

<b>Report of:</b>	Executive Member for Finance and Governance Interim Director of Finance (s151 Officer)
<b>Submitted to:</b>	Executive
<b>Date:</b>	20 June 2023
<b>Title:</b>	Revenue and Capital Budget – Year-End Outturn position 2022/23
<b>Report for:</b>	Decision
<b>Status:</b>	Public
<b>Strategic priority:</b>	All
<b>Key decision:</b>	Yes
<b>Why:</b>	Decision(s) will incur expenditure or savings above £150,000 and have a significant impact in two or more wards
<b>Urgent:</b>	No
<b>Why:</b>	Not Applicable

**Executive summary**

The report advises the Executive of the Council's financial position at year-end 2022/23.

The report enables the Executive to discharge its financial management responsibilities, by setting out the:

- final pre-audited revenue and capital budget outturn for the year-end 31 March 2023;
- statement of the Council's borrowing and reserves and provisions; and
- actions that the Council has taken and plans to take in order to address the issues identified.

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

- Note the 2022/23 final pre-audited net revenue outturn of £121.084m against an approved budget of £118.329m, an overspend of £2.755m (2.3%). This is an improvement of £0.656m from the forecast outturn at Quarter Three.

- Note that within the outturn, total revenue expenditure of £0.755m in relation to transformation of Children's Services was assessed as qualifying expenditure under the Government's Flexible Use of Capital Receipts initiative and therefore supported the reduction of the overall revenue outturn overspend position. The Flexible Use of Capital Receipts Strategy was approved by Full Council on 7 September 2022.
- Note the progress against the Financial Recovery Plan 2022/23 as approved by Executive on 18 October 2022, which has succeeded in contributing to reducing the forecast overspend from £9.012m (7.6%) at Quarter One to £2.755m (2.3%) at year-end.
- Approve that the final revenue overspend of £2.755m will be met by a contribution from the earmarked Social Care Transformation Reserve, leaving a balance of £2.354m in the Reserve. This Reserve will now be closed and its balance transferred.
- Approve, in recognition of the pressures that face the wider Council financial position, that a corporate Financial Resilience Reserve (FRR) be established as part of the closure of accounts process at the 31 March 2023. The purpose of the Reserve will be for meeting unforeseen financial pressures that cannot ultimately be managed within directorate budgets, and to meet exceptional one-off costs of meeting the Council's improvement work to satisfy the Department for Levelling Up, Housing and Communities (DLUHC) and the External Auditor's requirements.
- Approve that the balance of £2.354m on closing the Social Care Transformation Reserve shall be transferred to the Financial Resilience Reserve.
- Note that further consideration will be given to the feasibility of revising the 2023/24 Flexible Use of Capital Receipts Strategy to support further transformation across Council services during 2023/24 and in developing the 2024/25 Medium Term Financial Plan (MTFP), and this will be addressed in future reports to the Executive in due course.
- Notes that the initial analysis of the financial outturn has highlighted the risk of potential ongoing financial pressures arising from 2022/23 (Table 14 and paragraphs 62 and 63). These will be investigated further and will be subject to management action by the Leadership Management Team within 2023/24, and will inform the update and development of the Council's Medium Term Financial Plan for 2024/25 to 2026/27.
- Notes the management actions being taken to control expenditure in order to mitigate the risk of overspending in the future. (paragraphs 64 to 67).

In respect of the Capital Programme and Treasury Management, the Executive is requested to:

- Note the 2022/23 capital programme final pre-audit outturn of £58.962m against a revised capital budget of £61.456m, an underspend of £2.494m (4%). The outturn represents an underspend of £65.863m (53%) against the original capital budget approved by Council in February 2022.
- Approves the revised Investment Strategy to 2025/26 at Appendix 1, including £181.194m for financial years 2023/24 to 2025/26. Note the 2023/24 allocation includes £4.942m of funds that were assumed to be spent in 2022/23 as in the Quarter Three Executive report and which have now been slipped to 2023/24.

- Notes the Treasury Management outturn position with respect to the Council's prudential indicators as set out at paragraphs 91 to 99.

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

- Note the in-year deficit of £2.809m for 2022/23, including £1.959m relating to the High Needs Block.
- Note the total cumulative deficit of £6.565m at 31 March 2023, including £7.021m relating to the High Needs Block, as set out in Table 15 and paragraphs 68 to 74.
- Note under existing government regulations this cannot be funded from the General Fund, and the Council is required to deliver a recovery plan to the Department for Education (DfE).

In respect of the Council's reserves and provisions, the Executive is requested to:

- Note that the balance on the General Fund Reserve at the 31 March 2023 is £12.041m as planned in the 2023/24 MTFP.
- Note the balance on other earmarked reserves and provisions as set out in Table 19 (paragraphs 100 to 104) and detailed in Appendix 2.
- Note that usable earmarked reserves as set out in Table 19 are at a critically low level and measures will be required during 2023/24 and in developing the 2024/25 budget and MTFP to rebuild the Council's financial resilience over the medium term.

## **Purpose**

1. This report advises the Executive of the Council's financial position at year-end 2022/23.

## **Background and relevant information**

2. 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 Investment Strategy (Capital Programme).
3. This report enables the Executive to discharge its financial management responsibilities, by setting out the:
  - final pre-audited revenue budget and capital programme outturns for the year-end 31 March 2023;
  - statement of the Council's borrowing and reserves and provisions; and
  - actions that the Council has taken and plans to take in order to address the issues identified.
4. A revised Investment Strategy (Capital Programme) for the period 2023/24 to 2025/26 is attached at Appendix 1 in light of the 2022/23 outturn for the Executive's consideration and approval.

## **Revenue Budget Outturn 2022/23**

5. The approved 2022/23 Revenue budget for the Council was £118,328,934 as set out in the Revenue Budget, Council Tax, Medium Term Financial Plan (MTFP) and Capital Strategy 2022/23 Report approved by Council on 23 February 2022.
6. The Council continues to operate in a challenging financial and economic environment with inflation as measured by CPI at the financial year-end 2022/23 running at 10.1%, and is forecast to remain high throughout 2023/24 and potentially into 2024/25. The Council's financial resilience has been depleted by the reduction in earmarked reserves in recent years, as referenced by the former interim s151 Officer, with earmarked usable reserves totalling £4.515m at 31 March 2023. It is essential that actions are taken through 2023/24 financial year to rebuild the Council's financial resilience over the medium term. The General Fund Reserve stands at £12.041m as planned in the MTFP. This is equivalent to 9.5% of the 2023/24 net revenue budget and should only be used in exceptional circumstances as a last resort.
7. Children's Social Care expenditure levels remain the biggest area of financial risk for the Council given the demand and price pressures facing the service. As previously reported to Executive, the Children's Social Care budget was increased during 2022/23 by £5.665m to a total of £45.409m. The final outturn against this budget was £54.832m an overspend of £9.423m (20.8%). The 2023/24 base budget approved by Council in February 2023 recognised the ongoing financial pressures in the service, setting a budget of £54.649m and the Service has a Finance Improvement Plan requiring the delivery of savings totalling £2.9m in 2023/24 and a further £1.8m

in 2024/25. It is essential that this Plan is delivered in full to avoid further weakening of the Council's financial position.

8. The Council incurred a net revenue outturn of £121.084m against an approved budget of £118.329m, an overspend of £2.755m (2.3%). This is an improvement of £0.656m from the forecast outturn at Quarter Three which forecast an overspend of £3.411m and reflects the successful implementation of elements of the Financial Recovery Plan approved by Executive on 18 October 2022. In addition, it incorporates the implementation of the Flexible Use of Capital Receipts Strategy for 2022/23 approved by Full Council on 7 September 2022.
9. The summary of financial performance by Directorate is shown in Table 1 below and a comparison is made as to that reported at Quarter Three. Details of the Directorate variances are included in paragraphs 28 to 53.

**Table 1 – Summary of Revenue Budget Financial Performance 2022/23**

Directorate	2022/23 Revised Full Year Net Budget	2022/23 Outturn at Year-End	2022/23 Adjustment for Flexible Use of Capital Receipts	2022/23 Final Outturn at Year-End	2022/23 FINAL OVER /(UNDER) SPEND AT YEAR-END	2022/23 FINAL OVER / (UNDER) SPEND AT YEAR-END AS A % OF REVISED NET BUDGET	2022/23 Q3 PROJECTED OVER / (UNDER) SPEND AT YEAR-END	2022/23 CHANGE SINCE Q3 PROJECTION	Direction of travel (arrow up improved performance and arrow down decreased performance from Q3)	Ref.
	£'000s	£'000s	£'000s	£'000s	£'000s	%	£'000s	£'000s		
Regeneration and Culture	(720)	(2,206)	0	(2,206)	(1,486)	(206.4)	(1,404)	(82)	↑	Table 5
Environment and Community Services	20,855	20,967	0	20,967	112	0.5	(18)	130	↓	Table 6
Public Health	(2,453)	(3,434)	0	(3,434)	(981)	(40.0)	(738)	(243)	↑	Table 7
Adult Social Care	46,370	46,448	0	46,448	78	0.2	577	(499)	↑	Table 8
<b>Total - Adult Social Care and Health Integration</b>	<b>43,917</b>	<b>43,014</b>	<b>0</b>	<b>43,014</b>	<b>(903)</b>	<b>(2.1)</b>	<b>(161)</b>	<b>(742)</b>		
Education & Partnerships	5,054	5,590	0	5,590	536	10.6	302	234	↓	Table 9
Children's Care	45,409	55,587	(755)	54,832	9,423	20.8	10,463	(1,040)	↑	Para. 29 to 53 & Table 10
<b>Total - Children's Services</b>	<b>50,463</b>	<b>61,177</b>	<b>(755)</b>	<b>60,422</b>	<b>9,959</b>	<b>19.7</b>	<b>10,765</b>	<b>(806)</b>		
Legal and Governance Services	10,534	10,545	0	10,545	11	0.1	(124)	135	↓	Table 11
Finance	3,716	3,999	0	3,999	283	7.6	(78)	361	↓	Table 12
Central Budgets	(10,436)	(15,657)	0	(15,657)	(5,221)	(50.0)	(5,569)	348	↓	Table 13
<b>Revenue Outturn</b>	<b>118,329</b>	<b>121,839</b>	<b>(755)</b>	<b>121,084</b>	<b>2,755</b>	<b>2.3</b>	<b>3,411</b>	<b>(656)</b>		

