say | 1     | 2.22%      |

Answered: 42 Skipped: 3

Q33. To which of these ethnic groups do you consider you belong?





|  |    |       |
|--|----|-------|
| White - British  | 36 | 80%   |
| White - Irish  | 1  | 2.22% |
| White - Gypsy or Irish Traveller   | 0  | 0%    |
| White - Any other White background (please write below)                  | 0  | 0%    |
| Black or Black British - Caribbean                                       | 0  | 0%    |
| Black or Black British - African   | 1  | 2.22% |
| Black or Black British - Any other Black background (please write below) | 0  | 0%    |
| Mixed - White and Black Caribbean  | 0  | 0%    |
| Mixed - White and Black African  | 0  | 0%    |
| Mixed - White and Asian  | 0  | 0%    |
| Mixed - Any other Mixed background (please write below)                  | 0  | 0%    |
| Asian or British Asian - Indian  | 0  | 0%    |
| Asian or British Asian - Pakistani                                       | 0  | 0%    |
| Asian or British Asian - Bangladeshi                                     | 0  | 0%    |
| Asian or British Asian - Chinese   | 0  | 0%    |
| Asian or British Asian - Any other Asian background (please write below) | 0  | 0%    |
| Other ethnic group - Arab  | 0  | 0%    |
| Other ethnic group - Any other background (please write below)           | 0  | 0%    |
| Prefer not to say  | 4  | 8.89% |

Answered: 42 Skipped: 3

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**Template for Impact Assessment Level 1: Initial screening assessment**

|  |  |  |  |   |
|--|--|--|--|---|
| <b>Subject of assessment:</b>          | Council Tax Reduction (CTR) Scheme 2022-23                       |  |  |   |
| <b>Coverage:</b>                       | Service Specific (affects all wards)                             |  |  |   |
| <b>This is a decision relating to:</b> | <input checked="" type="checkbox"/> <b>Strategy</b>              | <input checked="" type="checkbox"/> <b>Policy</b>    | <input checked="" type="checkbox"/> <b>Service</b> | <input checked="" type="checkbox"/> <b>Function</b> |
|  | <input checked="" 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 checked="" 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 checked="" type="checkbox"/>                  | <b>Local or corporate requirements:</b>            | <input checked="" type="checkbox"/>                 |

|                             |   |
|-----------------------------|---|
| <b>Description:</b>         | <ul style="list-style-type: none"> <li>○ <a href="#">Key aims, objectives and activities</a></li> <li>○ The aim is to introduce a cost effective, simplified Council Tax Reduction scheme with effect from 1st April 2022.</li> <li>○ The proposed changes will provide the following: <ul style="list-style-type: none"> <li>○ Simplified claiming arrangements for all working age applicants;</li> <li>○ Speed of processing - applications will be dealt with more efficiently and without the need for significant levels of evidence; and</li> <li>○ Reduced administration costs. The proposed changes will prevent the administration costs from rising year on year which would be inevitable under the current scheme. The cost of the scheme has to be affordable to the council, and as such is not mandated by Central Government. The council can choose to fund the scheme over and above the current cost (or vice versa), however our options appraisal shows why remaining with the current scheme and various alternative options are not recommended.</li> </ul> </li> <li>○ The new scheme will affect all working age applicants who are currently in receipt of Council Tax Reduction on 1st April 2022 or those who apply after 1st April 2022. The scheme will not affect pension age applicants</li> <li>○ <a href="#">Statutory drivers (set out exact reference)</a></li> <li>○ 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 Support Scheme – Section 13 (2) confirms that each billing Authority in England must make a Council Tax Support 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</li> <li>○ <a href="#">Differences from any previous approach</a></li> <li>○ The proposed scheme has been simplified for working age claimants, using a broad ‘income grid’ approach, whereby a claimant’s CTR is decided by a number of factors, but predominantly by where their net weekly income compares to a broad income band range.</li> <li>○ <a href="#">Key stakeholders and intended beneficiaries (internal and external as appropriate)</a></li> <li>○ The key stakeholders include working age residents on low incomes, and precepting authorities such as Cleveland Police and Cleveland Fire. Consultation has been carried out with all stakeholders.</li> <li>○ <a href="#">Intended outcomes.</a></li> <li>○ More support for claimants on low income;</li> <li>○ Simplification of the scheme;</li> <li>○ Reduction in the administrative burden and the provision made for bad debtors;</li> <li>○ Reduce, if not remove, the high level of rebilling that occurs throughout the year due to benefit changes which ultimately leads to a delay in cash collection.</li> </ul> |
| <b>Live date:</b>           | 1 April 2022  |
| <b>Lifespan:</b>            | The proposed scheme (if accepted) will be in place for 2022-23 year. Each year the Council needs to confirm its scheme by 11 <sup>th</sup> March.   |
| <b>Date of next review:</b> | Annually - reviews can be made every April, and the Council will review roll out, implementation and any unforeseen problems, and use this learning when designing schemes in future years.   |

| Screening questions  | Response |     |           | Evidence   |
|--|----------|-----|-----------|--|
|  | No       | Yes | Uncertain |  |
| <p><b>Human Rights</b></p> <p>Could the decision impact negatively on individual Human Rights as enshrined in UK legislation?*</p> | ☒        | ☐   | ☐         | <p>This proposed scheme is designed to ensure that the Council operates a simpler approach to Council Tax reduction, offering more support for the most financially vulnerable claimants of the scheme. The proposed scheme will be simpler to understand and will hopefully be positive in helping those residents who choose not to claim (who would otherwise qualify for help), to make a claim for the discount. There are no concerns that the proposed scheme could infringe qualified or absolute human rights.</p> <p>Evidence used to inform this assessment includes analysis of the various circumstances of the resident (using a modelling tool of proposed scheme options), compared to current support provisions. In addition, engagement has taken place with senior officers who have been involved in the development of the proposed scheme and supporting detailed delivery plans.</p> <p>Consultation has also taken place with residents of Middlesbrough, stakeholders, partners and Major Precepting authorities. The results are that all of the major changes have attained a majority of support. This consultation has resulted in a few minor suggested changes to the proposed scheme, which generally impact positively on those who will claim the discount.</p> |

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\* Consult the Impact Assessment further guidance appendix for details on the issues covered by each of these broad questions prior to completion.

| Screening questions   | Response                 |                                     |                          | Evidence   |
|---|--------------------------|-------------------------------------|--------------------------|--|
| <p><b>Equality</b></p> <p>Could the decision result in adverse differential impacts on groups or individuals with characteristics protected in UK equality law?<br/>           Could the decision impact differently on other commonly disadvantaged groups?*</p> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <p>The Public Sector Equality Duty (PSED) requires that when exercising its functions the Council must have due regard to the need to:-</p> <ul style="list-style-type: none"> <li>eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;</li> <li>advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and</li> <li>foster good relations between persons who share a relevant protected characteristic and persons who do not share it.</li> </ul> <p>In having due regard to the need to advance equality of opportunity, the Council must consider, as part of a single equality duty:</p> <ul style="list-style-type: none"> <li>removing or minimising disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;</li> <li>taking steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it; and</li> <li>encouraging people who share a protected characteristic to participate in public life or in any other activity in which participation is low.</li> </ul> <p>The proposed scheme should make thinks simpler and more transparent for those who claim (or consider claiming) Council Tax Reduction.</p> <p>It is potentially relevant to all the protected characteristics.</p> <ul style="list-style-type: none"> <li>Age               <ul style="list-style-type: none"> <li>The Government have legislated that the Council cannot amend their Council Tax Reduction scheme for pension age claimants, which central Government recognise as being a protected group, and as such should not be impacted by any proposed changes brought about by any revised scheme.</li> <li>The scheme is open to all working age applicants. Approximately 2,800 of the 18,000 who currently claim, may lose some support under the new scheme - many of the losses are generally small in weekly terms.</li> </ul> </li> <li>Disability - No specific impact due to membership of this group.</li> <li>Gender reassignment - No specific impact due to membership of this group.</li> <li>Marriage and Civil Partnership - No specific impact due to membership of this group.</li> <li>Pregnancy - No specific impact due to membership of this group.</li> <li>Race (ethnicity, nationality, colour) - No specific impact due to membership of this group.</li> <li>Religion or Belief (and lack of belief) - No specific impact due to membership of this group.</li> <li>Sex - No specific impact due to membership of this group.</li> <li>Sexual orientation - No specific impact due to membership of this group.</li> </ul> <p><b>The Armed Forces Bill</b> places a new duty on public bodies to have due regard to ensure those who serve in the Armed Forces, whether Regular or Reserve, those who have served in the past, and their families, should face no disadvantage compared to other citizens in the provision of public and commercial services. Special consideration is appropriate in some cases, especially for those who have given most such as the injured and the bereaved. War Pensions and War Disablement Pensions will continue to be disregarded for both working age and pension age applicants, therefore they are not impacted by these proposals.</p> |

| Screening questions   | Response |   |   | Evidence   |
|---|----------|---|---|--|
| <p><b>Equality (continued)</b></p> <p>Could the decision result in adverse differential impacts on groups or individuals with characteristics protected in UK equality law?<br/>           Could the decision impact differently on other commonly disadvantaged groups?*</p> |          |   |   | <p>The proposed scheme is also relevant and impacts other groups.</p> <ul style="list-style-type: none"> <li>• Carers - No specific impact due to membership of this group.</li> <li>• Households with more than two dependants – Under the proposed scheme, Couples (and lone parents) with 2 or more children are all combined into the same income level. This means the income band is the same regardless of whether a claimant has 2 children, or more. This will negatively impact on some of the claims (depending on their other circumstances). The approximate number of claimants affected by this proposed change are 1,160. They are included in the overall number (2,800) of claimants impacted stated above. Any applicant who feels that they will experience exceptional hardship will be able to apply for additional support from the Council’s Exceptional Hardship Fund. This approach is in alignment with the Government’s approach to some other means – tested benefits.</li> <li>• Persons in receipt of Universal Credit - No specific impact due to membership of this group.</li> <li>• Applicants in receipt of the support component of Employment and Support Allowance (ESA) - No specific impact due to membership of this group.</li> </ul> <p>Evidence used to inform this assessment includes analysis of the various circumstances of the resident (using a modelling tool of proposed scheme options), compared to current support provisions. In addition, engagement has taken place with senior officers who have been involved in the development of the proposed scheme and supporting detailed delivery plans.</p> <p>Consultation has also taken place with residents of Middlesbrough, stakeholders, partners and Major Precepting authorities. The results are that all of the major proposed changes have attained a majority of support. This consultation has resulted in a few minor suggested changes to the proposed scheme, which generally impact positively on those who will claim the discount.</p> |
| <p><b>Community cohesion</b></p> <p>Could the decision impact negatively on relationships between different groups, communities of interest or neighbourhoods within the town?*</p>   | ☒        | ☐ | ☐ | <p>The proposed scheme should not impact negatively on relationships between different groups, communities of interest or neighbourhoods within the town. The scheme continues to be fair and consistent, although much broader in terms of the way in which net weekly income is assessed for support.</p> <p>Where there may be any different needs because of a protected characteristic or geography, the service will develop follow up actions focussed on addressing those unequal impacts. There are no concerns that the proposed scheme could have an adverse impact on community cohesion.</p> <p>Evidence used to inform this assessment includes analysis of the various circumstances of the resident (using a modelling tool of proposed scheme options), compared to current support provisions. In addition, engagement has taken place with senior officers who have been involved in the development of the proposed scheme and supporting detailed delivery plans.</p> <p>Consultation has also taken place with residents of Middlesbrough, stakeholders, partners and Major Precepting authorities. The results are that all of the major proposed changes have attained a majority of support. This consultation has resulted in a few minor suggested changes to the proposed scheme, which generally impact positively on those who will claim the discount.</p>  |

| Screening questions   | Response | Evidence |
|---|----------|----------|
| <p><b>Next steps:</b></p> <ul style="list-style-type: none"> <li>➤ If the answer to all of the above screening questions is No then the process is completed.</li> <li>➤ If the answer of any of the questions is Yes or Uncertain, then a Level 2 Full Impact Assessment must be completed.</li> </ul> |          |          |

|                                 |               |                         |                |
|---------------------------------|---------------|-------------------------|----------------|
| <b>Assessment completed by:</b> | Mark Symmonds | <b>Head of Service:</b> | Janette Savage |
| <b>Date:</b>                    | 26/01/2022    | <b>Date:</b>            | 26/01/2022     |



**Template for Impact Assessment Level 2: Full impact assessment**

|  |  |  |  |   |
|--|--|--|--|---|
| <b>Subject of assessment:</b>          | Council Tax Reduction (CTR) Scheme 2022-23                       |  |  |   |
| <b>Coverage:</b>                       | Service Specific (affects all wards)                             |  |  |   |
| <b>This is a decision relating to:</b> | <input checked="" type="checkbox"/> <b>Strategy</b>              | <input checked="" type="checkbox"/> <b>Policy</b>    | <input checked="" type="checkbox"/> <b>Service</b> | <input checked="" type="checkbox"/> <b>Function</b> |
|  | <input checked="" 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 checked="" 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 checked="" type="checkbox"/>                  | <b>Local or corporate requirements:</b>            | <input checked="" type="checkbox"/>                 |

|                             |   |
|-----------------------------|---|
| <b>Description:</b>         | <ul style="list-style-type: none"> <li>○ <a href="#">Key aims, objectives and activities</a></li> <li>○ The aim is to introduce a cost effective, simplified Council Tax Reduction scheme with effect from 1st April 2022.</li> <li>○ The proposed changes will provide the following: <ul style="list-style-type: none"> <li>○ Simplified claiming arrangements for all working age applicants;</li> <li>○ Speed of processing - applications will be dealt with more efficiently and without the need for significant levels of evidence; and</li> <li>○ Reduced administration costs. The proposed changes will prevent the administration costs from rising year on year which would be inevitable under the current scheme. The cost of the scheme has to be affordable to the council, and as such is not mandated by Central Government. The council can choose to fund the scheme over and above the current cost (or vice versa), however our options appraisal shows why remaining with the current scheme and various alternative options are not recommended.</li> </ul> </li> <li>○ The new scheme will affect all working age applicants who are currently in receipt of Council Tax Reduction on 1st April 2022 or those who apply after 1st April 2022. The scheme will not affect pension age applicants</li> <li>○ <a href="#">Statutory drivers (set out exact reference)</a></li> <li>○ 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 Support Scheme – Section 13 (2) confirms that each billing Authority in England must make a Council Tax Support 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</li> <li>○ <a href="#">Differences from any previous approach</a></li> <li>○ The proposed scheme has been simplified for working age claimants, using a broad ‘income grid’ approach, whereby a claimant’s CTR is decided by a number of factors, but predominantly by where their net weekly income compares to a broad income band range.</li> <li>○ <a href="#">Key stakeholders and intended beneficiaries (internal and external as appropriate)</a></li> <li>○ The key stakeholders include working age residents on low incomes, and precepting authorities such as Cleveland Police and Cleveland Fire. Consultation has been carried out with all stakeholders.</li> <li>○ <a href="#">Intended outcomes.</a></li> <li>○ More support for claimants on low income;</li> <li>○ Simplification of the scheme;</li> <li>○ Reduction in the administrative burden and the provision made for bad debtors;</li> <li>○ Reduce, if not remove, the high level of rebilling that occurs throughout the year due to benefit changes which ultimately leads to a delay in cash collection.</li> </ul> |
| <b>Live date:</b>           | 1 April 2022  |
| <b>Lifespan:</b>            | The proposed scheme (if accepted) will be in place for 2022-23 year. Each year the Council needs to confirm its scheme by 11th March.   |
| <b>Date of next review:</b> | Annually - reviews can be made every April, and the Council will review roll out, implementation and any unforeseen problems, and use this learning when designing schemes in future years.   |

