

MIDDLESBROUGH COUNCIL

Report of:	Director of Finance and Transformation (s151 Officer)
Relevant Executive Member:	Executive Member for Finance
Submitted to:	Executive
Date:	11 June 2025
Title:	2024/25 Revenue and Capital Outturn
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?	Yes
Why:	Non-Urgent Decision

Proposed decision(s)

That the Executive **approve** the recommendations below relating to revisions to the Capital Programme:

- the inclusion of additional expenditure budgets to the Capital Programme totalling £0.322m for 2024/25 which are externally funded (detailed in Appendix 6). Subject to approval this will increase the approved 2024/25 Capital Programme budget to £107.463m.
- the proposed virements over £250,000 between schemes in the 2024/25 Capital Programme approved by Council in March 2024 which are funded from within existing Council resources (detailed in Appendix 6).

That the Executive notes the Council's year-end financial outturn for the financial year 2024/25, and the improved financial position which includes the following:

- an underspend of £2.257m on the revenue budget
- a requirement to use only £2.443m of the £13.400m Exceptional Financial Support (EFS) approved in-principle by the Ministry of Housing, Communities & Local Government (MHCLG)
- no requirement to borrow for the EFS, as capital receipts already held will be used
- increased levels of usable unrestricted revenue reserves, with £21.654m available at 31 March 2025

Executive summary

This report advises the Executive of the Council's year-end financial outturn for the financial year 2024/25, and seeks approval of revisions to the capital programme in relation to activity in Quarter Four.

The report enables the Executive to discharge its financial management responsibilities by setting out the following position at year-end 2024/25 (31 March 2025):

- General Fund Revenue Budget year-end outturn;
- statement of the Council's reserves and provisions;
- Capital Programme year-end outturn;
- statement of the Council's borrowing and prudential indicators;
- statement of the level of debt owed to and to be recovered by the Council;
- actions that have been taken and are planned to be taken in order address the issues identified.

The main highlights of the report are:

- the net revenue budget year-end outturn for 2024/25 is an **underspend of £2.257m (1.6%)** as summarised by Directorate in Table 1, which is an improvement of £2.251m from that reported at Quarter Three.
- that due to the improved financial position of the Council during 2024/25 the only element of the £13.400m Exceptional Financial Support (EFS) approved in principle by the Ministry of Housing, Communities & Local Government (MHCLG) that will be required to be used in 2024/25 is £2.443m of the £4.700m provided to set a balanced budget in 2024/25 (this is still subject to formal approval by MHCLG)..
- as the amount of EFS required is now much smaller, capital receipts already held by the Council will be utilised for the EFS rather than borrowing which was originally advised to Elected Members. This will mean that the Council will not incur any capital borrowing costs. The use of capital receipts for EFS will not affect the planned use of capital receipts generated from asset sales for the Transformation required by the Council in future years (paragraph 4.6).
- the final year-end underspend of £2.257m includes **£2.816m of net savings which were not deliverable in 2024/25** (Tables 3 and 4 and Appendix 2), however these were offset by a total of £5.073m of net underspends across the Council.
- the final year-end underspend of £2.257m includes **£6.457m of net underspends which were one-off in 2024/25 only** (as detailed in Appendix 1)

with the remainder being net overspends which will be ongoing in future years. This will inform the review of the Council's Medium Term Financial Plan (MTFP) which will take place over Summer 2025.

- the General Fund Balance was £11.100m and usable earmarked unrestricted revenue reserves were £10.554m at 31 March 2025. This means that the Council had a total of **£21.654m of usable unrestricted revenue reserves at 31 March 2025** (Table 5 and Appendix 3). This is in line with that recommended by the Director of Finance in the Reserves Policy for 2024/25 approved by Council on 8 March 2024 to rebuild the Council's financial resilience.
- **the deficit of £7.920m for 2024/25 on the Dedicated School Grant**, mainly relating to the High Needs Block, which increased the **forecast cumulative deficit to £22.213m at 31 March 2025** (Table 7). This is a major risk as the statutory override is due to end on 31 March 2026. The DSG recovery actions and risks to the Council's financial resilience are set out in Appendix 5.
- **the 2024/25 Capital Programme year-end outturn of £57.163m** is a reduction of £50.300m from the revised £107.463m budget (Table 6). This is largely due to slippage of planned expenditure from 2024/25 into 2025/26 and 2026/27 (Appendix 7). The Executive agreed measures to improve capital programme management and forecasting at its meeting on 13 November 2024.
- that **£4.447m of qualifying revenue expenditure has been funded from Flexible Use of Capital Receipts (FUoCR)** in accordance with the FUoCR strategy for 2024/25 approved by Council on 24 April 2024 (Table 9 and Appendix 8).
- the level of Middlesbrough's share of Collection Fund and General Fund Debtors on 31 March 2025 (Tables 11 and 12)
- that this report should be read together with the separate 2024/25 Treasury Management Outturn report to this Executive.

