

<b>Report of:</b>	Interim Director of Finance (s151 Officer)
<b>Relevant Executive Member:</b>	Elected Mayor of Middlesbrough Executive Member for Finance and Governance
<b>Submitted to:</b>	Executive
<b>Date:</b>	20 December 2023
<b>Title:</b>	2024/25 Budget and Medium Term Financial Plan (MTFP) Update 2024/25 to 2026/27
<b>Report for:</b>	Decision
<b>Status:</b>	Public
<b>Strategic priority:</b>	All
<b>Key decision:</b>	Not applicable
<b>Why:</b>	Not applicable
The decisions in this report are to progress the development of the budget and MTFP for which the Council will take the final decisions in February 2024.	
<b>Subject to call in?:</b>	Not applicable
<b>Why:</b>	The approval of the budget and MTFP will be taken by Council in February 2024

**Proposed decision(s)**

The report provides an update to the Executive on the budget and Medium Term Financial Plan (MTFP) development process for 2024/25 to 2026/27 that will conclude with consideration and approval of the budget by Council in February 2024. The recommendations in this report are for formal noting and endorsing by Executive of a range of budget proposals aimed to balance the budget to go out to public consultation. These are detailed in paragraph 2.

## Executive summary

There is a legal requirement upon all members of the Council to set a balanced General Fund Budget for 2024/25 by 11 March 2024. In addition, it is a Best Value requirement to secure the financial recovery and return to financial sustainability of the Council through setting a balanced 3-year MTFP over the period to 2026/27.

It should be noted that the Council's financial position remains critical, and it is necessary to identify, approve, and implement a range of budgetary control measures at significant scale to return to a financially sustainable position where the annual expenditure of the Council remains within its annual income over the medium term. Achieving financial sustainability is essential to enabling the Council to succeed in delivering improved services and outcomes for the people of Middlesbrough in the medium to long term.

The risk of the s151 Officer being required to issue a s114 Notice under s114(3) of the Local Government Finance Act 1988 remains in the event that the Council is unable to set a legally balanced budget for 2024/25. The adverse consequences of issuing a section 114 notice are significant and are set out in more detail in paragraphs 4.132 to 4.135.

Middlesbrough Council continues to operate in a volatile and challenging economic and financial environment. Like many local authorities, the Council is experiencing significant financial challenges because of continuing high inflation, increasing demand, and complexity of need for services for the most vulnerable in the community, primarily adult and children's social care, home to school transport, homelessness, and waste disposal, for which it is required to meet its statutory responsibilities.

The Executive last considered the MTFP in August 2023. Since then, assumptions have been revised based upon new information and further work to validate demand and cost models for high spending areas and taking account of financial performance over the period to 31 October 2023 including the 2024/25 anticipated impact of current year financial performance.

A range of factors impacting the financial position are outside of the Council's control and are subject to change prior to final budget setting by the Council in February 2024, and of particular importance is the Government's position in relation to levels of grant available to local authorities that will be announced in the provisional Local Government Finance Settlement (LGFS) that is expected on or around the 19 December 2023.

This report:

- provides an update on the national and local context in which the Council is developing its Council Plan and MTFP (paragraphs 4.25 to 4.44)
- takes account where possible, of announcements made in the Chancellor's Autumn Statement 2023 on 22 November 2023 and the Local Government Finance Policy Statement 2024/25 issued by Department for Levelling Up,

Housing & Communities (DLUHC) on 5 December 2023 (paragraphs 4.56 and 4.57)

- updates Members on progress in developing the Council's General Fund Budget for 2024/25 and its MTFP for the three-year period 2024/25 to 2026/27 alongside the development of the new Council Plan which reflects the Elected Mayor's priorities over this period (paragraphs 4.64 to 4.105)
- **seeks Executive endorsement** to enter into consultation on budget proposals that will deliver expenditure savings and income growth over the period totalling £14.038m in 2024/25 rising to £21.088m in 2026/27, which potentially will result in a reduction of approximately 75 FTE posts, however in the areas affected there are currently 180 vacant posts. Also there will be an increase of 15 FTE posts required to implement some of the proposals (paragraphs 4.110 to 4.112 and Appendices 1 and 2)
- **seeks Executive endorsement** of growth proposals totalling £2.219m in 2024/25, in relation to undeliverable/delayed savings and revision of Mayoral priorities (paragraphs 4.107 to 4.109 and Appendices 3 and 4)
- **seeks Executive endorsement** to enter into consultation on the proposed total Council Tax increase of 4.99% for 2024/25 (comprising of a 2.99% increase in general Council Tax and a 2% Adult Social Care Precept), in line with the referendum limits announced by the Government (paragraphs 4.71 to 4.73)
- updates Members on the remaining budget gap of £6.279m in relation to 2024/25, with a further £1.596m in 2025/26, and a further £0.305m in 2026/27, after taking account of all current proposals. (paragraphs 4.115 and 4.116)
- updates Members on the further measures that will be taken to set a balanced budget in order to prevent the need for a s114 Notice to be issued by the s151 Officer, including:
  - the progress in developing a Transformation Programme to support the achievement of financial recovery and financial sustainability over the medium term (paragraphs 4.118 to 4.123)
  - the intention to make an application to DLUHC for Exceptional Financial Support should this be required after consideration of further budget proposals and the Provisional Local Government Finance Settlement to be announced on or around 19 December 2023 (paragraphs 4.129 to 4.131)
- sets out the implications of a s114 Notice for the Council if it is unable to set a legally balanced budget for 2024/25 by 11 March 2024 (paragraphs 4.132 to 4.135)

The final MTFP report to be considered by the Executive in February 2024 will also include an updated position for the Capital Programme, Capital Strategy, Treasury Management Strategy, and Flexible Use of Capital Receipts Strategy.

The Council's Director of Finance (Section 151 Officer) has a statutory duty to assess the robustness of the budget estimates and the adequacy of reserves in the form of a report under s25 of the Local Government Act 2003. This assessment will be provided in the MTFP report to the Executive and Council in February 2024.

## 1. Purpose

1.1 The report provides an update to Members on:

- The general economic climate, central government funding, and relevant assumptions impacting upon the Council's Medium Term Financial Plan (MTFP) and the proposed level of Council Tax increase for 2024/25 through to 2026/27.
- The current estimated budget gap for 2024/25 and summarises significant developments within the 2023/24 financial year to date which impact upon budget setting for 2024/25.
- The responsibilities of all Council members to set a legally balanced budget by 11 March 2024 and the implications of a s114 Notice under s114(3) of the Local Government Finance Act 1988, in the event that Council fails to meet this requirement.

1.2 The report seeks approval to commence consultation on a range of budget proposals before finalising the proposed budget for 2024/25 and MTFP by Executive on 14 February 2024 for consideration by Council on 28 February 2024 including:

- local income growth,
- service reductions,
- demand management
- efficiency (doing things differently)
- transformation (doing different things)

The report also seeks approval to commence consultation on the proposed council tax increase for 2024/25 before finalising as part of the proposed budget for 2024/25 by Executive on 14 February 2024 for consideration by Council on 28 February 2024.

## 2. Recommendations

That Executive :

- 2.1. Notes the updated General Fund Budget gap to be closed for 2024/25 of £6.279m rising to £8.180m in 2026/27 further to the Medium Term Financial Plan (MTFP) refresh report considered by the Executive on 23 August 2023.
- 2.2 Notes the national financial and economic context within which the Council is operating and the financial benchmarking which provides context for the range of Council services which present some of the most significant financial pressures to be addressed in the Council's business and financial planning.
- 2.3 Notes the updated budget assumptions set out in paragraph 4.67 and the progress in developing proposals to balance the Council's General Fund Budget for 2024/25 and the updated MTFP position for the three-year period 2024/25 to 2026/27.

2.4 **Endorses** the draft budget proposals including:

2.4.1 Total budget savings and income growth of £14.038m in 2024/25 rising to £21.088m in 2026/27, of which £3.949m in 2024/25 rising to £5.465m in 2026/27 are deemed to involve policy change and/or impact service delivery levels and will be subject to public consultation (detailed in Appendix 2)

2.4.2 Total budget growth of £2.219m in 2024/25 comprising:

- Revision of 2023/24 approved savings of £1.114m in 2024/25 to reflect the Elected Mayor's priorities (detailed in Appendix 3)
- Delayed savings of £1.105m (detailed in Appendix 4)

2.5 **Endorses** the proposed total Council Tax increase of 4.99% for 2024/25 comprising:

- 2.99% increase in general Council Tax and
- 2% Adult Social Care Precept,

Which is in line with the current maximum referendum limits announced by the Government.

2.6 **Endorses** that where applicable, budget consultation will commence, on 21 December 2023 and conclude on 18 January 2024 prior to finalising the proposed budget on 14 February 2024 for consideration and approval by Council on 28 February 2024.

2.7 Notes that:

2.7.1 a budget gap of £6.279m in 2024/25 rising to £8.180m in 2026/27 remains after the inclusion of all current budget proposals and the proposed council tax increase; further work is required to develop and agree final proposals to present to Council on 28 February 2024 to achieve a legally balanced budget for 2024/25 by the statutory deadline of 11 March 2024

2.7.2 The Mayor and Executive are working with Officers and external consultants to develop a Transformation Programme that will deliver modernisation and redesign of services to operate from a significantly lower and financially sustainable cost base over the medium to long term.

2.7.3 Transformation Programme business cases must be robust, and adequately assured to enable their inclusion in the proposed 2024/25 budget that is to be considered and approved by Council on 28 February 2024.

2.7.4 The timeframe to achieve the required levels of assurance including consultation, are likely to extend beyond these applicable deadlines and will need subsequent consideration by the Executive and approval by Council during the 2024/25 financial year to revise the 2024/25 budget and MTFP.

## 2.8 Notes that:

- 2.8.1 a further review of the budget and MTFP will be undertaken following consideration and analysis of the expected announcement for the Local Government Finance Settlement which is due on/around 19 December 2023.
  - 2.8.2 if the combined effect of the Local Government Finance Settlement and any further identified and assured budget proposals are insufficient to close the remaining budget gap for 2024/25, then it will not be possible for the Council to achieve a legally balanced budget for 2024/25.
  - 2.8.3 in these circumstances, the interim Director of Finance (s151 Officer), after appropriate consultation with the interim Chief Executive and Monitoring Officer, will be required by law to consider issuing a s114 Notice under s114 (3) of the Local Government Finance Act 1988.
  - 2.8.4 prior to issuing a s114 Notice the s151 Officer and Chief Executive with the support of the Mayor and Executive, will make an application to DLUHC for Exceptional Financial Support (EFS) by mid-January 2024. This is likely to be in the form of a capitalisation direction in respect of any remaining budget shortfall in 2024/25. This application will incorporate a draft plan for financial recovery over the medium term of which the developing of a Transformation Programme will be a key element.
  - 2.8.5 if DLUHC refuses the application for EFS or approves an amount less than the Council requires to balance the 2024/25 budget, then it will be necessary for the s151 Officer to issue a s114 Notice under s114 (3) of the Local Government Finance Act 1988. The implications of issuing a s114 notice are set out in paragraphs 4.132 to 4.135.
- 2.9 Notes the updated financial position for 2023/24 at Period 7 to 31 October 2023 and the measures taken by the s151 Officer in order to mitigate the risk of a s114 Notice arising in 2023/24 as set out in paragraph 4.28

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

- 3.1 The Council has a legal obligation to set a balanced budget by 11 March 2024 and a Best Value duty to demonstrate financial sustainability through a balanced Medium Term Financial Plan (MTFP). The setting of the budget is part of the budget and policy framework and therefore requires Full Council approval.
- 3.2 The recommendations enable the Council to progress towards meeting its statutory responsibility to set a balanced revenue budget in 2024/25 and the requirement to secure financial sustainability of the period of the MTFP.
- 3.3 The Council is required to take a systematic, coherent, and controlled approach to addressing its ongoing financial challenges over the medium-term, while enabling the delivery of the Mayor's vision and priorities for Middlesbrough through delivery of the wider Council Plan.

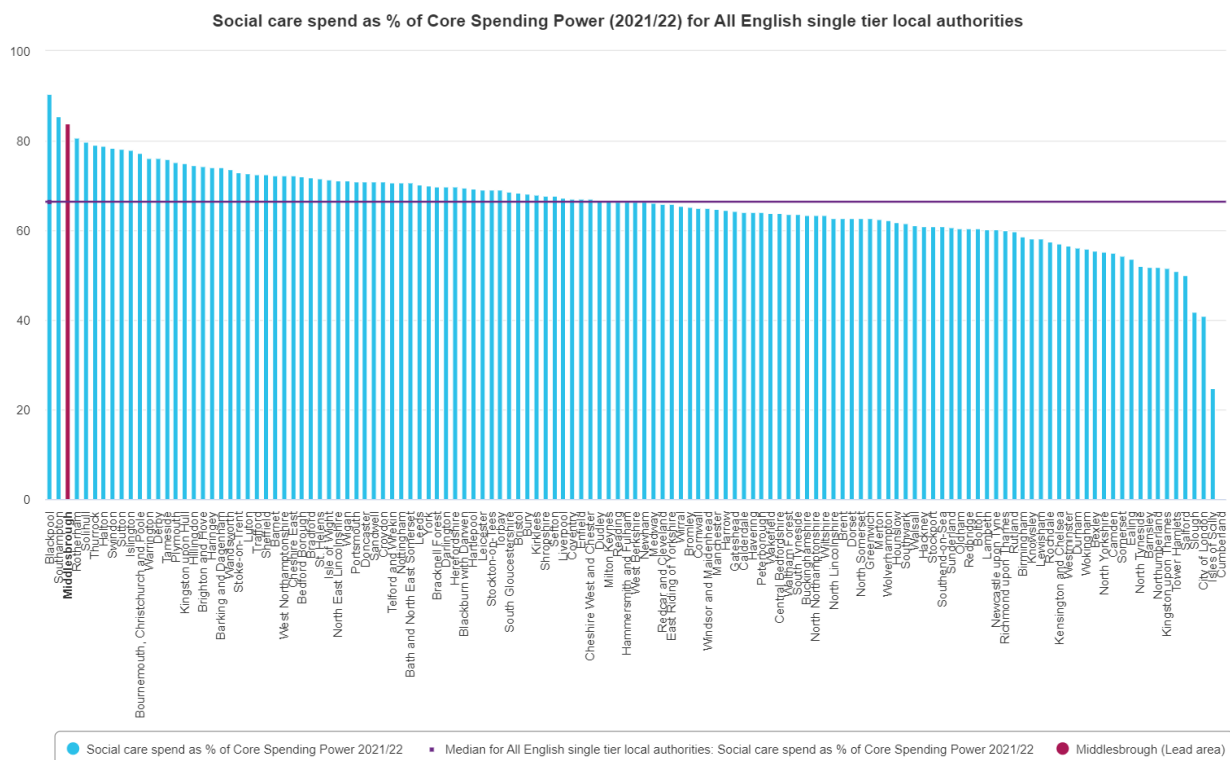
## 4 Background and relevant information

### Middlesbrough Context

- 4.1 Middlesbrough is the business, culture, and education capital of the Tees Valley. Our location in the North East of England gives us access to stunning countryside, unrivalled coastline and the beautiful North York Moors. We are home to thriving companies who compete on the world stage and award-winning education institutions including Teesside University.
- 4.2 Middlesbrough's population totals 143,900 (as per the Census 2021) living across an area of around 7 miles by 5 miles, located at the centre of the Tees Valley and one of the most densely populated and diverse parts of the Northeast. Approximately 18% of the town's population are from an ethnic minority background whilst a significant minority of Middlesbrough's total population (12.29%) were born outside of the UK.
- 4.3 Employment and Skills are long outstanding challenges, Middlesbrough is younger on average than the rest of the region, or even nationally, which means that there is a large proportion of the population (62.4%) in education or at working age (higher than the North East at 61.9%), which presents opportunities to shape the future workforce, to meet the needs of the town. However one of our key challenges will be ensuring that the current and future workforce have the skills to attract business to the town, for example, 23.9% of residents have no qualifications, compared with 18.1% nationally.
- 4.4 Middlesbrough ranks as the 5th most deprived area in England and 40% of wards are ranked as amongst the top 3% most deprived areas (as per the Index of Multiple Deprivation 2019). Local people face significant health inequalities, with men and women in some of our poorest areas are likely to live for 4 years and 3 years respectively less on average than those regionally and nationally.
- 4.5 Whilst living in Middlesbrough can be challenging, there is a real sense of community, and the town has been incredibly welcoming to new arrivals, based on the Council's Resident Surveys completed in 2017 and 2023.
- 4.6 These factors represent long term challenges to the prosperity and wellbeing of Middlesbrough as a town and to the Council, with significant and increasing demand for services for which the authority is required to meet its statutory responsibilities, such as adults and children's social care, which in 2023/24 account for 83% of the Council's opening total net revenue budget.
- 4.7 This is a substantial proportion of the Council's budget and higher than most other unitary authorities. Comparative information on the level of expenditure on social care as a proportion of the Council's assessed Core Spending Power is shown in Figure 1 below. This shows that in 2021/22, the Council spent 83.9% of its Core Spending Power on social care compared to the median (midpoint) of all English single tier authorities of 66.3%.

**Figure 1: Social Care spend as a % of Core Spending Power 2021/22 for all English single tier local authorities**

In 2021/22, the level of social care spend as a percentage of Core Spending Power for Middlesbrough was 83.9%, which was above the All English single tier local authorities median of 66.3%.



