

<b>Report of:</b>	Executive Member for Finance and Governance Interim Director of Finance (S151 Officer)
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<b>Submitted to:</b>	Executive
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<b>Date:</b>	23 August 2023
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<b>Title:</b>	Revenue and Capital Budget – Forecast Outturn position at Quarter One 2023/24
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<b>Report for:</b>	Decision
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<b>Status:</b>	Public
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<b>Strategic priority:</b>	All
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<b>Key decision:</b>	Yes
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<b>Why:</b>	Decision(s) will incur expenditure or savings above £150,000 and have a significant impact in two or more wards
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<b>Urgent:</b>	No
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<b>Why:</b>	Not Applicable
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### **Executive summary**

This report advises the Executive of the Council's financial position as at Quarter One 2023/24.

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

- General Fund Revenue Budget forecast outturn at Quarter One;
- Capital Programme forecast outturn at Quarter One;
- statement of the Council's borrowing and prudential indicators, and its reserves and provisions; and
- actions that the Council has taken and plans to address the issues identified.

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

- Note the forecast 2023/24 net revenue budget outturn as at Quarter One of £137.917m against an approved budget of £126.354m, a forecast overspend of £11.563m (9.2%).
- Note that the Council's usable revenue reserves position is critically low at £14.8m comprising the General Fund Reserve of £12.041m and the Council's unrestricted usable earmarked reserves of £2.788m at 31 March 2023.
- Note that if the current forecast overspend of £11.563m is actually incurred, it will exhaust the Council's unrestricted usable earmarked reserves and also significantly draw upon the Council's General Fund Reserve as shown in Table 2. Therefore urgent management action is required to reduce expenditure and the forecast outturn within budget.
- Note that if it appears to the Director of Finance S151 Officer that total expenditure cannot be managed within the approved budget of £126.354m by 31 March 2024, there is a statutory requirement for the Director of Finance to issue a s114 Notice to the Council under the provisions of the Local Government Finance Act 1988. In practice, prior to this occurring, the Director of Finance would seek Exceptional Financial Support from DLUHC in order to meet unmanageable financial pressures in the short term whilst the Council's financial position is recovered.
- Note the implications of an application for Exceptional Financial Support and the issuing of a s114 notice (paragraphs 17 to 22) upon the Council.
- Note the management actions that have already been implemented from the start of the 2023/24 financial year in order to exercise enhanced budget management and control (paragraph 10), and the further actions outlined in paragraph 28 which have been implemented by the Director of Finance and the Leadership and Management Team (LMT) in response to the emerging overspend position that was identified during June in relation to accounting period 2 (month end 31 May).
- Note that rigorous spending restrictions have been implemented with effect from 1 July 2023 and will remain in effect until further notice.
- Note that Chief Officers within LMT are working in consultation with their relevant Executive Member to develop and deliver robust Financial Recovery Plans (paragraph 28) in order to contain expenditure within the Council approved budget.
- Note and support the actions taken by the Director of Finance and the Wider LMT including the initial Financial Recovery Plans totalling £2.557m that have been identified and quantified to date (as shown in Table 1 and Appendix 2).
- Note that further work is continuing with a view to fully mitigate the forecast overspend and that further reports will be submitted to the Executive for noting and approval of management actions as appropriate.

- **Approve** the proposed revenue budget virements over £150,000 as detailed in Appendix 4.

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

- Note the 2023/24 Capital Programme forecast outturn of £63.004m at Quarter One against a revised capital Programme Budget of £80.474m, an underspend of £17.470m (22%).
- **Approve** the revised Capital Programme to 2025/26 summarised at table 8 and detailed at Appendix 6, including £183.570m for financial years 2023/24 to 2025/26. Note that £19.839m of funds that were assumed to be spent in 2023/24 have now been slipped to 2024/25 and later years (Appendix 5).
- Note that a full review of the Capital Programme will be undertaken and reported at Quarter Two with a view to ensuring realistic profiling of expenditure and alignment of funding. This will incorporate a challenge to reduce and reprioritise the utilisation of Council resources to mitigate or reduce any revenue budget impact within the context of controlling the Council's revenue financial position.
- Note the Treasury Management forecast outturn position with respect to the Council's prudential indicators as set out in paragraphs 64 to 72.

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

- Note the current forecast in-year deficit of £1.780m for 2023/24 relating to the High Needs Block.
- Note the forecast total cumulative deficit of £8.344m at 31 March 2024, including £8.801m relating to the High Needs Block, as set out in Table 5 and paragraphs 45 to 51.
- Note that under existing government regulations this deficit cannot be funded from the General Fund, and the Council is required to deliver a recovery plan to the Department for Education (DfE).
- Note that the Council is part of the DfE Delivering Better Value (DBV) scheme which aims to support financial recovery of the DSG position.

## **Purpose**

1. This report:
  - Advises the Executive of the Council's financial position as at Quarter One 2023/24,
  - Advises of the management actions taken and underway in order to establish a firmer grip upon the Council's financial position.
  - Seeks endorsement from the Executive of the management actions that are planned in the form of Financial Recovery Plans in order to control expenditure within the General Fund Revenue Budget approved by Council in February 2023.
  - Seeks approval of the Executive in relation to the revisions to the Capital Programme.

## **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 Programme.
3. This report enables the Executive to discharge its financial management responsibilities by setting out the:
  - Forecast outturn on the General Fund Revenue Budget and Capital Programme at Quarter One of 2023/24;
  - statement of the Council's borrowing and prudential indicators, and its reserves and provisions; and
  - actions that the management has taken and plans to address the issues identified.
4. Financial Procedure Rule 10.5 requires the Executive's approval of the proposed revenue budget virements set out in Appendix 4.
5. A revised Capital Programme for the period 2023/24 to 2025/26 is attached at Appendix 6 for the Executive's consideration and approval.