10. It should be noted that the following two services transferred between Directorates following approval by Executive as part of the Quarter Three budget monitoring report:
- Integrated Transport Unit from Environment & Community Services to Education & Partnerships (budget of £2.769m transferred)
  - Valuation & Estates (including Commercial Income) from Finance to Regeneration & Culture (budget of £3.493m transferred)
- The Quarter Three variances shown in Table 1 have been adjusted to reflect this, in order to enable meaningful comparison between the two quarters to be made.
11. It is proposed that the final overspend at year-end will be met by a contribution of £2.755m from the Social Care Transformation Reserve, leaving £2.354m in the Reserve. It is proposed that future transformation expenditure will be funded by the development of a further Flexible Use of Capital Receipts Strategy; that this reserve is closed, and its balance transferred as set out below.
12. In recognition of the wider financial risks that are faced by the Council, it is proposed that a new corporate Financial Resilience Reserve (FRR) is established. The purpose of the Reserve will be for meeting unforeseen financial pressures that cannot ultimately be managed within directorate budgets and to meet exceptional one-off costs of delivering the Council's improvement work to satisfy DLUHC and the External Auditor's requirements. The Executive is asked to approve that the £2.354m balance remaining on the Social Care Transformation Reserve is transferred to this new Financial Resilience Reserve.
13. The current level of earmarked reserves and provisions is shown in Table 19 the Reserves and Provisions Section of this report (paragraphs 100 to 104) and detailed in Appendix 2.
14. In preparing the financial outturn position, a number of ongoing financial pressures have been identified and are detailed in Table 14 and paragraphs 62 and 63 of this report. These will require further investigation and analysis to ensure that timely management actions are taken to manage within the overall 2023/24 approved budget and/ or factored into the development of the 2024/25 MTFP.

### ***Savings Delivery***

15. The Revenue Budget, Council Tax, MTFP and Capital Strategy 2022/23 Report approved by Council on 23 February 2022 included no new budget savings for 2022/23.
16. However, due to the emergence of unforeseen financial pressures, in-year 2022/23 budget savings were proposed as part of the Financial Recovery Plan for 2022/23 approved by Executive on 18 October 2022. Table 2 provides the year-end outturn position of the achievement of the Financial Recovery Plan for each Directorate.

**Table 2 – Financial Recovery Plan 2022/23 Savings Delivery**

Directorate	2022/23 In-Year Financial Recovery Plan  £'000s	2022/23 Fees & charges increases from 1 November 2022  £'000s	2022/23 Total In-Year Financial Recovery Plan  £'000s	2022/23 Total In-Year Savings Achieved  £'000s	2022/23 Over delivery / (shortfall) in savings achieved  £'000s
Regeneration and Culture	648	129	777	777	0
Environment and Community Services	419	132	551	551	0
Public Health	165	0	165	165	0
Adult Social Care	1,229	53	1,282	1,282	0
Education & Partnerships	0	29	29	29	0
Children's Care	811	1	812	287	(525)
Legal and Governance Services	156	23	179	179	0
Finance	225	96	321	243	(78)
<b>Total Directorates</b>	<b>3,653</b>	<b>463</b>	<b>4,116</b>	<b>3,513</b>	<b>(603)</b>
Central Budgets	40	0	40	40	0
Vacancy and agency control	500	0	500	500	0
Flexible Use of Capital Receipts Strategy	2,700	0	2,700	755	(1,945)
<b>Total Central Budgets &amp; Corporate Items</b>	<b>3,240</b>	<b>0</b>	<b>3,240</b>	<b>1,295</b>	<b>(1,945)</b>
<b>TOTAL</b>	<b>6,893</b>	<b>463</b>	<b>7,356</b>	<b>4,808</b>	<b>(2,548)</b>

17. It should be noted that savings against the £500,000 vacancy and agency control saving target reported under Central budgets as part of the Financial Recovery Plan report, are now reflected within individual Directorate year-end outturn figures reported in Table 1.

18. The following approved savings have not been achieved and therefore contribute to the reported overspend in these service areas:

- **Children's Care:**

- planned reduction in external residential placements of £300,000,
- planned savings on Section 17 expenditure of £100,000,
- planned reduction in the number of agency staff of £125,000.

In light of the financial challenges Children's Care faced in 2022/23, detailed in paragraphs 29 to 52, it was not possible to achieve these proposed in-year savings.

- **Finance** – the planned increase in council tax / business rates court costs income of £78,000 as part of the fees and charges increases from 1 November 2022 could not be implemented mid-year. This was implemented from 1 April 2023 so does not present an ongoing pressure as a result.

19. The non-achievement of the above savings are reflected in the final year-end outturn position, shown in Table 1.

***Flexible Capital Receipts***

20. The Financial Recovery Plan 2022/23 also included the implementation of a Flexible Use of Capital Receipts Strategy for 2022/23 to fund transformation costs across the Council, principally within Children's Services, as approved by Full Council on 7

September 2022. It was projected that approximately £2.7m of capital receipts would be received in 2022/23, however it was noted at Quarter Three that there was a potential risk around this being achieved. At year-end only £755,000 of capital receipts were received and for which transformation expenditure qualified under the Government regulations, i.e. that future ongoing cost/demand savings could be identified. The report to Full Council included the potential projects that could be funded. Table 3 provides an update on the projects to transform services that are to be funded through the Flexible Use of Capital Receipts for 2022/23 along with the final costs for 2022/23, and the associated estimated annual revenue cashable savings or future cost avoidance.

**Table 3 – Transformation Projects Summary**

Project	Further Details	Investment Required 2022/23 £000	Estimated ongoing annual savings £000
Children's Services	<b>Funding for transformation of Service and Children's Services Ofsted Improvement Plan to improve services and outcomes</b>		
	Workforce Development - set up costs for the creation of a Social Worker Academy to reduce the requirement for agency staff	451	641
	Children's Services Ofsted Improvement Plan - Additional posts to improve and embed good practice	304	Enabling
<b>TOTAL</b>		<b>755</b>	<b>641</b>

21. Entries have been made in the Council's accounts for these having due regard to the Local Authority Accounting Code of Practice, including the effect on the Council's Investment Strategy (see paragraph 78), and the year-end outturn detailed in Table 1 has been adjusted to reflect this accounting treatment. This has the effect of reducing the revenue outturn by £755,000 in 2022/23. This will help support the significant and continued transformation work taking place within the Council, principally within Children's Services, which will deliver further improvement and efficiencies over the medium term.

### **General issues**

#### **Inflation**

22. The Council, like other local authorities, continues to face significant challenges as a result of ongoing high levels of inflation which was not funded in the Local Government Finance Settlement. An additional inflation contingency of approximately £4.6m recurring funding was built into the 2022/23 Medium Term Financial Plan (MTFP) approved by Council in February 2022. This budget was initially held centrally comprising approximately £3.7m for non-pay additional inflation and approximately £0.9m for additional pay inflation.
23. The final effect of additional non-pay inflation in 2022/23 for each Directorate is summarised in the Table 4 below. A total of £4.044m was incurred by Directorates in



2022/23 for additional non-pay inflation costs. This has resulted in a pressure of £0.3m compared to the budget provision of £3.7m. Directorate budgets have been adjusted to align with additional inflation requirements, with the overall pressure reported against Central Budgets in Table 1 and noted in Table 13, as the inflation contingencies are held centrally. The increase of £533,000 since the projected amount reported at Quarter Three is mainly due to ongoing increases in utilities inflation, with the actual Government Energy Support Scheme refund not being as much as was expected at Quarter Three.

**Table 4 – summary of additional costs arising due to non-pay inflationary increases in 2022/23**

<b>Directorate</b>	<b>2022/23 Actual £'000s</b>
Regeneration and Culture	0
Environment and Community Services	2,281
Public Health	0
Adult Social Care	822
<b>Total - Adult Social Care and Health Integration</b>	<b>822</b>
Education & Partnerships	300
Children's Care	617
<b>Total - Children's Services</b>	<b>917</b>
Legal and Governance Services	0
Finance	24
<b>Total 2022/23</b>	<b>4,044</b>

24. As shown in Table 4, several Directorates have been substantially affected by the hyper-inflationary increases that existed in areas such as fuel, energy, utilities, food, and also increased costs from providers for services such as Waste Disposal, transport provision for children and adults, and Adults and Children's Care providers. Further detail is provided within the Directorate variances section of this report. The ongoing impact of inflation upon the 2023/24 budget will continue to be monitored going forward. Further updates will be provided in future budget monitoring reports and reflected in the development of the Council's 2024/25 MTFP.
25. Another area where there were additional pressures in 2022/23 was the pay award for Local Government Services employees effective from 1 April 2022. Agreement was reached in November 2022 between the National Employers and the NJC Trade Unions of an increase of £1,925 on all NJC pay points 1 and above, and an increase of 4.04% on some allowances.
26. As reported to Executive in Quarter Three, the nationally agreed pay award cost £5.5m in 2022/23, which equated to an average 6.2% pay award. This resulted in a net pressure of £0.858m in 2022/23 against the amount set aside for this in the budget, savings from the pay award 2021/22, and savings from the funding set aside

for the Employers National Insurance contributions increase following the Government's decision to reverse the increased employers National Insurance contributions from November 2022. This is included within Central Budgets as shown in Table 1 and noted in Table 13. Directorate budgets were adjusted accordingly for the agreed pay award in December 2022.