1. Purpose of this report and its contribution to the achievement of the Council Plan ambitions

- 1.1 The report discharges the responsibilities of the Executive to manage and control the revenue budget, capital programme and overall balance sheet position of the Council.

Our ambitions	Summary of how this report will support delivery of these ambitions and the underpinning aims
A successful and ambitious town	This report covers both the revenue budget and capital programme of the Council and as a result it supports all the ambitions within the Council Plan.
A healthy Place	
Safe and resilient communities	
Delivering best value	The proposed recommendations are consistent with and will promote the achievement of the Council's general legal duty to achieve Best Value in accordance with Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007). The report provides assurance that the Council has effective corporate governance arrangements in place, and that the Council is able to manage its finances within the budget approved by Council for 2024/25, and also ensures that the Medium Term Financial Plan to restore financial resilience and sustainability is not impacted.

2. Recommendations

- 2.1 That the Executive **approve**:

- the inclusion of additional expenditure budgets to the Capital Programme totalling £0.322m for 2024/25 which are externally funded (detailed in Appendix 6). Subject to approval this will increase the approved 2024/25 Capital Programme budget to £107.463m.
- the proposed virements over £250,000 between schemes in the 2024/25 Capital Programme approved by Council in March 2024 which are funded from within existing Council resources (detailed in Appendix 6).

- 2.2 That the Executive notes the Council's year-end financial outturn for the financial year 2024/25, and the improved financial position which includes the following:

- an underspend of £2.257m on the revenue budget
- a requirement to use only £2.443m of the £13.400m Exceptional Financial Support (EFS) approved in-principle by the Ministry of Housing, Communities & Local Government (MHCLG)
- no requirement to borrow for the EFS, as capital receipts already held will be used
- increased levels of usable unrestricted revenue reserves, with £21.654m available at 31 March 2025

3. Rationale for the recommended decision(s)

- 3.1 To enable the effective management of finances, in line with the Council's Local Code of Corporate Governance, the Scheme of Delegation and financial regulations.

4. Background and relevant information

- 4.1 The Council's Scheme of Delegation gives the Executive collective responsibility for corporate strategic performance and financial management, monitoring and control. Standing Orders and Financial Procedures require the Executive's approval for major virements between revenue budgets, and in-year changes to the Council's Capital Programme within approved Council resources within the approved policy framework.
- 4.2 This report enables the Executive to discharge its financial management responsibilities by setting out the Council's position for the financial year ended 31 March 2025.
- 4.3 Financial Procedure Rule 18.38.3 of the Council's constitution requires the Executive's approval of revenue and capital programme budget virements over £250,000.
- 4.4 The Executive has considered quarterly reports forecasting the 2024/25 Revenue and Capital Programme outturn during the course of the 2024/25 financial year and this report presents the final year-end outturn for 2024/25.

Revenue Budget

- 4.5 The previous Director of Finance (S151 Officer) issued her Section 25 Report to Council Members in the 2024/25 Revenue Budget, Medium Term Financial Plan, and Council Tax setting report approved by Council on 8 March 2024. The report set out the basis upon which the revenue budget was considered to be robust and the basis upon which reserves were considered adequate, being dependent upon the approval of Exceptional Financial Support (EFS) by the Ministry of Housing, Communities and Local Government (MHCLG) (formerly DLUHC) as summarised below:

Exceptional Financial Support 2024/25 approved in-principle by MHCLG

Directorate	2024/25 £m
Required to balance 2024/25 budget	4.700
Contingency for non-delivery of budgeted 2024/25 savings risk	3.500
Contingency for capital receipts delivery risk	4.600
General contingency	0.600
TOTAL	13.400

- 4.6 Based on the year-end revenue budget outturn position detailed below, the only element of EFS required to be used in 2024/25 is £2.443m of the £4.700m approved in principle by MHCLG in order to set a balanced budget for 2024/25 (this is still subject to formal approval by MHCLG). As the amount of EFS required is now much smaller, capital receipts already held by the Council will be utilised for the EFS rather than borrowing which was originally advised to Elected Members. This will mean that the Council will not incur any capital borrowing costs. The use of capital receipts for EFS