| 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"/> | No negative impacts identified in the level one assessment.   |
| <b>Equality</b>  |                                     |                                     |                                     |                                     |                          |   |
| Age  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <p>The Government have legislated that the Council cannot amend their Council Tax Reduction scheme for pension age claimants, which central Government recognise as being a protected group, and as such should not be impacted by any proposed changes brought about by any revised scheme.</p> <p>The level one impact assessment identified that most working age claimants will receive a higher level of support. However, there are some working age claimants will receive less support.</p> <p>In order to ensure that the proposed scheme is (in general) cost neutral to the council, when increasing the support for the most financially vulnerable from 85% to 90%, this in turn will create some who are worse off. Approximately 2,800 working age applicants may lose some support under the new scheme (many of the losses are generally small in weekly terms). This impact is justified due to the aim of the council for the scheme to be cost neutral. However, the impact can be partially mitigated.</p> <p>Any applicant who feels that they will experience exceptional hardship will be able to apply for additional support from the Council's Exceptional Hardship Fund (Section 13a payments).</p> |
| Disability   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | The proposed scheme has been designed to ensure that all disability benefits are fully disregarded (as in the current scheme) and a further disregard made from the applicant's other income to ensure that cases are not worse off.  |
| Gender reassignment  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | No effect other than for working age applicants generally.  |
| Pregnancy / maternity  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | No effect other than for working age applicants generally.  |
| Race   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | No effect other than for working age applicants generally.  |
| Religion or belief   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | No effect other than for working age applicants generally.  |
| Sex  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | No effect other than for working age applicants generally.  |
| Sexual Orientation   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | No effect other than for working age applicants generally.  |

| Assessment issue                               | Impacts identified                  |                                     |                                     |                                     |                          | Rationale and supporting evidence   |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--------------------------|---|
|  | None                                | Positive                            | Negative                            |                                     | Uncertain                |   |
|  |                                     |                                     | Justified                           | Mitigated                           |                          |   |
| Marriage / civil partnership**                 | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | No effect other than for working age applicants generally.  |
| Dependants / caring responsibilities**         | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <p>Under the proposed scheme, Couples (and lone parents) with 2 or more children are all combined into the same income level. This means the income band is the same regardless of whether a claimant has 2 children or more. This will negatively impact on some of the claims (depending on their other circumstances). This approach is in alignment with the Government's approach to some other means – tested benefits.</p> <p>The approximate number of claimants affected by this proposed change are 1,160. They are included in the overall number (2,800) of claimants impacted stated above.</p> <p>This impact is justified due to the aim of the council for the scheme to be cost neutral. However, the impact can be partially mitigated.</p> <p>In order to mitigate the impact on negatively affected groups, any applicant who feels that they will experience exceptional hardship will be able to apply for additional support from the Council's Exceptional Hardship Fund. (Section 13a payments).</p> |
| Criminal record / offending past**             | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | No effect other than for working age applicants generally.  |
| <b>Community cohesion</b>                      |                                     |                                     |                                     |                                     |                          |   |
| Individual communities / neighbourhoods        |                                     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | No negative impacts identified in the level one assessment.   |
| Relations between communities / neighbourhoods |                                     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> |   |

| Further actions           |   | Lead          | Deadline   |
|---------------------------|---|---------------|------------|
| <b>Mitigating actions</b> | Creation of a revised and funded Section 13 a scheme to allow for payments to be made for impacted CTR claimants who cannot afford to pay the additional Council Tax. | Mark Symmonds | April 2022 |

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

|                                  |  |  |  |
|----------------------------------|--|--|--|
| <b>Promotion</b>                 | <p>The revised Section 13 a Scheme will be promoted through various means; including (but not limited to):</p> <ul style="list-style-type: none"> <li>○ Information of the Council's website;</li> <li>○ Social media;</li> <li>○ Communication to staff, stakeholders, partners, claimants, etc.</li> </ul> | Mark Symmonds                                  | April 2022   |
| <b>Monitoring and evaluation</b> | <p>The scheme will be monitored in conjunction with the medium term financial plan, and alongside any changes brought about by central Government.</p> <p>Evaluation will be carried out in conjunction with monthly service review meetings, and against the service's Key Measure of Success</p>           | Martin Barker, Mark Symmonds, Service Managers | Ongoing – for all years that this scheme is adopted. |

|                                 |               |                         |                |
|---------------------------------|---------------|-------------------------|----------------|
| <b>Assessment completed by:</b> | Mark Symmonds | <b>Head of Service:</b> | Janette Savage |
| <b>Date:</b>                    | 26/01/2022    | <b>Date:</b>            | 26/01/2022     |

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**MIDDLESBROUGH COUNCIL**

|                   |   |
|-------------------|---|
| <b>Report of:</b> | Andy Preston - Elected Mayor of Middlesbrough<br>Ian Wright - Director of Finance |
|-------------------|---|

|                      |                           |
|----------------------|---------------------------|
| <b>Submitted to:</b> | Council, 23 February 2022 |
|----------------------|---------------------------|

|                 |   |
|-----------------|---|
| <b>Subject:</b> | Revenue Budget, Council Tax, Medium Term Financial Plan, and Capital Strategy 2022/23 |
|-----------------|---|

### Summary

#### Proposed decision(s)

That the Council approves the proposed budget strategy for 2022/23 as set out in paragraphs 30 to 70.

Having taken into account the matters set out in Section 32 of the Local Government Finance Act 1992 and the items set out within the report, that the Council approves the budget requirement for 2022/23 to be set at £118,328,934 as detailed in Appendix 1.

That the Council approves the actual amount of Council Tax (Band D) for areas without parish precepts (excluding Fire and Police) be set at £1,809.67. This represents a total increase of 2.99%. This comprises of a 0% increase in general Council Tax, and an additional precept of 2.99% for Adult Social Care (which includes 1% relating to 2022/23, and 1.99% of unused remaining allowable allocation from 2021/22), which has been continued by the Government to contribute towards the shortfall of funding for adult social care.

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             | £ 1,819.10 |
| Stainton and Thornton Parish | £ 1,818.98 |

That the Council approves the amounts of Council Tax for each category of dwelling be set in accordance with table 4 of Appendix 3 within the report.

That the Council notes the refreshed Medium Term Financial Plan position for 2022-25 set out in this report in paragraphs 92 to 144.

That the Council approves the updated Investment Strategy for the period to 2024/25 as outlined in paragraphs 145 to 150 and detailed in Appendix 4.

That the Council approves the Capital Strategy Report (Prudential indicators, Investment Strategy and Minimum Revenue Provision) 2022/23 as outlined in paragraphs 151 to 162 and detailed in Appendix 5, and approves the Authorised Limit for external borrowing of £356 million for the Council for 2022/23 as set out in paragraph 161.

| <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 2022/23 and the revision of the Council’s Medium Term Financial Plan for 2022-25 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 £118,328,934, Council Tax increase of 2.99% (paragraphs 71 to 91), and Capital Strategy Report for 2022/23 (paragraphs 151 to 162). 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 24 November 2021, this report also provides a refreshed Medium Term Financial Plan (MTFP) for the period 2022/23 to 2024/25 to reflect the 2022/23 Local Government Finance Settlement (paragraphs 17 to 29).
3. The Medium Term Financial Plan update in this report is integrated with the £207.7 million Investment Strategy for Middlesbrough for the period from 2021/22 to 2024/25, supported by £102.7 million of the Council's own resources. The updated Investment Strategy is shown in Appendix 4.
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 2022/23.

## **Report Background**

### **Refreshing the Strategic Plan for the 2022-25 period**

6. Full Council approved a Strategic Plan for the period 2021-24 on 24 February 2021. That plan set out 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. Following publication of several key White Papers over the past year, specifically in respect of adult social care reform and 'Levelling Up', the Council is currently reviewing whether it is necessary to further revise its strategic priorities and additional actions it may need to take in response to the changing delivery landscape and local needs and ambitions, including those identified in the Let's Talk 2022/23 budget consultation. Should any significant changes to strategic priorities be considered necessary, these will be proposed to Council on 30 March 2022, with public consultation on changes to be undertaken thereafter. The proposed revised Strategic Plan for 2022-25 will then be presented to Council in June 2022 for consideration.

## Consultation

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 24 November 2021 which provided an update in respect of the Council's Medium Term Financial Plan position for the period to 2024/25, reflecting and supporting delivery of the Strategic Plan.
9. The Elected Mayor set out at the Council meeting on 24 November 2021 the proposed budget and a proposed total Council Tax increase of 2.99% for 2022/23. In order to protect front line delivery the budget proposed included no additional budget savings in 2022/23. There was a desire to minimise the effect of Council Tax increases to residents, whilst also taking account of the fact that the Government were likely to assume that the Council will increase its Council Tax by this amount in their calculation of the Council's Core Spending Power, which is a measure of how much the Government believes the Council can raise from Council Tax and that it has available to spend.
10. 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 November 2021 there were no additional budget savings proposals for 2022/23, and therefore the budget consultation was only regarding the proposed budget and Council Tax increase for 2022/23.
11. Consultation in respect of the proposed budget and Council Tax increase for 2022/23 commenced on 25 November 2021 and concluded on 23 January 2022, with appropriate impact assessments undertaken considering responses to the consultation.
12. The budget consultation was undertaken this year as part of an "annual conversation, with local communities and Council's stakeholders. This built on the success of last year's "Let's Talk" annual conversation.
13. The aim was to encourage as many people as possible to take part in the annual budget consultation.
14. The consultation this year included the following :
  - a general public survey on the Council's website, with hard copies available upon request;
  - a general consultation email address;
  - consultation with the Council's Overview and Scrutiny Board;
  - consultation with the local business sector, including a specific consultation meeting with the local Chamber of Commerce on 19 January 2022; and
  - involvement of elected members in the overall process.
15. The consultation resulted in 488 responses to the Council's consultation. Analysis of the budget consultation responses shows:

- 33.81% of respondents who answered the question were in favour of a Council Tax increase of 2.99%. 65.78% were against, and two individuals did not answer the question
  - The survey asked those who disagreed with the budget proposal to provide alternative suggestions they thought should be considered. 244 comments were received. Comments and alternative suggestions related to member and officer remuneration, concerns about the impact of inflation and affordability, business rates and perceived waste within service delivery and various high profile projects.
16. 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 176 to 180 of this report. An overall impact assessment that has been completed as part of this process is appended to this report in Appendix 2. It is recognised that the majority of responses were against the proposed Council Tax increase, however the experience over the last year and the ongoing effect of Covid-19 and other risks mean that it is felt that the Council Tax increase cannot be reduced any further without adversely affecting service delivery and the medium term financial stability of the Council.

### **The Local Government Finance Settlement (LGFS)**

17. The Autumn Budget and Spending Review 2021 (SR21), published by the Government on 27 October 2021, set out the Government's spending plans for the lifetime of the parliament.
18. Whilst SR21 provided a number of indications of the level of funding that will be available for local government over the period it did not provide full details of the funding mechanism, or confirm that a multi-year funding settlement would be provided to local authorities. It also did not provide individual funding allocations for each local authority.
19. The full details of the funding mechanism and the allocation to individual local authorities for 2022/23 only was provided as part of the provisional Local Government Finance Settlement which was published on 16 December 2021 and after a period of consultation was confirmed as part of the final settlement published on 7 February 2022.
20. SR21 announced additional funding for local government. These were subsequently included in both the provisional local government settlement of 16 December 2021 and in the final settlement published on 7 February 2022.
21. Whilst the additional funding is welcomed, a large proportion of the funding announced will be for one year only (2022/23), 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.

22. Even though there was additional funding announced for 2022/23, 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 £41.3 million (51%) from £81.2 million received in 2013/2014 to £39.9 million in 2022/23.
23. 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.
24. The main areas of additional funding are detailed in the following bullet points:
- The introduction of a one-off Services Grant worth £822 million nationally in 2022/23. This new grant has been distributed through the existing formula for assessed relative need across the sector, using 2013/14 shares of Settlement Funding Assessment. The new grant is intended to provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government. It includes funding for local government costs for the increase in employer National Insurance Contributions. The grant will not be ring-fenced. The Government intends this to be a one-off grant for 2022/23 and to work closely with local government on how to best use this funding from 2023/24 onwards. This funding would be excluded from any proposed baseline for transitional support as a result of any potential future system changes. Middlesbrough Council's allocation for 2022/23 is £3.172m, which is decrease of £0.878m from the estimated £4.050m initially assumed in the MTFP Update report to Council in November 2021.
  - Existing 2021/22 Social Care funding comprising Social Care Grant of £6.339m, relating to both Adults and Children's Care, is continued for 2022/23. In addition to this additional Social Care Grant of £2.204m for 2022/23, relating to both Adults and Children's Care, was also announced. This means that Middlesbrough will receive £8.543m of Social Care Grant in 2022/23.
  - The Government outlined at SR21 that £3.6 billion will go directly to local government over the SR21 period to implement the cap on personal care costs and changes to the means test within adult social care as part of the adult social care reform outlined in the Health and Social Care White Paper. This funding will also help local authorities better sustain their local care markets by moving towards a fairer cost of care. As part of this funding the Government announced in the LGFS that in 2022/23 this will be the Market Sustainability & Fair Cost of Care Fund worth £162 million nationally and £512,000 to Middlesbrough in 2022/23. The methodology used for distributing the funding in 2022/23 is the existing adult social care relative needs formula. The 2022/23 funding is designed to ensure local authorities can prepare their markets for reform and move towards paying providers a fair cost of care, as appropriate to local circumstances, and therefore currently it has been assumed in the updated MTFP that all income received from this additional funding will be fully utilised to cover the increased costs arising from this. The LGFS did not announce any details of the method of allocation to individual authorities of the overall funding for future years.

- That the improved Better Care Fund (iBCF) for Adult Social Care will increase by inflation, which is set at the level of Consumer Price Inflation at September 2021 which was 3.1%. The inflationary increases to this grant creates additional income to the Council of £254,000 in 2022/23, and it has been assumed in the 2022/23 budget that this will be fully offset by increased costs.
- Revenue Support Grant (RSG) will increase by inflation for 2022/23, which is set at the level of Consumer Price Inflation at September 2021 which was 3.1%. The inflationary increases to this grant creates additional income to the Council of £377,000 in 2022/23.
- SR21 announced and the LGFS confirmed, that as well as legacy payments from previous years continuing to be received, there would also be new 2022/23 allocations of New Homes Bonus Grant, however there would be no legacy payments in future years for the new 2022/23 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 2022/23. Estimates of New Homes Bonus to be received by the Council in the MTFP period have been revised to reflect this announcement, with additional income to the Council of £773,000 in 2022/23.
- The continuation of Lower Tier Services Grant (LTSG) introduced in 2021/22 for 2022/23, worth £111 million nationally in 2022/23. The aim is to support lower-tier services including homelessness, planning, recycling, refuse collection and leisure services. Middlesbrough's allocation for 2022/23 is approximately £300,000. The LGFS did not indicate if this would continue in future years beyond 2022/23, and therefore currently in the updated MTFP it is assumed that this will be a one-off grant only in 2022/23.
- SR21 stated that it was the Government's intention to maintain the total Public Health Grant in real terms. Whilst the LGFS did not provide any details of the Public Health Grant allocations, these were subsequently announced separately for 2022/23 only on 7 February 2022. Middlesbrough will receive £17,730,663 grant in 2022/23, a 2.81% increase on the amount received in 2021/22. This is below the current rate of inflation, and also slightly below the level of inflation used to calculate the RSG increase. Also additional responsibilities have been added in, including Covid-19 functions (test, track and trace, outbreak planning, and other public health Covid-19 spend). The Public Health Grant is ringfenced for use on public health functions. It is therefore assumed that the increase in funding of approximately £484,000 will be fully spent on public health activities.
- The Government also confirmed within the Local Government Finance Settlement that there would be no further Government funding in 2022/23 to local authorities for the financial effects of the Covid-19 pandemic.

