

## EXECUTIVE

<b>Date:</b> Wednesday 26th June, 2024
<b>Time:</b> 12.30 pm
<b>Venue:</b> Mandela Room

## AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minutes - Executive - 22 May 2024 3 - 8

### **THE MAYOR AND EXECUTIVE MEMBER FOR ADULT SOCIAL CARE AND PUBLIC HEALTH**

4. Corporate Performance: Quarter Four 2023/2024 - Year End 9 - 36
5. Auto-enrolment of Free School Meals and Maximising Pupil Premium Funding Across Middlesbrough 37 - 58

### **EXECUTIVE MEMBER FOR FINANCE AND GOVERNANCE**

6. 2023/24 Revenue and Capital Outturn and Development of MTFP 59 - 102
7. 2023/24 Treasury Management Outturn 103 - 118
8. Any other urgent items which in the opinion of the Chair, may be considered.

Charlotte Benjamin  
Director of Legal and Governance Services

Town Hall  
Middlesbrough  
Tuesday 18 June 2024

### MEMBERSHIP

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

## **Assistance in accessing information**

**Should you have any queries on accessing the Agenda and associated information please contact Scott Bonner / Chris Lunn, 01642 729708 / 01642 729742, [scott\\_bonner@middlesbrough.gov.uk](mailto:scott_bonner@middlesbrough.gov.uk) / [chris\\_lunn@middlesbrough.gov.uk](mailto:chris_lunn@middlesbrough.gov.uk)**

**EXECUTIVE**

A meeting of the Executive was held on Wednesday 22 May 2024.

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

**ALSO IN ATTENDANCE:** Councillor M McClintock

**OFFICERS:** C Benjamin, S Bonner, M Canavan, G Field, C Heaphy, A Hoy, C Jones, E Scollay and J Tynan

**APOLOGIES FOR ABSENCE:** None.

23/108 **DECLARATIONS OF INTEREST**

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

23/109 **MINUTES - EXECUTIVE - 1 MAY 2024**

The minutes of the Executive meeting held on 1 May 2024 were submitted and approved as a correct record.

23/110 **2025/26 BUDGET AND MTFP APPROACH AND TIMETABLE**

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

The purpose of the report was to seek approval of the budget development approach and timetable for the 2025/26 budget and MTFP for the four-year period 2025/26 to 2028/29.

Each year the Council engaged in an annual financial planning and budget setting cycle that aimed to achieve a balanced annual revenue budget and capital programme, set the council tax, and set out the capital and treasury management strategy. A high-level summary of the financial planning cycle was summarised in Table 1 with a more detailed timetable set out in Appendix 1 on page 11 of the document pack.

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

During the 2023/24 financial year, the Council started to develop its plans for how it would improve, modernise, and transform the delivery of its services for 2024/25 and over the medium term to 2026/27. This work was undertaken in order to meet the significant financial challenge that was identified in the updated 2024/25 MTFP, and in order to respond to the statutory recommendations made by the External Auditor in August 2023.

The Mayor thanked everyone for their involvement in the report and expressed the desire that the next budget setting process should be as cross-party as possible.

**ORDERED**

**That Executive approves the proposed budget development approach and the timetable for the 2025/26 budget setting and MTFP for the period 2025/26 to 2028/29 as summarised in Table 1 and detailed in Appendix 1.**

**OPTIONS**

**Given that the Council was required to operate robust and meaningful financial planning arrangements, there was no practical alternative to setting out its financial**

planning timetable.

## REASONS

The forward planning for, and setting of, a robust budget and balanced MTFP enabled the Council to provide and deliver services within its overall corporate and financial planning framework. The MTFP underpinned the delivery of the Council's vision for Middlesbrough to be a thriving, healthier, safer, and more ambitious place where people want to live, work, invest, and visit, and where we will support our residents to live fulfilling lives, to ensure that our communities thrive.

23/111

## CULTURAL TRANSFORMATION OF THE COUNCIL

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

The purpose of the report was to outline and recognise the work that the Council had done to progress its cultural transformation and to describe the Council's strategic approach to partnership working. The report was for information only and Executive was asked to note its contents.

The Council has a statutory duty to deliver Best Value in all that it does. Effective approaches to culture and partnerships and community engagement were two of the theme's government had identified as contributing towards an authority evidencing its compliance with the Best Value Duty. The report set out the steps the Council had taken and planned to take in relation to those two themes.

The culture of Middlesbrough Council was determined by its shared values, ethics and beliefs, how decisions were made, as well as how elected members and officers behaved, interacted and carried out their roles. A strong organisational culture was a characteristic of a well-functioning council.

A further report on Partnerships would be presented following this report and regular reports on transformation would be presented as part of the transformation journey.

A conversation took place regarding the importance of cultural shift that would enable successful strategy.

## NOTED

## OPTIONS

**No other options were submitted as part of the report.**

## REASONS

**As the report was for information only there were no decision reasons submitted as part of the report.**

23/112

## DEVELOPING A NEW NUNTHORPE COMMUNITY FACILITY

The Executive Member for Regeneration submitted a report for Executive's consideration.

The report sought Executive approval to proceed with the works required to develop a planning application for a new community facility in Nunthorpe, seek planning approval and to proceed with discussions of a 25-year lease with the preferred operational management organisation.

There had been a long-standing requirement for new community space to be developed within the Nunthorpe area. The need for such space had been communicated by residents, community groups and local elected members for some time.

In 2020, Middlesbrough Council, in conjunction with community representatives developed a

series of commitments that were intended to ensure that the local community were engaged in the area's future and would ultimately lead to the development of a Neighbourhood Plan. The need for a new community facility was clearly communicated as a priority for the local community.

As part of this work, several proposals came forward to develop new community space in different parts of Nunthorpe. One proposal identified a site owned by the Council adjacent to the new GP Surgery off Stokesley Road, and the other identified an opportunity to build on the existing Nunthorpe and Marton Playing Fields Association facilities off Guisborough Road.

A report was approved by Executive in September 2022, which identified the need for community consultation, and a focus on identifying the most appropriate location for the facility. The report stated the Council would manage the design and build of the new facility, but a process would also need to be undertaken to appoint an organisation to run it. As there was no revenue budget available from the Council to support the running of the facility, the selected organisation would have needed to demonstrate a viable, sustainable business plan.

It was commented that community groups were in a better position to run the facility as they knew more about community needs. The Mayor commented he was pleased the project was making progress. A Member for Nunthorpe Ward commented that Nunthorpe Parish Council was in a position to support the new facility without added pressure on Council finances.

### **ORDERED**

**That Executive approve progress to the next stage of the project, which included:**

- 1. the design process and site surveys for a planning application submission;**
- 2. a tender process to identify a preferred developer partner;**
- 3. securing planning approval; and,**
- 4. continuing discussions with preferred operational management organisation and to develop 25-year lease agreement.**

### **OPTIONS**

**There were two alternative options submitted as part of the report:**

- 1. to proceed with an alternative operator; and,**
- 2. not to develop a community facility in Nunthorpe.**

**It was believed that both options would not meet the identified needs for the community and/or would be a revenue risk and reputational risk to the Council.**

### **REASONS**

**The Council had undertaken an option appraisal process to identify the most appropriate location for a new community facility in Nunthorpe, including a public consultation. The option appraisal identified the location adjacent to the new GP Surgery.**

**Concept designs had been completed followed by a process to identify a preferred operational management organisation.**

**The project was ready to proceed to the next stage.**

23/113

### **EXCLUSION OF PRESS AND PUBLIC**

The Monitoring Officer explained that part of the report was potentially exempt, namely the contents of Appendix 1 which contained details about TeesAMP's purchaser and purchase price. The Monitoring Officer had reviewed Appendix 1 and deemed its contents to be potentially exempt against the Council's Access to Information procedure rules. It was explained that that Executive needed decide if disclosure of the information contained in Appendix 1 was in the public interest. It was also explained that if Executive deemed the information to be exempt, it should be confident they could make the decision without reference to the exempt information.

**ORDERED** that the information contained in Appendix 1 of the report be deemed exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information. Executive was confident it could make the decision without making reference to the exempt information in Appendix 1 without the need to exclude Press and Public from the meeting.

23/114

## **SALE OF TEESAMP**

The Executive Member for Regeneration submitted a report for Executive consideration.

The report sought Executive approval to dispose of the Council's freehold interest in TeesAMP 1 & 2 in accordance with the Council's Asset Disposal Process.

The Medium-Term Financial Plan (MTFP) Refresh 2024/25 to 2026/27 report agreed by Executive on 23rd August 2023, regarding the Council's overall financial position, set out the challenges faced in setting a balanced budget for 2024/25 and beyond.

The Review of Capital Receipts Strategy 2023/24 report, agreed by Executive on 21st November 2023, regarding the Flexible Use of Capital Receipts, set out the importance of securing capital receipts from asset sales. These could be used to support the Council's financial position in one of three ways:

- a) to fund investment in projects that would either deliver ongoing revenue savings or deliver transformation in public service delivery through cost and/or demand reduction in accordance with Government regulations governing the Flexible Use of Capital Receipts;
- b) to repay the Council's debt and reduce the annual costs of repaying principal and/or interest on such debt; and,
- c) to invest in infrastructure through the capital programme.

The 2024/25 budget and MTFP, Council Tax Setting and Treasury Management report approved by Council on 8 March included a plan to achieve capital receipts totalling £19.7m in 2024/25 rising to £44.7m by 2026/27 in order to finance the capital programme (£18m), transformation programme and redundancies (£26.7m).

The Asset Review report agreed by Executive on 21st November 2023 recommended a significant programme of asset sales be brought forward, in addition to the existing pipeline of land and properties being brought forward for disposal. The key asset listed for sale within the report was TeesAMP.

The Asset Disposal Business Case was included as Appendix 2 of the report.

Members discussed that while TeesAMP was an excellent initiative a change in its focus was required and that the sale would be a significant contributor to the transformation agenda. The Mayor thanked all involved in the report's creation.

### **ORDERED That Executive:**

1. **Approves the sale of TeesAMP (1 & 2) to the buyer detailed in the exempt Appendix (1) of the report for the sum detailed in the exempt Appendix (1) of the report.**
2. **Delegates the agreement of any final revisions to the price to the Director of Finance.**

## **OPTIONS**

### **Retain The Site Within Council Ownership**

**The assessment made through the Council's recent Asset Review identified that the site had significant commercial sale potential, and that the value would be maximised by securing a sale whilst fully occupied with strong lettings in place. The Council did not traditionally invest sufficient funds in the ongoing renewal of commercial properties to retain this level of value for an extended period. Retaining the site within**

Council ownership would enable the retention of the annual rental income but would miss the opportunity to secure the significant capital receipt. This was required to deliver the Council's MTFP, which underpinned the achievement of the Council Plan, and risked the loss of value experienced through lack of ongoing investment.

**Retain The Site Within Council Ownership Utilising Alternative Management Arrangements**

The potential existed to seek alternative management arrangements for TeesAMP that could have potentially addressed the lack of ongoing investment. This could not be achieved without foregoing a proportion of the annual revenue income. This would still have missed the opportunity to secure the significant capital receipt needed to deliver the Council's MTFP and the Council Plan.

**REASONS**

Disposal of TeesAMP as proposed would have generated a significant capital receipt that was critical to the delivery of the MTFP.

23/115

**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.

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<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Chief Executive
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<b>Relevant Executive Member:</b>	The Mayor and Executive Member for Adult Social Care and Public Health
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<b>Submitted to:</b>	Executive
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<b>Date:</b>	26 June 2024
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<b>Title:</b>	Corporate Performance: Quarter Four 2023/2024, Year End
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<b>Report for:</b>	Decision
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<b>Status:</b>	Public
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<b>Council Plan priority:</b>	All
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<b>Key decision:</b>	No
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<b>Why:</b>	Decision does not reach the threshold to be a key decision
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<b>Subject to call in:</b>	Yes
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<b>Why:</b>	Not urgent
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<b>Proposed decision(s)</b>	
<p>That the Executive:</p> <ul style="list-style-type: none"> <li>notes delivery status of the Strategic Plan workplan (2022-24) at Quarter Four, and 2023/24 Year End, as detailed in Appendix 1,</li> <li>approves the proposed actions to the finalise reporting of the Strategic Plan 2022-24 at Quarter Four and Year End 2023/24, as detailed in Appendix 2,</li> <li>notes the Strategic Risk Register, at Appendix 3.</li> </ul>	

## **Executive summary**

This report advises the Executive of corporate performance at Quarter Four, and 2023/2024 Year End, providing the necessary information to enable the Executive to discharge its performance management responsibilities and where appropriate, seeks approval of any changes or amendments, where these lie within the authority of the Executive.

Future corporate performance reports will be against the new Council Plan 2024-27.

### **Purpose**

1. This report advises the Executive of corporate performance at the end of Quarter Four and 2023/2024 Year End, and where appropriate seeks approval of any changes, where these lie within the authority of the Executive.

### **Recommendations**

2. That the Executive:
  - notes delivery status of the Strategic Plan workplan (2022-24) at Quarter Four and 2023/24 Year End, as detailed in Appendix 1,
  - approves the proposed actions to the finalise reporting of the Strategic Plan 2022-24 at Quarter Four and Year End 2023/24, as detailed in Appendix 2, and
  - notes the Strategic Risk Register, at Appendix 3.

### **Rationale for the recommended decision(s)**

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

### **Background and relevant information**

4. The Council's Scheme of Delegation gives the Executive collective responsibility for corporate strategic performance, together with associated action.
5. This report provides the necessary information to enable the Executive to discharge its performance management responsibilities, setting out progress against Executive approved actions, delivery of the Strategic Plan and other key associated items, together with actions to be taken to address any issued identified.
6. It should be noted that the Strategic Plan 2022-24 was established under the Council's previous administration and are a set of priorities of the then elected Mayor, monitored through various performance disciplines, to reflect progress and achievements.
7. The projected financial outturn at Quarter Four and 2023/2024, Year End is presented separately to this meeting of the Executive, and so not repeated here.
8. As part of continuous improvement in performance and risk management, the Council's Leadership Management Team (LMT) has implemented monthly reviews of corporate performance utilising a Directorate Performance dashboard, drawing data from a range of performance systems.
9. The output from these sessions is reflected through quarterly updates to the Executive and covering in addition, progress in delivering actions agreed by the Executive, key Directorate performance issues and other performance-related matters.

## Overall progress at Quarter Four, and 2023/2024 Year End

10. The Council's performance overall at Quarter Four, and 2023/24 Year End saw a dip from the position reported at Quarter Three, with progress towards expected performance standards, as set out in the Council's risk appetite, achieved in only one of the four active performance disciplines in 2023/24.

Performance discipline	Q4 2023/24 position	Q3 2023/24 position	Q2 2023/24 position	Q1 2023/24 position	Expected standard	Standard achieved	Trend
Executive actions	48% (32 / 66)	68% (51 / 75)	60% (21 / 35)	68% (32 / 47)	90%	No	↓
Strategic Plan outcomes	44% (11 / 24)	46% (11 / 24)	44% (10 / 24)	25% (6 / 24)	90%	No	↓
Strategic Plan workplan	76% (48 / 63)	71% (45 / 63)	81% (51 / 63)	81% (51 / 63)	90%	No	↑
Strategic Risk Register	88%	95%	62%	95%	90%	No	↓
Programme and Project Management	95% (20 / 21)	100% (21 / 21)	94% (16 / 17)	94% (16 / 17)	90%	Yes	↓

11. The key reasons for the dip in performance at 2023/24 Year End is due to overdue or non-achievement of Executive actions and Strategic Risk actions, summarised below:

### *Executive actions:*

- One action required a final Executive report approval which was then scheduled for April 2024, outside of year end reporting.
- The remaining outstanding actions are as a result of missed reporting system refresh cut-off date (18 March 2024 and therefore prior) and therefore outside of year end reporting capture, several actions are delayed due to external factors beyond Middlesbrough Council's control, or as a result of lack of internal capacity to complete actions within approved timescales.

### *Strategic Risk Register actions:*

- There is an overdue development and approval of Cyber security policy and strategy.
- Delayed development of ILAC Improvement Plan.
- Extension required for RAAC approval to enable the final 23 buildings to be surveyed.
- The remaining outstanding actions are as a result of missed reporting system refresh cut-off date (18 March 2024 and therefore prior) and therefore outside of year end reporting capture.

### *Programme and Project Management:*

- The Children's Improvement Plan is currently Amber, due to a delayed closure report and reflects the 5% slip in performance.

## Progress in delivering Executive actions

12. Actions agreed by the Executive to deliver approved decisions are tracked by LMT, monthly. If following Executive approval, any action is found to be no longer feasible or appropriate, or cannot be delivered within the approved timescales, this report will be used to advise the Executive as such, and to seek approval of alternative actions or amended timescales.
13. At Quarter Four and 2023/24 Year End, 32 of 66 live actions (48%) were reported as on target to be delivered by the agreed timescales; a significant dip from the Quarter Three 2023/24 report of 68%, remaining below the 90% expected standard of achievement of actions, with reasons detailed at paragraph 10.

14. There are no amendments to Executive actions presented for approval at Quarter Four. It is therefore assumed that the remainder of Executive actions will be achieved within originally approved timescales and a further update on progress against plans, will be provided at Quarter One 2024/25.

**Progress in delivering the Strategic Plan 2022-24**

15. At a meeting of full Council on 23 February 2022, it was noted that an annual refresh for the Strategic Plan 2021-24 would not be brought forward and that as such the Strategic Plan would remain in place for 2022/23 to 2023/24, to ensure that the Council has sufficient time to consider implications of national and potential forthcoming local changes on its strategic direction.

16. At a meeting of the Executive on 5 April 2022, the refreshed Strategic Plan workplan for the 2022-24 period and Directorate Priorities for 2022/23 was approved, which combined provide a cohesive approach to the delivery of key priority activities across Council services.

17. Progress continues to be monitored via detailed milestone plans, adhering to the corporate programme and project management framework, where applicable and reported to all senior managers and Members as part of the quarterly corporate performance results reports presented to Executive.

**Strategic Plan 2022-24: outcomes**

18. Performance overall against the Strategic Plan 2022-24 outcome measures at Quarter Four and 2023/24 Year End, is reported as 10 of 24 (42%) either improving or static, against the 90% performance standard.

Outcome Status	Q4 2023/24	Previous reported position	Expected standard	Standard achieved	Trend
Number (%age) GREEN	<b>6 / 24 (25%)</b>	6 / 24 (25%)	90%	No	↔
Number (%age) AMBER	<b>4 / 24 (17%)</b>	5 / 24 (20.8%)	N/A	N/A	↔
Number (%age) RED	<b>14 / 24 (58%)</b>	13 / 24 (54.2%)	N/A	N/A	↑

19. Of those which are Red and of a worsening trend, the following narrative is provided below:

- *Number of new trees planted:* The expected performance outturn during the period 2021-2024 was 6,555 / 30,000 target. Due to changes in the senior management team and the need to address financial pressures, the planting of new trees ceased during 2022/23.
- *Self-reported wellbeing (people with a high or very high satisfaction score as %):* The performance outturn at 2023/24 Year End, is 73.86% (online data last updated 2022/23), slightly below the target of 78.80% and worsening from the recorded baseline of 75.60%.
- *% of monthly Children's Care audits judged as Requires Improvement and above:* The performance outturn at 2023/24 Year End is 89%, which is above the target of 84.60% and has much improved from the recorded baseline of 79%. Group audit has now been introduced to improve consistency and upskill audit abilities.
- *Town Centre Movement:* The performance outturn at 2023/24 Year End is 767,400 which is below the target of 1,000,000 and has worsened from the baseline of 1,067,502. However, it should be noted that visitor rates are known and understood to fluctuate somewhere between 700k and 1300k, throughout the year.

- *Number of Street Warden enforcement actions:* The performance outturn at 2023/24 Year End is 105 / 1,661 target and has significantly worsened from the recorded baseline of 1,444. The reason for the low outturn is due to changes made to the data structure and recording, since originally set.
- *Town centre vacancy rate:* The performance outturn at 2023/24 Year End is 24.7%, significantly higher than the target of 13.5%, worsening from the baseline of 15%.
- *Satisfaction with the local area:* The performance outturn at 2023/24 Year End is 66%, below the target of 85%, though improved from the baseline of 58%.

20. As a result of refreshing the Strategic Plan workplan in February 2022, the relationship between delivery of the Strategic Plan workplan and the agreed outcomes and measures were diluted, as demonstrable by the reduced impact on the outcome measures.

21. This was identified and understood at the time of refreshing the workplan on a standalone basis, with the intention to address as part of the development and implementation of the Council Plan 2024-27.

### **Strategic Plan 2022- 24: workplan**

22. At Quarter Four and 2023/24 Year End, performance against the Strategic Plan workplan is below the corporate standard of 90%, with 60% of all initiatives achieved in full. This is a dip in the reported position at Quarter Three due to 11% (7 of 63) of the remaining initiatives reporting as overdue at Year End reporting position. Further detail is provided at Appendix 1.

Status	Q4 2023/24 position	Q3 2023/24 position	Q2 2023/24 position	Q1 2023/24 position	Expected standard	Standard achieved	Trend
COMPLETED	<b>60%</b> <b>(38 / 63)</b>	52% (33 / 63)	49% (31 / 63)	44% (28 / 63)	90%	No	↓
GREEN	<b>0%</b> <b>(0 / 63)</b>	19% (12 / 63)	27% (17 / 63)	37% (23 / 63)			
AMBER	<b>0%</b> <b>(0 / 63)</b>	0% (0 / 63)	5% (3 / 63)	0% (0 / 63)	N/A	N/A	N/A
RED	<b>11%</b> <b>(7 / 63)</b>	2% (1 / 63)	6% (4 / 63)	8% (5 / 63)	N/A	N/A	N/A
WITHDRAWN	<b>29%</b> <b>(18 / 63)</b>	27% (17 / 63)	13% (8 / 63)	11% (7 / 63)	N/A	N/A	N/A

23. As reported at Quarter Four 2022/23, several Strategic Plan workplan initiatives have been withdrawn from the active workplan during and since the 2023/24 budget setting process. For the purposes of transparency however, they continued to be reported in Appendix 1, reflecting their closure / withdrawal from the reporting portfolio.

24. Reasons in the main for withdrawal from the reporting portfolio outside of budget setting impact, were where initiatives related to sites that fell within the MDC boundary or external issues beyond Middlesbrough Council control, which deemed them undeliverable.

25. There are seven workplan initiatives that have not been fully achieved within approved timescales at Quarter Four and 2023/24 Year End, however it is proposed that they will continue to be progressed either within the Council Plan 2024-27 workplan (increasing recycling rates) or as standalone corporate projects. Detail is provided in Appendix 2 with a summary provided below:

- *Explore potential for the establishment of an Eton Sixth Form in Middlesbrough.* Delayed by the proposed transfer of land to the Middlesbrough Mayoral Development Corporation
- *Demonstrate increased recycling rates due to an increase in levels of contaminated waste.* For continued progression as an initiative within the Council Plan 2024-27 (Ref CP-ECS-01).

- *Vastly improve Thorntree and Pallister Parks.* Delayed outcome of match-funding bid to the Football Foundation, now expected late 2024. This will continue as a corporate project.
- *Protect and celebrate heritage through marketing strategies, and Complete planned works on Captain Cook pub / Old Town Hall.* Delayed outcome of Heritage Lottery Fund bid, now expected December 2024. This will continue as a corporate project.
- *Open three entertainment facilities within Captain Cook Square.* Delayed completion of the final site facility, now expected May 2024. Soon to be fully achieved and closed off.
- *Commence work on the new Southlands Centre.* Delay in approved planning permission, now expected August 2024. This will continue as a corporate project.
- *Commence work on Nunthorpe Community Centre.* Delay in approved planning permission, now expected August 2024. This will continue as a corporate project.

### **Strategic Risk Register**

26. During 2023/24, the Council refreshed approach to the management of strategic risk which resulted in their being 12 key risks identified. Those risks were regularly reviewed throughout the year and amended as necessary. A full review of risks will be reported to members within the Quarter one report, to align with reporting on delivery against the Council's new Council Plan. Risks at the end of year are set out in full in Appendix 3 of this report.

27. At Quarter Four and 2023/24 Year End, there were no new additions to the risk register. As part of steps to increase visibility of risk management in the organisation, the risk register has been appended to this report, which sets out:

- *Raw risk score:* What the impact would be if no internal controls were in place.
- *Current score:* What controls are in place to reduce the likelihood of the risk occurring and / or the impact.
- *Target score:* Where the Council aims to manage the likelihood and impact of the risk down to.

28. Scoring of risks is in line with the Risk and Opportunity Management Policy, agreed by Executive in June 2023. The following change was made to risk scores between Quarter Three and Quarter Four and 2023/24 Year End:

- *The likelihood of there being unknown volatility in demand for adult social care services,* reduced in likelihood and impact, reducing the score from 25 to 20.

### **Progress in delivering Programmes and Projects**

29. The Council maintains a portfolio of programmes and projects in support of achievement of the Council's strategic priorities. At Quarter Four and 2023/24, Year End, 100% (21 of 21) of the programmes / projects within the portfolio, remained on-track to deliver against project time, cost, scope and benefits, remaining above the expected combined standard of 90%.

Status	Q4 2023/24 position	Q3 2023/24 position	Q2 2023/24 position	Q1 2023/24 position	Expected standard	Standard achieved	Trend
GREEN	95% (20 / 21)	86% (18 / 21)	82% (14 / 17)	82% (14 / 17)	90%	Yes	↑
AMBER	5% (1 / 21)	14% (3 / 21)	12% (2 / 17)	12% (2 / 17)			
RED	0% (0 / 21)	0% (0 / 21)	6% (1 / 17)	6% (1 / 17)	N/A	N/A	↑

### **Projects successfully delivered in 2023/24**

- *Data Sharing*: A Children's Services project with key stakeholders in education, health, and care to allow for the continuation of the data sharing, following a change in protocol implemented in March 2021, to develop a robust management system for the data to allow for further analysis. The project has also supported the development of a dynamic Children's support register.
- *Liquid Logic*: A Children's Services project to deliver critical key changes to Liquid Logic system which supports Children's Services improvement journey. The changes have improved information recording, data capture, analysis and reporting processes and day to day case management.
- *BOHO X*: A Regeneration project to develop space for the Digital Sector in Middlesbrough, supporting business growth through the creation of high-quality office space within the Boho area. This has allowed expanding companies to move into larger premises supporting their growth and creating new space within the sector pipeline for new companies to develop and small companies to grow, facilitating the increase in job opportunities for local people and ensure that local talent remains in the town.
- *Debt Management Review*: A Financial Services project to undertake a deep-dive review of all debts, financial assistance, advice and support across the Council. The project has resulted in the implementation of a centralised solution within Revenues and Benefits bringing together all debt, financial assistance, advice and support functions from across the Council.

### Progress in other corporate performance matters

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

Status	Q4 2023/4 position	Q3 2023/24 position	Q2 2023/24 position	Q1 2023/24 position	Expected standard	Standard achieved	Trend
P 1 / 2 audit actions in time	100%	46%	90%	83%	90%	Yes	↑
FOI / EIR responded to <20 days*	74%	78%	71%	82%	90%	No	↓
% live SARs open and in time	77%	100%	100%	94%	90%	No	↓
Information security incidents	28	34	21	26	N/A	N/A	↓
Incidents reported to the ICO	2	2	0	2	N/A	N/A	↔
% complaints closed in time	79%	79%	88%	87%	90%	No	↔

31. At Quarter Four and 2023/24 Year End, the key points of note in matters of compliance, are:

- Increase in audit actions completed within expected timescale, back to usual levels following a dip at Quarter Three as a result of a number of very short timescales relating to one audit, which have now been addressed.
- The largest category of information security incidents continues to be as a result of data being disclosed in error. All incidents were successfully contained and remedial action taken to correct any process or human errors.
- A slight dip to 78% of Freedom of Information Requests (FOIs) and Environment Information Requests (EIRs) responded to within statutory timescales as a result of capacity and complexity of requests.
- Compliance with the legal timescales in relation to Subject Access Requests (SARs) relates to a small number of SARs and is as a result of an increase in volume as well as a small number of complex SARs. The number overdue was three.

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

32. Not applicable.

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

***Financial (including procurement and Social Value)***

33. There are no direct financial implications rising from the recommendations set out in this report.

***Legal***

34. The proposed recommendations are consistent with and will promote the achievement of the Council's legal duty to achieve Best Value.

