

Report of:	Director of Finance and Transformation (s151 Officer)
Relevant Executive Member:	Elected Mayor of Middlesbrough Executive Member for Finance
Submitted to:	Executive
Date:	5 February 2025
Title:	2025/26 Revenue Budget, Medium Term Financial Plan, and Council Tax setting
Report for:	Decision
Status:	Public
Council Plan priority:	All
Key decision:	Yes
Why:	Decision(s) will incur expenditure or savings above £250,000 and have a significant impact in two or more wards
Subject to call in?:	No
Why:	The approval of the budget and MTFP will be taken by Council on 19 February 2025

Executive summary

This report provides information and advice to the Executive in terms of the proposed budget for 2025/26 and the Medium Term Financial Plan (MTFP) to 2028/29, following on from the previous report presented to Executive on 4 December 2024.

The annual budget report and MTFP is by its nature a detailed and complex report which forms the basis of the Budget and Policy Framework. Members need to have regard to all information presented in the main report which highlights the key issues for consideration and provides substantial detail in the supporting appendices.

The report incorporates the following sections following the conclusion of the recent budget consultation and the Provisional Local Government Finance Settlement (LGFS) for 2025/26 published on 18 December 2024:

- Report of the Director of Finance (s151 Officer's) in relation to the robustness of budget estimates and the adequacy of financial reserves under s25 of the Local Government Finance Act 2003 (Appendix 1)
- Medium Term Financial Plan (MTFP) 2025/26 to 2028/29 (Appendix 2)
- Proposed 2025/26 Net Revenue Budget of £143.362m (Appendix 2)
- Council Tax setting including an increase of 4.99% for 2025/26 (Appendix 7)
- Budget Consultation feedback (Paragraphs 4.8 to 4.16 and Appendix 3)
- Reserves Policy (Appendix 4)
- Fees and Charges Policy (Appendix 5)
- Proposed Capital Programme and Capital Strategy Report for 2025/26 to 2028/29 totalling £170.290m (including £74.798m for 2025/26), and the associated financing (Appendix 6)
- Schools Budgets (Appendix 8)

This report contains a number of issues for noting by Executive and requests approval of a number of recommendations by the Executive before referring for consideration and approval by Council at its budget setting meeting on 19 February 2025. These are detailed in Section 2.

The Final Local Government Finance Settlement is unlikely to be announced before this report is published and therefore the 2025/26 budget and MTFP to 2028/29 will be based upon the Provisional LGFS with any changes being reflected in the report to Council on 19 February 2025.

Council approval of the 2025/26 budget and proposed Council Tax is required by the statutory deadline of 11 March 2025.

The report should be read in conjunction with the Prudential Indicators and Treasury Management Strategy 2025/26 report elsewhere on this agenda. That report translates the Council's revenue income and expenditure plans and capital investment plans for the purpose of the council's cash flow management together with setting the framework within which the Council's investment and borrowing activity is governed.

1. Purpose

- 1.1 This report proposes a 2025/26 net revenue budget of £143.362m, and a Medium Term Financial Plan (MTFP) for the period 2025/26 to 2028/29 following the issuing of the Provisional Local Government Finance Settlement (LGFS) and sets out the financial planning assumptions applicable to the budget based upon the best information available at this time.
- 1.2 A Council Tax increase for 2025/26 of 4.99% is proposed, comprising 2% Adult Social Care Precept and 2.99% Core Council Tax which is within the referendum limits set by Government.
- 1.3 The report proposes a Capital Programme of £74.798m for 2025/26 and totalling £170.290m over the period from 2025/26 to 2028/29 together with a financing statement comprising a combination of external funding and council resources. In addition, the proposed capital strategy sets out the Council's approach to capital investment and financing, including the forecast levels of borrowing. The Prudential Indicators and Treasury Management Strategy 2025/26 report elsewhere on this agenda translates the Council's revenue income and expenditure plans and capital investment plans for the purpose of the council's cash flow management together with setting the framework within which the Council's investment and borrowing activity is governed. It includes the Minimum Revenue Provision (MRP) Policy which governs how the Council accounts for debt repayment in accordance with statutory regulations.
- 1.4 A summary of the Schools' Budget and allocation of the Dedicated Schools Grant (DSG) as determined under the Department for Education's (DfE's) National Funding Formula, together with an overview of the financial pressures on the DSG High Needs Block and forecast deficit which is being addressed under the Delivering Better Value (DBV) Programme.
- 1.5 The s151 Officer's recommended Reserves Policy for 2025/26 sets out the plan for replenishing and maintaining unrestricted usable revenue reserves over the period of the MTFP in order to achieve financial recovery and re-establish the Council's financial resilience.
- 1.6 The s151 Officer's recommended Fees and Charges Policy sets out the proposed framework within which discretionary charges for services will be reviewed and fees and charges set in the future in order to ensure financial viability of discretionary services.
- 1.7 The report is underpinned by the Section 151 Officer's report in accordance with s25 of the Local Government Act 2003 which assesses the robustness of budget estimates and the adequacy of financial reserves in the context of the known financial risks that exist in the Council's operating environment. The report sets out the responsibilities of all officers and members to work collaboratively together in order to enable the Council to successfully achieve financial sustainability over the medium term. Under s31A of the Local Government Finance Act 1992, the Council is required