25. 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 2022/23 and therefore the payment to Middlesbrough has remained the same as in 2021/22 at £27.299 million.

26. The LGFS announced additional Section 31 Business Rates grant of £1.368 million, which compensates for the under indexation of the Business Rates multiplier over previous years and for the freezing of the small business multiplier in 2021/22 and 2022/23 on the top up payment mentioned above. It is proposed that due to the risk to the Council's finances that the future economic climate caused by Covid-19 continues to adversely affect Council Tax and Business Rates collection rates and the corresponding income received by the Council over the MTFP period, and that this is not compensated for by additional Government grant funding, this has been placed in a contingency budget for the potential effects of this in the future. This will be closely monitored and updates will be provided in future reports.
27. An estimate has been made of retained business rates income in 2022/23 of £15.468 million. This figure represents a decrease of £2.125 million on 2021/22. This reduction is due to the Retail, Hospitality and Leisure Relief granted by the Government to business in 2022/23 only. The Council has been compensated for this, including the effects of the freezing of the small business multiplier in 2022/23, by receipt of additional Section 31 Business Rates Grant of £3.439 million in 2022/23 only. Note that this is in addition to the Section 31 grant outlined above in paragraph 26, making a total increase in Section 31 Business Rates Grant of £4.807 million in 2022/23.
28. 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 ratepayers and also to understand what proportion of such appeals might be successful. Performance against this estimate will be closely monitored over the course of 2022/23.
29. Whilst not strictly part of the LGFS, in the documentation it was confirmed that as mentioned in SR21 the Troubled Families Programme (now called Supporting Families Programme) which was planned to cease at the end of March 2022, would continue until 2024/25. 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 2022/23 to continue essential services following the planned removal of the grant from 2022/23, however the announcement of the continuation of funding has now enabled this provision to be removed from the MTFP. The LGFS announced that allocations for individual local authorities for 2022/23 would be announced separately at a later date.

## **Proposed Revenue Budget 2022/2023**

### ***Budget Principles***

30. In preparing the 2022/23 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 Leadership 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. However, it should be noted that due to rising inflation rates additional inflation contingencies, which will be held centrally, have been provided for in the 2022/23 budget setting;
- 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 Leadership Management Team; and
- a consistent framework for budgeting for staff costs will be implemented.

### ***Budget Assumptions***

31. The following budget assumptions have been applied:

#### *Pay awards*

32. No agreement has yet been reached between the National Employers and the NJC Trade Unions as to the pay award for 2021/22 for Local Government Services employees effective from 1 April 2021. The National Employers have made a full and final offer of 1.75% for 2021/22. The current assumptions in the MTFP are for a 2% pay award each year in both 2021/22 and 2022/23 and future years of the MTFP. Based on current information these assumptions are still valid, and have therefore not been changed. As well as the uncertainty caused by the delay in finalising the 2021/22 pay award, there is also a high level of uncertainty around local government pay awards in future years, and therefore the assumptions made in the MTFP for future years will be constantly reviewed. It should be noted that each 1%

increase in pay equates to approximately £900,000 additional cost per annum. Approximately £1.8 million has currently been provided in a central pay and prices contingency budget for the potential effect of the pay award in 2022/23. This is in addition to the £1.8 million held in the central pay and prices contingency budget for the outstanding 2021/22 pay award.

#### *Additional employers National Insurance contributions*

33. As mentioned in the MTFP Update report to Council in November 2021 the Council will have to pay from 2022/23 increased National Insurance contributions for its own staff, and also any potential costs relating to this from its suppliers. It has been estimated that the cost of the increased National Insurance contributions for Council employed staff will be approximately £1m per annum. Due to the uncertainty regarding the pay awards and the potential knock on effect, this will initially be held centrally and allocated to Directorates in the first quarter of 2022/23.

#### *Living Wage*

34. Provision of £1.7m has been made in 2022/23 for the impact of the increase in the National Living Wage on the costs of adult social care services commissioned by the Council. This accounts for the Government announcement in SR21 that it remains committed to raising the National Living Wage in order so that it reaches two-thirds of median earnings, and that the National Living Wage will increase from £8.91 to £9.50 an hour effective from 1 April 2022 (a 6.6% increase).

#### *Inflation*

35. As extensively reported nationally there are currently hyper-inflationary increases in the cost of energy, and this is likely to exist in the medium term. The extent to these increases is not yet fully known, but in light of this and using estimates based on latest available information, provision of £371,000 per annum has been made in the updated MTFP from 2022/23 for the potential effects of this.
36. Contractual inflation at a total cost of approximately £1.5 million has been assumed for 2022/23. No provision has been made for inflation for supplies and services, and it is expected that any inflationary pressures in this area will be met from efficiency savings. However, as detailed in paragraph 38 a contingency budget for the potential effects of this has been included for 2022/23, due to the potential inability of service directorates to achieve this in 2022/23 due to the current high levels of inflation.
37. Income from fees and charges has been assumed to generally increase on average by 1% in 2022/23, with the exception of the following :
- building cleaning provided to external bodies (including schools) - 5%
  - catering services provided to external bodies (including schools) - 2%
  - legal fees - 2%

This will produce an estimated total income of approximately £0.4 million in 2022/23. There is no increase assumed in 2022/23 for car parking charges, statutory charges, and for budgets where income targets are currently not being achieved. In light of the



ongoing effects of Covid-19, all income will be closely monitored for performance against income targets and reviewed as necessary.

#### *Additional inflation contingencies*

38. Inflation is nationally running at high levels across a wide range of areas and therefore specific analysis has been made of the potential effects of additional inflation costs for Middlesbrough from 2022/23. Additional inflation contingencies totalling approximately £4.6m of recurring funding have been provided for, based on the estimated potential effect in the following areas :
- Pay award - £900,000 contingency to provide for potential pay award up to a maximum of overall of 3% (as mentioned in paragraph 32 the budget currently provides for 2%)
  - Energy - contingency of a further £459,000 (this is in addition to £371,000 already provided for as detailed in paragraph 35)
  - General supplies and services – £459,000 (see also paragraph 36)
  - Vehicle fuel – £51,000
  - Food (including school catering and children’s homes) – £105,000
  - Agency staff costs – £245,000
  - Increased Adult Social Care Costs over that already provided for in budget - £1,604,000
  - Increased Children’s Care costs over that already provided for in budget - £545,000
  - Potential non-achievement of inflation applied to income budgets due to economic climate - £276,000
39. It should be noted that in the MTFP Update report to Council in November 2021, an amount of £1m per annum was provided for increased costs charged by suppliers, including for the effect of the increase in National Insurance contributions and other potential inflationary increases from suppliers. This has now been removed and replaced by the above.
40. Due to the continuing uncertainty around this and the ongoing effects it is proposed that this is held centrally as a contingency budget, and will be allocated when appropriate to Directorates if required. In the opinion of the Director of Finance, based on current information available, this provision should be sufficient to cover inflation pressures in 2022/23.

#### *Spending pressures –Children’s Social Care*

41. As reported previously Children’s Social Care, remains the biggest area of financial concern for the Council. The Council has an Ofsted Improvement Plan in place, and the financial situation is being closely monitored jointly by the Service and Finance, and a three year plan has been drawn up to ascertain the estimated outturn position for the current and future financial years and therefore the potential MTFP impact.
42. The report to Council in November 2021 detailed additional funding totalling over £3.3m which has been provided in the MTFP to Childrens Services from 2024/25 to support this. In order to enable some initial permanency of staff supporting the

improvement journey £300,000 of this funding has been provided earlier from 2022/23.

#### *Covid-19 ongoing pressures*

43. As detailed in the report to Council in November 2021, there are a number of income generating areas for the Council, such as parking, cultural and leisure facilities that could potentially see budget pressures as a result of the continuing effect of Covid-19 and the recovery both in 2021/22 and beyond. Provision has been in the MTFP for the effects of these as outlined in the following paragraphs.
44. From 2022/23, £230,000 per annum has been provided for the potential lost income from the cultural events and activities provided at the Town Hall, which has also been compounded by the potential effect on income due to the Globe Theatre opening nearby in Stockton.
45. Provision has been made for reduced car parking income in the future due to the effects of increased home working following lockdown and the reductions in people using the retail provision in the town centre. The pressure can be covered in 2022/23 from grant income received from the Tees Valley Combined Authority (TVCA) for the provision of 3 hour free parking across the Tees Valley, however from 2023/24 there is a requirement for additional annual budget provision of £677,000 and a further £87,000 in 2024/25.
46. As detailed in the MTFP Update report to Council in November, whilst it is not planned to provide any further subsidy support beyond 2021/22 relating to the Covid-19 ongoing impacts on SLM's (the Council's provider of leisure facilities) income, provision has been made in the MTFP from 2022/23 to reflect the fact that it may be difficult for SLM to achieve a profit in the medium term and therefore fully pay the "profit share" due under the contract. An incremental approach to SLM achieving their contracted "profit share" by 2025/26 has been provided for in the MTFP.
47. Detailed discussions are currently taking place with SLM on an open book basis in order to reduce as far as possible the financial pressure to the Council in both 2021/22 and in future years, and updates will be provided in future reports.
48. As mentioned in the report to Council in November there is potential ongoing future "Covid scarring", in particular within the Care Sector. Additional provision totalling £2,334,000 has been made for this in 2022/23 only. It should be noted that previously it was intended to leave £856,000 in the MTFP from 2023/24 onwards for this, however due to the additional Government funding for Social Care announced in the LGFS it has now been determined that this can fully be removed from the MTFP from 2023/24 onwards.

#### *Other Spending pressures*

49. The MTFP report to Council in November 2021 detailed a number of ongoing spending pressures / service demand pressures which are likely to continue in the future and for which funding has been provided in 2022/23 and ongoing :

- £150,000 for Bereavement Services to reflect reduced income due to Stockton crematorium opening
- £120,000 for the Integrated Transport Unit budget, where there are increased numbers of children qualifying for home to school transport. In addition, there is a predicted increase in external contract prices caused by a shortage of drivers which is increasing wages, and also due to the increase in fuel prices
- £160,000 for ongoing increased costs in the Coroners Service due to a rise in the number of cases, and an increase in pathology and post-mortem costs
- £41,000 for an additional post within Education and Partnerships to develop and expand the Fifty Futures Programme
- £76,000 for additional posts within the Freedom of Information (FOI) team to deal with an increase in the number and complexity of FOI requests received by the Council
- £50,000 per annum for 3 years for Community Environmental Initiatives as approved by Executive on 5 October 2021
- £100,000 additional per annum in both 2022/23 and 2023/24 for the potential additional costs arising from the Insurance Review
- £484,000 has been provided within the Education and Partnerships budget for the funding of Inclusion/Specialist Support Services to young people (this was previously funded from the Dedicated Schools Grant (DSG) which the Council receives). However, this is fully mitigated by increased Education contributions of £750,000 funded from DSG towards the cost of external residential agency placements.

50. The report to Council in November 2021 outlined an anticipated pressure estimated to be £500,000 per annum as a result of the need to secure an alternative contractor to process kerbside recycling material following the previous contractor entering into administration, and at that time this was assumed in the updated MTFP. Following the end of the tender process for a new contractor and evaluation of the results of the tender exercise it has been determined that this will no longer be required, and also in addition the existing revenue budget can be reduced by £180,000 making a total saving of £680,000 achieved as a result of the tender exercise.
51. Provision of £169,000 per annum has been made from 2022/23 to the Waste Collection budget for increased demand in cleansing (including in back alleys).

#### *Additional income*

52. As reported to Council in November 2021 additional rental income above the current budget is estimated to be received from developments that the Council has made in the town. Additional annual income of £330,000 in 2022/23 is predicted due to the continued success of Tees Advanced Manufacturing Park (TeesAMP). In addition, additional unbudgeted income of £200,000 per annum from Captain Cook Square is assumed from 2022/23. Both these developments, along with the Centre Square Buildings 1 and 2 development, have provided additional income to the Council, after deducting capital financing costs, which has negated the need for the Council to make budget reductions to front line services.

### *Additional Investment*

53. Revenue funding of £200,000 has been provided for 2022/23 only to provide additional support for the provision of events in the town. This will help with the recovery of Middlesbrough following the Covid-19 pandemic.
54. A budget of £495,000 per annum has been provided for investment in services provided to residents. It is proposed that this will be spent on delivering the priorities of the current and to be refreshed strategic plan, such as tackling antisocial behaviour, enhanced youth provision, and enforcement action against eyesore sites. This budget will initially be held centrally, and will be allocated to service directorates throughout 2022/23.
55. A total of £949,000 has been provided from 2022/23 for the impact on the Capital Financing budget of the Council's Investment Strategy. This includes additional revenue funding for capital financing costs associated with projects recently approved by Executive, including additional Fountains Court Refurbishment and Fit Out (£165,000 per annum from 2022/23), Flexible Use of Capital Receipts Strategy (£208,000 per annum from 2022/23), and Built Assets Capital Investment (£81,000 per annum in 2022/23, a further £74,000 in 2023/24 and a further £37,000 in 2024/25). Full details were provided in the relevant Executive reports.
56. The total provided also includes provision in respect of the following potential projects which subject to approval by Executive will be added to the Council's agreed Investment Strategy in future years :
  - Highways Maintenance Programme - £200,000 per annum in each of the years 2022/23, 2023/24 and 2024/25 (total of £600,000 over the 3 years)
  - Transporter Bridge structural improvements - £80,000 per annum from 2022/23
57. The Capital Financing budget will be closely monitored during 2022/23 with updates being provided via the quarterly budget monitoring reports, and any required changes being reflected in future refreshes of the MTFP.

### ***Budget Savings***

58. As reported in the MTFP Update Report to Council in November 2021 in light of the recovery from Covid-19 and the potential effect on staff the £180,000 saving related to "reducing staff mileage rates across the Council" has been removed from the MTFP from 2022/23.
59. It should also be noted that, as mentioned in the November 2021 report, it is expected that the full amount of savings relating to Digital will be achieved from 1 April 2022 as per the original intended methods.
60. As stated in the report to Council in November 2021 no additional budget savings were required for 2022/23, due to the proposal to increase Council Tax by 2.99% in 2022/23 in order to protect front line service delivery.