**Source:**  
 Department for Levelling Up, Housing & Communities, Revenue Outturn Summary (RS), [Net current expenditure - children Social Care \(RS\)](#) , **Data updated:** 05 Jul 2023  
 Department for Levelling Up, Housing & Communities, Revenue Outturn Summary (RS), [Net current expenditure - adult Social Care \(RS\)](#) , **Data updated:** 05 Jul 2023  
 Department for Levelling Up, Housing & Communities, Core spending power, [Core Spending Power \(Actual\)](#) , **Data updated:** 06 Jul 2023

4.8 The high proportion of expenditure directed towards meeting the Council’s statutory responsibilities for social care, significantly limits the Council’s ability to invest in the provision and improvement of other services and particularly discretionary place based services that are highly valued by the wider community. The Council needs to pursue strategies to deliver more cost-effective social care provision in order to be able to continue to provide valued discretionary services.

**Middlesbrough Council Plan**

4.9 The Council Plan is the Council’s overarching business plan for the medium-term, and is refreshed on an annual basis. It sets out the ambitions and priorities of the Elected Mayor of Middlesbrough and the wider corporate priorities that the Council is required to deliver.

4.10 Following the outcome of the 2023 Mayoral and Local Elections, the Council has a newly elected Mayor who has worked with his appointed Executive and the Leadership Management Team to articulate his vision and to priorities that are incorporated into the wider Council Plan. The revised Council Plan for the period 2024/25 to 2026/27 is considered elsewhere on this Executive agenda.



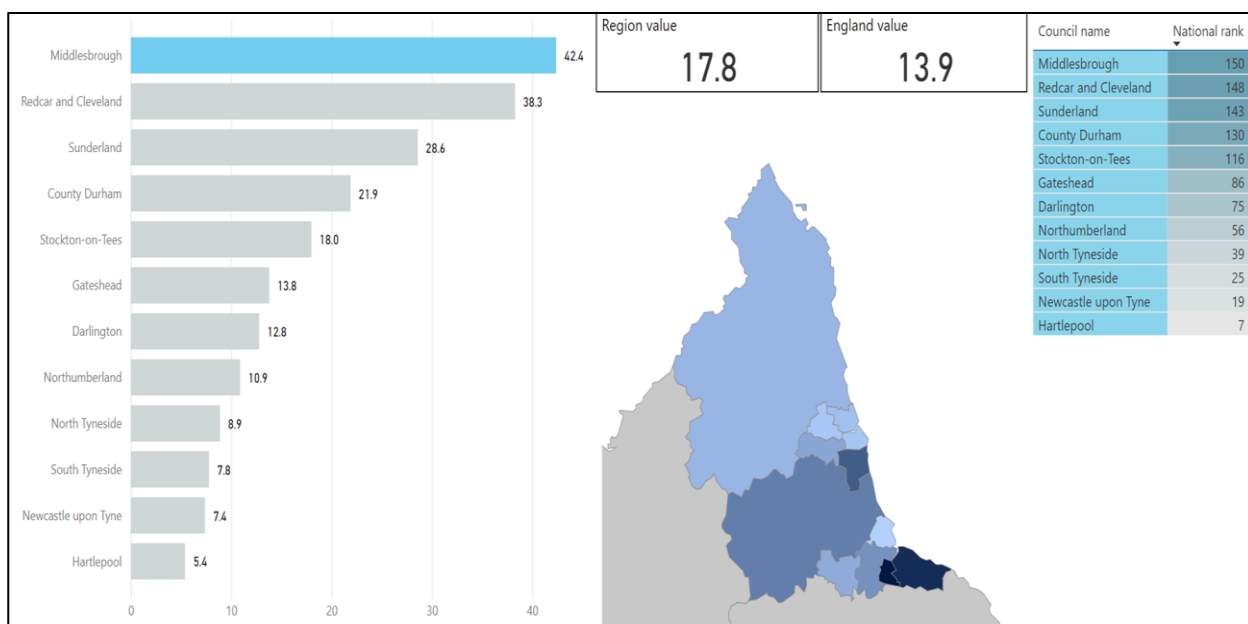
- 4.11 The Council Plan and the Council’s annual revenue and capital budgets are developed in parallel, to ensure full alignment between the Council’s ambitions and spending plans.
- 4.12 In outlining an achievable programme of work that delivers performance improvement within constrained financial resources, the Council Plan and its supporting Service Plans, will be presented to a meeting of the Executive in March 2024. This will demonstrate the Council’s approach to securing better value for money and financial sustainability over the medium term.
- 4.13 The remainder of this section provides a summary of the local context for high spending service areas which present significant financial pressures and upon which the Council’s focus for transformation and efficiency be required.

4.14 Adult Social Care

Adult Social Care is the second largest area of net expenditure for the Council at £49.8m (40% of the Council’s opening total net revenue budget) for 2023/24. Care sector supplier capacity, and demand for the Health and Care sector continues to provide challenges for the Council.

This is borne out in several areas where Middlesbrough remains an outlier in performance for Adult Social Care Services. Figure 2 below shows Middlesbrough has more adults admitted to residential and nursing care homes at 42.4 per 100,000 population compared to Regional and England as 17.8 and 13.9 respectively.

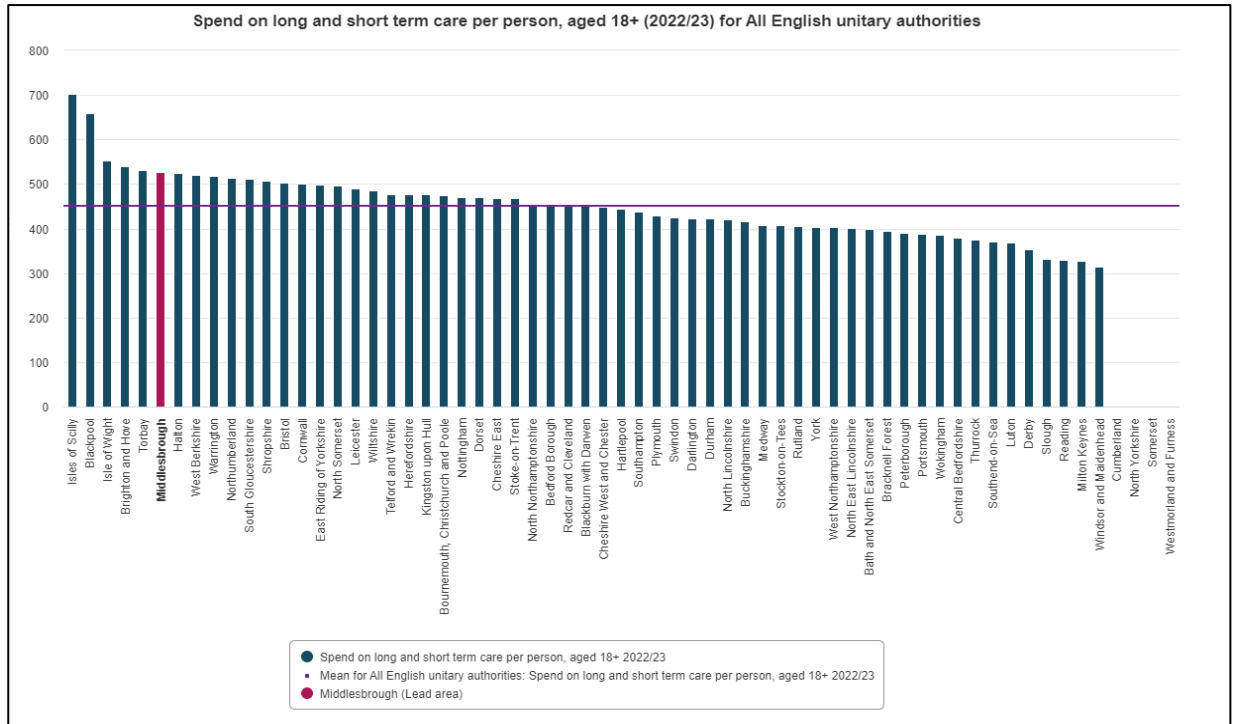
**Figure 2: The number of adults aged 18 to 64 whose long-term support needs are met by admission to residential and nursing care homes (per 100,000 population) - comparison against regional neighbours in 2021/22**



Source : Adult Social Care Outcomes Framework (ASCOF) data

Also this is borne out by the level of spend on long and short term care per person for Middlesbrough compared to other England Unitaries, as shown in Figure 3 below.

**Figure 3: Spend on long and term short care per person, aged 18+ (2022/23) for all English Unitary authorities**



Source : LG Inform

The budget proposals reflect the increased demand for services with savings initiatives and proposals focused on improved efficiency of current systems and transformation of the Adult Social Care delivery model through enhanced early intervention, digital technology, increased reablement, and the broadening of our accommodation offer.

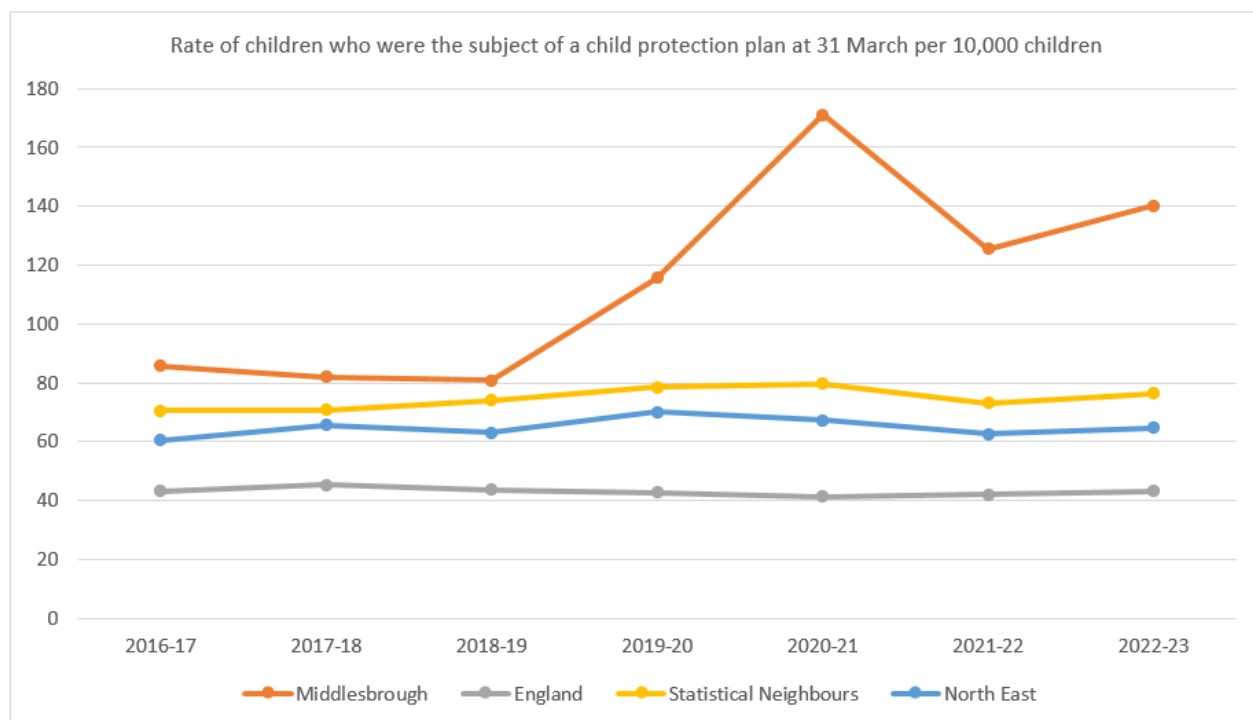
#### 4.15 Childrens Social Care

Childrens Social Care is the largest area of net expenditure for the Council at £54.6m (43% of the Council's opening total net revenue budget) for 2023/24. Middlesbrough has a high young population, with 23% of the population aged between 0 to 17 compared to North East neighbours of 19.8% and 20.8% for England (as per Office for National Statistics). The number of Children aged 0-15 in absolute low income families was 31.8% compared to the England average of 15.3% (as per Department for Work and Pensions data). The number of young people, and those living in poverty directly impacts on the number of children requiring support from Children's Services.

The level of demand is demonstrated in Figure 4 below, showing that for Child Protection plans in place for Middlesbrough there are 140.2 per 10,000 children whilst the England average was 43.2 in 2022/23.

**Figure 4: Rate of children who were subject to child protection plans at 31 March per 10,000 children**

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	% change from '21-22 to '22-23	
	rate	rate	rate	rate	rate	rate	rate		
<b>Middlesbrough</b>	<b>85.8</b>	<b>82.1</b>	<b>80.9</b>	<b>115.6</b>	<b>171.1</b>	<b>125.6</b>	<b>140.2</b>	<b>Up</b>	<b>12%</b>
England	43.3	45.3	43.7	42.8	41.4	42.1	43.2	Up	3%
Statistical Neighbours	70.5	70.8	74.1	78.4	79.6	73.1	76.4	Up	5%
North East	60.6	65.7	63.1	70.0	67.2	62.6	64.8	Up	4%



Source : Department for Education latest data

The direction of travel for Children's Social Care is for improvements to efficiencies of current systems to transform the delivery model through enhancement of early help and prevention, the development of new models of placement provision for looked after children, and development of more in-house fostering capacity. These initiatives will be overseen by the Childrens Improvement Board.

A recent Ofsted and Care Quality Commission (CQC) inspection has resulted in Middlesbrough's special needs service for young people being given the highest possible rating. The inspectors described children and young people with SEND in Middlesbrough as 'valued, visible and included' and typically able to receive the right help at the right time, while good relationships are maintained with schools and the local parent carer forum.

#### 4.16 Waste Management

The Council currently operates weekly collection of waste, where the current 2023/24 net budget for Waste Collection is £2.854m. Waste disposal is a significant cost to the Council with a 2023/24 budget of £3.969m.

As well as contributing to the Council's environmental objectives, the cost of disposing of recycled waste (average disposal rate is £53.01 per tonne) is much lower than the cost of residual waste (disposal rate is £72.56 per tonne). Further, it is important to note that there is a significant cost to disposing of waste incorrectly. Residual waste that is put in the recycling bin causes contamination to the recycled waste stream and is rejected by waste operators and diverted to the residual waste stream for which the Council has to pay to process twice (average residual waste disposal rate of £173.78 per tonne).

Table 1 below summarises the forecast total waste disposal cost, tonnage, and cost per tonne of recycled waste, residual waste, and contaminated waste for 2023/24

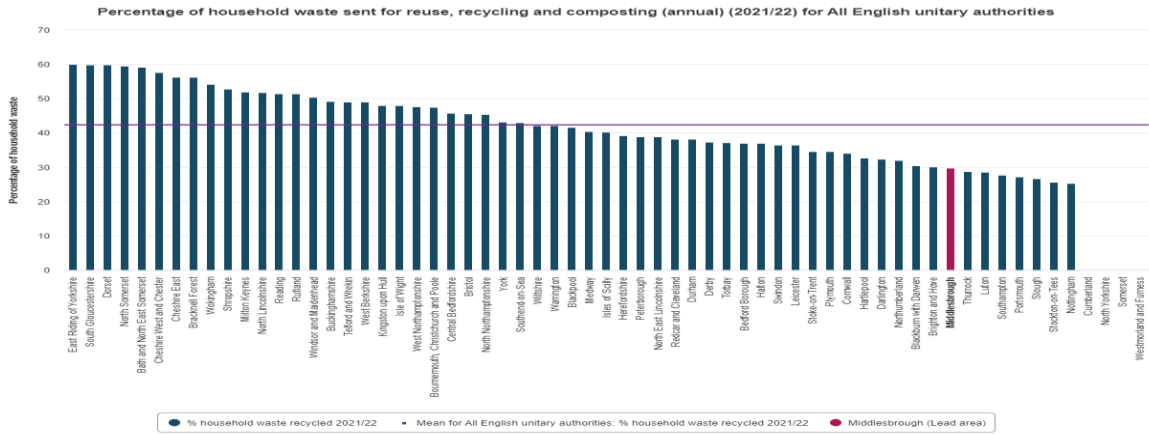
**Table 1: forecast total waste disposal cost, estimated tonnage, and average cost per tonne of recycled waste, residual waste, and contaminated waste for 2023/24 (Forecast as at October 2023)**

<b>Disposal Stream</b>	<b>Annual Forecast Cost as at October 2023 (£)</b>	<b>Forecast Tonnage</b>	<b>Average Rate per tonne* (£)</b>
Main Waste Disposal Contract	3,073,594	41,588	72.56
Landfill	452,000	3,327	135.86
Recycling - Civic Amenity Site	584,442	8,661	Various
Recycling - MRF Facility	389,183	9,815	Various
Green Waste	178,444	6,024	28.00
Road Sweepings	39,573	1,019	35.00
Miscellaneous/Fly/Bulk	79,508	817	Various
Other Costs (staffing, rates, miscellaneous)	203,156	n/a	n/a
	<b>4,999,900</b>	<b>71,251</b>	

*\*Note - as these are average tonnage rates, the tonnage multiplied by these rates for each element do not necessarily equal the total forecast for the year as at October 2023*

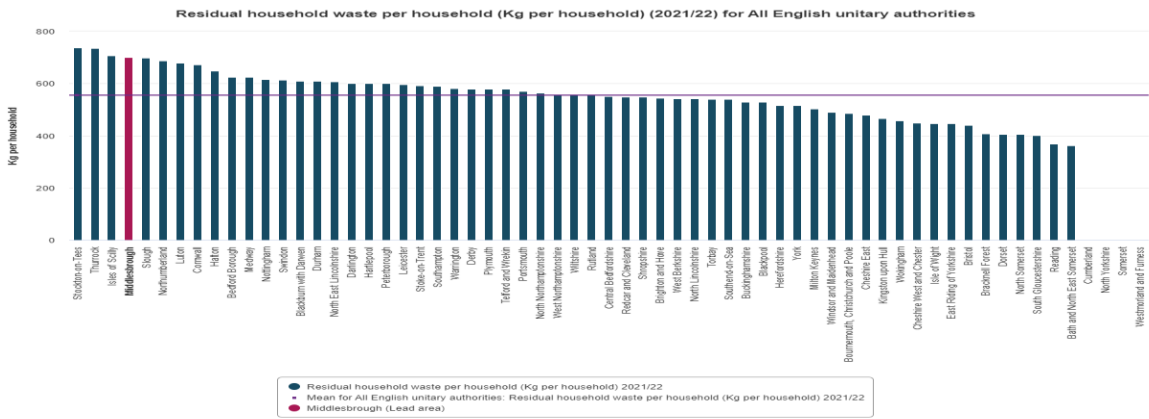
Based upon 2021/22 available comparative data, Middlesbrough has one of the lowest recycling rates of all single tier authorities at 29.8% compared to a mean of 42.3%. Whilst the amount of residual waste is higher than most single tier authorities at 701kg per household compared to 554kg, the level of contaminated waste as seen in Figure 7 below is also higher than most single tier authorities.