***Risk***

35. The proposed recommendations are key to and consistent with supporting deliver of the Council's strategic priorities and risks, as set out in the Strategic Plan.

***Human Rights, Public Sector Equality Duty and Community Cohesion***

36. As reported to Council in February 2021, no negative differential impact on diverse groups and communities is anticipated from the direction of travel set out in the Strategic Plan 2021-24.

***Climate Change / Environmental***

37. Not applicable.

***Children and Young People Cared for by the Authority and Care Leavers***

38. Not applicable.

***Data Protection / GDPR***

39. Not Applicable.

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

Action	Responsible Officer	Deadline
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Feeder systems to be updated according to approval from Executive.	J Chapman	30/06/24
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## Appendices

1	Strategic Plan Workplan: progress at Quarter Four and 2023/24 Year End
2	Strategic Plan Workplan: proposed amendments at Quarter Four and 2023/24 Year End
3	Strategic Risk Register

## Background papers

Body	Report title	Date
Council	Strategic Plan 2021-24	24/02/21
Executive	Strategic Plan 2021-24: approach to delivery	11/05/21
Executive	Strategic Plan 2020-23 – Progress at Year End 2020/21	15/06/21
Executive	Corporate Performance Update: Quarter One 2021/22	07/09/21
Executive	Corporate Performance Update: Quarter Two 2021/22	07/12/21
Executive	Corporate Performance Update: Quarter Three 2021/22	14/02/22
Executive	Refreshing the Strategic Plan workplan for the 2022-24 period	05/04/22
Executive	Corporate Performance Results: Year End 2021/22	14/06/22
Executive	Corporate Performance Results: Quarter One 2022/23	06/09/22
Executive	Financial Recovery Plan 2022/23	18/10/22
Executive	Corporate Performance Results: Quarter Two 2022/23	08/11/22
Executive	Corporate Performance Results: Quarter Three 2022/23	14/02/23
Executive	Corporate Performance Results: Quarter Four Year End 2022/23	20/06/23
Executive	Corporate Performance Results: Quarter One Year 2023/24	23/08/23
Executive	Corporate Performance Results: Quarter Two Year 2023/24	09/09/23
Executive	Corporate Performance Results: Quarter Three Year 2023/24	14/02/24

**Contact:** Gemma Cooper, Head of Strategy, Business and Customer  
**Email:** gemma\_cooper@middlesbrough.gov.uk

## Appendix 1: Strategic Plan Workplan; progress at Quarter Four 2023/24

<b>We will show Middlesbrough's children that they matter and work to make our town safe and welcoming and to improve outcomes for all children and young people.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>	<b>Q4 2023/24 position</b>
Expand the current model for youth provision in areas that suffer high levels of deprivation	W	W	W	W
Make steps towards every child playing a musical instrument by extending to one other school or year group	G	G	G	C
Evidence that Middlesbrough Council listens to children's voices	C	C	C	C
Create and deliver a strategy to increase digital inclusion for children, young people and adults across Middlesbrough	C	C	C	C
Consolidate and build on recent Children's Services progress to improve Ofsted rating	C	C	C	C
Explore potential for the establishment of an Eton Sixth Form in Middlesbrough	G	G	G	R

<b>We will work to address the causes of vulnerability and inequalities in Middlesbrough and safeguard and support the vulnerable.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>	<b>Q4 2023/24 position</b>
Deliver and extend the 50 Futures programme	G	G	C	C
Further develop the Dementia Friendly Middlesbrough programme	C	C	C	C
Achieve 'Age Friendly Communities' status	C	C	C	C
Implement and extend locality working	C	C	C	C

<b>We will tackle crime and anti-social behaviour head on, working with our partners to ensure local people feel safer.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>	<b>Q4 2023/24 position</b>
Support the police and hold them to account for each neighbourhood	C	C	C	C
Establish and support Neighbourhood Watch schemes across the whole town	C	C	C	C
Increase CCTV across the whole town	C	C	C	C
More environmental action and punishment for fly tipping	C	C	C	C
Encourage more residents to report crime and ASB	G	G	G	C
Reward and champion individuals for being good neighbours	C	C	C	C
Increased enforcement against problem properties / streets / gardens in disrepair	C	C	C	C

<b>We will ensure our town acts to tackle climate change, promoting sustainable lifestyles.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>	<b>Q4 2023/24 position</b>
Develop an Urban Farm	W	W	W	W
Develop local wildlife / nature reserve in North Ormesby and one other site	G	A	W	W
Demonstrate increased recycling rates	G	G	G	R
Establish six community growing areas	R	R	W	W
Double the size of our urban meadows / wildflower planting sites	C	C	C	C
15 new EV charging points across town	C	C	C	C
Big community tree planting days	C	C	C	C
Middlesbrough hosts inaugural climate conference	W	W	W	W

<b>We will ensure the recovery of local communities, businesses and the Council's operations from COVID-19, taking opportunities to build back better.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>	<b>Q4 2023/24 position</b>
Delivery of the Council's COVID19 Recovery Plan to enable individuals, families, communities and business across Middlesbrough achieve a proper level of functioning, post-Pandemic	C	C	C	C
	G	G	G	C
Ensure effective Council response to immediate issues of COVID19 impacting upon individuals, families, communities and business	C	C	C	C
	G	G	G	C

<b>We will work closely with local communities to protect our green spaces and make sure that our roads, streets, and open spaces are well-designed, clean and safe.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>	<b>Q4 2023/24 position</b>
Improve identified play parks and spaces in line with our Towns Fund Recommendation	G	C	C	C
Establish the requirement for potential CPO of derelict buildings and problem sites	C	C	C	C
Improve our Highways	C	C	C	C
12 new back alleys are reclaimed, improved and showcased	C	C	C	C
Neighbourhood and town wide front garden competitions	R	R	W	W
Vastly improve Thorntree and Pallister Parks in line with Towns Fund Recommendation	G	G	G	R
Creation of Tree Maintenance Squad and ongoing maintenance work programme	W	W	W	W
Creation of a subsidised Pest Control service	W	W	W	W

<b>We will transform our town centre, improving accessibility, revitalising unused assets, developing iconic new spaces and building more town centre homes.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>	<b>Q4 2023/24 position</b>
Complete town-wide lighting scheme	W	W	W	W
Consider potential for BOHO digital expansion	G	G	G	W
St Hilda's housing starts around Old Town Hall	G	A	W	W
Protect and celebrate heritage through marketing and comms strategies and complete planned works on Captain Cook pub and Old Town Hall	G	G	G	R
Open three entertainment facilities within Captain Cook Square (cinema, Lane 7, eSports)	G	G	G	R
Commence construction on the south side of the dock	G	A	W	W
Action plan agreed and commenced for House of Fraser building	G	G	G	C
Action plan agreed and commenced for Centre North East	G	G	W	W
Action plan agreed and commenced for The Crown Pub building	G	G	W	W
Action plan agreed and commenced for Gurney House	G	G	W	W

<b>We will invest in our existing cultural assets, create new spaces and events, and improve access to culture.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>	<b>Q4 2023/24 position</b>
Increased ticket sales and attendance of events through effective marketing	C	C	C	C
Complete improvements to Teesaurus Park	C	C	C	C
Create three new annual events in 2022 as per existing approvals	C	C	C	C
Aim for all children to get an experience of live theatre	R	R	W	W
Increase attendance at existing Council events like Orange Pip	C	C	C	C
Increase visitor numbers to museums and attractions	C	C	C	C
Increase tickets sales at town hall performances	G	C	C	C

<b>We will ensure that we place communities at the heart of what we do, continue to deliver value for money and enhance the reputation of Middlesbrough.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>	<b>Q4 2023/24 position</b>
Encourage public to help drive decision making	R	G	R	R
Introduce a marketing campaign and associated support to significantly grow Middlesbrough Lottery	C	G	C	C

<b>We will ensure that we place communities at the heart of what we do, continue to deliver value for money and enhance the reputation of Middlesbrough.</b>	<b>Q1 2023/24 position</b>	<b>Q2 2023/24 position</b>	<b>Q3 2023/24 position</b>	<b>Q4 2023/24 position</b>
Work with the voluntary sector to create and promote volunteering opportunities and an increase in volunteers	C	C	C	C
Introduce Neighbourhood Action Weeks, driven by volunteers	C	C	C	C
Market a small local grant programme	W	W	W	W
Market a strong buy-local campaign	G	C	C	C
Commence work on the new Southlands Centre	G	R	G	R
Commence work on Nunthorpe community centre	G	G	G	R
Promote Middlesbrough on the national stage	C	C	C	C
Increase sponsorship income from businesses for various council activities	R	W	W	W
Improve user experience of the council website, increasing online transactions	C	C	C	C

<b>Key:</b>	
<b>C</b>	Complete
<b>G</b>	On-track
<b>A</b>	Some slippage
<b>R</b>	Unachievable
<b>W</b>	Withdrawn from portfolio as part of budget setting process



## Appendix 2: Strategic Plan workplan; proposed Quarter Four and 2023/24 Year End actions

Initiative	Owner	Approved due date	Reason ( R ) and impact ( I ) for non-achievement	Proposed Action
CYP 06: Explore potential for the establishment of an Eton Sixth Form in Middlesbrough	REG	31/03/24	R: Delayed heads of terms has impacted upon date for land sale. (I): Will not be completed within life of Strategic Plan, though work continue	Complete land sale and handover to Eton for construction and removal from corporate reporting.
CCH 03: Demonstrate increased recycling rates	ECS	31/03/24	(R): Increased levels of contaminated waste. (I): Unable to meet target recycling rates.	This initiative is being continued within the 2024-27 Council Plan Workplan
PEN 06: Vastly improve Thorntree and Pallister Parks, as per Towns Fund Recommendation	ECS / REG	31/03/24	(R): Pallister Park MUGA improvements are awaiting outcome of match funding bid to the Football Foundation, now expected late 2024 (I): Delay of 12mths for works to be fully completed.	Progress and continue to be delivered as a corporate project, monitored via PMO
TOC 04: Protect and celebrate heritage through marketing strategies and complete planned works on Captain Cook pub / Old Town Hall	REG	31/03/24	(R): Awaiting the outcome of Heritage Lottery Fund bid, expected December 2024. 2024 (I): Significant delay of 12+mths for works to be completed.	Progress and continue to be delivered as a corporate project, monitored via PMO
TOC 05: Open three entertainment facilities within Captain Cook Square	REG	31/03/24	(R): Last facility due to open May 2024. 2024 (I): No significant impact.	No further action
QOS 07: Commence work on the new Southlands Centre	REG	31/03/24	(R): Planning permission required will see delays to work until September 2024. (I): No significant impact other than timescales to fully deliver.	Progress and continue to be delivered as a corporate project, monitored via PMO
QOS 08: Commence work on Nunthorpe Community Centre	REG	31/03/24	(R): Awaiting Executive approval to progress to full design stage. (I): No significant impact other than timescales to fully deliver.	Progress and continue to be delivered as a corporate project, monitored via PMO





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

**Appendix 3: Strategic Risk register**

Code	Risk Description	Original Score	Current Score	Target Score	Managed By
01	<p><b>Failure to set a legal and balanced annual budget and to maintain a sustainable Medium Term Financial Plan (MTFP)</b></p> <p>The Council is required to set a legally balanced revenue budget by 11 March in advance of each forthcoming financial year. Failure to achieve this objective will require the s151 Officer to issue a statutory s114 Notice to the Council.</p> <p>The Council has a best value duty to set and maintain a sustainable and balanced Medium Term Financial Plan including maintenance of its reserves position to demonstrate financial resilience to be able to respond to unforeseen and complex financial challenges presented by the wider economic environment.</p>	 <p>35</p>	 <p>35</p>	 <p>21</p>	Director of Finance
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Director</b>	<b>Target Date</b>
<ul style="list-style-type: none"> <li>Responsibility and Accountability for Financial Management reinforced by Accountability Agreements for all Directors</li> </ul>		Development of balanced 2024/25 Budget and MTFP to 2026/27	Director of Finance 	Director of Finance	11-Mar-2024
<ul style="list-style-type: none"> <li>Monthly budget monitoring, forecasting, and tracking of savings delivery by Directors with accountability to the Interim</li> </ul>		Refresh of the 2025-26 MTPS process	Head of Financial Planning 		28-Jul-2024




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<p>CEO through LMT and development and delivery of financial recovery plans to control within approved budget</p> <ul style="list-style-type: none"> <li>• Monthly budget challenge sessions chaired by Director of Finance for all Directorates to enable development of insight, understanding and wider collaboration of colleagues in order to address significant financial risks.</li> <li>• Timely briefing of Mayor and Executive Members on significant financial challenges with agreement for action.</li> <li>• Quarterly budget challenge sessions chaired by the Executive Member for Finance &amp; Governance to engage Executive Members.</li> <li>• Monthly monitoring of income budgets, council tax and business rates collection rates and debt levels.</li> <li>• Update MTFP ahead of Council Planning and budget setting process for 2024/25.</li> <li>• Implementation of budget management Power BI dashboard over Business World financial management system in order to improve accessibility of financial information for Directors, Heads of Service and Budget Manager.</li> <li>• Implementation and expansion of purchase to pay compliance dashboards for use by Directors, Heads of Service and Budget Managers to drive increase in compliant procurement in relation to retrospective ordering, on vs off contract spend and use of purchase cards</li> </ul>	<p>Failure of the Recover, Reset, Deliver Transformation Portfolio</p>	<p>Chief Executive </p>		<p>31-Mar-2025</p>
	<p>Failure of the Recover, Reset, Deliver Transformation Portfolio to identify further savings</p>	<p>Chief Executive </p>		<p>31-Mar-2025</p>
	<p>Monthly budget monitoring to be put in place</p>	<p>Director of Children's Care; Director of Children's Services </p>		<p>31-Mar-2024</p>
	<p>Monthly budget monitoring to be put in place</p>	<p>Director of Adult Social Care and Health Integration </p>		<p>31-Mar-2024</p>

Code	Risk Description	Original Score	Current Score	Target Score	Managed By
SR-02	Volatility in the demand, complexity and cost of children’s social care. The risk that <b>demand and cost of and children’s social care</b> continues to escalate on the scale experienced in 2022/23, is the single biggest risk to the Councils financial viability. More financially sustainable solutions for meeting social care needs of children need to be secured with urgency to ensure delivery within the approved budget for 2023/23.	 35	 35	 21	Director of Children's Services
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Director</b>	<b>Target Date</b>
<u>Children's input</u> Weekly activity data through Chat reports/ data Moving to monthly financial monitoring Development of demand model		Weekly placements panel to be put place for high cost placements	Director of Children's Care 	Director of Children's Care; Director of Children's Services; Director of Education and Partnerships	30-Jun-2023
		Review Placements Manager post	Claire Walker 		29-Feb-2024
		Monthly budget monitoring to be put in place	Director of Children's Care; Director of Children's Services 		31-Mar-2024

Code	Risk Description	Original Score	Current Score	Target Score	Managed By
SR-03	Volatility in the demand and cost of adult’s social care The potential for underlying <b>demand and cost pressures to arise in adult social care</b> presents a significant risk to the Council’s overall financial viability and measures must be put in place to manage within approved budget.	 35	 20	 9	Director of Adult Social Care and Health Integration




Current Mitigation	Future Mitigation	Responsible Officer	Director	Target Date
Local Government settlement Budget Management process Contract management processes Savings programme in place Demand model in place Monthly demand reported to DMT - activity not just finance	Monthly budget monitoring to be put in place	Director of Adult Social Care and Health Integration	Director of Adult Social Care and Health Integration	31-Mar-2024




Code	Risk Description	Original Score	Current Score	Target Score	Managed By
SR-04	Unlawful decision by the Council If the Council took a decision that was unlawful then there is a risk of legal challenge or regulatory action that could damage its reputation and its financial position.	 35	 15	 6	Director of Legal and Governance
Current Mitigation	Future Mitigation	Responsible Officer	Director	Target Date	
Council constitution and supporting policy framework Corporate policies and procedures	Refresh the committee report format	Ann-Marie Johnstone	Director of Legal and Governance	31-Jul-2023	
Compliance checks across key areas including HSE, Risk etc, covering the corporate governance framework	Review the report development process	Ann-Marie Johnstone	Director of Legal and Governance	31-Jul-2023	
Standard report formats	Complete delivery of the Corporate Governance Improvement Plan	Ann-Marie Johnstone	Director of Legal and Governance	31-Jul-2024	
Statutory officer posts to oversee governance Annual Governance Statement assessment process	Complete delivery of the Section 24 Action plan	Ann-Marie Johnstone	Director of Legal and Governance	30-Sep-2024	





Internal and external audit processes Refreshed whistleblowing policy Legal and finance report clearance process	Progress report on improvement against the Best Value Notice by the independent Board considered by Council	Ann-Marie Johnstone			31-Mar-2024
	Progress report on improvement against BV notice considered by Executive	Ann-Marie Johnstone			30-Jun-2024







Code	Risk Description		Original Score	Current Score	Target Score	Managed By
05	Serious accident or death occurred as a result of failure to comply with Health and safety legislation and regulations	If a serious accident or death occurred as a result of failure to comply with Health and safety legislation and regulations then this could result in financial and reputational damage and individual prosecutions of staff.	 35	 15	 10	Chief Executive
Current Mitigation		Future Mitigation	Responsible Officer	Director	Target Date	
Comprehensive suite of Health and Safety policies and procedures.		Fire Safety Management Policy Statement	Director of Regeneration; Gary Welch		31-Jul-2023	
Mandatory and complimentary Health and safety training for all Council staff.		CEO to produce H&S Statement of Intent for the Council.	Chief Executive; Gary Welch		31-Jul-2023	
Dedicated HSE Advisor team		Risk from reinforced autoclaved aerated concrete (RAAC) collapsing in maintained schools or other Council assets	Director of Regeneration; Richard Horniman		30-Aug-2024	
Incident investigation system (My Compliance) to learn from incidents.						
HSE intranet page with important HSE information						
Audit schedule		Implementation of service area audits by the health and safety unit to give	Gary Welch		31-Mar-2025	


HSE steering group Fire Management System implemented across Council premises.	further assurance of sound HSMS within directorates.			
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



Code	Risk Description		Original Score	Current Score	Target Score	Managed By
SR-06	Understand and implement the requirements of the social care reform	If the Council is unable to understand and implement the requirements of the social care reform, then it could be non-compliant with the law, incur unbudgeted financial pressures, have adverse inspection outcomes and as a result be exposed to reputational damage and budget pressures.	 25	 15	 10	Director of Adult Social Care and Health Integration
Current Mitigation			Future Mitigation	Responsible Officer	Director	Target Date
Project in place with two dedicated staff • Governance documentation in place etc					Director of Adult Social Care and Health Integration	

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

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

Code	Risk Description	Original Score	Current Score	Target Score	Managed By
SR-08	Fail to ensure a sound approach to cyber security If the Council <b>fails to ensure a sound approach to cyber security</b> (technology, processes and awareness), then this could result in a cyber-attack which disrupts service delivery, increases risks to service users and incurs significant financial costs to respond to and recover from an attack.	 35	 14	 10	Director of Legal and Governance; Stephanie Bradley; Gemma Cooper; Ben Knudsen
Current Mitigation	Future Mitigation	Responsible Officer	Director	Target Date	
* Annual ICT healthchecks (Internal and external penetration testing).	Refresh approach to cyber security training	Stephanie Bradley; Gemma Cooper 	Director of Legal and Governance	30-Sep-2023	
* Compliance with PSN and PCI standards.	Attain PSN accreditation	Stephanie Bradley; Ben Knudsen 		30-Jun-2024	
* Internal scanning as new systems go live.	Review Cyber Security Training Strategy	Stephanie Bradley; Ben Knudsen 		30-Jun-2024	

<ul style="list-style-type: none"> <li>* Robust defence systems including firewalls, content filtering and endpoint protection.</li> <li>* Robust 60 day patching and maintenance cycle.</li> <li>* Test complete and continue to test.</li> <li>* Healthcheck recommendations reviewed and implemented.</li> <li>* Membership of North East WARP and CiSP.</li> <li>* Use of Protective DNS.</li> <li>* Robust backup regime, including off-line tape backups to ensure recovery.</li> </ul>	Benchmark against Cyber Assessment Framework	Stephanie Bradley; Ben Knudsen 	01-Dec-2024
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Code	Risk Description	Original Score	Current Score	Target Score	Managed By
SR-09	<p>Corporate Governance arrangement not fit for purpose</p> <p>If the Council's <b>Corporate Governance arrangements are not fit for purpose and appropriate action is not taken to rectify this at pace</b>, this could result, censure from the Council's auditors within a public interest report that would damage the Council's reputation and/or in government formal intervention including removal of powers from officers and members and direction of council spend.</p>	 15	 28	 9	Director of Legal and Governance
Current Mitigation		Future Mitigation	Responsible Officer	Director	Target Date
		Refreshed approach to corporate governance agreed by council	Ann-Marie Johnstone 	Director of Legal and Governance	31-Jul-2023










<p>External reports commissioned on Corporate governance and findings reflected within a Corporate Governance Improvement Plan</p> <p>Improvement Board in place</p> <p>Detailed improvement plan in place that has delivered a range of changes to corporate governance processes</p> <p>Annual Governance Statement process and supporting action plan. Draft AGSs in place for both 2021/22 and 2022/23</p> <p>Regular reports to Audit Committee on aspects of corporate governance to provide assurance</p>	Corporate peer review held to assess process	Ann-Marie Johnstone			31-Oct-2024
	Develop the detailed delivery plan	Gemma Cooper			30-Sep-2023
	Progress report from MIIAB to Council by end March 2024	Ann-Marie Johnstone			31-Mar-2024
	Progress report from MIIAB to Executive by end June 2024	Ann-Marie Johnstone			30-Jun-2024

Code	Risk Description	Original Score	Current Score	Target Score	Managed By
SR-10	<p>Negative Impact of Mayoral Development Corporation</p> <p>If the Council's ambitions for town centre regeneration or the wider financial sustainability of the organisation are negatively impacted by the establishment of a Mayoral Development Corporation that would take over some of the Council's existing statutory roles. This could potentially result in a lack of investment in the town, reduction in the Council's business rates income, loss of commercial income and reduction in asset holdings affecting the Council's financial viability. Reputational damage is also possible through the incorrect discharge of responsibilities such as town planning or business rate relief.</p>				Director of Regeneration
Current Mitigation		Future Mitigation	Responsible Officer	Director	Target Date

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Council representation on the board of the MDC	Heads of Terms agreed on individual asset transfers	Director of Regeneration		Director of Regeneration	30-Jun-2024
Pushing for no detriment clauses in the MDC constitution	Delivery of planning functions until robust alternative is in place	Director of Regeneration			31-Dec-2023
Engagement with TVCA on the development of future MDC projects	Agree robust business rates protocols	Janette Savage			30-Jun-2024

Code	Risk Description		Original Score	Current Score	Target Score	Managed By
Page 34 -11	Failed Partnerships	If the <b>Council and its partners do not have the collective capacity to deliver system wide change to key issues</b> such as public health, crime and safeguarding, then this could result in the population's health, wellbeing and safety declining.	35	21	10	Chief Executive
<b>Current Mitigation</b>			<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Director</b>	<b>Target Date</b>
Partnership governance register in place. Partnership governance annual assurance report and supporting register in place to assess the health of key partnerships.			Refresh of the Partnership Governance register	Ann-Marie Johnstone	Chief Executive	31-Dec-2023
<b>Children's Controls</b> All partnerships contain TOR - Partners contribute. External scrutiny of partnerships. New Mayor to chair Corporate Parenting Board. Formal reporting process in place - record of discussion and decision making.			Community Cohesion	Marion Walker		19-Jul-2024

Code	Risk Description		Original Score	Current Score	Target Score	Managed By
SR-12	Fail to deliver quality practice within children's safeguarding services	If the Council <b>fail to deliver quality practice within children's safeguarding</b> services then this may result in further government intervention, serious harm to individuals and loss of financial control.	 35	 28	 10	Director of Children's Services
Current Mitigation		Future Mitigation	Responsible Officer	Director	Target Date	
Delivered Children's services improvement plan Improvement board in place External oversight of progress from DFE Monthly performance monitoring reports		Implementation of post ILACs improvement plan	Director of Children's Care 	Director of Children's Services	31-Jan-2024	
		Creation and recruitment to the head of Quality Principal Social Work Learning and Review	Director of Children's Care 		30-Sep-2023	
		Review progress in delivery of the ILACS improvement plan to assess progress and impact of actions	Director of Children's Care; Director of Children's Services 		30-Apr-2024	
		Complete delivery of the ILACs improvement	Director of Children's Care; Director of Children's Services 		31-Jan-2025	

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<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Joint Director of Public Health and Director of Finance
<b>Relevant Executive Member:</b>	The Mayor and Executive Member for Adult Social Care and Public Health and the Executive Member for Finance and Governance
<b>Submitted to:</b>	Executive
<b>Date:</b>	26 June 2024
<b>Title:</b>	Auto-enrolment of Free School Meals and maximising Pupil Premium Funding Pilot across Middlesbrough
<b>Report for:</b>	Decision
<b>Status:</b>	Public
<b>Council Plan priority:</b>	A healthy place
<b>Key decision:</b>	Yes
<b>Why:</b>	Decision(s) will have a significant impact in two or more wards
<b>Subject to call in?:</b>	Yes
<b>Why:</b>	Non-Urgent Decision

<b>Proposed decision(s)</b>	
That Executive are asked to approve the following:	
<ul style="list-style-type: none"> <li>○ To progress a pilot initiative with schools, between officers across Revenues and Benefits Service and Public Health, to support the implementation of auto-enrolment of Free School Meals, with the aim of increasing the number of children registered for Free School Meals and Pupil Premium, subject to the agreement of Middlesbrough schools.</li> </ul>	
<p>The pilot will be funded by ringfenced grant provided by Public Health, a further report will be presented for consideration by the Executive following the completion of the pilot in order to review the findings; ascertain the approach, understand the administration costs, and determine whether it is feasible for the Council to undertake this work on a longer-term basis subject to the Council's costs being met by participating schools.</p>	

## Executive summary

Pupil Premium is grant funding provided to schools to improve educational outcomes for disadvantaged pupils in state funded schools. If a child is missing out on Free School Meal entitlement, it is in all likelihood that the school is also missing out on the Pupil Premium. By optimising Free School Meals also means the school will benefit for additional Pupil Premium.

The report presents the proposed approach to optimise the take up of Free School Meals by children in the borough's schools and the associated increase in income for schools via the Pupil Premium through auto enrolment which is designed to:

- increase the number of children registered for Free School Meals and capture eligible children whose families have not submitted applications.
- maximise the amount of Pupil Premium to Middlesbrough schools.
- Increase school funding to improve educational outcomes for disadvantages pupils.

Auto-enrolment will ensure that schools are receiving the maximum benefit of Pupil Premium funding and free school meal entitlement and is linked to the attainment gap as well as contributing towards the Council's plan to reduce poverty and create a healthy place.

Whilst the level of Free School Meals in the Town is statistically high (*source: Department for Education*), nationally 1 in 10 children are not receiving the free school meal they are entitled to, and schools are not receiving the associated Pupil Premium funding.

In Middlesbrough, a small sample of 60 households were assessed, utilising existing data sets held by the Council, which suggested a potential of 11 households with children were missing out on Free School Meals. Based on the sample, this would result in an additional £16,280.00 of Pupil Premium funding for primary school age children. If the pupils were of secondary age this would equate to £11,550.00.

There are a range of scenarios where children may be missing out on Free School Meals to which they are entitled. There is also an opportunity for schools to increase their Pupil Premium income by £1480.00 per pupil (primary school age), £1050.00 (secondary school age) which would otherwise be lost.

The scheme also contributes towards reducing poverty, as children will have access to a Free School Meal, which may currently be funded by the parent (a saving to the household of c£400.00 per child per year).

Access to a healthy meal for every eligible child will contribute towards the Council's Plan 2024-2027, creating a healthy place, helping our residents to live longer, healthier lives. It will ensure that the most vulnerable children and families in poverty have access to Free School Meals and will ensure children are receiving a healthy balanced diet and will contribute to wider health priorities such as reducing childhood obesity. In addition, this process will have the potential to support closing the attainment gap through the allocation of Pupil Premium funding to school.