to have regard to this report when making decisions on agreeing the budget and setting the Council Tax.

2 Recommendations

- 2.1 That the Executive is requested **to approve that the following are forwarded to Council for approval** as set out in **2.1.1 to 2.1.8** below
- 2.1.1 Budget proposals for savings and income generation of £7.036m in 2025/26 rising to £8.686m in 2028/29, as set out in Appendix 2 (Annex 1 and 2).
- 2.1.2 Budget growth of £2.521m in 2025/26 rising to £2.918m in 2026/27 for re-investment in services aligned to the Recover, Reset, and Deliver plan.as set in Appendix 2 (Annex 4)
- 2.1.3 Budget provision of £0.311m in 2025/26 and a further £0.100m in 2026/27 to address the removal of previously approved savings in line with the priorities outlined in the Council Plan and after listening to residents' views as set out in Appendix 2 (Annex 3)
- 2.1.4 An increase in Council Tax of 4.99% resulting in a Council Tax level (Band D) of £2,074.35 excluding parish, Fire, and Police precepts in line with both the Government's referendum limits and the s151 Officer's advice (paragraphs 4.29 to 4.32 and detailed in Appendix 7)
- 2.1.5 The proposed General Fund revenue budget for 2025/26 with a net budget requirement of £143.362m
- 2.1.6 The Financial Reserves Policy for 2025/26 (Appendix 4) including the proposed contributions to reserves to strengthen the Council's financial resilience, and which proposes:
- a minimum General Fund Balance of least 7% of the Net Revenue budget over the MTFP period to 2028/29. In the 2025/26 proposed budget the level is 7.75% equivalent to £11.1m.
 - the building up of the Financial Resilience Reserve to at least £10m in 2025/26 and £20m by the end of 2028/29 to strengthen the Council's financial resilience
- 2.1.7 The proposed Fees & Charges Policy for 2025/26, and the schedule of fees and charges arising from the application of the approved policy for 2025/26 (Appendix 5)
- 2.1.8 The Capital Strategy 2025/26 and the proposed 2025/26 to 2028/29 Capital Programme totalling £170.290m which includes the addition of new Council funded schemes, and the associated financing statement (Appendix 6).

2.2 The Executive is requested to **note** the key issues as set out at **2.2.1 to 2.2.13** below:

- 2.2.1 The statutory s25 report of the Council's Section 151 Officer in respect of the robustness of the estimates within the budget and the adequacy of reserves (Appendix 1)
- 2.2.2 The updated financial planning assumptions in the Council's Medium Term Financial Plan following the publication of the Provisional Local Government Finance Settlement (Appendix 2), and that these will be updated further following publication of the Final Local Government Finance Settlement in early February 2025, with any changes being reported to the Council on 19 February 2025 as part of the budget setting report
- 2.2.3 The creation of a Delivery Risk Budget of £2m on a one-off basis in 2025/26 only to protect against unplanned use of reserves (Appendix 2).
- 2.2.4 The transfer of the estimated surplus on the Collection Fund for 2024/25 of £3.135m to a new Savings Delivery Risk Reserve to help provide against the risk of non-delivery or delay of savings and to rebuild reserves (Appendix 2).
- 2.2.5 The creation of a Middlesbrough Priorities Fund totalling £4.367m for 2025/26 only, along with the process for use and governance of the Fund (Appendix 2)
- 2.2.6 Whilst the budget is balanced for 2025/26 and 2026/27 there will still be a budget gap of £2.726m in 2027/28 rising to £5.170m by 2028/29. Further savings proposals arising from the Transformation Programme will be required as a minimum to meet these budget gaps (Appendix 2)
- 2.2.7 The feedback of the budget consultation exercise (paragraphs 4.8 to 4.16 and Appendix 3)
- 2.2.8 The estimated balances on unrestricted usable revenue reserves as at 1 April 2025 of:
- General Fund balance - £11.100m
 - Usable Earmarked reserves – unrestricted £10.269m
- 2.2.9 The inclusion of transformation and redundancy expenditure which can be capitalised under the Flexible Use of Capital Receipts strategy (FUoCR) of £7.500m in 2025/26 (as part of planned £26.700m Transformation Programme from 2024/25 to 2028/29), and that the annual Flexible Use of Capital Receipts (FUoCR) Strategy will be presented to Council for consideration and approval in April 2025.
- 2.2.10 The Council's estimated revenue cost of borrowing for 2025/26 is £12.060m which is equivalent to 8.4% of the Net Revenue Budget and is approaching the maximum affordable level (currently set at 10% over the MTFP period),