## **Revenue Budget**

### ***Context***

6. Section 25 of the Local Government Act 2003 requires the Chief Finance officer to report on the robustness of the budget estimates and the adequacy of the financial reserves to Council in agreeing its annual budget and precept for the forthcoming financial year. The Chief Finance Officer is as defined in S151 of the Local Government Act 1972 and is fulfilled by the Director of Finance.
7. The former interim Finance Director (S151 Officer) presented her report to the Executive on 14 February 2023 and to Council on 27 February 2023. Within this report she stated that:

*‘reserves are adequate insofar as the minimum level of general balance is set at £12m, based on risk assessment; there are currently no plans for its use being the fund of last resort. However, there is little resilience in earmarked reserves, and these are at a critical level. The lack of substantial earmarked reserves means the overall reserves position, whilst adequate, is fragile and may require a reliance on cost control or the delivery of additional savings in the event of any unplanned costs....’*

*‘..... The Council is advised to have an unrelenting focus on the delivery of saving plans and demand mitigation during the year. The delivery of children’s financial improvement plan will be overseen by the Children’s Finance Focus Group. Some level of contingency (£1.3m) and limited reserves (social care transformation – currently estimated to be £1.7m at the end of 2022/23) are held to mitigate these risks. In the event of significant unexpected cost pressures emerging during the year, further savings will be required from across the Council, and early consideration is advisable to forward plan future savings so they can be brought forward as necessary.’*

*‘.....The CFO does not consider Middlesbrough Council to be at risk of a s114 Notice (Local Government Act 1988) in setting the budget for 2023/24 as set out in the report to Executive on 14 February 2023. This view is based on the latest available information and in the event of a change in the risk profile or financial circumstances, the position cannot be assured over the medium term and will be kept under review in the coming months. Council is asked to note the requirement for early consideration of budget proposals for 2024/25 and for these to be available for acceleration if required....’*

8. The Executive and Council were asked to note:

- The requirement for an unrelenting focus on delivery of 2023/24 savings and demand mitigation to maintain a balanced budget, and that further work may be needed to accelerate future budget proposals.
- The CFO advice to adopt a medium-term strategy to seek to maximise resources and replenish reserves.
- The requirement for a future programme of work to embed an organisational culture of good governance and financial management and within this a particular focus on strengthening financial practice in children’s services.

A review by CIPFA was commissioned in January 2023 to provide an independent assessment of the financial standing of the Council. The report of the former interim Finance Director (S151 Officer) incorporated the CIPFA review and recommendations arising from it.

9. The approved 2023/24 General Fund Revenue Budget for the Council is £126.354m as set out in the Revenue Budget, Council Tax, Medium Term Financial Plan (MTFP) and Capital Strategy 2023/24 Report presented to Council on 27 February 2023.

## ***Budgetary Management and Control measures implemented in Quarter One 2023/24***

10. Enhanced budget management and control measures, supported by the Executive, were introduced by the current interim Director of Finance during Quarter One as follows:

- An increase in frequency of management revenue budget monitoring and forecasting from quarterly to monthly.
- Monthly budget challenge and review sessions chaired by the Director of Finance to be held for each Directorate, working collaboratively with Directors, their Management Teams and Finance Business Partners to ensure focus on budgetary control and proactive management actions to remain within approved budget.
- Monthly review and challenge of financial and operational performance at Leadership Management Team (LMT) chaired by the interim Chief Executive.
- Director Accountability Agreements signed by LMT to demonstrate commitment to managing within the approved budget and focus upon areas of identified risk.
- Quarterly budget challenge and review sessions for each Directorate chaired by the Executive Member for Finance & Governance and attended by Executive Members for relevant Directorates.
- Requirement for Directorate adverse variances to be addressed through the development of Financial Recovery Plans by Directors in consultation with their relevant Executive Member, and delivery to be monitored through the budget challenge framework.
- Savings tracker to be utilised to report progress on delivery of savings and enable targeting of management actions.
- Measures to improve the quality and timeliness of budgetary reports over the course of the year initiated.

## ***Revenue Budget Forecast Year-End Outturn as at Quarter One 2023/24***

11. The budget management and control activity undertaken over Quarter One has identified a number of financial pressures that are forecast to result in an overspend of £11.563m (9.2%) by 31 March 2024 unless significant and urgent management actions are taken to control spending within the approved net revenue budget of £126.354m.
12. The analysis of the forecast financial position by Directorate is set out in Table 1 below. A summary of the key issues and variances is included in paragraph 27, with details of Directorate variances detailed in Appendix 1. Table 1 includes any potential non-delivery of required budget savings as detailed in paragraphs 24 to 26.

**Table 1 – Summary of Revenue Budget Forecast Outturn 2023/24 as at Quarter One**

All Directorates	Original Net Budget Full Year	Current Net Budget Full Year	Forecast Outturn	Forecast Variance	Financial Recovery Plan	Forecast Outturn Variance	Forecast Outturn Variance as a % of Current Net Budget Full Year
	£m	£m	£m	£m	£m	£m	%
				Adv /(Fav)	Adv /(Fav)	Adv /(Fav)	
Adult Social Care	49.808	49.808	52.781	2.973	(0.082)	2.891	5.8
Public Health	(3.280)	(3.280)	(3.280)	0.000	0.000	0.000	0.0
Children's Care	54.649	54.649	58.298	3.649	(0.715)	2.934	5.4
Education & Partnerships	5.494	5.494	7.013	1.519	(0.128)	1.391	25.3
Regeneration	(1.987)	(1.987)	(1.995)	(0.008)	(0.192)	(0.200)	(10.1)
Environment & Communities	20.228	20.228	21.367	1.139	(1.201)	(0.062)	(0.3)
Legal & Governance	10.245	10.245	10.619	0.374	(0.129)	0.245	2.4
Finance	4.429	4.429	5.096	0.667	(0.110)	0.557	12.6
<b>Total Directorates</b>	<b>139.586</b>	<b>139.586</b>	<b>149.898</b>	<b>10.312</b>	<b>(2.557)</b>	<b>7.755</b>	<b>5.6</b>
Central Budgets	(13.232)	(13.232)	(11.981)	1.251	0.000	1.251	9.5
<b>Total Budget</b>	<b>126.354</b>	<b>126.354</b>	<b>137.917</b>	<b>11.563</b>	<b>(2.557)</b>	<b>9.006</b>	<b>7.1</b>

9.2%

13. In light of the early indications provided by the Period 2 (May 2023) monthly budget monitoring and the current forecast position at Quarter One, LMT in consultation with their relevant Executive Member, have been working to develop Financial Recovery Plans for each Directorate that is forecasting an overspend at year end. There is significant importance on taking early and robust management actions whilst there is still sufficient time in the year for those actions to realise a meaningful financial impact and to avoid the statutory requirement for the S151 Officer to issue a s114 Notice in the event that expenditure cannot be contained within available resources.
14. Table 1 shows that £2.557m of Financial Recovery Plan savings have been identified and quantified to date, with details being provided for each Directorate in Appendix 2. These will require further Director assurance to confirm deliverability together with the identification of further mitigations of expenditure to deliver the financial outturn within the approved budget by the year end.