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

61. 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.
62. 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.
63. 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 from the current level of £11 million to £12 million in 2022/23 (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.
64. The main high level factors affecting this assessment are increasing inflation, uncertainty around the level of pay awards, the continued potential for increased demand and costs in Children's and Adults Social Care, and the degree of uncertainty in the financial and economic climate for local government due to a number of factors. The following provides further details of this and the calculation of the £12 million level is made by using the mid-point of the following factors:
- Inflation (including pay awards): to provide for an increase of 1%-2% above that currently provided equating to £1.8m to £3.6m.
  - Further demand-led pressures (mainly Adults and Children's Social Care): to provide for an additional upturn in demand £0.5m to £4m
  - Local Government Finances: uncertainty post-2022 around Government funding and business rates reform equating to £0.5m to £1.5m.
  - General Economic Climate : mainly the potential further effect on Business Rates & Council Tax Income equating to £0.5m to £1m
  - Future Covid-19 outbreaks : further expenditure and income shortfalls and lack of Government funding equating to £0.3m to £2m
  - Potential loss of Services grant (provided for 2022/23 only - but assumed in MTFP will continue in some form) : £0m to £3.2m
  - DSG Deficit balance on Reserve : potential requirement to fund this from 2023/24 equating to £0m to £4.3m
  - Adult Social Care reforms (Health and Social Care White Paper): costs of implementing the cap on personal care costs and changes to the means test within adult social care and moving to a fair cost of care being greater than funding provided by Government equating to £0m to £1m
65. The current estimated level of the General Fund Reserve at the end of 31 March 2022 is £11.2 million as reported in the Revenue and Capital Budget – Projected

Outturn position as at Quarter Three 2021/22 report to Executive on 14 February 2022.

66. The level of balance in all reserves available to the Council may be affected by any change in the current projected overspend for 2021/22. The total projected overspend for 2021/22 of £5.046 million as at the end of Quarter Three was detailed in a separate report to Executive on 14 February 2022. 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 2021/22, but if this continues it is a significant risk to the Council's financial position in the longer term.
67. The appropriate level of reserves for 2022/23 onwards will need reconsidering in light of financial performance in 2022/23, the ongoing effect of Covid-19, and the outcome of any local government finance reforms announced.
68. The Council intends to allocate an additional £0.2 million in 2022/23 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 the end of 2022, in light of the need to invest in projects in the meantime.
69. Appendix 6 attached to this report provides a statement from the Council's Section 151 Officer (the Director of Finance) under Section 25 of the Local Government Act 2003. Within the statement, the Director of Finance has confirmed that the budget calculations for 2022/23 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.
70. It is the opinion of the Director of Finance that medium term uncertainty is the key risk to the Council's future finances, this is because of the lack of information on the impact of Local Government Finance Reform in 2023/24 and of Social Care Reform over the next decade. In the interests of prudent budget planning the Director of Finance considers that a Council Tax increase of 2.99% is key to ensuring that the Council will have sufficient funds to meet its obligations in the medium term should the impact of external factors be more negative than currently assumed.

### ***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 any budget reductions required, and the medium to long term implications of the Local Government Finance Settlement 2022/23.

72. In the Local Government Finance Settlement, the Government confirmed that Councils would be able to increase the core element of Council Tax by up to 2% in 2022/23 without the requirement to hold a referendum.
73. The Local Government Finance Settlement also confirmed the continuation of the Adult Social Care Precept at 1% for 2022/23. It also confirmed that Councils who did not use their full allowable Adult Social Care Precept of 3.00% announced in the 2021/22 LGFS, which was allowed to be split over 2021/22 and 2022/23, could apply any remaining amount to the 2022/23 Council Tax increase. The Adult Social Care Precept 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. Increasing the Council Tax for the Adult Social Care Precept by 1% in 2022/23, will generate approximately £600,000 of resources in 2022/23 to support our most vulnerable adults through a series of preventative and early help initiatives. Middlesbrough Council only increased Council Tax for the Adult Social Care Precept by 0.76% in 2021/22, and therefore there is still potentially 2.24% of the allowable Adult Social Care Precept of 3.00% announced in the 2021/22 LGFS which could be applied to the 2022/23 Council Tax increase.
74. Local authorities can therefore potentially increase their Council Tax by a total of up to 3% in 2022/23, plus their remaining allocation of Adult Social Care Precept from 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. In the report to Council on 24 November 2021 the recommendation was that the Council adopts a 1.99% increase in the core general Council Tax for 2022/23, and also an increase of 1% for the Adult Social Care Precept, meaning a total proposed Council Tax increase of 2.99% in 2022/23. The total proposed Council Tax increase of 2.99% in 2022/23 still remains the recommended increase, but it is now proposed that the full amount of the increase will be due to the Adult Social Care Precept using the 1% allowed in 2022/23 as part of the 2022/23 LGFS and also using 1.99% of the remaining 2.24% Adult Social Precept announced in the 2021/22 LGFS. This is lower than the Government expectations as announced in SR21 and the LGFS, and in line with the long term requirement to properly fund services in the Adult Social Care sector.
77. This is proposed in order to ensure that no additional budget savings are required to be made in setting the budget for 2022/23.
78. This has meant that the effect of the above means that it is proposed and assumed that for 2022/23 Council Tax will increase by 2.99% on the Middlesbrough Council only element of the Council Tax (excluding Fire and Police and Parish precepts).

79. Since 2013/14 the Council's Housing Growth Strategy has delivered an increase in the Council Tax Base of 5,057 Band D Equivalent properties, an increase in Middlesbrough Council's Tax Base of approximately 16.8% The cumulative effect is approximately £9.1 million per annum and reduces the need to make further annual savings within Council services by this amount.
80. The Council is required to set a budget for 2022/23. 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 2022/23.
81. The Budget requirement for 2022/23 is estimated to be £118.329 million as detailed in Appendix 1.
82. The basic (Band D) Council Tax for Middlesbrough as a whole is calculated as follows:

|   | £          | £           |
|---|------------|-------------|
| Budget Requirement                        |            | 118,328,934 |
| Less:                                     |            |             |
| Revenue Support Grant                     | 12,597,873 |             |
| Top up Payment                            | 27,299,015 |             |
| Local Share of NNDR                       | 15,467,703 |             |
|   |            | 55,364,591  |
| Net Requirements                          |            | 62,964,343  |
| Estimated Collection Fund Deficit 2021/22 |            | 818,769     |
|   | (a)        | 63,783,112  |
| Taxbase                                   | (b)        | 35,228      |
| Basic Council Tax                         | (a) / (b)  | 1,810.58    |

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.

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: |        | 1,810.58        |
| Less : Parish Precepts | 31,994 |                 |
| Divided by Tax Base    | 35,228 |                 |
| Equals                 |        | 0.91            |
| <b>Band D Tax</b>      |        | <b>1,809.67</b> |



b) Nunthorpe:-

|                     |        |                 |
|---------------------|--------|-----------------|
|                     | £      | £               |
| Add: Parish Precept | 20,450 |                 |
| Divided by Tax Base | 2,168  |                 |
| Equals              |        | 9.43            |
| <b>Band D Tax</b>   |        | <b>1,819.10</b> |

c) Stainton & Thornton:-

|                     |        |                 |
|---------------------|--------|-----------------|
|                     | £      | £               |
| Add: Parish Precept | 11,544 |                 |
| Divided by Tax Base | 1,240  |                 |
| Equals              |        | 9.31            |
| <b>Band D Tax</b>   |        | <b>1,818.98</b> |

84. The tables at paragraph 83 relate only to Middlesbrough Council's element of the Council Tax and excludes Cleveland Police and Crime Commissioner and Cleveland Fire Authority precepts.
85. The level of Council Tax associated with the budget requirement represents a total increase of 2.99% in the level of Council Tax for areas without parish precepts (excluding Fire and Police precepts). This comprises of a 0% increase in general Council Tax, and an additional 2.99% increase in the Adult Social Care Precept (this includes the 1% allowed in 2022/23 as part of the 2022/23 LGFS, and also 1.99% of the remaining 2.24% Adult Social Precept announced in the 2021/22 LGFS).
86. Tax levels for all bands are set in varying proportions to the band D level, and are set out in table 1 of Appendix 3.
87. The effect of the proposed Council Tax increase of 2.99% in 2022/23 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 | 2.99% increase |            |
|------|----------------|------------|
|      | Annual (£)     | Weekly (£) |
| A    | 35.04          | 0.67       |
| D    | 52.56          | 1.01       |

88. Cleveland Fire Authority has set a precept for Middlesbrough of £2,883,764. The Council Tax levels for 2022/23 are set out in table 2 of Appendix 3.
89. Cleveland Police and Crime Commissioner has set a precept of £9,713,416 and Council Tax levels for 2022/23 are set out in table 3 of Appendix 3.
90. 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 3.

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

|   |       |
|---|-------|
| Middlesbrough Council                   | 2.99% |
| Cleveland Fire Authority                | 1.90% |
| Cleveland Police and Crime Commissioner | 3.76% |
| Overall Increase                        | 3.05% |

### Medium-Term Financial Plan to 2025

92. Full Council approved a Strategic Plan for the period 2021-24 on 24 February 2021. That plan set out 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. As detailed in paragraph 6 this is currently being reviewed.

93. 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.

94. The Council noted a report from the Elected Mayor on 24 November 2021 which provided an update in respect of the Council's Medium Term Financial Plan position for the period to 2024/25. The table below summarises the changes that have been to the MTFP since the report in November 2021, incorporating the announcements made in the LGFS.

|   | 2022/23<br>£ms | 2023/24<br>(Indicative)<br>£ms | 2024/25<br>(Indicative)<br>£ms | Total<br>£ms |
|---|----------------|--------------------------------|--------------------------------|--------------|
| <b>MTFP Position as at November 2021</b>  | <b>0.000</b>   | <b>1.786</b>                   | <b>4.615</b>                   | <b>6.401</b> |
| <i>Changes:</i>   |                |                                |                                |              |
| Changes to Government Funding   | (8.069)        | 3.377                          | (1.140)                        | (5.832)      |
| Changes to profile of additional Children's Services funding                            | 0.300          | 0.000                          | (0.300)                        | 0.000        |
| Creation of Contingencies (Additional Inflation and Council Tax/ Business Rates Income) | 4.997          | (1.368)                        | 0.000                          | 3.629        |
| Savings on Kerbside Recycling Contract  | (0.680)        | 0.000                          | 0.000                          | (0.680)      |
| Creation of Funding available for Service Investment                                    | 0.495          | 0.000                          | 0.000                          | 0.495        |
| Waste Collection - Increased demand - cleansing (including back alleys)                 | 0.169          | 0.000                          | 0.000                          | 0.169        |
| Local Funding changes   | 2.017          | (3.452)                        | 0.303                          | (1.132)      |
| Changes to planned use of Reserves and effect in following year                         | 0.858          | 0.413                          | (1.150)                        | 0.121        |
| Other changes   | (0.087)        | (0.756)                        | 0.000                          | (0.843)      |
|   |                |                                |                                |              |
| <b>Revised MTFP Position</b>  | <b>0.000</b>   | <b>0.000</b>                   | <b>2.328</b>                   | <b>2.328</b> |

95. The following table summarises the anticipated changes to the Council's financial position in the period of the current medium term financial plan to 2024/25:

|  | <b>2022/23</b><br><b>£ms</b> | <b>2023/24</b><br><b>(Indicative)</b><br><b>£ms</b> | <b>2024/25</b><br><b>(Indicative)</b><br><b>£ms</b> | <b>Total</b><br><b>£ms</b> |
|--|------------------------------|---|---|----------------------------|
| Use of reserves and balances in previous year                              | (0.695)                      | (0.858)   | (1.211)   | (2.764)                    |
| Pay & Inflation  | 8.958                        | 2.966   | 2.140   | 14.064                     |
| Service Demand Pressures   | 5.560                        | (1.311)   | 4.326   | 8.575                      |
| Capital Financing  | 0.949                        | 0.494   | 0.237   | 1.680                      |
| Additional Income  | (0.530)                      | 0.000   | 0.000   | (0.530)                    |
| Government funding changes   | (13.641)                     | 3.459   | (0.276)   | (10.458)                   |
| Local funding increases  | (1.459)                      | (5.961)   | (2.888)   | (10.308)                   |
| <b>Budget gap</b>  | <b>(0.858)</b>               | <b>(1.211)</b>                                      | <b>2.328</b>  | <b>0.259</b>               |
| Removal of previously planned budget saving - Staff Mileage Rate Reduction | 0.180                        | 0.000   | 0.000   | 0.180                      |
| Additional budget saving - Kerbside Recycling contract                     | (0.180)                      | 0.000   | 0.000   | (0.180)                    |
| Transfer to / (from) reserves  | 0.858                        | 1.211   | 0.000   | 2.069                      |
| <b>In-year budget position</b>   | <b>0.000</b>                 | <b>0.000</b>  | <b>2.328</b>  | <b>2.328</b>               |

96. 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 2023/24 and 2024/25 than there is for the 2022/23 figures, due mainly to ongoing uncertainty regarding the future funding model for local government. The approximate £2.3 million budget gap in 2024/25 is only indicative and at this stage no additional budget savings are proposed to cover the budget gap in 2024/25. This will be reviewed in light of the continuing effects of Covid-19, Local Government Funding Reform, and other information received, and the budget gap for 2024/25 will be updated in future MTFP updates over the next year.
97. During 2022/23, it is intended that a full and proper efficiency review is undertaken across all Directorates and Services within the Council. This review will be led by Finance and undertaken in conjunction with the Directors, and a timetable will be drawn up for this. The aim of the review is to ensure that the Council is operating as efficiently as possible, and the review will seek to identify potential future additional budget savings for consideration at a future date.
98. 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.
99. The following assumptions have been applied in refreshing the Council's MTFP:

## ***National Context***

100. Long-term financial sustainability and financial resilience have become one of the key components of external audit work in future years. CIPFA has produced a Financial Management Code (FM Code), and also a financial resilience index for local authorities. The initial self-assessment of compliance with the FM Code, the associated actions arising to ensure full compliance, and the next steps, and the results of analysis of the CIPFA Financial Resilience Index 2021 were presented to Executive on 13 July 2021 and also to Corporate Affairs and Audit Committee (CAAC) on 22 July 2021. Close attention will be paid to both of these, and further updates will be provided in the future to Executive and CAAC.
101. 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. The National Audit figures showed that 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.
102. As mentioned previously the Covid-19 pandemic has had a significant impact on the financial position on all local authorities, including Middlesbrough, and will continue to have a significant financial effect on the Council in future years. This report details additional budget provision for areas which will potentially be affected in the future. There remains a risk that future Covid outbreaks have a financial effect on the Council in future years and that adequate Government funding will not be provided to cover the effect of these. This creates a level of uncertainty.
103. The current general economic climate and the impact of rising inflation has been factored into this update of the MTFP. This is however a moving feast and will be closely monitored throughout the MTFP period.

## ***Government funding changes***

104. The Autumn Budget and Spending Review 2021 (SR21), published by the Government on 27 October 2021, set out the Government's spending plans for the lifetime of the parliament.
105. Whilst SR21 provided a number of indications of the level of funding that will be available for local government over the period it did not provide full details of the funding mechanism, or confirm that a multi-year funding settlement would be provided to local authorities. It also did not provide individual funding allocations for each local authority. The LGFS confirmed the amount of funding for local government and the allocation to individual local authorities but only for 2022/23 (as detailed in paragraphs 17 to 29), and provided no details of potential allocations for 2023/24 and 2024/25. This level of uncertainty means that future funding still remains one of the most significant risks to the Council.

