

To: Audit Committee

From: Justin Weston, Head of Corporate Finance

Date: 17 April 2025

Analysis of Staffing Costs – 2023/24

The Committee has received two reports from Officers on the 2023/24 Statement of Accounts. The draft version was received on 3 October 2024 and the audited accounts were finalised on 20 February 2025.

An area of concern that was raised by Members at both meetings to consider the accounts for the financial year was the increase in officers receiving remuneration (salary and employee benefits) over £50,000. This is part of the disclosure arrangements required in the accounts as part of the Transparency Act but has subsequently been incorporated into the CIPFA Accounting Code of Practice.

The current note to the Financial Statements for 2023/24 includes the number of officers receiving remuneration above £50,000 in bands of £5,000 up to the highest paid officer within the employment of the Council. The information disclosed in both the draft and audited accounts for the year was as follows:

Other Employees' Remuneration

The number of employees (including teaching staff) whose gross remuneration, including benefits, expense allowances, redundancy and other severance payments, exceeding £50,000 is shown below in bands of £5,000. Those officers already shown in the Senior Officers note above are already disclosed and therefore not included in the table below:

2022-23			Remuneration	2023-24		
Number of Employees at 31 March				Number of Employees at 31 March		
MBC	Schools	Total		MBC	Schools	Total
53	17	70	£50,000 - £54,999	120	18	138
19	10	29	£55,000 - £59,999	46	14	60
13	6	19	£60,000 - £64,999	17	4	21
8	2	10	£65,000 - £69,999	16	5	21
7	5	12	£70,000 - £74,999	6	2	8
4	3	7	£75,000 - £79,999	7	3	10
2	2	4	£80,000 - £84,999	2	2	4
-	3	3	£85,000 - £89,999	-	2	2
-	-	-	£90,000 - £94,999	-	1	1
-	-	-	£95,000 - £99,999	-	2	2
-	-	-	£115,000 - £119,999	1	-	1
1	-	1	£135,000 - £139,999 *	-	-	-
-	-	-	£145,000 - £149,999 *	1	-	1
107	48	155	Total	216	53	269

* This post is the Senior Coroner, who is appointed by, and the salary is set by central Government. This is the gross cost. A joint arrangement is in place and this post is therefore funded by the four local authorities.

Remuneration is all amounts receivable by an employee, including expenses and allowances chargeable to tax and the estimated money value of any other benefits received excluding pension contributions.

Remuneration bands are prescribed and have not been updated in line with pay awards therefore more employees are captured in this note.

As mentioned in the note above, the parameters for this disclosure do not change each year (numbers of officers paid over £50,000 in bands of £5,000). However, the council's pay grades, and spinal points, do increase each year by the national pay award. Also, officers who are not at the top spinal point for their current grade also receive an increment from 1st April each year. As a result, there is a gradual drift of numbers upwards on an annual basis as nominal salary levels increase.

During the 2023/24 FY for the Council, two of the grades with a significant number of officers attached: (Grade O – team manager) rose above a salary of £50,000 for the first time and Grade Q – senior manager) rose above a salary of £60,000. As a result of the distribution of employees across these pay scales, an additional 99 employees on these grades have had to be disclosed under the regulations, solely due to the impact of the pay award. This is vast majority of the overall increase of 114 between the two years.

The increase occurring within the 2023/24 financial year can be illustrated further in the table below which compares the number of employees disclosed in the £5,000 bandings for the last six years, between 2017/18 to 2023/24. This does confirm the details above relating to Grade O and Grade Q staff within the Council.

Number of Employees above £50,000 in bandings of £5,000 Middlebrough Council & Schools							
Remuneration	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Total	Total	Total	Total	Total	Total	Total
£50,000 - £54,999	34	31	41	38	52	70	138
£55,000 - £59,999	19	14	19	22	28	29	60
£60,000 - £64,999	11	13	10	14	14	19	21
£65,000 - £69,999	13	8	9	3	6	10	21
£70,000 - £74,999	2	9	7	6	12	12	8
£75,000 - £79,999	4	3	1	8	6	7	10
£80,000 - £84,999	2	0	1	1	4	4	4
£85,000 - £89,999	0	4	3	1	0	3	2
£90,000 - £94,999	0	0	0	0	0	0	1
£95,000 - £99,999	0	0	0	0	1	0	2
£100,000 - £104,999	1	0	0	0	0	0	0
£105,000 - £109,999	0	0	0	0	0	0	0
£110,000 - £114,999	1	0	0	0	0	0	0
£115,000 - £119,999	0	0	0	0	0	0	1
£120,000 - £124,999	0	0	1	0	0	0	0
£125,000 - £129,999	0	0	0	0	0	0	0
£130,000 - £134,999	0	1	1	0	0	0	0
£135,000 - £139,999	0	0	0	1	1	1	0
£140,000 - £144,999	0	0	0	0	0	0	0
£145,000 - £149,999	0	0	0	0	0	0	1
£150,000 - £154,999	0	0	0	0	0	0	0
£155,000 - £159,999	0	0	0	0	0	0	0
£160,000 - £164,999	0	0	0	0	0	0	0
£165,000 - £169,999	0	0	0	0	0	0	0
£170,000 - £174,999	0	1	0	0	0	0	0
Total	87	84	93	94	124	155	269
Year on Year increase		3	9	1	30	31	114

As can be seen, the changes at other banding levels are marginal, and large rises only occur when specific pay grades (with significant numbers employed at these levels) breach each threshold for the disclosure.