Subject to approval and agreement with the individual schools, Middlesbrough Council will seek to undertake this pilot, which will be fully funded through Public Health grant funding. The cost of providing longer term arrangements, following the pilot, would need to be met/funded by the schools given this is not a statutory duty of the Council and would be a discretionary service.

## **1. Purpose**

- 1.1 To seek approval for the Council to undertake the Free School Meal and Pupil Premium Optimisation pilot.
- 1.2 The pilot is time sensitive with an enrolment completion date of September 2024 in readiness for the October 2024 census which is the deadline pupil premium data to drive school funding.
- 1.3 The Council will need to engage with Middlesbrough schools to seek approval to progress with the auto-enrolment of Free School Meals and Pupil Premium optimisation pilot.
- 1.4 The purpose of the pilot is to ensure that schools are receiving the maximum benefit of Pupil Premium funding to address the attainment gap as well as contribute towards the Council's plan to reduce poverty and create a healthy place by enabling children who are entitled to free school meals to access them.

## **2. Recommendations**

- 2.1 That Executive approves the following:
  - To progress a pilot initiative with schools, between officers across Revenues and Benefits Service and Public Health, to support the implementation of auto-enrolment of Free School Meals, with the aim of increasing the number of children registered for Free School Meals and Pupil Premium, subject to the agreement of Middlesbrough schools.
- 2.2 The pilot will be funded by Public Health Grant. A further report will be presented to Executive following the completion of the pilot to review the findings; ascertain the approach, understand the administration costs and decide whether the Council would wish to undertake this work on a longer-term basis subject to appropriate funding by participating schools.

## **3. Rationale for the recommended decision(s)**

- 3.1 The initiative takes a proactive approach to ensure that all children who are eligible for Free School Meals are identified and enrolled for Free School Meals.
- 3.2 To ensure that the Schools receive transitional protection for income related Free School Meal, those eligible must be identified and captured on the October 2024 Census. All activities relating to this initiative need to be completed by the end of September 2024.

- 3.3 Some children will automatically be receiving Free School Meals due to the Universal Infant Free School Meals, if they are in Reception, Year 1, and Year 2, although the school may be missing out on Pupil Premium.
- 3.4 Any successful claims will mean the Schools will see an increase in Free School Meal take up and an increase in the level of Pupil Premium income that they generate from participation in the pilot.
- 3.5 A small sample size of 60 Middlesbrough households, were assessed, utilising existing data sets held by the Council, which determined that a potential of 11 households with children, who would be eligible for Free School Meals. Based on this figure, if these children are primary aged children, this would result in an additional £16,280.00 of Pupil Premium funding coming into schools in Middlesbrough (if secondary pupils, this would equate to £11,550.00).
- 3.6 Under the Ever 6 Scheme (*source: Department for Education*) if a household is entitled to Free School Meals the current scheme means that the school will benefit from Pupil Premium for a period of time irrespective of any subsequent changes to the household income.
- 3.7 The policy is a key decision that impacts on two or more wards and will involve engagement with all Middlesbrough schools.

#### **4. Background and relevant information**

- 4.1 Nationally 1 in 10 children are not receiving the Free School Meals to which they should be entitled. The Child Poverty Action Group in 2021 in the North East of England estimated a regional Free School Meals under-registration rate of 11%. Schools are also not receiving Pupil Premium funding and other associated funding dependent on Free School Meal registration.
- 4.2 The scheme will ensure that all eligible households receive Free School Meals and that schools are maximising the Pupil Premium. There are several reasons, including burdensome and complex administration, language or low levels of literacy and a feeling of stigma or embarrassment from families that prevents some households from claiming Free School Meals.
- 4.3 The scheme also contributes towards reducing poverty, as children will have access to a Free School Meal, which may currently be funded by the parent (a saving to the household of c£400.00 per child per year).
- 4.4 Access to a healthy meal for every eligible child will contribute towards the Council's Plan 2024-2027, creating a healthy place, helping our residents to live longer, healthier lives. It will ensure that the most vulnerable children and families in poverty have access to Free School Meals and will ensure children are receiving a healthy balanced diet and will contribute to wider health priorities such as reducing childhood obesity. In addition, this process will have the potential to support closing the attainment gap through the allocation of Pupil Premium funding to schools.



- 4.5 Indirect benefits may also be realised for children's health and wellbeing for the future, as accessing a healthy nutritional meal could impact on NHS services such as doctors, dental services and the wider health care service.
- 4.6 The government has agreed that transitional protections for Free School Meals will remain until March 2025. Transitional protection means that eligible pupils continue to receive Free School Meals, even if their household is no longer eligible under the benefits/low earning criteria, up until March 2025 and then until the end of their phase of education.
- 4.7 By undertaking this auto-enrolment process, families may also be identified who are eligible for other benefits administered by the Council.
- 4.8 The scheme will be implemented using existing data sets already held by the Council, to ensure that every eligible child receives the Free School Meal that they are entitled to. The aim is that all eligible children will receive a healthy hot meal at lunchtime and that families are receiving the associated benefit. It is also important to ensure that families are receiving all the help and support that they can get during the cost-of-living crisis, as food costs and utility bills remain high. Additionally, schools will receive Pupil Premium funding for each child claiming Free School Meals. The process of auto-enrolment will follow the same processes used by other Local Authorities in England.
- 4.9 The process will use existing data which will result in a list of potentially eligible children. Parents will be asked to opt out if they prefer not to be registered. The Free School Meal applications will be processed by the Local Authority and notification provided to the School of the outcome.
- 4.10 Sheffield City Council introduced the Auto Award Process in 2016. Since this date of 170 schools within the Local Authority area, approx. 5,000 children have been identified as not claiming Free School Meals with approx. £3.8m of unclaimed Pupil Premium being identified.
- 4.11 Over the last year, a small number of Councils have adopted the 'opt-out' model. Results have been impressive. Fix Our Food research has pooled data from five Local Authorities in England who implement the Free School Meals auto enrolment processes in October 2023. Results suggested that over 2,500 additional children had been registered to receive Free School Meals and generated additional Pupil Premium of c£4.5m. Wakefield City Council alone registered an additional 1,183 children through the model.
- 4.12 In order to be eligible for a Free School Meal the child has to be attending a state funded school or academy full-time in Middlesbrough and the parent receives:
- Income Support
  - Income Based Jobseeker's Allowance
  - Income related Employment Support Allowance
  - Support under Part IV of the Immigration Act 1999
  - The guaranteed element of Pension Credit

- Child Tax Credit – provided you're not also entitled to Working Tax Credit and have an annual gross income of no more than £16,190.
- Working Tax Credit run-on - paid 4 weeks after you stop qualifying for Working Tax Credit
- Universal Credit – if applied for on or after 1 April 2018 the household income must be less than £7,400 per year (after tax and not including any benefits you get)

4.13 Dependent on the success of this initiative, a further report will be presented for consideration by the Executive in order to determine if it is feasible for the Council to undertake this work on a longer-term basis as there will be administrative and resource costs attached to this work.

4.14 There may also be instances where the household is not claiming for income related Free School Meals and as such no associated Pupil Premium or Free School Meal will have been claimed.

4.15 The report provides an overview of the approach and the opportunities of introducing auto-enrolment, based on the experiences of other Local Authorities across the country (e.g., Sheffield City Council).

4.16 Auto-enrolment will ensure that schools are receiving the maximum benefit of Pupil Premium funding and free school meal entitlement and is linked to the attainment gap as well as contributing towards the Council's plan to reduce poverty and create a healthy place.

4.17 Auto-enrolment is designed to increase the number of children registered for Free School Meals and capture eligible children whose families have not submitted applications.

4.18 In addition, it should maximise the amount of Pupil Premium to Middlesbrough schools and increase school funding to improve educational outcomes for disadvantaged pupils.

## **5. Other potential alternative(s) and why these have not been recommended**

5.1 **Do nothing:** To continue with the current application process whereby the responsibility rests with households to apply for Free School Meals, whilst this is still the route, the approach by the Council will ensure applications are maximised as is the Pupil Premium.

5.2 **Delay the auto-enrolment until the 2025 Census.** The current timescales are very tight by delaying this launch will allow for more robust plans to be put in place. Although any delay will impact on the transitional protection as described earlier in the report with the schools potentially missing out on financial support.

## **6. Impact(s) of the recommended decision(s)**

### **6.1 Financial (including procurement and Social Value)**

- 6.1.1** The auto-enrolment pilot will be fully funded by ringfenced grant provided by Public Health, although it is estimated that the cost of staff resource to deliver the pilot will be circa £34,750.00. Internal resource will be provided from Public Health grant to deliver the pilot on a one off basis.
- 6.1.2** Subject to further consideration of the outcome of the pilot and approval by the Executive, this non-statutory service could be provided by the Council on an ongoing basis, subject to the full cost of delivery would be met by participating schools on an ongoing basis. Schools have the opportunity to increase their Pupil Premium income by £1,400 per pupil (primary school age), £1,100 (secondary school age) which would otherwise be lost. It is therefore envisaged that schools may be prepared to pay a small percentage of the additional premium generated to contribute to meet the Council's cost of providing this service.
- 6.1.3** A review will take place during the pilot to ascertain the full financial implications of administration of the service on an ongoing basis. The VAT implications will be explored during the pilot and addressed in any further report to Executive.
- 6.1.4** Schools must make a Free School Meal available for all eligible pupils the day the student attends school. This cost is borne by the School and not the Local Authority.

## **6.2 Legal**

- 6.2.1** Under Sections 512 and 512ZB of the Education Act 1996 the Local Authority, through schools, or alternatively academies, are required to provide Free School Meals if a child is eligible and a request for Free School Meals has been made by or on behalf of that person to the Authority. The Local Authority has the "general power of competence" under Section 1 of the Localism Act 2011 which may include automatically enrolling children eligible for Free School Meals.
- 6.2.2** In addition, Section 111 of the Local Government Act 1972 states a Local Authority shall have the power to do anything (subject to any contrary provisions in the Education Act) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.
- 6.2.3** Central Government recognises the benefits of providing a healthy school meal to the most disadvantaged pupils. The Education Act 1996 requires maintained schools and academies (including free schools) to provide Free School Meals to disadvantaged pupils who are aged between 5 and 16 years old. The legislation the guidance refers to is: The Education Act 1996; The Welfare Reform Act 2012; Children and Families Act 2014.
- 6.2.4** The Department of Education (DfE) has provided non-statutory advice.

## **6.3 Risk**

- 6.3.1** The scheme supports the delivery of the Council's strategic priority 'A Healthy Place' to reduce poverty as set out in the Council Plan 2024-2027. [Council Plan | Middlesbrough Council](#).

6.3.2 The scheme will assist low income and vulnerable residents to meet day to day living expenses and provide additional funding to schools to support the attainment gap and educational needs to improve the lives of local residents.

6.3.3 The implementation of the scheme enables the service to deliver organisational priorities (Risk 08-054) and by reviewing the scheme periodically the Council continues to effectively review and amend the scheme to comply with any legislative changes (Risk 08-055).

#### **6.4 Human Rights, Public Sector Equality Duty and Community Cohesion**

6.4.1 There are no disproportionate adverse impacts on any group or individuals with characteristics protected in UK equity law. An impact assessment has been carried out and is attached.

#### **6.5 Climate Change / Environmental**

6.5.1 There are no disproportionate adverse impacts on the aspirations of the Council to achieve net zero, net carbon neutral or be the lead authority on environmental issues.

#### **6.6 Children and Young People Cared for by the Authority and Care Leavers**

6.6.1 The scheme does not differentiate based on applicant background and therefore has no adverse impact on children and young people cared for by the Authority and Care Leavers.

6.6.2 Virtual School Heads are responsible for managing the funding given to Local Authorities for the children in their care. The team work with schools to ensure the funding is used to help deliver the outcomes identified in the children's personal education plans, in line with a menu of approaches. The team can pass all the funding on to schools or has the option to retain some funding to support activities that will benefit a group, or all, of the Local Authority's looked-after-children.

#### **6.7 Data Protection**

6.7.1 A privacy notice will be published for the purposes of automatic enrolment, along with a service level agreement with schools to include the provisions for the protection of data shared. A Data Protection Screening and Impact Assessment Form has been completed.

6.7.2 Personal data will be processed for the purposes of the opt out automatic enrolment scheme. There must be a lawful basis to process personal data. The lawful basis would therefore be the UK General Data Protection Regulation Article 6(1)(e) the processing of personal data for a Public Task supported by Sections 512 and 512ZB of the Education Act 1996 and Section 1 of the Localism Act 2011 and Section 111 of the Local Government Act 1972.

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

Action	Responsible Officer	Deadline
Implementation of the auto-enrolment of Free School Meal pilot	Janette Savage	30 September 2024

**Appendices**

1	Fix Our Food – Auto-enrolment of Free School Meals Process Map
2	Impact Assessment
3	Checklist

**Background papers**

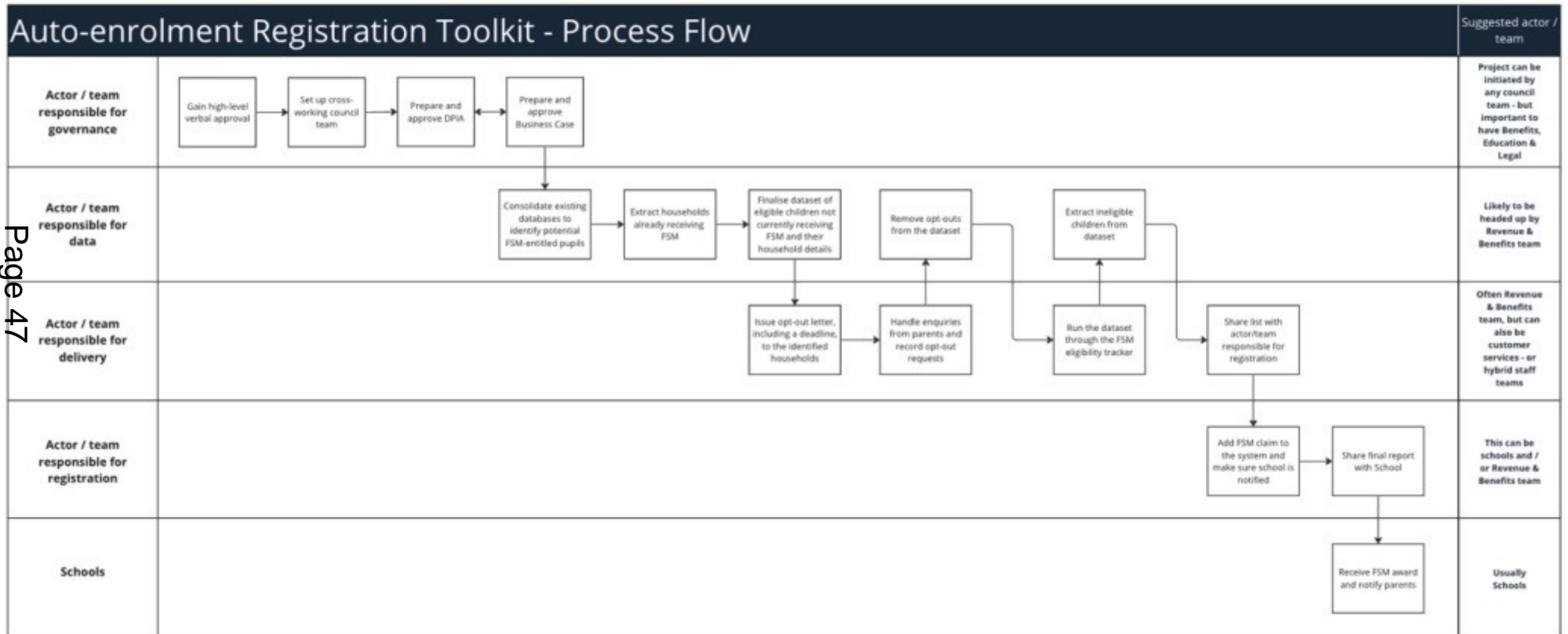
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**Contact:** Janette Savage (Head of Resident and Business Support)  
**Email:** Janette\_Savage@middlesbrough.gov.uk

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2.1. Process map



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

<b>Subject of assessment:</b>	Auto Enrolment Free School Meals			
<b>Coverage:</b>				
<b>This is a decision relating to:</b>	<input type="checkbox"/> Strategy	<input type="checkbox"/> Policy	<input type="checkbox"/> Service	<input type="checkbox"/> Function
	<input checked="" type="checkbox"/> Process/procedure	<input type="checkbox"/> Programme	<input type="checkbox"/> Project	<input type="checkbox"/> Review
	<input type="checkbox"/> Organisational change	<input type="checkbox"/> Other (please state)		
<b>It is a:</b>	<b>New approach:</b>	<input type="checkbox"/>	<b>Revision of an existing approach:</b>	<input checked="" type="checkbox"/>
<b>It is driven by:</b>	<b>Legislation:</b>	<input type="checkbox"/>	<b>Local or corporate requirements:</b>	<input type="checkbox"/>

<p><b>Description:</b></p>	<p><b>Key aims, objectives and activities</b> To assess the impact of proceeding with an auto enrolment process relating to Free School Meals (FSM) applications.</p> <p><b>Statutory drivers</b> Under Sections 512 and 512ZB of the Education Act 1996 the Council is required to provide free school meals if a child is eligible and a request for free school meals has been made by or on behalf of that person to the authority. The local authority has the “general power of competence” under Section 1 of the Localism Act 2011 which may include automatically enrolling children eligible for Free School Meals. In addition, Section 111 of the Local Government Act 1972 states a local authority shall have the power to do anything (subject to any contrary provisions in the Education Act) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.</p> <p>The Government recognises the benefits of providing a healthy school meal to the most disadvantaged pupils. The Education Act 1996 requires maintained schools and academies (including free schools) to provide free school meals to disadvantaged pupils who are aged between 5 and 16 years old. The legislation the guidance refers to is: The Education Act 1996; The Welfare Reform Act 2012; Children and Families Act 2014. The DfE has provided non-statutory advice.</p> <p><b>Differences from any previous approach</b> Previous application processes will remain i.e., families applying themselves directly with schools, however, the aim is that auto-enrolment will reduce some of the barriers associated with applying for FSM. The Exec report highlights these barriers as low-level reading ages, navigating the benefits system, stigma etc which may prevent applications coming forward.</p> <p>Following a review of the process, the approach will transition from application based submissions for free school meals to auto enrolment. There will be an option for families to opt out. By transferring to an auto enrolment this will ensure that eligible children are captured more effectively, increase pupil premiums for schools and in turn increase funding available for schools for educational improvements. The changes to the process will improve services and support for vulnerable households and low income families.</p> <p><b>Key stakeholders and intended beneficiaries (internal and external as appropriate)</b> Key stakeholders: the Council; Service Users; Schools</p> <p><b>Intended outcomes.</b> To seek approvals of an auto enrolment process</p>
<p><b>Live date:</b></p>	<p>21 June 2024</p>
<p><b>Lifespan:</b></p>	<p>Until further notice</p>
<p><b>Date of next review:</b></p>	<p>Review after year one, then 3 yearly</p>

Screening questions	Response			Evidence
	No	Yes	Uncertain	
<b>Human Rights</b> Could the decision impact negatively on individual Human Rights as enshrined in UK legislation?*	☒	☐	☐	No evidence to suggest that the policy will have an adverse impact on individuals in terms of human rights.
<b>Equality</b> Could the decision result in adverse differential impacts on groups or individuals with characteristics protected in UK equality law? Could the decision impact differently on other commonly disadvantaged groups?*	☒	☐	☐	No evidence to suggest that the policy will have an adverse impact on individuals in terms of equality.
<b>Community cohesion</b> Could the decision impact negatively on relationships between different groups, communities of interest or neighbourhoods within the town?	☒	☐	☐	No evidence to suggest that the policy will have an adverse impact on relationships between different groups, communities of interest or neighbourhoods within the town.
<b>Next steps:</b> ➡ If the answer to all of the above screening questions is No then the process is completed. ➡ If the answer of any of the questions is Yes or Uncertain, then a Level 2 Full Impact Assessment must be completed.				
<b>Assessment completed by:</b>	Debbie Ingoldsby/Anne Rose		<b>Head of Service:</b>	Janette Savage
<b>Date:</b>	30.5.24		<b>Date:</b>	30.5.24

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

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<b>Checklist for:</b>	Auto Enrolment free school meals
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Planned submission timeline (complete all that apply)	<b>Body</b>	<b>Target date</b>
	DMT	<i>Circulate and DM 31.5.24/clearance 3.6.24</i>
	LMT	<i>6.6.24</i>
	Mayoral briefing	<i>Previously briefed and supportive of the scheme</i>
	Scrutiny	<i>n/a</i>
	Pre-Executive	<i>11.6.24</i>
	<b>Executive</b> / single Member	<i>21.6.24</i>
	Council committee	<i>n/a</i>
	Full Council	<i>n/a</i>

**No report should be submitted to any of the above bodies until all of the questions below have been answered. Good time must be allowed to engage corporate governance leads to ensure they have the time and space to fully consider your report. A minimum of 5 working days for comments should be planned into report development.**

Corporate Governance discipline	Question	Answer Y/N	If you answered yes	Record of action
Projects and Programmes	Is the report seeking approval to start a new project?	<i>N</i>	No report must be submitted to Members until the business case for a new project has been agreed by LMT. The Council's approach to programmes and project management is set out in the <u>Programme and Project Management Policy</u> and supporting <u>Programme and Project Management Framework</u> .	
Projects and Programmes	Is the report presenting a business case for a new project or seeking to revise an existing	<i>N</i>	The <u>Programme and Project Management Framework</u> requires that all business are approved by the Heads of Strategy,	

Corporate Governance discipline	Question	Answer Y/N	If you answered yes	Record of action
	business case?		Information and Governance and Financial Planning	
Revenue Finance	Does the report have revenue expenditure or income implications for the organisation?	Y	The Finance Business Partner must be engaged and give approval that the financial implications are accurately described and the planned approval route is in line with the constitution.	<i>CG engaged, KC aware. Initial pilot to be funded by Public Health, with staff resource costed at c £34750. Further exec report to follow on review of the pilot to ascertain long term approach, cost and resources needed, which would need to be funded by schools</i>
Capital Finance	Does the report require any capital borrowing or change the Council's approach to planned capital borrowing	N	The Head of Finance and Investment must be engaged and give approval that the capital implications are accurately described and the planned approval route is in line with the constitution.	
Tax implications	Is the report likely to impact the councils tax position, for example in relation to VAT liabilities of the Council?	N	The Senior Financial accountant must be engaged and give approval to the representation of VAT and taxation liabilities outlined in the report.	
Assets	Does the report involve the acquisition, enhancement, disposal of an asset? Does it involve any kind of asset leasing arrangement?	N	The Head of Asset Management must be engaged and the <u>Asset Disposal Policy</u> should be adhered to.	
Grant / funding obligations	Will the Council incur grant / funding obligations as a result of this report? This should include any new grant / funding, any decision to repurpose an existing grant or funding	N	The Finance Business Partner must be engaged and give approval that the grant implications are accurately and fully described, along with a plan to manage them and the planned approval route is in line with the constitution.	
Insurance	Will the report impact on the Council's insurance position?	N	The Insurance manager must be engaged and give approval that the recommendations reflect the impact on the Council's insurance posture.	
Risk	Does the report impact on the Council's known risks or create a new risk to the organisation?	Y	The Risk assessment section of the report must set this out in full. Advice should be sought from the Risk Business Partner to ensure new risks are captured once the report is agreed. The Risk Business Partner must be engaged to seek guidance on capturing all risks. The Council's approach to risk is set out in the <u>Risk and Opportunity Management Policy</u> .	Impact - known risks and DPO as outlined below

Corporate Governance discipline	Question	Answer Y/N	If you answered yes	Record of action
Workforce	Will the report involve decisions to establish new posts, restructure or delete posts? Will it involve procurement of interim or agency staff?	Y	The Head of HR and the must be engaged Discuss where this goes:  Establishment control – finance business partner / HR  Control over agency – procurement / finance business partner	<i>Pilot will be fully funded by Public Health, who will provide internal staff resources to deliver the pilot. Discussed and agreed JS/MA/LMT</i>
Public Sector Equality Duty	Is the report relevant to the PSED?	N	A screening impact assessment must be completed and appended to the report. The Governance and Information Manager must be engaged and give approval that the assessment is robust. The process is set out in <a href="#">the Impact Assessment Policy</a> . Guidance can be sought from the Policy Business Partner.	
Consultation	Is the report seeking approval to consult?	N	The Governance and Information Manager must be engaged and approve the approach to consultation. The policy will be updated in 2023, attached is a link to the existing <a href="#">policy</a> .	Initial consultation with schools undertaken and will continue as part of implementation
Data Protection	Does the report have implications for data protection? Does it seek to gather new data or use existing data in a different way	Y	The <a href="#">Data Protection</a> officer must be engaged and approve the proposed use of data.	DPO engaged and use of data held by R&B approved. PN update required. Draft Data Protection Screening and Impact Assessment Form completed.  A privacy notice will be required to be published for the purposes of automatic enrolment and an SLA put in place with schools setting out the service the council will provide including the provisions for the protection of data shared.  Personal data will be processed for the purposes of the opt out automatic enrolment scheme. There must be a lawful basis to process personal data. The lawful basis would therefore be UK General Data Protection Regulation Article 6(1)(e) the processing of personal data for a Public Task supported by Sections 512 and 512ZB of the Education Act 1996 and Section 1 of the Localism Act 2011 and Section 111 of the Local Government Act 1972.

Corporate Governance discipline	Question	Answer Y/N	If you answered yes	Record of action
Legal	Does the report have legal implications?	Y	All reports must be submitted to the Monitoring officer for legal services views.	<p>CC engaged. "Under Sections 512 and 512ZB of the Education Act 1996 the Council is required to provide free school meals if a child is eligible and a request for free school meals has been made by or on behalf of that person to the authority. The local authority has the "general power of competence" under Section 1 of the Localism Act 2011 which may include automatically enrolling children eligible for Free School Meals. In addition, Section 111 of the Local Government Act 1972 states a local authority shall have the power to do anything (subject to any contrary provisions in the Education Act) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.</p> <p>The Government recognises the benefits of providing a healthy school meal to the most disadvantaged pupils. The Education Act 1996 requires maintained schools and academies (including free schools) to provide free school meals to disadvantaged pupils who are aged between 5 and 16 years old. The legislation the guidance refers to is:</p> <p>The Education Act 1996; The Welfare Reform Act 2012; Children and Families Act 2014. The DfE has provided non-statutory advice.</p> <p><i>See also Data Protection</i></p> <p><i>CB as RO 'is content for this report to progress as Business as usual' The mayor and members will be given the usual advice around any political comments/views due to the pre election period</i></p>
ICT	Does the report have implications	N	The Head of Strategy, Business and Customer	Not for initial rollout



Corporate Governance discipline	Question	Answer Y/N	If you answered yes	Record of action
	for ICT? This could include procuring or using a new ICT system, decommissioning systems(s), expanding access to existing systems.		who is responsible for ICT must be engaged and approve the proposed ICT implications.	
Procurement and commissioning	Will the report trigger new procurement and commissioning activity, including: commence, change or cease a service. Enter into a new contract, vary a contract, terminate a contract?	N	The Head of Commissioning and Procurement must be engaged and approve the proposed approach to ensure it is in line with the <a href="#">strategy</a> , constitution and legislation	
Partnership governance	Will the report create, change or cease partnership arrangements	N	The Head of Strategy, Information and Governance must be engaged and approve that the recommendations are in line with the Council's <a href="#">Policy for Partnership Governance</a>	
Health inequalities	Will the report have an impact on health inequalities or is there an opportunity to use the proposed outcomes to impact positively on health inequalities?	Y	The Public Health Principal must be engaged and approve the proposed approach to ensure that it is in line with the Council's commitment to reduce health inequalities as set out in the <a href="#">Health and Wellbeing Strategy</a> .	Public Health principle engaged MA/RS/AR. Directorate approved approach to support Council Plan – Strategic Priorities 'A Healthy Place' <a href="#">Council Plan   Middlesbrough Council</a>

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Checklist completed by:

<b>Name</b>	<b>Debbie Ingoldsby/Anne Rose</b>
<b>Date</b>	<b>04.6.2024</b>

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<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Director of Finance (s151 Officer)
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<b>Relevant Executive Member:</b>	Executive Member for Finance and Governance
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<b>Submitted to:</b>	Executive
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<b>Date:</b>	26 June 2024
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<b>Title:</b>	2023/24 Revenue and Capital Outturn and development of MTFP
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<b>Report for:</b>	Decision
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<b>Status:</b>	Public
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<b>Strategic priority:</b>	All
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<b>Key decision:</b>	Yes
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<b>Why:</b>	Decision(s) will incur expenditure or savings above £250,000 and have a significant impact in two or more wards
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<b>Subject to call in :</b>	Yes
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<b>Why:</b>	
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<b>Proposed decision(s)</b>
<p>That the Executive notes the Council's year-end financial outturn for the financial year 2023/24.</p> <p>That the Executive <b>approves</b> revisions to the capital programme in relation to activity in Quarter Four (as outlined in paragraph 2.4).</p> <p>The recommendations are detailed in Section 2 of the report.</p>

## Executive summary

This report summarises the Council's financial position for the financial year 2023/24 and enables the Executive to discharge its financial management responsibilities by setting out the following key areas of financial performance:

### **General Fund Net Revenue Budget Outturn** (paragraphs 4.11 to 4.16)

The Council's General Fund net revenue financial position has improved substantially from the forecast overspend of £11.563m (9.2% of Net Revenue Budget (NRB) 2023/24 of £126.354m) reported at Quarter One. At Quarter Two the forecast overspend reduced to £8.556m and also reduced further to £5.544m at Quarter Three (which was the estimate factored into the 2024/25 budget setting assumptions). In Quarter Four the overspend has reduced by a further £1.95m, however the Council continues to spend more than its available revenue income streams with a **final year-end net revenue budget outturn expenditure of £129.948m, an overspend of £3.594m** (2.8% of NRB) in 2023/24.