**Figure 5: % of household waste recycled 2021/22**



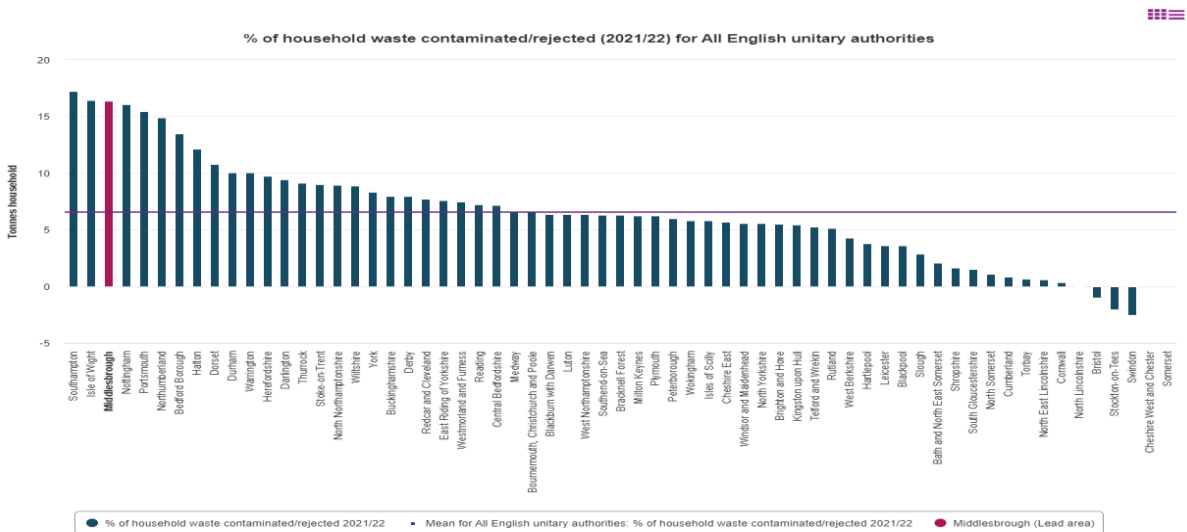
Source: Department for Environment, Food and Rural Affairs

**Figure 6: Residual Household Waste Per household 2021/22**



Source: Calculated by LG Inform

**Figure 7: % of household waste contaminated/rejected 2021/22**



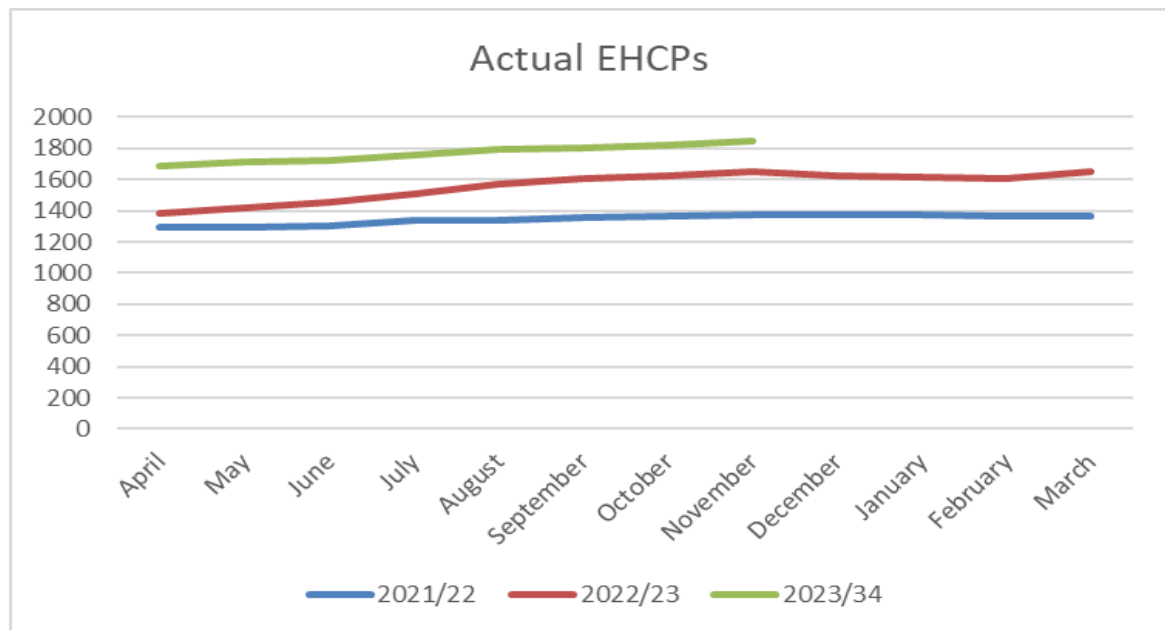
Households in Middlesbrough can make a significant contribution to reducing the total cost of waste disposal by complying with Council guidance on what waste to put in each bin.

#### 4.17 Home to School Transport

Home to School Transport for children and young people is an area of significant expenditure for the Council. It is a vital statutory service that provides transport to the most vulnerable children, young people, and disabled children in Middlesbrough.

The net budget to the Council in 2023/24 is £3.7m, however the service is facing significant budget pressures with a forecast overspend of £1.9m in 2023/24. The provision of transport is delivered through in-house services and is commissioned externally. Transport costs are, however, subject to the volatility of fuel costs, and labour market pressures, alongside demand growth in terms of the increase in school age children with complex health and multiple disabilities. A view of the number of Education, Health, and Care Plan's (EHCP) provides a good indicator of demand, which for Middlesbrough has increased by 12% from the previous year (1,652 cases to 1,848 cases in November 2023).

**Figure 8 : actual number of Education, Health, and Care Plans (EHCP) 2021/22 to 2023/24**



Source : internal monthly data

The focus is to continue to increase options and the ability for disabled young people to travel independently, whilst delivering cost efficiencies through our commissioning of service provision, route optimisation and efficiencies in inhouse provision.

## Corporate Governance Improvement Programme (CGIP)

4.18 The Council was issued with a Best Value Notice by DLUHC in February 2023 and subsequently with 11 statutory recommendations relating to the need to improve its Best Value arrangements by the External Auditor Ernst & Young (LLP) in August 2023. The Council has established a Corporate Governance Improvement Plan (CGIP) to deliver the improvements that are necessary to secure Best Value which were considered by Council at its meeting on 18 September 2023. The key themes are:

- Cultural Transformation
  - People Strategy
  - Member Development Strategy
  - Partnership Strategy
- Financial Recovery and Resilience
  - Achieve financial balance and resilience
  - Robust budgeting and financial planning
  - Compliance with financial governance

4.19 Successfully addressing the Council's Financial Recovery and Resilience at pace is fundamental to securing the Council's financial future. Financial stability is at the foundation of building an effective and efficient customer focused organisation.

4.20 As reported by the previous Interim Chief Financial Officer at budget setting in February 2023 and subsequently by the Interim Director of Finance in the Quarterly financial updates and MTFP Refresh report considered by Executive on 23 August 2023, the Council's financial position is serious with a forecast overspend for 2023/24 of £8.556m at Quarter Two. Whilst this has improved to a forecast £7.438m overspend at Period 7 (end of October), significant work is still required in order to achieve financial balance in 2023/24 within the context of already critically low usable revenue reserves of £14.829m.

4.21 The initial estimated budget gap for 2024/25 as per the MTFP Refresh report to Executive in August was £14.204m and this has been updated to reflect ongoing financial pressures emerging during 2023/24 and the review and development of demand and cost models for high spending services and the revised budget gap is set out in paragraph 4.68 and Table 10.

4.22 Of particular relevance to the 2024/25 budget setting and MTFP process are the statutory recommendations issued in August 2023 by the External Auditor Ernst & Young (LLP) known as EY in relation to the Council's financial recovery and resilience that require the Council to:

- Build upon the steps already taken to control its expenditure to identify specific deliverable savings over the short term (next 12 months) to protect its limited remaining reserves. Where appropriate this may need to include the Council changing how it meets its statutory responsibilities and the extent to which it delivers services which are not required to discharge its statutory responsibilities.

- Review service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.

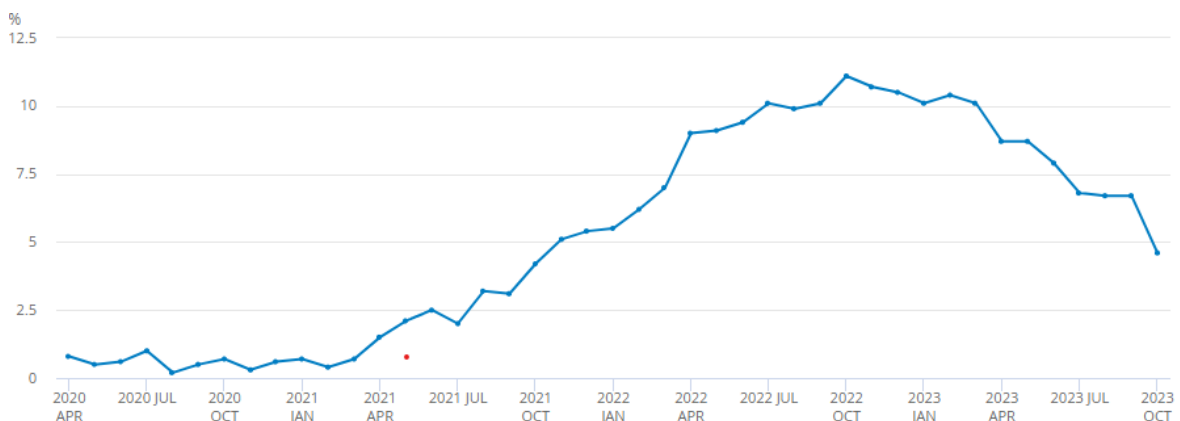
4.23 The Council has voluntarily engaged the Middlesbrough Independent Improvement Advisory Board (MIIAB) to provide challenge and support in the development and delivery of the CGIP for the period of 12 months from October 2023. The Board is currently particularly focused upon supporting the Council to meet its financial challenges.

4.24 Statutory Officers are in regular dialogue with the External Auditor and with officials within the Department for Levelling Up Housing and Communities (DLUHC) in relation to the progress of the CGIP and the Council’s financial position, particularly in relation to the prospect of the need for the Council to make an application for EFS to avoid a s114 Notice in respect of 2024/25 as a critical element of its financial recovery plan for the medium term.

### National Economic Context

4.25 Inflation as measured by the CPI (Consumer Prices Index) has remained persistently high during 2023/24, falling unexpectedly by 31 October 2023 to 4.6%. There continues to be uncertainty and volatility in the global economy, driven by adverse global events including the ongoing war between Russia and Ukraine and the recent escalation of conflict between Israel and Palestine. This is reflected in Figure 9 below:

**Figure 9: CPI Monthly increase between April 2020 and October 2023**



Source: Office for National Statistics CPI Data Tables (October 2023)

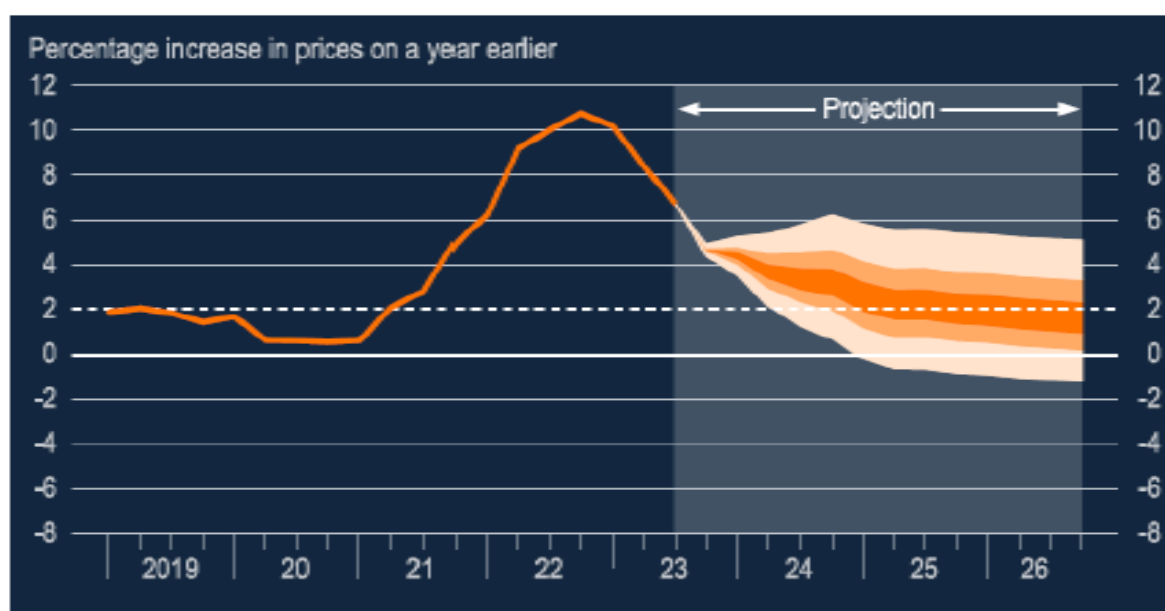
4.26 The Bank of England has raised interest rates in an attempt to curb inflation, on 14 consecutive occasions since 19 March 2020 when the rate stood at 0.1% through to the rate in 2 November 2023 at 5.25%. There are a range of forecasts for inflation currently and these are variable due to a range of complex economic factors. The last Office for Budget Responsibility (OBR) prediction in October 2023 is that they expect



inflation to remain higher for longer, taking until the second quarter of 2025 to return to the 2 per cent target, more than a year later than forecast in March 2023.

- 4.27 The forecast provided by the Council's Treasury Management Advisers, Arling Close, indicates that they expect that this reduction will not happen as quickly as forecast by the OBR. They predict that the second-round effects in domestic prices and wages are expected to take longer to unwind than they did to emerge. In the CPI forecast conditioned on the market-implied path of market interest rates, an increasing degree of slack in the economy and declining external cost pressures lead CPI inflation to return to the 2% target by the end of 2025 and to fall below the target thereafter. They judge that the risks are skewed to the upside. Taking account of this skew, mean CPI inflation is expected to be 2.2% and 1.9% over the two and three-year horizons respectively. This is demonstrated in Figure 10.

**Figure 10: Outlook for UK CPI inflation**



Source: Arling Close

## Local Financial Context

### Latest forecast 2023/24 position

- 4.28 The Quarter Two budget monitoring report to Executive on 21 November 2023 highlighted a forecast 2023/24 overspend of £8.556m. The position at Period 7 (31 October 2023) is a forecast overspend of £7.438m forecast 2023/24 overspend as shown in the Table 2 below. Financial recovery plans continue to be developed to mitigate this further, along with a range of budgetary management and control measures as detailed in the Quarter Two budget monitoring report.