106. As mentioned in previous MTFP update reports 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 have been delayed. As part of the LGFS the Government stated that it their current intention that these would be part of the Government’s “levelling-up” agenda, and that it planned to start the consultation regarding these as soon as possible and implement the changes from 2023/24. No further details were provided, including any details of the potential financial effect on individual local authorities. 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. Current indications of the way forward by the Government suggest that there is low risk that Middlesbrough sees further reductions in funding both in real terms and in relation to other local authorities, and there is a potential for Middlesbrough to gain from such an approach. As mentioned in the MTFP Update report to Council in November 2021, based on the current indications the provision of £1.4m from 2022/23 previously included in the MTFP for the potential impacts on Middlesbrough has now been removed from the MTFP. This assumption will remain under review as further information emerges.
107. 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 2023/24 and 2024/25 has been estimated, but these figures are necessarily less robust than the figures for 2022/23.

| Funding Stream  | 2022/23        | 2023/24             | 2024/25             |
|---|----------------|---------------------|---------------------|
|   | £ms            | (Indicative)<br>£ms | (Indicative)<br>£ms |
| Revenue Support Grant   | 12.598         | 12.850              | 13.107              |
| Business Rates Top Up   | 27.299         | 27.299              | 27.299              |
| New Homes Bonus   | 0.855          | 0.000               | 0.000               |
| Housing Benefit & Council Tax Subsidy Admin. Grant            | 0.997          | 0.997               | 0.997               |
| Public Health Grant   | 17.731         | 17.731              | 17.731              |
| Improved Better Care Fund                                     | 8.645          | 8.645               | 8.645               |
| S31 Grant for Business Rates Compensation for Reliefs         | 8.958          | 6.402               | 7.285               |
| Social Care Grant   | 8.543          | 8.543               | 8.543               |
| Market Sustainability & Fair Cost of Care Fund                | 0.512          | 0.512               | 0.512               |
| Lower Tier Services Grant (for 21/22 and 22/23 only)          | 0.300          | 0.000               | 0.000               |
| Services Grant (introduced in 2022/23)                        | 3.172          | 3.172               | 3.172               |
| Dedicated Schools Grant (DSG) - Schools Block                 | 121.592        | 121.592             | 121.592             |
| Dedicated Schools Grant (DSG) - Central School Services Block | 1.042          | 1.042               | 1.042               |
| Dedicated Schools Grant (DSG) - High Needs Block              | 32.684         | 32.684              | 32.684              |
| Dedicated Schools Grant (DSG) - Early Years Block             | 11.829         | 11.829              | 11.829              |
| 2021/22 Covid Council Tax Support Grant                       | 0.864          | 0.864               | 0.000               |
| <b>Total:</b>   | <b>257.621</b> | <b>254.162</b>      | <b>254.438</b>      |

108. It should be noted in the above table that as outlined in paragraph 24 details of the Public Health Grant allocations for 2022/23 only were provided on 7 February 2022, and therefore taking a prudent view, the level of funding has currently been assumed over the MTFP period to remain the same as that to be received in 2022/23. This creates a level of uncertainty in how much the Council can budget for essential services to help keep people healthy throughout their lives.
109. To provide greater information, the table above now includes details of the Dedicated Schools Grant (DSG) which the Council receives. It should be noted though that the above amounts are subject to change during the year as the Schools Block includes amounts which are passported straight to academies, and also certain elements of the High Needs Block are paid directly to providers. No assumption has currently been made of any increases in DSG for 2023/24 and 2024/25.

### **Local funding increases**

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

| Funding Stream                               | 2022/23       | 2023/24             | 2024/25             |
|--|---------------|---------------------|---------------------|
|  | £ms           | (Indicative)<br>£ms | (Indicative)<br>£ms |
| Council Tax : Core (includes Housing Growth) | 56.391        | 58.960              | 60.980              |
| Council Tax : Adult Social Care Precept      | 7.393         | 7.393               | 7.393               |
| Local Share of Business Rates                | 15.468        | 18.907              | 18.907              |
| Collection Fund Surplus / (Deficit)          | (0.819)       | (0.867)             | 0.000               |
| <b>Total:</b>                                | <b>78.433</b> | <b>84.393</b>       | <b>87.280</b>       |

111. There is increased uncertainty about the direction of travel towards self-funding for local authorities through Council Tax and Business Rates, and whether it still remains on the Government's agenda. Also there is uncertainty how this will be impacted by the "levelling up" agenda.
112. SR21 proposed and the Local Government Finance Settlement confirmed that Councils can increase the core element of Council Tax by up to 2% in 2022/23 without the requirement to hold a referendum. As detailed in paragraph 76 it is now proposed that the Council will implement a 0% increase in the core element of Council Tax in 2022/23. The current assumption of a 1.99% increase in the core element of Council Tax for both 2023/24 and 2024/25 remains unchanged.
113. As detailed in paragraph 73 the Government announced the continuation of the Adult Social Care Precept and also confirmed that Councils who did not use their full allowable Adult Social Care Precept of 3.00% announced in the 2021/22 LGFS, which was allowed to be split over 2021/22 and 2022/23, could apply any remaining amount to the 2022/23 Council Tax increase. As detailed in paragraph 76 it is proposed that the Adult Social Care Precept will increase by 2.99%, utilising the 1% allowed in 2022/23 as part of the 2022/23 LGFS and also using 1.99% of the remaining 2.24% Adult Social Precept announced in the 2021/22 LGFS. No assumption has currently been made that the Adult Social Care Precept will continue in 2023/24 and 2024/25. It should be noted that each 1% increase in Adult Social

Care Precept generates approximately £600,000 of resources to support our most vulnerable adults through a series of preventative and early help initiatives.

114. The effect of the above means that it is currently proposed and assumed in the MTFP that for 2022/23 Council Tax will increase by a total of 2.99%, and then by 1.99% in each of the years 2023/24 and 2024/25.
115. 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.
116. At this stage for prudence purposes and to reflect the current economic climate for businesses, no inflationary increase or growth in the Local Share of Business Rates in 2023/24 and 2024/25 has been assumed. Note that it is assumed that the effect of the Retail, Hospitality and Leisure Relief granted by the Government to business in 2022/23 only on the Local Share of Business Rates in 2022/23 (as detailed in paragraph 27), does not continue in 2023/24 and 2024/25.

### ***Pay awards***

117. No agreement has yet been reached between the National Employers and the NJC Trade Unions as to the pay award for 2021/22 for Local Government Services employees effective from 1 April 2021. The National Employers have made a full and final offer of 1.75% for 2021/22. The current assumptions in the MTFP are for a 2% pay award each year (from 2021/22 to 2024/25), and based on current information these assumptions are still valid and have therefore not been changed. As well as the uncertainty caused by the delay in finalising the 2021/22 pay award, there is also a high level of uncertainty around local government pay awards in future years, and therefore the assumptions made in the MTFP for future years will be constantly reviewed. It should be noted that each 1% increase in pay equates to approximately £900,000 additional cost per annum.

### ***Inflation***

118. Contractual inflation at a total cost of approximately £4.5 million has been assumed in the MTFP period.
119. No provision has been made for inflation for supplies and services and it is expected that any inflationary pressures in this area will be met from efficiency savings, however, as detailed in paragraph 38 for 2022/23 a contingency budget for the potential effects of this has been included due to the potential inability of service directorates to achieve this due to the current high levels of inflation.
120. Additional inflation has also been provided in the MTFP for the estimated hyper-inflationary increases in the cost of energy (see paragraph 35) and contingency budgets for the effects of potential additional inflation across a wide range of areas (see paragraph 38).

121. Paragraph 37 provides details of the income from fees and charges in 2022/23. For 2023/24 and 2024/25 approximately £0.4m has been assumed in the MTFP, but in light of the uncertainty regarding inflation this will be reviewed regularly and updates provided in future revisions of the MTFP. There is no increase currently assumed for car parking charges and statutory charges over the MTFP period.

### ***Living Wage***

122. 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. Currently increases in the National Living Wage do not have an impact on Council employed staff as the current pay rates paid to Council staff are above the current National Living Wage rates.
123. In SR21 the Government announced that it remains committed to raising the National Living Wage in order so that it reaches two-thirds of median earnings, and that the National Living Wage will increase from £8.91 to £9.50 an hour effective from 1 April 2022 (a 6.6% increase). Following this announcement the amounts that are allocated in the MTFP to cover the increases in cost expected as a result of this have been revised, and it is currently assumed that the National Living Wage will increase incrementally to £10.50 by the start of 2024/25, and an amount of approximately £4.4m has been allocated for this over the MTFP period.
124. As with future pay awards there is a high level of uncertainty around this and whether the Government will further change the levels of increase for future years, and therefore this will reviewed again in future updates of the MTFP.

### ***Spending pressures –Children’s Social Care***

125. As reported previously Children’s Social Care, remains the biggest area of financial concern for the Council. The Council has an Ofsted Improvement Plan in place, and the financial situation is being closely monitored jointly by the Service and Finance, and a three year plan has been drawn up to ascertain the estimated outturn position for the current and future financial years and therefore the potential MTFP impact.
126. The report to Council in November 2021 detailed additional funding totalling over £3.3m which has been provided in the MTFP to Childrens Services from 2024/25 to support this. As mentioned in paragraph 42, £300,000 has been provided earlier in 2022/23 in order to enable some initial permanency of staff supporting the improvement journey, therefore this means the remaining £3m will be provided from 2024/25.
127. This will mean that the Ofsted Improvement Plan will be properly funded in the medium term. This will be closely monitored in real time and any amendments required to the level of funding provided will be made as appropriate.
128. It should be noted that this will mean that Children’s Social Care will have reduced expenditure from over £9m projected spend in excess of their current budget in 2021/22 to just over £3m in 2024/25, approximately a £6m reduction in expenditure per annum by 2024/25.



129. 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.
130. Whilst the Local Government Finance Settlement in 2022/23 provided additional funding for Social Care there is still a significant risk of additional increased level of need in relation to children in care and the increased in the cost of providing care 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.
131. Further Children's Social Care demand increases and any delays to the implementation of the Council's Ofsted Improvement Plan continue to be a major potential risk to the Council and this is being constantly monitored, and further updates will be provided in future quarterly budget monitoring reports to Executive.

### ***Adult Social Care***

132. Whilst the Local Government Finance Settlement in 2022/23 provided additional funding for Social Care there is still a significant risk of additional demand for adult social care services and the increased in the cost of providing care and that in the event of this, sufficient additional Government funding is not provided to mitigate this.
133. In addition, there is a risk that the Council does not receive adequate funding to cover the cost involved over the MTFP period in order to implement the reform as part of the Health and Social Care White Paper, relating to the cap on personal care costs and changes to the means test within adult social care, and moving towards a fairer cost of care. Whilst the funding allocated to Middlesbrough for 2022/23 along with the distribution methodology used for this has been announced, no further details of the distribution methodology has been announced for future years. This along with the fact that the overall funding available to local government for this, as detailed in SR21 and the LGFS, may not be enough, means there is a risk to the Council from the implementation of the reform.

### ***Covid-19 ongoing pressures***

134. As detailed in the report to Council in November 2021, there are a number of income generating areas for the Council, such as parking, cultural and leisure facilities that could potentially see budget pressures as a result of the continuing effect of Covid-19 and recovery both in 2022/23 and beyond. Provision has been made in the MTFP for the effects of this as detailed in paragraphs 43 to 48.

### ***Other Spending pressures***

135. Paragraph 49 highlights a number of spending pressures for which funding has been provided ongoing from 2022/23.

### ***Additional income***

136. As detailed in paragraph 52, additional rental income above the current budget is estimated to be received from developments that the Council has made in the town, namely TAMP, Centre Square and Captain Cook Shopping Centre. These have provided additional income to the Council (after deducting capital financing costs), which has negated the need for the Council to make budget reductions to front line services.
137. The Council purchased the Cleveland Centre Shopping Centre on 7 January 2022 as per the delegated powers of the Director of Finance in line with the report to Executive on 9 November 2021. Currently no additional income (after paying capital financing costs) has been assumed in the MTFP from the purchase due to the need to maintain a sinking fund to ringfence funding to future proof the asset, provide for potential loss of tenants, cover potential maintenance costs, and costs associated with the potential future remodelling of the Centre. Further updates of this will be provided in the quarterly budget monitoring reports to Executive.

### ***Additional Investment***

138. Additional revenue funding of £600,000 per annum has been provided from 2023/24 for additional Community Safety and Environmental Enforcement staff. This helps to continue the provision of these services following the end of a grant from the Tees Valley Combined Authority (TVCA), which has helped to provide these services.
139. In addition to total of £949,000 that has been provided in 2022/23 for the impact on the Capital Financing budget as mentioned in paragraph 55, further additional funding totalling £494,000 in 2023/24 and a further £237,000 in 2024/25 has been provided in the MTFP for this.
140. It should be noted that the additional capital financing costs will be ongoing beyond the current MTFP period and these ongoing costs will be built in future MTFP updates.
141. The Capital Financing budget will be closely monitored during 2022/23 with updates being provided via the quarterly budget monitoring reports, with any required changes being reflected in future refreshes of the MTFP.

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

142. Over the MTFP period the Council plans to maintain the Council's General Fund balance above the minimum level of £12 million, in line with the Council's current recommended General Fund level as set out in paragraphs 63 and 64 of this report.
143. Over the MTFP period, the Council intends to maintain a small Change Fund in order to support transformational activity to deliver its Strategic Plan.

### ***Contingency***

144. As mentioned in paragraph 26, provision has been made in the MTFP in 2022/23 only for an amount of approximately £1.4 million 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

145. Full Council approved an Investment Strategy for the period 2021-2024 on 24 February 2021. The Council's Investment Strategy is revised each quarter by Executive via the quarterly budget monitoring reports, in line with its constitutional powers. The latest revision being that as part of Revenue and Capital Budget – Projected Outturn position as at Quarter Three 2021/22 report to Executive on 14 February 2022. This has been further revised to include the £350,000 approved as part of the “Tackling Crime and Antisocial Behaviour – CCTV” report to Executive on 14 February 2022.
146. 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 2024/25:

| Scheme   | Amount<br>£      |
|--|------------------|
| Capitalisation Of Major Schemes Salaries                     | 530,000          |
| Capitalisation of Planning Services Surveys                  | 40,000           |
| Purchase of New Vehicles                                     | 1,200,000        |
| Capitalisation of Wheeled Bin Replacement                    | 100,000          |
| Capitalisation of Street Furniture/Dog Fouling & Litter Bins | 55,000           |
| Capitalisation of Highways Maintenance                       | 575,000          |
| Property Services Building Investment                        | 340,000          |
| Capitalisation of Street Lighting-Maintenance                | 468,000          |
| Members Small Schemes  | 60,000           |
| Property Asset Investment Strategy                           | 1,200,000        |
| Chronically Sick & Disabled Persons Act - All schemes        | 610,000          |
| Capitalisation of Staying Put Salaries                       | 50,000           |
| ICT - Essential Refresh & Licensing                          | 2,185,000        |
| Derisking Sites  | 900,000          |
| <b>Total</b>   | <b>8,313,000</b> |

147. The Built Assets Capital Investment, Fountains Court, Flexible Use of Capital Receipts projects detailed in paragraph 55 have already approved by Executive and these were included in the Quarter Three report to Executive on 14 February 2022.
148. As mentioned in paragraph 56 the following proposed projects will potentially to be added to the Council's agreed Investment Strategy in future years following the submission to and approval by Executive of separate reports for each project:
- Highways Maintenance Programme - £5m p.a. for 3 years (total £15m)
  - Transporter Bridge structural improvements - £2m in 2022/23 only
149. The updated Investment Strategy is included at Appendix 4 and Council are requested to approve the updated Investment Strategy.

