

Medium Term Financial Plan Update / Budget Setting 2022-23

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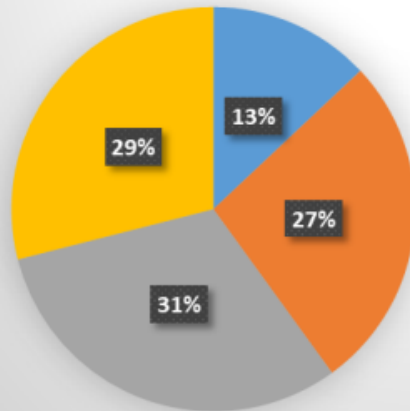
January 2022

Purpose

- To brief OSB on the latest MTFP position, including the effects of the Provisional Local Government Finance Settlement, and other changes since the last reported position, which will form the basis for the Budget Report.

Change in composition of budget

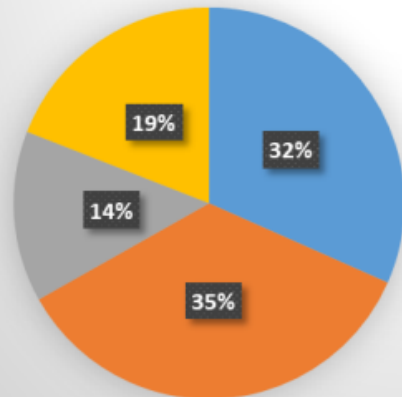
Middlesbrough Council net budget shares 2010/11



- Children's Care
- Adult Social Care & Health Integration
- Finance, Legal & Democratic Services (inc. Central budgets)
- All other Directorates



Middlesbrough Council net budget shares 2021/22



- Children's Care
- Adult Social Care & Health Integration
- Finance, Legal & Democratic Services (inc. Central budgets)
- All other Directorates

Key points – 2022/23 Budget

- Proposals for spending and income for 2022/23 have been developed to support continued delivery of the Mayor's strategic priorities
- To deliver these priorities, we need to protect frontline services and preserve our capacity to deliver major improvement programmes and projects
- Investment provided, including for increased employers NI costs, ongoing Covid-19 effects, Children's Care, Adult Social Care Living Wage, car parking & crematorium income shortfalls, energy inflation, Street Wardens, and borrowing costs for capital investment
- No service cuts or budget savings assumed
- Previous years saving target re: reducing staff mileage paid fully removed
- Proposed total Council Tax rise of 2.99% (within Government referendum limits) proposed, comprising a 1.99% general increase, and a 1.00% Adult Social Care precept, (precept applied to Council Tax as per Government recommendation to help to pay for the increased costs of Adult Social Care services). Currently out to public consultation
- A lower Council Tax increase would require service cuts and/or reduced investment, a higher increase would mean potentially more funding available for additional investment

Last reported MTFP position as at November 2021

	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>Total 2022-2025</u>
		(indicative only)	(indicative only)	
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Budget gap - February 2021	0.000	3.103	0.000	3.103
<i>Add:</i>				
Covid-19 Ongoing Pressures	1.602	(0.934)	(0.046)	0.622
Spending Pressures	4.024	0.160	4.672	8.856
Additional Income	(0.248)	0.000	0.000	(0.248)
Additional Investment	0.934	0.674	0.237	1.845
Technical Changes	(1.400)	0.000	0.000	(1.400)
Other Changes	(1.029)	(0.612)	(0.235)	(1.876)
	3.883	2.391	4.627	10.901
<i>Add:</i>				
Previous Years' Saving Removed (reduction in staff mileage rate)	0.180	0.000	0.000	0.180
Change to planned use of Reserves	0.593	(0.593)	0.000	0.000
Budget (surplus) / gap	4.656	1.798	4.627	11.081
Estimated additional local government funding (as announced in Autumn Budget & Spending Review October 2021)	(4.050)	0.000	0.000	(4.050)
Council Tax - Adult Social Care Precept of 1.00% applied in 2022/23 (making total Council Tax increase of 2.99%)	(0.606)	(0.012)	(0.012)	(0.630)
REVISED POSITION (SURPLUS) / GAP	0.000	1.786	4.615	6.401

Changes since November position built into latest version of MTFP (1) - From Provisional LGFS (Local Government Finance Settlement):

- One off Services grant (£3.172m for Middlesbrough)
- Continuation of Adult & Children's Social Care grant funding, and also additional grant for 2022/23 of £2.204m for Middlesbrough
- Market Sustainability & Fair Cost of Care grant (£512k for Middlesbrough)
- New Homes Bonus Grant for 2022/23 only (£773k for Middlesbrough)
- Lower Tier Services Grant for 2022/23 only (£300k for Middlesbrough)
- Improved Better Care Fund grant increased by inflation
- Revenue Support Grant increased by inflation
- Increased NNDR Section 31 grant income
- Troubled Families grant assumed now to continue rather than 'fall off' (not part of provisional LGFS, but based on Government indications)

Changes since November position built into latest version of MTFP (2) - Other:

- Creation of additional inflation contingencies (see separate slide)
- Amendment to MTFP amounts for Kerbside Recycling Contract re-tender
- Creation of £495k budget for Funding available for Service Investment
- Removal of remainder of Covid Scarring budget from 2023/24 as funding now provided elsewhere
- £300k of Children's Services additional MTFP support b/fwd from 2024/25 to 2022/23
- Contingency for future Council Tax/Business Rates losses from 2022/23
- Changes to planned use of Reserves