### ***Covid-19***

27. Provision was made in the 2022/23 approved budget for the ongoing effects of Covid-19 upon income in a number of the areas. Also, in the 2021/22 outturn report to Executive on 14 June 2022, a new earmarked Car Parking Pressures Reserve was set up for the potential ongoing effects of Covid-19 on car parking income in future years. No further general Government funding for local authorities was provided for 2022/23 for the further continuing effects for Covid-19. The effects of Covid-19 are therefore no longer shown separately in the Council's financial reports. They are incorporated within the Directorate totals, and will be reviewed as part of ongoing monitoring and updating of the MTFP.

### ***Directorate variances***

28. The detail of the adverse and favourable variances of £150,000 or more of the approved budget are summarised by directorate in the following paragraphs. Where appropriate, the on-going effects of variances will be considered as part of 2023/24 budget monitoring and development of the 2024/25 MTFP.

***Table 5 - Regeneration and Culture – (£1.486m) underspend***

<b>Adverse/ (favourable) Variance £'000s</b>	<b>Service area</b>	<b>Reason</b>	<b>Impact on 23/24 Budget assumptions</b>
(5)	Car parking income	Post Covid-19 Pandemic recovery (income includes £850k grant from TVCA that is not recurring)	Additional budget of £677k provided through MTFP to mitigate the loss of grant. Early assessments indicate under achievement of income of £230k in 23/24, which can be met from the Car Parking Pressures reserve.
190	Planning - Development Control	Delay in expected major planning applications therefore income will be received in 23/24 rather than 22/23.	Favourable impact in 23/24 - timing issue.

(87)	Planning - other	One-off mitigations within the wider planning service to offset Development Control income shortfall	No impact re. mitigations
(148)	Teesside Advanced Manufacturing Park (TAMP)	TAMP is 97% occupied exceeding the budget assumptions. Increase in rent, and reduction of void costs, e.g. business rates/service charges that would have fallen to Council	23/24 budget already adjusted to acknowledge additional income. Potential unachievement of income in 23/24 due to current vacant unit.
(382)	Centre Square Buildings 1 & 2	Occupancy and Income from tenants has exceeded budget assumptions	23/24 budget already adjusted to acknowledge additional income. Very early assessments indicate a break even position. Projection would improve if vacant space was tenanted.
(196)	Captain Cook Square	Additional Income above budget set for 2022/23. Uncertainty at the time budget was set as to what income could be achieved due to volatility of the sector and the transformation of the Square into a leisure destination	23/24 budget already adjusted to acknowledge additional income. Very early assessment indicates potential income in excess of budget. However, as stated, this sector is volatile with potential for business failure.

(1,098)	Cleveland Shopping Centre	The Centre was acquired in January 2022 and therefore no budget was set for 2022/23	23/24 budget already adjusted to acknowledge additional income. Potential for income in excess of budget. However, this sector is volatile with potential for significant business failure
148	House of Fraser building	Owned by the Council and currently vacant so holding costs incurred by Council	23/24 budget adjusted to acknowledge the ongoing pressure, assuming new occupier for building by 1/1/24. Anticipating break-even.
387	Commercial Property Income	Vacancies & occupancy by Council departments or charities therefore foregoing income. Units in need of refurbishment - under review for business case for future investment to generate income return	23/24 income budget reduced by £300k to acknowledge continuing under achievement of income.
(295)	Across Directorate	Other variances below £150,000	
<b>(1,486)</b>	<b>TOTAL</b>		

**Table 6 - Environment and Community Services - £0.112m overspend**

<b>Adverse/ (favourable) Variance £'000s</b>	<b>Service area</b>	<b>Reason</b>	<b>Impact on 23/24 Budget assumptions</b>
429	Bereavement Services	Income shortfall due to competition from recent opening of facility in Stockton	Under review to mitigate pressure
(245)	Highways Maintenance	Internal staff recharges to capital schemes that were	Under review

		originally planned to be delivered by external contractors	
(72)	Across Directorate	Other variances below £150,000	
<b>112</b>	<b>TOTAL</b>		

**Table 7 - Public Health – (£0.981m) underspend**

<b>Adverse/ (favourable) Variance £'000s</b>	<b>Service area</b>	<b>Reason</b>	<b>Impact on 23/24 Budget assumptions</b>
(712)	Across service	Staff savings - Delayed recruitment / deletion of vacant posts and other pay related savings	£325k of savings already included in 23/24 budget
(260)	Across service	Reduced demand on some services, mainly prescribing costs	Under review
(9)	Across Directorate	Other variances below £150,000	
<b>(981)</b>	<b>TOTAL</b>		

**Table 8 - Adult Social Care - £0.078m overspend**

<b>Adverse/ (favourable) Variance £'000s</b>	<b>Service area</b>	<b>Reason</b>	<b>Impact on 23/24 Budget assumptions</b>
(1,253)	Across service	Staff savings – turnover, delayed recruitment to vacancies due to recruitment/ retention issues. Currently exploring introduction of recruitment/retention incentives	Under review
1,814	Care packages	Mainly long term residential care pressures in demand	Potentially £2.1m without mitigation
(364)	Contribution from reserve	Earmarked Adult Social Care Recovery reserve	Reserve now exhausted
(284)	Direct Payments	Recovery of unused direct payments in excess of budget	Under review
156	Bad debt provision	Assessment of debt recovery performance on client contributions to care packages	Under review

9	Across Directorate	Other various variances below £150,000	
<b>78</b>	<b>TOTAL</b>		

**Table 9 - Education & Partnerships - £0.536m overspend**

<b>Adverse/ (favourable) Variance £'000s</b>	<b>Service area</b>	<b>Reason</b>	<b>Impact on 23/24 Budget assumptions</b>
1,080	Integrated Transport Unit	Increased number of children eligible for home to school transport, including SEND. Increase in costs per child of transportation.	£0.64m growth provided in 23/24 budget. Current early forecast of £0.6m above 23/24 budget provided
(609)	Schools' contributions to capital schemes	Cost of capital schemes already met from capital financing budget, therefore schools' contributions received are additional unbudgeted income	23/24 budget already adjusted for additional income
65	Across Directorate	Other various variances below £150,000	
<b>536</b>	<b>TOTAL</b>		

**Children's Care - £9.423m overspend**

29. The Children's Care budget was increased by £5.665m during 2022/23 from £39.744m to £45.409m as a result of a fundamental review of the adequacy of the budget provision during the year following successive overspends in previous years. This budget revision exercise was subject to independent review and challenge by the Chartered Institute of Public Finance and Accountancy (CIPFA). The budget for 2023/24 was re-based as a result of the review and totals £54.649m.
30. In addition, the Directorate has incurred significant inflationary pressures which were funded by Central inflation contingency budgets as reported in Table 4. These totalled £617,000 in 2022/23, comprising of £408,000 for External Residential Placements and £209,000 for Independent Fostering Agency (IFA) payments.
31. The outturn on the Children's Care budget after taking account of £0.755m of Flexible Use of Capital Receipts is £54.832m against an approved budget of £45.409m. This represents an overspend of £9.423m (20.7%). This is an improvement of £0.285m compared to the forecast at Quarter Three excluding the effects of the Flexible Use of Capital Receipts.

32. The year-end outturn includes an overspend of £525,000 in relation to savings within the approved 2022/23 in-year recovery plan that have not been achievable as shown in Table 2.
33. The application of Flexible Use of Capital Receipts relates to qualifying transformation expenditure in accordance with the approved Flexible Use of Capital Receipts Strategy for 2022/23.
34. Table 10 summarises the variances against the individual revised budgets and a comparison to Quarter Three with further detail in supporting paragraphs.

**Table 10 Summary of Children's Care - £9.423m overspend**

Service Area:	2022/23 Revised Budget	2022/23 Outturn at year end	2022/23 OUTTURN OVER / (UNDER) SPEND AT YEAR END	2022/23 Outturn Variance from Q3 Position	2022/23 Q3 Projected Outturn at year end	Para. Ref.
	£000s	£000s	£000s	£000s	£000s	
External Residential Agency Placements	8,802	15,188	6,385	218	6,167	35-37
Education Contributions to External Residential Agency Placements	(750)	(510)	240	115	125	38
Health Contributions to External Residential Agency Placements	(1,129)	(1,472)	(343)	(12)	(330)	39
In-House Fostering	4,072	3,981	(91)	16	(108)	40
Independent Fostering Agency (IFA)	5,866	6,292	426	(187)	613	41
Adoption Services	1,282	1,389	106	23	83	42
Family & Friends Allowances	3,612	3,385	(228)	(154)	(73)	43
Safeguarding and Care Planning	3,621	5,719	2,099	280	1,819	44-45
Review and Development Unit	1,130	1,611	481	(3)	484	46
Referrals & Assessments	2,807	2,859	52	90	(38)	n/a
Children Looked After Teams	2,677	2,930	253	(56)	309	47
Internal Residential Service	4,093	3,644	(449)	(435)	(14)	48
Children with Disabilities service	1,556	2,068	512	58	454	49
Management and Administration	1,864	2,321	457	147	310	50
Improvement	1,832	2,610	778	(181)	959	51
Prevention Services	1,920	1,534	(386)	(164)	(222)	52
Other Resource Services	2,154	2,041	(113)	(40)	(72)	n/a
<b>TOTAL - before Flexible Use of Capital Receipts</b>	<b>45,409</b>	<b>55,587</b>	<b>10,178</b>	<b>(285)</b>	<b>10,463</b>	
<b>Flexible Use of Capital Receipts</b> (£451,000 Review and Development Unit and £304,000 Improvement budget)	0	(755)	(755)	(755)	0	Table 3
<b>TOTAL - after Flexible Use of Capital Receipts</b>	<b>45,409</b>	<b>54,832</b>	<b>9,423</b>	<b>(1,040)</b>	<b>10,463</b>	

35. The external residential agency placements budget is £6,385,000 overspent at year-end (an increase of £218,000 from Quarter Three), due to a number of placement increases within the final months of 2022/23, and this will impact upon 2023/24 residential costs if there is no movement of these places to a reduced cost provision. Also there has been some delays in available placements which has led to placements initially being made at a higher cost whilst reduced cost long-term permanent placements are sought. The use of external residential placements is monitored on a weekly basis and if possible young people are moved to lower cost

placements if it is in line with their care plan to do so. This is based on the final position of 59 external residential placements at the end of the financial year, which was unexpectedly higher than at the end of Quarter Three, and therefore requires continued scrutiny throughout 2023/24.