### **Reserves**

15. It is critical that expenditure is contained within the approved revenue budget of £126.354m to stabilise the Council's financial position and provide a basis from which to rebuild reserves from the current critically low level.
16. Table 2 shows that the Council's General Fund Reserve at 31 March 2023 was £12.041m and the Council's unrestricted usable earmarked reserves were at a critical level of £2.788m at 31 March 2023. It also shows the impact of the current forecast overspend of £11.563m on the Council's usable revenue reserves (General Fund Reserve and unrestricted usable earmarked reserves). Appendix 3 provides further details of the reserves and provisions and the current forecast position at 31 March 2024.

**Table 2 – Summary of reserves and the impact of the forecast overspend upon the level of reserves**

	Closing Balance 31/03/23 / Opening Balance 01/04/23	Forecast DSG Overspend	Potential use for current forecast overspend	Forecast Balance at year-end based on current forecast overspend
	£m	£m	£m	£m
<b>GENERAL FUND RESERVE*</b>	12.041	0.000	(8.775)	3.266
<b>USABLE EARMARKED RESERVES</b>				
<i>Restricted Use</i>	1.171	0.000	0.000	<b>1.171</b>
<i>Unrestricted Use</i>	2.788	0.000	(2.788)	<b>0.000</b>
	<b>3.959</b>	<b>0.000</b>	<b>(2.788)</b>	<b>1.171</b>
<b>UNUSABLE EARMARKED RESERVES</b>	3.974	(1.780)	0.000	<b>2.194</b>
<b>SCHOOL BALANCES</b>	3.640	0.000	0.000	<b>3.640</b>
<b>PROVISIONS</b>	5.194	0.000	0.000	<b>5.194</b>
	<b>28.808</b>	<b>(1.780)</b>	<b>(11.563)</b>	<b>15.465</b>
<i>*Forecast closing balance on General Fund equivalent to 2.6% of net revenue budget if £11.563m forecast overspend occurs</i>				

*\*Reserves are defined in Appendix 1 Reserves Policy 2023/24 of the Medium Term Financial Plan (MTFP) Refresh 2024/25 report to this Executive*

It should be noted that the closing balance on reserves have been amended from that reported in the Revenue and Capital Budget Year End Outturn 2022/23 Report to Executive on 20 June 2023 due to adjustments required as part of the preparation of the Council's statutory accounts for 2022/23.

17. As illustrated in Table 2, given the scale of the forecast overspend at the end of Quarter One, the Council is at significant risk of exhausting its usable revenue reserves within the current 2023/24 financial year. In this scenario the Director of Finance as S151 Officer is required by statute to issue a s114 report to Council.
18. Any depletion of the level of usable revenue reserves from the balances on 31 March 2023 to fund operational expenditure within 2023/24 will undermine the Council's financial recovery and resilience.
19. Section 114(3) of the Local Government Finance Act 1988 (the 1988 Act) requires that the chief finance officer of a relevant authority shall make a report under this section if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure. In accordance with Section 114(3)(A), the chief finance officer shall consult with the chief executive and the monitoring officer prior to making the report. Under section 115 of the 1988 Act the Council will be required to consider the report within a period of 21 days and agree actions that will be taken in response to the report. The S151 Officer is maintaining ongoing dialogue with the Chief Executive and Monitoring Officer in relation to the Council's financial position and agreement of actions being taken.
20. It should be noted that since the financial failure of Northamptonshire CC which was the first authority to be the subject of a s114 notice in over 20 years, the Department for



Levelling Up Housing and Communities (DLUHC) now provide an option for local authorities in financial difficulty that is considered to be unmanageable to apply for Exceptional Financial Support. In practice, this presents an intermediate step to avoid a s114 scenario and will be considered further if required. This action would inevitably result in an escalation of intervention by DLUHC in the Council's management and administration. Further, the consequences of issuing a s114 notice are very serious and significant and would result in the cessation of all but the minimum level of expenditure to meet the statutory minimum level of service and Council liabilities and the need to develop and deliver a Council-wide financial recovery plan.

21. It is therefore in the best interests of the Council for all Officers and Elected Members to work closely and collaboratively together immediately and at pace in order to control over expenditure within the approved budget in order to avoid the need for Exceptional Financial Support from DLUHC and prevent a s114 scenario. A number of all Elected Member briefings are planned to be held to facilitate this.
22. Further, it is essential that transformational plans are developed to enable the delivery of the Council Plan priorities that are affordable and financially sustainable over the medium term. The replenishment of revenue reserves over the period of the MTFP will be essential in order to rebuild and strengthen the Council's financial resilience. The update on the financial challenge presented by the 2024/25 budget and MTFP to 2026/27 is the subject of a separate report on this Executive agenda.

#### *Contingency*

23. A contingency budget of £1.3m per annum is included in the 2023/24 base budget approved by Council on 27 February 2023 to provide for future uncertainty mainly regarding the economic climate, inflation and potential additional demand / spending pressures. Executive on 18 July 2023 approved the use of £0.492m of this budget for work streams within the Corporate Governance Improvement Plan as follows:
  - the requirement of additional resources across corporate support services to support delivery of the Financial Recovery and Resilience programme
  - initial funding to commence elements of work within the Cultural Transformation programme

Further use of the contingency will be controlled under the delegated powers of the Director of Finance and included in future budget monitoring reports.

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

24. The approved revenue budget includes savings totalling £9.383m in 2023/24 and a further £2.987m in 2024/25. The savings tracker included in Table 3 summarises performance in 2023/24 and the impact upon delivery for 2024/25, categorising the current expected achievability of the savings. Table 4 shows performance for each Directorate against the 2023/24 savings. Savings delivery plans are monitored via the Savings Programme Board.
25. The forecast overspend shown in Table 1 includes £2.577m (28%) of savings categorised as 'Red' and 'Amber' within the savings tracker. Those categorised as 'Green' £2.374m (25%) and considered to be on track are being further tested and

challenged to gain further assurance. £4.432m (47%) have been delivered and classed as 'Blue'.

26. Directors have been tasked with developing mitigation plans for those savings which are categorised as "Red" and also to ensure full achievement of savings categorised as "Amber" and "Green". Any changes in delivery or alternative savings proposals will require approval by Executive and will be reported in future budget monitoring reports.

