

<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Chief Executive and Director of Finance (s151 Officer)
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<b>Relevant Executive Member:</b>	Elected Mayor and Executive Member for Finance & Governance
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<b>Submitted to:</b>	Executive
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<b>Date:</b>	17 January 2024
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<b>Title:</b>	2024-25 Budget and MTFP – Application for Exceptional Financial Support
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<b>Report for:</b>	Decision
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<b>Status:</b>	Public
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<b>Strategic priority:</b>	All
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<b>Key decision:</b>	No
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<b>Why:</b>	Not applicable
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<b>Subject to call in?:</b>	No
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<b>Why:</b>	Urgent
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<b>Proposed decision(s)</b>
<p>That the Executive approve that an application for Exceptional Financial Support (EFS) be made by the Chief Executive and Director of Finance (s151 Officer) to the Department for Levelling Up Housing and Communities (DLUHC) in order to finance forecast budget deficits and enable a balanced budget to be set for 2024/25 as required by statute.</p> <p>That the Executive delegate authority to the Chief Executive and Director of Finance to negotiate the quantum and terms of the application in consultation with the Elected Mayor and Executive Member for Finance and Governance.</p>

That the Executive notes that the Chief Executive and Director of Finance seek approval from a future Full Council to accept or reject (as appropriate) any offer made with associated terms and conditions.

### Executive summary

The Council is required to set a legally balanced budget for 2024/25 by the statutory deadline of 11 March 2024. This is the responsibility of all Council Members.

At its meeting on 20 December 2023, Executive considered an update report in relation to progress made in developing the 2024/25 Budget and MTFP for the period 2024/25 to 2026/27. The report identified that despite substantial work undertaken by the Leadership Management Team, the Elected Mayor and the Executive to identify savings and income growth proposals sufficient to balance the 2024/25 budget, a shortfall of £6.279m remained for 2024/25. It also reported further gaps of £1.596m for 2025/26 and £0.305m for 2026/27, equivalent to a cumulative budget gap of £8.180m.

The draft savings and income growth proposals that are subject to consultation, total £14.038m in 2024/25 which is equivalent to 11% of the 2023/24 net budget of £126.354m and is of significant scale and challenge for Middlesbrough Council. These savings rise to by a further £5.083m in 2025/26 and £1.967m in 2026/27, therefore presenting a cumulative savings plan of £21.088m by the end of 2026/27.

It is also proposed to levy a total Council Tax increase of 4.99%, comprising 2% on the Adult Social Care Precept and 2.99% on the general Council Tax. It is possible for the Council to seek authorisation from DLUHC to waive the referendum limit to levy a higher Council Tax as part of its application for Exceptional Financial Support, but this course of action is **not** proposed.

Further work is continuing in relation to the budget development process and financial recovery plan including:

- Assessment of the Provisional Local Government Finance Settlement
- Due diligence to assure the robustness and deliverability of budget proposals
- Assessment of the adequacy of reserves
- Assessment of risks and uncertainty of cost and demand pressures facing the Council
- Scoping and development of the Transformation Programme, its themes and projects and associated business cases.
- Development of asset disposal plans and a profiled pipeline of capital receipts that will be the primary funding stream for investment in the Transformation Programme.

The Provisional Local Government Finance Settlement (LGFS) was announced on 18 December 2023 and runs to the 15 January 2024. The Final LGFS will be announced in early February 2024 and the final funding position will be known at that point.

The Provisional Settlement is broadly in line with the Council's MTFP assumptions and is not expected to change substantially upon receipt of the Final LGFS. As anticipated, the £6.3m budget gap remains to be addressed by the Council in order to set a legally balanced budget for 2024/25.

It is the professional opinion of the s151 Officer, that in order to set a legally balanced and robust budget whilst maintaining adequate revenue reserves for 2024/25, the Council must:

- apply for and receive approval of Exceptional Financial Support from Central Government comprising elements:
  - meet the budget gap for 2024/25
  - manage the financial implications of savings programme delivery risk
  - temporarily support the funding of investment in transformation pending the realisation of capital receipts from the asset disposal programme
  - temporarily support the funding of the statutory element of redundancy costs pending the realisation of capital receipts from the asset disposal programme
- approve and deliver budget proposals to the values set out in the Executive report of 20 December 2023
- increase Council Tax by the maximum 4.99% as proposed in the Executive report of 20 December 2023

In the event that these conditions are not met, then the s151 Officer will be required to issue a s114 Notice under s114(3) of the Local Government Finance Act 1988 as the Council would be unable to set a legally balanced budget.