36. The average cost per placement has increased significantly over the past 24 months due to demand across the country and a national lack of suitable placements, however this appears to have reached a plateau in last two quarters of the year. Requests for placements are being made multiple times with no interest being received from providers. This has led to increased costs and is a national challenge / pressure and not specific to Middlesbrough, despite Middlesbrough having one of the highest levels of demand for social care in the country. Also there have been increased costs for some of the remaining placements due to the complex nature of the remaining young people.
37. Targets of the number of external residential agency placements are set in the Council's MTFP and in the Children's Services Financial Improvement Plan approved by Executive on 14 February 2023, and therefore close monitoring and regular review of the numbers of external residential agency placements takes place and will continue to do so in the future
38. The Directors within Children's Services have undertaken to review all the young people in Residential Agency Placements and ensure that appropriate levels of funding are received from both the Integrated Care Board (ICB) for Health contributions and from Dedicated Schools Grant (DSG) for Education contributions. Due to the fact that the complexity of the Council's young people has increased along with the average placement costs, the Health and Education contributions should therefore also increase appropriately. However, the fewer placements Middlesbrough has, this subsequently lowers the Education and Health contributions. The outturn for the external residential placements budget includes increased Education contributions to placements, some paid direct to providers, of £510,000 for 2022/23, which is a £240,000 unachievement of income on the £750,000 budget set for 2022/23. There is however a significant increase in requests for Education Health Care Assessments. In 2021 this was 324, rising to 512 in 2022 with a predicted figure of 550 by the end of December 2023. This figure may well in the future increase percentage wise in regard to contributions against the total Children's Care expenditure as the service work through this.
39. The above overspend on the external residential agency placements budget has been partly offset by additional income received from the ICB of £343,000 above the revised budget for the contribution from Health towards the increased cost of placements due to the complex needs of the young people. This is an increase from Quarter Three of £12,000, due to contributions identified for other services provided in Children's Services. Dedicated capacity has been provided to liaise with health commissioners in order to maximise health contributions.
40. The in-house fostering services budget is £91,000 underspent at year-end, a decrease in underspend of £16,000 from that reported at Quarter Three. This is predominantly due to a Winter Fee payment agreed to existing Foster Carers. There are currently 151 placements, which is a reduction from the 164 placements reported at Quarter Three. The strategy from Quarter Three of increased payments to internal foster carers appears to have halted the transfer of Internal Carers to Independent



Foster Carers after the initial transfers. An increase in expenditure against this budget should be positive as a whole as the cost per child is less expensive than other demand budgets, and the Service are working to further increase capacity over the next few years to reflect the business case for increased fees.

41. The Independent Fostering Agency (IFA) placements budget is £426,000 overspent at year-end (a decrease of £187,000 from the Quarter Three position) due mainly to the above mentioned transfer of in-house foster carers to agency. The number of placements / cases has increased to be currently at 153 (from 152 at Quarter Three). Reductions in expenditure within this area are part of the MTFP strategy for Children's Services and the target is to get down to 141 places by April 2024, however as with external residential places close monitoring needs to take place with regard to inflationary pressures as well as reducing numbers.
42. The increase of £23,000 overspend from the Quarter Three forecast for the Adoption Service reported at year-end, is due to final Inter-Agency costs for the year being shared to partners across the Tees Valley. There are currently 30 children in the process of being adopted, 13 confirmed to date, 7 in the final stages, with the remaining 10 currently having possible plans. This may help to reduce the expenditure in Children's Care in future financial years.
43. The Family and Friends Allowances budget is £228,000 underspent at year-end against the revised budget for 2022/23. This is due to a lower than forecast number of approved places within this budget. It should be noted that demand on this budget is expected to continue to grow over the next few years as the Council continue to improve outcomes for Middlesbrough young people and make improvements to services. The costs associated with payments made under this budget are however significantly lower than those in other budgets, such as those in external residential agency placements or Independent Fostering Agency (IFA) placements. The service, alongside Legal services, are reviewing the policy in order to attempt to mitigate this pressure, though it would not be an immediate reduction if allowed and approved. This area is seen as a challenge across the country and finance will work with service to split this budget into categories if supporting further scrutiny.
44. As with at Quarter Three there is a significant overspend reported at year-end on the Safeguarding and Care Planning teams revised budget for 2022/23. This is £2,099,000, an increase of £280,000 from Quarter Three. As with previous quarters, staff agency costs to cover sickness and vacant posts and transform the Service are a continuing major element of expenditure within the Safeguarding and Care Planning team's budget. It remains a challenge to recruit and retain social workers and this is a significant regional and national challenge as well. At the request of the Department of Education the Multi-Agency Strategic Improvement Board is now receiving updates on the work to recruit and retain social workers at every one of its meetings and this work is supported by the Council's leadership team. The recruitment of permanent social work staff is a major challenge to the Council, with the continued reliance on the use of significant levels of agency staff being a significant risk to the long-term finances of the Council. Agency staffing has been included as a reduction in spend by Directorate for the MTFP alongside the recruitment and retention strategy, which includes the Council's own academy where newly qualified staff are now coming through and will replace agency staff over the coming next 12 to 24 months and onwards. Leadership Management Team recently agreed a 15% market supplement, which is an improved offer from the current

recruitment and retention schemes and came into effect on 1st November 2022, and this needs close scrutiny to how effective this is in regards to recruiting permanent staff.

45. There are also pressures relating to Section 17 payments and support packages for families to keep the young people out of care, and due to the fact that appropriate placements cannot be found and support packages are having to be put in place, which generally cost more than the placements themselves would cost. There have also been increased Professional and Legal costs (including parenting assessments and substance testing) to support improved pre-court proceeding works to reduce the risk of young people going into care into higher cost placements. The Council have received significantly improved feedback from courts relating to this work and this has helped to support improving relations with courts. The Service continues to work with Finance and wider council services to analyse the costs further to evaluate value for money of these, to identify any matching grants available, and to determine if some of this cost is required to be included ongoing as part of the longer-term strategy to reduce/avoid higher Children Looked After costs.
46. There is an overspend at year-end on the Review and Development budget of £481,000, similar to that reported at Quarter Three. Agency costs is an area where there is significant expenditure on, and the use of agency staff to fill vacant posts due to challenges in recruiting have created pressures in 2022/23, however within this service area, they have experienced applications and subsequent recruitment to vacant posts filled by agency staff following the market supplement being implemented from November 2022. The main element of the service area pressure is £407,000 relating to the academy and front line costs, which is part of the recruitment and retention strategy to improve training and retain staff and build up our own social workers within, which supports the reduction of agency pressure in line with MTFP projections.
47. The Children Looked After teams' budget is £253,000 overspent at year-end, a decrease of £56,000 from Quarter Three. Similar to that in the Safeguarding and Care Planning teams' budget, there is significant expenditure on agency staffing costs to fill vacancies and cover absences, and to support the Improvement Plan. The agency costs in 2022/23 have largely been covered by the additional budget provided for 2022/23 for this area of £606,000, however the service has overspent by £232,000 on agency staff against the revised budget, a decrease of £37,000 overspend from Quarter Three. As stated in paragraph 44, the reliance on agency staff is a significant risk to the Council in the medium to longer term. The other key pressure in this service area are from increased legal costs.
48. The Internal Residential Service budget has underspent by £449,000, predominantly from an internal double block bedding (not confirmed at Quarter Three), along with partners no longer currently being part of Future for Families service. There have been reducing challenges around recruitment, which no longer require as much use of agency staff and additional overtime across the Service. The Service has reviewed the salaries of residential workers to support the drive to recruit them. There have also been costs to support the transition to independence that are required to reduce costs in Adult Social Care services. These costs have been offset by income generated from charging a place to another Local Authority, and also a place to Adult Social Care services as a young person has remained in the Service but with no additional cost to Council as the placement is now fully funded from Health. It is to be

noted that some of the savings in this area are one-off and were unexpected in year, and are not foreseen to continue into 2023/24.

49. The Children with Disabilities Service is reporting a £512,000 overspend on its budget at year-end, an increase of £58,000 from Quarter Three, mainly due to continued pressures from expensive care packages of support required for young people in the Service.
50. The Management and Administration budget is reporting an overspend of £457,000 against the revised budget at year-end, a £147,000 increased pressure from Quarter Three. A large part of the overspend during 2022/23 was due to the cost of two agency payments for vacant Heads of Services posts. Middlesbrough was successful in being awarded a £330,000 grant from DfE for Improvement funding which has offset part of the cost of one of these Head of Service posts and also contributed towards some other expenditure. There is a plan to recruit to the agency Head of Service posts within the Children's Services Strategy for 2023/24. There are also £272,000 of previous years savings not fully achieved, and a £27,000 reported overspend within Strategic Services budget.
51. The Improvement journey continues in Children's Services, and there was £2,610,000 of expenditure relating to this in 2022/23. £1,832,000 of additional budget was provided for this in 2022/23. After the provision of the additional funding for 2022/23, there is a reported overspend of £778,000 on this budget. A reduction in this budget spend is required in future years in order to achieve the planned level of ongoing budget of £1,154,000 from 2024/25 for this area as per the current MTFP plan.
52. Prevention Services are reporting an underspend of £386,000 on their budgets (an increased saving of £164,000 from that reported at Quarter Three) due mainly to an over achievement of grant income for the Payments by Results element of the Supporting Families Grant (note that this saving is likely to reoccur in 2023/24 but has already been used in 2023/24 as part of the budget savings for 2023/24 approved by Council), along with continuing to achieve efficiencies whilst delivering this service to support the vacancy freeze across the Council during 2022/23.
53. In addition to the above, there are a number of budget areas within Children's Care which have variances below £150,000, and these account for the overall £9.423m overspend at year-end.

