

EXECUTIVE

A meeting of the Executive was held on Wednesday 28 February 2024.

PRESENT: Councillors C Cooke - Elected Mayor (Chair), P Gavigan, T Furness, P Storey, J Thompson, Z Uddin and N Walker

PRESENT BY INVITATION: Councillors M Storey

ALSO IN ATTENDANCE: S Arnold (Local Democracy Reporting Service)

OFFICERS: D Alaszewski, C Benjamin, S Bonner, G Field, C Heaphy, R Horniman, A Hoy, A Humble and D Middleton

APOLOGIES FOR ABSENCE: None.

23/74 **DECLARATIONS OF INTEREST**

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

23/75 **MINUTES - EXECUTIVE - 14 FEBRUARY 2024**

The minutes of the Executive meeting held on 14 February 2024 were submitted and approved as a correct record.

The Mayor provided an update on the Council application for Extraordinary Financial Support (EFS) stating that positive, albeit informal, discussions had taken place with the Department for Levelling Up, Housing and Communities. A final decision on EFS would be brought to the Council's budget meeting on 8 March.

SUSPENSION OF COUNCIL PROCEDURE RULE NO. 4.13.2 – ORDER OF BUSINESS

In accordance with Council Procedure Rule No. 4.57, Executive agreed to vary the order of business to deal with the items in the following order: 6,4,5,7 and 8.

23/76 **THE COUNCIL PLAN 2024-27**

The Mayor and Executive Member for Adult Social Care and Public Health submitted a report for Executive's consideration.

The report set out the Council Plan 2024-27 and sought Executive endorsement on its structure and content, setting out how the Council would work with its communities, to take forward its shared priorities over the 2024 to 2027 period.

The intent of the report was to provide enough information and assurance for the Executive to endorse the Council Plan 2024-27, prior to consideration by full Council on 8 March 2024, ensuring that it remained current and reflective of major developments of the past year, and those anticipated in the coming three years.

The Council Plan, formerly known as the Strategic Plan, was the Council's overarching business plan for the medium-term, and was refreshed on an annual basis, setting out the priorities of the Elected Mayor of Middlesbrough, the ambitions of Middlesbrough's communities and the ways in which the Council sought to achieve them.

Part of the Council's Policy Framework, the Council Plan required the approval of full Council, as set out in the Constitution. The Council's Budget and Policy Framework Procedure Rules provided for the Executive to draw up firm proposals on the Strategic Plan (Change Strategy) for submission to Full Council.

Full Council approved the previous Strategic Plan 2021-2024 on 16 February 2021, which expressed the previous Mayors' priorities for the town.

This report proposed a new Council Plan for the 2024-27 period articulating the aims and ambitions of Mayor Cooke elected in May 2023, which are informed by, and responsive to the views of residents and which will need to be delivered within available resources.

ORDERED that Executive endorses the final Council Plan 2024-27 and associated strategic priorities and outcomes prior to full Council approval of the final Council Plan 2024-27 and to enable development of detailed, supporting delivery plans.

OPTIONS

It was imperative that the Council effectively articulated and communicated an overarching plan to direct activity across Directorates and services, towards the achievement of its priorities and ambitions.

The only other realistic potential decision would be to leave the Council's strategic objectives unchanged on the assumption that they were sufficiently robust to address and achieve previously identified outcome measures. This, however, was not correct and would not have represented an appropriate response to the needs of the town. It would also have detrimentally impacted local communities and the business of the Council for some years ahead.

The only other feasible decisions, therefore, relate to the structure of the document, and its horizon (i.e., reverting to an annual plan). It was strongly in the Council's interest to plan over the medium-term, (between 3 – 5 years) in line with the indicative budgets over this period outlined by the Government. The proposed document achieved this whilst also providing an appropriate level of detail for all audiences on the Council's planned activity over this period.

REASONS

To enable the Executive to endorse, prior to consideration by full Council, the Council Plan 2024-27, ensuring that it is reflective of major developments of the past year, and those anticipated in the coming three years.

23/77

2024/25 REVENUE BUDGET, MEDIUM TERM FINANCIAL PLAN, AND COUNCIL TAX SETTING

The Mayor and Executive Member for Adult Social Care and Public Health submitted a report for Executive's consideration.