The Council had originally budgeted to fund £3m of eligible revenue expenditure on transformation and efficiency initiatives from Flexible Use of Capital Receipts (FUOCR) during 2023/24. In January 2024, Council approved a revision to the FUOCR Strategy which included total eligible expenditure of up to £4.3m which could be capitalised subject to realisation of at least £4.3m of usable capital receipts by 31 March 2024. This would have the effect of reducing total revenue expenditure and therefore preserving critically low revenue reserves. However, the amount of **realised capital receipts from asset sales at 31 March 2024 was only £2.399m**. This adjustment has been reflected in the General Fund net revenue budget outturn of £129.948m. Details of the application of FUOCR to eligible revenue expenditure in line with government regulations is summarised in Table 9 and detailed at Appendix 5.

### **Reserves and Provisions** (paragraphs 4.17 to 4.20)

The **General Fund Balance on 31 March 2024 is £10.986m**, a reduction of £1.055m from the £12.041m balance at 31 March 2023. The balance on **unrestricted usable earmarked reserves stood at £1.069m at 31 March 2024**, a reduction of £2.476m from the balance of £3.545m at 31 March 2023. The **combined balance on unrestricted usable reserves was therefore £12.055m at 31 March 2024 (9.5% of 2023/24 NRB of £126.354m)**, which was below the **opening balance of £15.586m at 31 March 2023** which was assessed as critically low at 2023/24 budget setting. This level is determined as inadequate by the s151 Officer.

However, as a result of the in-year detailed review of the balance sheet, a revised methodology for calculating bad debt provisions has been adopted in 2021/22 financial statements in order to comply with International Accounting Standard 37 (IAS37). This methodology uses long-term historical debt recovery performance data as a basis for estimating future debt write offs. This has resulted in a reduction in the calculated bad debt provision and combined with improved in-year collection performance during 2022/23, there is a **one-off usable cumulative Collection Fund surplus available to the Council at 31 March 2024 of £8.325m**, which cannot be realised under the Collection Fund legislation until the following year.

This surplus has been allocated in full in accordance with the approved 2024/25 budget and MTFP in order to replenish the **General Fund Balance** to the minimum recommended by the s151 Officer of **£11.1m**. The remaining balance has been allocated to the Financial Resilience Reserve within **unrestricted usable earmarked reserves** which collectively stand at **£9.280m** on 1 April 2024.

The combined level of these **unrestricted usable reserves at 1 April 2024 is £20.380m (14.2% of the 2024/25 NRB of £143.190m)**. This level remains low compared nationally to all unitary councils as illustrated in comparisons set out in the Reserves Policy approved by Council on 8 March 2024. Further measures to maintain and increase revenue reserves and therefore the Council's financial resilience are required during 2024/25 and over the medium term.

### **Dedicated Schools Grant (DSG) grant budget (paragraphs 4.21 to 4.29)**

Local authorities receive a ring-fenced grant from central government each year, which can only be used to fund education. The DSG grant budget is accounted for separately to the main Revenue Budget.

There has been an **overspend of £7.729m (12.9%)** on the DSG budget against the available grant of £59.739m. This has increased **the cumulative deficit to £14.293m at 31 March 2024**. The overspend is due to an £8.058m deficit on the High Needs Block, offset by a total surplus of £0.329m on the Early Years and the Schools Blocks.

The Council is engaged in the Delivering Better Value Programme with the Department for Education (DfE) and CIPFA to deploy measures to reduce expenditure over time as part of national measures led by Government to address the financial pressures being experienced by local authorities. Government has implemented a statutory override on a temporary basis to the end of 2025/26 which directs local authorities not to fund the DSG deficit from the General Fund. The temporary nature of the statutory override presents a medium to long term risk to the Council. If a Government solution is not implemented before the statutory override is removed, then this deficit would fall to be met by General Fund balances. This is a significant financial risk that exists for Middlesbrough and many other upper tier local authorities with education responsibilities. Further focus is required during 2024/25 to address this issue given the significant increase in overspend during 2023/24.

### **Capital Programme Outturn and funding (paragraphs 4.30 to 4.44)**

The Council approved a capital programme for 2023/24 of £71.211m (the original 2023/24 capital budget). This was revised to £80.474m at Quarter One to take account of 2022/23 programme slippage. The programme was reviewed on a quarterly basis with a revised budget of £67.631m at Quarter Three. Additional externally funded income has been added to the programme, resulting in a revised 2023/24 budget of £72.643m at Quarter Four.

The **final outturn at 31 March 2024 is capital expenditure of £47.714m**, an underspend of £32.760m (40%) against the original 2023/24 budget adjusted for 2022/23 slippage of £80.474m, £19.917m (29%) against the Quarter Three revised budget of £67.631m, and £24.929m (34%) against the final 2023/24 approved budget of £72.643m.

The £47.714m of expenditure was funded by:

- £26.846m (56%) grants and external funding
- £ 2.399m (5%) capital receipts
- £ 18.469m (39%) borrowing

During Quarter Four, external funding of £15.246m was received by the Council, of which £5.012m was expended within 2023/24, with the remainder being profiled for expenditure in 2024/25 and future years. This is presented for approval by the Executive into the approved programme as set out in Table 12 in paragraph 4.44, with the revised capital programme being included at Appendix 7.

### **Council Tax, Business Rates, Sundry Debt and Housing Benefit Overpayment balances at 31 March 2024** (paragraphs 4.45 to 4.58)

Council Tax and Business Rates represent around 66% of the Council's annual revenue income stream and are therefore significant funding sources that meet the cost of delivering all Council services. It is therefore essential that the Council operates a firm but fair approach to income collection and recovery that is in the interests of all taxpayers alongside the measures that are in place to support those residents and businesses who are financially vulnerable and are eligible for a range of support that is available through application to the Council.

Sundry debt is income owed by customers in relation to charges for 'paid for' services provided by the Council. Where the Council has overpaid housing benefits to claimants that is appropriate to recover, this is presented as a debt owed to the Council and is required to be recovered under government regulations.

At 31 March 2024 the balance on these debts owed to the Council was (see paragraph 4.58 for details):

- Council Tax £36.773m
- Business Rates £8.391m
- Sundry Debt £15.516m
- Housing Benefit Overpayments £6.741m

The Council's approach to improving debt recovery performance whilst maintaining appropriate support to residents and businesses who are entitled to available help, advice, and support, is set out in paragraphs 4.48 to 4.57.

### **Treasury Management Outturn**

In a change from previous years, the Treasury Management Outturn report is a separate report on this agenda as the Council progresses to comply fully with the CIPFA Code of Practice on Treasury Management.

### **Actions to be taken to progress financial recovery and develop the 2025/26 MTFP** (paragraph 4.51 and paragraphs 4.59 to 4.68)

The Council has achieved significant improvement in its financial position from that which existed at the start of the 2023/24 financial year. However, it continues to spend above its available income sources as reflected by the overspend of £3.594m in 2023/24. Further measures are required during 2024/25 and over the medium term as

detailed in paragraphs 4.61 to 4.68 to strengthen the grip upon the management of the Council's financial position.

Details of the work to be undertaken and the approach to be adopted in assessing the impact of the 2023/24 outturn upon the 2024/25 budget assumptions and the revision of the 2025/26 budget and MTFP is set out in paragraph 4.51 and Appendix 1 of this report. This work will inform the 2024/25 Quarter One forecast and the preparation of the 2025/26 budget and MTFP that will be considered by the Executive on 4 September 2024.

## 1. Purpose

1.1 This report:

- Summarises the General Fund revenue and capital outturn and reserves position for the financial year 2023/24 and highlights the areas of particular financial challenge.
- Summarises the financial position for Dedicated Schools Grant for 2023/24
- Summarises the debtors position at 31 March 2024 and highlights the work to be undertaken to increase recovery of debt owed to the Council.
- Seeks approval of the Executive in relation to revisions to the Capital Programme and approval of new grants into the budget framework.
- Sets out the further work to be undertaken to review the 2024/25 budget assumptions and development of the 2025/26 MTFP in light of the 2023/24 financial outturn.

## 2 Recommendations

2.1 In respect of the General Fund Revenue Budget, the Executive is requested to:

- Note the 2023/24 net revenue budget **year-end outturn as of £129.948m** against an approved budget of £126.354m, a **final overspend of £3.594m (2.8%)** as analysed in Table 1 in paragraph 4.12.
- Note that an analysis of one-off vs ongoing variances, in 2023/24 has been undertaken as set out in paragraph 4.15 and Appendix 1, and this will be used to review and assess the 2024/25 budget allocation of growth and any revisions will be reported in Quarter One 2024/25 monitoring.
- Note that **£2.399m** of qualifying revenue expenditure has been funded from **Flexible Use of Capital Receipts (FUOCR)** in accordance with the FUOCR strategy approved by Council on 17 January 2024 (Table 9 and Appendix 5).
- Note a **bid of £0.199m** has been made by the Director of Childrens Services to **DfE for an additional improvement grant for 2024/25**. If successful, this will be incorporated into the relevant budget in order to support the funding of transformation and savings delivery for 2025/26 onwards as well as support practise improvements in progressing young people to permanence (paragraph 4.13).

2.2 In respect of the Council's Reserves and Provisions, the Executive is requested to:

- Note the **General Fund Balance of £10.986m and unrestricted usable earmarked reserves of £1.069m at 31 March 2024**

- Note the **cumulative usable Collection Fund surplus of £8.325m** at 31 March 2024 and the s151 Officer's action to apply this sum at budget setting 2024/25 in order to replenish the **General Fund Balance to the recommended minimum level of £11.1m and unrestricted usable earmarked reserves at £9.280m at 1 April 2024** in accordance with Council approvals on 8 March 2024.
- Note that the combined total of **unrestricted usable reserves at 1 April 2024 stand at £20.380m (14.2% of the 2024/25 Net Revenue Budget of £143.190m)** and that this level remains very low compared nationally to all unitary councils as illustrated in comparisons set out in the Reserves Policy approved by Council on 8 March 2024

2.3 In respect of the Dedicated Schools Grant (DSG), the Executive is requested to:

- Note **the total in-year deficit of £7.729m** for 2023/24 mainly due to an overspend of £8.058m relating to the High Needs Block, which is an increase of £1.085m from the total £6.644m deficit reported at Quarter Three. The increase is mainly due to higher demand for specialist provision as inclusion of pupils within mainstream settings has remained a challenge.
- Note that a range of management actions are being taken to address the increase in expenditure alongside the DfE Delivering Better Value (DBV) programme (paragraph 4.27) which aims to support the financial recovery of the DSG position. This includes service plans on reviewing exceptional support funding, increasing pupil exclusion recharges and recoument of assessment places as part of reducing this over-spending in 2024/25 onwards.
- Note **the total cumulative deficit of £14.293m at 31 March 2024**, including £15.079m relating to the High Needs Block.
- Note that under current government regulations implementing a 'statutory override' in place to the end of 2025/26, this deficit cannot be funded from the General Fund, and the Council is required to deliver a recovery plan to the Department for Education (DfE).
- Note that this position presents a potential significant risk in medium to long term relating to the Council's financial sustainability if no government solution is reached before the statutory override is removed and this is a national issue that requires resolution.

2.4 In respect of the Capital Programme the Executive is requested to:

- **Approve** the inclusion of additional expenditure budgets to the Capital Programme for 2023/24 totalling **£5.012m** (summarised in Table 8) which are externally funded. These adjustments have increased the approved 2023/24 Capital Programme budget to £72.643m
- Note the **2023/24 Capital Programme final outturn of £47.714m**, which is a favourable variance of £24.929m (34%) from the revised £72.643m budget for 2023/24 comprising:
  - An underspend on projects of £2.218m
  - Slippage on projects of £22.711m into 2024/25.

2.5 The Executive is requested to note the level of Collection Fund and General Fund Debtors at 31 March 2024 as follows;



- Council Tax £36.773m
- Business Rates £8.391m
- Sundry Debt £15.516m
- Housing Benefit Overpayments £6.741m

2.6 In relation to the Council's financial recovery and resilience, the Executive is requested to:

- note the approach to strengthening financial discipline during 2024/25 as set out in paragraphs 4.61 to 4.68.
- Note the actions being taken to improve budget management and forecasting in preparation for the development of the 2025/26 MTFP.
- Note the critical role that the development of a further pipeline of transformation projects and initiatives will have in relation to achieving financial recovery and rebuilding the Council's financial resilience.

### **3 Rational for the recommended decision (s)**

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

### **4 Background and relevant information**

4.1 The Council's Scheme of Delegation gives the Executive collective responsibility for corporate strategic performance and financial management / monitoring, together with associated actions. Standing Orders and Financial Procedures require the Executive's approval for major virements between revenue budgets, and in-year changes to the Council's Capital Programme within approved Council resources.

4.2 This report enables the Executive to discharge its financial management responsibilities by setting out the following for the financial year ended 31 March 2024:

- General Fund Revenue Budget final outturn;
- Statement of the Council's revenue reserves and provisions;
- The Dedicated Schools Grant final outturn;
- Capital Programme final outturn
- The level of Collection Fund and General Fund debtors
- actions that the Council has taken and plans to take in order address the issues identified.

4.3 A revised Capital Programme for the period 2023/24 to 2025/26 is attached at Appendix 7 for the Executive's consideration.

### **Revenue Budget**

#### ***Context***

4.4 The Executive has considered quarterly reports projecting the 2023/24 Revenue and Capital Programme outturn during the course of the 2023/24 financial year. The context for the 2023/24 budget was considered by Council in setting the budget and MTFP in February 2023. This included the s151 Officer's statutory report on the

robustness of budget estimates and adequacy of financial reserves under s25 of the Local Government Act 2003.

4.5 The 2023/24 Quarter One revenue forecast an overspend of £11.563m and given the critically low level of usable General Fund reserves of £14.829m on 31 March 2023, this put the Council at risk of the s151 Officer being required to issue a s114 Notice during the financial year. The s151 Officer initiated a range of control and financial recovery measures that were effective from July 2023 to recover the financial position and to secure the return to financial resilience in the medium term. Measures included:

- Monthly budget monitoring including budget challenge sessions chaired by the s151 Officer and Quarterly challenge sessions led by the Executive Member Finance and Governance.;
- Vacancy control measures restricting recruitment to essential roles;
- Monthly management reports to enable directors to ensure compliance with non-essential spending controls on travel, expenses, purchase cards, expenditure over £5,000;
- Rationalisation and relaunch of purchase cards, with mandatory training and enhanced compliance monitoring through dashboard reporting;
- An in year increase of fees and charges to uplift for inflation from 1 December 2023 was approved by Executive on 21 November 2023.

4.6 On 21 August 2023 the External Auditor Ernst & Young LLP (EY), issued 11 statutory recommendations under s24 schedule 7(2) of the Local Audit and Accountability Act 2014. Three of the recommendations were related to the Financial Recovery and Resilience of the Council as set out in the report extract below:

4. We recommend that the Council builds upon the steps already taken to control its expenditure to identify specific deliverable savings over the short term (next 12 months) and protect its limited remaining reserves. Where appropriate, this may need to include the Council changing how it meets its statutory responsibilities and the extent to which it delivers services which are not required to discharge its statutory responsibilities.
5. We recommend that the Council reviews its service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.
6. We recommend that the Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, have emerged within the first half of both the 2022/23 and 2023/24 financial years and ensure future forecasting reflects the lessons learned.

4.7 Statutory Officers led the Council's progress in delivering its financial recovery plan within the wider Culture and Governance Improvement Plan (CGIP) and the s24 Recommendations action plan. There was regular engagement with DLUHC officials, the External Auditor and the Middlesbrough Independent Improvement Advisory Board (MIAB) throughout the year. The MIAB was established voluntarily by the Council on 18 September 2023 to support its improvement journey.

4.8 In relation to the s24 Recommendations, the 2024/25 budget development methodology focused upon the development of proposals to:

- Manage/ reduce service demand
- Service redesign
- Service transformation/efficiency
- Reduction/stopping service levels.

4.9 In addition, a review of budget modelling has identified opportunities to improve the robustness of demand and unit cost modelling and the need to develop more data driven forecasts and budget modelling over longer time horizons. This work will continue through 2024/25 underpinned by refinements to underlying financial systems and processes and reduction of manual processes. The development and review of service benchmarking data and establishing deep dive reviews of high cost and overspending areas is ongoing.

4.10 A number of transformational themes that will improve outcomes and deliver savings are included in the 2024/25 approved budget and MTFP and are being developed through the Recover, Reset, Deliver Transformation Portfolio, that is tasked with developing a further pipeline of programmes and projects to close the budget gap over the MTFP to return the Council to financial stability and build its financial resilience.

### **Revenue Budget Final Outturn 2023/24**

4.11 The 2023/24 final outturn at 31 March 2024 (Quarter Four) is an overspend of £3.594m (2.8%) against the approved budget of £126.354m. This represents an improvement of £1.950m from that forecast at Quarter Three.

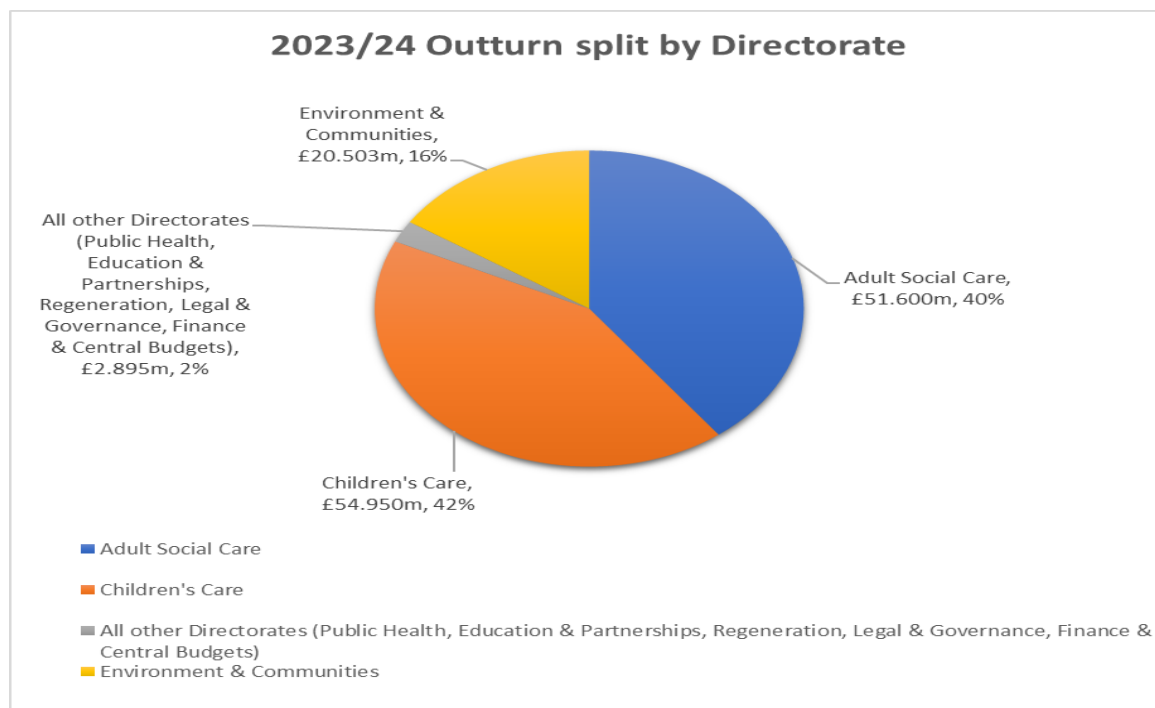
4.12 The analysis of the financial outturn by Directorate is set out in Table 1. This is also illustrated in Chart 1 which shows simply that 82% of the Council's expenditure in 2023/24 was spent on Social Care (Childrens and Adult).

**Table 1 – Summary of Net Revenue Budget Final Outturn 2023/24**

All Directorates	Original Budget Full Year	Current Budget Full Year	Outturn	Outturn Variance	Outturn Variance as % of Current Budget	Movement from Quarter Three (Outturn Variance)		Split of variance		
								£m	£m	£m
				Adv/(Fav)	%	Adv/(Fav)				
Adult Social Care	49.808	51.626	51.600	(0.026)	(0.1)	(1.384)	↑	0.000	(0.026)	(0.026)
Public Health	(3.280)	(0.944)	(0.944)	0.000	0.0	0.000	↔	0.000	0.000	0.000
Children's Care	54.649	52.184	54.950	2.766	5.3	(0.117)	↑	1.568	1.198	2.766
Education & Partnerships	5.494	5.470	6.551	1.081	19.8	(0.363)	↑	0.000	1.081	1.081
Regeneration	(1.987)	0.776	(0.094)	(0.870)	(112.1)	(0.535)	↑	0.000	(0.870)	(0.870)
Environment & Communities	20.228	19.487	20.503	1.016	5.2	0.073	↓	0.000	1.016	1.016
Legal & Governance	10.245	10.815	10.794	(0.021)	(0.2)	(0.075)	↑	0.000	(0.021)	(0.021)
Chief Executive	0.000	0.234	0.242	0.008	3.4	0.008	↓	0.000	0.008	0.008
Finance	4.429	4.230	3.340	(0.890)	(21.0)	(0.555)	↑	0.000	(0.890)	(0.890)
<b>Total Directorates</b>	<b>139.586</b>	<b>143.877</b>	<b>146.941</b>	<b>3.064</b>	<b>2.1</b>	<b>(2.948)</b>		<b>1.568</b>	<b>1.496</b>	<b>3.064</b>
Central Budgets	(13.232)	(17.523)	(16.993)	0.530	(3.0)	0.998	↓	0.000	0.530	0.530
<b>Total Budget</b>	<b>126.354</b>	<b>126.354</b>	<b>129.948</b>	<b>3.594</b>	<b>2.8</b>	<b>(1.950)</b>		<b>1.568</b>	<b>2.026</b>	<b>3.594</b>

Note: includes effects of Flexible Use of Capital Receipts in 2023/24

**Chart 1 – Net Revenue Budget Final Outturn 2023/24 % split by Directorate**



- 4.13 Table 1 shows that the overspend of £3.594m comprises non savings delivery of £1.568m in Childrens Care plus £2.026m of other income and expenditure pressures. These overspends are mainly driven by the continued financial pressures in Children’s Social Care (£2.766m), SEND transport costs within Education and Partnerships (£1.081m) and Environment and Communities (£1.016m) due to shortfalls in service demand at the crematorium as well as the forecast pressures in waste disposal costs. It should be noted that a bid of £0.199m has been made by the Director of Childrens Services to DfE for an additional improvement grant for 2024/25. If successful, this will be incorporated into the relevant budget in order to support the funding of transformation and savings delivery for 2025/26 onwards as well as support practise improvements in progressing young people to permanence.
- 4.14 The position in Adult Social Care has improved by £1.384m in the final quarter, resulting in a small underspend of £0.026m. The improvement during Quarter Four is mainly due to a combination of increased underspends on staff budgets of £0.337m from vacant posts in Quarter Four due to the nationwide difficulties in recruiting Social Care staff, and £1.166m net reduction of purchased care costs largely due to measures taken in the financial recovery plan in Quarter Four which have resulted in increased scrutiny of care package approvals (£0.650m), increased health contributions to care packages (£0.172m), an increase in Direct Payments surplus recovery (£0.080m), and identification and recovery of an overcharge by one care provider during Quarter Four (£0.106m).
- 4.15 An analysis of the main variances is included in Appendix 1 together with an assessment of the ‘one-off’ variances totalling a (£5.146m) net favourable variance and ‘ongoing’ variances totalling a £8.740m net adverse variance. This information will be used to reassess the 2024/25 budget assumptions as part of Quarter One 2024/25. It should be noted that ‘one off mitigations’ have a favourable impact only in 2023/24 and do not support the 2024/25 budget position. Those plans that have delivered ‘ongoing’ cost reductions or income generation may have a favourable

impact upon the 2024/25 budget position if they have not already factored into the 2024/25 budget assumptions.

### ***Budget savings delivery***

- 4.16 The approved 2023/24 revenue budget included savings totalling £9.383m in 2023/24 and a further £2.987m in 2024/25. The savings tracker included in Table 2 summarises performance in 2023/24 and the impact upon delivery for 2024/25, categorising the level of achieved savings at £7.814m (83%) and unachieved savings at £1.569m (17%). Table 3 shows performance for each Directorate against the 2023/24 savings, with further details of savings categorised as “Red” and “Amber” is attached at Appendix 2. Savings delivery plans were monitored via the Savings Programme Board that is chaired by the Head of Business, Strategy and Customer Services. The unachieved savings within the Children’s Directorate relate mainly to the internal residential provision schemes and were removed and reprofiled within the MTFP in setting the 2024/25 budget.

***Table 2 – Savings Programme Delivery***

Savings Programme and CS Financial Improvement plan - summary		2023/24	2024/25	Overall
Rag	Savings	£m	£m	£m
<b>Blue</b>	Saving Realised (delivered)	7.814	0	7.814
<b>Green</b>	Saving forecast to be realised as originally planned, or to be realised through alternative actions.	0	0.424	0.424
<b>Amber</b>	Medium risk to savings delivery, with mitigating actions being considered/worked on.	0	0.729	0.729
<b>Red</b>	High risk to savings delivery with limited scope of mitigation.	1.569	1.834	3.403
	<b>Total Savings</b>	<b>9.383</b>	<b>2.987</b>	<b>12.370</b>

**Table 3 – Savings Programme Assurance for 2023/24 by Directorate**

Directorate	23/24 RED (£m)	23/24 AMBER (£m)	23/24 GREEN (£m)	23/24 BLUE (£m)	TOTAL (£m)
Regeneration	0	0	0	0.596	<b>0.596</b>
Environment and Commercial Services	0	0	0	2.043	<b>2.043</b>
Legal and Governance	0	0	0	0.241	<b>0.241</b>
Adult Social Care and Health Integration	0	0	0	0.502	<b>0.502</b>
Public Health	0	0	0	0.296	<b>0.296</b>
Education and Partnerships	0	0	0	0.313	<b>0.313</b>
Children's Care	0.056	0	0	0.698	<b>0.754</b>
Central	0	0	0	0.543	<b>0.543</b>
Finance	0	0	0	0.130	<b>0.130</b>
Fees and Charges	0	0	0	0	<b>1.111</b>
Children's Services Financial Improvement Plan	1.513	0	0	1.341	<b>2.854</b>
<b>TOTAL (£m)</b>	<b>1.569</b>	<b>0</b>	<b>0</b>	<b>7.814</b>	<b>9.383</b>
<b>Overall Percentages</b>	<b>17%</b>	<b>0%</b>	<b>0%</b>	<b>83%</b>	

**Council Reserves and Provisions**

4.17 Table 4 summarises the Council's General Fund reserves and provisions showing the movement between 31 March 2023 and 31 March 2024, with full details included in Appendix 3.