**Table 11 - Legal and Governance Services - £11,000 overspend**

<b>Adverse/ (favourable) Variance £'000s</b>	<b>Service area</b>	<b>Reason</b>	<b>Impact on 23/24 Budget assumptions</b>
165	Mail and Print	Higher than expected usage of the hybrid mail system and contractual price increases	Under review
(154)	Across Directorate	Compensating one off savings	Under review
<b>11</b>			

**Table 12 - Finance – £0.283m overspend**

<b>Adverse/ (favourable) Variance £'000s</b>	<b>Service area</b>	<b>Reason</b>	<b>Impact on 23/24 Budget assumptions</b>
134	Resident & Business Support	Housing benefit subsidy insufficient to meet the cost of homeless household accommodation on Bed & Breakfast placements in adult services	Under review – work currently underway - not exclusive to Middlesbrough, risk for every Local Authority
171	Resident & Business Support	Housing benefit scheme does not provide full subsidy for supported housing providers that are not registered social landlords or housing associations.	Under review – expected to increase – not exclusive to Middlesbrough, risk for every Local Authority
381	Resident & Business Support	Housing Benefit overpayments relating to prior years and other changes following audit, leading to reduction in subsidy payable upon audit of final subsidy claim.	Under review
464	Resident & Business Support	Council Tax & Business Rates Court costs year-end assessment of debt collectability resulted in increase in the bad debt provision. Also, income shortfall due to the delay in planned mid-year uplift in court fees.	Court costs issue should improve 23/24 position as costs increased more than required. Bad debt provision – under review

(745)	Resident & Business Support	Higher New Burdens grant than expected and increase in staff vacancies	Under review
158	Finance	Higher than budgeted external audit fees for work undertaken up to current stage of ongoing 21/22 audit	Adverse – further increase expected – national issue
(305)	Commissioning & procurement	Income in excess of budget, supplies and services savings, and staff vacancies	Under review – but some savings/increased income one off only in 22/23
25	Across Directorate	Other various variances below £150,000	Under review – some are one off relating to 22/23 only
<b>283</b>	<b>TOTAL</b>		

**Table 13 - Central Budgets - (£5.221m) underspend**

<b>Adverse/ (favourable) Variance £'000s</b>	<b>Service area</b>	<b>Reason</b>	<b>Impact on 23/24 Budget assumptions</b>
(2,408)	Capital Financing Budget	Review of Minimum Revenue Provision (MRP) policy Jan 2023	Already included in 23/24 budget
(125)	General Fund	Top up Adult Social Care Reserve following prior year audit adjustment to create Insurance provision. Also S13a Council Tax payments for Care Leavers, offset by credits on Middlesbrough Council Business Rates accounts, and receipt of unexpected government funding for Levy Account surplus.	Mostly one off, but potentially need to include in MTFP S13a Council Tax payments for Care Leavers – figure TBC
858	Pay and prices contingencies	Inflation increases exceeded budget provision due to pay award	Some provision for future pay award already included – amount equal

			to 5% pay award currently provided in 23/24 budget
(711)	Concessionary Travel	Reduced payments to operators	(£471k) of which ongoing saving – already included
300	Non pay inflation	Inflation increases exceed budget provision	Additional inflation provision already included
(3,226)	Financial Recovery Plan	Delivery of Recovery Plan savings controlled centrally	Where ongoing, already included
160	CIPFA Review – internal governance/financial resilience	Costs incurred not budgeted	Budget is required for this
(69)	Across Directorate	Other various variances below £150,000	N/A – one offs
<b>(5,221)</b>	<b>TOTAL</b>		

### ***Council Tax and Business Rates income***

54. Income from Council Tax and Business Rates (NNDR) is accounted for within the Collection Fund. Because of the mechanisms for operating the Collection Fund, the financial impact of the 2022/23 outturn variances do not immediately affect the General Fund position. The impact is fed into the development of the 2024/25 budget and MTFP.
55. The 2023/24 MTFP presented to Council in February 2023 included the estimated effect of Council Tax and Business Rates income during 2022/23, but it is clear that there are a number of issues, including the current economic climate, which may potentially result in adverse pressures continuing in relation to the collection of Council Tax and Business Rates income over the medium term. The in-year collection rate for 2022/23 was 92.81% for Council Tax (however it should be noted this was at an increased level due to the Council Tax Energy Rebate Scheme as noted in paragraph 60) and 96.99% for Business Rates. This position will be closely reviewed and the MTFP will be updated for this as appropriate.
56. There is currently a growing uptake by residents of the Council Tax Reduction Scheme due to the cost of living crisis as a consequence of the current adverse economic climate. At the end of the first quarter 2022/23 there were 17,918 Localised Council Tax Support Claimants, however by the end of 2022/23 there were 18,130

claimants. It is likely that this will increase further in future years. This will be closely monitored and the MTFP will be updated for this as appropriate.

57. The budgeted Council Tax base includes assumptions on housing growth. If there is a variance in growth in housing numbers, this will impact upon Council tax income levels realised vs budget.
58. The Government provided support for businesses through increased business rates reliefs and grants in 2020/21. These largely remained in place during the first quarter of 2021/22, but reduced throughout the remainder of 2021/22 and the start of 2022/23. Following the reduction in the level of this support, there is a risk that Business Rates revenue reduces in the future if businesses fail or are unable to pay. This area will be reviewed in detail to inform budget forecasting for 2023/24 at Quarter One and the development of the 2024/25 budget and MTFP.
59. In addition, the level of outstanding Council Tax and Business Rates debt is likely to rise, and the Council will need to review the potential to collect that debt and the adequacy of the bad debt provision over the period of the MTFP.
60. The Government has provided grant funding to the Council through the Council Tax Energy Rebate Scheme to support households with increasing energy costs for 2022/23. This helped to improve the level of Council Tax income collected in 2022/23, as where applications were not received from Council Tax payers for the Council Tax Energy Rebate Scheme, the income can be allocated to individual council taxpayers accounts reducing any amounts of council tax owed.
61. The position relating to Council Tax and Business Rates income for future years and the effects on the Collection Fund will be closely monitored, and updates will be provided in future budget monitoring reports and MTFP updates.

### ***Potential Future MTFP issues***

62. There are number of ongoing financial issues detailed in this report. These will require further investigation and analysis, and any ongoing continuing financial effect of any overspends or underspends to budget will need to be considered for inclusion in future updates of the Council's MTFP. Without mitigating action these could potentially have a negative impact on the Council's current MTFP approved by Council on 27 February 2023.
63. The following table summarises the major financial issues occurring during 2022/23 and the main actions required.

***Table 14 – Potential Future MTFP Issues***

<b>Budget</b>	<b>Issue</b>	<b>Action required</b>	<b>Responsible Director</b>
Bereavement Services	Reduced income due to recent opening of new	<ul style="list-style-type: none"> <li>• Detailed analysis of activity and price levels</li> <li>• Increase in understanding of the effects of</li> </ul>	Director of Environment & Community Services

	crematorium at Stockton	competition from the crematorium at Stockton	
Integrated Transport Unit	Increasing demand	<ul style="list-style-type: none"> <li>Review provision and eligibility</li> </ul>	Director of Children's Services / Director of Education & Partnerships
Children's Care	External Residential Agency Placement costs	<ul style="list-style-type: none"> <li>Analysis on demand volume, complex cases, unit costs per week, and how Service are working to mitigate cost and improve outcomes</li> <li>Transformation plans to manage demand medium to long term</li> </ul>	Director of Children's Services / Director of Children's Care
Children's Care	Agency costs	<ul style="list-style-type: none"> <li>Workforce strategy to deal with staff turnover, procurement and deployment of agency staff</li> </ul>	Director of Children's Services / Director of Children's Care
Public Health	Underspend	<ul style="list-style-type: none"> <li>Understand the reasons for the underspend and impact on service delivery</li> <li>Determine whether the underspend is perpetual and recurring each year</li> </ul>	Director of Public Health
Adult Social Care	Staffing underspend	<ul style="list-style-type: none"> <li>Understand the reasons for the underspend and impact on service delivery</li> <li>Determine whether the underspend is perpetual and recurring each year</li> <li>Workforce strategy to recruit and retain staff</li> </ul>	Director of Adult Social Care
Adult Social Care	Demand growth	<ul style="list-style-type: none"> <li>Understand main aspects of growth in demand and actions being taken to manage this</li> <li>Compare with other local authorities (benchmarking)</li> </ul>	Director of Adult Social Care
Homelessness and supported accommodation	Escalating costs of provision	<ul style="list-style-type: none"> <li>Understand reasons for homelessness</li> <li>Review provision</li> <li>Review responsibility for this within the Council</li> </ul>	Council wide
Mail and Print	Increased usage and contractual	<ul style="list-style-type: none"> <li>Understand the reasons for the demand increase</li> <li>Review current contract</li> </ul>	Director of Legal & Governance Services



	price increases		
Collection Fund	Potential pressure upon council tax and business rate income collection performance	<ul style="list-style-type: none"> <li>• Review current and anticipated performance</li> <li>• Review bad debt provision and requirement to revise the provision</li> </ul>	Interim Director of Finance

### ***Revenue budget spending controls***

64. As previously reported to the Executive, a number of controls continued to operate during 2022/23, specifically:
- a vacancy control process overseen by the Leadership Management Team;
  - checks against proposed expenditure of over £5,000 by the procurement team; and
  - strong controls over staff travel, the ordering of stationery and use of first class post.
65. In 2022/23 the Council continued to minimise the use of agency staff where it was appropriate to do so, but there is still currently a need for the use of agency staff within Children’s Care, principally to cover vacant posts due to recruitment issues and also to support the continued transformation within Children’s Services, however this will be minimised as far as possible. The Council is using additional recruitment and retention packages and market supplements to support the reduction of use of agency staff in future years. Monthly reports on agency costs will be provided to senior managers in order to provide information to enable them to monitor and control costs relating to this.
66. As mentioned in paragraph 16 and Table 2, Executive approved a Financial Recovery Plan for 2022/23. This included the following actions to recover the position in 2022/23:
- a. Each Directorate was requested to identify where discretionary expenditure could be curtailed, stopping short of an in year spending freeze.
  - b. Additional controls around the recruitment to vacant posts and procurement of agency staff.
  - c. Member led focus meetings on the challenges facing Children’s Services with an objective to mitigate demand and workforce challenges, concurrently assisting both the financial position and improvement journey.
  - d. The subsequent approval of the adoption of a Flexible Use of Capital Receipts Strategy for 2022/23 at Full Council in September 2022 to support transformation
67. Clearly the ongoing financial challenges will continue into 2023/24 and future years, and these were assessed and reported to Council on 27 February 2023, as part of the budget strategy for 2023/24 and the future. There is currently a great deal of uncertainty in forecasting created by the pay award, inflationary pressures, and the impact on demand for services. Updates will be provided in future budget monitoring reports and MTFP updates.