The report proposed a 2024/25 net revenue budget of £143.190m, and Medium-Term Financial Plan (MTFP) for the period 2024/25 to 2026/27 following the confirmation of the Local Government Finance Settlement and set out the financial planning assumptions applicable to the budget based upon the best information available at the time.

A Council tax increase for 2024/25 of 4.99% was proposed, comprising 2% Adult Social Care Precept and 2.99% Core Council tax which was within the referendum limits set by Government.

The report proposed a Capital Programme of £88.549m for 2024/25 and totalled £174.980m over the period from 2024/25 to 2026/27 together with a financing statement comprising a combination of external funding and council resources. In addition, the proposed capital strategy set out the Council's approach to capital investment and financing, including the forecast levels of borrowing and the Minimum Revenue Provision (MRP) Policy which governed how the Council accounted for debt repayment in accordance with statutory regulations. The Capital programme provided for EFS of £13.4m to be financed from borrowing over a period of up to 20 years whilst the actual amount and terms would be determined by the s151 Officer, based upon the actual requirements, borrowing rates and an assessment of revenue affordability at the appropriate time during the 2024/25 financial year.

A summary of the Schools' Budget and allocation of the Dedicated Schools Grant (DSG) as determined under the Department for Education's (DfE's) National Funding Formula, together with an overview of the financial pressures on the DSG High Needs Block and forecast deficit which was being addressed under the Delivering Better Value (DBV) Programme.

The s151 Officer's recommended Reserves Policy for 2024/25 set out the plan for replenishing and maintaining usable revenue reserves over the period of the MTFP in order to achieve financial recovery and re-establish the Council's financial resilience.

The s151 Officer's recommended Fees and Charges Policy sets out the proposed framework within which discretionary charged for services would be reviewed and fees and charges set in the future in order to ensure financial viability of discretionary services.

The report was underpinned by the Section 151 Officer's report in accordance with s25 of the Local Government Act 2003 which assessed the robustness of budget estimates and the adequacy of financial reserves in the context of the known financial risks that existed in the Council's operating environment. The report set out the responsibilities of all officers and members to work collaboratively together in order to enable the Council to successfully navigate the complex and challenging path to recover its financial position and achieve financial sustainability over the medium term. Under s31A of the Local Government Finance Act 1992, the Council was required to have regard to this report when making decisions on agreeing the budget and setting the Council Tax.

The Executive Member for Finance and Governance thanked officers for their input to the report's creation. It was commented many councils were struggling to balance their budgets with many drawing on their reserves to do so. While core funds from government had reduced significantly over the previous 10 years the proposals contained in the report would allow the Council to balance its budget. Failure to produce a balanced budget would result in a Section 114 notice which in turn would lead to stopping all non-essential spending.

Some proposals in the budget, such as a move to fortnightly bin collections, were included as they had not been included previously, despite being considered. However, the Council could no longer delay addressing those issues.

Engagement had taken place with different political groups as part of the budget setting process.

The Chief Executive expressed his thanks to all involved for their input to the budget proposals which had been a collaboration approach.

A discussion took place about the EFS application and how this related to the budget proposals. It was confirmed the budget report was predicated on the EFS application was successful.

AGREED that:

In terms of the robustness of the Medium-Term Financial Plan, Executive note the statutory s25 report of the Council's Section 151 Officer in respect of the robustness of the estimates within the budget and the adequacy of reserves.

In terms of the Revenue Medium Term Financial Plan 2024/25 to 2026/27 Executive:

- 1) Note the updated financial planning assumptions following the Final Local Government Finance Settlement, together with confirmed government income sources, expenditure plans and local income budgets.**
- 2) Recommend to Council budget proposals for savings and income generation of £13.910m in 2024/25 rising to £21.028m in 2026/27, which incorporated the revisions to savings in light of the consultation response as set out in Appendix 3.**
- 3) Recommend to Council an increase in Council Tax of 4.99% resulting in a Council Tax level (Band D) of £1,975.76 excluding parish, Fire, and Police precepts (detailed in Appendix 7).**