**Table 3 – Savings Programme Assurance Summary**

		2023/24	2024/25	Overall
RAG	RAG Description	£m	£m	£m
<b>Blue</b>	Saving Realised (delivered)	4.432	0	4.432
<b>Green</b>	Saving forecast to be realised as originally planned, or to be realised through alternative actions.	2.374	1.164	3.538
<b>Amber</b>	Medium risk to savings delivery, with mitigating actions being considered/worked on.	0.933	0.527	1.460
<b>Red</b>	High risk to savings delivery with limited scope of mitigation.	1.644	1.296	2.940
	<b>Total Savings</b>	<b>9.383</b>	<b>2.987</b>	<b>12.370</b>

**Table 4 – Savings Programme Assurance for 2023/24 by Directorate**

Directorate	23/24 RED (£m)	23/24 AMBER (£m)	23/24 GREEN (£m)	23/24 BLUE (£m)	TOTAL (£m)
Regeneration	0.100	0.000	0.200	0.296	<b>0.596</b>
Environment and Community Services	0.799	0.000	0.462	0.782	<b>2.043</b>
Legal and Governance	0.100	0.020	0.000	0.121	<b>0.241</b>
Adult Social Care	0.000	0.000	0.416	0.086	<b>0.502</b>
Public Health	0.000	0.000	0.000	0.296	<b>0.296</b>
Education and Partnerships	0.000	0.000	0.000	0.313	<b>0.313</b>
Children's Care	0.000	0.000	0.056	0.698	<b>0.754</b>
Central	0.000	0.000	0.000	0.543	<b>0.543</b>
Finance	0.000	0.000	0.000	0.130	<b>0.130</b>
Fees and Charges	0.000	0.111	1.000	0.000	<b>1.111</b>
Children's Services Financial Improvement Plan	0.645	0.802	0.240	1.167	<b>2.854</b>
<b>TOTAL</b>	<b>1.644</b>	<b>0.933</b>	<b>2.374</b>	<b>4.432</b>	<b>9.383</b>
<b>Overall Percentages</b>	<b>18%</b>	<b>10%</b>	<b>25%</b>	<b>47%</b>	

## ***Key Issues and Variances***

27. This section summarises the key issues and variances within Revenue position. More detail is included for each Directorate in Appendix 1. There is a significant forecast overspend before Financial Recovery Plans of £11.563m, with £10.312m of the forecast overspend relating to Service Directorate budgets and £1.251m relating to Corporate Central Budgets.

- The Council continues to operate in a challenging financial and economic environment with inflation as measured by Consumer Price Inflation (CPI) currently running at 7.9%. Inflation is forecast to remain stubbornly high above the Bank of England 2% target throughout 2023/24 and potentially into 2024/25. There is also uncertainty around the pay award for Local Government Services employees.
- **Adult Social Care** – the forecast overspend is mainly due to an overspend of £3.051m relating to unbudgeted expected increased costs due to increased demographic demand pressures and higher care fees to providers to offset their rising costs and capacity constraints due to labour shortages. The service is also experiencing challenges in recruitment and retention of staff of which pay is a driving factor.
- **Children’s Social Care** expenditure levels remain the single biggest area of financial risk for the Council and could rise further without more robust control being exercised. The approved 2023/24 base budget of £54.649m recognised the ongoing financial pressures in the service and represents an increase of approximately £17m from that originally set for 2022/23.

The Service has an approved Finance Improvement Plan requiring the delivery of savings totalling £2.9m in 2023/24 and a further £1.8m in 2024/25. Children’s Social Care is currently forecasting an overspend of £3.649m against the approved budget of £54.649m. There is a forecast overspend of £3.814m relating to increased numbers of children in external residential placements and extremely high costs for some placements where there is a lack of availability in the market for suitable placements. This is a national issue affecting many local authorities across the country. Also, there are £1.447m of savings from the Children’s Services Financial Improvement Plan currently rated “Red” and “Amber” (as shown in Table 4). These forecast overspends are partly offset by forecast underspends on other budgets within the Directorate.

- **Education and Partnerships** is forecasting an overspend of £1.519m, of which £1.417m relates to an overspend on the Integrated Transport Unit (ITU) budget due to an increased number of children eligible for home to school transport, including children with Special Education Needs (SEN), in order to access education provision. Also there has been an increase in the costs per child of transportation. It should be noted that the budget was increased by £0.684m at 2023/24 budget setting, and this overspend is in addition to the increased budget for 2023/24.
- **Environment & Communities** is forecasting an overspend of £1.139m, with £0.664m of this forecast overspend relating to increased contractual costs per tonne which have risen above the budgeted inflationary increases and increased demand for Waste Disposal. It should also be noted that there will be further

increased costs from 2025/26 due to the extension of the current contract for a further year until the new Waste Recycling Site is complete, which is currently expected in 2026/27.

- **Homelessness** - There is a forecast overspend of £0.329m within Adult Social Care relating to the increased use of hotels and bed and breakfast accommodation to provide temporary accommodation due to an insufficient level of more suitable available temporary accommodation, which has been partly offset by utilising uncommitted homeless grant. Also within the Finance budget there is a forecast overspend of £0.277m due to the fact that the level of the Local Housing Allowance is limited and therefore the Housing Benefit Subsidy received by the Council does not cover the inflated costs of temporary accommodation currently being used to house homelessness households. This is an emerging national issue affecting many local authorities across the country. A cross cutting review across all service areas involved in providing homelessness support is underway to understand current activities and future needs and to identify more cost effective solutions to meeting the needs of homeless households.
- **Finance** – currently holds the budget for the corporate costs of external audit fees applicable to the whole Council. There is a forecast overspend of £0.2m relating to higher than budgeted external audit fees arising from the additional work undertaken by the External Auditor in relation to the audit of the statutory accounts and in addressing governance issues associated with the Council’s Best Value and governance failures. It is proposed that the budget for external audit fees is more appropriately held and managed in Central Budgets alongside other corporate costs and a proposed virement to effect this transfer is included in Appendix 4.
- **Central budgets** include an overspend of £1.451m relating to the forecast excess of the expected national pay award over budget provision made for this. The pay award is not yet agreed, and this remains subject to ongoing national pay negotiations. It is proposed that this pressure is allocated to be managed by individual Directorates on the basis of the number and grading of staff employed and will be met by the vacancy control process outlined in paragraph 28.