## Dedicated Schools Grant (DSG)

68. The Council received £168.6m (before deductions and recoupment) of Dedicated Schools Grant (DSG) for 2022/23. 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).

**Table 15 - Dedicated Schools Grant (DSG) after recoupment and deductions**

	2022/23 INCOME	2022/23 EXPENDITURE	2022/23 IN YEAR MOVEMENT	BALANCE AS AT 31/03/2022	BALANCE AS AT 31/03/2023
	£000s	£000s	£000s	£000s	£000s
Early years	11,872	12,858	986	(1,240)	(254)
Schools Block	18,699	18,563	(136)	(46)	(182)
High Needs	26,903	28,862	1,959	5,062	7,021
Central	1,042	1,042	0	(20)	(20)
<b>TOTAL</b>	<b>58,516</b>	<b>61,325</b>	<b>2,809</b>	<b>3,756</b>	<b>6,565</b>

69. There was a £3.756m total cumulative deficit on the DSG grant at the end of 2021/22, which included £5.062m attributed to the High Needs Block. The DSG deficit has increased during 2022/23 and there was a total DSG deficit of £6.565m at 31 March 2023, including £7.021m relating to the High Needs Block.
70. The Dedicated Schools Grant (DSG) statutory override which instructs Councils to account for the DSG negative balance in a separate reserve and not to fund it by using its General Fund was planned to end on 31 March 2023, however this has been extended to 31 March 2026. This was a major risk to the Council as it could have meant that the Council would have had to fund this deficit itself (current balance is £6.565m) and whilst it is still a risk to the Council the risk has been mitigated significantly in the medium term.
71. 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 has substantially reduced, present a plan to the DfE for managing its DSG spend in 2022/23 and future years and 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.
72. The Council complete regular DSG management recovery plans to outline forecasts over the next 5 years, and are also working with the DfE and have received a grant from "Delivering Better Value" (DBV) that is supporting work to bring this deficit down in future years using best practice and benchmarking across the country. DBV is a long-term programme and 55 other local authorities as well as Middlesbrough Council are on the DBV programme. It should be noted that Middlesbrough Council are not in the "Safety Valve" programme, which is for those local authorities with the greatest DSG deficits.
73. 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.

74. The increasing pressure in DSG and in particular the High Needs Block is due to the fact that alongside social care, the Service 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 to a predicted level of 2,115 in 2023, a 28% increase, and this is predicted to increase further in the future. This is a national issue affecting a large number of local authorities. 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.

### Capital Budget Outturn 2022/23

75. The Council approved a capital programme of £124.825m for 2022/23 on 23 February 2022. This budget was subsequently revised throughout the year and as part of the Quarter Three report on 14 February 2023, Executive approved a revised capital budget for 2022/23 of £62.167m. This was then reviewed, with a further year being added and amending for the capital effect of a budget saving, and this was approved by Council on 27 February 2023, meaning a revised capital budget for 2022/23 of £61.456m as the starting position for Quarter Four 2022/23 monitoring.
76. Following a further review and the inclusion of new additional schemes (paragraph 79), and increases to existing schemes (paragraph 80), the Council spent £58.962m at year-end. This is 47% of the original initial approved budget of £124.825m at the start of 2022/23, and 96% of the revised budget of £61.456m approved by Council on 27 February 2023.
77. The reasons for the £63.369m reduction in expenditure to the original initial approved £124.825m capital budget for 2022/23 during Quarters One to Three were detailed in previous budget monitoring reports and are summarised in Table 16 below.

**Table 16 - Summary of reduction in 2022/23 capital expenditure in Quarters One to Three 2022/23**

Scheme	Reason for reduction in expenditure in 2022/23	Value £000s
Affordable Housing via Section 106	No schemes eligible for expenditure were identified in 2022/23	1,678
Highways Infrastructure Section 106	No schemes eligible for expenditure were identified in 2022/23	2,010
Towns Fund	Mainly the Urban Living Programme due to a lack of developer uptake	17,597
Capitalisation Of Property Finance Leases	Delay in required technical adjustment by CIPFA	3,500
Cleveland Centre	Review of timetable for the essential repairs following acquisition	1,656
Municipal Buildings Refurbishment	Delays in receipt of surveys and other supporting documentation	1,500
Town Hall Roof	Works delayed so as not to disrupt planned programme of shows	900
Resolution House	Protracted discussions with other Local Authorities regarding the agreeing of the level of works	500
Bridges & Structures (Non Local Transport Plan)	Review of programme of works following detailed inspections	1,100
Block Budget (Grant) School Condition Allocation	In-year grant received greater than the set programme of works	927
Block Budget (Grant) High Needs Provision Capital Allocation (HNPCA)	In-year grant received greater than the set programme of works	1,559
Contribution To Free School At Middlehaven	Delays encountered by DfE due to their contractor going into liquidation	1,646
Boho X	Significant delays encountered with Northern Powergrid in respect of the electricity connection for the building	5,880
Brownfield Housing Fund	Issues associated with nutrient neutrality	5,411
Future High Streets Fund	Delays caused by protracted negotiations with prospective leisure focussed tenants	3,135
Housing Growth	Mainly delays due to contractor negotiation regarding the implementation of a roundabout at Nunthorpe Grange	1,998
Middlesbrough Development Company	Contractor delays, and reduced expenditure on Eyesore Sites and Empty Homes projects due to decision to cease operating the company	4,851
Middlehaven Projects	No schemes eligible for expenditure were identified in 2022/23	500
Teesside Advanced Manufacturing Park Phase 2	Review of scheme	1,500
Local Transport Plan	Number of minor delays	521
Linthorpe Road Cycleway	Carry forward of unrequired grant funding, which will be returned to TVCA upon final reconciliation of the scheme	424
Health & Wellbeing Hub	Uncertainty over expansion of the Live Well Centre, therefore re-profiled and now removed from capital programme	756
Other Schemes	Miscellaneous re-profiling over a number of individual schemes	3,820
	<b>TOTAL</b>	<b>63,369</b>

78. The reasons for the further underspend during Quarter Four on the revised capital budget for 2022/23 of £61.456m and any changes required to the Investment Strategy are provided in the paragraphs below. The revised Investment Strategy to 2025/26 is included at Appendix 1 for approval.
79. The following four new schemes above £150,000 have been added to the revised Investment Strategy, set out at Appendix 1 for consideration and approval.
- On 18 January 2023, the Department for Levelling Up, Housing and Communities (DLUHC) announced the successful Levelling Up round two bidders. Redcar and Cleveland Borough Council's bid was successful and within it contained £4,812,000 which will be expended by Middlesbrough Council for infrastructure improvements within South Middlesbrough, specifically for the construction of a roundabout and spine road which will unlock the Newham Grange housing site and ultimately result in the construction of approximately 1,100 new houses. £1,604,000 in 2023/24 and £3,208,000 in 2024/25 has been added to the Investment Strategy.
  - On 24 January 2023, Executive approved the acquisition of the former Crown building to ensure the control and protection of the locally important asset. A business case is intended to be developed to restore and convert the spaces to a commercially viable use, which could include a diverse range of uses including public, commercial, leisure and cultural spaces, as a critical part of the transformation of Middlesbrough's town centre. £887,000 (£785,000 in 2022/23 and £102,000 in 2023/24) has been added to the Investment Strategy for the cost of acquisition which includes £100,000 for initial essential capital works.
  - The Council has successfully received a grant of £311,000 for 2023/24 from the Department of Culture, Media and Sport (DCMS) in relation to building improvements at the Dorman Museum. The improvements include an electrical re-wire of the building, roof repairs, refurbishment of the passenger lift and upgrades to the toilets, CCTV and environmental monitoring systems. The grant is matched funded by £20,000 of pre-existing Council resources.
  - Capitalisation of Transformation Expenditure via Flexible Use of Capital Receipts Strategy - £755,000 of expenditure has been added to the Investment Strategy in 2022/23 for Children's Care as part of the required correct accounting treatment for the adoption of this Strategy (see paragraphs 20 and 21).
80. The following two additions to schemes within the current Investment Strategy which have recently been approved by Executive are also to be included in the revised Investment Strategy, set out at Appendix 1 for consideration and approval:
- Highways Infrastructure Development Section 106 - £1,240,000 of Section 106 contributions received from housing developers have been added to the Investment Strategy in 2023/24.
  - Block Budget (Grant) School Condition Allocation & Devolved Formula Capital – The Department for Education has recently announced the 2023/24 allocation for each grant, the following has accordingly been added to the Investment Strategy

- £634,760 – Schools Condition Allocation
- £114,976 – Devolved Formula Capital

81. There are no schemes over £150,000 that have been removed from the Investment Strategy
82. There are no schemes within the Investment Strategy that have been reduced by over £150,000.
83. The split by Directorate is shown in the table below, which also shows the “real” outturn variance if all of the additional new schemes, increased schemes, reduced schemes and transfers between Directorates are excluded. Explanation of variances +/- £150,000 across 7 schemes are set out in the following paragraphs. These variances require movement within the Council’s four-year Investment Strategy, but do not affect the overall investment or cost of borrowing.