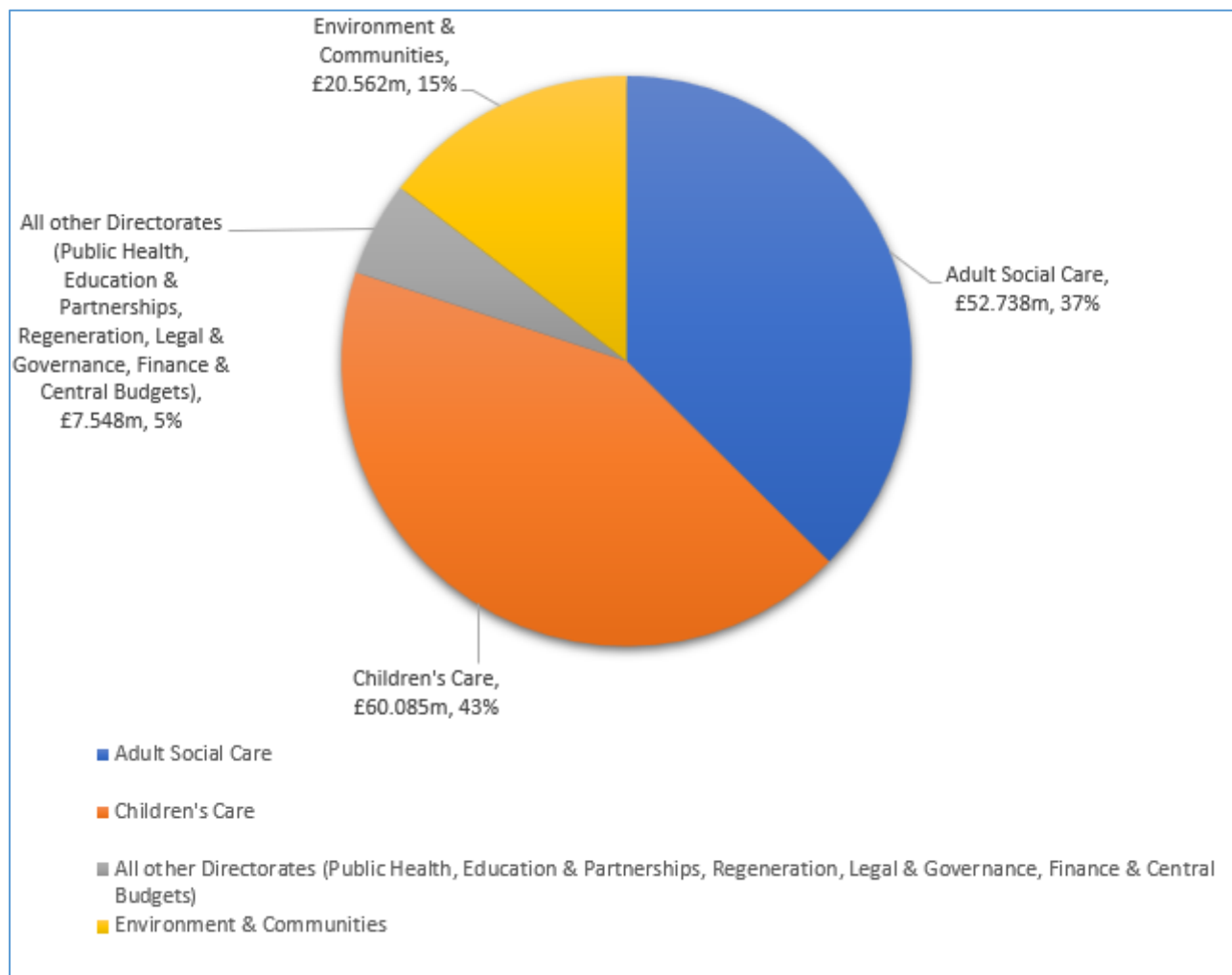
will not affect the planned use of capital receipts generated from asset sales for the Transformation required by the Council in future years.

- 4.7 The 2024/25 final year-end revenue budget outturn at 31 March 2025 (Quarter Four) was an underspend of (£2.257m) (1.6%) against the approved budget of £143.190m. This represents an improvement of £5.999m from that forecast at Quarter One and an improvement of £2.251m from that forecast at Quarter Three. This was achieved by the budgetary control measures which existed during 2024/25 and which will be continued during 2025/26 (detailed in paragraph 4.52), and the agreed actions from the budget challenge sessions held during 2024/25 (detailed in the quarterly budget monitoring reports during 2024/25).
- 4.8 The analysis of the financial outturn by Directorate is set out in Table 1. This is also illustrated in Chart 1 which shows simply that 80% of the Council's expenditure in 2024/25 was spent on Social Care (Children's and Adult).