therefore future capital investment will need to rely more heavily on external funding and capital receipts in order to maintain borrowing at affordable levels.

2.2.11 Details of the Dedicated Schools Grant (DSG) Grant for 2025/26 and the allocation to schools (detailed in Appendix 8)

2.2.12 The forecast total cumulative DSG deficit of £20.693m on 31 March 2025, including £21.281m relating to the High Needs Block (Appendix 8)

2.2.13 That a statutory override is in place which prevents the DSG deficit from being met from General Fund resources and the Government's plan to deliver a funding solution is awaited. This presents a potential significant medium term financial risk to the Council in the event that the statutory override is removed without a suitable funding solution (Appendix 8)

3 Rationale for the recommended decision(s)

- 3.1 All Council members have a legal obligation to agree a balanced budget and set the Council Tax by 11 March 2025. In addition, the Council has a Best Value duty to demonstrate financial sustainability through the delivery of a balanced Medium Term Financial Plan (MTFP) over a period of at least 3 years. 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 2025/26 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

Report of the Director of Finance and Transformation (s151 Officer) s25 of the Local Government Finance Act 2003 (Appendix 1)

- 4.1 Section 25 of The Local Government Act 2003 requires the Chief Financial Officer (CFO) to report to the Council on:
 - the robustness of the estimates made for the purpose of the budget calculations;
 - the adequacy of the proposed financial reserves.
- 4.2 The Council is required by law to take this report into account when making its decisions in relation to setting the annual budget and setting the Council Tax for the financial year 2025/26.

- 4.3 Section 26 of the Local Government Act 2002 places an onus on the CFO (The Director of Finance and Transformation and s151 Officer) to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget.
- 4.4 The s151 Officer's report is extremely important and sets the context within which the 2025/26 budget and MTFP report and the Treasury Management Strategy reports should be considered. It provides a summary of the risks and issues that need to be addressed as a priority in order to strengthen the Council's grip on its financial management arrangements to deliver financial recovery and achieve financial resilience over the period of the MTFP. It also sets out the accountabilities and responsibilities of all members and officers in relation to delivering in accordance with the 2025/26 Budget and MTFP in order to secure the financial future of the organisation.
- 4.5 The s25 report is detailed in Appendix 1 and includes the following sections:
- Legal Framework
 - Chief Finance Officer Overall Opinion
 - Current context and financial standing of the Council
 - Recommendations in relation to financial recovery and resilience
 - Robustness of Estimates
 - Governance
 - Accounting Practice
 - Budget Savings Delivery
 - Key Risks impacting Budget Delivery
 - Adequacy of Reserves

Revenue Medium Term Financial Plan 2025/26 to 2028/29 (Appendix 2)

- 4.6 This section of the report includes the following main highlights with further details contained in Appendix 2 with relevant paragraph numbers in Appendix 2 indicated:
- Details of Government funding including previous years funding and funding for 2025/26 (paragraphs 3.1 to 3.64)
 - An update on the changes since the report to Executive on 4 December 2024 following the Provisional Local Government Finance Settlement (LGFS) announcement on 18 December 2024 (Table 4)
 - The Provisional LGFS provided additional funding, however most of it was one-off for 2025/26 only
 - The Final LGFS is unlikely to be announced before this report is published and therefore the 2025/26 budget and MTFP to 2028/29 will be based upon the Provisional LGFS with any changes being reflected in the report to Council on 19 February 2025.
 - Confirmation of the financial impact of proposed savings following the budget consultation exercise, which total £7.036m in 2025/26 rising to £8.686m in 2028/29 (paragraphs 4.54 to 4.57)