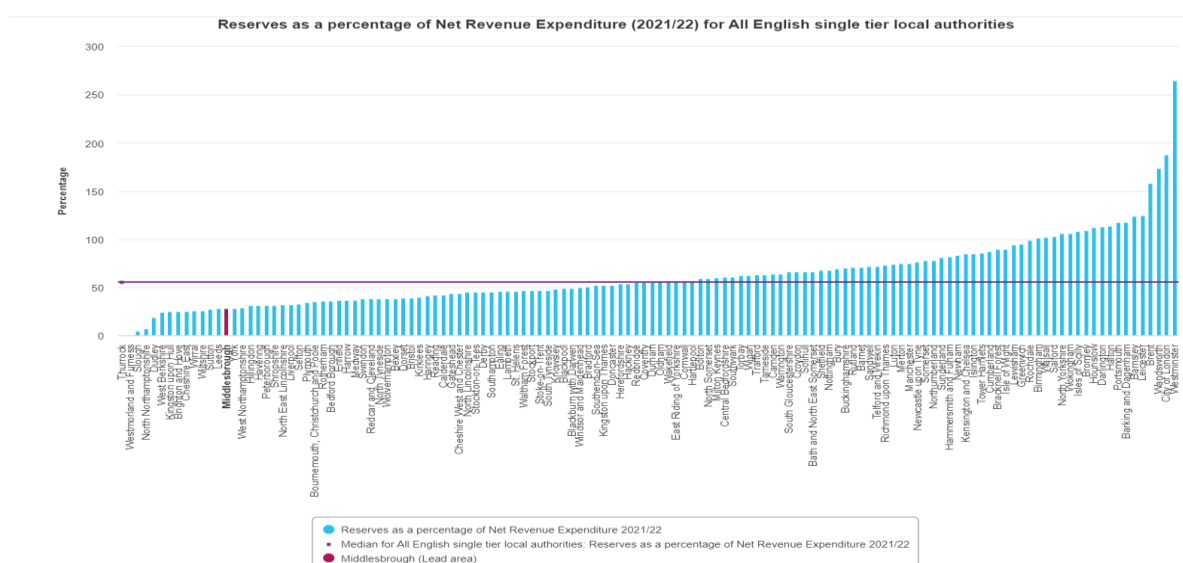
**Table 2: Movement of 2023/24 Projected Outturn Variance between Quarter 2 and Period 7 2023/24**

Movement of 2023/24 Projected Outturn Variance between Q2 and P7			
Directorate	Projected Outturn Variance as at Q2 23/24 £m	Projected Outturn Variance as at P7 23/24 £m	Difference £m
Adult Social Care	1.676	1.686	0.010
Public Health	-	-	-
Children's Care	3.172	3.447	0.275
Education	1.943	1.943	-
Regeneration	(0.396)	(0.356)	0.040
Environment & Community Services	0.737	0.859	0.122
Legal & Governance Services	0.004	0.011	0.007
Chief Executive	(0.012)	(0.012)	-
Finance	(0.147)	(0.147)	-
Central Budgets	1.579	0.007	(1.572)
<b>Total</b>	<b>8.556</b>	<b>7.438</b>	<b>(1.118)</b>

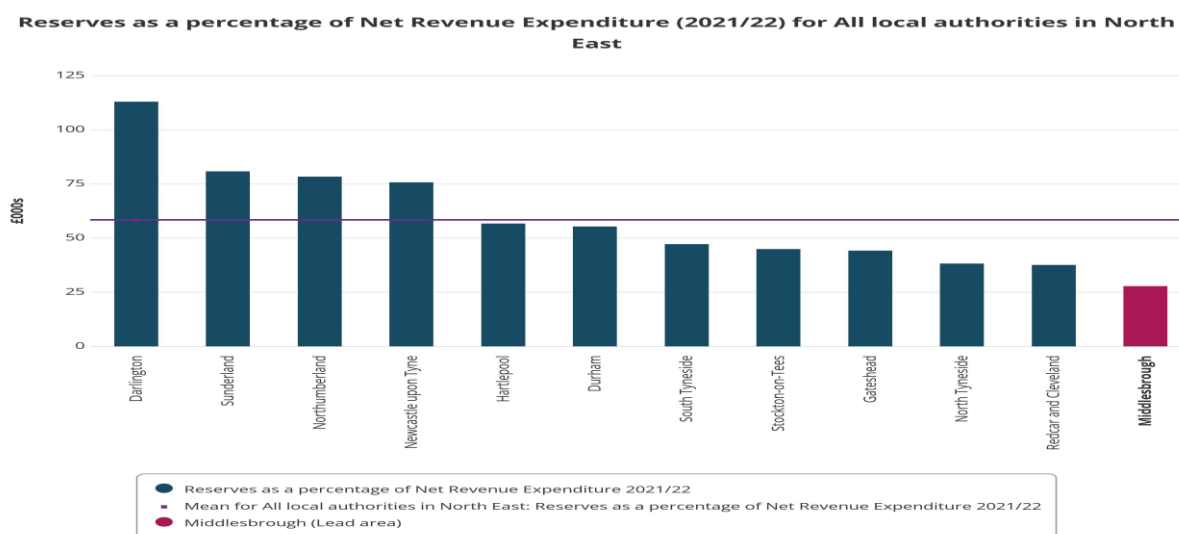
**Financial Resilience – Adequacy of Reserves**

4.29 The Council’s Financial Resilience and level of usable reserves is extremely low. This is demonstrated by the latest national comparative data by Figure 11a below. This shows that Middlesbrough’s level of usable reserves was 28% of Net Revenue Expenditure at the end of 2021/22 compared to the mid-range of 63% for all single tier authorities. Reserves have deteriorated further by the end of 2022/23 as reflected in this and previous reports.

**Figure 11a comparison of level of reserves with all English single tier authorities 2021/22**



**Figure 11b comparison of level of reserves with the other 11 authorities in the North East 2021/22**



Source:  
 Calculated by LG Inform  
 Powered by LG Inform

4.30 The level of usable revenue reserves at the start of the 2023/24 financial year were critically low and at period 7 are forecast to reduce further to £7.391m as a result of the Period 7 forecast overspend of £7.438m as summarised in Table 3 below.

**Table 3: Unrestricted Usable Revenue Reserves**

<b>Unrestricted Usable Revenue Reserves</b>			
<b>Directorate</b>	<b>Balance at 31/03/23</b>	<b>Q2 Forecast Balance at 31/03/24</b>	<b>P7 Forecast Balance at 31/03/24</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund Reserve	12.041	6.273	7.391
Unrestricted Usable Reserves	2.788	-	-
<b>Total Unrestricted Usable Reserves</b>	<b>14.829</b>	<b>6.273</b>	<b>7.391</b>
% of Net Revenue Budget	11.7%	4.6%	5.5%
Net Revenue Budget (approved 2023/24 / estimated 2024/25)	126.354	135.298	135.298

- 4.31 It is essential to protect the level of unrestricted usable revenue reserves and rebuild them to strengthen the financial resilience of the Council over the period of this MTFP.
- 4.32 As mentioned in the Quarter Two budget monitoring report an in depth review of the balance sheet in the 2021/22 and 2022/23 accounts has been undertaken.
- 4.33 This work includes a revision of the methodology for accounting for the potential revenue cost of bad debt in the event that it proves to be uncollectable and is required to be written off. This revision is to comply with International Accounting

Standard IAS37 which is applicable from 2021/22 financial year and which remains subject to external audit.

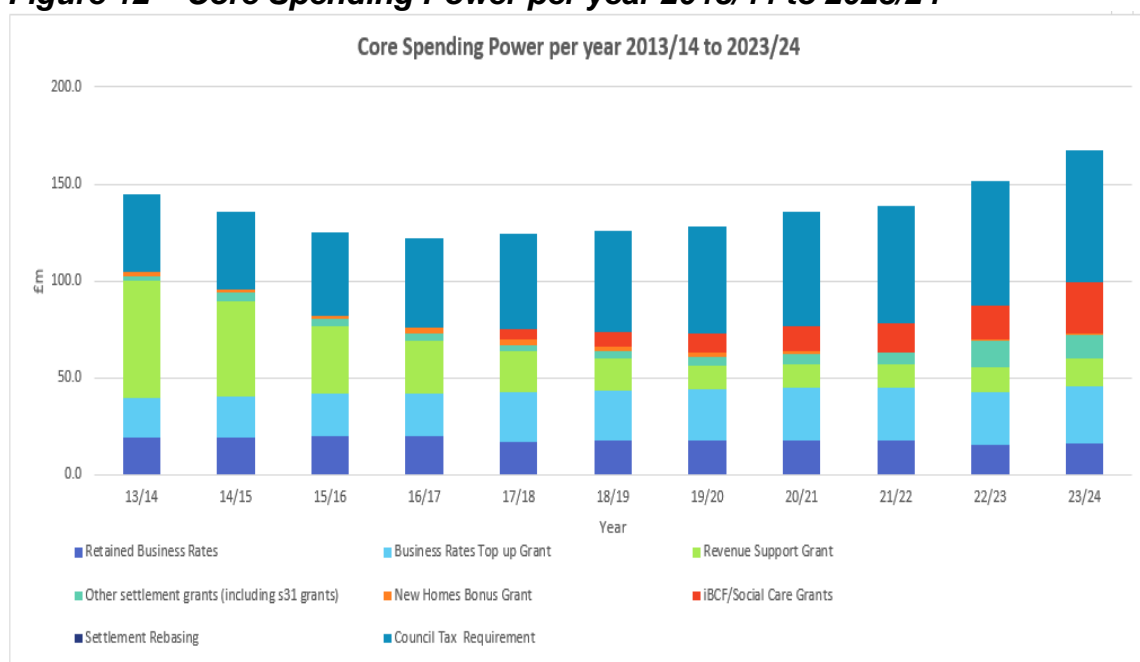
- 4.34 It should be noted that income related debt in the balance sheet is revenue income that has already been recognised in previous financial years revenue accounts. Accounting standards require a financial provision to be made against the risk of such debt becoming uncollectable and requiring to be written off which would reduce the total income accounted for over time.
- 4.35 Making a provision or increasing a provision held in the balance sheet, results in an expenditure charge to the revenue account in the year of the change, whilst a reduction in the provision results in a credit of the expenditure charge in the revenue account.
- 4.36 Where uncollectable debt is written off, it is charged against the bad debt provision in the balance sheet rather than the write off impacting the current revenue budget in the year of write off and therefore setting aside provision over time provides the financing in the event of write off, so as to be cost neutral to the in-year revenue position.
- 4.37 The Council holds bad debt provisions in relation to council tax and business rates within its Collection Fund, and other general debt within the General Fund balance sheet. The Collection Fund bad debt provision is the most significant of the provisions under review. The Council's approach to collection and recovery of council tax and business rates alongside measures to provide support and relief to those who cannot afford to pay, is explained further in paragraphs 4.77 to 4.82.
- 4.38 The revised methodology for calculating the bad debt provision is to be based upon an assessment of actual long term debt recovery performance as opposed to the historical approach which was based upon the age of debt in order to comply with IAS37. The calculations are complex and extensive sensitivity analysis and due diligence is being undertaken given the impact is likely to result in material reduction in the bad debt provision on the collection fund and other debt related provisions. This work will result in a one-off release of provisions to the Council's revenue reserves with the collection fund provision to be available for 2024/25 budget setting and general fund provisions to be available in 2023/24.
- 4.39 The interim s151 Officer remains in discussion with the external auditor relating to the finalisation of the agreed methodology and associated adjustment to the 2021/22, 2022/23 accounts, and forecast for 2023/24 year end position. It is anticipated that this will conclude early in the new calendar year.
- 4.40 The s151 Officer has determined that the application of any release of the provision will be applied to re-build the Council's revenue reserves including the replenishment of the general fund balance and earmarked reserves that will be required to meet any final overspend in 2023/24. This will serve to strengthen the Council's financial resilience over the medium term.
- 4.41 Revenue reserves are not intended to be used to fund ongoing expenditure and to this end do not provide a solution for balancing the 2024/25 base budget position. A

further update will be provided in the February report to Executive and Council. However, the s151 Officer expects the outcome of this work will be sufficient to mitigate the risk of a s114 Notice being required for the 2023/24 financial year.

### **Sources of Revenue Income**

4.42 The source of local authority funding has altered in recent years with a greater proportion of overall funding coming from Council Tax and less from Revenue Support Grant (RSG). Figure 12 below shows the Council's Core Spending Power for 2013/14 to 2023/24, with Table 4 showing the absolute figures used for the chart to provide detail on the individual components. This shows a change in the mix of funding over the years including increasing percentage of overall funding from Council Tax and a reducing percentage from RSG.

**Figure 12 – Core Spending Power per year 2013/44 to 2023/24**



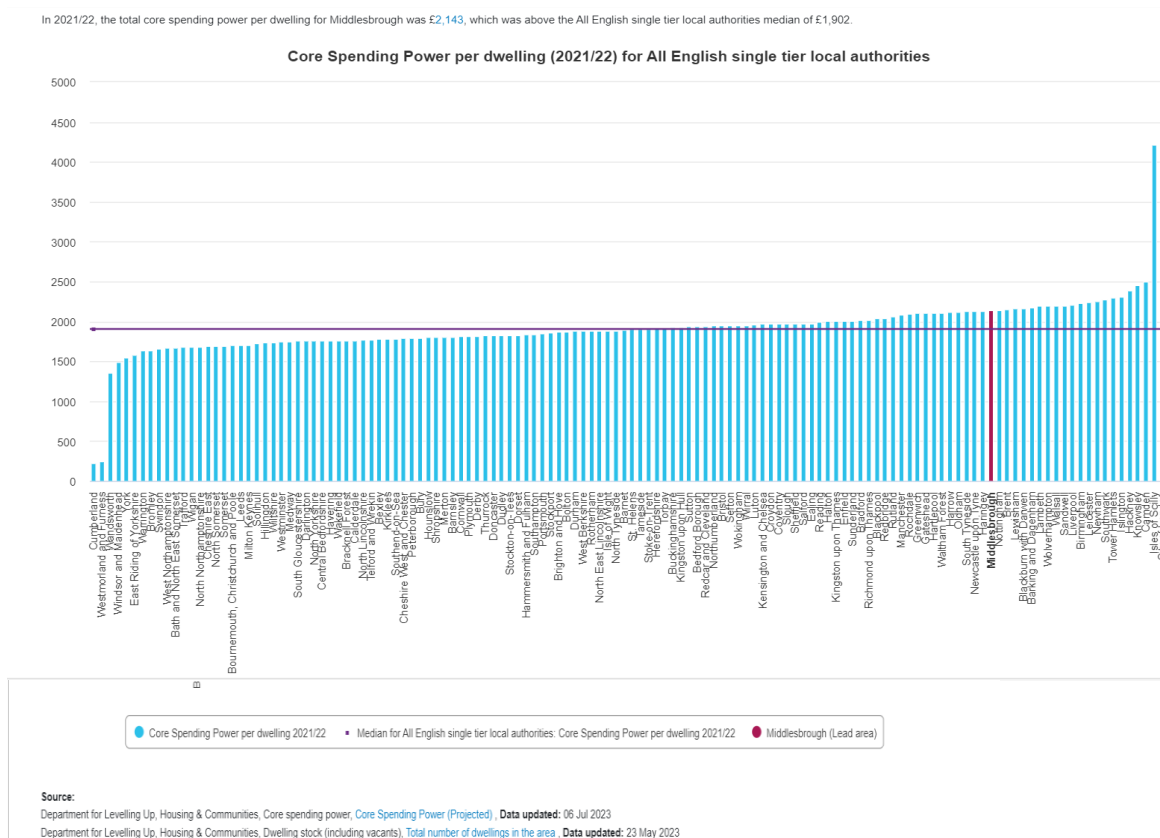
**Table 4 – Core Spending Power per year 2013/14 to 2023/24**

Core Spending Power per year											
	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Council Tax Requirement	40.2	40.0	42.6	46.2	49.1	51.9	55.3	58.7	60.6	63.8	68.0
iBCF/Social Care Grants	0.0	0.0	0.0	0.0	5.1	7.3	9.7	13.2	14.7	17.7	26.7
New Homes Bonus Grant	1.6	1.7	2.1	3.3	3.0	2.3	2.0	1.3	0.2	0.9	1.1
Other settlement grants (including s31 grant)	2.5	4.6	3.6	3.3	3.3	4.1	4.6	5.0	6.0	13.6	12.0
Revenue Support Grant	60.4	49.1	34.9	27.6	21.1	16.5	12.0	12.2	12.2	12.6	14.2
Business Rates Top up Grant	20.8	21.2	21.6	21.8	25.7	26.0	26.9	27.3	27.3	27.3	29.3
Retained Business Rates	18.9	19.1	20.0	19.9	16.9	17.4	17.5	17.7	17.6	15.5	16.4
<b>Core Spending Power</b>	<b>144.5</b>	<b>135.7</b>	<b>124.8</b>	<b>122.1</b>	<b>124.1</b>	<b>125.5</b>	<b>127.8</b>	<b>135.4</b>	<b>138.6</b>	<b>151.2</b>	<b>167.6</b>
<b>% Annual change</b>		<b>-6.1%</b>	<b>-8.0%</b>	<b>-2.1%</b>	<b>1.6%</b>	<b>1.1%</b>	<b>1.8%</b>	<b>6.0%</b>	<b>2.4%</b>	<b>9.1%</b>	<b>10.8%</b>

Note – above does not factor in inflation

- 4.43 It is important to note that the Government’s calculation of Core Spending Power assumes that the local authority increases the Council Tax by the maximum permitted. Therefore the extent to which the Council has determined Council Tax increases below the maximum permitted, results in a level of funding below the assessed Core Spending Power
- 4.44 Figure 13 shows the comparison of the Council’s Core Spending Power per dwelling of £2,143 compared to the median of £1,902 for all single tier local authorities for 2021/22.

**Figure 13 – Core Spending Power dwelling for 2021/22 for all English single tier local authorities**



**Central Government Funding**

- 4.45 The Government allocates grant funding to local authorities in a process called the ‘local government finance settlement’. These can be multi-year or single-year settlements, since 2015 these have been single year. A single year was released for 2022/23 and in December 2022 the provisional settlement announced (and confirmed in the final settlement in February 2023) covered 2023/24 in full and provided an indication of funding for 2024/25.
- 4.46 The Comprehensive Spending Review (CSR) 21 laid out 3% per-year real-terms increases in local authority spending power over the period, including £3.6bn for social care reform. The Autumn Statement 2022 (AS22) published by the

Government on 17 November 2022 increased local authorities' core spending power. This increase all came in the form of additional funding for adult social care, though some of that "additional funding" was the result of the government delaying implementation of adult social care charging reforms until at least October 2025. There was, however, genuine new funding too which came via a mixture of additional grant funding and an increased ability for local authorities to raise council tax. In total, this means that local authority spending power is now due to rise by 3.4% in real terms per year in 2023/24 and 2024/25.