### ***Intervention Action to recover the current forecast financial position***

28. The Director of Finance has taken the following actions in which the Leadership Management Team are fully supportive and engaged in delivering:

- Implementation of spending restrictions with effect from 1 July 2023 until further notice, including restrictions on filling permanent vacancies, the use of interim and agency staff, the purchase of goods, works and services, and Chief Officers within LMT restricting the number of officers able to authorise expenditure within their Directorates.
- Chief Officers within LMT are required to develop and deliver robust Financial Recovery Plans, in consultation with their relevant Executive Member, to contain expenditure within their approved directorate budgets. These plans will be reported to the Executive for noting or approval as appropriate over coming weeks and months.

- The development of transformational initiatives for future service delivery from a lower cost base are to be progressed over the summer as part of the 2024/25 budget setting process.

29. Preliminary discussions with DLUHC officials have taken place to advise of the emerging financial challenge and the possibility of the need for the Council to request Exceptional Financial Support before the end of the current financial year in order to avoid the exhaustion of usable revenue reserves or if it should not be possible to set a balanced budget for 2024/25.

30. The External Auditor has been briefed in relation to the emerging financial position and the management actions being taken to stabilise the Council's financial position.

### ***Potential Risks***

31. As detailed in paragraphs 15 to 22 and Table 2 the current forecast overspend if not mitigated, will impact adversely on the already critically low level of usable reserves and undermine the Council's financial resilience. This will potentially lead to the Director of Finance needing to seek Exceptional Financial Support from DLUHC and potentially be required to issue a s114 report to the Council.

32. Due to the significant value of the forecast overspend, there is a risk that financial pressures will roll into 2024/25. However, the current assumption is that overspends will be controlled within the year on a recurrent basis. However, the extent to which financial pressures are not contained or are mitigated on a non-recurrent basis, then this will result in revision of the assumptions in the development of the 2024/25 budget and MTFP, increasing the budget gap and need for further savings to be identified. The MTFP update report is contained elsewhere on this Executive agenda.

33. All budget savings categorised as 'Red' and 'Amber' continue to be reviewed as part of the budget process to determine whether they are delayed or undeliverable. Where possible, ways of enabling and accelerating their delivery will be implemented. If they are deemed to be undeliverable, alternative options will need to be developed by the relevant Chief Officer for consideration and approval by the Executive.

34. All budget savings currently categorised as 'Green' are forecast to be delivered by the year-end and are being tested to gain further assurance of delivery. It is expected that services will continue to work towards delivering these savings on time.

35. Economic conditions remain challenging, with the Cost of Living crisis having an impact across the economy including on residents, businesses and the Council directly. Continuing levels of high inflation is a significant part of that and there is uncertainty about when and how quickly this will reduce. For the Council in addition to the obvious higher costs caused by this, there are also risks around income collection.

36. Due diligence is being undertaken to ensure that the Council is compliant with accounting standards and grant funding conditions across a number of service areas to provide assurance of the General Fund budget position. The resolution of any identified non-compliance may increase financial pressure upon the General Fund position.

## ***Key Future Years Issues***

37. The Council's financial challenges will undoubtedly continue into 2024/25 and over the term of the MTFP. It will be essential for the Council to take difficult decisions relating to service priorities and to develop transformational plans to deliver its priority outcomes that are affordable and financially sustainable whilst replenishing its revenue reserves to increase financial resilience. The MTFP update report addressing this challenge is contained elsewhere on this Executive agenda.

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

38. Income received from Council Tax and Business Rates (NNDR) is a major source of income for the Council. It is accounted for within the Collection Fund and operates under the Government regulations. Due to the prescribed mechanisms for operating the Collection Fund, the financial impact of any 2023/24 income collection variances do not immediately affect the General Fund position. By illustration, the impact of the estimated surplus or deficit on the Collection Fund for 2023/24 is fed into the development of the 2024/25 budget and MTFP.
39. The 2023/24 MTFP presented to Council in February 2023 included the estimated effect of Council Tax and Business Rates income. In the context of the current economic climate and the Cost of Living Crisis, there is an ongoing risk to the levels of collection of these taxes which may result adversely upon collection rates. The forecast in-year collection rate for 2023/24 is 91% for Council Tax and 96.8% for Business Rates, however the above factors may affect these forecasts. This position will be kept under review and the MTFP will be updated as appropriate.
40. 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 2022/23 there were 18,130 claimants, however it is estimated at Quarter One 2023/24 there are 18,272 claimants. It is likely that this will increase further in future years resulting in increased costs to the General Fund over time. This will be closely monitored and the MTFP will be updated as appropriate.
41. The budgeted Council Tax base includes assumptions on housing growth. If there is a variance in growth in housing numbers compared to the levels budgeted, this will impact upon Council Tax income due.
42. The Government provided support for businesses through increased business rates reliefs and grants in 2020/21, 2021/22 and for the start of 2022/23. Following the reduction in the level of this support, there is a risk that Business Rates income collection reduces in the future if businesses fail or are unable to pay the resultant increased amounts due. This area is to be reviewed in detail to inform future budget forecasting and the development of the 2024/25 budget and MTFP.
43. The level of outstanding Council Tax and Business Rates debt is expected to rise, and the Council will need to review the collectability of this debt and the adequacy of the bad debt provision over the period of the MTFP.
44. 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.

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

45. The Council received £182.451m (before deductions and recoupment) of Dedicated Schools Grant (DSG) for 2023/24. The funding comprises of a number of blocks - Schools Block, Central School Services Block, High Needs Block, and Early Years Block. A large proportion of the Schools Block is passported directly to academies (known as recoupment). Currently after deductions and recoupment the Council will receive DSG of £63.502m in 2023/24. The forecast expenditure is £65.282m, an overspend of £1.780m within 2023/24.