This action will only be taken as a last resort and is likely to have a significant adverse impact upon the Council's ability to maintain delivery of a range of non-statutory services in the short term whilst a plan to achieve a balanced budget is considered by the Council. This course of action also increases the likelihood of an escalation of government intervention, which will result in increased expenditure for the Council.

Based upon the budget development work undertaken to date, it is considered to be highly unlikely that it will be possible to identify and deliver robust and sustainable saving proposals to close the £6.3m budget gap without implementing a large-scale transformation programme of the type being developed currently to run over the medium term. This will take time and substantial investment in the necessary skills, experience and technology required to deliver lasting service improvement and cost reduction.

It is considered that Exceptional Financial support will be necessary to enable the Council's financial recovery either at this stage that would avoid a s114 Notice, or at a later stage in a s114 scenario.

## **1. Purpose**

1.1 The purpose of the report is to:

- Update Members on the assessment of the Council's ability to set a legally balanced budget for 2024/25.
- Seek approval to apply to the Department of Levelling Up Housing and Communities (DLUHC) for Exceptional Financial Support (EFS).
- Seek approval to delegate authority to the Chief Executive and Director of Finance to negotiate the quantum and terms of the EFS application in consultation with the Elected Mayor and Executive Member for Finance and Governance.

## **2. Recommendations**

That the Executive

- 2.1 Notes the further progress made in developing the 2024/25 budget and MTFP.
- 2.2 Note the s151 Officers advice at paragraph 4.35 and 4.36 that without securing External Financial Support via DLUHC, it will not be possible for it to:
  - Balance the 2024/25 budget
  - Secure financial recovery and sustainability over the medium term
- 2.3 Notes that if approval of the EFS application is not agreed, it will be necessary for the s151 Officer to issue a s114 Notice under s114(3) of the Local Government Finance Act 1988 at the earliest possible opportunity. This will result in the Council being required to meet within 21 days of the s114 Notice to develop a plan to balance the budget including stopping all non-essential, non-statutory functions and reducing statutory functions to the minimum level in order to close the 2024/25 budget gap.
- 2.4 Approves that an application for Exceptional Financial Support will be made to the Department for Levelling Up Housing and Communities (DLUHC) in order finance forecast budget deficits and to enable a balanced budget to be set for 2024/25 as required by statute.
- 2.5 Approves the delegation of authority to the Chief Executive and Director of Finance to negotiate the quantum and terms of the EFS application in consultation with the Elected Mayor and Executive Member for Finance and Governance.
- 2.6 Notes that the Chief Executive and Director of Finance seek approval from a future Full Council to accept or reject (as appropriate) any offer made with associated terms and conditions.

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

- 3.1 The Council is required by statute to set a legally balanced budget for 2024/25 by the 11 March 2024. The recommendations within this report seek to achieve that objective and to avoid the requirement for the s151 Officer to issue a s114 Notice under s114(3) of the Local Government Finance Act 1988.

## **4 Background and relevant information**

- 4.1 The Council is required to set a legally balanced budget for 2024/25 by the statutory deadline of 11 March 2024 and this is the responsibility of all Council Members.
- 4.2 At its meeting on 20 December, the Executive considered the update report setting out the progress made in developing the 2024/25 Budget and MTFP for the period 2024/25 to 2026/27. The report identified that despite substantial work undertaken by the Leadership Management Team, the Elected Mayor and the Executive to identify savings and income growth proposals sufficient to balance the 2024/25 budget, a

shortfall of £6.279m remained for 2024/25. It also reported further gaps of £1.596m for 2025/26 and £0.305m for 2026/27, equivalent to a cumulative budget gap of £8.180m