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

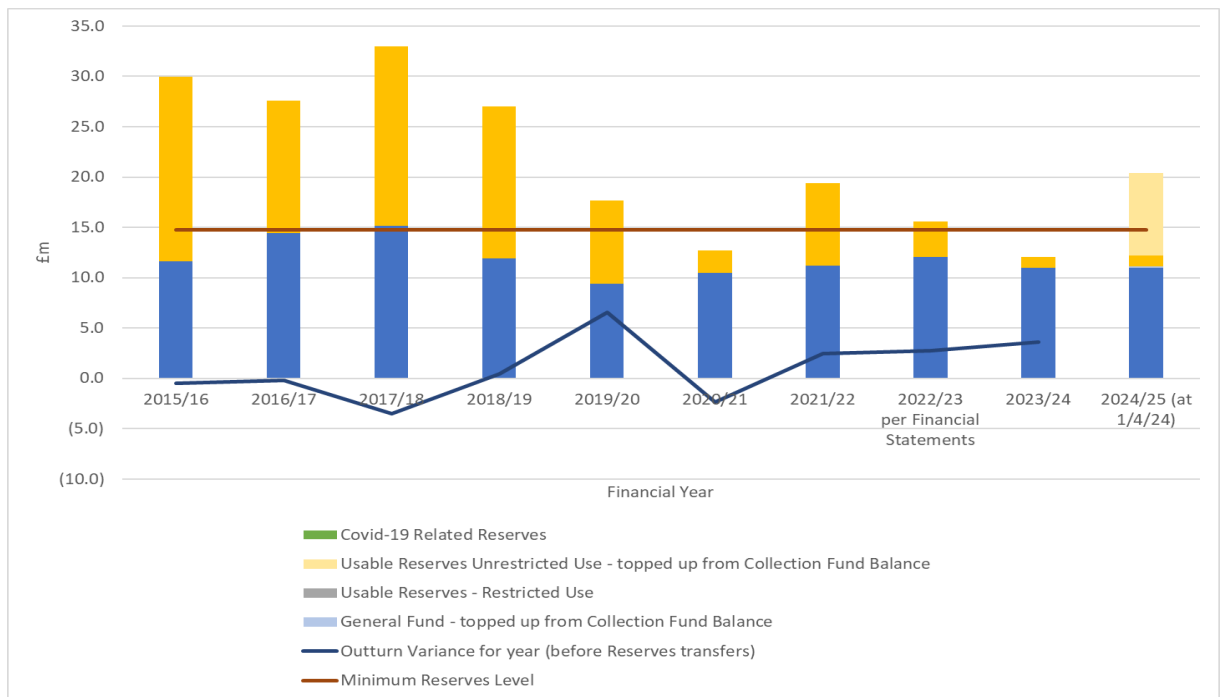
	ORIGINAL Closing Balance 31/03/23 / Opening Balance 01/04/23 £m	AMENDMENTS from Balance Sheet Review £m	REVISED Closing Balance 31/03/23 / Opening Balance 01/04/23 £m	Additional Contributions £m	Transfers between Reserves £m	Use in Year £m	Used for 23/24 Outturn Variance £m	BALANCE AT 31/03/24 £m	Allocation of Collection Fund Balance 01/04/24 £m	REVISED OPENING BALANCE 2024/25 £m
<b>GENERAL FUND RESERVE</b>	<b>12.041</b>		<b>12.041</b>				<b>(1.055)</b>	<b>10.986</b>	<b>0.114</b>	<b>11.100</b>
<b>UNRESTRICTED USABLE EARMARKED RESERVES</b>	<b>2.788</b>	<b>0.757</b>	<b>3.545</b>	<b>0.730</b>	<b>(0.017)</b>	<b>(0.650)</b>	<b>(2.539)</b>	<b>1.069</b>	<b>8.211</b>	<b>9.280</b>
Restricted Usable Earmarked Reserves	1.171		1.171	1.049	0.061	(0.401)	-	1.880	-	1.880
Unusable Earmarked Reserves	3.975	(5.664)	(1.689)	21.391		(28.587)		(8.885)		(8.885)
School Balances	3.641		3.641	3.539		(2.581)		4.599		4.599
<b>RESTRICTED USE RESERVES TOTAL</b>	<b>8.787</b>	<b>(5.664)</b>	<b>3.123</b>	<b>25.979</b>	<b>0.061</b>	<b>(31.569)</b>	<b>-</b>	<b>(2.406)</b>	<b>-</b>	<b>(2.406)</b>
<b>PROVISIONS</b>	<b>5.194</b>		<b>5.194</b>	<b>0.646</b>	<b>(0.044)</b>	<b>(1.266)</b>		<b>4.530</b>	<b>-</b>	<b>4.530</b>
<b>TOTAL RESERVES &amp; PROVISIONS</b>	<b>28.810</b>	<b>(4.907)</b>	<b>23.903</b>	<b>27.355</b>	<b>-</b>	<b>(33.485)</b>	<b>(3.594)</b>	<b>14,179</b>	<b>8.325</b>	<b>22.504</b>

4.18 As a result of the detailed balance sheet review, the s151 officer has revised the methodology to calculate the Collection Fund Bad Debt provision in 2021/22 financial statements in order to comply with International Accounting Standard 37 (IAS37) which has adopted a long-term data driven methodology to forecast debt write offs, based upon actual collection performance. This, combined with collection

performance during 2022/23 has resulted in a usable cumulative collection fund surplus of £8.325m. This surplus has been applied to replenish the General Fund Balance to the recommended minimum level of £11.1m and unrestricted usable reserves at £9.280m at 1 April 2024 in accordance with Council approvals on 8 March 2024. This is reflected in Table 4.

- 4.19 Usable reserves remain at a very low level compared nationally to other unitary authorities. Further measures will be required over the period of the MTFP to maintain and increase revenue reserves and rebuild financial resilience. Figure 1 below shows the trajectory of Middlesbrough’s unrestricted usable Reserves from 2015/16 through to 2024/25 opening balance against both the recommended minimum reserves level and the reported outturn position.

**Figure 1 - Middlesbrough Council - Unrestricted Reserves Balances from closing balance 2015/16 through to opening balance 2024/25 and reported outturn variance per year**





### **Contingency Budget and Change Fund**

4.20 Table 5 summarises the use of the 2023/24 Corporate Contingency budget and the Change Fund Reserve which are controlled under the delegated powers of the s151 Officer. A summary of the expenditure approved for utilisation of these budgets is set out at Appendix 4.

**Table 5 – Summary of Use of Corporate Contingency Budget and Change Fund Reserve**

	<u>Corporate Contingency</u>	<u>Change Fund Reserve</u>
	£m	£m
Starting Budget 2023/24	1.300	
Budgeted Contribution		0.730
Other adjustments	(0.265)	0.577
<b>AVAILABLE FOR USE</b>	<b>1.035</b>	<b>1.307</b>
Approved Corporate Governance Improvement Plan Interventions	0.252	
Invest to Save Transformation expenditure		0.271
<b>BALANCE REMAINING UNCOMMITTED</b>	<b>0.783</b>	<b>1.036</b>

### **Dedicated Schools Grant (DSG)**

4.21 Local authorities receive a ring-fenced grant from central government each year, which can only be used to fund education. The DSG grant budget is accounted for separately to the main Revenue Budget. The Council received £182.421m (before deductions and recoupment) of Dedicated Schools Grant (DSG) for 2023/24. The funding comprises of a number of blocks - Schools Block, Central School Services Block, High Needs Block, and Early Years Block. A large proportion of the Schools Block is passported directly to academies (known as recoupment). Alongside this, agreed place funding for academies and FE colleges is also deducted from the High Needs block for specialist places. Currently after deductions and recoupment the Council will receive DSG of £59.739m in 2023/24. The expenditure of £67.468m is a year-end overspend of £7.729m on DSG within 2023/24, which is an increase of £1.085m from the £6.644m reported at Quarter Three.

**Table 6 - Dedicated Schools Grant (DSG) after recoupment and deductions**

	<b>2023/24 Income</b>	<b>2023/24 Expenditure</b>	<b>2023/24 Year-end Overspend</b>	<b>Balance as at 31/03/2023</b>	<b>Cumulative DSG Deficit as at 31/03/2024</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Early years	12.121	11.908	(0.213)	(0.254)	(0.467)
Schools Block	16.597	16.481	(0.116)	(0.182)	(0.298)
High Needs	29.978	38.036	8.058	7.021	15.079
Central school services block	1.043	1.043	0.000	(0.021)	(0.021)
<b>TOTAL</b>	<b>59.739</b>	<b>67.468</b>	<b>7.729</b>	<b>6.564</b>	<b>14.293</b>



- 4.22 There was a £6.564m total cumulative deficit on the DSG grant at the end of 2022/23, which included £7.021m attributed to the High Needs Block. The DSG deficit has increased during 2023/24 and there is a total cumulative DSG deficit of £14.293m at 31 March 2024, including £15.079m relating to the High Needs Block which is partly offset by £0.786m of surpluses across the other blocks.
- 4.23 The Dedicated Schools Grant (DSG) is subject to a statutory override by central Government which instructs Councils to account for the DSG deficits and resulting negative balance in a separate reserve and not to fund it by using its General Fund resources. This was planned to end on 31 March 2023, however Government has extended the arrangement to at least 31 March 2026. This is considered to be a potential major risk to the Council's financial resilience in the long term if the Government remove the statutory override before the deficit position is resolved – the current balance is £14.293m which would be required to be met from the General Fund resources. The position that Government takes on this national issue which presents significant financial risks for many local authorities, will be closely followed and updates will be provided as appropriate.
- 4.24 The DSG conditions of grant require that any local authority with an overall deficit on its DSG account at the end of financial year 2021/22, or who's DSG surplus had substantially reduced, present a plan to the DfE for managing its DSG spend in 2022/23 and future years and commit to reducing the deficit. There is also a requirement to provide information as and when requested by the DfE about pressures and potential savings on its High Needs budget.
- 4.25 The Council complete regular DSG management recovery plans to outline forecasts over the next 5 years. The Council is also working with the DfE and has received a Stage 1 grant of £45,000 and a Stage 2 grant of £1m has been approved for the "Delivering Better Value" (DBV) programme that is supporting work to reduce the ongoing pressures within the High Needs Block using best practice and benchmarking across the country. Within this programme it has been identified that to be successful schools will need to be more inclusive. DBV is a long-term programme and 55 other local authorities as well as Middlesbrough Council are participating in the DBV programme. It should be noted that Middlesbrough Council is not involved in the "Safety Valve" programme, which is support for those local authorities with the greatest DSG deficits.
- 4.26 DfE also expect that schools be regularly updated via the Schools Management Forum about the authority's DSG account and plans for handling it, including high needs pressures and potential savings.
- 4.27 As part of the Delivering Better Value (DBV) work detailed in paragraph 4.25, it was identified that there would be a £3.4m pressure in the current year at Quarter Two. However, additional risks were highlighted as part of the DBV programme (commenced September 2023); specifically, that this may not be achieved without significant change regarding inclusion in mainstream schools. Inclusion within mainstream has remained a challenge, which has resulted in continued increased demand for specialist provision for children with an Education, Health and Care Plan and alternative provision for those children and young people who are permanently excluded. This has resulted in over commissioned places which subsequently comes in financial pressure to provide place funding as well as banding funding to support needs. Alongside this, there has also been an increase in rates from specialist

providers across the board and significant increased pressure from rising permanent exclusions. This has increased the total DSG deficit position for 2023/24 to approximately £7.7m, and as the Council were already reporting a previous deficit on the DSG reserve overall of approximately £6.6m at the end of 2022/23, this will mean a cumulative DSG deficit position at the end of 2023/24 of approximately £14.3m. A range of management actions are being taken alongside the DBV programme these include initiatives such as :

- Launch of SEND and Inclusion clinics in all schools to review how they are using their notional SEND budget as well as identifying training and support required within the setting.
- Work with health colleagues to identify health contributions where relevant
- On-going reviews of Education, Health and Care (EHC) Plans
- Dedicated training for school staff to ensure they are increasing inclusive practice
- On going work with school to support reintegration of excluded pupils into mainstream school where possible
- Review of the Inclusion and Outreach model
- Review of funding provided to schools including special schools
- Continued work with schools to reduce exclusions
- Review of maintained schools reserves and updated policy for challenging the use of those reserves
- Removal of Exceptional support funding to schools from September 2024
- Increase in recharges to schools for intervention, exclusion and hospital teaching places
- Recoupment charges of assessment places
- New Free School to be built by September 2026 which will support more children access local provision.
- Ongoing development of local provision to meet needs and reduce the number of out of area placements
- Greater support during transitions

4.28 Regular meetings take place with the DfE and the DBV lead to monitor the actions within our DBV plan. During these meetings the pressures on the High Needs Block are discussed to ensure the DfE are fully aware of the ongoing pressures within Middlesbrough.

4.29 The increasing pressure in DSG and in particular the High Needs Block is due to the fact that alongside social care, the Service has seen, and is predicting, an increase in more complex placements with a forecast increase in Education, Health, and Care plans (EHCPs) in the future. In Middlesbrough, the number of EHCPs have increased from 1,659 in 2022 and 1,804 in 2023 to a predicted level of 1,877 in 2024, a 13% increase from 2022 to 2024, and this is predicted to substantially increase further in the future (see Table 7). It should be noted that the number of children with and EHCP is a key cost driver in relation to home to school transport costs that are met by the General Fund through the Integrated Transport Unit. Some children in Alternative Provision are also a factor in relation to home to school transport costs. In 2022 132 children accessed Alternative Provision and in 2023 the figure was 175. This figure has risen to 263. This is a national issue affecting a large number of local authorities and presents a growing and significant financial risk to the Council. The Government have partly recognised this by an increase in funding allocated in the finance

settlements for 2022/23 and 2023/24 for both Schools and High Needs Blocks. However, no specific funding has been provided in recognition of the adverse impact upon the General Fund cost of home to school transport, where it is currently forecast that 75-80% of EHCPs are forecast to require the provision of home to school transport by the local authority.

Table 7 below shows the actual and forecast Education, Health, and Care plans (EHCPs), and is periodically being updated and used to calculate the forecasted increase in required demand on alternative provision services and also the Council's SEND transport requirements.

**Table 7 – Actual and forecast Education, Health, and Care plans (EHCPs)**

Year	2022	2023	2024	2025	2026	2027
Number of EHCP – actual and forecast	1,659	1,804	1,877	2,023	2,066	2,143

### **Capital Programme Final Outturn 2023/24**

4.30 The Council approved a capital programme for 2023/24 of £71.211m (the original 2023/24 capital budget). This was revised to £80.474m at Quarter One to take account of 2022/23 programme slippage. The programme was reviewed on a quarterly basis with a revised budget of £67.631m at Quarter Three. Additional externally funded income has been added to the programme, resulting in a revised 2023/24 budget of £72,643m. The final outturn at 31 March 2024 is expenditure of £47.714m, an underspend of £32.760m (40%) against the original budget adjusted for 2022/23 slippage, £19.917m (29%) against the Quarter Three revised budget and £24.929m (34%) against the final 2023/24 budget.

4.31 The £47.714m of expenditure was funded by:

- £26.846m (56%) grants and external funding
- £ 2.399m (5%) capital receipts
- £ 18.469m (39%) borrowing

4.32 During Quarter Four, external funding of £15.246m was received by the Council as summarised in Table 8 which also breaks down the total additional funding of £15.246m by Directorate and the financial year to which the funds are programmed to be expended.

**Table 8 – Additional external funding by Directorate received in Quarter Four 2023/24**

Directorate	Total Value 2023/24 (£m)	Total Value Future Years (£m)
Regeneration	4.728	6.677
Environment and Community Services	0.276	0.598
Public Health	0.005	0.468
Education	0.003	2.491
<b>Total</b>	<b>5.012</b>	<b>10.234</b>

4.33 Of the £15.246m additional external funding received during Quarter Four, £5.012m was expended within 2023/24, with the remainder being profiled for expenditure in

2024/25 and future years. This is presented for approval by the Executive into the approved programme. Details of any new schemes or pre-existing schemes where funding has been increased by over £0.250m are provided in paragraphs 4.34 to 4.38 below.

- 4.34 On 14 February 2024, Executive approved the report “Levelling Up Partnership” report. The report provided details of £20m of grant provided by DLUHC and the specific schemes to which the grant would be expended on. The grant was to be paid in instalments, the first of which being officially confirmed by DLUHC totalling £9.900m. This tranche has been allocated to the following schemes:
- £5.900m provided to Middlesbrough College for the purchase of 100 Russell Street, Middlesbrough, for the creation of an adult learning centre and the improvement of current facilities to accommodate construction, high pressure welding and healthcare courses. £4.700m has been expended within 2023/24
  - £4.000m for the relocation of the Council’s Public Health Live Well Centre facility, to provide significantly improved facilities via the conversion of two long standing empty units at the Cleveland Centre. This additional funding is expected to be expended in 2024/25
- 4.35 A total of £1.477m of received developer contributions have been added to the Capital Programme, these funds will be used for the purpose of highways improvements in 2024/25 and future years.
- 4.36 On 14 February 2024, the Council received notification via Tees Valley Combined Authority of additional Highways Maintenance Allocation grant funding of £0.616m. £0.018m of the funds have been expended in 2023/24 with the remaining £0.598m being programmed to be spent in 2024/25.
- 4.37 The Council has successfully applied for £0.459m of funding from Sports England for the installation of photo voltaic (PV) panels at the Rainbow Leisure Centre, which it is planned to be fully spent in 2024/25. The grant fully funds the works, as such there is no requirement for match funding from the Council. Officers are undertaking due diligence to ascertain if there are any ongoing revenue liabilities prior to commencing the scheme.
- 4.38 In March 2024 the Council received additional grant funding from the Department for Education totalling £2.087m. The funding, detailed below, has been allocated to the 2024/25 programme for expenditure when individual schemes have been prioritised.
- £1.160m additional High Needs Provision Capital Allocation 2023/24
  - £0.472m High Needs Provision Capital Allocation 2024/25
  - £0.455m Schools Condition Allocation 2024/25
- 4.39 In addition to the above new schemes or pre-existing schemes where funding has been increased by over £0.250m, there are a number of new schemes or pre-existing schemes where funding has increased by under £0.250m.
- 4.40 The total amount of budgeted Transformational Expenditure Funded Through Flexible Use of Capital Receipts (FUOCR) was originally £3m. Council approved a revised FUOCR Strategy in January 2024 which increased the potential eligible expenditure to £4.3m subject to the realisation of sufficient capital receipts at 31

March 2024. A reduced level of receipts was realised totalling £2.399m at 31 March 2024. Therefore, in accordance with the approved Council policy, £2.399m of eligible revenue expenditure has been funded by FUOCR and included in the capital programme, therefore reducing total revenue expenditure. Table 9 summarises this with the detailed analysis of the application of FUOCR set out in Appendix 5.

**Table 9 - Transformational Expenditure Funded through Flexible Use of Capital Receipts 2023/24**

<u>Directorate</u>	<u>PLANNED USE*</u> FUoCR Potential Eligible Expenditure 2023/24 subject to receipt of cash by 31/03/24  £m	<u>ACTUAL USE</u> FUoCR applied in 2023/24  £m	<u>Difference</u>  £m	<u>Reduction in original planned use of Change Fund</u>  £m
Legal & Governance	0.271	0.026	(0.245)	(0.245)
Finance	0.847	0.549	(0.298)	(0.448)
Children's Services	2.980	1.769	(1.211)	(0.130)
Education & Partnerships	0.000	0.000	0.000	0.000
Adult Social Care	0.201	0.055	(0.146)	(0.201)
<b>TOTAL</b>	<b>4.299</b>	<b>2.399</b>	<b>(1.900)</b>	<b>(1.024)</b>

\* As per Flexible Use of Capital Receipts Policy report to Council 17/01/24

4.41 Table 10 summarises the capital programme approved budget, outturn, and variance for 2023/24, including an explanation of the variances.

**Table 10 - Summary of capital programme approved budget, outturn, and variance for 2023/24**

Directorate	2023/24 Capital Programme Budget (as per 22/23 outturn)	2023/24 Capital Programme Budget (as per Quarter Three)	2023/24 New schemes (externally funded) or funded from requested virement from existing programme	2023/24 Adjustments relating to expenditure funded by Flexible Use of Capital Receipts	2023/24 Revised Capital Programme Budget (as at Quarter Four)	2023/24 Outturn	2023/24 Variance Compared To Quarter Three.	2023/24 Outturn Variance % Against Revised Quarter Three Budget	2023/24 Explanation Of Variance		2024/25 Impact Upon 2024/25 Capital Programme
									Slippage	Underspend	
	£m	£m	£m	£m	£m	£m	£m	%	£m	£m	£m
Regeneration	41.745	25.522	4.728	-	30.250	18.802	(11.448)	(37.84)	(11.433)	(0.015)	(11.448)
Environment and Community Services	23.560	21.995	0.276	-	22.271	17.508	(4.763)	(21.39)	(3.350)	(1.413)	(4.763)
Public Health	0.031	0.187	0.005	-	0.192	0.148	(0.044)	(22.92)	(0.044)	-	(0.044)
Education and Partnerships	7.852	7.001	0.003	-	7.004	2.878	(4.126)	(58.91)	(3.965)	(0.161)	(4.126)
Children's Care	2.141	5.103	-	(0.630)	4.473	1.949	(2.524)	(56.43)	(1.895)	(0.629)	(2.524)
Adult Social Care	1.447	3.732	0.000	0.055	3.787	3.344	(0.443)	(11.70)	(0.443)	-	(0.443)
Legal and Governance Services	3.120	3.713	0.000	0.026	3.739	2.536	(1.203)	(32.17)	(1.203)	-	(1.203)
Finance	0.578	0.378	0.000	0.549	0.927	0.549	(0.378)	(40.78)	(0.378)	-	(0.378)
<b>Total</b>	<b>80.474</b>	<b>67.631</b>	<b>5.012</b>	<b>0.000</b>	<b>72.643</b>	<b>47.714</b>	<b>(24.929)</b>	<b>(34.32)</b>	<b>(22.711)</b>	<b>(2.218)</b>	<b>(24.929)</b>

4.42 Capital slippage results from a delay in delivery of projects compared to the planned delivery. This results in an in year underspend which is required to be carried forward to the new financial year. This is called slippage. The amount of slippage is carried forward to 2024/25 and reprofiled to reflect revisions to the expected delivery and expenditure timescale. Details of capital slippage for 2023/24 from Quarter Three to

Quarter Four are shown in Appendix 6. Details of the slippage from Quarter One to Quarter Two were provided in the Quarter Two monitoring report and slippage from Quarter Two to Quarter Three provided in the Quarter Three monitoring report. The level of slippage at £22.711m (28%) against the original budget of £80.474m for 2023/24 combined with the level of 2022/23 slippage, indicates a requirement for more robust capital programme and project management. The Director of Finance will lead the development of strengthened governance and reporting arrangements during 2024/25, including the establishment of a strategic capital board. These will be reported alongside Quarter One 2024/25 monitoring to the Executive on 4 September 2024.

- 4.43 Table 11 shows a summary of the reasons for the movements from the revised original capital budget for 2023/24 of £80.474m and the revised Executive approved capital budget for 2023/24 of £72.643m at Quarter Three, and a breakdown of the underspend of £24.929m in the capital programme for 2023/24.

**Table 11 – Summary Breakdown of movement in capital expenditure 2023/24**

	<b><u>23/24</u></b> <b><u>£m</u></b>
Executive approved budget 20 June 23 (as per 2022/23 year end outturn report)	<b>80.474</b>
Slippage	(19.839)
Additions to existing schemes	2.285
New schemes	0.134
Reductions to existing schemes	(0.050)
<b>Capital budget forecast outturn at Quarter One (revised budget for 2023/24)</b>	<b>63.004</b>
Approved amendments	4.330
<b>Revised approved budget as at Quarter Two</b>	<b>67.334</b>
Additions to existing schemes	0.197
New schemes	0.100
<b>Revised budget as at Quarter Three</b>	<b>67.631</b>
Additions to existing schemes	0.264
New schemes	4.748
<b>Revised budget as at Quarter Four</b>	<b>72.643</b>
Reductions to existing schemes	(2.218)
Slippage	(22.711)
<b>2023/24 Final Outturn</b>	<b>47.714</b>

- 4.44 The revised Capital Programme and how it is funded covering the period 2023/24 to 2026/27 is summarised in Table 12 below and detailed in Appendix 7 for noting by Executive.

**Table 12 – Summary of Capital Programme 2023/24 to 2026/27**

Directorate	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m	TOTAL £m
Regeneration	18.802	27.428	32.498	11.276	90.004
Environment and Community Services	17.508	17.294	14.007	8.172	56.981
Public Health	0.148	0.519	-	-	0.667
Education and Partnerships	2.878	13.912	3.939	0.871	21.600
Children's Care	1.949	2.026	2.363	-	6.338
Adult Social Care	3.344	1.351	0.660	0.660	6.015
Legal and Governance Services	2.536	2.795	2.185	2.185	9.701
Finance	0.549	4.790	-	-	5.339
Transformation Programme	-	13.700	7.700	5.300	26.700
Exceptional Financial Support	-	13.400	-	-	13.400
<b>Total EXPENDITURE</b>	<b>47.714</b>	<b>97.215</b>	<b>63.352</b>	<b>28.464</b>	<b>236.745</b>
<b>Funded by</b>					
Borrowing	18.469	23.096	22.430	8.558	72.553
EFS Borrowing	-	13.400	-	-	13.400
Capital Receipts	-	6.000	6.000	6.000	18.000
Flexible Use of Capital Receipts	2.399	13.700	7.700	5.300	29.099
Grants	26.375	39.821	25.268	3.404	94.868
Contributions	0.471	1.198	1.954	5.202	8.825
<b>Total FUNDING</b>	<b>47.714</b>	<b>97.215</b>	<b>63.352</b>	<b>28.464</b>	<b>236.745</b>

### **Collection Fund - Council Tax and Business Rates income**

4.45 Income received from Council Tax and Business Rates (NNDR) is a major source of revenue income for the Council and funds around 66% of its annual expenditure in delivering all Council services. It is accounted for within the Collection Fund and operates under the Government regulations. Due to the prescribed mechanisms for operating the Collection Fund, the financial impact of any 2023/24 income collection variances from the Quarter Three forecast do not immediately affect the General Fund position. By illustration, the impact of any final surplus or deficit variance on the Collection Fund for 2023/24 is fed into the development of the 2025/26 budget and MTFP and any cost/ benefit does not impact the 2024/25 financial year. Table 13 below shows the Collection Fund position for 2023/24, including the amount of £8.325m related to the review of the bad debt provision as detailed in paragraph 4.18.



**Table 13 – Collection Fund 2023/24**

<b>COLLECTION FUND BALANCE</b>	<b>Council Tax (£m)</b>	<b>Business Rates (£m)</b>	<b>Total (£m)</b>
Balance brought forward at 1 April 2023	(10.243)	(0.763)	(11.006)
Deficit / (Surplus) for the year (as above)	0.966	(0.946)	0.020
<b>Balance carried forward at 31 March 2024</b>	<b>(9.277)</b>	<b>(1.709)</b>	<b>(10.986)</b>
<b>Allocated to:</b>	83.3%	49%	
Middlesbrough Council	(7.727)	(0.837)	(8.564)
Bad Debt Provision adjustment to 2024/25	7.976	0.349	8.325
<b>Additional surplus available for 2025/26</b>	<b>0.249</b>	<b>(0.488)</b>	<b>(0.239)</b>

- 4.46 The 2023/24 MTFP presented to Council in February 2023 included the estimated effect of Council Tax and Business Rates income. In the context of the current economic climate and the Cost of Living Crisis, there is an ongoing risk to the levels of collection of these taxes which may result adversely upon collection rates. The actual in-year collection rate for 2023/24 was 92.84% for Council Tax and 95.75% for Business Rates. Overall collection rates remain respectable and presents as a surplus on the collection fund as precept amounts have been prudently lower than actual collection rates. Over a period of time (c10years) Council Tax collection rates (pre welfare reform) were around 98.7%, (post welfare reform) are now around 97.6% with business rates hovering around 97.7%.
- 4.47 The budgeted Council Tax base includes assumptions on housing growth. If there is a variance in growth in housing numbers compared to the levels budgeted, this will impact upon Council Tax income due.