- Budget growth of £2.521m in 2025/26 rising to £2.918m in 2026/27 for re-investment in services aligned to the Recover, Reset, and Deliver plan (paragraph 4.58 and Annex 4)
- Budget provision of £0.311m in 2025/26 and a further £0.100m in 2026/27 to address the removal of previously approved savings in line with the priorities outlined in the Council Plan and after listening to residents' views (paragraph 4.59 and Annex 3)
- The creation of a Delivery Risk Budget of £2m on a one-off basis in 2025/26 only to protect against unplanned use of reserves (paragraph 4.16)
- The estimated surplus on the Collection Fund for 2024/25 of £3.135m will be transferred to new Savings Delivery Risk Reserve to help provide against the risk of non-delivery or delay in achieving saving and help rebuild reserves (paragraphs 4.49 and 4.72)
- The creation of a Middlesbrough Priorities Fund totalling £4.367m for 2025/26 only (paragraphs 4.61 to 4.63)
- Updated budget gaps for the MTFP period as a result of finalised financial planning assumptions, confirmation of income sources, planned expenditure, savings, and funding via the Provisional LGFS – with a balanced budget for 2025/26 and 2026/27 and a budget gap of £2.726m in 2027/28 rising to £5.170m by 2028/29 (Table 14)
- Proposes the 2025/26 Net Revenue Budget of £143.362m
- Proposes a Council Tax increase of 4.99% for 2025/26 comprising 2% ASC Precept and 2.99% Core Council Tax, in line with both the Government's referendum limits and the s151 Officer's advice (paragraphs 4.73 to 4.87).
- The continued building up of the Council's reserves to recommended levels in order to improve the Council's financial resilience in the future

4.7 This report highlights an improved financial position for the Council from that reported in the December 2024 Executive report with additional funding being provided to the Council in the 2025/26 Provisional LGFS. However, the majority of the additional funding is one-off for 2025/26 only and therefore does not provide any certainty for the medium term. There is therefore a need for the Council to continue to focus on its financial position and continue the momentum in transforming the Council services.

Budget Consultation Feedback 2025/26 (Appendix 3)

- 4.8 This section provides a summary of consultation activity and responses, along with impact assessments included at Appendix 3.
- 4.9 A 4 week public consultation on the 2025/26 MTFP proposals and Council Tax increase commenced on 5 December 2024 and concluded on 8 January 2025 with consultation taking place via a general public survey on the Council's website with hard copies available upon request, a general consultation email address, and a range of targeted and general engagement events in person and online.
- 4.10 Following this consultation period, the recommendations are set in detail on how to proceed in light of the consultation and are set out below and in Appendix 3.

Consultation received the views of range of people through diverse channels of engagement, below is a summary of consultation activity:

- The budget consultation was promoted to over 45,000 residents via an email Council newsletter and promoted on the Council website and social media (Facebook and X).
- 361 responses to the Council's consultation survey
- 3 consultation in person events led by the Mayor and Executive Member for Finance and attended by senior officers, were attended by approximately 25 people
- Elected Member briefings on budget proposals
- Elected Members were provided with details of the budget consultation to enable them to share with residents in their ward
- consultation with the Council's Overview and Scrutiny Board, and attendance of the Mayor and Executive Member for Finance at Overview and Scrutiny Board
- consultation with the local business sector, including a specific formal consultation meeting with the North East Chamber of Commerce on 24 January 2025

4.11 The on-line survey invited respondents to tell us about their views on the four budget proposals that were deemed to be subject to public consultation, the proposed Council Tax increase for 2025/26, and the proposed budget for 2025/26 in general.

4.12 Analysis of the budget consultation survey responses shows the following main points:

- 24.37% of respondents who answered the question were in favour of a Council Tax increase of 4.99%. 74.23% were against, and 5 individuals did not answer the question.
- The public were asked whether they would support a proposal to increase Council Tax further than the proposed 4.99%. 90% said no in response to that question.
- The survey asked those who disagreed with the budget proposal to provide alternative suggestions they thought should be considered. 361 comments were received. Most comments related to the impact of the increase, concern that more money would be collected but service levels would reduce, high salaries, and frustration at those who do not pay Council Tax.