150. 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 151 to 162 below).

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

151. 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.
152. 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.
153. 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.
154. 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.
155. 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.
156. 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.
157. 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, forward estimates of council tax as well as capital expenditure plans.
158. Appendix 5 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.

159. There are some large financial commitments in the level of capital expenditure over the next two financial years, particularly in 2022/23. Some of these changes are 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. There are though some significant borrowing commitments in the Investment Strategy being proposed. The prudential indicator which demonstrates affordability (capital financing cost as a % of the revenue budget) is starting to rise and is around 9% of the net revenue budget at the end of the medium term financial plan.
160. 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.
161. 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 2022/23 budget will be £356 million. This is an increase of £41 million over that used in 2021/22 and reflects the need for extra flexibility on borrowing during 2022/23 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.
162. 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 2022/23 financial year and the two subsequent years.

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

163. That the Council approves the proposed budget strategy for 2022/23 as set out in paragraphs 30 to 70.
164. Having taken into account the matters set out in Section 32 of the Local Government Finance Act 1992 and the items set out within the report, that the Council approves the budget requirement for 2022/23 to be set at £118,328,934 as detailed in Appendix 1.
165. That the Council approves the actual amount of Council Tax (Band D) for areas without parish precepts (excluding Fire and Police) be set at £1,809.67. This represents a total increase of 2.99%. This comprises of a 0% increase in general Council Tax, and an additional precept of 2.99% for Adult Social Care (which includes 1% relating to 2022/23 and 1.99% of unused remaining allowable allocation from 2021/22), which has been continued by the Government to contribute towards the shortfall of funding for adult social care.
166. 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             | £ 1,819.10 |
| Stainton and Thornton Parish | £ 1,818.98 |
167. That the Council approves the amounts of Council Tax for each category of dwelling be set in accordance with table 4 of Appendix 3 within the report.
168. That the Council notes the refreshed Medium-Term Financial Plan position for 2022-25 set out in this report in paragraphs 90 to 142.
169. That the Council approves the updated Investment Strategy for the period to 2024/25 as outlined in paragraphs 145 to 150 and detailed in Appendix 4.
170. That the Council approves the Capital Strategy Report (Prudential indicators, Investment Strategy and Minimum Revenue Provision) 2022/23 as outlined in paragraphs 151 to 162 and detailed in Appendix 5, and approves the Authorised Limit for external borrowing of £356 million for the Council for 2022/23 as set out in paragraph 161.

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

171. To enable the Council to meet its statutory responsibility to set a balanced revenue budget for the financial year 2022/23 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**

172. Not Applicable.

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

### ***Legal***

173. The Council is required under legislation to set a revenue budget and agree the level of Council Tax and prudential indicators for 2022/23.

### ***Financial***

174. 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***

175. 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***

176. 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.

177. 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.

178. 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.

179. As no additional budget savings were proposed for 2022/23, the budget consultation was therefore only regarding the proposed budget and Council Tax increase for 2022/23.
180. An Impact assessment was completed to assess the proposed budget (appended to this report at Appendix 2). 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**

181. 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)**

182. If approved, the proposals set out in this report will form the basis of the 2022/23 budget of the Council.

### **Appendices**

- Appendix 1: Revenue Budget 2022/23
- Appendix 2: Revenue Budget 2022/23 – Impact Assessment (overall)
- Appendix 3: Council Tax Bands 2022/23
- Appendix 4: Updated Investment Strategy to 2024/25
- Appendix 5: Capital Strategy Report (Prudential indicators, Investment Strategy and Minimum Revenue Provision) 2022/23
- Appendix 6: Section 25 Local Government Act 2003 – Section 151 Officer Statement

### **Background papers**

|          |                                       |  |
|----------|---------------------------------------|--|
| 24/02/21 | Council                               | Strategic Plan 2021-2024   |
| 24/02/21 | Council                               | Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2021/22 |
| 15/6/21  | Executive                             | Revenue and Capital Budget – Year-End Projected Outturn 2020/21                      |
| 13/7/21  | Executive                             | Middlesbrough Council Long-Term Financial Sustainability                             |
| 5/8/21   | Corporate Affairs and Audit Committee | Middlesbrough Council Long-Term Financial Sustainability                             |
| 7/9/21   | Executive                             | Revenue and Capital Budget – Projected Outturn position as at Quarter One 2021/22    |
| 20/10/21 | Council                               | Flexible Use of Capital Receipts Strategy  |
| 9/11/21  | Executive                             | Revenue and Capital Budget – Projected Outturn position as at Quarter Two 2021/22    |



|          |           |  |
|----------|-----------|--|
| 9/11/21  | Executive | Medium Term Financial Plan Update  |
| 24/11/21 | Council   | Medium Term Financial Plan Update  |
| 14/2/22  | Executive | Revenue and Capital Budget – Projected Outturn position as at Quarter Three 2021/22  |
| 14/2/22  | Executive | Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2022/23 |

**Contact:** Andrew Humble, Head of Financial Planning & Support  
**Email:** [andrew\\_humble@middlesbrough.gov.uk](mailto:andrew_humble@middlesbrough.gov.uk)

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REVENUE BUDGET 2022/23

Appendix 1

|  | 2021/22   |           | 2022/23   |           |
|--|-----------|-----------|-----------|-----------|
|  | £'Million | £'Million | £'Million | £'Million |
| <b>Net Service Expenditure</b>                 |           |           |           |           |
| Regeneration & Culture                         | 3.175     |           | 3.474     |           |
| Environment & Community Services               | 18.955    |           | 19.358    |           |
| Public Health                                  | (2.230)   |           | (2.827)   |           |
| Education & Partnerships                       | 2.291     |           | 0.989     |           |
| Children's Care                                | 36.862    |           | 38.298    |           |
| Adult Social Care                              | 40.988    |           | 43.281    |           |
| Legal & Governance Services                    | 8.042     |           | 9.604     |           |
| Finance  | 0.320     | 108.403   | 0.200     | 112.377   |
| <b>Levies</b>                                  |           |           |           |           |
| Environment Agency                             | 0.114     |           | 0.117     |           |
| River Tees Port Health Authority               | 0.017     | 0.131     | 0.018     | 0.135     |
| <b>Central Provisions &amp; Budgets</b>        |           |           |           |           |
| Covid-19 Expenditure Central Budget 2021/22    | 5.310     |           | 0.000     |           |
| Covid-19 Grant Income Held Centrally           | (6.174)   |           | (0.864)   |           |
| Covid-19 Local Tax Income Guarantee Grant      | (0.369)   |           | 0.000     |           |
| Provisions for Pay & Prices and Contingencies  | 7.916     |           | 11.308    |           |
| Social Care Grant Income Held Centrally        | (6.339)   |           | (8.543)   |           |
| Local Tier Services Grant Held Centrally       | (0.285)   |           | (0.300)   |           |
| Change Fund                                    | 0.230     |           | 0.230     |           |
| Net Capital Financing Costs                    | 9.517     |           | 10.466    |           |
| Added Years Pensions                           | 1.266     |           | 1.266     |           |
| Apprentice Levy                                | 0.275     |           | 0.274     |           |
| Section 31 NNDR Grant                          | (4.151)   |           | (8.958)   |           |
| Designated Authority Costs                     | 0.040     |           | 0.040     |           |
| Custodian Properties                           | 0.008     | 7.244     | 0.008     | 4.927     |
| <b>Net Spending</b>                            |           | 115.778   |           | 117.439   |
| Contribution (from) / to Reserves & Provisions |           | 0.695     |           | 0.858     |
| <b>Net Revenue Budget</b>                      |           | 116.473   |           | 118.297   |
| <b>Parish Precepts</b>                         |           |           |           |           |
| Nunthorpe                                      |           | 0.009     |           | 0.020     |
| Stainton & Thornton                            |           | 0.010     |           | 0.012     |
| <b>Net Revenue Budget (inc. Precepts)</b>      |           | 116.492   |           | 118.329   |

|                         |  |         |  |         |
|-------------------------|--|---------|--|---------|
| <b>Funded by:</b>       |  |         |  |         |
| Revenue Support Grant   |  | 12.221  |  | 12.598  |
| Top up Payment          |  | 27.299  |  | 27.299  |
| Retained Business Rates |  | 17.593  |  | 15.468  |
| Council Tax             |  | 60.611  |  | 63.783  |
| Collection Fund Balance |  | (1.232) |  | (0.819) |
|                         |  | 116.492 |  | 118.329 |

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## Appendix 2: Overall Budget Impact Assessment 2022/23

|  |  |  |  |   |
|--|--|--|--|---|
| <b>Subject of assessment:</b>          | Middlesbrough Council Budget 2022/23   |  |  |   |
| <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 2022/23 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 2022/23 budget have been developed which protect frontline services and the town's most vulnerable groups as far as possible. No proposed savings were identified.</p> <p>As no additional budget savings were proposed for 2022/23, the budget consultation was therefore only regarding the proposed budget and Council Tax increase for 2022/23.</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 sought views of residents on the annual let’s talk survey.</p> <p>This resulted in receipt of 488 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><br/>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><br/>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><br/>All residents of Middlesbrough and customers of MBC. Some proposals also impact on staff.</p> <p><a href="#">Intended outcomes.</a><br/>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 2022   |
| <b>Lifespan:</b>            | April 2022 – March 2023  |
| <b>Date of next review:</b> | March 2023   |

| 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.<br><br>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 2022/23 | Paul Stephens | May 2022 |

|                                 |                     |                         |                 |
|---------------------------------|---------------------|-------------------------|-----------------|
| <b>Assessment completed by:</b> | Ann-Marie Johnstone | <b>Head of Service:</b> | Paul Stephens   |
| <b>Date:</b>                    | 24 January 2022     | <b>Date:</b>            | 25 January 2022 |



**Middlesbrough Council  
Council Tax Bands 2022/23**

| <b>Table 1</b>  |                   |   |                        |  |
|---|-------------------|---|------------------------|--|
| <b>Middlesbrough Council tax bands excluding Police &amp; Fire Precepts</b> |                   |   |                        |  |
| <b>Band</b>   | <b>Proportion</b> | <b>Areas without<br/>Parishes<br/>£</b> | <b>Nunthorpe<br/>£</b> | <b>Stainton<br/>&amp; Thornton<br/>£</b> |
| A   | 6/9               | 1,206.45                                | 1,212.73               | 1,212.65                                 |
| B   | 7/9               | 1,407.52                                | 1,414.86               | 1,414.76                                 |
| C   | 8/9               | 1,608.60                                | 1,616.98               | 1,616.87                                 |
| D   | 1                 | 1,809.67                                | 1,819.10               | 1,818.98                                 |
| E   | 11/9              | 2,211.82                                | 2,223.34               | 2,223.20                                 |
| F   | 13/9              | 2,613.97                                | 2,627.59               | 2,627.42                                 |
| G   | 15/9              | 3,016.12                                | 3,031.83               | 3,031.63                                 |
| H   | 18/9              | 3,619.34                                | 3,638.20               | 3,637.96                                 |

| <b>Table 2</b>                  |                  |
|---------------------------------|------------------|
| <b>Cleveland Fire Authority</b> |                  |
| <b>Band</b>                     | <b>Tax<br/>£</b> |
| A                               | 54.57            |
| B                               | 63.67            |
| C                               | 72.76            |
| D                               | 81.86            |
| E                               | 100.05           |
| F                               | 118.24           |
| G                               | 136.43           |
| H                               | 163.72           |

| <b>Table 3</b>                                   |                  |
|--|------------------|
| <b>Cleveland Police &amp; Crime Commissioner</b> |                  |
| <b>Band</b>                                      | <b>Tax<br/>£</b> |
| A  | 183.82           |
| B  | 214.46           |
| C  | 245.09           |
| D  | 275.73           |
| E  | 337.00           |
| F  | 398.28           |
| G  | 459.55           |
| H  | 551.46           |

| <b>Table 4</b>  |   |                        |  |
|---|---|------------------------|--|
| <b>Middlesbrough Council tax bands including Police &amp; Fire Precepts</b> |   |                        |  |
| <b>Band</b>   | <b>Areas without<br/>Parishes<br/>£</b> | <b>Nunthorpe<br/>£</b> | <b>Stainton<br/>&amp; Thornton<br/>£</b> |
| A   | 1,444.84                                | 1,451.12               | 1,451.04                                 |
| B   | 1,685.65                                | 1,692.99               | 1,692.89                                 |
| C   | 1,926.45                                | 1,934.83               | 1,934.72                                 |
| D   | 2,167.26                                | 2,176.69               | 2,176.57                                 |
| E   | 2,648.87                                | 2,660.39               | 2,660.25                                 |
| F   | 3,130.49                                | 3,144.11               | 3,143.94                                 |
| G   | 3,612.10                                | 3,627.81               | 3,627.61                                 |
| H   | 4,334.52                                | 4,353.38               | 4,353.14                                 |

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## Appendix 4 : Updated Investment Strategy To 2024/25