**Table 17 – Summary of Capital Budget Financial Performance 2022/23**

Directorate	2022/23	2022/23	2022/23	2022/23	MEMO		Para. Ref.
	Investment Strategy Initial Budget at start of year (approved by Council 23/2/22)	Investment Strategy Revised Budget (approved by Council 27/2/23)	Investment Strategy Year End Outturn	Investment Strategy Year End Outturn Variance from Revised Budget	New, increased & reduced Schemes / transfers	Real outturn variance excluding new, increased, & reduced schemes / transfers	
	£'000	£'000	£'000	£'000	£'000	£'000	
Regeneration and Culture	92,877	38,829	36,371	(2,458)	529	(2,987)	83-87
Environment and Community Services	9,766	11,123	11,006	(117)	214	(331)	n/a
Public Health	756	285	219	(66)	32	(98)	n/a
Education & Partnerships	11,498	4,141	4,050	(91)	0	(91)	n/a
Children’s Care	138	393	1,100	707	10	697	n/a
Adult Social Care	2,272	2,606	2,884	278	0	278	88-89
Legal and Governance Services	3,573	3,941	3,223	(718)	0	(718)	n/a
Finance	3,945	138	109	(29)	0	(29)	n/a
<b>Total</b>	<b>124,825</b>	<b>61,456</b>	<b>58,962</b>	<b>(2,494)</b>	<b>785</b>	<b>(3,279)</b>	

*Regeneration*

84. Boho X – Further delays associated with Northern Powergrid with respect to the provision of the necessary infrastructure required to power the building, including the installation of an incorrect piece of equipment have been experienced. This has adversely affected the remainder of the programme with practical completion being further delayed but finally occurring at the end of May 2023. This has resulted in £1,640,000 of funds being transferred into 2023/24.
85. Middlesbrough Development Company – £1,292,000 of funds have been transferred into 2023/24. This is primarily due to contractor delays, coupled with inclement

weather at both the Boho Bright Ideas (£960,000) and Newbridge Court (£230,000) sites.

86. Linthorpe Road Cycleway – The remaining grant of £164,000 has been carried into 2023/24 to carry out corrective works on the cycleway, with any remaining funds being transferred back to TVCA as per the condition of the grant.
87. Local Transport Plan – There has been small scale delays on a number of schemes within the wider Local Transport Plan project, resulting in £164,000 of grant funding being re-profiled into 2023/24.
88. Future High Street Fund - £517,000 of the grant that was assumed to be spent in 2023/24 and future years has been brought into 2022/23. This is by and large due to an Urban Living project progressing quicker than envisaged and the grant providing support to one of the commercial tenants within the town centre.

#### *Adult Social Care and Health Integration*

89. Disabled Facilities Grant - £260,000 of grants that were assumed to be spent in 2023/24 have been brought forward into 2022/23 to fund costs that were incurred over and above those assumed at Quarter Three.

#### *Legal And Governance Services*

90. Sharepoint – There has been an over assumption of the work that would have been undertaken in-year in 2022/23 with respect of the Sharepoint Online project. This has resulted in £310,000 of funds now being transferred into 2023/24.

#### **Treasury Management - Borrowing & Prudential Indicators**

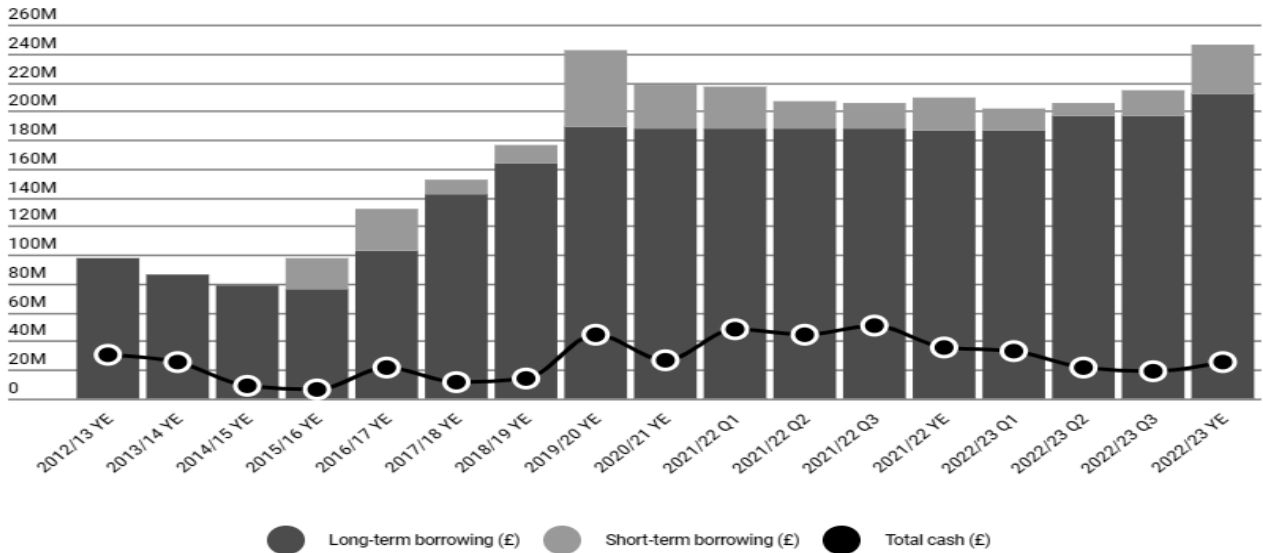
91. The Council's investment and borrowing activity is managed in accordance with the Treasury Management Strategy (TMS) which is a key element of the MTFP alongside the annual revenue budget and capital programme which are approved by Council annually in before the start of the financial year.
92. Treasury Management activity is governed by the Prudential Indicators which are set within the TMS. The Council uses external expert Treasury Management Advisers to inform the development of its strategy and operational in year decisions. The budgeted and actual Prudential Indicators for 2022-23 are summarised in table 18.
93. Investment and borrowing decisions are taken to manage the short, medium and long term cash needs of the Council and are driven primarily by:
  - a. the extent to which the Council finances its capital expenditure by borrowing which is measured by the Capital Financing Requirement (CFR)
  - b. The timing differences between operational income and expenditure flows
  - c. The level of cash backed reserves held by the Council;and informed by short to long term interest rate forecasts.

**Table 18 – Prudential Indicators Outturn 2022/23**

<b>Prudential Indicators - 2022/23 outturn position</b>				
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance as a % of budget</u>
	<u>(£m)</u>	<u>(£m)</u>	<u>(£m)</u>	<u>%</u>
Capital Expenditure	124.825	58.962	(65.863)	(52.8)
<u>Financing</u>				
External Sources	74.344	33.610	(40.734)	(54.8)
Capital Receipts	6.072	0.755	(5.317)	(87.6)
Revenue Resources	0.224	0.000	(0.224)	(100.0)
Debt	44.185	24.597	(19.588)	(44.3)
Capital Financing Requirement	295.865	282.355	(13.510)	(4.6)
External Debt	268.350	245.889	(22.461)	(8.4)
Investments	15.630	24.500	8.870	56.7
Revenue costs of Capital Financing	10.466	8.058	(2.408)	(23.0)
Revenue Budget	118.329	118.329	118.329	n/a
Cost as a % of revenue budget	8.8%	6.8%		

94. The Council's Capital Expenditure outturn was £58.962m compared to an original approved budget of £124.825m, an underspend of £65.863m (52.8%). This resulted in a lower level of debt funding and CFR than was anticipated at budget setting.
95. The Council's budgeted level of total external borrowing was £268.350m compared to an outturn of £245.899, a variance of £22.461m (8.4%). During the final quarter, external borrowing increased from £214.5m at 31 December 2022, to £245.9m at 31 March 2023. This increase of £31.4m reflects the need to borrow £20m for new capital expenditure plus additional short-term borrowing of £15m for cashflow purposes, less repayment of principal amounts on existing annuity loans held by the Council at £3.6m.
96. Cash balances have been under significant pressure during the fourth quarter of 2022/23 due to the depletion of the Council's reserves associated with in year revenue spending pressures and the delivery of capital schemes funded from borrowing being achieved. Consequently new borrowing was required to maintain the cashflow position of the Council. which requires a minimum of £15m cash balance to be held. Although it is not uncommon for borrowing activity to increase during the final quarter, due to the relative income and spending profiles, the size of the increase is greater than in previous years.
97. The ratio of short-term to long-term borrowing has increased during the quarter given the addition of a further £15m to the short-term loan portfolio. Long term Public Works Loan Board (PWLB) rates remain higher at present, although these have become more attractive during the final quarter as rates have flattened over time. Given that the Council has lower levels of external debt than its underlying borrowing requirement as measured by the CFR, it has been useful to balance the portfolio with £20m longer term funding which gives greater stability and certainty on the debt portfolio over the medium term. The Council's total under borrowed position (external debt compared to the capital-financing requirement – or underlying need to

borrow) is £36.5m at 31 March 2023, or 12.9%. The overall strategy for borrowing in the current inflationary climate is complex and is regularly discussed with the Council’s appointed external treasury management advisers.



- 98. The affordability and sustainability of the Investment Strategy and its total level of external borrowing and capital financing costs is self-regulated by the Council through a set of prudential indicators. These thresholds are approved by Council as part of the annual budget process in February each year. CIPFA and Government view this approach as best practice in ensuring resources are allocated prudently to capital schemes.
- 99. The amount of external debt at £245.9m and the total underlying need to borrow of £282.4m are both well below the Council’s authorised debt limit of £356m for the year. This is the threshold above which any borrowing would be illegal. The cost of capital financing to the Council is significantly lower than set as part of the budget process by £2.4m. This is due to the change in minimum revenue provision policy from straight line to an annuity basis on post 2008 balance sheet debt, approved by Full Council on 18 January 2023. Without this, the total financing cost would have been in line with the budget provided.

**Reserves & Provisions**

- 100. Table 19 below sets out a summary of the balance of reserves and provisions at the 1 April 2022 and at year-end 31 March 2023. Further detail is provided in Appendix 2. The year-end balances assume that the transfer to reserves as detailed in this report are approved by Executive.