Table 1 – Summary of Net Revenue Budget Final Outturn 2024/25 by Directorate

						MEMO YEAR-END OUTTURN VARIANCE SPLIT	
All Directorates	Original Budget Full Year	Current Budget Full Year	Year-end Outturn	Year-end Outturn Variance	Movement from Quarter Three Forecast Outturn Variance	Savings Delivery Variance	Other variances
	£m	£m	£m	£m	£m	£m	£m
				Adv / (Fav)	Adv / (Fav)	Adv / (Fav)	Adv / (Fav)
Adult Social Care	52.075	52.735	52.738	0.003	(0.185)	0.626	(0.623)
Public Health	0.006	(0.508)	(0.508)	0.000	0.000	0.000	0.000
Children's Care	54.038	56.242	60.085	3.843	(0.629)	1.911	1.932
Education & Partnerships	7.992	7.468	6.866	(0.602)	0.060	0.000	(0.602)
Regeneration	2.023	2.530	2.143	(0.387)	0.180	0.080	(0.467)
Environment & Communities	20.176	20.445	20.562	0.117	(0.377)	(0.306)	0.423
Legal & Governance	10.387	11.001	10.546	(0.455)	(0.235)	0.063	(0.518)
Finance	3.121	4.120	3.633	(0.486)	(0.804)	0.198	(0.684)
Chief Executive	0.242	0.279	0.279	0.000	0.000	0.000	0.000
Total Directorates	150.060	154.312	156.344	2.032	(1.991)	2.572	(0.541)
Central Budgets	(6.870)	(11.122)	(15.411)	(4.289)	(0.260)	0.244	(4.533)
Total Budget	143.190	143.190	140.933	(2.257)	(2.251)	2.816	(5.074)

NOTE – Environment & Communities includes an overachievement of £0.515m against the savings for the implementation of Green Waste charging (ESC02), and Adult Social Care includes an early achievement of £0.085m against the Sheltered Housing review saving (ASC01) – see Table 4. Legal & Governance outturn includes unachieved savings of £0.051m that have been achieved in other directorate's outturn figures.

Chart 1 – Net Revenue Budget Final Outturn 2024/25 % split by Directorate

4.9 Table 1 shows that there is a £3.843m overspend on the Children's Care budget for 2024/25 comprising of non-delivery of savings of £1.911m plus £1.932m of other income and expenditure pressures. This has mainly arisen due to the numbers of external residential placements increasing from 70 to 80 (14.3%) during the financial year, along with the average price for active placements increasing from £4,570 to £5,131 per week (12.3%). The number of highly complex placements has increased significantly during 2024/25 from 9 to 14 (55.6%), with these placements involving multiple complexities and links to other agencies, such as Health. The increase in external residential placements is despite a reduction in the overall number of Looked after Children, from 512 to 506 (1.1%) during 2024/25.

4.10 It should also be noted that whilst Children's Care has not fully delivered all the budget savings required in 2024/25, the review of placements, the modernising fostering project, development of edge of care provision, the reunification project funded by Department for Education (DfE), and other measures by the Service have prevented costs from increasing further (cost avoidance) and these actions are ongoing in the future. Further details of these were provided in paragraph 4.30 of the Quarter Three budget monitoring report.

- 4.11 Following the Residential and Supported Accommodation for Children in Our Care and Care Leavers Update report to Executive on 30 April 2025 in which Executive approved the move to preventative measures as opposed to reliance on residential placements for children, the Service are currently reviewing the existing internal residential provision in order to ensure it is fit for purpose in the future to support forecast demand, including reviewing the local job/skills and staffing market.
- 4.12 The overspend on the Children's Care budget has been offset by net underspends across other service directorates and also large one-off underspends against budgets held centrally (mainly contingency budgets).
- 4.13 A summary of the main variances is provided in Table 2 below with a detailed analysis of the main variances included in Appendix 1 together with an assessment of the 'one-off' variances totalling a (£6.457m) net favourable variances and 'ongoing' variances totalling a £4.200m net adverse variances. This information will be used to reassess the 2025/26 budget assumptions as part of Quarter One 2025/26 budget monitoring. It should be noted that 'one off mitigations' have a favourable impact only in 2024/25 and do not support the 2025/26 budget position. Those plans that have delivered 'ongoing' cost reductions or income generation may have a favourable impact upon the 2025/26 budget position if they have not already factored into the 2025/26 budget assumptions, and these will be reviewed as part of a review of the Council's MTFP during Summer 2025.