### **Debt Recovery Performance**

- 4.48 A key workstream within the plans to recover the Council's financial position is the renewed focus upon recovering monies owed to the Council from the following sources
- Council Tax
  - Business Rates
  - Sundry (general) debt
  - Housing Benefit Overpayments
- 4.49 The Council's approach to improving debt recovery performance whilst maintaining appropriate support to residents and businesses who are entitled to available help, advice and support, is set out in paragraphs 4.50 to 4.57 below. Progress will be incorporated into quarterly monitoring reports throughout 2024/25.
- 4.50 With high levels of deprivation, a proportionately high benefit caseload, alongside low levels of income, Council Tax collection across the town will remain a challenge. Council Tax Reduction is provided to around 18,300 households, with the maximum award of 90% to some the town's most financially vulnerable. There is a steady migration to Universal Credit and as such the amount of Housing Benefits



Overpayments created is a diminishing return with the debt becoming significantly more difficult to collect as the ability to deduct from ongoing benefit lessons.

- 4.51 Business Rates and Sundry Debt collection is considered less of a challenge provided that the debt is collected in-year. The likelihood of collecting aged debt is problematic, businesses can cease trading, wind up, become bankrupt, leaving the Council with very little recovery options and a strong likelihood that the debt will be written off.
- 4.52 Whilst overall collection rates over a period of time are respectable, a stronger focus on in-year debt and aged debt is fundamental in ensuring the council optimises cash collection thus further supporting the reduction in the provision which is assigned to bad debt.
- 4.53 Through a comprehensive collection strategy, underpinned by the Councils Welfare Strategy for both business and residents, the Council will pursue debt in a firm but fair way. Residents and businesses will be offered a range of support to resolve debt problems, such as maximising benefit, welfare advice and support, debt management, crisis support all of which form part of the support on offer.
- 4.54 Where payment is not forthcoming the Council will exercise its powers provided under the relevant legislation to enforce the debt. Some of these powers are significant and can lead to serious consequences such as attachment to earnings, removal of goods, forcing the sale of a property or even commitment to prison all of which are powers enshrined in law.
- 4.55 To support the increased focus, additional resource has been placed in all of the four areas above as approved in the budget by Council on 8 March 2024. This will mean that thousands more cases, where debt remains are being actively progressed. The increased activity will likely lead to many difficult conversations with Residents and Businesses some of which may result in member engagement, complaints, disputes and even the possibility of alleged fraud where residents and business have failed to report changes. This is anticipated/expected due to the increased focus and the thousands more cases that will be managed. Over more recent months, a number of aged debt business rates cases have been pursued, most gaining press coverage as the Council gives a strong message that outstanding debt will be collected.
- 4.56 Of the debt remaining, it is anticipated that some debt will not be enforceable and as such may be irrecoverable. Financial provision has been set aside to respond to this on the basis that where the propensity to pay is low and unlikely to be recovered, the Council has the ability to write debt off. Write offs should be routinely undertaken as part of good debt management allowing for a more accurate bad debt provision and greater financial management of debts owed to the Council.
- 4.57 The Council's approach to improving its debt position will be based on the following principles:
- Resolve Debt Problems –By providing Welfare Advice and Support
  - Where Debt Remains a Problem - Exercise the powers provided in law.
  - Where Debt is Irrecoverable – Write the debt off.
- 4.58 The movement in debt balances between 31 March 2023 to 31 March 2024 is summarised below:

**Table 14 – Debt Collection Performance 2023/24**

Category of Collectable Debt	Balance at 1/4/23 (£m)	Movement in-year (£m)	Balance at 31/3/24 (£m)
Council Tax	34.667	2.106	36.773
Business Rates	5.775	2.616	8.391
Sundry Debt	10.002	5.514	15.516
Housing Benefits Overpayments	6.741	-	6.741
<b>Total</b>	<b>57.185</b>	<b>10.236</b>	<b>67.421</b>

### **Actions to be taken to progress financial recovery and develop the 2025/26 MTFP**

- 4.59 The Council has achieved significant improvement in its financial position from that which existed at the start of the 2023/24 financial year. However, it continues to spend above its available income sources as reflected by the overspend of £3.594m in 2023/24.
- 4.60 The 2024/25 approved budget was balanced at £143.190m after adjusting for the capitalisation of £4.7m of revenue expenditure that is planned to be funded by one off borrowing under Exceptional Financial Support (EFS) approved in principle by the Department for Levelling Up Housing and Communities (DLUHC). That means that projected revenue expenditure for 2024/25 is £147.890m for the year of which £4.7m will be funded by borrowing under EFS. The Council is expected by DLUHC to take all available measures to control its expenditure and reduce its reliance upon EFS in year. It is also in the Council's long term financial interests to mitigate the use of EFS as there is an estimated long term annual revenue cost of approximately £0.403m if the Council does draw upon the £4.7m of borrowing to fund its expected revenue expenditure in the year. This can be mitigated by underspending against the approved budget.
- 4.61 Further measures are required during 2024/25 and over the medium term to strengthen the grip upon the management of the Council's financial position which include in summary but are not restricted to:
- Modernising and transforming service delivery through the Recover, Reset, Deliver Transformation Portfolio, to deliver improved service outcomes from a financially sustainable cost base.
  - Delivering all approved savings included within the Transformation Portfolio
  - Develop a pipeline of new transformation projects that deliver savings to meet the forecast budget gap over the period of the MTFP
  - Exercising more robust budgetary control underpinned by standard budget management procedures and consistent system driven reporting
  - Directors and their management teams becoming more engaged in the operational management of their budgets
  - Directors continuing to exercise stringent financial control of budgets and restraint on non-essential spending during 2024/25 together with full delivery of approved savings.

Further details are provided in paragraphs 4.64 to 4.67 below.

- 4.62 Members will be aware that a budget gap of £7.474m remains in 2025/26, rising to £7.965m in 2026/27 and this may increase upon review of the MTFP over the summer. The Transformation Portfolio is tasked with developing new programmes and projects to address this funding gap under the leadership of the Chief Executive.
- 4.63 As reflected by the overspend of £3.594m in 2023/24 and the requirement for £4.7m of EFS to balance the 2024/25 budget, together with the remaining budget gap of £7.965m up to 2026/27, the Councils current operating model and service delivery models are driving annual expenditure in excess of the annual income available to the Council. Therefore, it is critical that the Council deploys further measures during 2024/25 and future years to modernise and transform to enable it to deliver improved outcomes for residents, businesses and visitors to the town within a financially sustainable cost envelope.
- 4.64 A corporate approach to delivering within the approved 2024/25 budget is essential and robust budget management and control practices must be complied with. This includes but is not limited to:
- Expenditure and income will be managed within approved budgets and subject to virement rules in accordance with Financial Procedure rules and specifically [18.32 to 18.42](#).
  - For the avoidance of doubt, the overachievement of income against approved income budgets must not be used to offset overspending on an approved expenditure budget.
  - The over achievement of individual savings/income targets associated with approved budget proposals, should be 'banked' and reported in full through the Transformation Portfolio savings tracker and via corporate budget monitoring and forecasting reports.
  - Individual budget surpluses generated through savings deliver and/or business as usual activity will be considered by directors, LMT and the Executive as in relation to the securing the achievement controlling directorate net expenditure and the wider total general fund net expenditure for 2024/25 within the approved budget. Underspending against the approved budget of £143.910m will serve to mitigate the call upon £4.7m of EFS, thereby reducing the long term cost of financing this borrowing.
  - Any new or unplanned expenditure within approved council policies, will require Directors to reprioritise approved revenue or capital budgets in accordance with established virement rules and financial limits. Exceptional expenditure that could not be planned for, should be discussed with the s151 Officer for consideration of application of the Corporate Contingency Budget.
  - New or unplanned expenditure that is outside the approved budget and policy framework is reserved for a decision by Council in accordance with the [Constitution](#).
- 4.65 The successful delivery of approved savings within the Recover, Reset, Deliver Transformation Portfolio, is critical to delivering within the approved 2024/25 budget. The Transformation Portfolio is required to develop of a further pipeline of new projects that will deliver further income growth and/or expenditure reduction to balance the 2025/25 budget and MTFP to secure the longer term financial sustainability of the Council.

4.66 Further strengthening of budgetary control is required in 2024/25, including improvement of management information and financial processes and systems to enable increased use of data driven demand and cost modelling. Increased use of the Council's corporate financial management system is necessary by budget holders, supported by the finance team to deliver 'one version of the financial truth' for use in budget management and reporting throughout the organisation. The work that will be undertaken during 2024/25 to contribute to achieving the required improvement includes:

- Integrating transformation portfolio savings tracking via the Corporate Transformation Board within corporate budget management and forecasting arrangements
- Continuation of monthly budget management challenge via Departmental Management Teams (DMTs), Leadership Management Teams (LMT), s151 Officer and Member led budget challenge sessions,
- Further development of demand and cost modelling with support from data analytics team in order to focus upon and develop activity based costing within service areas that are subject to significant financial pressures, i.e. adult and children's social care, SEND transport and waste disposal.
- Improvements to management and financial information systems and processes to provide integrated operational and financial data to inform operational and strategic decision making.
- Roll out of and training of budget managers in use of Power BI budget management dashboard to enable more user-friendly access to the Business World financial management system.
- Further training in the use of Business World to process orders and invoices to improve data quality within the finance system.
- Extended compliance monitoring in relation to all procurement activity and control of non-essential expenditure.
- Review and strengthen capital programme governance, management and reporting arrangements in order to address programme slippage and improve the transparency of reporting.

4.67 These measures will be incorporated into the updated Culture and Governance Improvement Programme.

4.68 The Council's financial challenges will undoubtedly continue over the medium term. Therefore, a step change in the scale and nature of measures to achieve financial balance is required. There are likely to be few if any easy options available to the Council in exercising control over the Council's financial position in the future.

## **5. Other potential alternatives(s) and why these have not been recommended**

5.1 Not applicable.

## **6. Impact(s) of the recommended decision(s)**

### **6.1 *Financial (including procurement And Social Value)***

6.1.1 This report sets out the financial implications associated with the financial performance of the Council in managing its revenue and capital resources for the financial year 2023/24 and the financial implications are incorporated throughout.

## **6.2 Legal**

6.2.1 The proposed recommendations are consistent with and will promote the achievement of the Council's general legal duty to achieve Best Value in accordance with Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007).

## **6.3 Risks**

6.3.1 In line with the Council's Risk Management Policy, the corporate Strategic Risk Register will be reported to this Executive as part of the Corporate Performance: Quarter Four 2023/2024, Year End report.

## **6.4 Human Rights, Equality and Data Protection**

6.4.1 The overall impact assessment within the budget report to Council on 27 February 2023 found that the impact of the budget savings proposals on the protected characteristics of race could not be fully mitigated. It also identified an adverse impact on community cohesion, in line with the individual impact assessments. The complete overall impact assessment included in Appendix 4 of that report however found that there was a justified adverse impact from these proposals in order to ensure the Council is able to maintain a balanced budget and continue to meet its statutory obligations.

## **6.5 Climate Change / Environmental**

Not applicable

## **6.6 Children and Young People Cared for by the Authority and Care Leavers**

Not applicable

## **6.7 Data Protection / GDPR**

Not applicable

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

<b>Action</b>	<b>Responsible Officer</b>	<b>Deadline</b>
Corporate revenue budget spending controls set out in the main body of the report will continue to be applied to Directorates as stated in 2024/25.	Director of Finance	31/3/25
Amendments to the capital programme for 2023/24 to be actioned, subject to approval	Head of Financial Planning & Support	30/6/24

## Appendices

1	Analysis of the main variances including assessment of the 'one-off' or 'ongoing' nature of the variances
2	Detailed savings tracker of savings categorised as "Red" and "Amber" by Directorate
3	Detailed Reserves and Provisions Movements between 31/3/23 and 1/4/24
4	Summary of projects approved for utilisation of Contingency Budgets and Change Fund
5	Transformational Expenditure Funded through Flexible Use of Capital Receipts 2023/24
6	Capital Programme Outturn 2023/24 – details of capital slippage
7	Revised Capital Programme to 2026/27

## Background papers

Body	Report title	Date
Executive	Children's Service Financial Improvement Plan	14/2/23
Council	Budget 2023/24 - S25 Report of the Chief Finance Officer	27/2/23
Council	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2023/24	27/2/23
Executive	MTFP Update	23/8/23
Executive	Revenue and Capital Budget – Forecast Outturn position at Quarter One 2023/24	23/8/23
Executive	Revenue and Capital Budget – Forecast Outturn position at Quarter Two 2023/24	21/11/23
Executive	Fees and Charges Review 2023/24	21/11/23
Executive	Draft 2024/25 Budget and MTFP Refresh	20/12/23
Executive	2024-25 Budget and MTFP – Application for Exceptional Financial Support	17/1/24
Executive	Middlesbrough Independent Improvement Advisory Board: First Update Report	17/1/24
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	17/1/24
Council	Flexible Use of Capital Receipts Policy	17/1/24
Executive	Revenue and Capital Budget – Forecast Outturn position at Quarter Three 2023/24	14/2/24
Executive	2024/25 Revenue Budget, Medium Term Financial Plan, and Council Tax setting	28/2/24
Executive	Prudential Indicators and Treasury Management Strategy Report – 2024/25	28/2/24
Council	2024/25 Revenue Budget, Medium Term Financial Plan, and Council Tax setting, and Treasury Management Strategy 2024/25	8/3/24

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**Appendix 1 - Analysis of the main variances including assessment of the "one-off" or "ongoing" nature of the variances**

Directorate	Service Area	Summary of Variances over £250,000	2023/24 Q3 forecast year-end Overspend/ (underspend) £m	2023/24 year-end Overspend/ (underspend) £m	EXPECTED EFFECT ON MTFP			ANALYSIS OF VARIANCE		
					One-off	Recurring	Comments	Pay	Non-Pay	Income
<b>Adult Social Care</b>	Care Packages	Net unbudgeted demand and inflationary pressures in care packages.	2.250	1.084	(0.114)	1.198	24/25 MTFP has already been adjusted for on-going demand pressures and savings and the amount provided will be reviewed	-	3.928	(2.844)
	Across Directorate	Staff savings in excess of abatement target	(0.752)	(1.089)	(1.089)		One-off significant difficulties in recruitment	(1.417)	0.079	0.249
	Homelessness	Increased use of temporary accommodation (hotels and bed and breakfast accommodation) due to lack of available permanent accommodation, offset by grants.	0.182	0.002	(0.056)	0.058	24/25 MTFP has already been adjusted for on-going temporary accommodation pressures. One-off grants were utilised to offset increased cost in 23/24	-	1.040	(1.038)
	Across Directorate	Other variances +/- £250,000	(0.322)	(0.023)	0.068	(0.091)	Recurring is additional health income at The Orchard Day Centre	-	3.933	(3.956)
			<b>1.358</b>	<b>(0.026)</b>	<b>(1.191)</b>	<b>1.165</b>		<b>(1.417)</b>	<b>8.980</b>	<b>(7.589)</b>
<b>Children's Care</b>	External Residential	Increased numbers of children in external residential placements above budgeted level - national issue and lower Education contributions	3.349	4.328	-	4.328	Partly offset by growth (NET increase is £2.4m)	-	4.328	-
	Internal Residential	Agency staff	1.017	1.089	0.889	0.200	Going into 24/25, assumption is staff will be recruited from both staff at risk from reviews and in external market as need to show recruitment possible to enable subsequent home(s) opening. Assume still will require agency staff in 24/25 but expected to be much lower than 23/24	1.089	-	-
	Fostering	Increasing number of young people in Independent Fostering Agency (IFA) placements above budget	0.641	0.874	-	0.874	Partly offset by growth provided (£328k) in 24/25	-	0.874	-
	Across Service Teams	Staff savings from vacant posts and reduced expenditure on Section 17 and other expenditure across teams	(3.692)	(5.093)	(2.724)	(2.369)	Will partly continue in 24/25, but will be taken in savings programme for 24/25	(2.431)	(1.938)	(0.724)
	Across Directorate	2023/24 budget savings for Children's Care and from the Children's Services Financial Improvement Plan currently rated "Red" and "Amber" (as shown in Table 3 and Appendix 2).	1.569	1.569	1.569	-	In house residential saving (CS06) has been reprofiled in 24/25 budget setting and is currently assumed to be achievable. Other savings are currently assumed to be achieved ongoing.	-	1.568	-
			<b>2.884</b>	<b>2.766</b>	<b>(0.267)</b>	<b>3.033</b>		<b>(1.342)</b>	<b>4.832</b>	<b>(0.724)</b>
<b>Education &amp; Partnerships</b>	Integrated Transport Unit	Increased number of children eligible for home to school transport, including children with Special Education Needs (SEN). Increase in costs per child of transportation.	1.481	1.222	-	1.222	£2.9m Growth for ITU provided in MTFP in 24/25. Anticipated reduction in required growth provided.	0.377	0.845	-
	Across Directorate	Other variances +/- £250,000	(0.038)	(0.141)	(0.141)	-	One-off savings on vacant posts.	(0.141)	-	-
			<b>1.443</b>	<b>1.081</b>	<b>(0.141)</b>	<b>1.222</b>		<b>0.236</b>	<b>0.845</b>	<b>-</b>
<b>Regeneration</b>	Commercial Income	Increased income above budget at Cleveland Centre and offset by decreased income below budget for Captain Cook Centre due to collapse of major tenant. Also expenditure savings on running costs.	(0.384)	0.398	0.398	-	The outturn changed considerably in Q4 due to financial failure of a company occupying a unit at Tees Amp resulting in the need to increase the bad deb provision by £0.3m. Also there were inflated income projections made for Cleveland Centre of £0.4m based on information provided. Prior to 24/25 budget setting a review was undertaken relating to Commercial Income and Property Services pressures with budget moved between the two areas.			0.398
	Cultural Services	A favourable variance has been achieved from the Town Hall scheduling more shows than originally planned, and from the Museums driven by a combination of staff vacancies and increased income from the Dorman Museum exhibitions. Museums were £0.088m underspent, due to a combination of net additional income from Titanic exhibition and one-off salary savings.	(0.254)	(0.217)	(0.217)	-	£0.110m of this was due to increased net income from the Town Hall and Theatre. Additional inflationary income target of £0.050m added to the 24/25 budget.	(0.015)		(0.202)
	Property Services	Higher than anticipated Utility prices have resulted in an overspend in running costs and within Cargo Fleet Depot. Additionally, following a review of Building Maintenance the costs that are eligible for capitalisation have resulted in an overspend.	0.488	(0.921)	(0.921)	-	Total favourable movement of (£1.409m) from Q3. (£0.900m) can be attributed to one-off business rates revaluation refunds (from a number of years) from the museums. underlying position is financial break-even. Commercial Income budgets were revised for inflation uplift at 24/25 budget setting.		(0.921)	
	Across Directorate	Other variances +/- £250,000	(0.185)	(0.130)	(0.130)	-		(0.928)	0.406	0.392
			<b>(0.335)</b>	<b>(0.870)</b>	<b>(0.870)</b>			<b>(0.943)</b>	<b>(0.515)</b>	<b>0.588</b>
<b>Environment &amp; Community Services</b>	Waste Disposal	Increased contractual costs per tonne above budget, and increased civic amenity site management costs	0.960	0.967	-	0.967	Growth provided as part of 24/25 Budget Setting which should mitigate future anticipated pressures.			0.967
	Bereavement Services	Crematorium income shortfall and increased expenditure mainly Cemeteries	0.509	0.489	0.138	0.351	Income shortfall expected to continue into 24/25. Overspend on supplies and services should not occur due to the cessation of agency staff. There may be further staffing savings following the introduction of a new software system and additional vacant posts and spending efficiencies. A detailed review and rebasing of this budget will be undertaken during 2024/25 financial year to inform the MTFP position	(0.050)	0.138	0.401
	Supported Communities	Additional Grant Funding supporting Asylum Seekers and Refugees	(0.345)	(0.527)	(0.527)	-	One-off non ring fenced grant.			(0.527)
	Street Lighting	An increase in Energy costs. £0.476m, are offset by an increase in Street Lighting engineers charges to capital schemes, (£0.288m).	0.188	0.089	(0.436)	0.525	It is expected that the pressure against Street Lighting electricity will continue but the level may decrease. The additional income was due to capital works being carried out by in-house operatives that is rechargable to the capital programme. The revenue income budget has been increased to reflect the ongoing works in 24/25. A one-off revenue grant was also received.	(0.028)	0.741	(0.624)
	Property and Commercial	Increase in Universal Free School Meal funding	(0.250)	(0.288)	(0.288)	-	this variance is not expected to impact upon the MTFP assumptions. Underspending on pay related budgets to be reviewed in context of MTFP updated assumptions for the future operation of school catering contracts	(0.448)	(0.143)	0.303

Directorate	Service Area	Summary of Variances over £250,000	2023/24 Q3 forecast year-end Overspend/ (underspend) £m	2023/24 year-end Overspend/ (underspend) £m	EXPTECTED EFFECT ON MTFP			ANALYSIS OF VARIANCE		
					One-off	Recurring	Comments	Pay	Non-Pay	Income
	Across Directorate	Other variances +/- £250,000	(0.119)	0.286	(0.038)	0.324	The level of income from one-off grants is not expected to be continued into 24/25. An ongoing budget pressure within Pest Control is due to historic contract issue. There is expected to be an ongoing pressure within Fleet Services due to rising parts and labour prices and the requirement to hire vehicles due to lengthy lead in times on purchases. these will be assessed in updating the 25/26 MTFP assumptions	(0.332)	0.680	(0.062)
			<b>0.943</b>	<b>1.016</b>	<b>(1.151)</b>	<b>2.167</b>		<b>(0.858)</b>	<b>2.383</b>	<b>(0.509)</b>
<b>Legal &amp; Governance</b>	Across Directorate	Other variances +/- £250,000	0.054	(0.021)	(0.775)	0.754	Growth has been provided to the Legal Childcare Budget and the Coroner's Service in 24/25 to address the expected financial pressures. There was an overspend against the mail and print budget which was covered by a one-off unringfenced grant in 23/24. The mail and print contract and budget will be re-based in 24/25. The ongoing budget pressure within ICT will also be reviewed in 24/25. There were significant one off underspends due to vacant posts due to recruitment issues across the Directorate.	(0.448)	0.467	(0.040)
			<b>0.054</b>	<b>(0.021)</b>	<b>(0.775)</b>	<b>0.754</b>		<b>(0.448)</b>	<b>0.467</b>	<b>(0.040)</b>
<b>Chief Executive</b>	Across Directorate	Other variances +/- £250,000	-	0.008	0.008	-	- ongoing savings on pay offset by one off pressure on supplies due to use of consultant Interim Chief Executive rather than salaried staff member. Salary budgets will be rebased for 2025/26 as part of the transformation and redesign of Target Operating Model including management structure	(0.195)	0.203	-
			-	<b>0.008</b>	<b>0.008</b>	-		<b>(0.195)</b>	<b>0.203</b>	-
<b>Finance</b>	Resident & Business Support	Savings from review and revision of bad debt provision calculation, offset by court costs income pressures and staffing costs pressures due to reduction in level of New Burdens .	(0.945)	(1.098)	(0.993)	(0.105)	Recurring relates to improved recovery of Housing Benefits overpayments early achievement of 24/25 savings target. One off savings relate to other Housing Benefits overpayments, surplus of court costs income above budgeted level and corresponding reduction in bad debt provision requirement. (2024/24 Budget has been revised for ongoing effect of increased Housing Benefit overpayment recovery).	0.048	2.275	(3.421)
	Resident & Business Support - Housing Benefits Subsidy	Increase in homelessness cases and the cost of temporary accommodation, due to insufficient level of suitable available temporary accommodation, and Housing Benefit Subsidy not covering full costs	0.790	0.745	0.445	0.300	One-off variances are due to differences between estimated subsidy and final subsidy amounts for 23/24 which is difficult to predict. Recurring variances relate to prior year adjustments to Subsidy amounts claimed, and homeless/caravan dwelling subsidy payments over and above amount reclaimable from the Government. Although these issues are ongoing, the value of them may fluctuate up or down. Funding has been provided in the MTFP from 24/25 of £0.300m which it is expected will substantially address the issues, and will be further reviewed in developing 25/26 budget.	-	2.621	(1.876)
	Strategic Commissioning & Procurement	Saff savings due to vacant posts, savings on grants paid out in anticipation of reduced grants available from 24/25, increased income from rebates and savings on stationery costs		(0.475)	(0.475)	-	Majority of savings are one-off which cannot be guaranteed to reoccur in future years or t the same level (including savings on vacant posts and purchasing consortium rebate income). 24/25 budget adjusted for savings on grants paid out as part of 24/25 approved budget proposals.	(0.282)	0.736	(0.929)
	Across Directorate	Other variances +/- £250,000	(0.180)	(0.062)	(0.062)	-	Various - although variance on non-pay/pay looks significantly high - this is mainly due to corresponding income/expenditure on the final reconciliations of Covid-19 LRSG grant income repayments due to/from Government.	(0.369)	9.932	(9.625)
			<b>(0.335)</b>	<b>(0.890)</b>	<b>(1.085)</b>	<b>0.195</b>		<b>(0.603)</b>	<b>15.564</b>	<b>(15.851)</b>
<b>Central Budgets</b>	Contingency for Future Uncertainty	Contingency not used in full during 23/24	(0.658)	(0.783)	(0.783)	-	- Due to nature of budget, use varies between years, and as such, any impact in 23/24 is assumed to be one-off	-	(0.783)	-
	S31 NNDR Grant	Shortfall on S31 grant income following reconciliation of Collection Fund for year end 2023/24 £0.713m, offset by accrual error from 22/23 Collection Fund reconciliation of (£0.102m)	-	0.611	0.611	-	Shortfall, and therefore overall effect on revenue budget did not come to light until Year End reconciliation of Collection Fund completed, and therefore this pressure was not able to be reported until year end.	-	-	0.611
	Flexible Use of Capital Receipts	Budgeted use of Capital Receipts (£3.000m) / actual available only (£2.399m), shortfall reported within Central budgets	-	0.601	0.601	-	At Q3, was still assumed that full £3.000m as budgeted would be cashed by the year end - not an issue for future years as MTFP uplift provided from 24/25 to remove budgeted income target for FUCR	-	0.601	-
	Change Fund	Funding previously earmarked to be provided by Change Fund instead provided by Flexible Use of Capital Receipts. Balance no longer required from Change Fund transferred to Change Fund Reserve for use in future years (the additional amount transferred to Reserve was over and above the budgeted contribution of £0.730m for the year)	-	0.305	0.305	-	Funding switch between previously earmarked contingency budgets and Flexible Use of Capital Receipts not established until year end and therefore this was not able to be reported until year end.	-	0.305	-
	Across Directorate	Other variances +/- £250,000	0.190	(0.204)	(0.408)	0.204	Ongoing relates to External Audit Fees (£0.200m provided in MTFP from 24/25)	(0.134)	0.605	(0.675)
			<b>(0.468)</b>	<b>0.530</b>	<b>0.326</b>	<b>0.204</b>		<b>(0.134)</b>	<b>0.728</b>	<b>(0.064)</b>
<b>Total Variance</b>			<b>5.544</b>	<b>3.594</b>	<b>(5.146)</b>	<b>8.740</b>		<b>(5.704)</b>	<b>33.487</b>	<b>(24.189)</b>



## Appendix 2

### Detailed savings tracker of savings categorised as “Red” and “Amber” by Directorate

Saving Initiative	23/24 AMBER / RED (£m)	24/25 AMBER / RED (£m)	TOTAL (£m)
CC04: Re purpose Safe families Contract	0.056	0.019	0.075
CEN02: Senior Management Review	-	0.244	0.244
ECS06: Street Lighting approx. 1 in 2 lights turned off between midnight and 6am in less used spaces where safe to do so	-	0.074	0.074
ECS12: Reduce Council expenditure on Neighbourhood Safety and seek to maximise grant funding	-	0.417	0.417
LGS06: Delete Political assistant vacancy	-	0.019	0.019
CS01: Reduction in the use of high-cost external family support provision	0.319	0.318	0.637
CS04: Introduce supplier incentive Scheme across Children’s purchasing	0.031	0.031	0.062
CS06: Increase the in-house residential offer to reduce expenditure on external placements	0.787	1.061	1.848
CS07: Reduction in agency costs	0.076	0.380	0.456
CS10: Improved financial management linked to purchasing card expenditure	0.200	-	0.200
CS11: Review of educational contribution	0.100	-	0.100
<b>TOTAL</b>	<b>1.569</b>	<b>2.563</b>	<b>4.132</b>

### **Red/Amber saving detail**

**CC04:** Without ceasing the entire contract (which was not what was consulted on at budget setting process) the saving was unable to be realised.