- 4.3 The draft savings and income growth proposals that are subject to consultation, total £14.038m in 2024/25 which is equivalent to 11% of the 2023/24 net budget of £126.354m and is of significant scale and challenge for Middlesbrough Council. These savings rise to by a further £5.083m in 2025/26 and £1.967m in 2026/27, therefore presenting a cumulative savings plan of £21.088m by the end of 2026/27.
- 4.4 It is also proposed to levy a total Council Tax increase of 4.99%, comprising 2% on the Adult Social Care Precept and 2.99% on the general Council Tax. It is possible for the Council to seek authorisation from DLUHC to waive the referendum limit to levy a higher Council Tax as part of its application for Exceptional Financial Support, but this course of action is **not** proposed.
- 4.5 Further work is continuing in relation to the budget development process and financial recovery plan including:
- Assessment of the Provisional Local Government Finance Settlement
  - Assessment of the adequacy of reserves
  - Due diligence to assure the robustness and deliverability of budget proposals
  - Assessment of risks and uncertainty of cost and demand pressures facing the Council
  - Scoping and development of the Transformation Programme, its themes and projects and associated business cases.
  - Development of asset disposal plans and a profiled pipeline of capital receipts that will be the primary funding stream for investment in the Transformation Programme.

Further details of the conclusion of this work will be provided in the 14 February 2024 report to the Executive which finalises proposals for the 2024/25 Budget and MTFP and Council Tax setting. The current position is summarised in the remainder of this report.

#### Provisional Local Government Finance Settlement

- 4.6 The Provisional Local Government Finance Settlement (LGFS) was announced on 18 December 2023 and runs to the 15 January 2024. The Final LGFS is expected to be announced in early February 2024 and therefore the final funding position will be known at that point. The Provisional Settlement is broadly in line with the Council's MTFP assumptions and is not expected to change substantially upon receipt of the Final LGFS. As expected, the £6.3m budget gap remains to be addressed by the Council in order to set a legally balanced budget for 2024/25.

#### Adequacy of Forecast Reserves

- 4.7 The 2023/24 Period 8 forecast outturn is an overspend of £7.023m (5.6%) against the £126.354m net budget. As a result, the forecast earmarked revenue reserves will be fully exhausted by 31 March 2024 and the General Fund Balance will reduce to £7.806m which is 5.8% of the estimated net budget for 2024/25 of £135.298m. The

level of reserves falls by £7.023m (47%) below the minimum level of £14.829m advised by the former interim Chief Finance Officer at budget setting 2023/24.

- 4.8 This forecast level of usable reserves is considered by the Section 151 Officer to be inadequate given the uncertainties and demand pressures facing the Council. Without a plan to immediately replenish them to at least £14.829m at the end of 2023/24, this would also necessitate the s151 Officer to issue a s114 Notice under s114(3) of the Local Government Finance Act 1988.

<b>Unrestricted Usable Reserves</b>	<b>Balance At 31/3/23</b>	<b>Q2 Forecast Balance at 31/3/24</b>	<b>P8 Forecast Balance at 31/3/24</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>General Fund Reserve</b>	12.041	6.273	7.806
<b>Unrestricted Usable Reserves</b>	2.788	-	-
<b>Total Unrestricted Usable Reserves</b>	<b>14.829</b>	<b>6.273</b>	<b>7.806</b>
<b>% of Net Revenue Budget</b>	11.7%	4.6%	5.8%
<b>Net Revenue Budget (approved 2023/24 /estimated 2024/25)</b>	126.354	135.298	135.298

- 4.9 As detailed in the December 2023 Executive report, an in-depth review of the balance sheet has been undertaken during the year and this has included a revision of the methodology for accounting for the potential revenue cost of bad debt in the Collection Fund. This revision is to ensure compliance with International Accounting Standard IAS37 which is applicable from 2021/22 financial year which is currently subject to external audit. A review of the methodology and calculations by the External Auditor has confirmed the revised methodology is robust and enabled appropriate accounting adjustments to be made to the 2021/22 accounts. In turn, this has enabled finalisation of the 2022/23 draft accounts which were signed by the s151 Officer as presenting a true and fair view of the Council's financial position at 31 March 2023 and will be subject to public inspection from 8 January 2024 to 16 February 2024.
- 4.10 After taking account of these adjustments and the forecast outturn on the Collection Fund for 2023/24, there will be a cumulative surplus on the Collection Fund that will be available for the Council, Police and Fire Authorities to precept upon in setting the 2024/25 Budget from 1 April 2024. The Council's share of the surplus is c£8.3m. This is an improved position than was achieved under the previous bad debt provision methodology. Subject to the final outturn for 2023/24 being determined by the accounts closure and reporting process due to be completed by 31 May 2024, the first call upon this surplus will be to replenish the usable revenue reserves to the minimum prudent level and is therefore not available to balance the 2024/25 budget.
- 4.11 It is essential that Members fully appreciate and understand that the one-off use of reserves and provisions to fund ongoing expenditure without a robust plan to achieve a balanced budget over the medium term and a plan to rebuild reserves from the currently critical low position, is not financially prudent nor financially

sustainable. Therefore, whilst the balance sheet review has enabled the replenishment of reserves to cover 2023/24 overspending on this occasion, this has been made possible by extraordinary circumstances and will certainly not be possible to repeat in the foreseeable future.