- 4) Note that after all available measures had been taken in relation to budget proposals, a budget gap of £4.7m existed representing a shortfall of annual income compared to net expenditure plans. Therefore, the Council was dependent upon approval by DLUHC to capitalise this expenditure and finance it from Council borrowing under the provisions of Exceptional Financial Support (EFS) in order to set a balanced budget for 2024/25.
- 5) Recommend to Council the approval of the proposed General Fund revenue budget for 2024/25 with a net budget requirement of £143.190m after adjusting for the capitalisation of £4.7m of revenue expenditure relating to EFS;
- 6) Note whilst the budget gap for 2024/25 has been addressed by the EFS, there would still be a budget gap of £7.474m in 2025/26 and £0.491m in 2026/27 resulting in a cumulative budget gap over the MTFP period of £7.965m. Further savings proposals arising from the Transformation Programme would be required as a minimum to meet these budget gaps.
- 7) Note that in assessing the adequacy of reserves in the context of financial risks within the Council's operating environment, the s151 Officer had determined that financial provision for:
 - the sum of £3.5m in relation to savings delivery risk
 - the sum of £4.6m in relation to the timing of realisation of capital receipts to fund Transformation expenditurewere required in the form of capitalisation of expenditure to be funded from Council borrowing under the provisions of EFS to provide assurance on the adequacy of reserves, should those risks crystallise.
- 8) Note that the recommended budget was dependent upon DLUHC approval of EFS in the sum of £13.4m in order for it to be considered and approved by Council as a robust and deliverable balanced budget.
- 9) Note that in the event of DLUHC not approving EFS totaling £13.4m, the s151 Officer would have no option but to issue a s114 Notice under s14(3) of the Local Government Finance Act 1988 with the implications as set out in paragraph 4.11 of Appendix 2.

In terms of the Budget Consultation Executive:

- 1) Note the feedback of the budget consultation exercise, and submissions from Overview and Scrutiny Board.
- 2) Approve the recommended response to the consultation as set out in Appendix 3

In terms of the Financial Reserves Policy Executive:

- 1) Recommend to Council the approval of the Financial Reserves Policy for 2024/25 which proposes:
 - A minimum General Fund Balance of 7.5% of the Net Revenue Budget (£147.890m before EFS temporary adjustment), equivalent to £11.1m for 2024/25
 - That the Council build a Financial Resilience Reserve Balance of between £8m and £10m over the term of the MTFP to 2026/27 to strengthen its financial resilience.
- 2) Note that the reserves policy would be subject to an annual review and Council approval at annual budget setting and would be revised to reflect changes in risk and/or external factors that the Council needs to address in order to secure its financial resilience over the medium to long term.

- 3) Note the estimated balances on usable revenue reserves as at 1 April 2024 of:**
- **General Fund balance - £11.1m**
 - **Earmarked reserves – unrestricted £6.3m**
 - **Earmarked reserves – restricted £4.7m**

In terms of Fees and Charges Executive:

- 1) Recommend to Council the approval of the proposed Fees & Charges Policy for 2024/25.**
- 2) Recommend to Council the approval of the schedule of fees and charges arising from the application of the approved policy for 2024/25**

In terms of Capital Programme 2024/25 to 206/27 and Capital Strategy 2024/25 Executive:

- 1) Recommend to Council the approval of the proposed 2024/25 – 2026/27 Capital Programme totalling £174.980m and the associated financing statement as shown in Appendix 6.**
- 2) Recommend to Council the approval of the Capital Strategy and endorse the recommendations included in it as shown in para. 4.20 of the report and detailed in Appendix 6.**
- 3) Note the Council's revenue cost of borrowing for 2024/25 was £11.154m which was equivalent to 7.8% of the Net Revenue Budget and was approaching the maximum affordable level, therefore future capital investment would need to rely more heavily on external funding and capital receipts in order to maintain borrowing at affordable levels.**
- 4) Note that the high-level estimate of Transformation and Redundancy Expenditure totalling up to £13.7m in 2024/25, £7.7m 2025/26 and £5.2m in 2026/27 was required to be approved within this report to set the capital expenditure and financing limits, together with prudential indicators for borrowing within the Treasury Management Report elsewhere on this agenda.**
- 5) Note that the detailed development of the Transformation Programme governance, investment plans and funding through the Flexible Use of Capital Receipts Strategy, would be the subject of further reports to the Executive and Council in March 2024 to incorporate into the Budget and Policy framework for 2024/25.**