**Table 5 - Dedicated Schools Grant (DSG) after recoupment and deductions**

	<b>2023/24 Income</b>	<b>2023/24 Expenditure</b>	<b>2023/24 FORECAST IN YEAR MOVEMENT</b>	<b>BALANCE AS AT 31/03/2023</b>	<b>FORECAST BALANCE AS AT 31/03/2024</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Early years	12.121	12.121	0.000	(0.254)	(0.254)
Schools Block	20.330	20.330	0.000	(0.182)	(0.182)
High Needs	30.008	31.788	1.780	7.021	8.801
Central school services block	1.043	1.043	0.000	(0.021)	(0.021)
<b>TOTAL</b>	<b>63.502</b>	<b>65.282</b>	<b>1.780</b>	<b>6.564</b>	<b>8.344</b>

46. There was a £6.564m total cumulative deficit on the DSG grant at the end of 2022/23, which included £7.021m attributed to the High Needs Block. The DSG deficit is predicted to increase during 2023/24 and it is currently forecast that there will be a total DSG deficit of £8.344m at 31 March 2024, including £8.801m relating to the High Needs Block.

47. The Dedicated Schools Grant (DSG) is subject to a statutory override by central Government which instructs Councils to account for the DSG negative balance in a separate reserve and not to fund it by using its General Fund resources. This was planned to end on 31 March 2023, however Government has extended the arrangement to at least 31 March 2026. This was considered to be a major risk to the Council as it could have meant that the Council would have had to fund this deficit (current balance is £8.344m) from the General Fund which represented significant financial risk. Whilst this remains a risk in the medium term, payment from the General Fund does not currently form part of the planning within the MTFP. The position that Government takes will be closely followed and updates will be provided as appropriate.

48. 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 commit to reducing the deficit. There is also a requirement to provide information as and when requested by the DfE about pressures and potential savings on its high needs budget.

49. The Council complete regular DSG management recovery plans to outline forecasts over the next 5 years. The Council is also working with the DfE and has received a

Stage 1 grant of £45,000 and a Stage 2 grant bid for £1m has recently been submitted for the “Delivering Better Value” (DBV) programme 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 participating in the DBV programme. It should be noted that Middlesbrough Council is not involved in the “Safety Valve” programme, which is support for those local authorities with the greatest DSG deficits.

50. 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.
51. 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 Programme Forecast Year-End Outturn 2023/24 as at Quarter One**

52. The Council approved a capital programme for 2023/24 of £71.211m (the original 2023/24 capital budget). This was then amended in the Revenue and Capital Budget – Year End Outturn Position 2022/23 report of 20 June 2023, and Executive approved a revised capital budget for 2023/24 of £80.474m.
53. Following a further review and the inclusion of increases to existing schemes, new additional schemes, removal of schemes, and reductions to existing schemes (shown in Table 7 and paragraphs 57 to 60) it is currently forecast at Quarter One that the Council will spend £63.004m at year-end. This is 78% of the Executive approved revised budget of £80.474m.
54. The analysis by Directorate is summarised in Table 6 below.



**Table 6 – Summary of Capital Programme Financial Performance 2023/24 as at Quarter One**

Directorate	2023/24 Original Capital Programme Budget (as per February budget report)	2023/24 Capital Programme Budget (as per 22/23 outturn)	2023/24 Capital Programme Forecast Outturn at Q1	2023/24 Capital Programme Forecast Outturn Variance at Q1	2023/24 Capital Programme Spend As At End July 2023
	£m	£m	£m	£m	£m
Regeneration	32.215	39.340	23.374	(15.966)	4.285
Environment and Community Services	25.495	25.965	22.447	(3.518)	4.278
Public Health	0.000	0.031	0.165	0.134	0.007
Education & Partnerships	6.760	7.852	6.938	(0.914)	-
Children's Care	2.085	2.141	2.107	(0.034)	0.012
Adult Social Care	1.707	1.447	3.682	2.235	0.605
Legal and Governance Services	2.402	3.120	3.713	0.593	1.758
Finance	0.547	0.578	0.578	-	0.063
<b>Total</b>	<b>71.211</b>	<b>80.474</b>	<b>63.004</b>	<b>(17.470)</b>	<b>11.008</b>

55. Table 7 shows a breakdown of the reasons for the forecast underspend of £17.470m in the capital programme for 2023/24 as at Quarter One. Further details of movements are included in the following paragraphs. These reflect the best profiled financial forecast for the relevant projects and are all subject to agreement as part of this report.

**Table 7 - Summary Breakdown of movement in capital expenditure 2023/24**

	<b><u>23/24</u></b> <b><u>£m</u></b>
Executive approved budget 20 June 23 (as per 2022/23 year end outturn report)	<b>80.474</b>
Slippage	(19.839)
Additions to existing schemes	2.285
New schemes	0.134
Reductions to existing schemes	(0.050)
<b>Capital budget forecast outturn at Q1 (revised budget for 2023/24)</b>	<b>63.004</b>

56. Capital slippage is a way of reprofiling capital budgets between financial years to match forecast timing of expenditure, whilst staying within the approved project budget. Details of capital slippage forecast for 2023/24 are shown in Appendix 5.

57. The following addition over £150,000 to a scheme within the current Capital Programme has been added to the revised Capital Programme, set out at Appendix 6 for consideration and approval.

- Adult Social Care – £2.268m Disabled Facilities Grant due to the annual award of grant

58. There are no new schemes over £150,000 that have been added to the Capital Programme

59. There are no schemes over £150,000 that have been removed from the Capital Programme

60. There are no schemes within the Capital Programme that have been reduced by more than £150,000.

61. Capital Programme spend to the end of July 2023 is low at £11.008m compared to the forecast outturn for 2023/24 of £63.004m (17%), as such there is a risk that spend will be lower than forecast. Whilst this will have a beneficial impact on revenue through higher investment balances and reduce the need to borrow it indicates that delivery is behind schedule and late delivery may pose risks for next financial year.

62. A comprehensive review of the Capital Programme and its funding sources will be undertaken and reported for Quarter Two including the potential for reduction and reprioritisation of schemes financed by Council resources where this will improve the General Fund revenue position of the Council.

63. The revised Capital Programme covering the period 2023/24 to 2025/26 is summarised in Table 8 below and detailed in Appendix 6 for consideration and approval by Executive.