LGFS – inflation contingencies

Additional funding provided within the LGFS over and above that anticipated has been used to create contingencies to address potential inflation pressures in the following areas of expenditure:

- Pay award - £450k contingency to provide for pay award up to a maximum of overall of 2.5% (MTFP already includes provision for 2% assumed pay award). Every 1% of pay award costs approximately £900k
- Energy - contingency of further £215k (this is in addition to £371k already provided for in MTFP)
- General supplies and services – contingency of £459k (this is on top of £1.4m already provided for in MTFP for contractual inflation)
- Vehicle fuel – contingency of £51k
- Food – contingency of £53k
- Agency staff – contingency of £123k
- Increased Adult Social Care Costs – contingency of £1,604k
- Increased Children’s Care costs – contingency of £545k

Increased Reserves - rationale

Prudent financial planning, to create sufficient contingency to cover:

- Increasing inflation
- Uncertainty around level of pay award
- Local Government Finance Reform due – but little detail provided so far
- Lack of clarity around level of Government grant provision going forward
- Health & Social Care Reform – detail/impact still not fully known
- Ongoing effects of Covid-19, both on Council and wider economy
- Smoothing of available budget across the MTFP period

Local Government Finance Reform

- New Government department created (DLUHC) – tasked with Local Government Finance Reform
- No detail provided as yet, so likely effects not yet known
- Likely to be implemented from 2023/24, so no effect on 2022/23 budget setting
- Need to ascertain what ‘Levelling Up’ will actually mean
- Smoothing / transitional arrangements / redistribution of funding methods to be clarified
- Business Rates reset – what will this mean?
- Adult Social Care / Health & Social Care Bill reforms – support/impact to be clarified
- More clarity around ongoing grant support to aid budget planning – e.g. continuation of Troubled Families/New Homes Bonus etc.?
- Multi year settlements / earlier settlements in future?

Capital projects

Capital Programme for the period 2020/21 to 2023/24 totals £240m, of which £118m is Council investment and £122m of external funding. Major schemes include:

Acquisition by Council of key commercial and retail town centre properties, including Captain Cook Shopping Precinct, Cleveland Centre and House of Fraser, £25m total investment

Boho 8 and Boho X – Boho 8 is fully occupied, Boho X is expected to be complete in December 2022. £28.5m total investment (£600k refers to 19/20)

£21.9m confirmed grant funding from the Towns Fund

£14.1m confirmed grant funding from the Future High Streets Fund

£8.9m for the acquisition and refurbishment of the Council's new Civic Centre, Fountain Court

£7.9m of grant awarded from the Government's Brownfield Housing Fund for the remediation of land within Middlehaven to facilitate the construction of 634 new dwellings

£25.1m invested in Middlesbrough Development Company, an arms length housing company owned entirely by the Council. Projects include the construction of 61 houses in Middlehaven, the demolition of Tollesby Shops and building 24 apartments and 3 retail units, construction of a high rise apartment block on the old Cleveland Scientific Institute site, creating 131 new dwellings (subject to confirmation of Homes England funding) and funds for the acquisition of eyesore sights across the Town

£7.6m of grants provided for use on the Council's road network

£8.0m of investment in Council owned assets, including essential repairs to the Town Hall roof and Resolution House

£5.7m for adaptations of disabled people's homes

£20.6m of funding for schools

£1.7m Council contribution to the new school at Middlehaven

Tees Amp - 13 of the 14 units let, all on minimum 5 year leases

Centre Square Building 1 is 92% let and Centre Square Building 2 is 84% let (89% let combined).

Members responsibilities

- Section 30(6) of the Local Government Finance Act 1992 (LGFA 1992) requires the Council to set a balanced budget for the next financial year before 11 March 2022
- The Mayor's draft budget must be proposed by the Executive, with regard to the advice of the Chief Finance (Section 151) Officer, and set by full Council
- Elected members (individually and collectively) have a fiduciary duty to local taxpayers and so duty to facilitate, rather than frustrate, the setting of a lawful budget
- It may also give rise to personal liability for individual members for misfeasance in public office, negligence or breach of statutory duty, should they be found to be purposely failing to set a lawful budget
- Approval of the budget, which in the proposed timeline will be presented to full Council on 23 February, requires a simple majority vote of those members present
- If members object to the proposed budget (again, by simple majority), it must go back to the Mayor and Executive for consideration
- At a second vote, Council may either adopt the budget by simple majority, or reject it (by two thirds majority)

Timeline – 2022/23 Budget Setting

- 9th November 2021 - 2022/23 MTFP Update Report presented to Executive
- 24th November 2021 - 2022/23 MTFP Update Report presented to Council
- Throughout November – briefings to political groups
- 25th November 2021 – 2022/23 Budget Consultation process commenced – covering proposed budget set and level of Council Tax increase only, there are no budget savings to consider
- 23rd January - 2022/23 Budget Consultation process ends
- 14th February 2022 – Outcome of Consultation process reported to Executive along with 2022/23 Revenue Budget, Council Tax, MTFP and Capital Strategy Report
- 23rd February 2022 – Outcome of Consultation process reported to Council along with 2022/23 Revenue Budget, Council Tax, MTFP and Capital Strategy Report
- In addition the Council Tax Base report was presented to Executive on 7th December 2021 and will be presented to Council on 26th January 2022