- 4.47 Even though there was additional funding announced for 2023/24, Government funding for local government as a whole has fallen substantially since 2010. Since changes were made to the Local Government Finance System in 2013/14, as shown in Table 4 above, Middlesbrough Council has suffered a significant reduction in general Government funding in the form of Revenue Support Grant (RSG) and Business Rates Top Up Grant (excluding service specific grants, such as iBCF, Social Care grant etc.), with a reduction of £37.7m (46%) from £81.2m received in 2013/14 to £43.5m in 2023/24. This does not take into account inflation, and these figures will be updated following the provisional settlement in December 2023.
- 4.48 These settlements marked a change in government approach to allocating funding. Since the CSR21, and in contrast to the first half of the 2010s, the most deprived local authorities have experienced the largest uplifts. There have also been increases in core spending power for all local authorities – driven in part by increased Covid funding and in part by more post-pandemic funding for adult social care, although neither returns them to levels seen at the beginning of last decade.
- 4.49 The Government allocated these uplifts mainly through one-off grants: the Services Grant allocated £822m of funding in 2022/23 and increased grant funding for adult social care in 2023/24. Neither settlement, however, included any longer term changes for allocating funding, reducing the likelihood of more equitable grant distribution across local authorities in future finance settlements. The Government's response to the Fair Funding Review and business rates retention has the potential to redress that longer standing issue but is not due to be implemented until at least 2025/26 as explained below.
- 4.50 Revenue Support Grant is distributed according to a standard complex formula that calculates the relative need of all local authorities. The Government committed to the 'Fair Funding Review' formally referred to as the Review of Local Authorities' Relative Needs and Resources, started in 2016 and explored changing how central grants are distributed between local authorities and with the potential for resetting the baselines for determining each local authority's need. The last time the baseline was reset was in 2013/14 and since then shifting demographics have affected local authorities in different ways and justified a re-evaluation of the method by which central grants are allocated.
- 4.51 The Government delayed implementation of the review initially due to Brexit preparations and then multiple times during Covid. Most recently, the Government used the 2023/24 local government finance settlement to claim that while it "remains committed to improving the local government finance landscape", it would

not implement the findings of the Fair Funding Review in this spending review period, meaning that there will be no change until April 2025 at the earliest.

- 4.52 The other method that central government could use to shift the source of funding from central government to local areas – increased business rate retention (from 50% to 75%), has also been delayed indefinitely as with the Fair Funding Review. In its future decisions on the Fair Funding Review and Business Rates Retention, the Government will essentially have to choose between two alternative models: on the one hand, more central grants and national standards for services; on the other, more devolved tax-raising powers and variation in local services.
- 4.53 Middlesbrough as an area of very high deprivation, would expect to benefit more from the long awaited Fair Funding Review and reform of business rates, based upon our analysis and engagement in work done nationally on the likely changes before DLUHC suspended the work due to Brexit and then Covid and which as detailed above is now delayed until after the next General Election.
- 4.54 The LGFS for 2023/24 provisionally announced in December 2022 and finalised in February 2023 that the Adult Social Care Precept, which was allowed in previous years, will apply again from 2023/24 to 2025/26 (at a maximum increase of 2% per year). This in previous years has allowed Councils with Adult Social Care responsibility to increase their Council Tax by a set amount to help pay for the increased costs of Adult Social Care.
- 4.55 The LGFS for 2023/24 also confirmed that Councils can increase Council Tax up to maximum of 3% plus 2% Adult Social Care Precept (a total of up to 5%) without the requirement for a referendum for the next 3 years from 2023/24 to 2025/26. Whilst it is not possible to confirm the decisions of a new Government post 2025, the current Government projections are for these council tax limits to continue at least to 2026/27.
- 4.56 On 22 November 2023 the Chancellor's Autumn Statement 2023 announced a number of measures which could potentially affect local government. This includes:
- confirmation that the National Living Wage (NLW) will increase to £11.44 from £10.42 per hour (a 9.8% increase) for 2024/25
  - announcement of the following business rates measures:
    - the small business multiplier will be frozen at 49.9p
    - the standard multiplier will be updated in April by September's CPI figure (6.7%), increasing the multiplier from 51.2p to 54.6p
    - the 2024/25 Retail, Hospitality and Leisure (RHL) scheme will be extended for a fifth year into 2024/25, retaining the existing scope and providing eligible properties with 75% relief, up to a cap of £110,000 per business and that local authorities will be compensated for the cost of granting these reliefs via a section 31 grant from the government
  - the local housing allowance rate is being increased to the 30th percentile of local market rent for the next financial year but will be frozen again in 2025/26.
- 4.57 DHLUC announced a Local Government Finance Policy Statement 2024/25 on 5 December 2023. Table 5 outlines the key features of the policy statement.



**Table 5 – summary of Local Government Finance Policy Statement 2024/25**

Local Government Finance Policy Statement 2024-25 Settlement component	2024-25
Locally retained business rates - baseline funding levels	<ul style="list-style-type: none"> <li>Local authorities will see an increase in baseline funding levels (BFLs) and compensation grant as if both business rating multipliers had increased by Consumer Price Index of inflation</li> </ul>
Locally retained business rates - Under indexation	<ul style="list-style-type: none"> <li>Increase to compensate for the difference between the business rate multipliers and the consumer price index of inflation</li> </ul>
Revenue Support Grant	<ul style="list-style-type: none"> <li>Increase by the Consumer Price Index of inflation</li> <li>Roll the £115m fire pension grant into the Revenue Support Grant. This grant will maintain its existing distribution.</li> </ul>
Council Tax	<ul style="list-style-type: none"> <li>A core council tax referendum limit for local authorities of up to 3%</li> <li>A council tax referendum principle of up to 3% or £5, whichever is higher, for shire district councils</li> <li>An adult social care precept of 2% for all authorities responsible for adult social care services</li> <li>A bespoke additional council tax flexibility of up to £20 on Band D bills for the Greater London Authority</li> <li>A council tax referendum principle of £13 for police authorities</li> <li>The core council tax principle of up to 3% will apply to fire and rescue authorities</li> <li>No council tax referendum principles for Mayoral Combined Authorities or town and parish councils</li> </ul>
Social Care Grant	<ul style="list-style-type: none"> <li>Increase by £692m to £4,544m</li> </ul>
Discharge Fund	<ul style="list-style-type: none"> <li>Increase by £200m to £500m</li> </ul>
Improved Better Care Fund	<ul style="list-style-type: none"> <li>No change at £2,140m</li> </ul>
Market Sustainability and Improvement Fund (MSIF)	<ul style="list-style-type: none"> <li>Increasing to £845m and combining with MSIF – Workforce Fund (£205m in 24/25) increases the total value to £1,050m</li> </ul>
Funding Guarantee	<ul style="list-style-type: none"> <li>Ensure all authorities see a 3% core spending power increase before any decision on organisational efficiencies, use of reserves, and council tax levels</li> </ul>
New Homes Bonus	<ul style="list-style-type: none"> <li>Maintain the 2023-24 approach, making 2024-25 in-year payments only</li> </ul>
Rural Services Delivery Grant	<ul style="list-style-type: none"> <li>No change at £95m</li> </ul>
Services Grant	<ul style="list-style-type: none"> <li>As in 2023-24, the Services Grant will reduce and the remainder will continue to be distributed using the Settlement Funding Assessment distribution methodology</li> </ul>

### **Council Tax Income**

4.58 Council Tax income has increased as a proportion of total income over the last 10 years as the level of RSG has reduced. This presents a particular financial challenge for the Council given it has a particularly low Council Tax base with 50.3% of dwellings in Band A, and 17.4% in Band B. This is a higher proportion than the national Band A and B percentage and means that a greater proportion of our residents pay a Band A and B than comparable Councils. Every 1% of Council tax raises approximately £0.675m per year.

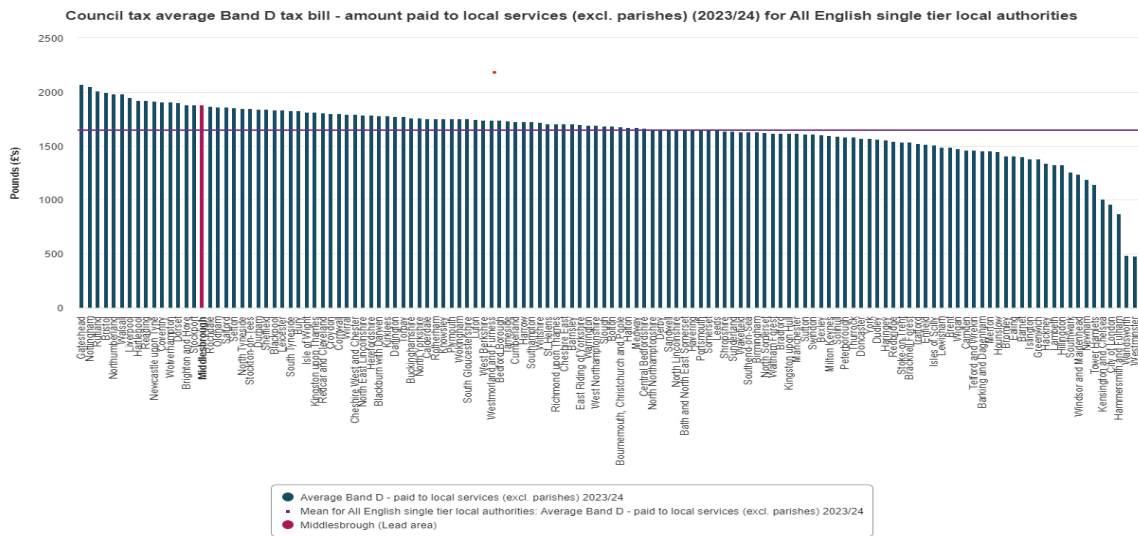
4.59 This means that a higher rate of Council Tax is needed to derive the same income yield compared with many other councils. Table 6 below shows the number of dwellings on the valuation list in each band of Council Tax as at 11<sup>th</sup> September 2023. The value of the increases in Council Tax being proposed are detailed in the Council Tax section of this report at paragraph 4.73.

**Table 6 – number and percentage of dwellings by Council Tax Band as at September 2023**

Number and percentage of dwellings by Council Tax Band as at September 2023									
Council Tax Band	A	B	C	D	E	F	G	H	TOTAL
Total number of dwellings on the Valuation List	33,161	11,466	11,440	5,523	2,750	1,003	592	53	65,988
% in each band	50.3%	17.4%	17.3%	8.4%	4.2%	1.5%	0.9%	0.1%	100.0%

4.60 In 2023/24, the Council had a Band D council tax of £1,882 which is higher than the mean for all single tier authorities of £1,648 as shown in figure 14 below. However, 85% of Middlesbrough households fall in Band A to C and pay less than this amount.

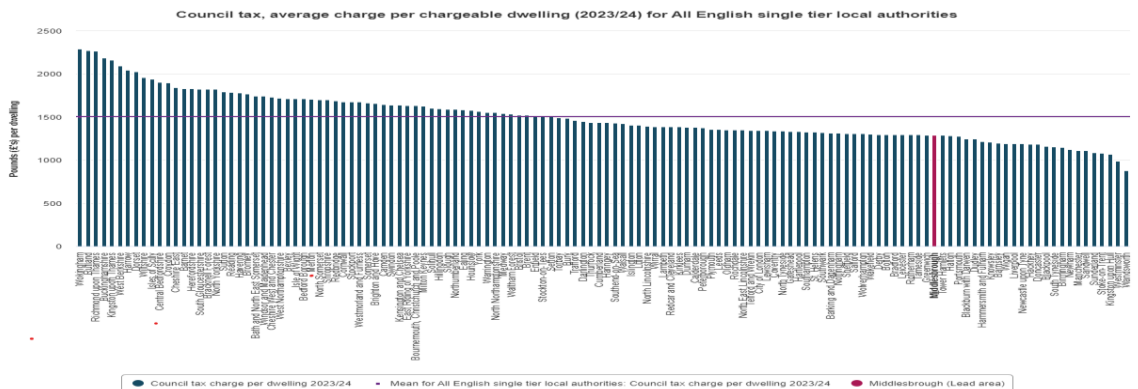
**Figure 14: Average Band D Council Tax bill 2023/24**



Source: Department for Levelling Up, Housing & Communities

4.61 A more accurate comparison of the level of Council Tax paid by Middlesbrough households is the Average Charge per dwelling as shown in figure 15 below and was £1,290 compared to the mean for all single tier authorities of £1,502.

**Figure 15: Average Council Tax bill per Dwelling 2023/24**



Source: Department for Levelling Up, Housing & Communities

4.62 Table 7 below shows the history of Council Tax increases over the period 2013/14 to 2023/24, with Table 8 showing the Band D Council Tax each year from 2013/14.

**Table 7: Council Tax increases from 2013/14 to 2023/24**

Council Tax increases - percentage and value of increase											
	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
<b>Percentage increase</b>											
Core	1.99%	1.82%	1.85%	1.99%	1.99%	2.99%	2.99%	1.99%	1.99%	0.00%	1.99%
ASC	0.00%	0.00%	0.00%	1.99%	2.00%	2.00%	2.00%	2.00%	0.76%	2.99%	2.00%
<b>Increase</b>	<b>1.99%</b>	<b>1.82%</b>	<b>1.85%</b>	<b>3.98%</b>	<b>3.99%</b>	<b>4.99%</b>	<b>4.99%</b>	<b>3.99%</b>	<b>2.75%</b>	<b>2.99%</b>	<b>3.99%</b>

**Table 8: Band D Council Tax 2013/14 to 2023/24**

Band D											
	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
<b>Base</b>	1,305.17	1,330.78	1,355.03	1,380.12	1,435.10	1,491.93	1,566.40	1,644.51	1,710.13	1,757.11	1,809.67
Core	25.61	24.25	25.09	27.49	28.34	44.62	46.80	32.73	34.00	0.00	36.00
ASC	0.00	0.00	0.00	27.49	28.49	29.85	31.31	32.89	12.98	52.56	36.19
<b>Increase</b>	<b>25.61</b>	<b>24.25</b>	<b>25.09</b>	<b>54.98</b>	<b>56.83</b>	<b>74.47</b>	<b>78.11</b>	<b>65.62</b>	<b>46.98</b>	<b>52.56</b>	<b>72.19</b>
<b>Band D</b>	<b>1,330.78</b>	<b>1,355.03</b>	<b>1,380.12</b>	<b>1,435.10</b>	<b>1,491.93</b>	<b>1,566.40</b>	<b>1,644.51</b>	<b>1,710.13</b>	<b>1,757.11</b>	<b>1,809.67</b>	<b>1,881.86</b>

4.63 Over the period since 2013/14, Middlesbrough Council has been required to make cumulative savings of £97m in order to balance its budget.

**Table 9: Budget savings per year from 2013/14 to 2023/24**

Budget savings per year 2013/14 to 2023/24												
	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	TOTAL
<b>£m</b>	12.657	14.847	14.077	13.163	7.362	6.934	9.908	6.403	2.321	0.000	9.383	<b>97.055</b>

## Medium Term Financial Plan

4.64 The MTFP is based on a number of assumptions that are subject to change prior to final budget setting by the Council in February 2024. The report reflects announcements made in the Chancellors Autumn Statement 2023 on the 22 November 2023 and the Local Government Finance Policy Statement published by DLUHC on 5 December 2023 where possible and where full information has been provided. However, the full extent of the impact upon the Council's finances will only become clearer when the Provisional Finance Settlement for Local Government is analysed following the expected announcement, on or around 19 December 2023.

4.65 Any change in assumptions following the settlement will be reflected and updated in the MTFP for presentation to the Executive on 14 February 2024 and will inform the final budget proposals at Full Council on 28 February 2024. The revenue element of the MTFP is set out in the context of:

- a period of persistently high inflation
- a cost of living crisis impacting on citizens;
- a challenging employment market, with recruitment and retention issues internally within the Council and generally across the wider public sector;
- increased demand for services, in particular those relating to Adults Social Care and Children's Social Care, Home to School Transport, and Homelessness which is expected to continue over the life of the plan;
- the need to secure financial recovery by protecting the current level of revenue reserves and rebuilding them to strengthen the Council's financial resilience.
- continued lack of certainty over future Government funding that impacts adversely upon the Council's ability to carry out any long term financial planning.

4.66 The Council maintains a MTFP which sets the financial envelope that is available within which the aims of the Council Plan are to be achieved. The MTFP Refresh 2024/25 to 2026/26 report to Executive on 23 August 2023 provided an update on the financial situation. This has been updated and based upon the following key assumptions which are driven largely by inflation and demand pressures in service areas of statutory responsibility in adult social care, children's social care, homelessness, home to school transport and waste disposal.