Table 2 – Summary of Revenue Budget Main Variances 2024/25

	£m
Adult Social Care – unachieved savings	0.626
Adult Social Care – other - mainly by maximising one-off grants	(0.623)
Children's Social Care – increased numbers and complexity of external residential placements	1.932
Children's Social Care –unachieved savings	1.911
Central – one-off savings against centrally held inflation and contingency budgets	(4.289)
Other variances (Environment & Communities, Education & Partnerships, Regeneration, Legal and Governance, and Finance)	(1.811)
Total	(2.257)

Budget Savings Delivery

- 4.14 The approved 2024/25 revenue budget for 2024/05 included savings totalling £15.302m in 2024/25.
- 4.15 The savings tracker included in Table 3 summarises performance in 2024/25 and the impact upon delivery for 2025/26, categorising the level of achieved savings at £11.886m (78%) and unachieved savings at £3.416m (22%), and also shows performance for each Directorate against the 2024/25 approved savings. Further details of savings categorised as unachievable ("Red") are attached at Appendix 2, and Table 4 ties up the unachievable savings ("Red") in Table 3 with the unachievable

savings shown in Table 1. Savings delivery plans are monitored via the Thematic and Corporate Transformation Boards.

- 4.16 The unachieved savings in 2024/25 are required to be achieved in full or replaced fully with alternative approved savings in future years otherwise this will have negative impact on the Council's MTFP. Note that this will be in addition to the savings for 2025/26 onwards which were included in the 2025/26 budget approved by Council in February 2025.
- 4.17 As announced at Full Council on 26 March 2025 the plan to charge for residents parking permits approved as part of the 2024/25 budget setting process is currently being paused. The savings associated with this (£0.125m in 2024/25 and a further £0.125m in 2025/26) will be submitted for removal from the Council's budget in the next update of the Council's MTFP to be approved by Executive.

Table 3 – Savings Programme Assurance Summary for 2024/25 by Directorate

Directorate	Approved Budget	Savings achieved in 24/25	Savings forecast to be achieved in 24/25	Medium risk to savings delivery in 24/25	Savings not achieved in 24/25 (see note 1)	Savings are undeliverable (see note 2)	24/25 (£m)	% Red (by Directorate)
		Blue	Green	Amber	Red	Purple		
Adult Social Care	(5.757)	(5.046)	0.000	0.000	(0.711)	0.000	(5.757)	12%
Children's Care	(5.080)	(3.169)	0.000	0.000	(1.911)	0.000	(5.080)	38%
Education & Partnerships	(0.285)	(0.285)	0.000	0.000	0.000	0.000	(0.285)	0%
Environment & Community Services	(1.522)	(1.313)	0.000	0.000	(0.209)	0.000	(1.522)	14%
Regeneration	(0.607)	(0.527)	0.000	0.000	(0.080)	0.000	(0.607)	13%
Finance	(1.379)	(1.181)	0.000	0.000	(0.198)	0.000	(1.379)	14%
Legal & Governance	(0.428)	(0.365)	0.000	0.000	(0.063)	0.000	(0.428)	15%
Central Budgets	(0.244)	0.000	0.000	0.000	(0.244)	0.000	(0.244)	100%
TOTAL	(15.302)	(11.886)	0.000	0.000	(3.416)	0.000	(15.302)	22%
Overall Percentages		78%	0%	0%	22%	0%	100%	

Note 1 - For savings rated RED not achieved in 2024/25, it is assumed they will be made in full in 2025/26 and future years.

Note 2 - For savings rated PURPLE and undeliverable, an alternative plan / saving is required for Executive approval.

Table 4 – Reconciliation of unachievable savings (“Red”) in Table 3 with the unachievable savings shown in Table 1

Savings	RAG	24/25 (£m)
Overall Savings not achieved in 2024/25 (Table 3). Assumed will be made in full in 2025/26 and future years.	Red	(3.416)
Savings realised (delivered) in 2024/25 that are early achievement of 25/26 savings : ASC01 Sheltered Housing	Blue	0.085
Savings realised (delivered) in 2024/25 that are early achievement of 25/26 savings : ECS02 Green Waste	Blue	0.515
Final Outturn Variance - unachieved savings (per Table 1)		(2.816)