In terms of Schools Budget Executive:

- 1) Note details of the Dedicated Schools Grant (DSG) Grant for 2024/25 and the allocation to schools as detailed in Appendix 8.**
- 2) Note the forecast pressures upon the High Needs block of £6.644m in 2024/25 and the resulting cumulative deficit on the DSG account of £13.208m at 31 March 2025.**
- 3) Note that the Council was part of the Delivering Better Value (DBV) scheme operated by the Department for Education (DfE) to support local authorities to manage and control the deficit.**
- 4) Note that a statutory override was in place which prevented the DSG deficit from being met from General Fund resources and the Government's plan to deliver a funding solution was awaited. This presented a potential significant medium term financial risk to the Council in the event that the statutory override is removed without a suitable funding solution.**

OPTIONS

No other options were put forward as part of the report.

REASONS

All Council members had a legal obligation to agree a balanced budget and set the Council Tax by 11 March 2024. In addition, the Council had a Best Value duty to demonstrate financial sustainability through the delivery of a balanced Medium Term Financial Plan (MTFP) over a period of at least 3 years. The setting of the budget was part of the budget and policy framework and therefore required Full Council approval.

The recommendations enabled the Council to progress towards meeting its statutory responsibility to set a balanced revenue budget in 2024/25 and the requirement to secure financial sustainability of the period of the MTFP.

The Council was required to take a systematic, coherent, and controlled approach to addressing its ongoing financial challenges over the medium-term, while enabling the delivery of the Mayor's vision and priorities for Middlesbrough through delivery of the wider Council Plan.

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INCREASED RESIDENTIAL AND SUPPORTED ACCOMMODATION FOR CHILDREN IN CARE AND CARE LEAVERS

The Executive Member for Children's Services submitted a report for Executive's consideration.

The report presented the revised plans to achieve savings of £0.450m in 2025/26 and £0.615m in 2026/27, totalling £1.065m by the end of the current MTFP period on 31 March 2027 (reference: 24/25 CC03).

Further, it was anticipated that a further saving of £0.850m would be achievable in 2027/28 which was beyond the current MTFP period. This plan aimed to deliver a total saving of £1.915m over a 4-year period, replacing the original saving of £1.848m that was incorporated into the 2023/24 budget to deliver £0.787m in 23/24 and £1.061m in 2024/25 which had been determined to be undeliverable as originally planned. Due to the operational activity being brought online during 2024/25 the savings will be realised from 2025/26.

The Children's Services Financial Improvement plan approved in February 2023 included elements of increasing the in-house estate for Children's care. During the course of the 12 months significant efforts were made to identify suitable properties to bring online. These efforts were hampered for two key reasons:

1. At the commencement of the year significant time was spent exploring a large property which could have met the needs of our 16+ cohort. Months exploring this including the refurbishment feasibility were undertaken, however it transpired there were issues with the refurbishment and build that had already been undertaken which would have left a legal liability on the local authority to resolve. The focus on this area led to a delay in project achievements.
2. The cost of refurbishment, when seeking to convert any existing council asset to a residential home were prohibitive and did not represent value for money. This had therefore led to a strategy for future consideration being the identification of suitable properties with minimal renovation work required.

Under the revised plan, Middlesbrough Council would reduce the use of the external high-cost placements and grow the residential and supported accommodation offer, by increasing Middlesbrough Council's in house offer and building partnerships with commissioned providers.

Middlesbrough Council's residential and supported accommodation occupancy was mainly high (residential homes 95% in January 2024, supported accommodation 100% and higher needs supported lodgings 78%), which meant that Middlesbrough Council could not place any more children in their own lower costing, higher quality residential and supported accommodation placements.

Instead, Middlesbrough Council were using external organisations to provide homes for Middlesbrough children and young people, which on average, comes at a higher cost than Children's Services provides. On average, Middlesbrough Council residential homes cost £3,300 per week to operate, and on average currently the average cost of an external residential children's home placement was £5,600 per week.

Middlesbrough Council had forecast that the current active 76 external residential placements for children with a total forecast cost of £14.4m for 2023/24 (after contributions from Health and Education as of December 2023).

The Executive Member for Children's Services thanked officers for their involvement in the creation of the report.