4.13 Consultation responders were also asked if they agreed with the areas of budget growth that had been proposed in the budget. 65% of those who answered the question that asked if they agreed or disagreed with the areas of growth said they either agreed or strongly agreed. 14% disagreed or strongly disagreed. Analysis of the free text provided on this question identified most common comments could be grouped around themes of support, a desire to see improved open spaces, more support for youth services and a desire for more events to be held in the town.

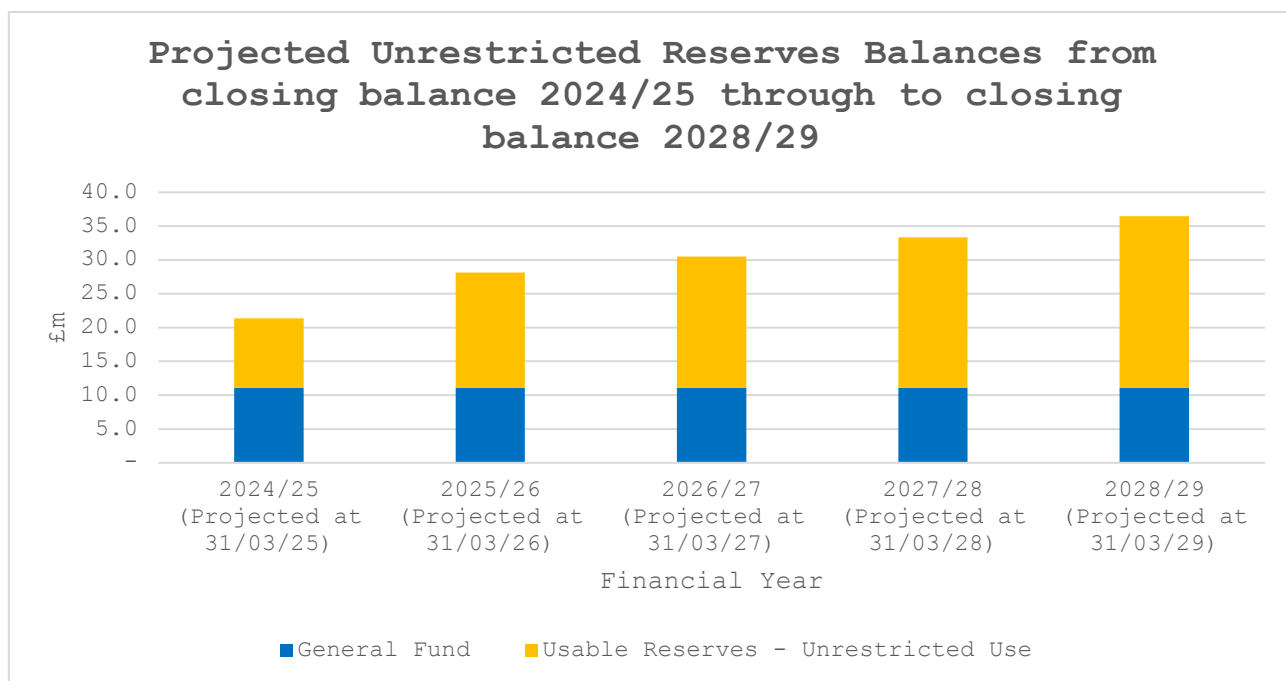
4.14 While Elected Members are not obliged to change their budget proposals in light of the outcome of the consultation, they are required to have due regard to it in making

their decisions around the Council's Council Tax levels and the Medium Term Financial Plan.

- 4.15 Following consultation, the recommendation is to proceed with savings and income assumptions presented in the December 2024 Executive Board MTFP report
- 4.16 Responses to the budget consultation survey were analysed to assess whether there were any concerns about impacts from proposals that varied by protected characteristic, which could give an indication of an unintended impact or a concern that there would be a disproportionate adverse impact on individuals or groups because they held one or more protected characteristics. This analysis is set out in the Human Rights, Equality and Data Protection section (section 6.4) of this report. Impact assessments for the budget proposals that were subject to public consultation and an overall impact assessment are set out in Appendix 3

Financial Reserves Policy (Appendix 4)