Council Reserves and Provisions

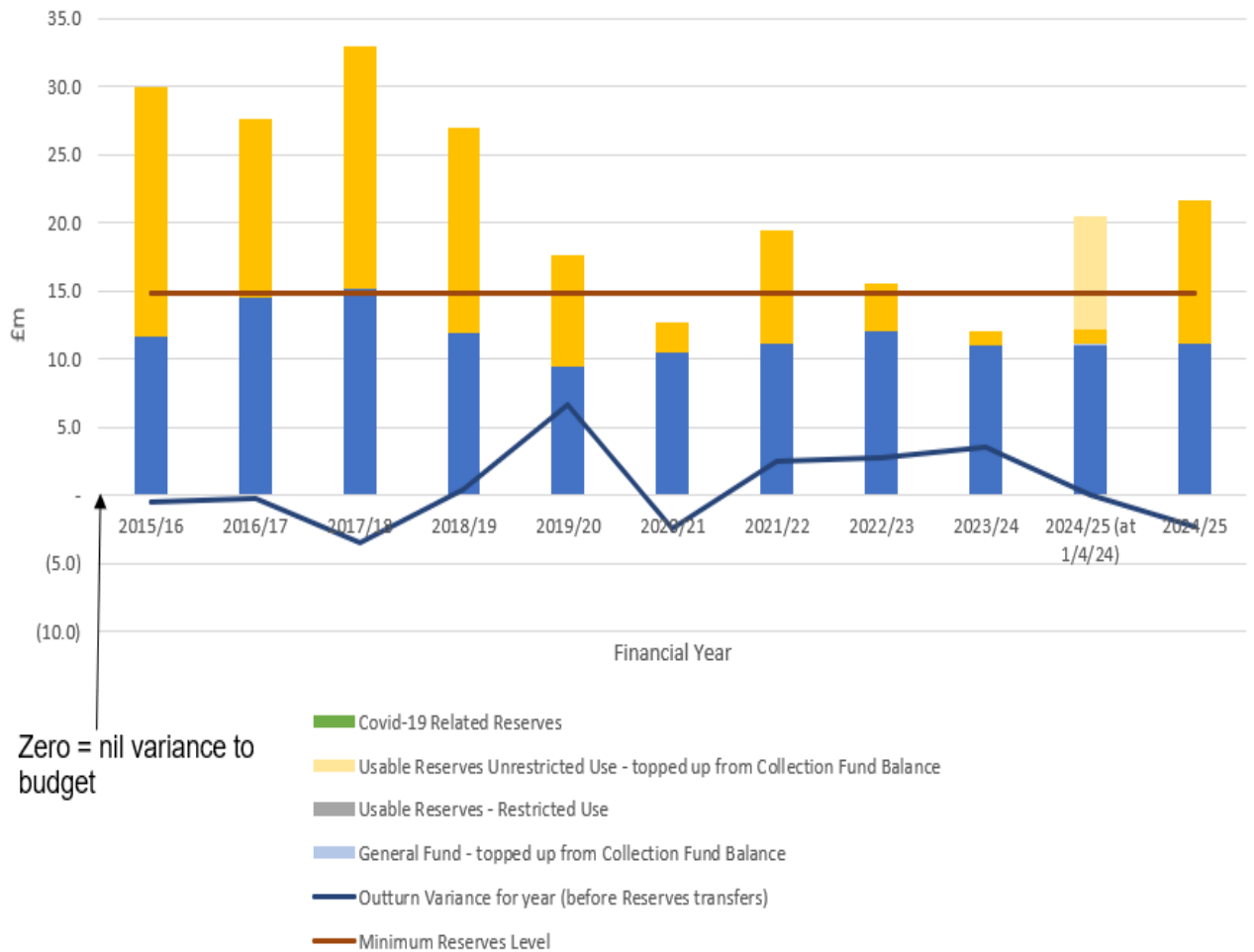
- 4.18 Table 5 summarises the Council's General Fund reserves and provisions showing the movement between 31 March 2024 and 31 March 2025, with full details included in Appendix 3. Table 5 shows that the Council has usable unrestricted revenue reserves at 31 March 2025 of £21.654m (highlighted yellow in Table 5).

Table 5 – Summary of General Fund Balance, Reserves, and Provisions

	<u>Closing Balance</u> <u>31/03/24 / Opening</u> <u>Balance 01/04/24</u>	<u>Amendments to</u> <u>Opening Balance</u> <u>from Collection</u> <u>Fund Surplus</u>	<u>REVISED OPENING</u> <u>BALANCE 01/04/24</u>	<u>Use in Year</u>	<u>Additional</u> <u>Contributions</u>	<u>Transfers from /</u> <u>(to) General Fund</u>	<u>Transfers between</u> <u>Reserves</u>	<u>CLOSING BALANCE</u> <u>AT 31/3/25</u>
	£m	£m	£m	£m	£m	£m	£m	£m
GENERAL FUND RESERVE	10.986	0.114	11.100	-	-	-	-	11.100
USABLE EARMARKED RESERVES								
Restricted Use	1.880	-	1.880	-	0.013	0.796	-	2.689
Unrestricted Use	1.069	8.211	9.280	-	1.230	0.027	0.017	10.554
	2.949	8.211	11.160	-	1.243	0.823	0.017	13.243
UNUSABLE EARMARKED RESERVES	(8.885)	-	(8.885)	(13.453)	5.525	-	-	(16.813)
SCHOOL BALANCES	4.599	-	4.599	(2.674)	1.125	-	-	3.050
PROVISIONS	4.530	-	4.530	(0.401)	1.393	-	(0.017)	5.505
	14.179	8.325	22.504	(16.528)	9.286	0.823	-	16.085

- 4.19 Figure 1 below shows the trajectory of Middlesbrough's unrestricted usable reserves from 2015/16 through to 2024/25 year-end closing balance against both the recommended minimum reserves level and the reported outturn position.