Highlighted cells indicate new investment

|  | Total Funding Required |               |              |            |                |
|--|------------------------|---------------|--------------|------------|----------------|
|  | 2021/22                | 2022/23       | 2023/24      | 2024/25    | TOTAL          |
|  | £'000                  | £'000         | £'000        | £'000      | £'000          |
| <b>Regeneration and Culture</b>                          |                        |               |              |            |                |
| Town Centre Related Projects                             | 1,271                  | 1,437         | 204          | -          | 2,912          |
| Middlehaven Related Projects                             | 65                     | 500           | -            | -          | 565            |
| Housing Growth   | 391                    | 3,277         | -            | -          | 3,668          |
| BOHO X   | 7,824                  | 16,011        | -            | -          | 23,835         |
| BOHO 8   | 34                     | -             | -            | -          | 34             |
| Brownfield Housing Fund                                  | 1,709                  | 5,583         | 630          | -          | 7,922          |
| Towns Fund   | 2,051                  | 19,540        | 309          | -          | 21,900         |
| Future High Streets Fund                                 | 1,590                  | 12,580        | -            | -          | 14,170         |
| Acquisition of Town Centre Properties                    | 12,806                 | 3,200         | -            | -          | 16,006         |
| New Civic Centre Campus                                  | 1,500                  | 5,513         | -            | -          | 7,013          |
| Middlesbrough Development Company                        | 5,666                  | 18,639        | -            | -          | 24,305         |
| Teesside Advanced Manufacturing Park                     | 855                    | -             | -            | -          | 855            |
| Local Authority Delivery 2 Green Homes Grant             | 791                    | 300           | -            | -          | 1,091          |
| Capitalisation Of Major Schemes Salaries                 | 530                    | 530           | 530          | 530        | 2,120          |
| Capitalisation of Planning Services Surveys              | 40                     | 40            | 40           | 40         | 160            |
| Affordable Housing Via Section 106                       | -                      | 1,339         | -            | -          | 1,339          |
| Highways Infrastructure Development Section 106          | -                      | 2,010         | -            | -          | 2,010          |
| The Big Screen   | 10                     | -             | -            | -          | 10             |
| A66 Throughabout   | 4                      | -             | -            | -          | 4              |
| Mandale Interchange                                      | 62                     | -             | -            | -          | 62             |
| Linthorpe Road Cycleway                                  | 496                    | 1,498         | -            | -          | 1,994          |
| Replacement of Ticket Machines                           | -                      | 189           | -            | -          | 189            |
| LED Street Lighting Upgrade (Phase 2)                    | 69                     | -             | -            | -          | 69             |
| Members Small Schemes                                    | 38                     | -             | -            | -          | 38             |
| Grove Hill Joint Venture Projects                        | 14                     | -             | -            | -          | 14             |
| Gresham Projects   | 24                     | -             | -            | -          | 24             |
| North Ormesby Housing Joint Venture - Section 106 funded | 355                    | -             | -            | -          | 355            |
| Empty Homes 2015 To 2018                                 | 281                    | -             | -            | -          | 281            |
| Local Transport Plan                                     | 1,320                  | 537           | -            | -          | 1,857          |
| Town Hall Venue Development                              | 59                     | -             | -            | -          | 59             |
| Cultural Transformation                                  | 13                     | -             | -            | -          | 13             |
| Theatre Winches / Lifts                                  | 18                     | 19            | -            | -          | 37             |
| Dorman Museum  | 17                     | -             | -            | -          | 17             |
| Contribution To Public Arts Projects                     | 17                     | -             | -            | -          | 17             |
| Public Art Work  | 35                     | -             | -            | -          | 35             |
| Leisure Trust Investment - Equipment                     | 75                     | -             | -            | -          | 75             |
| Stewart Park Section 106                                 | -                      | 45            | -            | -          | 45             |
| Investment In Parks                                      | 100                    | -             | -            | -          | 100            |
| Teessaurus Park  | 160                    | 90            | -            | -          | 250            |
| Archives Relocation                                      | 382                    | -             | -            | -          | 382            |
|  |                        |               |              |            |                |
| <b>Total Regeneration and Culture</b>                    | <b>40,672</b>          | <b>92,877</b> | <b>1,713</b> | <b>570</b> | <b>135,832</b> |

| Council Funding | External Funding |
|-----------------|------------------|
| £'000           | £'000            |
| 2,035           | 877              |
| 565             | -                |
| 3,668           | -                |
| 1,362           | 22,473           |
| -               | 34               |
| -               | 7,922            |
| -               | 21,900           |
| -               | 14,170           |
| 16,006          | -                |
| 7,013           | -                |
| 18,808          | 5,497            |
| 855             | -                |
| -               | 1,091            |
| 2,120           | -                |
| 160             | -                |
| 830             | 509              |
| -               | 2,010            |
| 10              | -                |
| -               | 4                |
| -               | 62               |
| -               | 1,994            |
| 189             | -                |
| 69              | -                |
| 25              | 13               |
| -               | 14               |
| 24              | -                |
| -               | 355              |
| -               | 281              |
| -               | 1,857            |
| 59              | -                |
| 13              | -                |
| 37              | -                |
| 17              | -                |
| 17              | -                |
| 35              | -                |
| 75              | -                |
| -               | 45               |
| 100             | -                |
| 250             | -                |
| 95              | 287              |
| -               | -                |
| <b>54,437</b>   | <b>81,395</b>    |

|   | Total Funding Required |              |              |              |               |
|---|------------------------|--------------|--------------|--------------|---------------|
|   | 2021/22                | 2022/23      | 2023/24      | 2024/25      | TOTAL         |
|   | £'000                  | £'000        | £'000        | £'000        | £'000         |
| <b>Environment and Community Services</b>                         |                        |              |              |              |               |
| Purchase of New Vehicles  | 1,272                  | 658          | 1,200        | 1,200        | 4,330         |
| Capitalisation of Wheeled Bin Replacement                         | 100                    | 100          | 100          | 100          | 400           |
| Capitalisation of Street Furniture/Dog Fouling & Litter Bins      | 55                     | 55           | 55           | 55           | 220           |
| Capitalisation of Highways Maintenance                            | 575                    | 575          | 575          | 575          | 2,300         |
| Property Services Building Investment                             | 340                    | 340          | 340          | 340          | 1,360         |
| Parks Improvement   | 83                     | -            | -            | -            | 83            |
| Local Transport Plan - Highways Maintenance                       | 3,019                  | 428          | -            | -            | 3,447         |
| Street Lighting-Maintenance                                       | 236                    | 877          | 468          | 468          | 2,049         |
| Urban Traffic Management Control                                  | 141                    | 150          | -            | -            | 291           |
| Flood Prevention  | 11                     | -            | -            | -            | 11            |
| Members Small Schemes   | 79                     | 120          | 60           | 60           | 319           |
| Property Asset Investment Strategy                                | 967                    | 591          | 1,200        | 1,200        | 3,958         |
| Nunthorpe Sports Facilities                                       | 34                     | 66           | -            | -            | 100           |
| East Middlesbrough Community Hub                                  | 200                    | 651          | -            | -            | 851           |
| Section 106 Ormesby Beck  | 15                     | -            | -            | -            | 15            |
| Section 106 Cypress Road  | 20                     | -            | -            | -            | 20            |
| Hostile Vehicle Mitigation  | 339                    | 35           | -            | -            | 374           |
| Transporter Bridge  | 251                    | -            | -            | -            | 251           |
| Bridges & Structures (non Local Transport Plan)                   | 452                    | 1,574        | -            | -            | 2,026         |
| Henry Street  | 42                     | -            | -            | -            | 42            |
| CCTV  | 50                     | 350          | -            | -            | 400           |
| Captain Cook Public House   | 538                    | -            | -            | -            | 538           |
| Outer Area Shopping Centres                                       | 40                     | -            | -            | -            | 40            |
| Lighting up the Town  | 200                    | -            | -            | -            | 200           |
| Built Asset Capital Investment - Town Hall Roof                   | -                      | 1,000        | 1,000        | 1,000        | 3,000         |
| Built Asset Capital Investment -Municipal Buildings Refurbishment | -                      | 1,500        | -            | -            | 1,500         |
| Built Asset Capital Investment -Resolution House                  | -                      | 609          | -            | -            | 609           |
| Built Asset Capital Investment -Central Library WC                | -                      | 87           | -            | -            | 87            |
|   |                        |              |              |              |               |
| <b>Total Environment and Community Services</b>                   | <b>9,059</b>           | <b>9,766</b> | <b>4,998</b> | <b>4,998</b> | <b>28,821</b> |

| Council Funding | External Funding |
|-----------------|------------------|
| £'000           | £'000            |
| 4,330           | -                |
| 400             | -                |
| 220             | -                |
| 2,300           | -                |
| 1,360           | -                |
| 83              | -                |
| -               | 3,447            |
| 2,049           | -                |
| -               | 291              |
| -               | 11               |
| 319             | -                |
| 3,957           | 1                |
| -               | 100              |
| 851             | -                |
| -               | 15               |
| -               | 20               |
| 374             | -                |
| 126             | 125              |
| 2,026           | -                |
| -               | 42               |
| 400             | -                |
| 538             | -                |
| 40              | -                |
| 200             | -                |
| 3,000           | -                |
| 1,500           | -                |
| 609             | -                |
| 87              | -                |
| <b>24,769</b>   | <b>4,052</b>     |

|                            | Total Funding Required |            |          |          |            |
|----------------------------|------------------------|------------|----------|----------|------------|
|                            | 2021/22                | 2022/23    | 2023/24  | 2024/25  | TOTAL      |
|                            | £'000                  | £'000      | £'000    | £'000    | £'000      |
| <b>Public Health</b>       |                        |            |          |          |            |
| Health & Wellbeing Hub     | -                      | 756        | -        | -        | 756        |
|                            |                        |            |          |          |            |
| <b>Total Public Health</b> | <b>-</b>               | <b>756</b> | <b>-</b> | <b>-</b> | <b>756</b> |

| Council Funding | External Funding |
|-----------------|------------------|
| £'000           | £'000            |
| 679             | 77               |
| <b>679</b>      | <b>77</b>        |

|   | Total Funding Required |         |         |         |       |
|---|------------------------|---------|---------|---------|-------|
|   | 2021/22                | 2022/23 | 2023/24 | 2024/25 | TOTAL |
|   | £'000                  | £'000   | £'000   | £'000   | £'000 |
| <b>Education and Partnerships</b>                               |                        |         |         |         |       |
| Block Budget (Grant) Devolved Formula Capital - Various Schools | 157                    | -       | -       | -       | 157   |
| Block Budget (Grant) S106 Avant Low Gill                        | -                      | 35      | -       | -       | 35    |

| Council Funding | External Funding |
|-----------------|------------------|
| £'000           | £'000            |
| -               | 157              |
| -               | 35               |

|   |              |               |              |          |               |
|---|--------------|---------------|--------------|----------|---------------|
| Block Budget (Grant) School Condition Allocation                                  | -            | 3             | -            | -        | 3             |
| Block Budget (Grant) Basic Needs  | -            | 5,883         | 1,645        | -        | 7,528         |
| Block Budget (Grant) High Needs Provision Capital Allocation (HNPCA)              | 262          | 760           | -            | -        | 1,022         |
| Schemes in Maintained Primary Schools   | 1,448        | 749           | 131          | -        | 2,328         |
| Schemes in Primary Academies  | 162          | 234           | 399          | -        | 795           |
| Schemes in Secondary Academies  | 321          | 1,658         | 414          | -        | 2,393         |
| Schemes in Special Schools  | 473          | 370           | -            | -        | 843           |
| Capitalisation of Salary Costs  | 104          | 106           | -            | -        | 210           |
| Contribution to New School at Middlehaven   | -            | 1,700         | -            | -        | 1,700         |
| Block Budget (Grant) EFA Early Years 2 Year olds Entitlement (Trajectory Project) | 7            | -             | -            | -        | 7             |
| <b>Total Education and Partnerships</b>   | <b>2,934</b> | <b>11,498</b> | <b>2,589</b> | <b>-</b> | <b>17,021</b> |

|              |               |
|--------------|---------------|
| -            | 3             |
| -            | 7,528         |
| -            | 1,022         |
| 534          | 1,794         |
| -            | 795           |
| -            | 2,393         |
| 104          | 739           |
| -            | 210           |
| 700          | 1,000         |
| -            | 7             |
| <b>1,338</b> | <b>15,683</b> |

|  | Total Funding Required |            |          |          |            |
|--|------------------------|------------|----------|----------|------------|
|  | 2021/22                | 2022/23    | 2023/24  | 2024/25  | TOTAL      |
| <b>Children's Care</b>                         | £'000                  | £'000      | £'000    | £'000    | £'000      |
| Edge Of Care Project (Hub)                     | 35                     | -          | -        | -        | 35         |
| Rosecroft Renovations                          | 150                    | 20         | -        | -        | 170        |
| 34 Marton Avenue, Fir Tree - Garage Conversion | 249                    | 25         | -        | -        | 274        |
| Contact Centre - Bus Station Unit 1            | 234                    | 93         | -        | -        | 327        |
| Willow Tree - Bathroom Refurbishment           | 22                     | -          | -        | -        | 22         |
| Holly Lodge Sensory Room                       | 38                     | -          | -        | -        | 38         |
| <b>Total Children's Care</b>                   | <b>728</b>             | <b>138</b> | <b>-</b> | <b>-</b> | <b>866</b> |

| Council Funding | External Funding |
|-----------------|------------------|
| £'000           | £'000            |
| 35              | -                |
| 170             | -                |
| 274             | -                |
| 327             | -                |
| 22              | -                |
| -               | 38               |
| <b>828</b>      | <b>38</b>        |

|   | Total Funding Required |              |            |            |              |
|---|------------------------|--------------|------------|------------|--------------|
|   | 2021/22                | 2022/23      | 2023/24    | 2024/25    | TOTAL        |
| <b>Adult Social Care</b>                              | £'000                  | £'000        | £'000      | £'000      | £'000        |
| Chronically Sick & Disabled Persons Act - All schemes | 666                    | 776          | 610        | 610        | 2,662        |
| Disabled Facilities Grant - All schemes               | 2,158                  | 1,260        | -          | -          | 3,418        |
| Capitalisation of Staying Put Salaries                | 50                     | 50           | 50         | 50         | 200          |
| Home Loans Partnership (formerly 5 Lamps)             | 30                     | 49           | -          | -          | 79           |
| Small Schemes   | 31                     | 97           | -          | -          | 128          |
| Connect / Telecare IP Digital Switchover              | 98                     | 40           | -          | -          | 138          |
| <b>Total Adult Social Care</b>                        | <b>3,033</b>           | <b>2,272</b> | <b>660</b> | <b>660</b> | <b>6,625</b> |

| Council Funding | External Funding |
|-----------------|------------------|
| £'000           | £'000            |
| 2,602           | 60               |
| 4               | 3,414            |
| 200             | -                |
| -               | 79               |
| -               | 128              |
| 138             | -                |
| <b>2,944</b>    | <b>3,681</b>     |

|  | Total Funding Required |              |              |              |               |
|--|------------------------|--------------|--------------|--------------|---------------|
|  | 2021/22                | 2022/23      | 2023/24      | 2024/25      | TOTAL         |
| <b>Legal and Governance Services</b>       | £'000                  | £'000        | £'000        | £'000        | £'000         |
| Desktop Strategy / Device Refresh          | 346                    | -            | -            | -            | 346           |
| Enterprise Agreements                      | 819                    | 121          | -            | -            | 940           |
| Customer Relationship Manager              | 47                     | 49           | -            | -            | 96            |
| IT Refresh - Network Refresh               | 239                    | -            | -            | -            | 239           |
| IT Refresh - Lights On                     | 320                    | -            | -            | -            | 320           |
| IT Refresh - LCS Development Capture       | -                      | 25           | -            | -            | 25            |
| IT Refresh - Business Intelligence         | 3                      | -            | -            | -            | 3             |
| ICT Essential Refresh & Licensing          | 368                    | 3,137        | 2,185        | 2,185        | 7,875         |
| ICT Innovation Budget                      | 12                     | 148          | -            | -            | 160           |
| GIS Replacement                            | 36                     | 93           | -            | -            | 129           |
| Prevention & Partnership Tablets           | 70                     | -            | -            | -            | 70            |
| HR Pay                                     | 37                     | -            | -            | -            | 37            |
| <b>Total Legal and Governance Services</b> | <b>2,297</b>           | <b>3,573</b> | <b>2,185</b> | <b>2,185</b> | <b>10,240</b> |

| Council Funding | External Funding |
|-----------------|------------------|
| £'000           | £'000            |
| 346             | -                |
| 940             | -                |
| 96              | -                |
| 239             | -                |
| 320             | -                |
| 25              | -                |
| 3               | -                |
| 7,875           | -                |
| 160             | -                |
| 129             | -                |
| 70              | -                |
| 37              | -                |
| <b>10,240</b>   | <b>-</b>         |