- 4.12 The Council's current critical financial position has been reached at least in part because of past failures to establish and deliver sufficient savings plans to secure reduction in the Council's expenditure to enable it to be maintained within available annual income streams. This, combined with over reliance upon the application of revenue reserves to meet operational overspending, has resulted in the Council reaching the critical position in which it now has insufficient revenue reserves to:
- contribute to balancing the 2024/25 budget,
  - make sufficient financial provision to adequately cover risk of planned budget delivery including proposed savings.
  - fund investment in service transformation that is required to achieve financial sustainability in the medium to long term.
  - temporarily support the funding of the statutory element of redundancy costs pending the realisation of capital receipts from the asset disposal programme

A full assessment of the Council's financial standing, the robustness of budget estimates and adequacy of reserves will be set out in the s151 Officer's report under s25 of the Local Government Act 2003, contained in the February 2024/25 Budget, MTFP and Council Tax setting report to the Executive and Council.

#### Transformation Programme

- 4.13 As summarised in the December Executive report, the development and delivery of a large-scale Transformation Programme to achieve financial sustainability over the medium to long term is essential to the delivery of the Council's financial recovery and rebuilding its financial resilience as directed by the External Auditor's statutory recommendations issued in August 2023.
- 4.14 The budget development work undertaken to date has confirmed that without such transformation, further savings above the circa £14m in 2024/25 rising to £21m in 2026/27 proposed in the December report, will not be possible to achieve without also putting at risk the Council's ability to safely meet its statutory responsibilities and/ or preserve existing service standards for non-statutory services. Consequently, this means that the Council is unable to recovery its financial position without central Government support.
- 4.15 Work is continuing at pace with recently appointed external consultants to design and develop the Transformation Programme, its thematic workstreams and robust business cases for future consideration and approval by members through appropriate governance processes. As previously noted, given the scale and complexity of the programme, this will not be achieved within the timescales required to set a legally balanced budget by 11 March 2024.

- 4.16 Transformation, by its nature requires considerable investment in programme management, consultancy and information technology and this in turn will require the disposal of assets in order to fund such investment.

Implications of a s114 Notice being issued

- 4.17 If the Council is unable to agree and set a legally balanced budget then the s151 Officer is required by law to issue a s114 Notice 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”.*

- 4.18 Councillors have 21 days from the issue of a Section 114 notice to discuss the implications at a Full Council meeting. The Council then needs to agree how it will produce a plan to balance the budget.

- 4.19 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.

- 4.20 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



- 4.21 It is important to recognise that that 83% of the Council’s 2023/24 net budget is committed to adult and children’s social care which is primarily directed to meet the Council’s statutory duties to care for vulnerable people. After taking account of savings already proposed, this leaves little if any scope to achieve a further £6.3m in savings without implementing the transformation and service redesign at scale that is being proposed as part of the MTFP. A summary of the net 2023/24 budget is set out below to illustrate the current distribution of budget across directorates.

<b>Summary of Net Budget 2023/24</b>	<b>Net Budget</b>	<b>Proportion of Net Budget</b>
	<b>£m</b>	<b>%</b>
Adult Social Care	49.808	39.4
Public Health	(3.280)	-2.6
Children’s Care	54.649	43.3
Education and Partnerships	5.494	4.3
Regeneration	(1.987)	-1.6
Environment and Community Services	20.228	16.0
Legal and Governance Services	10.245	8.1
Finance	4.429	3.5
Central	(13.232)	-10.4
<b>Total</b>	<b>126.354</b>	<b>100</b>