- 4.17 The Financial Reserves policy at Appendix 4 provides an overview of the Council's Reserves, the planned replenishment of the usable reserves over the term of the MTFP in order to achieve financial resilience, and sets out the principles governing their use. The Policy is reviewed and updated annually as part of the annual budget setting cycle.
- 4.18 The s151 Officer recommends that the minimum balance on the General Fund Reserve should be maintained at a level of at least 7% of the Net Revenue budget over the MTFP period to 2028/29. In the 2025/26 proposed budget the level is 7.75% equivalent to £11.1m.
- 4.19 In addition, the s151 Officer recommends the build up of the Financial Resilience Reserve to at least £10m in 2025/26 and £20m by the end of 2028/29 to strengthen the Council's financial resilience.
- 4.20 The summary forecast of all unrestricted usable reserves and the General Fund balance over the MTFP period to the end of 2028/29 after planned contributions is illustrated in the graph below, however this will depend on any unplanned drawdowns of reserves.



Fees and Charges Policy (Appendix 5)

- 4.21 Appendix 5 details the Fees and Charges policy for 2025/6, which applies sector wide good practice on the levying of fees and charges into Middlesbrough's context.
- 4.22 Appendix 5 Annex 1 provides a Schedule of proposed Fees and Charges for 2025/26 for services provided by the Council, arising from the application of the proposed policy for 2025/26.

Capital Programme 2025/26 to 2028/29 & Capital Strategy 2025/26 (Appendix 6)

- 4.23 The Council operates a strict approach to considering and prioritising schemes for inclusion in the capital programme set against available resources including a technical review process, as set out in the Capital Strategy in Appendix 6.
- 4.24 A review of the capital programme was undertaken in January 2025 and prior to setting the budget.
- 4.25 The main points arising from the review of the Capital Programme and the Capital Strategy are:
- The addition of new Council funded schemes totalling £17.847m over the MTFP period to 2028/29, including £4.278m in 2025/26. These are for essential expenditure required to support the delivery of the Council's objectives and priorities
 - The addition of £7.913m of Council resources for 2027/28 and 2028/29 for schemes deemed Business as Usual
 - The total capital expenditure over the MTFP period from 2025/26 to 2028/29 of £170.290m, with a programme of £74.798m for 2025/26. This is funded by a combination of external borrowing, grants and contributions, capital receipts and

- 4.27 Although the proportion of the net revenue budget being spent on Capital Financing costs is increasing, this has been fully funded by additional budget allocations. The level is now very close to the 10% threshold which was indicated by CIPFA as an upper limit for debt financing costs when the Prudential Code was introduced in 2007. Full details regarding this are included in the Prudential Indicators and Treasury Management 2025/26 report to this Executive.
- 4.28 The Council needs to control its spending plans over the medium to long term and seek to fund expenditure via external fundings sources or capital receipts from asset sales rather than borrowing which needs to be rationed going forward in order to maintain affordability. The overall capital financing position makes it more important that the Council controls its revenue expenditure within budget, delivering its savings plans in full and realises the planned capital receipts to fund transformation and future capital investment.

Council Tax Setting 2025/26 (Appendix 7)

- 4.29 Appendix 7 sets out the Council Tax base, proposed Council Tax increase and detailed calculations required by statute to determine the Council Tax applicable to each Council tax band.
- 4.30 It shows that if the final budget proposed in this report is approved by Council the Net Revenue Budget requirement for 2025/26 will be £143.362m with a Council Tax Requirement of £75.783m, equating to a Council Tax (Band D) for non-parish areas (Middlesbrough Council only element) of £2,074.35 and Band A of £1,382.90. This represents a total increase in Council Tax of 4.99% for 2025/26 comprising of a general increase of 2.99% and an adult social care precept of 2.00%.
- 4.31 This is in line with the Government's referendum limits and the s151 Officer's advice that the Mayor and Executive should adopt the current assumed maximum permissible Council Tax increase of 4.99% p.a. for 2025/26. This is necessary in light of the Council's financial position and the uncertainty over the medium term pending the Spending Review and Funding Reform during 2025. Any reduction in planned Council Tax will be a permanent loss in future funding.
- 4.32 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 50.0% 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. This means that a higher rate of Council Tax is needed to raise the same income yield compared with many other councils. Every 1% of Council tax raises approximately £0.700m per year. Full details regarding this were provided in paragraphs 4.51 to 4.56 of the December 2024 Executive report

Schools Budget 2025/26 (Appendix 8)

4.33 Appendix 8 provides details of the Dedicated Schools Grant for 2025/26 totalling £207.169m after deductions for national non domestic rates and direct funding of high needs by Education & Skills Funding Agency (EFSA).