|  | Total Funding Required |              |              |              |              |
|--|------------------------|--------------|--------------|--------------|--------------|
|  | 2021/22                | 2022/23      | 2023/24      | 2024/25      | TOTAL        |
| <b>Finance</b>   | £'000                  | £'000        | £'000        | £'000        | £'000        |
| Former Partnership Investment (ICT Infrastructure Revenues & Benefits) | 177                    | 220          | -            | -            | 397          |
| Business World Upgrade   | 10                     | 25           | -            | -            | 35           |
| Derisking Sites  | 116                    | 200          | 1,355        | 900          | 2,571        |
| Town Centre Accommodation Strategy                                     | -                      | -            | -            | -            | -            |
| Capitalisation of Property Finance Lease Arrangements                  | -                      | 3,500        | 500          | 500          | 4,500        |
| White Feather Project North Ormesby                                    | 9                      | -            | -            | -            | 9            |
| <b>Total Finance</b>   | <b>312</b>             | <b>3,945</b> | <b>1,855</b> | <b>1,400</b> | <b>7,512</b> |

| Council Funding | External Funding |
|-----------------|------------------|
| £'000           | £'000            |
| 397             | -                |
| 35              | -                |
| 2,571           | -                |
| -               | -                |
| 4,500           | -                |
| 9               | -                |
| <b>7,512</b>    | <b>-</b>         |

|                               | Total Funding Required |                |               |              |                |
|-------------------------------|------------------------|----------------|---------------|--------------|----------------|
|                               | 2021/22                | 2022/23        | 2023/24       | 2024/25      | TOTAL          |
| <b>ALL DIRECTORATES</b>       | £'000                  | £'000          | £'000         | £'000        | £'000          |
| <b>Total ALL DIRECTORATES</b> | <b>59,035</b>          | <b>124,825</b> | <b>14,000</b> | <b>9,813</b> | <b>207,673</b> |

| Council Funding | External Funding |
|-----------------|------------------|
| £'000           | £'000            |
| <b>102,747</b>  | <b>104,926</b>   |

|                      | Total Funding |                |               |              |                |
|----------------------|---------------|----------------|---------------|--------------|----------------|
|                      | 2021/22       | 2022/23        | 2023/24       | 2024/25      | TOTAL          |
| <b>FUNDED BY:</b>    | £'000         | £'000          | £'000         | £'000        | £'000          |
| Borrowing            | 16,872        | 40,685         | 4,083         | -            | 61,640         |
| Finance Leases       | -             | 3,500          | 500           | 500          | 4,500          |
| Capital Receipts     | 14,616        | 6,072          | 5,840         | 9,313        | 35,841         |
| Grants               | 24,178        | 68,158         | 3,178         | -            | 95,514         |
| Contributions        | 2,827         | 6,186          | 399           | -            | 9,412          |
| Revenue Resources    | 542           | 224            | -             | -            | 766            |
| <b>Total FUNDING</b> | <b>59,035</b> | <b>124,825</b> | <b>14,000</b> | <b>9,813</b> | <b>207,673</b> |

| Council Funding | External Funding |
|-----------------|------------------|
| £'000           | £'000            |
| 61,640          | -                |
| 4,500           | -                |
| 35,841          | -                |
| -               | 95,514           |
| -               | 9,412            |
| 766             | -                |
| <b>102,747</b>  | <b>104,926</b>   |

**CAPITAL STRATEGY REPORT 2022/23**

**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 2021 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 £5,000 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 2022/23 financial year, the Council is planning a total capital expenditure of £124.825m as summarised below. See the Investment Strategy for further details:

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

|   | <b>2020/21</b> | <b>2021/22</b>  | <b>2022/23</b>  | <b>2023/24</b>  | <b>2024/25</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 | 42.078         | 59.035          | 121.325         | 13.500          | 9.313           |
| Total Capital Expenditure – Finance Leases      | 0.000          | 0.000           | 3.500           | 0.500           | 0.500           |
| <b>Total Capital Expenditure</b>                | <b>42.078</b>  | <b>59.035</b>   | <b>124.825</b>  | <b>14.000</b>   | <b>9.813</b>    |

**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 (LMT) 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 and Council in late February 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>2020/21<br/>actual</b> | <b>2021/22<br/>forecast</b> | <b>2022/23<br/>budget</b> | <b>2023/24<br/>budget</b> | <b>2024/25<br/>budget</b> |
|------------------|---------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
| External sources | 17.470                    | 27.005                      | 74.344                    | 3.577                     | -                         |
| Own resources    | 6.380                     | 15.158                      | 6.296                     | 5.840                     | 9.313                     |
| Debt             | 18.228                    | 16.872                      | 44.185                    | 4.583                     | 0.500                     |
| <b>TOTAL</b>     | <b>42.078</b>             | <b>59.035</b>               | <b>124.825</b>            | <b>14.000</b>             | <b>9.813</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>2020/21<br/>actual</b> | <b>2021/22<br/>forecast</b> | <b>2022/23<br/>budget</b> | <b>2023/24<br/>budget</b> | <b>2024/25<br/>budget</b> |
|------------------------|---------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
| Cost to Revenue Budget | 4.743                     | 4.892                       | 5.417                     | 6.485                     | 6.695                     |

- The Council's minimum revenue provision policy for 2022/23 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 £38.1m or 14.7% during the 2022/23 financial year. This increase is due to the new capital expenditure funded by external debt of £43.8m less the MRP set aside of £5.4m, plus other minor income changes in commercially funded investments.

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>31.3.2021<br/>actual</b> | <b>31.3.2022<br/>forecast</b> | <b>31.3.2023<br/>budget</b> | <b>31.3.2024<br/>budget</b> | <b>31.3.2025<br/>budget</b> |  |
|------------------|-----------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|--|
| <b>TOTAL CFR</b> | <b>245.966</b>              | <b>257.747</b>                | <b>295.865</b>              | <b>293.463</b>              | <b>286.768</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. Repayments of capital grants, loans and investments also generate capital receipts.

The Council plans to receive £6.1m of capital receipts in the coming financial year as follows:

*Table 5: Capital receipts in £ millions*

|              | <b>2020/21<br/>actual</b> | <b>2021/22<br/>forecast</b> | <b>2022/23<br/>budget</b> | <b>2023/24<br/>budget</b> | <b>2024/25<br/>budget</b> |
|--------------|---------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
| <b>TOTAL</b> | <b>6.374</b>              | <b>14.616</b>               | <b>6.072</b>              | <b>5.840</b>              | <b>9.313</b>              |

- The level of capital receipts for each financial year is monitored between Regeneration, Accountancy and the Valuation & Estates teams, and any significant changes are reported to Executive as part of the Quarterly budget monitoring updates.
- The Council has recently adopted the Flexible Use of Capital Receipts Strategy where these proceeds can be used for funding service transformation costs that would otherwise be classed as revenue expenditure. This is mainly to fund the current year's children services overspend in 2021/22 and would be a device to protect reserves if required.
- The current government policy on flexible capital receipts for local authorities is formally due to end on 31<sup>st</sup> March 2022, but indications are that it will be extended. If the policy is formally extended into 2022/23, the Council will consider the merits of using this again in the new financial year.



## 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 2022 had £210.2m of borrowing at an average interest rate of 3.6% and £40.6m of treasury investments at an average rate of around 0.1%.

Both investment and borrowing rates available to the Council have been at historic lows due to ongoing government policy plus also the impact of the current coronavirus pandemic. Interest rates though have started to rise from December 2021 but in a stepped approach. It is thought that this will not have a significant impact on medium to long term interest rates.

**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 0.4% & 0.8%) and long-term fixed rate loans where the future cost is known but interest costs are higher (currently between 1.27% 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>31.3.2021<br/>actual</b> | <b>31.3.2022<br/>forecast</b> | <b>31.3.2023<br/>budget</b> | <b>31.3.2024<br/>budget</b> | <b>31.3.2025<br/>budget</b> |
|-------------------------------|-----------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| External Debt                 | 218.756                     | 213.967                       | <b>268.350</b>              | 261.622                     | 253.272                     |
| Capital Financing Requirement | 245.966                     | 257.747                       | <b>295.865</b>              | 293.463                     | 286.768                     |

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. There may be some opportunity to take more capital funding than is needed whilst interest rates are at low levels. Discussions are ongoing with our treasury advisers on this position and what approach the Council should take.

**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 2022/23 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>2021/22<br/>limit</b> | <b>2022/23<br/>limit</b> | <b>2023/24<br/>limit</b> | <b>2024/25<br/>limit</b> |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Authorised Limit (OB + £30m)      | 315.000                  | <b>356.000</b>           | 353.000                  | 347.000                  |
| Operational Boundary (CFR + £30m) | 285.000                  | <b>326.000</b>           | 323.000                  | 317.000                  |

**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>31.3.2021<br/>actual</b> | <b>31.3.2022<br/>forecast</b> | <b>31.3.2023<br/>budget</b> | <b>31.3.2024<br/>budget</b> | <b>31.3.2025<br/>budget</b> |
|-------------------------|-----------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Short-term investments  | 24.810                      | 23.856                        | 15.630                      | 15.000                      | 15.000                      |
| Longer-term investments | 0.000                       | 0.000                         | 0.000                       | 0.000                       | 0.000                       |
| <b>TOTAL</b>            | <b>24.810</b>               | <b>23.856</b>                 | <b>15.630</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 central finance team, who act in line with the treasury management strategy approved by Council. Quarterly updates on debt & investments 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>2020/21<br/>actual</b> | <b>2021/22<br/>forecast</b> | <b>2022/23<br/>forecast</b> | <b>2023/24<br/>forecast</b> | <b>2024/25<br/>forecast</b> |
|----------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Financing costs (£m)             | 9.955                     | 9.599                       | <b>10.489</b>               | 11.159                      | 11.216                      |
| Net Revenue Budget (£m)          | 116.397                   | 116.492                     | <b>118.329</b>              | 124.541                     | 127.686                     |
| Proportion of net revenue stream | 8.6%                      | 8.2%                        | <b>8.9%</b>                 | 9.0%                        | 8.8%                        |

**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 over the last few years for regeneration purposes. This results in around £2.0m of income per year being credited to the capital financing budget by the end of the 2024/25 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 2022/23 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

|                     | 2021/22<br>£000<br>Estimate | 2022/23<br>£000<br><i>Estimate</i> | 2023/24<br>£000<br>Estimate | 2024/25<br>£000<br>Estimate |
|---------------------|-----------------------------|------------------------------------|-----------------------------|-----------------------------|
| Investment Strategy | 15,000                      | <b>60,000</b>                      | 10,000                      | 0                           |
| Finance Leases      | 0                           | <b>3,500</b>                       | 500                         | 500                         |
| Debt Restructuring  | 0                           | <b>0</b>                           | 0                           | 0                           |
| Total               | 15,000                      | <b>63,500</b>                      | 10,500                      | 500                         |

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 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 2022/23, 2023/24 and 2024/25 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 2022/23, 2023/24 and 2024/25 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:

|                                | <u>Upper limit</u> | <u>Lower limit</u> |
|--------------------------------|--------------------|--------------------|
| 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 2022/23**

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 January 2022. This replaces the 2017 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 2022/23**

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 2022/23**

### **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.

**2022/2023 MINIMUM REVENUE PROVISION -  
STATEMENT FOR MIDDLESBROUGH COUNCIL**

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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### **SECTION 25 LOCAL GOVERNMENT ACT 2003 - SECTION 151 OFFICER'S STATEMENT ON THE ROBUSTNESS OF THE BUDGET AND ADEQUACY OF BALANCES –YEAR 2022/23**

1. Section 25 of the Local Government Act 2003 requires that when a local authority is agreeing its annual budget and the Council Tax precept, the Chief Finance Officer (Section 151 Officer) must report to it on the following matters:
  - The robustness of the estimates made for the purposes of the Council Tax requirement calculations
  - The adequacy of the proposed financial reserves
  - The Council is required to have due regard to this report when making decisions on the budget.
2. In determining the opinion, the Section 151 Officer has considered the financial management arrangements and control frameworks that are in place, the underlying budget assumptions, the adequacy of the business planning process, the financial risks facing the Council and the level of reserves.
3. The external auditors gave an unqualified opinion on the accounts for the Council for 2019/20 (the latest set of audited accounts). This reflects the fact that the authority had proper and robust financial management and controls in place for that year. Further to this, the external auditors were satisfied that Middlesbrough Council had proper arrangements in place for securing financial resilience, going concern, and for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.
4. The Director of Finance has responsibility for ensuring that an effective system of internal control is in place and identify any areas for improvement where appropriate. The Corporate Affairs and Audit Committee receives regular updates on internal controls as well as the Annual Governance Statement, which clearly identifies the strength of the governance arrangements in place on an annual basis.
5. There is a rigorous system for budget monitoring and reporting, with Leadership Management Team, Executive and Overview and Scrutiny Board receiving regular reports throughout the financial year.
6. The Medium Term Financial Plan has been reviewed in full and updated for future years. It includes all known changes to funding levels as well as estimates for those funding streams for which we have not received confirmation.
7. All savings have been tested for deliverability and where adjustments have been required these have been made.
8. Financial risks have been quantified where appropriate and either provision has been made or mitigations have been identified. The key risks in the budget are mainly in relation to increasing inflation, uncertainty around the level of pay

awards, the continued potential for increased demand and costs in Children's and Adults Social Care, and the degree of uncertainty in the financial and economic climate for local government due to a number of factors. There are mitigation plans in place to manage these pressures.

9. The construction of the budget for 2022/23 and examination and validation of the budget proposals has been subject to challenge by the Council's Leadership Management Team.
10. It is the opinion of the Director of Finance that medium term uncertainty is the key risk to the Council's future finances, this is because of the lack of information on the impact of Local Government Finance Reform in 2023/24 and of Social Care Reform over the next decade. In the interests of prudent budget planning the Director of Finance considers that a Council Tax increase of 2.99% is key to ensuring that the Council will have sufficient funds to meet its obligations in the medium term should the impact of external factors be more negative than currently assumed.
11. The Local Government Finance Act 1992 requires a local authority to have due regard to the level of balances and reserves needs for meeting future estimates of future expenditure when calculating the Council Tax requirement.
12. Balances and reserves are held for three primary purposes:
  - 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.
13. As part of the budget setting process, the levels of balances and reserves have been reviewed to ensure that the level is appropriate in the context of local circumstances. The Section 151 Officer (Director of Finance) has reviewed the level in order to ensure a prudent level of balances that reflects a risk assessment commensurate with the level of risk that the Council faces and the context within which the authority operates. The level of the General Fund Reserve will be approved by Council alongside the level of Council Tax. Earmarked reserves are held to provide resources for specific, identified purposes.

## **LABOUR GROUP BUDGET ALTERATION 2022/23**

*Date of Budget Council Meeting: Wednesday, 23 February 2022*

*Proposed by: Councillor Cooke*

*Seconded by: Councillor D Rooney*

**The Motion proposed remains to adopt a revenue budget of £118,328,934, but to propose the following amendment:**

**Replacement of Paragraph 54 of the budget report as follows:**

54. A budget of £495,000 per annum has been provided for investment in services provided to residents. It is proposed that this will be spent on delivering the following main priorities

- £160,000 per annum to create a tree maintenance squad in order to initially clear the backlog of works, and create an ongoing tree maintenance programme to reduce backlogs potentially re-occurring in the future
- £90,000 per annum to enable the Council to offer a subsidised Pest Control service to residents. This would include the recruitment of two additional pest control operatives
- £150,000 per annum towards expanding the current youth provision, targeting areas of the town where crime and anti-social behaviour are high

The remaining £95,000 per annum will initially be held centrally, and will be allocated to service directorates throughout 2022/23 as other priorities develop.

**The amendment has been examined by the Council's Section 151 Officer and he has confirmed that should the amendment be approved, the Council would have a balanced and legally, implementable budget.**

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