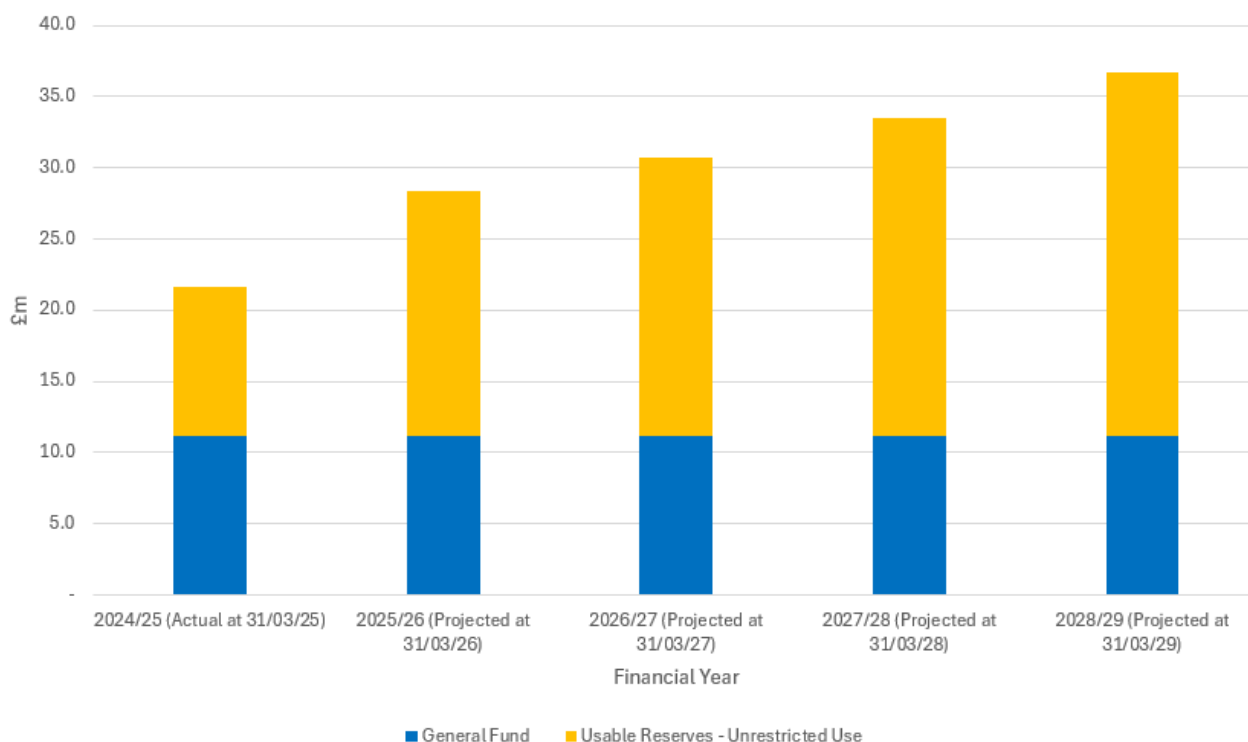
Figure 1 - Middlesbrough Council - Unrestricted Reserves Balances from closing balance 2015/16 through to year-end closing balance 2024/25 and reported outturn variance per year



4.20 The Council must continue to rebuild its unrestricted revenue reserves over the period of the MTFP in order to strengthen the Council's financial resilience and to provide sufficient resilience to support the management of risks in the delivery of the revenue budget over the current MTFP period. Reserves will increase in future years due to planned contributions to reserves as set out in the Reserves Policy in the 2025/26 Revenue Budget, Medium Term Financial 2025/26 to 2028/29, and Council Tax report to Council on 19 February 2025.

4.21 Figure 2 below shows the projected unrestricted usable reserves through to the end of 2028/29 after planned contributions, however this will depend on any unplanned drawdowns of reserves.

Figure 2 Projected Unrestricted Usable Reserves from closing balance 2024/25 through to closing balance 2028/29



Contingency Budget and Change Fund

4.22 Table 6 summarises the use of the 2024/25 Corporate Contingency budget and Change Fund Reserve which are controlled under the delegated powers of the s151 Officer. Further detail and a summary of the expenditure approved for utilisation of these budgets is set out at Appendix 4.