4.34 This budget has 4 elements - budgets delegated to individual schools, support to high needs pupils, provision for early years expenditure and support for central services.

4.35 The key points relating to the Schools budgets are:

- Total indicative grant funding for Middlesbrough is **£207.169m** for 2025/26, comprising of the following four blocks of funding:

DSG Block	2024/25 £m	2025/26 £m	Increase £m	Increase %
Schools Block	139.892	150.103	10.211	7.3
Central School Services Block	1.061	1.136	0.075	7.1
High Needs Block	30.650	33.283	2.633	8.6
Early Years Block	17.557	22.647	5.090	29.0
TOTAL DSG AFTER DEDUCTIONS	189.160	207.169	18.009	9.5

- This is an increase of **£18.009m (9.5%)** from the 2024/25 indicative budget after deductions
- The figures currently are indicative and the grant will be amended throughout the year as the Schools Block includes amounts which are passported straight to academies
- The DSG deficit is predicted to increase by £6.400m during 2024/25 and it is currently forecast that there will be a total cumulative DSG deficit of £20.963m at 31 March 2025, including £21.281m relating to the High Needs Block which is partly offset by £0.588m of surplus forecast across the other blocks. The pressure has been driven up by Education and Health Care Plans (EHCPs) increasing from 2023 to 2024 by over 12.3% (up from 1804 to 2026) and the service has faced the full year effect of this increase along with continued increasing numbers in the past 12 months and increasing exclusions. The position will be closely monitored during 2025/26 and reported through the quarterly budget monitoring.
- Middlesbrough are signed up to the Delivering Better Value (DBV) programme that invests £1m over an approximate 18-month period ending 31 March 2025 which aims to deliver cost efficiencies, with any extension period only due to timing of grant and delivery of the programme.
- 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 the Government extended the arrangement to at least 31 March 2026. This is a potential major risk to the Council's financial resilience in the long term if the Government remove the statutory override before the deficit position is resolved – the current balance is £20.693m which would be required to be met from the General Fund resources. The position that Government takes on this national issue which presents significant financial risks for many local authorities, will be closely followed and updates will be provided as appropriate

- A range of management actions are being taken alongside the DBV programme and the initiatives are detailed in paragraph 1.6 of Appendix 8.

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 detailed financial implications are set out throughout the report.

6.1.2 The Council is required by law to set a legally balanced budget by 11 March 2025. 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.

6.1.3 Council approval of the 2025/26 budget and proposed Council Tax will therefore be sought at the Council meeting on 19 February 2025 in order to comply with the statutory deadline of 11 March 2025 and to enable the billing of Council Tax to Middlesbrough households to be undertaken.

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 2025/26 to 2028/29 plays a fundamental role in ensuring that the Council 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 2025/26 outlined in the report.

6.4 Human Rights, Public Sector Equality Duty and Community Cohesion

- 6.4.1 Budget savings proposals for 2025/26 and beyond were initially assessed and categorised in Appendices 1 and 2 of the report to Executive on 4 December 2024 and then were subject to public consultation starting on 5 December 2024 and ending on 8 January 2025.
- 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 those proposals and the overall budget are required to be undertaken. The completed impact assessments are appended to this report, along with an overall impact assessment at Appendix 3.
- 6.4.3 The Public Sector Equality Duty (PSED) (as set out in the Equality Act 2010) places a statutory duty on the Council in exercising its functions, to have regard to the need to:
- eliminate discrimination, harassment and victimisation;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 6.4.4 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and

- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

6.4.5 The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Where proposed decisions may be relevant to one or more of these protected characteristics, the Council is obliged to assess the impact. If there is judged to be an adverse impact on these characteristics that is relevant to the duty above steps are taken to consider whether it can be avoided or mitigated. Where it cannot be avoided or mitigated, a decision can only be taken if it can be justified.

6.4.6 As a result of the above, the four proposals set out at Appendix 2 of the December report have been subject to a screening impact assessment. As a result of that process two of those proposals were found to have no concerns that they could have a disproportionate adverse impact on individuals or groups because they hold one or more of the protected characteristics or there were no concerns the proposals could have an adverse impact on human rights or community cohesion.