- 4.22 In a s114 emergency protocol, the 151 Officer would require expenditure on ‘non-statutory’ or ‘non-essential’ services and functions to stop and statutory functions to be delivered at the minimum level to achieve the £6.3m budget saving required until longer term financially sustainable solutions can be developed and implemented. Inevitably, such plans would require service transformation and redesign of the type currently being designed and developed. In the meantime, this would result in extreme adverse consequences for the delivery of non-statutory functions.
- 4.23 An extensive review of detailed service functions would be required in a s114 emergency protocol to determine a more precise assessment of budget associated with statutory and non-statutory functions to enable the s151 Officer to take decisions on stopping and reducing expenditure. Some service areas comprise a combination of statutory and non-statutory functions, whilst in several statutory functions, service provision may exceed the statutory minimum.
- 4.24 However, a high-level estimate has been made of the net budget value of services delivering primarily non statutory/ non-essential functions to provide an indication of the service areas likely to be stopped and or reduced to achieve the required saving under a s114 emergency protocol. These include Economic Development, School Crossing Patrols, Cultural and Entertainment Activities, Leisure Services, Marketing, Neighbourhood Safety and Street Wardens, Area Care, Parks

Management, Environmental Protection, Adult Social Care Day Care, Education Psychologists. The total net budget for these areas in 2023/24 is approx. £9m. In addition, there will be some elements of support services which are not yet quantified. This illustrates the scale of adverse impact that is likely as a result of a s114 Notice being issued to achieve further reduction in expenditure of £6.3m.

#### Risk of further Government Intervention

- 4.25 As detailed in the December Executive report, DLUHC is actively encouraging local authorities in financial distress to engage in discussions to secure EFS in order to deliver a balanced budget for 2024/25.
- 4.26 EFS will take the form of a capitalisation direction that enables the Council to treat revenue expenditure as capital and to borrow and repay this amount at a premium rate over Public Works Loans Board (PWL) 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.
- 4.27 Approval of EFS will be dependent upon the Council being able to demonstrate a plan to deliver its financial recovery and will be subject to a number of conditions that will be determined by the Secretary of State.
- 4.28 DLUHC have indicated:
- local authorities seeking EFS should take every possible step to minimise the need for that support to be funded by national taxpayers, while also recognising the cost-of-living pressures on families.
  - That Government will consider representations from councils, including on council tax provision.
- DLUHC officials have clarified that there is no specific requirement for an EFS calculation to include a proposal to increase council tax above referendum limits.
- 4.29 It is considered that all available steps have been taken by the LMT, Elected Mayor, and the Executive to date in order to achieve a balanced budget without recourse to EFS. However, it is considered that EFS presents the only feasible solution to deliver a balanced budget for 2024/25 and also deliver service transformation and cost reduction at the scale required to secure financial sustainability in the medium to long term.
- 4.30 It is not proposed that the application for EFS will include an application to increase council tax above current referendum limits, given the levels of deprivation in Middlesbrough and the comparatively high levels of council tax already borne by households. More appropriate solutions to Middlesbrough's financial challenge will be to reduce its ongoing expenditure to become affordable within annual income streams.
- 4.31 If Members take a decision not to apply for EFS, then this would trigger the s151 Officer issuing a s114 Notice. In addition to the adverse financial consequences outlined above, Members should consider the risk of further escalation of

intervention within Middlesbrough Council. Based upon the experiences of other local authorities that are assessed as financially unsustainable, this could result in various levels of escalation, for example:

- Requiring that the voluntary Independent Improvement and Assurance Board moves to a mandatory basis
- Requiring that the advisory nature of the Board moves to a statutory basis enabling the Board to issue statutory recommendations and direct the Council's actions.
- The risk of the appointment of independent commissioners further down the line to intervene in the leadership and management of the Council. This could also involve suspension of democratic processes.

- 4.32 The Council would be required to meet the additional costs of increased improvement board activity aligned to its increased role. If Commissioners were appointed, the Council would be required to meet the cost of each Commissioner from its own resources.
- 4.33 It is important to note that in the case of all local authorities who have issued a s114 and have been subject to Commissioners, the costs of recovery are met by the local authority and have required varying levels of EFS to be negotiated between DLUHC and Commissioners.
- 4.34 Therefore, the s114 Notice would result in additional unnecessary cost to the authority, delays to progress in recovering the Council's financial position which are critically dependent upon implementing a Transformation Programme and likely to result in an escalation of Government Intervention in the Council's strategic management and decision making, with a dilution of control and influence for Council Members.