To put this increase into further context, a comparison has been made for the period 2020/21 to 2023/24 for the five Tees Valley local authorities. The totals disclosed within in their audited Statement of accounts for the relevant financial years are set out below.

**Number of Employees above £50,000
Council & Schools - Tees Valley Comparison**

Council	2020/21	2021/22	2022/23	2023/24
	Total	Total	Total	Total
Middlesbrough	94	124	155	269
Redcar & Cleveland	176	164	182	245
Stockton	158	176	197	273
Hartlepool	76	88	106	152
Darlington	76	78	110	162

Three conclusions can be drawn from the table above:

- 1) All five councils have larger than average increases between the 2022/23 and 2023/24 financial years than in previous years. This will reflect similar pay structure banding issues as highlighted above, breaching the £50,000 and £60,000 thresholds for each financial year.
- 2) The % rise for Middlesbrough for 2023/24 is the most significant, at 73.5% and may just reflect larger staff numbers at Grade O and Grade Q than comparator authorities.
- 3) Middlesbrough was relatively low in total numbers in the earlier years but has caught up with Redcar and Cleveland and Stockton Council's (which are of similar size). Further research would be needed to exactly why this change has happened but may reflect some of the recruitment issues experienced in recent years.

Members also requested more details relating to expenditure on pay within the Council, in relation to total budgets held, number of FTE's employed and for this to be broken down at directorate level. This is summarised in the table below.

Payroll analysis : % Variance Actuals vs Budget.	2023-24			Full Time Employees		
	Budget	Actuals	Variance	Budget	Actuals	Variance
Adult Social Care Total	18,324,907	17,341,929	(982,978)	500.98	474.00	-27.0
Chief Executive Total	195,300	195,300	0	1	0	-1.0
Children's Care Total	25,024,160	19,302,864	(5,721,296)	548.78	423.10	-125.7
Education & Partnerships Total	11,705,200	11,668,355	(36,845)	264.05	260.50	-3.6
Environment & Community Services Total	25,946,415	24,354,726	(1,591,689)	688.42	646.20	-42.2
Finance Total	8,491,900	7,888,888	(603,012)	205.29	176.50	-28.8
General Fund & Centrally Held Budgets Total	1,674,293	1,539,938	(134,355)	0	0	0.0
Legal & Governance Services Total	10,201,255	9,770,986	(430,269)	213.31	204.32	-9.0
Public Health Total	7,032,450	6,116,510	(915,940)	164.56	143.20	-21.4
Regeneration Total	9,317,254	8,097,976	(1,219,278)	239.69	208.00	-31.7
Directorate Total	117,913,134	106,277,473	(11,635,661)	2826.08	2535.82	-290.26
Agency Education	0	931,940	931,940			
Agency Children's Care	2,414,700	5,680,985	3,266,285			
Agency Other	0	1,734,259	1,734,259			
Council Total	120,327,834	114,624,657	(5,703,177)			

For the financial year 2023/24, the Council held total salary budgets (including agency staff) of £120.3m covering just over 2,800 full time employees. Due to issues around recruitment to specific posts and the need to offset other budget pressures on non-pay budgets or savings non-delivery, only around 2,500 staff were employed, with agency staff covering some of the vacancies. The actual total spend on pay (including agency staff) was £114.6m, leading to a saving of £5.7m, which was used to alleviate the significant overspend which occurred at the start of the financial year on non-pay budgets and put the Council into a difficult financial position with critically low reserves.

At directorate level, each director used less staff than budgeted within their resource allocation, particularly in children's care, where there was a known reliance on agency workers to deliver services at the appropriate level and quality. It is difficult to analyse these variances further without getting into a substantial amount of detail. However, the reasons given in the preceding paragraph around having vacancies due to recruitment challenges and holding the subsequent vacancies for savings reasons, will be the most common reason (per directorate) as to why the full establishment has not been used during the financial year.

Conclusion

The tables above illustrate that even though there was a large increase in the total number of higher paid staff within the Council during the 2023/24 financial year. This did not translate into additional budget related pressures on staffing as these staff numbers at 269, are only just over 10% of the total number of staff employed at around 2,800.

In addition, the main driver for the increased staff numbers between the two financial years will only have been the pay award and additional oncosts, which is only a small proportion of total cost for an employee (around 3%) for the grades in question. In total these increases will have been around £0.7m on a budget of £120.3m.

Any impact of these increased numbers on the Council's overall financial position during 2023/24 would have been minor and was managed by an overall staffing underspend of £5.7m. This was part of the financial control measures implemented by the Director of Finance to manage the overall budget position.

Further research would need to be done into the specific reasons why Middlesbrough's increase was larger during 2023/24 than neighbouring authorities, but it could be simply down to staff numbers employed at specific levels captured by the disclosure requirements in the Statement of Accounts.