**Table 19 – Reserves and Provisions 2022/23**

	Adjusted Opening Balance	Use in Year	Additional Contributions	Transfers from / (to) General Fund	Transfers between reserves at year-end	Balance at Year-End
	£000's	£000's	£000's	£000's	£000's	£000's
<b>General Fund Reserve</b>	<b>11,183</b>	<b>0</b>	<b>858</b>	<b>0</b>		<b>12,041</b>
<b>Usable Earmarked Reserves</b>						
Social Care Transformation Reserve	7,072	(1,963)	0	(2,755)	(2,354)	0
Financial Resilience Reserve (new)	0	0	0	0	2,354	2,354
Other	10,867	(9,583)	696	0	181	2,161
<b>Total Usable Earmarked Reserves</b>	<b>17,939</b>	<b>(11,546)</b>	<b>696</b>	<b>(2,755)</b>	<b>181</b>	<b>4,515</b>
<b>Unusable Earmarked Reserves</b>						
Earmarked Reserve - Revenue Grants Unapplied	11,657	(1,118)	0	0	0	10,539
Earmarked Reserve - Dedicated Schools Grant (DSG)	(3,756)	(2,944)	135	0	0	(6,565)
<b>Total Unusable Earmarked Reserves</b>	<b>7,901</b>	<b>(4,062)</b>	<b>135</b>	<b>0</b>	<b>0</b>	<b>3,974</b>
<b>School balances</b>	<b>4,802</b>	<b>(4,802)</b>	<b>3,962</b>	<b>0</b>	<b>0</b>	<b>3,962</b>
<b>Provisions</b>						
Provisions - Business Rates Appeals & Other	1,921	(14,676)	14,881	0	0	2,126
Provisions - Insurance	3,250	0	0	0	(181)	3,069
<b>Total Provisions</b>	<b>5,171</b>	<b>(14,676)</b>	<b>14,881</b>	<b>0</b>	<b>(181)</b>	<b>5,195</b>
<b>TOTAL</b>	<b>46,996</b>	<b>(35,086)</b>	<b>20,532</b>	<b>(2,755)</b>	<b>0</b>	<b>29,687</b>

101. As mentioned in paragraphs 11 to 13 the table above assumes that the final overspend at year-end resulting will be covered by the remaining £5.109m Social Care Transformation Reserve, and then the £2.354m balance remaining on the Reserve at year-end will be transferred to a new Financial Resilience Reserve (FRR). The purpose of the FRR will be for meeting unforeseen financial pressures that cannot ultimately be managed within directorate budgets and to meet exceptional one-off costs of meeting the Council's improvement work to satisfy DLUHC and the External Auditor's requirements.
102. It should also be noted that the year-end balances may be subject to further change due to further technical adjustments which may be required as part of the closure of the Council's accounts. These will be mainly relating to the closure of the Collection Fund accounts, DSG, school balances and the Insurance Fund. There may also be potential changes required as part of the external audit of the Council's accounts. The final year-end balances will be reported in the Council's Statement of Accounts for 2022/23, and as part of the Quarter One 2023/24 budget monitoring report.
103. Table 19 shows that the level of Reserves the Council holds has reduced considerably during 2022/23 and it is critical that the Council takes action to replenish reserves to achieve a greater level of financial resilience for the Council over the medium term.
104. The use of Reserves will be managed by the Director of Finance, with reports being provided to Executive as part of the quarterly budget monitoring reports.

## What decision(s) are being recommended?

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

- Note the 2022/23 final pre-audited net revenue outturn of £121.084m against an approved budget of £118.329m, an overspend of £2.755m (2.3%). This is an improvement of £0.656m from the forecast outturn at Quarter Three.
- Note that within the outturn, total revenue expenditure of £0.755m in relation to transformation of Children's Services was assessed as qualifying expenditure under the Government's Flexible Use of Capital Receipts initiative and therefore supported the reduction of the overall revenue outturn overspend position. The Flexible Use of Capital Receipts Strategy was approved by Full Council on 7 September 2022.
- Note the progress against the Financial Recovery Plan 2022/23 as approved by Executive on 18 October 2022, which has succeeded in contributing to reducing the forecast overspend from £9.012m (7.6%) at Quarter One to £2.755m (2.3%) at year-end.
- Approve that the final revenue overspend of £2.755m will be met by a contribution from the earmarked Social Care Transformation Reserve, leaving a balance of £2.354m in the Reserve. This Reserve will now be closed and its balance transferred.
- Approve, in recognition of the pressures that face the wider Council financial position, that a corporate Financial Resilience Reserve (FRR) be established as part of the closure of accounts process at the 31 March 2023. The purpose of the Reserve will be for meeting unforeseen financial pressures that cannot ultimately be managed within directorate budgets, and to meet exceptional one-off costs of meeting the Council's improvement work to satisfy the Department for Levelling Up, Housing and Communities (DLUHC) and the External Auditor's requirements.
- Approve that the balance of £2.354m on closing the Social Care Transformation Reserve shall be transferred to the Financial Resilience Reserve.
- Note that further consideration will be given to the feasibility of revising the 2023/24 Flexible Use of Capital Receipts Strategy to support further transformation across Council services during 2023/24 and in developing the 2024/25 Medium Term Financial Plan (MTFP), and this will be addressed in future reports to the Executive in due course.
- Notes that the initial analysis of the financial outturn has highlighted the risk of potential ongoing financial pressures arising from 2022/23 (Table 14 and paragraphs 62 and 63). These will be investigated further and will be subject to management action by the Leadership Management Team within 2023/24, and will inform the update and development of the Council's Medium Term Financial Plan for 2024/25 to 2026/27.
- Notes the management actions being taken to control expenditure in order to mitigate the risk of overspending in the future. (paragraphs 64 to 67).

In respect of the Capital Programme and Treasury Management, the Executive is requested to:

- Note the 2022/23 capital programme final pre-audit outturn of £58.962m against a revised capital budget of £61.456m, an underspend of £2.494m (4%). The outturn represents an underspend of £65.863m (53%) against the original capital budget approved by Council in February 2022.
- Approves the revised Investment Strategy to 2025/26 at Appendix 1, including £181.194m for financial years 2023/24 to 2025/26. Note the 2023/24 allocation includes £4.942m of funds that were assumed to be spent in 2022/23 as in the Quarter Three Executive report and which have now been slipped to 2023/24.
- Notes the Treasury Management outturn position with respect to the Council's prudential indicators as set out at paragraphs 91 to 99.

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

- Note the in-year deficit of £2.809m for 2022/23, including £1.959m relating to the High Needs Block.
- Note the total cumulative deficit of £6.565m at 31 March 2023, including £7.021m relating to the High Needs Block, as set out in Table 15 and paragraphs 68 to 74.
- Note under existing government regulations this cannot be funded from the General Fund, and the Council is required to deliver a recovery plan to the Department for Education (DfE).

In respect of the Council's reserves and provisions, the Executive is requested to:

- Note that the balance on the General Fund Reserve at the 31 March 2023 is £12.041m as planned in the 2023/24 MTFP.
- Note the balance on other earmarked reserves and provisions as set out in Table 19 (paragraphs 100 to 104) and detailed in Appendix 2.
- Note that usable earmarked reserves as set out in Table 19 are at a critically low level and measures will be required during 2023/24 and in developing the 2024/25 budget and MTFP to rebuild the Council's financial resilience over the medium term.

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

105. 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.

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

106. Not applicable.

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

##### ***Legal***

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

##### ***Strategic priorities and risks***

108. The revenue and capital budgets form part of the Council's Policy Framework. All proposed variations set out in this report are in line with authority delegated to the Executive.

109. Any impact on the Council's Strategic Plan will be reported as part of the Corporate Performance Review : Year End 2022/23 report to this Executive.

110. 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 Review : Year End 2022/23 report.

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

111. As reported to Council on 23 February 2022, no negative differential impact on diverse groups and communities are anticipated from the Council's planned budgetary expenditure.
112. The Financial Recovery Plan 2022/23 report to Executive on 18 October 2022 included that the financial recovery plan did not create policy change for service users, clients, and customers. The Fees and Charges increases included in the Plan also did not result in disproportionate adverse impact on groups or individuals because they hold one or more protected characteristics.

## ***Financial***

113. 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 2022/23 and the financial implications are incorporated throughout.

## **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.	Director of Finance	31/3/24
Process the movement in reserves detailed in the report subject to approval	Director of Finance	30/9/23
Actions outlined within the body of the report in relation to overspending within Children's Care will continue to be implemented.	Director of Children's Services	31/3/24
Adoption of the revised Investment Strategy included at Appendix 1. Subject to approval	Head of Financial Planning & Support	30/6/23

## **Appendices**

<b>1</b>	Proposed revised Investment Strategy to 2025/26
<b>2</b>	Detail of reserves and provisions as at 31/3/23

## Background papers

Body	Report title	Date
Council	Flexible Use of Capital Receipts Strategy	20/10/21
Council	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2022/23	23/2/22
Executive	Refreshing the Strategic Plan workplan for the 2022-24 period	5/4/22
Executive	Revenue and Capital Budget – Projected Outturn position as at Quarter One 2022/23	6/9/22
Council	Flexible Use of Capital Receipts Strategy 2022/23	7/9/22
Executive	Financial Recovery Plan 2022/23	18/10/22
Executive	Revenue and Capital Budget – Projected Outturn position as at Quarter Two 2022/23	14/11/22
Council	Medium Term Financial Plan Update and Budget Savings Proposals 2023/24	30/11/22
Council	Capital Strategy 2022/23 Mid Year Update	18/1/23
Executive	Revenue Budget, Council Tax, Medium Term Financial Plan, and Capital Strategy 2023/24	14/2/23
Executive	Children’s Services Financial Improvement Plan	14/2/23
Executive	Revenue and Capital Budget – Projected Outturn position as at Quarter Three 2022/23	14/2/23
Council	Revenue Budget, Council Tax, Medium Term Financial Plan, and Capital Strategy 2023/24	27/2/23

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