ORDERED that Executive approve the revised approach which is built into the proposed 2024/25 budget and MTFP 2024/25 to 2026/27.

AGREED that Executive:

- 1. Note the reasons why the original plan could not be delivered and its removal from the MTFP.**
- 2. Note further savings that will be incorporated into future MTFP periods.**

OPTIONS

Several alternatives have been put forward by the Head of Service for Placements, and the Head of Commissioning and Procurement. These options were considered by the Director of Children's Care.

The options for this decision were detailed in the table at paragraph 5.1 of the report.

REASONS

As of January 2024, Middlesbrough had 528 children and young people in care. 97 in residential care, 372 in foster placements and 59 placed for adoption, placed with parents, living independently, staying in an NHS/Health trust placement, family centre/mother and baby unit and in a Youth Offending Institute.

Middlesbrough Council were currently paying for privately owned placements for children and young people, that were often situated outside of Middlesbrough. Some children and young people had reasons for living outside of the area, for example safeguarding concerns.

Middlesbrough Councils ambition was to increase inhouse placements homes for children and young people which was a more cost-effective solution and brought better outcomes for children at lower cost. These placements would provide medium term placements for children and young people with emotional and behavioural needs, with a particular focus on those who would otherwise be placed in more costly external settings. To complement the current and existing internal children's residential and supported accommodation offer, partnerships would be formed with commissioned providers to provide additional placements for Middlesbrough children.

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TREASURY MANAGEMENT STRATEGY 2024/25

The Executive Member for Finance and Governance submitted a report for Executive's consideration.

The report outlined the Council's prudential indicators for the financial years 2024/25 – 2026/27 and set the framework and approved the limits within which the treasury management operations for this period. It fulfilled key legislative and guidance requirements:

- a. The setting of the prudential indicators in relation to the expected capital activities and treasury management prudential indicators (included as treasury indicators) in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice.

- b. The treasury management strategy statement which set out how the Council's treasury function would support capital decisions taken above, day to day treasury management activities on service delivery and any limitations on these, via the treasury prudential indicators.
- c. The approval of the Council's Minimum Revenue Provision (MRP) Policy, which set out how the Council would pay for borrowing to fund capital investment through the revenue budget each year.
- d. The key indicator was the Authorised Limit, the maximum amount of debt the Council could enter into during the financial year. This amount acted as the legal limit for debt activity.
- e. The investment strategy which set out the Council's criteria for choosing the investment counterparties and limiting exposures to the risk of loss.

The information contained in the report regarding the Council's capital expenditure plans, Treasury Management and Prudential Borrowing activities indicated that they were:

- Within the statutory framework and consistent with the relevant codes of practice.
- Prudent, affordable, and sustainable.
- An integral part of the Council's Revenue and Capital Medium Term Financial Plans.

ORDERD That Executive review, endorse and recommend for approval and adoption at the Council meeting on the budget on 8 March 2024:

- 1) **Approve the Prudential Indicators and limits for 2024/25 to 2026/27 relating to capital expenditure and treasury management activity set out in tables 1 to 10 of Appendix 1.**
- 2) **Approve the Treasury Management Strategy for 2024/25, which included the Annual Investment Strategy for 2024/25 at Appendix 1 of the report.**
- 3) **Approve the Minimum Revenue Provision (MRP) Policy for 2024/25 at Appendix 1 of the report.**
- 4) **Approve an Authorised Limit for External Debt of £372m for the 2024/25 financial year.**

OPTIONS

It was a statutory requirement to approve the annual treasury management strategy and set of prudential indicators by the Council. As a result, there were no alternatives submitted as part of the report.

REASONS

The recommendations requested would fulfil the following for the local authority:

- 1) **Compliance with the Prudential Code for Capital Finance in Local Authorities and the Department for Levelling Up, Housing & Communities (DLUHC) guidance on investments.**
- 2) **Compliance with the Treasury Management Code of Practice for Local Authorities.**
- 3) **Compliance with the requirements of the Local Government Act 2003 Part 1.**
- 4) **To approve a financial governance framework within which officers will operate when making both borrowing and investment decisions and entering financial transactions.**

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

None.

All decisions will come into force after five working days following the day the decision(s) was published unless the decision becomes subject to the call in procedures.