**CEN02:** Delivery plan required to provide assurance saving will be achieved in 2024/25. Potential for this to be replaced with the Spans and Layers analysis work.

**ECS06, ECS12:** These savings were replaced by alternative one-off savings in 2023/24 and have been removed permanently in 2024/25 budget setting.

**LGS06:** Saving unachievable due to the change in political constitution of the Council following the election in May 2023.

**CS01:** Element of saving at risk due to unsuccessful recruitment of support worker positions resulting in a reduced number being in post than originally planned.

**CS04:** No suppliers have signed up to the scheme to date. However, a new post has been recruited too within Procurement & Commissioning with the focus of rolling out the supplier incentive scheme.

**CS06:** New plans to increase capacity in Children's in-house residential offer are now part of a wider transformation programme resulting in this saving being reprofiled and replaced by a new savings proposal CC03 covering a number of years in the MTFP as approved by Council in the 2024/25 budget report in March 2024

**CS07:** Conversions of agency to permanent have not taken place at the rate identified in the delivery plan. The wider agency budget is within tolerance however this is mainly due to staff vacancies within the service resulting in partial achievement of saving.

**CS10:** Delay in rolling out spending restrictions to staff, current analysis has not identified any savings to date.

**CS11:** Saving unachievable due to an existing budget pressure linked to Education DSG funding criteria. Reductions in the cost of placements will affect the ability to achieve education contributions as they fund a percentage of the total cost.

### Appendix 3 - Detail of Reserves and Provisions movements between 31/3/23 and 1/4/24

	ORIGINAL		REVISED							
	Closing	Amendments	Closing	Additional	Transfers	Use in	Used for	BALANCE	Allocation	REVISED
	Balance	from Balance	Balance	Contributions	between	Year	23/24	AT 31/03/24	of	OPENING
	31/03/23 /	Sheet Review	31/03/23 /		Reserves		Outturn		Collection	BALANCE
	Opening		Opening				Variance		Fund	2024/25
	Balance		Balance						Balance	
	01/04/23		01/04/23						01/04/24	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>GENERAL FUND RESERVE</b>	<b>12.041</b>		<b>12.041</b>				<b>(1.055)</b>	<b>10.986</b>	<b>0.114</b>	<b>11.100</b>
<b>USABLE EARMARKED RESERVES</b>										
<i>Unrestricted Use</i>										
Financial Resilience Reserve	1.798		1.798				(1.798)	-	6.211	6.211
Change Fund	-	0.757	0.757	0.730	(0.017)	(0.434)		1.036	1.000	2.036
Legacy Accounts Reserve	-		-					-	1.000	1.000
Car Parking Reserve	0.741		0.741				(0.741)	-		-
Elections Costs	0.249		0.249			(0.216)		0.033		0.033
	<b>2.788</b>	<b>0.757</b>	<b>3.545</b>	<b>0.730</b>	<b>(0.017)</b>	<b>(0.650)</b>	<b>(2.539)</b>	<b>1.069</b>	<b>8.211</b>	<b>9.280</b>
<i>Restricted Use</i>										
Public Health	0.129		0.129	1.043				1.172		1.172
Insurance Fund	0.028		0.028	0.006	0.061	(0.095)		-		-
Better Care Fund	0.896		0.896			(0.306)		0.590		0.590
Marton Library S106	0.025		0.025					0.025		0.025
Housing Rental Sinking Fund	0.093		0.093					0.093		0.093
	<b>1.171</b>	<b>-</b>	<b>1.171</b>	<b>1.049</b>	<b>0.061</b>	<b>(0.401)</b>	<b>-</b>	<b>1.880</b>	<b>-</b>	<b>1.880</b>
	<b>3.959</b>	<b>0.757</b>	<b>4.716</b>	<b>1.779</b>	<b>0.044</b>	<b>(1.051)</b>	<b>(2.539)</b>	<b>2.949</b>	<b>8.211</b>	<b>11.160</b>
<b>UNUSABLE EARMARKED RESERVES</b>										
Revenue Grants Unapplied (Technical Reserve)	10.539	(5.664)	4.875	11.124		(10.591)		5.408		5.408
Dedicated Schools Grant Adjustment Account	(6.564)		(6.564)	10.267		(17.996)		(14.293)		(14.293)
	<b>3.975</b>	<b>(5.664)</b>	<b>(1.689)</b>	<b>21.391</b>	<b>-</b>	<b>(28.587)</b>	<b>-</b>	<b>(8.885)</b>	<b>-</b>	<b>(8.885)</b>
<b>SCHOOL BALANCES</b>	<b>3.641</b>		<b>3.641</b>	<b>3.539</b>		<b>(2.581)</b>		<b>4.599</b>		<b>4.599</b>
<b>PROVISIONS</b>										
Business Rates Appeals	1.959		1.959	0.646		(1.266)		1.339		1.339
Insurance	3.068		3.068		(0.061)			3.007		3.007
Other	0.167		0.167		0.017			0.184		0.184
	<b>5.194</b>	<b>-</b>	<b>5.194</b>	<b>0.646</b>	<b>(0.044)</b>	<b>(1.266)</b>	<b>-</b>	<b>4.530</b>	<b>-</b>	<b>4.530</b>
<b>TOTAL RESERVES &amp; PROVISIONS</b>	<b>28.810</b>	<b>(4.907)</b>	<b>23.903</b>	<b>27.355</b>	<b>-</b>	<b>(33.485)</b>	<b>(3.594)</b>	<b>14.179</b>	<b>8.325</b>	<b>22.504</b>

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## Appendix 4 - Summary of projects approved for utilisation of Contingency Budgets and Change Fund 2023/24

	<u>Corporate Contingency</u> £m	<u>Change Fund Reserve</u> £m
<b>Starting Budget 2023/24</b>	<b>1.300</b>	
Budgeted contribution 2023/24		<b>0.730</b>
Additional contributions in year		<b>0.757</b>
Adjustment to additional contributions in year from Balance Sheet Review		<b>(0.180)</b>
Budget Reduction - transfer of budgeted use of Flexible Capital Receipts to reflect projects previously earmarked to be funded from Corporate Contingency now being funded from Flexible Capital Receipts)	<b>(0.265)</b>	
<b>Available for use</b>	<b>1.035</b>	<b>1.307</b>
<b><u>Approved Corporate Governance Improvement Plan Management Interventions</u></b>		
Financial improvement - Interim finance lead - accounts closure and audit, financial reporting, systems, and control	0.082	
Additional cost of Interim Section 151 Officer post above permanent budget.	0.107	
Finance consultant - Infrastructure, assets and leasing accounting /regulation changes	0.015	
Consultancy support to review financial and contract procedure rules	0.011	
Corporate Governance Improvement training for managers and members	0.007	
Locum Governance solicitor to ensure scheme of delegation is up to date and complete	0.030	
	<b>0.252</b>	<b>0.000</b>
<b><u>Invest to save transformation expenditure</u></b>		
ERVRS & Flexible Retirements		0.049
Compulsory Redundancies		0.221
	<b>0.000</b>	<b>0.271</b>
<b>Allocated/Committed to date</b>	<b>0.252</b>	<b>0.271</b>
<b>BALANCE REMAINING UNCOMMITTED at 31/3/24</b>	<b>0.783</b>	<b>1.036</b>

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**Appendix 5 - Transformational Expenditure Funded through Flexible Use of Capital Receipts 2023/24**

Project	Further Details	Originally planned to be funded from	PLANNED	ACTUAL	Difference	Projects originally planned to be funded from Change Fund (figures shown are based on original estimated)				
			USE*	USE		Originally planned to be funded from Change Fund	Funding switched to FUoCR	No spend incurred	Other - (funded from Service budgets / spend incurred less than estimated cost)	Reduction in Change Fund support required
			£m	£m	£m	£m	£m	£m	£m	£m
<b>Legal &amp; Governance</b>										
Transformation	Development and implementation of a Corporate Finance Dashboard to support more effective budgetary control - Qlikview migration from Alteryx to Power BI and Purchase of Power BI Licences	Corporate Contingency	0.026	0.026	-					
	Support to deliver corporate transformation savings programme	Change Fund	0.040	-	(0.040)	0.040	-	-	(0.040)	(0.040)
	HR - additional Business Partner to drive transformation by providing additional capacity to support service redesign and restructuring	Change Fund	0.013	-	(0.013)	0.013	-	(0.013)	-	(0.013)
	Data and analytics - additional resources to support transformation	Change Fund	0.060	-	(0.060)	0.060	-	(0.060)	-	(0.060)
	Short term project resource and expertise to develop and source transformation opportunities	Change Fund	0.060	-	(0.060)	0.060	-	(0.060)	-	(0.060)
	Interim ICT specialist to progress digital transformation	Change Fund	0.072	-	(0.072)	0.072	-	(0.072)	-	(0.072)
			<b>0.271</b>	<b>0.026</b>	<b>(0.245)</b>	<b>0.245</b>	-	<b>(0.205)</b>	<b>(0.040)</b>	<b>(0.245)</b>
<b>Finance</b>										
Transformation	Additional cost of Interim Section 151 Officer post above budget to drive transformation in Council's financial management arrangements and deliver financial recovery	Corporate Contingency	0.095	-	(0.095)					
	Consultancy support to establish comprehensive policy and methodology for setting and review of fees and charges to optimise income	Corporate Contingency	0.029	0.029	0.000					
	Middlesbrough Independent Advisory Improvement Board costs to support delivery of improved culture, governance, and financial recovery	Corporate Contingency	0.022	0.023	0.001					
	Consultancy to support corporate level transformation - Stage 1	Change Fund	0.040	0.040	0.000	0.040	(0.040)	-	-	(0.040)
	Consultancy to support corporate level transformation - Stage 2	Change Fund	0.150	0.199	0.049	0.150	(0.150)	-	-	(0.150)
	Financial improvement - Interim finance lead - financial strategy, business partnering to improve VFM and support transformation programme	Corporate Contingency	0.103	0.104	0.001					
	Finance specialist finance improvement to provide additional capacity to support transformation within directorates	Change Fund	0.064	-	(0.064)	0.064	-	(0.064)	-	(0.064)
Transformational Support	Specialist Children's Services Financial Consultant drive transformation and cost reductions	Corporate Contingency	0.098	0.084	(0.014)					
Placements	Dedicated Placement Manager to drive transformation in placements	Children's Care	0.052	0.060	0.008					
Procurement compliance	Additional resource to support the enforcement of compliance in procurement to achieve cost efficiency in supplies and services to address statutory recommendations of external auditor	Change Fund	0.025	0.011	(0.014)	0.025	(0.011)	-	(0.014)	(0.025)
Debt Review	Additional resource in Resident and Business Support to target reduction in aged debt and increase income of Council Tax, Business Rates and Sundry Debt	Change Fund	0.169	-	(0.169)	0.169	-	(0.169)	-	(0.169)
			<b>0.847</b>	<b>0.549</b>	<b>(0.298)</b>	<b>0.448</b>	<b>(0.201)</b>	<b>(0.233)</b>	<b>(0.014)</b>	<b>(0.448)</b>
<b>Children's Services</b>										
Family Support	Family Support - set up and lead in costs for the creation of in-house team and reduction in the use of high cost external provision	Children's Care	0.300	-	(0.300)					
Internal residential	Set up costs for the implementation of various projects to Increase the in-house residential offer to reduce expenditure on external placements by purchase and/or refurbishment of additional properties to develop additional bedspaces.	Children's Care	0.100	-	(0.100)					
Staffing	Integration of specialist agency team required in Safeguarding & Care Planning to improve "Children in Need and Child Protection", and transition into business as usual. This has led to the removal of 2 of 3 managed teams and will lead to the eventual removal of the remaining managed team by May 2024 using current staff to provide the Review of staffing establishment	Children's Care	0.800	0.886	0.086					
	Use of market weighted allowances for a fixed period to attract permanent staff to reduce use of agency staff.	Change Fund	0.070	-	(0.070)	0.070	-	-	(0.070)	(0.070)
	Recruitment costs to attract permanent staff to reduce use of agency staff	Children's Care	0.813	0.739	(0.074)					
Transformational Support	Specialist Children's Services manager to drive service improvement	Children's Care	0.007	-	(0.007)					
Placements	Improvement Lead for Review of Placements	Children's Care	0.080	-	(0.080)					
Internal fostering	Increase capacity by increase in fees to internal carers to allow for existing carers to increase places and attract more to take up as a career, in order to reduce need for Independent Fostering Agency (IFA) placements and any subsequent External residential placements	Change Fund	0.060	-	(0.060)	0.060	-	-	(0.060)	(0.060)
		Children's Care	0.750	0.143	(0.607)					
			<b>2.980</b>	<b>1.769</b>	<b>(1.211)</b>	<b>0.130</b>	-	-	<b>(0.130)</b>	<b>(0.130)</b>
<b>Education &amp; Partnerships</b>										
Integrated Transport Unit	Integrated Transport Unit - external resource for review	Change Fund	-	-	-	-	-	-	-	-
<b>Adult Social Care</b>										
Transformation review	Transformation Lead and 5 reviewing staff to undertake reviews and transformation project including activity identified in Assistive Technology Transformation, developing the prevention hub, and review of the Connect Service	Change Fund	0.201	0.055	(0.146)	0.201	(0.055)	(0.146)	-	(0.201)
			<b>0.201</b>	<b>0.055</b>	<b>(0.146)</b>	<b>0.201</b>	<b>(0.055)</b>	<b>(0.146)</b>	-	<b>(0.201)</b>
<b>TOTAL</b>			<b>4.299</b>	<b>2.399</b>	<b>(1.900)</b>	<b>1.024</b>	<b>(0.256)</b>	<b>(0.584)</b>	<b>(0.184)</b>	<b>(1.024)</b>

\* As per Flexible Use of Capital Receipts Policy report to Council 17/01/24

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## Appendix 6 : Capital Programme Outturn 2023/24 – Details of capital expenditure slippage

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

The following details the slippage from Quarter Three to Quarter Four. Details of the slippage from Quarter One to Quarter Two were shown in Appendix 6 of the Quarter Two budget monitoring report and details of slippage from Quarter Two to Quarter Three were shown in Appendix 5 of the Quarter Three budget monitoring report. These all added together total the £22.711m total slippage at the end of 2023/24 .

Project	Scheme	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Funding Source	Slippage Explanation
Regeneration	Future High Streets Fund	(1.937)	1.937	-	-	Grants	Delays in one of the occupants of Captain Cook Square signing the lease agreement resulting in expenditure being re-profiled. Additionally, tender returns for one other project within Captain Cook Square were considerably higher than anticipated, resulting in this project being temporarily suspended until additional funding being confirmed from Tees Valley C
Regeneration	Middlesbrough Development Company	(0.887)	0.887	-	-	Grants / Council Borrowing	There are two outstanding contracts relating to the Newbridge Court and Boho Bright Ideas projects. These contracts were expected to be finalised in-year, however, due to contractor disputes the final payments for each are now expected to be made in 2024/2025
Regeneration	Other Small Scale Slippage Across The Directorate	(0.514)	0.514	-	-	Grants / Council Borrowing	
	<b>Regeneration Total</b>	<b>(3.338)</b>	<b>3.338</b>	<b>0.000</b>	<b>0.000</b>		
Environment and Community Services	Bridges and Structures-Non LTP	(0.331)	0.331			Council Borrowing	Negotiations are still ongoing with Network Rail regarding works to the Blue and White bridges. This has resulted in a delay to the commencement of the project. In addition, further complications around the specifications to A66 Column 20b have contributed towards the slippage.
Environment and Community Services	Purchase of Vehicles	0.319	(0.319)			Council Borrowing	The Council took delivery of several bin lifts before the expected timescale resulting in resource needing to be pulled forward from 2024/2025.
Environment and Community Services	Traffic Signals -Non TVCA	0.424	(0.424)			Grants	Junction installations were completed at several sites across the town ahead of schedule.
Environment and Community Services	Highways Infrastructure	0.531	(0.531)			Council Borrowing	Contracts with Tarmac to re-surface Marton Road, Cargo Fleet Lane and Maltby Road completed earlier than previously anticipated.
Environment and Community Services	Newport Bridge	0.000	0.000	(0.500)	0.500	Council Borrowing	A requirement to complete unplanned emergency repair works before the planned repairs and painting schedule could commence has resulted in an overall expected delay in the project completion
Environment and Community Services	Other Small Scale Slippage Across The Directorate	(0.243)	0.243			Various	
	<b>Environment and Community Services Total</b>	<b>0.700</b>	<b>(0.700)</b>	<b>(0.500)</b>	<b>0.500</b>		
Public Health	Other Small Scale Slippage Across The Directorate	(0.008)	0.008				
	<b>Public Health Total</b>	<b>(0.008)</b>	<b>0.008</b>	<b>-</b>	<b>-</b>		
Education and Partnerships	Contribution to New School at Middlehaven	(0.500)	0.500			Contributions	Delays experienced by the Department for Education have resulted in the Council's first planned contribution not being made within the financial year.
Education and Partnerships	Other Small Scale Slippage Across The Directorate	(0.091)	0.091			Grants / contributions	
	<b>Education and Partnerships Total</b>	<b>(0.591)</b>	<b>0.591</b>	<b>0.000</b>	<b>0.000</b>		
Children's Care and Prevention	Other Small Scale Slippage Across The Directorate	0.006	(0.009)	0.003		Council Borrowing	
	<b>Children's Care Total</b>	<b>0.006</b>	<b>(0.009)</b>	<b>0.003</b>	<b>0.000</b>		
Adult Social Care and Health Integration	Other Small Scale Slippage Across The Directorate	(0.138)	0.138	-	-	Grants	
	<b>Adult Social Care and Health Integration Total</b>	<b>(0.138)</b>	<b>0.138</b>	<b>-</b>	<b>-</b>		
Legal and Governance Services	Other Small Scale Slippage Across The Directorate	(0.445)	0.445				
	<b>Legal and Governance Services Total</b>	<b>(0.445)</b>	<b>0.445</b>	<b>-</b>	<b>-</b>		
	<b>TOTAL</b>	<b>(3.814)</b>	<b>3.811</b>	<b>(0.497)</b>	<b>0.500</b>		

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## Appendix 7 - Revised Capital Programme to 2026/27

	Actual	Budgeted Expenditure				TOTAL
	2023/24	2024/25	2025/26	2026/27		
	£m	£m	£m	£m	£m	
<b>Regeneration</b>						
Town Centre Related Projects	1.050	0.170	-	-	1.220	
Middlehaven Related Projects	-	-	0.500	-	0.500	
Housing Growth	0.015	0.478	5.762	8.026	14.281	
BOHO X	1.638	0.767	-	-	2.405	
Unallocated Grant Following Completion Of Boho X Project	-	-	5.600	-	5.600	
Brownfield Housing Fund	0.068	-	-	-	0.068	
Towns Fund	1.060	1.508	6.519	-	9.087	
Towns Fund - East Middlesbrough Community Hub	0.168	0.295	3.218	-	3.681	
Future High Streets Fund	4.366	3.237	-	-	7.603	
Acquisition of Town Centre Properties	-	-	1.207	-	1.207	
Acquisition of The Crown	0.052	0.050	-	-	0.102	
Live Well Relocation	0.065	4.035	-	-	4.100	
Levelling Up Partnership - Middlesbrough College	4.700	1.200	-	-	5.900	
New Civic Centre Campus	0.173	0.237	-	-	0.410	
Middlesbrough Development Company	1.778	2.589	-	-	4.367	
Teesside Advanced Manufacturing Park	0.019	-	-	-	0.019	
Capitalisation Of Major Schemes Salaries	0.530	0.530	0.530	0.530	2.120	
Capitalisation of Planning Services Surveys	-	0.120	0.040	0.040	0.200	
Affordable Housing Via Section 106	-	-	1.495	-	1.495	
Highways Infrastructure Development Section 106	-	-	0.142	0.580	0.722	
Lingfield Education Units	0.003	0.006	-	-	0.009	
Levelling Up Fund - South Middlesbrough Accessibility	-	3.863	0.949	-	4.812	
Derisking Sites	0.117	-	0.625	0.500	1.242	
Property Services Building Investment	0.340	0.340	0.340	0.340	1.360	
Property Asset Investment Programme	0.846	1.049	1.836	1.200	4.931	
Captain Cook Public House	0.013	-	-	-	0.013	
Town Hall Roof	-	0.807	2.149	-	2.956	
Municipal Buildings Refurbishment	0.330	1.170	-	-	1.500	
Resolution House	0.010	-	0.492	-	0.502	
Cleveland Centre	0.096	0.530	1.034	-	1.660	
Changing Places Toilet Albert Park	0.001	0.006	-	-	0.007	
Members Small Schemes	0.068	0.150	0.060	0.060	0.338	
Theatre Bar Refurbishment	0.042	0.007	-	-	0.049	
Leisure Trust Investment - Equipment	0.802	0.002	-	-	0.804	
Stewart Park Section 106	0.005	0.034	-	-	0.039	
Investment In Parks	0.005	0.011	-	-	0.016	
Cultural Development Fund - Enhancements to Central Library & Partner organisations	0.155	4.189	-	-	4.344	
Museum Estate and Development Fund	0.283	0.048	-	-	0.331	
Archives	0.004	-	-	-	0.004	
<b>Total Regeneration</b>	<b>18.802</b>	<b>27.428</b>	<b>32.498</b>	<b>11.276</b>	<b>90.004</b>	

Council Funding	External Funding
£m	£m
1.117	0.103
0.500	-
5.479	8.802
0.058	2.347
-	5.600
-	0.068
0.100	8.987
2.600	1.081
-	7.603
1.207	-
0.102	-
-	4.100
-	5.900
0.410	-
1.496	2.871
0.012	0.007
2.120	-
0.200	-
0.302	1.193
0.142	0.580
0.009	0.000
-	4.812
1.232	0.010
1.360	-
4.931	-
-	0.013
2.956	-
1.500	-
0.502	-
1.660	-
0.007	-
0.338	-
0.040	0.009
0.804	-
0.000	0.039
0.016	-
0.087	4.257
0.020	0.311
0.001	0.003
<b>31.308</b>	<b>58.696</b>

	Actual	Budgeted Expenditure				TOTAL
	2023/24	2024/25	2025/26	2026/27		
	£m	£m	£m	£m	£m	
<b>Environment and Community Services</b>						
Purchase of New Vehicles	3.138	1.878	3.760	1.200	9.976	
Capitalisation of Wheeled Bin Replacement	0.100	0.100	0.100	0.100	0.400	
Replacement Wheeled Bins as part of Waste Strategy Review	1.160	0.040	-	-	1.200	
Capitalisation of Street Furniture / Dog Fouling & Litter Bins	0.055	0.055	0.055	0.055	0.220	
Capitalisation of Highways Maintenance	0.575	0.575	0.575	0.575	2.300	
Local Transport Plan -Highways Maintenance	2.727	3.044	2.339	2.339	10.449	
Local Transport Plan - Incentive Funding	0.991	1.657	1.065	1.065	4.778	
Street Lighting-Maintenance	0.368	0.568	0.468	0.468	1.872	
Urban Traffic Management Control 1	0.031	0.043	-	-	0.074	
Flood Prevention	0.019	-	-	-	0.019	
Section 106 Ormesby Beck	-	0.015	-	-	0.015	
Section 106 Cypress Road	0.020	-	-	-	0.020	
Hostile Vehicle Mitigation	-	0.031	-	-	0.031	
Bridges & Structures (Non Local Transport Plan)	1.451	2.951	1.870	1.870	8.142	
Transporter Bridge	0.154	0.062	-	-	0.216	
Newport Bridge	0.335	1.000	1.295	0.500	3.130	
Henry Street	-	0.039	-	-	0.039	
CCTV	0.167	0.034	-	-	0.201	
Cargo Fleet Nature Reserve	0.033	0.014	-	-	0.047	
Towns Fund Initiatives	0.270	0.081	-	-	0.351	
Traffic Signals -Tees Valley Combined Authority	0.085	0.029	-	-	0.114	
Highways Infrastructure	2.957	2.169	1.000	-	6.126	
Libraries Improvement Fund	0.136	0.057	-	-	0.193	
Urban Traffic Management Control 2	1.485	0.903	-	-	2.388	
Traffic Signals Non Tees Valley Combined Authority	0.674	1.126	0.980	-	2.780	
Street Lighting Column Replacement	0.519	0.409	0.500	-	1.428	
Parks Improvement	0.048	-	-	-	0.048	
Linthorpe Rd Cycleway	0.010	0.414	-	-	0.424	
<b>Total Environment and Community Services</b>	<b>17.508</b>	<b>17.294</b>	<b>14.007</b>	<b>8.172</b>	<b>56.981</b>	

Council Funding	External Funding
£m	£m
9.976	-
0.400	-
1.200	-
0.220	-
2.300	-
-	10.449
-	4.778
1.872	-
-	0.074
-	0.019
-	0.015
-	0.020
0.031	-
8.142	-
0.108	0.108
3.130	-
-	0.039
0.201	-
-	0.047
-	0.351
-	0.114
6.126	-
-	0.193
-	2.388
2.030	0.750
1.428	-
-	0.048
-	0.424
<b>37.164</b>	<b>19.817</b>

	Actual	Budgeted Expenditure				TOTAL
	2023/24	2024/25	2025/26	2026/27		
	£m	£m	£m	£m	£m	
<b>Public Health</b>						
Relocation of the Safe Haven to Middlesbrough Bus station	0.023	0.008	-	-	0.031	
Live Well East – Internal Alterations & Improvements	0.125	0.052	-	-	0.177	
Swimming Pool Support Fund	-	0.459	-	-	0.459	
<b>Total Public Health</b>	<b>0.148</b>	<b>0.519</b>	<b>-</b>	<b>-</b>	<b>0.667</b>	

Council Funding	External Funding
£m	£m
0.031	-
-	0.177
-	0.459
<b>0.031</b>	<b>0.636</b>

	Actual	Budgeted Expenditure					Council Funding	External Funding
	2023/24	2024/25	2025/26	2026/27	TOTAL	£m	£m	
<b>Education and Partnerships</b>	£m	£m	£m	£m	£m	£m	£m	
Block Budget (Grant) Devolved Formula Capital - Various Schools	0.077	0.131	-	-	0.208	-	0.208	
Block Budget (Grant) Devolved Formula Capital (Energy Efficiency) - Various Schools	-	0.077	-	-	0.077	-	0.077	
Block Budget (Grant) Section 106 Avant Low Gill	-	-	0.035	-	0.035	-	0.035	
Block Budget (Grant) Basic Needs	-	0.802	1.775	-	2.577	-	2.577	
Block Budget (Grant) High Needs Provision Capital Allocation (HNPCA)	-	1.718	-	-	1.718	-	1.718	
Block Budget Childcare Expansion Grant	-	0.231	-	-	0.231	-	0.231	
Block Budget (Grant) EFA Early Years 2 Year olds Entitlement (Trajectory Project)	-	0.001	-	-	0.001	-	0.001	
Schemes in Maintained Primary Schools	0.706	1.592	0.073	-	2.371	0.081	2.290	
Schemes in Primary Academies	0.151	0.137	0.250	0.125	0.663	0.155	0.508	
Schemes in Secondary Academies	0.145	1.861	0.908	-	2.914	-	2.914	
Schemes in Special Schools	1.419	6.041	0.373	-	7.833	0.066	7.767	
Capitalisation of Salary Costs	0.113	0.115	-	-	0.228	-	0.228	
Contribution to New School at Middlehaven	-	0.500	0.400	0.746	1.646	0.646	1.000	
EFA Early Years 2 years old entitlement	-	0.006	-	-	0.006	-	0.006	
Special Education Needs Projects	0.138	0.669	0.125	-	0.932	0.004	0.928	
Family Hubs	0.129	0.031	-	-	0.160	-	0.160	
<b>Total Education and Partnerships</b>	<b>2.878</b>	<b>13.912</b>	<b>3.939</b>	<b>0.871</b>	<b>21.600</b>	<b>0.952</b>	<b>20.648</b>	