#### **Key MTFP assumptions**

4.67 The following key assumptions have been used to update the MTFP:

- The MTFP has been amended to reflect any relevant announcements made in the Chancellor's Autumn Statement on 22 November 2023 and the Local Government Finance Policy Statement issued by Department for Levelling Up, Housing & Communities (DLUHC) on 5 December 2023 where sufficient detail was included. Where required, assumptions regarding government funding will be updated as part of the February 2024 MTFP Executive report; following analysis of the provisional and final LGFS.
- That there will be no increase or decrease to the current levels of RSG and Business Rates Retained and Business Rates Top up Grant in 2024/25 and future years, apart from the application of inflationary increases, which have currently been assumed to be 6.7% for 2024/25 (based on CPI for September 2023 as per the Autumn Statement announcement re. Business Rates). This will be fully considered and updated as part of the February 2024 MTFP Executive report; following analysis of the provisional LGFS.
- That currently there are no major changes to other grant assumptions outlined in the report to Executive in August 2023.
- An assumed increase in the core council tax from April 2024 of 2.99% and an additional increase of 2% in the Adult Social Care Precept to fund the pressures in Adult Social Care. The total proposed increase in Council Tax for 2024/25 to 2026/27 is therefore 4.99% p.a. The referendums limit for 2024/25 were confirmed in the Local Government Finance Policy statement 2024/25. A similar increase has been assumed for 2025/26 and 2026/27.
- A council tax base for 2024/25 of 36,137.9 assuming a council tax in year collection rate of 97.4% for 2024/25 as outlined in the separate report to this Executive. Currently similar levels of growth have been assumed for 2025/26 and 2026/27.

- Assumed pay inflation of 4% for 2024/25, 3% for 2025/26 and 2% for 2026/27.
- Assumed inflationary uplift of 4.6% for 2024/25 on discretionary fees and charges aligned to CPI inflation at October 2023 and broadly to the increase in council tax, except where otherwise subject to a specific budget proposal. 2% increase has currently been assumed for both 2025/26 and 2026/27.
- Income the Council receives from commercial developments has been amended to reflect the lost income from the sale of assets approved by Executive on 21 November 2023 as part of the Asset Review report.
- That any residual budget gap remaining after all feasible savings have been identified and assessment of the provisional LGFS, will require an application to DLUHC for Exceptional Financial Support and for this to be granted in order to avoid a s114 Notice being issued by the s151 Officer under s114(3) of the Local Government Finance Act 1988.

4.68 The cost drivers of the budget gap (mainly demand growth and inflationary pressures) reported to the Executive in August 2023 have been reviewed and based upon the above assumptions, the estimated revised budget gap is £18.098m in 2024/25 rising to £26.922m by 2026/27. Table 10 summarises the movement in the budget gap since the report to Executive in August 2023.

**Table 10 – movement in budget gap since August 2023 report**

Item	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
<b>MTFP Refresh 2024/25 to 2026/27 Report to Executive 23/08/23</b>	<b>14.204</b>	<b>6.832</b>	<b>3.485</b>	<b>24.522</b>
Pay model changes	(2.778)	(0.889)	(1.778)	(5.445)
Adult Social Care Living Wage changes	(0.270)	0.275	0.412	0.417
Fees & Charges changes	(0.688)	-	-	(0.688)
Grant Funding changes	0.038	-	-	0.038
Demand changes - Children's Care	3.172	-	-	3.172
Demand changes - Education (ITU)	2.543	-	-	2.543
Demand Changes - Adult Social Care	0.300	-	-	0.300
Demand Changes - Environment & Community Services (Waste Disposal)	0.768	-	-	0.768
Income Reductions due to Asset Review	1.527	0.188	-	1.715
Legal & Governance - One off use of grant in 23/24	0.133	-	-	0.133
<b>Net Budget movements</b>	<b>4.745</b>	<b>(0.426)</b>	<b>(1.366)</b>	<b>2.953</b>
Council Tax - changes to Housing Growth assumptions	0.168	0.176	0.184	0.528
Business Rates & Revenue Support Grant - change to inflation rate applied	(1.018)	(0.031)	(0.031)	(1.080)
<b>Funding movements</b>	<b>(0.851)</b>	<b>0.145</b>	<b>0.153</b>	<b>(0.553)</b>
<b>Revised gap before new budget savings proposals</b>	<b>18.098</b>	<b>6.552</b>	<b>2.272</b>	<b>26.922</b>

4.69 The following provides further detail of the changes made:

- Following the announcement of the local government pay award for 2023/24, and further review of future expected pay award inflation, pay inflation forecasts have been revised together with due diligence in reconciling the detailed staffing establishment with pay budget models

- Fees and Charges inflationary increase has been updated to reflect latest inflation rates
- Adult Social Care Living Wage calculations have been updated to reflect the increase in national living wage to £11.44 per hour as announced in the Government Autumn Statement
- New Homes Bonus grant calculations have been revised to reflect updated housing growth projections
- Adult Social Care and Integrated Transport Unit growth has been further refined
- Reduction in revenue income as a result of the Asset Review has now been reflected in MTFP
- Additional ongoing pressures and one-off mitigations in 2023/24 to those included in the August gap have been added in
- Council Tax housing growth assumptions have been updated following submission of the CTB1 return to government
- As indicated in the Autumn Sending Review, inflation assumptions on RSG and Business Rates have been updated

4.70 Table 11 below shows the major components of the revised budget gap before any savings proposals, with further detail being provided in the following paragraphs.

**Table 11: updated MTFP 2024/25 to 2026/27 before budget savings proposals**

Refreshed MTFP Summary 2024/25 to 2026/27 (incremental)				
Budget Item	2024/25	2025/26	2026/27	Detail in Para. No.
	£m	£m	£m	
<b>Net Budget brought forward</b>	<b>126.354</b>	<b>135.298</b>	<b>141.510</b>	
Pay Inflation	5.171	3.451	1.778	4.86 - 4.89
Contractual inflation	1.550	1.550	1.550	4.90
Other inflation	0.223	-	-	4.90
Fees & Charges inflation	(1.978)	(0.860)	(0.860)	4.92 - 4.93
<b>Inflation subtotal</b>	<b>4.966</b>	<b>4.141</b>	<b>2.468</b>	
Service Demand pressures	19.842	6.772	5.331	4.96 - 4.102
<b>Service Demand pressures subtotal</b>	<b>19.842</b>	<b>6.772</b>	<b>5.331</b>	
Technical adjustments	3.844	0.511	0.207	4.104 & 4.105
Risk Management	2.364	0.750	0.750	4.91
Grant Funding adjustments	(2.477)	-	-	
Commercial Income	1.491	0.590	-	4.94 & 4.95
Savings - approved in previous years	(2.987)	-	-	
<b>Other adjustments subtotal</b>	<b>2.235</b>	<b>1.851</b>	<b>0.957</b>	
<b>Projected Net Budget</b>	<b>153.396</b>	<b>148.062</b>	<b>150.266</b>	
Council Tax	(71.400)	(75.695)	(80.204)	
Business Rates	(48.766)	(50.229)	(51.735)	
Revenue Support Grant	(15.132)	(15.586)	(16.054)	
<b>Assumed Funding</b>	<b>(135.298)</b>	<b>(141.510)</b>	<b>(147.994)</b>	
<b>Incremental Budget Gap + / Surplus ( )</b>	<b>18.098</b>	<b>6.552</b>	<b>2.272</b>	
<b>Cumulative Budget Gap + / Surplus ( )</b>	<b>18.098</b>	<b>24.650</b>	<b>26.922</b>	

## Local funding increases – Council Tax and Business Rates

- 4.71 Given the Council’s fragile financial position, the s151 Officer has advised the Mayor and Executive to adopt the current assumed maximum permissible Council Tax increase of 4.99% p.a. for 2024/25 in order to reduce the additional budget savings required to be made to balance the budget. This is also recommended for 2025/26 and 2026/27. This advice also reflects the fact that the Government assumes that local authorities will increase the Council Tax by the maximum permissible in their calculation of the Council’s Core Spending Power, which is a measure of how much the Government believes local authorities can raise from Council Tax and that they have available to spend.
- 4.72 It should be noted that each 1% increase in Council Tax produces estimated additional income to the Council of approximately £675,000 per annum.
- 4.73 The effect of the proposed total Council Tax increase is set out in Table 12 below on the Middlesbrough Council only element of the Council Tax (excluding Fire, Police and Parish precepts) for all bands and shows the average council tax per dwelling.

**Table 12: effect of proposed 4.99% p.a. Council Tax increase on Middlesbrough only element**

Effect of assumed 4.99% p.a. total increase in Middlesbrough element of Council Tax for the period of 2024/25 to 2026/27										
Band	% of dwellings per band*	2024/25 4.99% increase**			2025/26 4.99% increase**			2026/27 4.99% increase**		
		Council Tax £	Annual Increase £	Weekly Increase £	Council Tax £	Annual Increase £	Weekly Increase £	Council Tax £	Annual Increase £	Weekly Increase £
A	50.3%	1,317.17	62.60	1.20	1,382.90	65.73	1.26	1,451.91	69.01	1.33
B	17.4%	1,536.71	73.04	1.40	1,613.39	76.68	1.47	1,693.90	80.51	1.55
C	17.3%	1,756.23	83.47	1.61	1,843.87	87.64	1.69	1,935.88	92.01	1.77
D	8.4%	1,975.76	93.90	1.81	2,074.36	98.59	1.90	2,177.87	103.51	1.99
E	4.2%	2,414.82	114.77	2.21	2,535.32	120.50	2.32	2,661.83	126.51	2.43
F	1.5%	2,853.88	135.64	2.61	2,996.29	142.41	2.74	3,145.80	149.51	2.88
G	0.9%	3,292.94	156.51	3.01	3,457.26	164.32	3.16	3,629.77	172.52	3.32
H	0.1%	3,951.53	187.81	3.61	4,148.71	197.18	3.79	4,355.73	207.02	3.98

\* Based on number of dwellings on the Valuations List as at 11/09/23

\*\* Based on applying maximum increase without a referendum being required

- 4.74 There is estimated to be an increase in Council Tax income of £0.732m in 2024/25 and on an ongoing basis due to a predicted increase in the Council’s Tax Base resulting from projected Housing Growth over the period. In addition, it is currently assumed that there will be an increase of a similar amount each year in 2025/26 and 2026/27. These estimates have been reviewed as part of the Council Tax Base return submitted to Government in October 2023. These estimates will continue to be reviewed on a regular basis in light of the potential effect of delays to house building, currently mainly due to nutrient neutrality issues and lack of available resources in materials and labour and will be updated as part of the budget report to Full Council in February 2024 when further information is available.

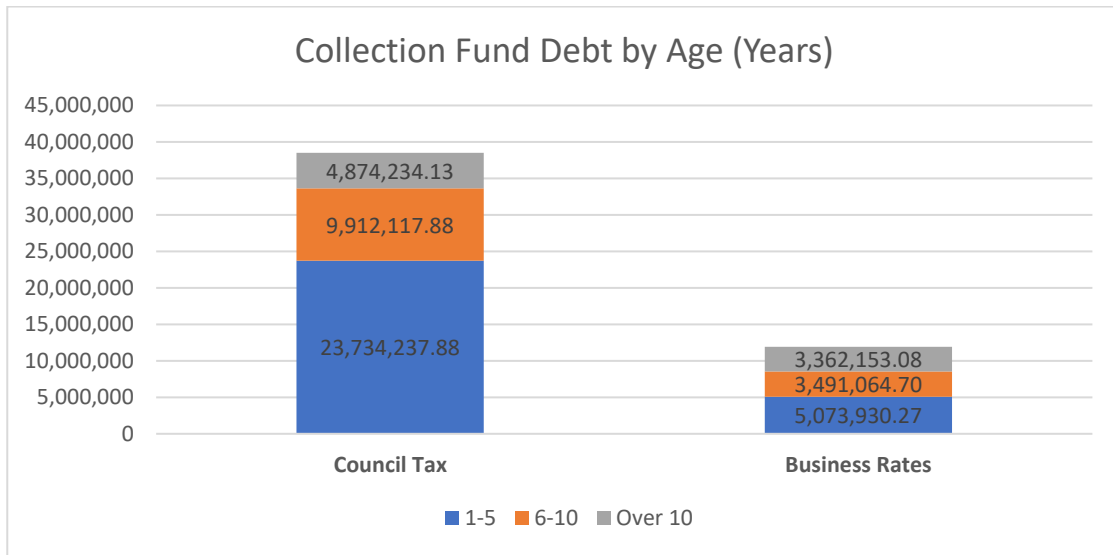
- 4.75 It is currently estimated that the Council will receive £0.432m of New Homes Bonus in 2024/25 based on the figures contained in the Council Tax Base return submitted to Government. This assumes that the method for calculating the New Homes Bonus will be unchanged from that used in 2023/24 as per the Local Government Finance Policy 2024/25 announcement. This will be reviewed as part of the February 2024 MTFP Executive report; following analysis of the provisional LGFS. In a briefing to local authorities on 7 December 2023 indications were that there will be no change in the basis of calculation and therefore it is assumed that the New Homes Bonus will continue for 2025/26 and 2026/27 at a similar rate to that for 2024/25.
- 4.76 No growth above an amount for inflation, has been assumed in the Local Share of Business Rates estimated to be received by the Council in 2024/25 to 2026/27.
- 4.77 The Executive recognises the financial challenge faced by many households due to the cost of living crisis and provides financial support in the form of reductions to Council Tax for the most financially vulnerable households in addition to grants under the Household Support Fund and its Welfare Strategy.
- 4.78 Whilst the Council takes a very firm and fair approach to collection there are a number of support solutions which are available to assist financially vulnerable households. Through the Council's Council Tax Reduction Scheme a maximum of 90% support which equates to an overall level of expenditure to support financially vulnerable households of approximately £20.1m per year is provided to 18,285 households across the town. The Council has considered increasing the scheme to 100%, which would mean around 11,000 working age households would have nothing to pay, however this would likely cost the Council around £4m extra to implement and is not considered affordable at present.
- 4.79 In addition to the Council Tax Reduction Scheme a number of other support solutions exist. The Council provides a welfare strategy which is designed to support households who may be struggling financially. The range of support is extensive and can include such things like maximising benefits, support with any shortfall in rent, as well as help with white goods, furniture, food, and energy referrals. Assistance is also provided through the Household Support Fund subject to a qualifying criterion. The Council were provided with around £3.3m of support and through a comprehensive plan, many households across the town have benefited from additional financial support made available by the Council. The Council takes a firm but fair and persistent approach to collection of debt including full benefit and welfare checks to ensure that households have access the right level of support to help them meet their council tax obligations.

#### Debt Recovery

- 4.80 The Council has a level of debt relating to Council Tax (£38.5m) and Business Rates (£11.9m) (Collection Fund) and Housing Benefits Overpayments (£6.2m) as detailed below in Figures 16 and 17.

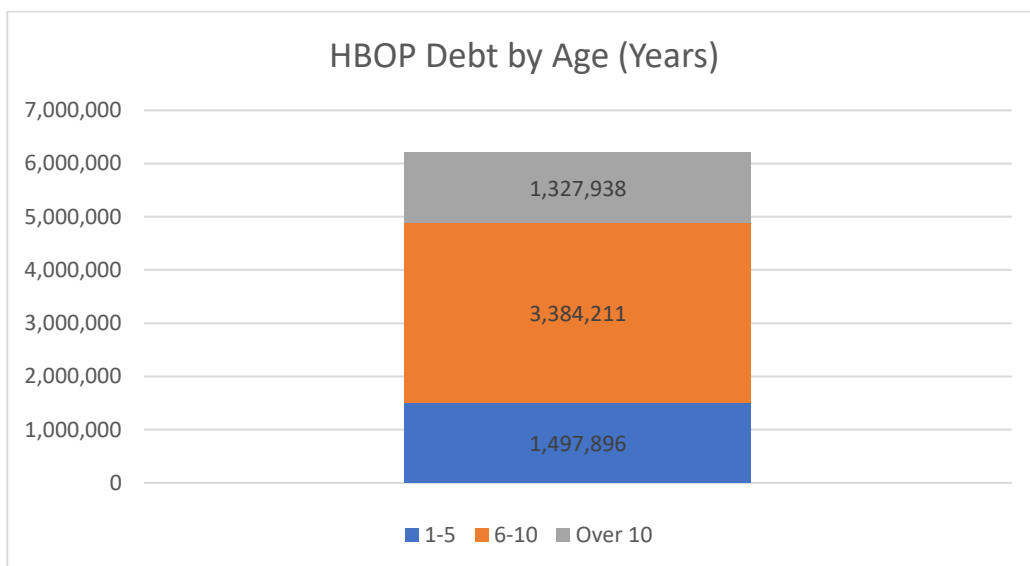


**Figure 16: Collection Fund debt by age (years) at 31 March 2023**



Totals: Council Tax £38,520,589.89/Business Rates £11,927,148.05

**Figure 17: Housing Benefit Overpayments debt by age (years) at 31 March 2023**



Total: £6,210,045.59

4.81 The Council will take a firm but fair approach to recovery of debt and this is particularly important given the increasing reliance upon local tax revenues in the wake of reducing Government financial support. In in year collection remains challenging, with collection rates from households in receipt of Council Tax Reduction (CTR) at around 78%, with overall collection in year hovering around 92.8%. However, due to the ongoing focus and commitment of resources to collect all income due to the Council, the collection rate over the long-term averages at 84% for households in receipt of CTR and 98.1% for all income due. This

performance is currently being reflected in the review of the bad debt provision referred to earlier in this report.