**Table 8 - Summary of Capital Programme 2023/24 to 2025/26**

Directorate	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m	TOTAL £m
Regeneration	36.371	23.374	55.136	3.509	118.390
Environment and Community Services	11.006	22.447	20.219	15.073	68.745
Public Health	0.219	0.165	0.007	0.000	0.391
Education & Partnerships	4.050	6.938	11.251	0.746	22.985
Children's Care	1.100	2.107	2.500	0.000	5.707
Adult Social Care	2.884	3.682	0.710	0.660	7.936
Legal and Governance Services	3.223	3.713	1.592	2.185	10.713
Finance	0.109	0.578	6.478	0.500	7.665
<b>Total EXPENDITURE</b>	<b>58.962</b>	<b>63.004</b>	<b>97.893</b>	<b>22.673</b>	<b>242.532</b>
<b>Funded by</b>					
Borrowing	24.597	22.976	39.381	9.609	96.563
Finance Leases	0.000	0.000	4.500	0.000	4.500
Capital Receipts	0.755	6.279	1.939	5.347	14.320
Grants	30.653	32.034	46.784	7.617	117.088
Contributions	2.957	1.557	5.284	0.100	9.898
Revenue Resources	0.000	0.158	0.005	0.000	0.163
<b>Total FUNDING</b>	<b>58.962</b>	<b>63.004</b>	<b>97.893</b>	<b>22.673</b>	<b>242.532</b>

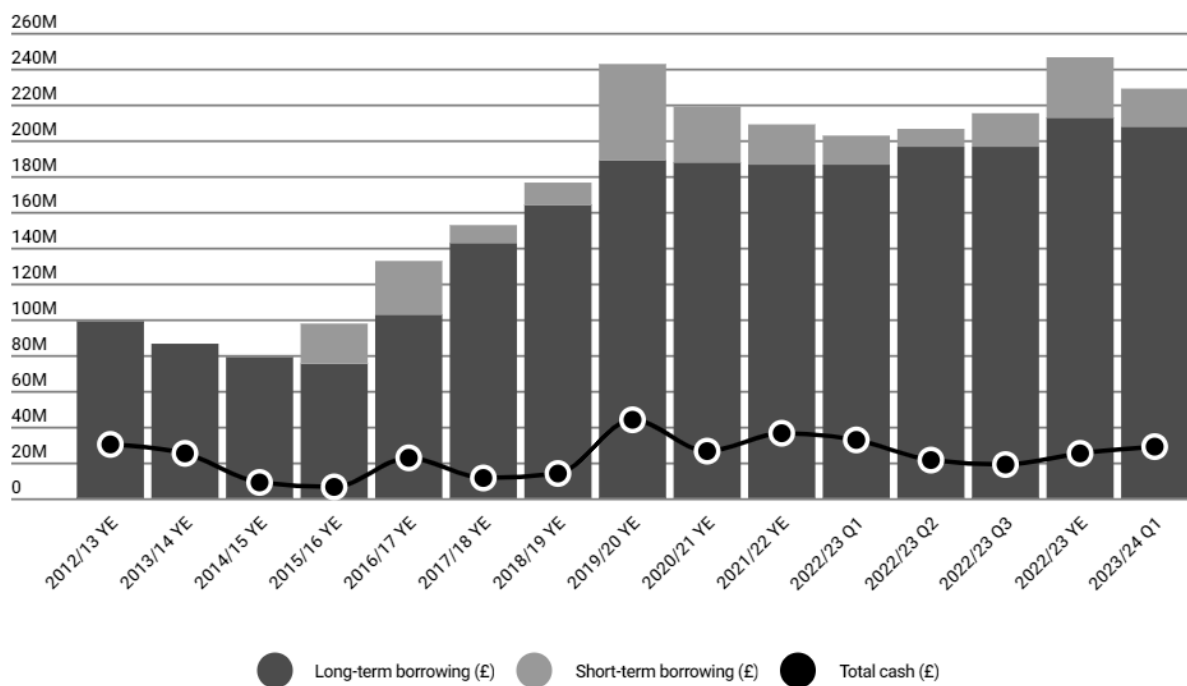
## **Treasury Management - Borrowing & Prudential Indicators**

64. 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.
65. 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 the actual position as at Quarter One 2023/24 are summarised in table 9.
66. Investment and borrowing decisions are taken to manage the short, medium and long term cash needs of the Council and are driven primarily by:
- the extent to which the Council finances its capital expenditure by borrowing which is measured by the Capital Financing Requirement (CFR)
  - The timing differences between operational income and expenditure flows
  - The level of cash backed reserves held by the Council; and informed by short to long term interest rate forecasts.

**Table 9 – Prudential Indicators – Quarter One 2023/24**

	<b><u>Original Approved Budget (Feb. 23)</u></b>	<b><u>Q1 position</u></b>	<b><u>Variance</u></b>	<b><u>Variance as a % of budget</u></b>
	<b><u>(£m)</u></b>	<b><u>(£m)</u></b>	<b><u>(£m)</u></b>	<b><u>%</u></b>
Capital Expenditure	71.211	63.004	(8.207)	(11.5)
<u>Financing</u>				
External Sources	37.269	33.591	(3.678)	(9.9)
Capital Receipts	9.532	6.279	(3.253)	(34.1)
Revenue Resources	0.000	0.158	0.158	100.0
Debt	24.410	22.976	(1.434)	(5.9)
	<u>71.211</u>	<u>63.004</u>	<u>(8.207)</u>	
Capital Financing Requirement	297.562	296.128	(1.434)	(0.5)
External Debt	263.359	229.053	(34.306)	(13.0)
Investments	15.000	24.950	9.950	66.3
Revenue costs of Capital Financing	9.204	9.004	(0.200)	(2.2)
Revenue Budget	126.354	126.354	n/a	n/a
Cost as a % of revenue budget	7.3%	7.1%		

67. The Council's forecast Capital Expenditure outturn at Quarter One is £63.001m compared to an original approved budget of £71.211m, an underspend of £8.207m (11.5%). This results in a slightly lower level of debt funding and CFR than was anticipated at budget setting.
68. During the first quarter, external borrowing reduced from £245.899m at 31 March 2023, to £229.053m at 30 June 2023. This decrease of £16.846m reflects the repayment of short term borrowing of £11.811m, and repayment of principal amounts on existing annuity loans held by the Council of £5.025m.
69. Cash balances are at the same level (around £25m) at the end of Quarter One as they were on 1 April 2023. This does though hide a significant amount of daily volatility with amounts varying between £15m - £35m, depending on the timing of actual payment runs and income received. No new external borrowing has been needed. The stability of cash balances over the period represents an offset between income being received in advance for use later in the financial year, as against short and longer term debt repayments being required.
70. The ratio of short-term to long-term borrowing has decreased during the quarter given the additional amount of short term borrowing that has been repaid. Long term Public Works Loan Board (PWLB) rates continue to remain high at present due to the increasing bank rate position. The Council's total under borrowed position (external debt compared to the capital-financing requirement – or underlying need to borrow) is £67.075m at 30 June 2023, or 22.5%. 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. The over-riding objective continues to be to demonstrate value for money from any borrowing decisions taken. The majority of external borrowing will be taken later this financial year.