6.4.7 Two of the proposals were identified as being potentially relevant to the disability protected characteristic and one of those was also relevant to the age protected characteristic (EDC05). The impact assessment process found that the potential impacts of both proposals would be fully mitigated:

Proposal	Impact Assessment
<p>EDC05 – Recharge Discretionary Home to School transport services</p> <p><i>Where the council provides discretionary as opposed to statutory home to school transport services, these will be recharged to the relevant schools and/ or health services.</i></p>	<p>The individual IA found that the impact was mitigated because services will continue to be delivered in line with existing policy and taking into account identified needs of those transported and that its impact on schools and vulnerable children had been considered within the design of the proposal which correctly places responsibility for the costs with the school or health provider who have the responsibility to fund if needed.</p>
<p>ECS19 – Council Car Parking</p> <p><i>An increase in fees and charges above the 2% increase (average 3.5%) within the Fees and Charges policy for Council Car Parking - (See Fees and Charges Schedule)</i></p>	<p>The proposed increases are potentially relevant to the disability protected characteristic where individuals with less mobility may need to access car parking. Blue badge provisions would be unaffected by the proposals, therefore there are no concerns that the proposal could disproportionately impact on a group or individuals because they hold one or more protected characteristics and the potential impact is mitigated.</p>

6.4.8 As well as assessing the impact of proposals to reduce, remove or amend service provision, the impact assessment process also identified that the following growth

proposals would have a positive impact on the age and disability protected characteristics by increasing investment to:

- Improve practice and data quality for care packages in Adult Social Care
- Fund more youth services sessions
- Meet demand for overnight emergency accommodation

6.5 Climate Change / Environmental

6.5.1 The proposal REG08 Reduction in Energy Usage should have a positive impact on the Council's aspirations for climate change.

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

6.6.1 A number of the proposals within the 2025/26 proposed budget are relevant to these groups. As per paragraph 6.4.7 one of the proposals, EDC05 Recharge Discretionary Home to School Transport Service may impact these groups, but has been fully mitigated. Other proposals will ensure that service provision is reviewed to ensure it is fit for purpose.

6.7 Data Protection

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
That this report is presented to Full Council on 19 February 2025 for approval of the Revenue Budget and Council Tax for 2025/26, the updated Capital Programme for the period to 2028/29, and the Capital Strategy 2025/26. Council will also be requested to approve the MTFP for 2025/26 to 2028/29.	Director of Finance and Transformation	19/2/25
If approved by Council on 19 February 2025, the proposals set out in this report will form the basis of the 2025/26 revenue budget of the Council	Director of Finance and Transformation	19/2/25

Appendices

1	s151 Officer Statement on Robustness of the budget and adequacy of reserves, required under s25 of The Local Government Act 2003 (Pt 1)
2	Revenue Medium Term Financial Plan 2025/26 to 2028/29
3	Budget Consultation – impact assessments 2025/26
4	Financial Reserves Policy
5	Fees and Charges Policy
6	Capital Programme 2025/26 to 2028/29 and Capital Strategy 2025/26
7	Council Tax Setting 2025/26
8	Schools Budget 2025/26

Background papers

Body	Report title	Date
Executive	2024/25 Revenue Budget, Medium Term Financial Plan, and Council Tax setting	28/2/24
Executive	Prudential Indicators and Treasury Management Strategy Report – 2024/25	28/2/24
Council	2024/25 Revenue Budget, Medium Term Financial Plan, and Council Tax setting, and Treasury Management Strategy 2024/25	8/3/24
Council	Transformation of Middlesbrough Council	24/4/24
Executive	2025/26 Budget and MTFP Approach and Timetable	22/5/24
Executive	2023/24 Revenue and Capital Outturn and development of MTFP	26/6/24
Executive	Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter One 2024/25	4/9/24
Executive	2025/26 Medium Term Financial Plan	4/9/24
Executive	Capital Programme Governance Improvement	13/11/24
Executive	Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter Two 2024/25	4/12/24
Executive	Treasury Management Mid-Year review – 2024/25	4/12/24
Executive	Calculation of Council Tax Base for 2025/26	4/12/24
Executive	2025/26 Draft Budget and Medium Term Financial Plan 2025/26 to 2028/29	4/12/24

Executive	Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter Three 2024/25	5/2/25
Executive	Prudential Indicators and Treasury Management Strategy Report – 2025/26	5/2/25

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