#### S151 Officer's advice

- 4.35 In conclusion, Exceptional Financial Support will be necessary to support the Council to achieve a balanced budget for 2024/25 and achieve its financial recovery plan irrespective of whether that is done now, or at some future point after a s114 Notice is issued, should the EFS application not be made now.
- 4.36 It is the professional opinion of the s151 Officer, that in order to set a legally balanced and robust budget whilst maintaining adequate revenue reserves for 2024/25, the Council must:
- apply for and receive approval of Exceptional Financial Support from Central Government comprising the following elements:
    - meet the budget gap for 2024/25
    - manage the financial implications of savings programme delivery risk
    - temporarily support the funding of investment in transformation pending the realisation of capital receipts from the asset disposal programme
    - temporarily support the funding of redundancies pending the realisation of capital receipts from the asset disposal programme
  - approve and deliver robust and deliverable budget proposals to the values set out in the Executive report of 20 December 2023

- increase Council Tax by the maximum 4.99% as proposed in the Executive report of 20 December 2023

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

- 5.1 Members may decide not to approve the application for Exceptional Financial Support (EFS). If an application for EFS is not approved, then the s151 Officer will be required to issue a s114 Notice under s114(3) of the Local Government Finance Act 1988 as soon as practically possible. This is not recommended for the reasons set out in paragraphs 4.17 to 4.36.

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

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

- 6.1.1 The financial implications of the options to approve an application for EFS or to reject an application for EFS are set out in the body of the report.

- 6.1.2 *The application for EFS will incorporate elements to:*

- meet the budget gap for 2024/25
- manage the financial implications of savings programme delivery risk
- temporarily support the funding of investment in transformation pending the realisation of capital receipts from the asset disposal programme
- temporarily support the funding of redundancies pending the realisation of capital receipts from the asset disposal programme

These amounts are subject to further work and due diligence in relation to the assessment of robustness of savings delivery plans, risk in budget estimates and adequacy of reserves. In addition, the scoping and quantification of transformation investment and profiling of realisable capital receipts from asset sales will determine the temporary funding required to address any timing difference between expenditure incurred and receipts of asset disposal.

### ***6.2 Legal***

- 6.2.1 The normal divisions of responsibility for proposing and making the budget for 2024/25 are separate from how the decision to approach the Department for Levelling Up Homes and Communities (DLUHC) should be dealt with in legal and procedural terms. The approval of the budget will follow the normal route of Executive proposing and full Council determining the budget. Pursuant to section 9D of the Local Government Act 2000, all matters are Executive functions unless the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 Regulations ('The Regulations') (or other statutory provision) provides otherwise.
- 6.2.2 Exceptional Financial Support, if granted by the DLUHC and accepted by full Council, would be part of the new medium term financial plan to be adopted as part of the budget setting exercise coming up, and there would be no departure from the actual spending plans covered by the current medium term financial plan. On that

basis and according to The Regulations, the decision whether to approach DLUHC for Exceptional Financial Support is an Executive function.

**6.3 Risk**

6.3.1 The Council is at risk of being unable to set a legally balanced budget by the statutory deadline of 11 March 2024. The recommendation to apply to DLUHC for Exceptional Financial Support aims to mitigate this risk in order that the Executive can present a balanced draft budget and MTFP to Council on 28 February 2024.

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

Not applicable

**6.5 Climate Change / Environmental**

Not applicable

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

Not applicable

**6.7 Data Protection / GDPR**

Not applicable

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

Action	Responsible Officer	Deadline
That an application for Exceptional Financial Support be made by the Chief Executive and Director of Finance (s151 Officer) to the Department for Levelling Up Housing and Communities (DLUHC) in order to finance forecast budget deficits and enable a balanced budget to be set for 2024/25 as required by statute.	Chief Executive and Director of Finance (s151 Officer)	31/1/24
That the Chief Executive and Director of Finance negotiate the quantum and terms of the application in consultation with the Elected Mayor and Executive Member for Finance and Governance.	Chief Executive and Director of Finance (s151 Officer)	11/3/24

That the Chief Executive and Director of Finance seek approval from a future Full Council to accept or reject (as appropriate) any offer made with associated terms and conditions.	Chief Executive and Director of Finance (s151 Officer)	11/3/24
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**Appendices**

None

**Background papers**

No background papers were used in the preparation of this report.

**Contact: Debbie Middleton - Director of Finance (s151 Officer)**  
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