71. 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.

72. The amount of external debt at £229.053m and the total underlying need to borrow of £296.128m are both well below the Council's authorised debt limit of £328.000m for the year. This is the threshold above which any borrowing would be illegal. The cost of capital financing to the Council is slightly lower by £0.200m than set at budget of £9.204m due to increased income on cash balances and this will be factored into the budget monitoring forecast. The total annual cost of capital financing being £9.004m (7.1% of the approved revenue budget).

### **What decision(s) are being recommended?**

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

- Note the forecast 2023/24 net revenue budget outturn as at Quarter One of £137.917m against an approved budget of £126.354m, a forecast overspend of £11.563m (9.2%).
- Note that the Council's usable revenue reserves position is critically low at £14.8m comprising the General Fund Reserve of £12.041m and the Council's unrestricted usable earmarked reserves of £2.788m at 31 March 2023.
- Note that if the current forecast overspend of £11.563m is actually incurred, it will exhaust the Council's unrestricted usable earmarked reserves and also significantly draw upon the Council's General Fund Reserve as shown in Table 2. Therefore urgent management action is required to reduce expenditure and the forecast outturn within budget.
- Note that if it appears to the Director of Finance S151 Officer that total expenditure cannot be managed within the approved budget of £126.354m by 31 March 2024, there is a statutory requirement for the Director of Finance to issue a s114 Notice to the Council under the provisions of the Local Government Finance Act 1988. In practice, prior to this occurring, the Director of Finance would seek Exceptional Financial Support from DLUHC in order to meet unmanageable financial pressures in the short term whilst the Council's financial position is recovered.
- Note the implications of an application for Exceptional Financial Support and the issuing of a s114 notice (paragraphs 17 to 22) upon the Council.
- Note the management actions that have already been implemented from the start of the 2023/24 financial year in order to exercise enhanced budget management and control (paragraph 10), and the further actions outlined in paragraph 28 which have been implemented by the Director of Finance and the Leadership and Management Team (LMT) in response to the emerging overspend position that was identified during June in relation to accounting period 2 (month end 31 May).

- Note that rigorous spending restrictions have been implemented with effect from 1 July 2023 and will remain in effect until further notice.
- Note that Chief Officers within LMT are working in consultation with their relevant Executive Member to develop and deliver robust Financial Recovery Plans (paragraph 28) in order to contain expenditure within the Council approved budget.
- Note and support the actions taken by the Director of Finance and the Wider LMT including the initial Financial Recovery Plans totalling £2.557m that have been identified and quantified to date (as shown in Table 1 and Appendix 2).
- Note that further work is continuing with a view to fully mitigate the forecast overspend and that further reports will be submitted to the Executive for noting and approval of management actions as appropriate.
- **Approve** the proposed revenue budget virements over £150,000 as detailed in Appendix 4.

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

- Note the 2023/24 Capital Programme forecast outturn of £63.004m at Quarter One against a revised capital Programme Budget of £80.474m, an underspend of £17.470m (22%).
- **Approve** the revised Capital Programme to 2025/26 summarised at table 8 and detailed at Appendix 6, including £183.570m for financial years 2023/24 to 2025/26. Note that £19.839m of funds that were assumed to be spent in 2023/24 have now been slipped to 2024/25 and later years (Appendix 5).
- Note that a full review of the Capital Programme will be undertaken and reported at Quarter Two with a view to ensuring realistic profiling of expenditure and alignment of funding. This will incorporate a challenge to reduce and reprioritise the utilisation of Council resources to mitigate or reduce any revenue budget impact within the context of controlling the Council's revenue financial position.
- Note the Treasury Management forecast outturn position with respect to the Council's prudential indicators as set out in paragraphs 64 to 72.

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

- Note the current forecast in-year deficit of £1.780m for 2023/24 relating to the High Needs Block.
- Note the forecast total cumulative deficit of £8.344m at 31 March 2024, including £8.801m relating to the High Needs Block, as set out in Table 5 and paragraphs 45 to 51.

- Note that under existing government regulations this deficit cannot be funded from the General Fund, and the Council is required to deliver a recovery plan to the Department for Education (DfE).
- Note that the Council is part of the DfE Delivering Better Value (DBV) scheme which aims to support financial recovery of the DSG position.

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

73. 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**

74. Not applicable.

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

#### ***Legal***

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

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

76. 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.

77. Any impact on the Council's Strategic Plan will be reported as part of the Corporate Performance Update: Quarter One 2023/24 report to this Executive.

78. 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 Update: Quarter One 2023/24 report.

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

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

## Financial

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

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

Action	Responsible Officer	Deadline
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 / Directors	31/3/24
Current Financial Recovery Plans to be finalised and implemented, and further Financial Recovery Plans to be identified by Directors for 2023/24, in consultation with relevant Executive Members.	Directors	31/8/23 and ongoing
Revenue budget virements detailed in Appendix 4 to be actioned, subject to approval	Head of Financial Planning & Support	31/8/23
Adoption of the revised Capital Programme included at Appendix 6, subject to approval.	Head of Financial Planning & Support	31/8/23

## Appendices

1	Detailed Directorate Revenue Budget Forecast Outturn 2023/24 as at Quarter One
2	Directorate Financial Recovery Plans
3	Detail of forecast reserves and provisions at year end as at Quarter One 2023/24
4	Proposed revenue budget virements above £150,000 at Quarter One 2023/24
5	Capital Programme Quarter One 2023/24– details of capital slippage
6	Proposed revised Capital Programme to 2025/26

## Background papers

Body	Report title	Date
Executive	Children's Service Financial Improvement Plan	14/2/23
Council	Budget 2023/24 - S25 Report of the Chief Finance Officer	27/2/23
Council	Revenue Budget, Council Tax, Medium Term Financial Plan and Capital Strategy 2023/24	27/2/23
Executive	MTFP Update	23/8/23



**Contact:** Andrew Humble, Head of Financial Planning & Support  
(deputy S151 Officer)

**Email:** [andrew\\_humble@middlesbrough.gov.uk](mailto:andrew_humble@middlesbrough.gov.uk)