- 4.82 During and following the Covid pandemic and in response to the cost-of-living crisis, staff resources usually involved in debt collection were prioritised to support the payment of covid related grants and latterly the Household Support Fund. This has resulted in a temporary reduction in collection in recent years. Therefore, to recover this position and to further improve debt collection performance, budget proposals include assigning additional resource will be assigned to target specific areas, not only will this lead to an increase in net collectable debt, it will serve to provide further scope to reduce amounts provided for bad debt. By investing additional resource in the service will provide the following advantages.
- ensuring appropriate support to those who cannot afford to pay whilst allowing the service to take more prompt action in relation to households who won't pay
  - investing additional capacity in maximising the Council's net collectable debt whilst also ensuring the integrity of discounts and exemptions for council tax and business rates. Any fraudulent claims will be acted upon promptly and diligently giving a clear message that the Council will not tolerate fraud.
  - proactive recovery of income for charged for services and other general debts will improve the Council's cash flow and ensure that services provided for by the Council are paid for promptly.

#### Inflation

- 4.83 As mentioned in paragraphs 4.25 to 4.27, inflation as measured by the Consumer Prices Index (CPI) has remained persistently high during 2023/24, falling unexpectedly by 31 October 2023 to 4.6%, and is still expected to remain high during 2024/25.
- 4.84 It is important to note that the inflation rates incurred and forecast over the foreseeable future have resulted in unprecedented cost increases for local authorities which thus far have not attracted central government support through the Settlement. Unless the 2024/25 settlement includes some financial support to address inflationary pressures, particularly for demand led statutory services, the Council will face extremely difficult decisions in achieving a balanced budget and also face uncertainty and potential volatility arising from these.
- 4.85 In common with most local authorities, the combination of high inflation and cost of living crisis and high energy and food prices have significantly impacted the local and national economy and put significant pressure upon demand for Council services and the cost of providing them.

#### Pay Inflation

- 4.86 Table 13 below summarises the updated pay and pension items included in the MTFP from that provided in the August report. These form a significant driver to the increased MTFP gaps.

**Table 13 – Pay and pension inflation**

<b>Pay model / pension (incremental increases to existing pay model resources)</b>				
<b>Item</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Cumulative</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
2024/25 Pay award	3.556	2.667	1.778	8.001
Extra required for 2023/24 Pay Award	1.223	-	-	1.223
<b>Pay Model</b>	<b>4.779</b>	<b>2.667</b>	<b>1.778</b>	<b>9.224</b>
Increase in employers pension contributions following actuarial review	0.392	0.784	-	1.176
<b>Pension</b>	<b>0.392</b>	<b>0.784</b>	<b>-</b>	<b>1.176</b>
<b>Pay/Pension</b>	<b>5.171</b>	<b>3.451</b>	<b>1.778</b>	<b>10.400</b>

- 4.87 Following finalisation of the 2023/24 pay award of £1,925 p.a. plus on-costs, the cost of the 2023/24 pay award has been revised and is currently projected that £1.223m will now be required in the 2024/25 base for this (a reduction of £1m from that previously estimated in August)
- 4.88 Informed by latest inflation forecasts and other information provided by organisations such as SIGOMA the assumption of the 2024/25 pay award has been revised downwards from the previous assumption in August of 6% to 4% which is now estimated to cost £3.556m p.a. Assumptions of pay awards for 2025/26 and 2026/27 have also been revised with £2.667m p.a. (3%) now being assumed for 2025/26 and £1.778m p.a. (2%) being assumed for 2026/27. These compare with the original assumptions in the August MTFP refresh of assumed 4% p.a. in 2025/26 and 2026/27.
- 4.89 Ongoing pension reductions, based on a draft triennial pension valuation and largely due to a reduction in the pension deficit charges, were included in the February MTFP.

#### Non Pay Inflation

- 4.90 Contractual inflation has been provided for in the MTFP period, with £1.550m being provided for in 2024/25 in relation to specific contracts, mainly around Adult Social Care purchasing budgets and Children’s Care external residential and fostering contracts. The level of contractual inflation will be reviewed further in the budget report to Full Council in February 2024. Also £0.223m p.a. of inflation for a number of other areas, including the increased cost of external audit fees, has been provided for from 2024/25.

#### Risk Management

- 4.91 Inflation totalling £1.864m from 2024/25 has been provided for the effects of risk around potential additional inflation across a wide range of areas due to uncertainty around levels of inflation, including the cost of energy. This will initially be held centrally. This will be subject to review along with inflation previously provided to Directorates, with updates being provided in the budget report in February. Also an

amount of £0.500m in 2024/25 and £0.750m p.a. in 2025/26 and 2026/27 has been provided for to top up the Financial Resilience Reserve to meet unforeseen financial pressures that cannot ultimately be managed within directorate budgets.

#### Income Policy and Fees and Charges

- 4.92 The Council is undertaking an organisation wide review of Fees and Charges to embed a consistent approach across the organisation. As part of the review a Fees and Charges policy is being developed that recognises a range of different factors in setting a price including legislative requirements and constraints, the cost of delivering a service, benchmarking with other organisations and achieving policy objectives. The review focuses on discretionary services to residents and businesses and has initially focused on the areas with the highest level of income from Fees and Charges which are incorporated into Directorate budget proposals. A composite Fees and Charges booklet, comprising prices across the Councils services, will be produced as part of the final budget proposals to Council.
- 4.93 Under the Income Policy, the Director of Finance will determine the minimum percentage increase in fees that will apply as part of the annual budget process unless separately addressed in a specific budget proposal. The current proposed inflationary increase that will apply for 2024/25 is 4.6% in line with the rate of CPI in October 2023.

#### Commercial Income

- 4.94 The Council receives income from a number of Commercial developments. The February and August MTFPs outlined the assumptions made relating to these and these have not been changed at this stage but are being constantly reviewed in light of the effect of the current economic climate in particular on town centre retail. These have also been examined as part of the fees and charges review mentioned in paragraph 4.92. It should be noted that even with these potential reductions, the commercial developments have provided additional income to the Council, in excess of the cost, both in previous years and in the future.
- 4.95 Income the Council receives from commercial developments has been amended to reflect the revenue costs arising from lost income less running costs from the sale of assets approved by Executive on 21 November 2023 as part of the Asset Review report. This totals £1.527m in 2024/25 and a further £0.188m in 2025/26.

#### Living Wage

- 4.96 Increases in the National Living Wage will impact upon organisations – principally adult social care providers – who are contracted to carry out functions on behalf of the Council. Currently increases in the National Living Wage do not have an impact on Council employed staff as the current pay rates paid to Council staff are above the current National Living Wage rates.
- 4.97 In Spending Review 2021 (SR21) the Government announced that it remains committed to raising the National Living Wage in order so that it reaches two-thirds of median earnings. The Chancellor's Autumn Statement 2023 reiterated this commitment and confirmed that the National Living Wage (NLW) will increase to

£11.44 from £10.42 per hour (a 9.8% increase) for 2024/25. The amounts that are allocated in the MTFP to cover the increases in cost expected as a result of this have been revised in line with current available information, and an amount of £3.362m has been allocated for this within Adult Social Care in 2024/25 and £8.687m over the MTFP period.

- 4.98 As with future pay awards there is a high level of uncertainty around this and whether the Government will further change the levels of increase for future years, and therefore this will be reviewed again in the budget report to Full Council in February 2024.
- 4.99 A number of years ago, the Council made a commitment to align to the Living Wage Foundation recommended levels for pay which aim to provide a real living wage based on the cost of living. Given the Council's current financial position this commitment is considered to be financially unsustainable. It is proposed that the Council ends this commitment with effect from April 2024 and it is proposed that the Executive include this as a recommendation to Full Council in the budget report in February 2024.

#### Spending pressures

- 4.100 As reported in the Quarters One and Two budget monitoring reports during 2023/24 the Council has faced significant spending pressures in a number of areas and these are expected to continue in 2024/25 and future years. Table 14 summarises the budgetary pressures arising from forecast overspends in 2023/24 and ongoing pressures in these areas and these form a significant driver to the MTFP gaps.

**Table 14 – Spending Pressures**

Directorate	2024/25	2025/26	2026/27	Cumulative
	£m	£m	£m	
Adult Social Care Increased demand	3.559	1.100	1.100	5.759
Adult Social Care Increases in grant expenditure (offset by corresponding increased grant income)	1.702	-	-	1.702
Children's Care - demand	4.672	1.500	1.500	7.672
Education & Partnerships - Integrated Transport Unit (ITU)	3.843	-	-	3.843
Environment & Community Services - Waste Disposal	1.793	1.500	-	3.293
Increased homelessness costs	0.600	-	-	0.600
Other	0.311	0.205	-	0.516
<b>Spending Pressures</b>	<b>16.480</b>	<b>4.305</b>	<b>2.600</b>	<b>23.385</b>

- 4.101 Details of the spending pressures in the following key areas which are of statutory service provision are provided below :

- Children's Care - this area is experiencing increased demand for care and cost increases due to provider rates and complexity of cases and in the updated MTFP an amount of £4.672m has been included for this in 2024/25 and a further £1.5m p.a. for 2025/26 and 2026/27.

- Adult Social Care – there is an increased cost 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. Table 14 above shows that due to a number of potential pressures an additional £5.261m has been included in the updated MTFP for 2024/25 and further £1.1m p.a. for 2025/26 and 2026/27. This assumes no further funding from the Government above that already announced for Adult Social Care.
- Integrated Transport Unit (Home to School and Adults Transport) - the service is experiencing increased cost of transport from local suppliers and high levels of demand for service, and therefore based on the forecast overspend in 2023/24 and predicted growth in 2024/25 an amount of £3.843m has been built into the updated MTFP from 2024/25. Further work is required in order to assure the complex demand and cost modelling in this area and will be updated in the February report.
- Waste Disposal - is incurring inflationary increases on the unit cost of waste disposal and increased demand beyond budgetary provision and therefore £1.793m has been included from 2024/25. Also there will be further increased costs from 2025/26 due to the extension of the current contract for a further year until the new Energy from Waste Site is complete, which is currently expected in 2026/27, and a further £1.500m has been built into the updated MTFP from 2025/26 in order to accommodate expected increases in the price of residual waste disposal under the new contract.
- Homelessness Pressures and effect on Housing Benefit Subsidy - the Council is experiencing an increase homelessness cases and a need for temporary accommodation together with an increase in the cost of provision, especially bed and breakfast. The Local Housing Allowance (LHA) within Housing Benefit Subsidy is proving to be insufficient to meet these costs resulting cost pressure to the General Fund budget. A total of £0.600m has been built into the updated MTFP, comprising of £0.300m for the effects of this within Adult Social Care and £0.300m within Finance in relation to a shortfall in benefit subsidy. 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. This may lead to the amount provided in the MTFP being reviewed.

4.102 Whilst all directorates have been required to put forward budget proposals to balance the budget, fundamental review of service models in these specific service areas are necessary in order to achieve a financially sustainable budget position.

#### Dedicated Schools Grant

4.103 The Dedicated Schools Grant (DSG) is subject to a statutory override by central Government which instructs Councils to account for the DSG deficits and resulting negative balance in a separate reserve and not to fund it by using its General Fund resources. This was planned to end on 31 March 2023, however Government has extended the arrangement to at least 31 March 2026. This is considered to be a

potential major risk to the Council's financial resilience in the medium term if the Government were to remove the statutory override before the deficit position is resolved without providing a national funding solution. The current DSG deficit balance is £9.795m which could be required to be met from the General Fund resources. The position that Government takes will be closely followed and updates will be provided as appropriate.

#### Technical Adjustment - reversal of 23/24 Flexible Use of Capital Receipts

4.104 As mentioned in the August MTFP Refresh there is a technical adjustment relating to the Flexible Use of Capital Receipts in 2024/25 which is the reversal of the one year inclusion of a £3m credit to revenue within the base budget for 2023/24. The reversal of this sum has the effect of increasing the budget pressure in the MTFP.

#### Capital Financing

4.105 The Capital Financing Costs currently assumed will be reviewed for the budget report in February 2024 in light of the latest interest rate forecasts and also changes to the Council's Capital Programme and the recently approved Asset Review.

### **Measures to Balance the Budget 2024/25 to 2026/27**

4.106 The Mayor, Executive Members and the Leadership Team have worked closely over the year to date in order to implement measures to implement initiatives to control 2023/24 expenditure within budget and develop proposed solutions to achieve a balanced budget in 2024/25 and over the period of the MTFP to 2026/27. A range of measures have been taken which include:

- Review of previously approved savings
- Review and refinement of demand and cost models for the areas of significant spending pressure to assure the growth projections
- Development of a combination of prioritised budget proposals which:
  - Generate income
  - Manage service demand more effectively
  - Deliver efficiency (do things differently)
  - Deliver transformation (do different things)
  - Service reduction discretionary services
  - Reduce/Realign service provision with statutory requirements

#### **Budget Growth proposals to revise 2023/24 approved savings in 2024/25 to reflect the Elected Mayor's priorities**

4.107 A number of budget savings that were approved by Council in February 2023 were met in 2023/24 by one off funding. The one off funding is not available in 2024/25 and therefore following a review the Elected Mayor and Executive have proposed that the following savings are removed from the budget in order to meet their priorities of protecting front line services as far as possible. The savings affected

are shown in the table below and the detailed reasons for the proposed removal are shown in Appendix 3.

<b>Reversal of savings approved by Council in 2023/24 Budget Report</b>			
<b>Directorate</b>	<b>2023/24 Savings reference</b>	<b>Savings Description</b>	<b>£m</b>
ECS	ECS06	Street Lighting; approx.1 in 2 lights turned off between midnight and 6am, in less used spaces and intermittently in other appropriate spaces where safe to do so (will not affect road junctions and major roads)	0.148
ECS	ECS12	Reduce Council expenditure on Neighbourhood Safety and seek to maximise grant funding	0.650
ECS	ECS16	Increased use of Indigenous Growth Fund (IGF) grant funding to fund Council services in the Town Centre, such as Area Care	0.142
Finance	FIN06	Council spend for Welfare Rights service to be replaced with alternative external funding	0.174
<b>Total</b>			<b>1.114</b>

**Budget Growth proposals to address delayed and changes in assumptions for previously approved savings**

4.108 Following the appointment of a new Director of Childrens Services, revised Children’s budget savings have been developed along with a review of the achievability and timing of savings previously approved by Council in February 2023. This has meant that the following saving for 2024/25 has been delayed and is proposed to be removed from the budget (as detailed in Appendix 4), and replaced by a revised plan relating to this with a revised profile for savings achievement as shown in Appendix 1. A further report regarding the revised approach will be submitted to Executive in January 2024.

- Children’s Services Financial Improvement Plan No. 6 - Increase the in-house residential offer to reduce expenditure on external placements (£1.061m)

4.109 In addition the following budget saving previously approved by Council in February 2023 has been found to now not be achievable due to a change in the assumption made at the time it was approved, and therefore budget growth has now been provided for this as detailed in Appendix 4:

- Delete political assistant vacancy (LGS06 -2023/24) (£0.044m)

**Proposed Budget Savings**

4.110 Budget proposals totalling £14.038m in 2024/25 rising to £21.088m in 2026/27 have been categorised as set out in paragraph 4.112 and are summarised by Directorate in Table 15 below.



**Table 15: Summary of proposed budget savings by Directorate**

<b>Directorate</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>Cumulative £m</b>
Adult Social Care	(5.677)	(1.283)	(0.750)	(7.710)
Children's Care	(4.254)	(1.400)	(0.715)	(6.369)
Education and Partnerships	(0.132)	-	-	(0.132)
Environment and Communities	(1.459)	(0.730)	(0.120)	(2.309)
Regeneration and Culture	(0.651)	(0.694)	(0.200)	(1.545)
Finance	(1.487)	(0.931)	(0.182)	(2.600)
Legal and Governance	(0.378)	(0.045)	-	(0.423)
<b>Total</b>	<b>(14.038)</b>	<b>(5.083)</b>	<b>(1.967)</b>	<b>(21.088)</b>

4.111 Table 16 analyses the savings by type of saving. This shows that in deriving the budget proposals the Mayor and Executive have sought to transform how front line services are delivered rather than make cuts to services.

**Table 16: Summary of proposed budget savings by type**

<b>Analysis of savings by type</b>				
<b>Item</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>Cumulative £m</b>
Income	(3.156)	(1.562)	(0.182)	(4.900)
Efficiency	(5.849)	(1.027)	(0.120)	(6.996)
Service Reduction / Stop	(0.560)	(0.129)	-	(0.689)
Transformation	(3.641)	(2.365)	(1.665)	(7.671)
Demand Management	(0.832)	-	-	(0.832)
<b>Total</b>	<b>(14.038)</b>	<b>(5.083)</b>	<b>(1.967)</b>	<b>(21.088)</b>

4.112 The proposals have been categorised into those that require consultation and those that do not using the same categories as previous years as summarised in table 17 below. Details are provided of the budget savings proposals in Appendices 1 and 2, including the potential numbers of staff affected and the current number of vacant posts for those proposals with staffing implications. The proposals will be discussed in detail throughout the consultation process, which will be undertaken as detailed in paragraphs 4.136 to 4.140.

**Table 17: Analysis of savings by consultation requirements**

Appendix		2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
1	<b>Budget Savings proposals that are considered to have minimal or no effect on front line service delivery levels</b> These proposals do not have a direct impact on the services for the public and do not therefore require public consultation. Where proposals involve a reduction in staffing, a consultation with Trade Unions and Staff will be required.	(10.089)	(3.667)	(1.867)	(15.623)
2	<b>Budget Savings proposals considered to potentially affect front line service delivery levels</b> These proposals will form part of the 2024/25 revenue budget and requires public consultation	(3.949)	(1.416)	(0.100)	(5.465)
<b>Total</b>		<b>(14.038)</b>	<b>(5.083)</b>	<b>(1.967)</b>	<b>(21.088)</b>

4.113 Further due diligence will be undertaken on the budget proposals over coming weeks to provide assurance of their robustness. In addition, sensitivity analysis will be undertaken on the estimated level of savings in order to determine the requirement for contingencies and reserves in the event of estimated savings not being fully achievable.