	Actual	Budgeted Expenditure					Council Funding	External Funding
	2023/24	2024/25	2025/26	2026/27	TOTAL	£m	£m	
<b>Children's Care</b>	£m	£m	£m	£m	£m	£m	£m	
Contact Centre - Bus Station Unit 1	0.009	-	-	-	0.009	0.009	-	
Holly Lodge Sensory Room	0.009	0.002	-	-	0.011	0.011	-	
Transformational Expenditure Funded Through Flexible Use Of Capital Receipts	1.769	-	-	-	1.769	1.769	-	
Gleneagles - Refurbishment	-	0.050	-	-	0.050	0.050	-	
Children's Services Financial Improvement Plan	0.102	1.965	2.363	-	4.430	4.430	-	
Fir Tree Ground Floor and Attic Refurbishment Works	0.060	0.009	-	-	0.069	0.069	-	
<b>Total Children's Care</b>	<b>1.949</b>	<b>2.026</b>	<b>2.363</b>	<b>-</b>	<b>6.338</b>	<b>6.338</b>	<b>-</b>	

	Actual	Budgeted Expenditure					Council Funding	External Funding
	2023/24	2024/25	2025/26	2026/27	TOTAL	£m	£m	
<b>Adult Social Care</b>	£m	£m	£m	£m	£m	£m	£m	
Chronically Sick & Disabled Persons Act - All schemes	0.945	0.695	0.610	0.610	2.860	1.914	0.946	
Disabled Facilities Grant - All schemes	2.126	0.521	-	-	2.647	-	2.647	
Capitalisation of Staying Put Salaries	0.050	0.050	0.050	0.050	0.200	0.150	0.050	
Home Loans Partnership (Formerly 5 Lamps)	0.005	0.070	-	-	0.075	-	0.075	
Small Schemes	-	0.015	-	-	0.015	-	0.015	
Connect / Telecare IP Digital Switchover	0.163	-	-	-	0.163	-	0.163	
Transformational Expenditure Funded Through Flexible Use Of Capital Receipts	0.055	-	-	-	0.055	0.055	-	
<b>Total Adult Social Care</b>	<b>3.344</b>	<b>1.351</b>	<b>0.660</b>	<b>0.660</b>	<b>6.015</b>	<b>2.119</b>	<b>3.896</b>	

	Actual	Budgeted Expenditure					Council Funding	External Funding
	2023/24	2024/25	2025/26	2026/27	TOTAL	£m	£m	
<b>Legal and Governance Services</b>	£m	£m	£m	£m	£m	£m	£m	
Desktop Strategy / Device Refresh	0.316	-	-	-	0.316	0.316	-	
Enterprise Agreements	0.921	-	-	-	0.921	0.921	-	
IT Refresh - Network Refresh	0.024	-	-	-	0.024	0.024	-	
IT Refresh - Lights On	0.323	-	-	-	0.323	0.323	-	
ICT Essential Refresh & Licensing	0.411	2.758	2.185	2.185	7.539	7.539	-	
Sharepoint	0.429	-	-	-	0.429	0.429	-	
HR Recruitment	0.046	-	-	-	0.046	0.046	-	
IKEN	0.040	-	-	-	0.040	0.040	-	
HR Pay	-	0.037	-	-	0.037	0.037	-	
Transformational Expenditure Funded Through Flexible Use Of Capital Receipts	0.026	-	-	-	0.026	0.026	-	
<b>Total Legal and Governance Services</b>	<b>2.536</b>	<b>2.795</b>	<b>2.185</b>	<b>2.185</b>	<b>9.701</b>	<b>9.701</b>	<b>-</b>	

	Actual	Budgeted Expenditure					Council Funding	External Funding
	2023/24	2024/25	2025/26	2026/27	TOTAL	£m	£m	
<b>Finance</b>	£m	£m	£m	£m	£m	£m	£m	
Former Partnership Investment (ICT Infrastructure Revenues & Benefits)	-	0.264	-	-	0.264	0.264	-	
Business World Upgrade	-	0.026	-	-	0.026	0.026	-	
Capitalisation of Property Finance Lease Arrangements	-	4.500	-	-	4.500	4.500	-	
Transformational Expenditure Funded Through Flexible Use Of Capital Receipts	0.549	-	-	-	0.549	0.549	-	
<b>Total Finance</b>	<b>0.549</b>	<b>4.790</b>	<b>-</b>	<b>-</b>	<b>5.339</b>	<b>5.339</b>	<b>-</b>	

	Actual	Budgeted Expenditure					Council Funding	External Funding
	2023/24	2024/25	2025/26	2026/27	TOTAL	£m	£m	
<b>Transformation Programme</b>	£m	£m	£m	£m	£m	£m	£m	
Transformation	-	3.000	2.300	2.300	7.600	7.600	-	
Subject Matter Expertise	-	2.500	2.500	1.000	6.000	6.000	-	
Redundancy	-	6.500	-	-	6.500	6.500	-	
Contingency	-	1.700	2.900	2.000	6.600	6.600	-	
<b>Total Transformation</b>	<b>0.000</b>	<b>13.700</b>	<b>7.700</b>	<b>5.300</b>	<b>26.700</b>	<b>26.700</b>	<b>-</b>	

	Actual	Budgeted Expenditure					Council Funding	External Funding
	2023/24	2024/25	2025/26	2026/27	TOTAL	£m	£m	
<b>Exceptional Financial Support</b>	£m	£m	£m	£m	£m	£m	£m	
Revenue Budget Deficit	-	4.700	-	-	4.700	4.700	-	
Contingency for savings and receipts deficit	-	8.700	-	-	8.700	8.700	-	
<b>Total Exceptional Financial Support</b>	<b>0.000</b>	<b>13.400</b>	<b>0.000</b>	<b>0.000</b>	<b>13.400</b>	<b>13.400</b>	<b>-</b>	

	Actual	Budgeted Expenditure			
	2023/24	2024/25	2025/26	2026/27	TOTAL
	£m	£m	£m	£m	£m
<b>ALL DIRECTORATES</b>					
<b>Total ALL DIRECTORATES</b>	<b>47.714</b>	<b>97.215</b>	<b>63.352</b>	<b>28.464</b>	<b>236.745</b>

Council Funding	External Funding
£m	£m
<b>133.052</b>	<b>103.693</b>

	Actual	Approved Funding				
	2023/24	2024/25	2025/26	2026/27	TOTAL	
	£m	£m	£m	£m	£m	£m
<b>FUNDED BY:</b>						
Borrowing	18.469	23.096	22.430	8.558	72.553	
EFS Borrowing	-	13.400	-	-	13.400	
Capital Receipts	-	6.000	6.000	6.000	18.000	
Flexible Use of Capital Receipts	2.399	13.700	7.700	5.300	29.099	
Grants	26.375	39.821	25.268	3.404	94.868	
Contributions	0.471	1.198	1.954	5.202	8.825	
<b>Total FUNDING</b>	<b>47.714</b>	<b>97.215</b>	<b>63.352</b>	<b>28.464</b>	<b>236.745</b>	

Council Funding	External Funding
£m	£m
72.553	-
13.400	-
18.000	-
29.099	-
-	94.868
-	8.825
<b>133.052</b>	<b>103.693</b>

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<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Director of Finance
<b>Relevant Executive Member:</b>	Executive Member for Finance & Governance
<b>Submitted to:</b>	Executive
<b>Date:</b>	26 June 2024
<b>Title:</b>	Treasury Management Outturn Report – 2023/24
<b>Report for:</b>	Information
<b>Status:</b>	Public
<b>Council Plan priority:</b>	Delivering Best Value
<b>Key decision:</b>	No
<b>Why:</b>	Report is for information only
<b>Subject to call in?:</b>	No
<b>Why:</b>	Report is for information only

<b>Proposed decision(s)</b>
This report is for information purposes. However, it is an important aspect of the Council's financial reporting, its compliance with legislative requirements, and the local authority codes of practice on capital finance and treasury management. Both are cornerstones of good financial management by the organisation.

<b>Executive summary</b>
<p>The Council is required to approve annually a Treasury Management Strategy and a set of Prudential Indicators, which self-regulate the level of capital financing activities of the Council and the affordability of the capital programme. These need to be set on an annual basis to comply with the Local Government Act 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Codes of Practice on Capital Finance and Treasury Management.</p> <p>The Treasury Management Strategy is important from both a financial and governance perspective as it sets the framework within which the council manages its borrowing and investments, how it delivers these services, and how it controls the risks attached</p>

related decisions. It also sets out the parameters and criteria that govern the day-to-day cashflow management activity and how these impact on the medium to long term financial planning. These include achieving value for money from any borrowing undertaken, managing risk, and protecting any resources that have been invested.

The Prudential Indicators are an integral part of the CIPFA Capital Finance Code and demonstrate whether the capital programme is affordable, sustainable, and prudent. They include the level of capital expenditure over the next three years, how this has been financed, the maximum level of external debt and the cost to the revenue budget.

The report sets out the year-end outturn results for the 2023/24 financial year against the annual treasury management strategy approved by Council and gives an analysis of the results achieved.

The key points for Members to note on this are as follows:

- No prudential or treasury management indicators agreed as part of the treasury strategy for 2023/24 were breached during the financial year.
- The amount of borrowing required during the year was lower than planned at £18.469m as against £27.436m in the original budget for the year due to slippage on capital schemes into future years.
- The Council's need to borrow or Capital Financing Requirement (CFR) is £292.090m at 31 March 2024.
- The Council's total external debt is £248.104m at 31<sup>st</sup> March 2024.
- The Council is therefore 'under borrowed' by £43.986m or 15.1% at the financial year end. This means that it is using its internal cash balances rather than borrowing externally on the market.
- This is in line with practice adopted by most other local authorities and avoids the cost of carry of any unnecessary external debt against the overall cashflow and liquidity need for the Council as it finances the delivery of its revenue and capital budgets.
- The Council's external debt portfolio is predominantly long term from the Public Works Loan Board (PWLB) and has less reliance on short-term borrowing from local authorities than in previous years.
- Cash balances have been maintained at a minimum level during the financial year to minimise any further external borrowing required for cash flow purposes.
- All cash investments have been made in line with the Council's credit worthiness criteria, generally with either central government or other local authorities.
- The net annual revenue cost of financing the Council's current and historic debt, less income from its historic commercial investments and on cash balances is £9.235m or 7.4% of the net revenue budget for the financial year.
- The cost of capital financing in future years rises markedly over the medium-term financial plan to be almost 9% by 2026/27.



Whilst the Council is not an outlier in terms of its level of total debt measured by its CFR, it is starting to reach its limit of revenue affordability on borrowing to fund its future capital investment. It will need to prioritise its capital investment decisions over the medium and longer term and secure its financing through third party funds such as contributions and grants, and capital receipts from the sale of assets to maintain borrowing costs within affordable limits.

## **1. Purpose**

- 1.1 This report provides important information regarding the regulation and management of the Council's borrowing, investments, and cash-flow for the 2023/24 financial year. It is a requirement of the Council's reporting procedures under the CIPFA Treasury Management Code of Practice, and by regulations issued under the Local Government Act 2003, to produce an annual review that covers the treasury activity and compares the performance against the original strategy set by the Council. It should be read in conjunction with the Council's revenue and capital outturn report for 2023/24, both of which have a significant impact on treasury arrangements.
- 1.2 The report also provides the Prudential Indicators results for 2023/24 in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Capital Finance, which is best practice in terms of governance in this area.

## **2. Recommendations**

2.1 That the Executive:

- Note the Prudential Indicators for 2023/24 as the Council's year-end position in relation to capital finance activities and overall indebtedness. (Tables 1- 5)
- Note the performance of the treasury management function against the Council's approved strategy for the last financial year. (Para 4.32 – 4.37)

## **3. Rationale for the recommended decision(s)**

3.1 The recommendations above will fulfil the following for the local authority:

- Compliance with the CIPFA Prudential Code for Capital Finance for local authorities.
- Compliance with the CIPFA Treasury Management Code for local authorities.
- Compliance with the Local Government Act 2003 Section 1 in relation to borrowing.

## **4. Background and relevant information**

4.1 The Council's treasury management strategy for 2023/24 (including prudential indicators) was approved at the annual budget setting meeting on 27 February 2023. The Authority both borrows and invests substantial sums of money to provide liquidity for its revenue and capital plans, and is therefore exposed to various financial risks,

including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the treasury management strategy each year.

4.2 The Council is a net borrower overall. The borrowing required to fund its capital programme is significantly higher than its normal cash balances that are available for investments. As a result, the timing of capital financing decisions has a significant impact on the overall treasury strategy within the Council and how risk is managed.

4.3 The structure of this report to assess performance against the 2023/24 approved treasury strategy is as follows:

- Capital expenditure and financing for 2023/24
- The Council's overall borrowing need
- Prudential indicators and any compliance issues
- Treasury position as at 31 March 2024
- The economic background for the 2023/24 financial year
- A summary of the Treasury Management Strategy approved for 2023/24
- Treasury Management activity and compliance during 2023/24

#### Capital Expenditure and Financing 2023/24

4.4 The Council undertakes capital expenditure on long term assets, which can be financed as follows:

- immediately during the year of incurring the expenditure, through capital receipts, capital grants, contributions or from revenue.
- if insufficient financing is available, prudential borrowing can be used to spread these costs over future financial years.

4.5 Part of the Council's treasury activities is to address this borrowing need, either through borrowing from external bodies – predominantly the Public Works Loan Board (PWL), other banks and financial institutions, or by utilising temporary cash resources within the Council (internal borrowing). The wider treasury activities also include managing the day-to-day cash flow position, its previous borrowing activities, and the investment of surplus funds from cash balances that are not required immediately. These activities are structured to manage risk foremost and then optimise performance where appropriate.

4.6 Capital Expenditure forms one of the prudential indicators that are used to regulate treasury activity. Table 1 shows total capital expenditure and how this was financed, compared with what was expected to be spent and how this would have been financed. Further information on the capital variances at directorate level can be found in the 2023/24 revenue and capital outturn report, but this predominantly relates to capital schemes that have not yet been delivered or grants received in advance of need.

Table 1: Capital expenditure and financing in £ millions

	<b>2022/23 actual</b>	<b>2023/24 original budget</b>	<b>2023/24 revised budget</b>	<b>2023/24 actual</b>	<b>2023/24 variance</b>
Prudential Borrowing	24.597	27.436	20.470	18.469	(2.001)
Capital Receipts	0.755	5.965	-	-	-
Flexible Use of Capital Receipts	-	-	3.000	2.399	(0.601)
Grants	30.653	45.542	48.588	26.375	(22.213)
Contributions	2.957	1.531	0.585	0.471	(0.114)
<b>TOTAL</b>	<b>58.962</b>	<b>80.474</b>	<b>72.643</b>	<b>47.714</b>	<b>(24.929)</b>

### The Council's overall borrowing requirement

4.7 The Council's underlying need to borrow is called the Capital Financing Requirement.

The CFR results from the capital activity of the Council and resources used to pay for the capital expenditure over time. It represents 2023/24 and prior years' net capital expenditure which has not yet been paid for by revenue, capital receipts or other external resources and therefore must be met from borrowing.

4.8 The CFR will normally be a combination of external borrowing (from third parties in the form of loan arrangements) or from internal borrowing (from the council's own unapplied revenue and capital resources). External borrowing incurs both principal and interest costs as part of the Council's capital financing budget. Internal borrowing is from the Council's own cash resources and has an opportunity cost in that the cash is spent on capital activities, rather than invested.

4.9 Part of the Council's treasury role is to meet the funding requirements for this borrowing need. Depending on the funding requirements of the capital programme, the treasury team organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the government, through the PWLB, or the money markets).

4.10 The Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory guidance is in place to ensure that capital expenditure is broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a principal loan repayment of the long-term borrowing need from the revenue budget.

4.11 The Council's capital financing requirement for the year is shown in Table 2 and represents a key prudential indicator for the Council. The CFR outturn for 2023/24 is

£292.090m which is £7.083m lower than forecast due to how repayments on loans made to outside bodies have been accounted for.

*Table 2: change in the Capital Financing Requirement 2023/24 - in £ millions*

<b>Opening CFR at 1 April 2023</b>	<b>284.748</b>
Add: Capital expenditure financed by borrowing	18.469
Less: Minimum Revenue Provision	(3.882)
Less: Other adjustments	(7.245)
<b>Closing CFR at 31 March 2024</b>	<b>292.090</b>
<b>Approved CFR at Q3 2023/24</b>	<b>299.173</b>

#### Treasury Position for 2023/24

4.12 Whilst the measure of the Council's underlying need to borrow is the CFR, the Director of Finance can manage the Council's actual borrowing position by:

- borrowing to the CFR level; or
- choosing to utilise some temporary cash flows instead of borrowing ("under borrowing").

4.13 Most local authorities have a degree of under borrowing within their CFR at present. This tends to be in the range of 10% - 20% of the total CFR. This means that external debt is lower than the need to borrow and other resources available have been used to bridge the gap. This strategy has been common as part of an approach to generating revenue savings in relation to annual capital financing costs, by deferring external borrowing, to a later point in time driven by cash flow needs.

4.14 The Council's treasury management debt and investment position is organised by the Finance and Investment service to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting and through officer activity detailed in the Council's Treasury Management Practices.

4.15 A summary of outstanding balances is shown below.

Table 3 – summary of borrowing and investments

<i>Treasury Position</i>	2022/23 Principal (£m)	Avg Rate (%)	2023/24 Principal (£m)	Avg Rate %
Public Works Loan Board	171.529	3.34	206.018	3.61
Banks	33.000	5.87	18.000	6.26
Other loans	41.359	3.79	24.086	7.00
<b>Total Debt</b>	<b>245.888</b>		<b>248.104</b>	
Cash Investments	(24.894)	2.81	(12.723)	4.93
<b>Net Debt</b>	<b>220.995</b>		<b>235.381</b>	

4.16 Just over 80% of the Council's total debt is with central government via the PWLB at 31 March 2024. These loans vary in length from between 5 – 45 years and in essence match the lives of the capital assets they are financing. Most of the bank debt was taken out in the early 2000's when interest rates were higher, but these options were more attractive than borrowing from central government at the time. Due to the terms and conditions on these loans, there is no option to refinance them in the short term.

4.17 The other loans represent short-term borrowing from other local authorities. At times the Council will need cash liquidity to finance its revenue and capital commitments but interest rates for long term borrowing are not in line with the overall treasury strategy. In these cases, it is better value to finance this cash need over short periods of time, normally 1-3 months, even if interest rates are higher at that point. This allows the Council time to monitor market rates on long term debt for temporary reductions in rates caused by fluctuations in economic data and government policy.

4.18 Cash investments are temporary surpluses in liquidity that are either invested with central government via the debt management office or with other local authorities with a cash need. Over £0.700m in interest was earned during 2023/24 on these balances.

4.19 The Council's total debt outstanding as at 31st March 2024 was £248.104m. The Council's revised CFR position was estimated to be £299.173m at Q3. However, the actual out turn position was £292.090m. When comparing this to our actual borrowing, this meant that the Council was "under borrowed" by £43.986m or 15.1%.

4.20 This "under borrowed" amount was financed by internal borrowing from cash balances which means that the amount that could have been invested externally was reduced to cover this. The reduced under borrowed position has the dual effect of reducing revenue costs incurred by the General Fund budget because borrowing costs are generally greater than investment returns. It also reduces counterparty risk by

reducing our exposure to the inherent risks that exist in commercial banks and other financial institutions.

- 4.21 **Gross Borrowing and the CFR** – in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2023/24, if required. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator as debt levels continue to be much lower than needed.

Table 4 – Gross Borrowing to Capital Financing Requirement comparison in millions

	2022/23 Actual	2023/24 Original	2023/24 Actual
Gross External Borrowing	245.888	263.359	248.104
Capital Financing Requirement	284.748	297.562	292.090
<b>(Under)/Over borrowing</b>	<b>(38.860)</b>	<b>(34.203)</b>	<b>(43.986)</b>
% of CFR	13.6	11.5	15.1

- 4.22 **The Authorised Limit** – The Authorised Limit is the “Affordable Borrowing Limit” required by section 3 of the Local Government Act 2003. The Council does not have power to borrow above this level.
- 4.23 **The Operational Boundary** – The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary are both acceptable, subject to the Authorised Limit not being breached.
- 4.24 **Actual financing costs as a proportion of net revenue expenditure** - This identifies the trend in the revenue cost of capital (borrowing and other long term obligation costs net of investment income) as a proportion of the Council's net revenue budget. The actual for this indicator has risen from the previous year due to an increase in the Financing costs outturn.

Table 5 – Key Prudential indicators in millions

	<b>2022/23 actual</b>	<b>2023/24 actual</b>	<b>2024/25 forecast</b>	<b>2025/26 forecast</b>	<b>2026/27 forecast</b>
Authorised Limit (£m)	356.000	<b>328.000</b>	372.000	396.000	393.000
Operational Boundary (£m)	326.000	<b>308.000</b>	352.000	376.000	373.000
Capital Financing Requirement (£m)	284.748	<b>292.090</b>	331.863	355.426	352.332
Financing costs (£m)	8.058	<b>9.235</b>	11.154	12.753	12.960
Net Revenue Budget (£m)	118.329	<b>126.354</b>	143.190	148.601	148.127
Proportion of net revenue budget (%)	6.8%	<b>7.4%</b>	7.8%	8.6%	8.8%

4.25 The table above also shows the profile of debt required to fund the capital programme over the whole of the medium-term financial planning period, and that this will rise to a maximum of £355.426m on 31<sup>st</sup> March 2026 before starting to reduce in the following financial year. This increase in indebtedness is a direct result of the amount required to fund the capital programme in each financial year, the EFS borrowing required, and any additional cash flow demands in each financial year.

4.26 Although the Council does not have relatively high debt levels against its comparator authorities, the strain on the revenue budget is increasing. When CIPFA introduced the Capital Finance Code of Practice in 2007, a nominal amount of 10% of the net revenue budget was suggested as being a maximum threshold for sustainability and prudence. Although some councils have exceeded this over the years the S151 Officer would not advise Members to go much higher than current levels, particularly given the financial position and low level of unrestricted reserves.

4.27 The levels though do remain aligned to the operational boundary (the Council's capital planning total) and within the authorised limit approved by Members, which is the statutory limit for the Council in relation to external debt.

#### Economic Background 2023/24

4.28 A summary of the general economic conditions that have prevailed through 2023/24 provided by Arlingclose, the Council's treasury management advisors is attached at Appendix 1.

#### Summary of the Treasury Management Strategy agreed for 2023/24

4.29 Treasury Management is defined as 'the management of the Council's cash flows, borrowing and investments, and the associated risk'. The main risks that affect a local authority include credit risk, interest rate risk, liquidity risk and refinancing risk.

- 4.30 The borrowing approach outlined in the treasury strategy was to achieve the optimum value for money for the revenue budget by a combination of long-term borrowing from the Public Works Loan Board when interest rates reached a trigger rate of below 5% and the maturity term of the new borrowing fitted in with the Council's current debt portfolio. If these conditions did not exist when cash balances fell below £10.000m, then short term borrowing would be considered for the minimum period possible, given that interest rates were expected to rise over the period. Additionally short-term borrowing would be capped at a maximum of 20% of the total of the Council's gross external debt balance.
- 4.31 The approach to investing cash balances is to follow the relevant government and CIPFA guidance in prioritising and protecting the principal sums involved by only investing with institutions on the Council's approved lending list. This factor is paramount and more important than the higher interest rates that could be achieved on riskier and illiquid investments with longer duration terms. Only 10% of total investments could be deposited for periods over one financial year given the higher levels of risk associated with these products.

#### Treasury Management activity during 2023/24

- 4.32 During the financial year, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the CFR), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
- 4.33 All borrowing and investment activity undertaken during the financial year were in line with the approved strategy agreed for the financial year.
- 4.34 A total of £43.000m of new long-term borrowing was undertaken, with £10,000m of loans repaid. This was offset by the repayment of £24.415m of short-term borrowing and £6.369 of annuity loan repayments. The total level of external debt for the Council rose by £2.216m during 2023/24. All borrowing decisions were authorised in line with the treasury management policy and via consultation with external advisers.
- 4.35 Investments were made with either central government or other local authorities on an almost daily basis to ensure that the Council's overall liquidity position was protected. All principal sums invested have been repaid on time by each counterparty. The total interest earned on these temporary cash balances for 2023/24 was £0.729m and helped to balance the overall net capital financing budget.
- 4.36 The Councils Treasury Management function has complied with all the relevant statutory and regulatory requirements, which limit the levels of risk associated with its treasury management activities. The adoption and implementation of both the Prudential Code and the code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable and its treasury practices demonstrate a low-risk approach.



4.37 Officers of the Council are aware of the risks of passive management of the treasury portfolio and, with the support of Arlingclose, the Council's advisers, have proactively managed the debt and investments over the financial year.

## **5. Other potential alternative(s) and why these have not been recommended.**

5.1 Not relevant as the report is for information only.

## **6. Impact(s) of the recommended decision(s)**

### ***Financial (including procurement and Social Value)***

All relevant financial implications are outlined within the body of this report and the supporting appendix. The capital programme and financing being recommended in the budget report continues to remain affordable within the approved MTFP and revenue budget parameters. However, the Council needs to manage and prioritise its future capital investment and associated funding strategies more strictly over the term of the MTFP in order to maintain revenue cost of capital investment within affordable and prudent parameters. The prudential and treasury management indicators and processes remain robust and within prudent limits over the term of the MTFP.

Tables 3-5 outlines the key debt metrics, and the capital financing costs as a % of the net revenue budget over the medium-term financial planning period.

### ***Legal***

There are no direct legal implications of this report. All activity on capital financing, investments and borrowing is under current local authority powers under either the local government act or the capital finance and accounting regulations.

### ***Risk***

Any risk related issues are set out within the report. Risk management is an integral part of the Council's treasury management strategy, and these are considered as part of business-as-usual activities and are set out in more detail within the Treasury Management Practices document maintained by the central finance team.

### ***Human Rights, Public Sector Equality Duty and Community Cohesion***

There are no applicable issues to consider within this report.

### ***Climate Change / Environmental***

There are no applicable issues to consider within this report.

**Children and Young People Cared for by the Authority and Care Leavers**

There are no applicable issues to consider within this report.

**Data Protection**

There are no applicable issues to consider within this report.

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

Action	Responsible Officer	Deadline
Not applicable		

**Appendices**

1	Economic Background – 2023/24 financial year
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**Background papers**

Body	Report title	Date
Council	Revenue Budget, Capital Programme, MTFS and Prudential Indicators – Budget Setting Report	27 February 2023

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Appendix 1**Economic Background – 2023/24 Financial Year**

UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year, headline consumer price inflation (CPI) had fallen to 3.4% in February but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e., excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.

The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e., including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.

Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a possible cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in Q2 2023 being gradual. Headline CPI is forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.

Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in Q2 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the relatively dovish stance from the December FOMC meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024.

Following a similarly sharp upward trajectory, the European Central Bank hiked rates to historically high levels over period, pushing its main refinancing rate to 4.5% in September 2023, where it has remained. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains sticky and above the ECB's target, putting pressure on policymakers on how to balance these factors.

**Financial markets:** Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started. Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28<sup>th</sup> March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31<sup>st</sup> March.

**Credit review:** In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

Earlier in the period, Standard & Poors revised the UK sovereign outlook to stable and upgraded Barclays Bank to A+. Moody's also revised the UK outlook to stable, Handelsbanken's outlook to negative, downgraded five local authorities, and affirmed HSBC's outlook at stable while upgrading its Baseline Credit Assessment. Fitch revised UOB's and BMO's outlooks to stable.

In the final quarter of the financial year, Fitch revised the outlook on the UK sovereign rating to stable from negative based on their assessment that the risks to the UK's public finances had decreased since its previous review in October 2022, the time of the mini- budget.

Moody's, meanwhile, upgraded the long-term ratings of German lenders Helaba, Bayern LB and LBBW on better solvency and capital positions, despite challenges from a slowing German economy and exposure to the commercial real estate sector. Moody's also upgraded or placed on review for an upgrade, Australian banks including ANZ, CBA NAB and Westpac on the back of the introduction of a new bank resolution regime.

Credit default swap prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023. Earlier in the year some Canadian lenders saw their CDS prices rise due to concerns over a slowing domestic economy and housing market, while some German lenders were impacted by similar economic concerns and exposure to commercial real estate towards the end of the period, with LBBW remaining the most elevated.

Heightened market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

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