4.114 Following consultation and due diligence, if any of the proposed budget savings are deemed to not be achievable then alternative budget savings will have to be found to replace the quantified saving.

4.115 After taking account of the budget proposals to date, a budget gap of £6.279m exists in 2024/25 rising to £8.180m in 2026/27 as summarised in table 18 below:

**Table 18: Revised budget gap after budget proposals**

Item	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
<b>Revised gap before new budget savings proposals</b>	<b>18.098</b>	<b>6.552</b>	<b>2.272</b>	<b>26.922</b>
New savings proposals - Appendices 1 and 2	(14.038)	(5.083)	(1.967)	(21.088)
<b>Revised gap after new savings proposals</b>	<b>4.060</b>	<b>1.469</b>	<b>0.305</b>	<b>5.834</b>
New growth to support transformation	0.000	0.127	0.000	0.127
Reversal of savings approved by Council in 2023/24 Budget Report - Appendix 3	1.114	-	-	1.114
Proposed unachievable and delayed previously approved savings - Appendix 4	1.105	-	-	1.105
<b>New growth/amend previous years' savings</b>	<b>2.219</b>	<b>0.127</b>	<b>0.000</b>	<b>2.346</b>
<b>Refreshed Budget Gap + / Surplus ( )</b>	<b>6.279</b>	<b>1.596</b>	<b>0.305</b>	<b>8.180</b>

4.116 The revised MTFP can be categorised into the major components:

**Table 19: Revised MTFP 2024/25 to 2026/27**

Refreshed MTFP Summary 2024/25 to 2026/27 (incremental)			
Budget Item	2024/25 £m	2025/26 £m	2026/27 £m
<b>Net Budget brought forward</b>	<b>126.354</b>	<b>135.298</b>	<b>141.510</b>
Pay Inflation	5.171	3.451	1.778
Contractual inflation	1.550	1.550	1.550
Other inflation	0.223	-	-
Fees & Charges inflation	(1.978)	(0.860)	(0.860)
<b>Inflation subtotal</b>	<b>4.966</b>	<b>4.141</b>	<b>2.468</b>
Service Demand pressures	19.842	6.772	5.331
<b>Service Demand pressures subtotal</b>	<b>19.842</b>	<b>6.772</b>	<b>5.331</b>
Technical adjustments	3.844	0.511	0.207
Risk Management	2.364	0.750	0.750
Grant Funding adjustments	(2.477)	-	-
Commercial Income	1.491	0.590	-
Savings - approved in previous years	(2.987)	-	-
Reversal of savings approved by Council in 2023/24 Budget Report - Appendix 3	1.114	-	-
Proposed unachievable and delayed previously approved savings - Appendix 4	1.105	-	-
New Growth to support transformation	-	0.127	-
New savings proposals - Appendices 1 and 2	(14.038)	(5.083)	(1.967)
<b>Other adjustments subtotal</b>	<b>(9.584)</b>	<b>(3.105)</b>	<b>(1.010)</b>
<b>Projected Net Budget</b>	<b>141.577</b>	<b>143.106</b>	<b>148.299</b>
Council Tax	(71.400)	(75.695)	(80.204)
Business Rates	(48.766)	(50.229)	(51.735)
Revenue Support Grant	(15.132)	(15.586)	(16.054)
<b>Assumed Funding</b>	<b>(135.298)</b>	<b>(141.510)</b>	<b>(147.994)</b>
<b>Incremental Budget Gap + / Surplus ( )</b>	<b>6.279</b>	<b>1.596</b>	<b>0.305</b>
<b>Cumulative Budget Gap + / Surplus ( )</b>	<b>6.279</b>	<b>7.875</b>	<b>8.180</b>

**Further work required to balance the budget**

4.117 Further work will continue to deliver a balanced position for 2024/25 and over the period of the MTFP ahead of the final budget report that will be considered by the Executive on 14 February and by Council on 28 February 2024.

**Transformation Programme**

4.118 Integral to the delivery of a financially sustainable Council Plan as reflected by a balanced MTFP will be the development and implementation of an organisation wide Transformation Programme. The aim of the programme will be to modernise and redesign service delivery models, drive improved control and efficiency and implement effective service demand management measures.

4.119 These measures will enable the Council to deliver improved outcomes for the community from a significantly lower cost base that is financially sustainable over

the medium to long term. It will provide the financial stability to enable robust long term planning that will enable the Council to focus upon future investment to secure improved services and outcomes for the community within Middlesbrough.

- 4.120 The Mayor and Executive are working with Officers and recently appointed external consultants to develop the Transformation Programme. Given the scale and complexity of the Council's challenge, the planning and development stage will take time to establish a robust and adequately resourced Programme Office and suitably qualified and experienced delivery resources. It will also be necessary to ensure that individual Transformation projects have robust Strategic Outline Business Cases that are adequately assured before they are accepted for inclusion into budget proposals for consideration and approval.
- 4.121 The timeframe to achieve the required levels of assurance including consultation, are likely to extend beyond the deadlines applicable to enable them to be included for consideration and approval by Council on 28 February 2024. Consequently there will need to be subsequent consideration of further budget proposals by the Executive and approval by Council during the 2024/25 financial year to revise the 2024/25 budget and MTFP to incorporate new projects into the Council's budget and policy framework.
- 4.122 A number of themes have been identified and the discovery phase of the work is in progress at the time of writing. Transformation themes will include Adult Social Care, Childrens Social Care, Homelessness, Localities and Community Engagement, Customer, Digital, alongside a management review and workforce productivity review. Further themes will emerge as work progresses.
- 4.123 It is expected that the Transformation Programme will not be sufficiently developed to close the remaining budget gap of £6.279m for 2024/25 in time for the February Executive to propose a balanced budget to Council on 28 February 2024. However, there will be an indication of the scope and scale of potential savings that will provide an initial plan of how the budget will be capable of being balanced over the Medium Term. The existence of a comprehensive and robust Transformation Programme to underpin the delivery of the Council's financial recovery, will be a key requirement to demonstrate the Council's capability and resolve to recover its financial position to support an application to DLUHC for Exceptional Financial Support.
- 4.124 A further review of the budget and MTFP position will be undertaken following consideration and analysis of the expected announcement for the Local Government Finance Settlement which is due on/around 19 December 2023.
- 4.125 If the combined effect of the Local Government Finance Settlement and any further identified and assured budget proposals are insufficient to close the remaining budget gap for 2024/25, then it will not be possible for the Council to achieve a legally balanced budget for 2024/25.

- 4.126 In these circumstances, the interim Director of Finance (s151 Officer), after appropriate consultation with the interim Chief Executive and Monitoring Officer, will be required by law to consider issuing a s114 Notice under s114 (3) of the Local Government Finance Act 1988.
- 4.127 Prior to issuing a s114 Notice the s151 Officer and Chief Executive with the support of the Mayor and Executive, will make an application to DLUHC for Exceptional Financial Support (EFS) by mid-January 2024. This will be in the form of a capitalisation direction in respect of any remaining budget shortfall in 2024/25. This application will incorporate a draft plan for financial recovery over the medium term of which the developing Transformation Programme will be a key element.
- 4.128 If DLUHC refuses the application for EFS or approves an amount less than the Council requires to balance the 2024/25 budget, then it will be necessary for the s151 Officer to issue a s114 Notice under s114 (3) of the Local Government Finance Act 1988. The implications of issuing a s114 notice are set out in paragraphs 4.132 to 4.135.

#### **Exceptional Financial Support and the Implications of a s114 Notice**

- 4.129 Since 2020 the government has agreed to provide Exceptional Financial Support to a small number of authorities that have requested assistance to manage financial pressures that they considered to be unmanageable. It is conditional upon:
- External assurance on their financial position
  - Submission and oversight of financial recovery plans
  - Other conditions specific to the local authority which may be onerous including an escalation of intervention in the running of the Council operations. At the extreme, and most likely when it has become necessary to issue a s114 notice, government intervention may result in the appointment of independent commissioners and a suspension of democratic decision making.
- 4.130 An application for Exceptional Financial Support is likely to be in the form of a 'capitalisation direction'. This is permission for the Council to treat revenue expenditure as capital and to borrow and repay this amount at a premium rate over Public Works Loans Board (PWLB) borrowing over a period of up to 20 years. It is a one off solution in order to finance the capitalisation of revenue expenditure in a particular year to provide breathing space for the Council to implement plans to recover its financial position. It is not a grant and is not free money. It is however a solution that helps to avoid the draconian measures that would accompany a s114 Notice.
- 4.131 Outcomes have varied from such applications with :
- Some authorities have not ultimately needed to draw upon the capitalisation direction and have managed to achieve financial turnaround within their own resources (LB Bexley)
  - Some authorities have drawn on the capitalisation direction and then delivered recovery (Peterborough)

- Other authorities have needed to issue s114 notice as well as drawing on the capitalisation direction (Slough)
- Varying degrees of DLUHC intervention ranging from advisory Improvement Boards, statutory Improvement boards through to Commissioners

4.132 If the Council cannot set a legally balanced budget then there is a risk of a s114 notice being issued under the provisions of the Local Government Act 1988 Section 114 (3) which states 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”.*

4.133 Councillors have 21 days from the issue of a Section 114 notice to discuss the implications at a Full Council meeting.

4.134 The issue of s114 notice means that:

- no new expenditure is permitted, with the exception of that funding statutory services, including safeguarding vulnerable people, at minimum level
- existing commitments and contracts will continue to be honoured.
- Council officers must therefore carry out their duties in line with contractual obligations and to acceptable standards, while being aware of the financial situation.
- Any spending that is not essential or which can be postponed should not take place and essential spend will be monitored.

4.135 The only allowable expenditure permitted under an emergency protocol would include the following categories:

- existing staff payroll and pension costs
- expenditure on goods and services which have already been received
- expenditure required to deliver the council’s provision of statutory responsibilities at a minimum possible level
- urgent expenditure required to safeguard vulnerable citizens
- expenditure required through existing legal agreements and contracts
- expenditure funded through ring-fenced grants
- expenditure necessary to achieve value for money and / or mitigate additional in year costs

## **Consultation**

4.136 Consultation in respect of the proposed budget savings for 2024/25 detailed in Appendix 2 and the proposed Council Tax increase for 2024/25 will commence on 21 December 2023 and conclude on 18 January 2024, with appropriate impact assessments undertaken considering responses to the consultation.

4.137 It is planned that the budget consultation will closely involve elected members in proactively engaging stakeholders. It will have a clear brand identity and be

promoted across social media and other channels, gathering both quantitative and qualitative information that will provide both real insight for the Council and real influence for respondents. The aim is to encourage more people to take part in the annual budget consultation.

4.138 It is planned that the consultation will be politically led and will include:

- a general public survey on the Council's website, with hard copies on request
- a general consultation email address
- public consultations led by the Executive at locality/community hubs
- consultation with the Council's Scrutiny Panels and Overview and Scrutiny Board
- consultation with the Council's partners and the local business sector, including a specific consultation meeting with the town's Chamber of Commerce

4.139 Due to consultation requirements for staff, and any consultation required over and above the standard budget consultation because of nature of the proposals and the groups impacted, as per previous guidance on legitimate expectation and statutory basis, some proposed budget savings may require a longer consultation than the budget consultation period and therefore there will be need to ensure that a consultation plan is developed, along with an appropriate final decision making point for these proposals.

4.140 The output of the consultation process will then be reported to Executive on 14 February 2024 and then to Full Council on 28 February 2024, which will:

- again refresh the MTFP following the Local Government Finance Settlement, set the 2024/25 budget and any required associated budget savings and targets, and set the Council Tax level for 2024/25;
- comply with the Public Sector Equality Duty and set out any impacts identified from the proposals for 2024/25 and future years.

## **Capital Programme**

4.141 The Council's Capital Programme is reviewed each quarter via the quarterly budget monitoring reports. A comprehensive review of the capital programme, its profiling and forecast outturn including financing has been undertaken to 30 September 2023 as part of the Quarter Two 2023/24 budget monitoring report.

4.142 The Capital Programme will be further reviewed at Quarter Three, and also a full revision of the Capital Programme for the MTFP period, including 2026/27, will be included in the budget report to Full Council in February 2024 along with a Capital Strategy Report.

4.143 Provision has been made in the MTFP in respect of the capital financing costs arising from the Capital Programme

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

Not applicable.

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

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

- 6.1.1 The Council is required by law to set a legally balanced budget by 11 March 2024. Failure to do so will result in the statutory requirement for the s151 Officer to issue a s114 Notice under s114(3) of the Local Government Finance Act 1988. The s151 Officer and the Chief Executive will consult with DLUHC in relation to an application for Exceptional Financial Support as required in order to avoid a s114 scenario.
- 6.1.2 Measures taken to date are not sufficient to enable the budget to be balanced and further work is required in the period up to the final proposed budget report to Executive on 14 February 2024 which will then be presented to Council for approval on 28 February 2024.
- 6.1.3 The financial implications associated with this report are set out throughout the main body of the report.

### **6.2 *Legal***

- 6.2.1 The Council is required under legislation to set a balanced budget for each year. The Medium Term Financial Plan and revenue and capital budgets form part of the Council's policy framework, as set out in its constitution. The approach outlined within the document will enable the Council to operate within the resources available and continue to meet its many statutory duties.
- 6.2.2 Elected members (individually and collectively) have a fiduciary duty to local taxpayers and so duty to facilitate, rather than frustrate, the setting of a lawful budget, and not to do so would bring damaging legal, financial, operational, and reputational consequences for the Council, and precepting authorities such as the police, fire service and local parish councils. It may also give rise to personal liability for individual members for misfeasance in public office, negligence, or breach of statutory duty, should they be found to be purposely failing to set a lawful budget.

### **6.3 *Risk***

- 6.3.1 The revision of the Council's Medium Term Financial Plan for 2024/25 to 2026/27 plays a fundamental role in ensuring that the Strategic Plan is delivered effectively.
- 6.3.2 The proposed approach will ensure a positive impact on the strategic risk that the Council fails to achieve a balanced budget. The proposed approach also aligns with legal requirements around consultation and assessing the impact of proposals. It therefore impacts positively on the risks that the Council could fail to achieve good governance or comply with the law.



6.3.3 There is a risk that the financial position of the Council will be adversely affected by any non-achievement of the proposed budget savings and other proposals for 2024/25 outlined in the report.

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

6.4.1 As stated in paragraph 4.112, savings proposals for 2024/25 and beyond have been initially assessed and categorised in Appendices 1 and 2.

6.4.2 The Council must ensure that, in line with the Public Sector Equality Duty, that any budget saving proposals, other budget proposals, or proposed Council Tax increases thought to impact on those with protected characteristics are assessed, mitigated where possible and/or justified. As such impact assessments for specific proposals and the proposed Council Tax increase will be completed prior to consideration by the appropriate decision-making body, where required. This will be either prior to the presentation of the 2024/25 budget report to Full Council in February 2024, or during 2024/25 prior to the decision to implement the proposed budget saving being taken.

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

6.5.1 A number of the proposals within the proposed budget are relevant to this theme. The proposals to make changes to waste and recycling services and cessation of financial support for Environment City in particular. The impact of this will be assessed during the consultation period and set out within the report to Council in February 2024 and the supporting Impact Assessment.

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

6.6.1 A number of the proposals within the 2024/25 proposed budget are relevant to these groups. The proposals will ensure that service provision is reviewed to ensure it is fit for purpose. The proposal in relation to the Special Guardianship Order Payment review will be particularly relevant, the proposal is to review policy and practice to bring it into line with regulations, the impact of this will be assessed during the consultation period and set out within the report to Council in February 2024 and the supporting Impact Assessment.

#### **6.7 *Data Protection / GDPR***

6.7.1 There are no concerns that the proposals within the report will impact negatively on data protection or GDPR.

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

Action	Responsible Officer	Deadline
Consultation on the proposed budget savings and Council Tax increase will commence on 21 December 2023 and conclude on 18 January 2024, with appropriate impact assessments undertaken considering responses to the consultation	Head of Financial Planning & Support	18/1/24
The output of the consultation process will be reported as part of the Revenue Budget, Council Tax, Medium Term Financial Plan, and Capital Strategy 2024/25 report to Executive on 14 February 2024 and Full Council on 28 February 2024	Head of Financial Planning & Support	28/2/24

## Appendices

1	Budget savings proposals that are considered to have minimal or no effect on front line service delivery levels
2	Budget Savings proposals considered to potentially affect front line service delivery levels
3	Budget Growth proposals to revise 2023/24 approved savings in 2024/25 to reflect the Elected Mayor's priorities
4	Budget Growth proposals to address delayed and change in assumption on savings approved in 2023/24 for 2024/25

## 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	Revenue and Capital Budget – Forecast Outturn position at Quarter One 2023/24	23/8/23
Executive	MTFP Update	23/8/23
Executive	Revenue and Capital Budget – Forecast Outturn position at Quarter Two 2023/24	21/11/23
Executive	Asset Review	21/11/23
Government (Chancellor)	Autumn Spending Review 2023	22/11/23
Department for Levelling Up, Housing & Communities (DLUHC)	Local Government Finance Policy Statement 2024/25	5/12/23
Executive	The Council Plan, 2024-27	20/12/23

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