Table 6 – Summary of the use of Corporate Contingency Budget and Change Fund Reserve 2024/25

	<u>Corporate Contingency</u> £m	<u>Change Fund Reserve</u> £m
Starting Budget 2024/25	1.422	1.053
Contributions 2024/25	-	1.730
Other adjustments	1.310	
Available for use	2.732	2.783
Allocated in year	(1.320)	(0.017)
BALANCE REMAINING UNCOMMITTED ON CORPORATE CONTINGENCY - INCLUDED IN 24/25 OUTTURN	1.412	
CLOSING BALANCE ON CHANGE FUND RESERVE AT 31/3/25		2.766

Dedicated Schools Grant (DSG)

4.23 Local authorities receive a ring-fenced grant from central government each year, which can only be used to fund education – Dedicated Schools Grant (DSG). The DSG budget is accounted for separately to the main Revenue Budget. The Council received £197.453m (before deductions and recoupment) of Dedicated Schools Grant (DSG) for 2024/25. The funding comprised of a number of blocks:

- Schools Block
- Central School Services Block
- High Needs Block
- Early Years Block

A large proportion of the Schools Block is passported directly to academies (known as recoupment). Alongside this, agreed place funding for academies and FE colleges is also deducted from the High Needs block for specialist places. After deductions and recoupment the Council received DSG of £63.719m in 2024/25 including an agreed disapplication of £0.699m transfer from Schools Block to High Needs Block.

4.24 The forecast expenditure of £71.639m (after deductions) is a year-end overspend of £7.920m on DSG within 2024/25 as summarised in Table 7.

Table 7 - Dedicated Schools Grant (DSG) after recoupment and deductions

	2024/25 Income	2024/25 Expenditure	2024/25 Year-end Overspend	Balance as at 31/03/2024	Cumulative DSG Deficit as at 31/03/2025
	£m	£m	£m	£m	£m
Early years Block	18.256	17.973	(0.283)	(0.467)	(0.750)
Schools Block	13.053	12.861	(0.192)	(0.298)	(0.490)
High Needs Block	31.349	39.785	8.436	15.079	23.515
Central school services Block	1.061	1.019	(0.042)	(0.021)	(0.063)
TOTAL	63.719	71.639	7.920	14.293	22.213

4.25 There was a £14.293m total cumulative deficit on the DSG reserve at the end of 2023/24, which included £15.079m attributed to the High Needs Block. The DSG deficit has increased during 2024/25 as shown in Table 7 above and there is a total cumulative DSG deficit of £22.213m at 31 March 2025. This includes £23.515m relating to the High Needs Block which is partly offset by £1.302m of surpluses across the other blocks.

4.26 The 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 is planned to end

on 31 March 2026 whilst measures to resolve the national issues with expenditure and funding were implemented. There is limited impact of measures taken to date and if the statutory override is removed without a government led solution in 2025, this presents a significant risk to the Council's financial position as the size of the DSG deficit at 31 March 2025 of £22.213m is greater than all of the Council's usable revenue reserves of £21.654m at 31 March 2025 and the DSG deficit is currently forecast to increase in future years of the MTFP by more than the forecast increase in reserves. Like many local authorities, this could result in the Council being subject to a s114 Notice. The Education Service is working with Finance to look at options to improve the deficit figures during future years, but there is a likelihood of significant deficits continuing to arise in future years and this will therefore remain a significant risk in the future.

- 4.27 The position that the Government plans to take on this national issue which presents significant financial risks for many local authorities needs to be made clear, and it is essential that a solution is provided early in 2025/26. This risk has been added to the Strategic Risk Register and will be reflected in the Annual Governance Statement for 2024/25. Further information relating to DSG and the work being undertaken by the Council with the DfE is set out in Appendix 5.

Capital Programme Final Outturn 2024/25

- 4.28 On 8 March 2024 Council approved a capital programme for 2024/25 of £88.549m (the original 2024/25 capital budget). This was revised to £97.215m as approved by Executive within the 2023/24 Revenue and Capital Outturn and Development of MTFP report of 26 June 2024 to take account of 2023/24 programme slippage and some new externally funded schemes. The budget was revised at Quarter One by the addition of a total of £8.973m in 2024/25, by a further £0.523m in Quarter Two and a further £0.430m in Quarter Three in order to add new externally funded schemes / additional external funding to existing schemes.
- 4.29 The budget has been further revised at Quarter Four by the addition of a total of £0.322m in 2024/25 in order to add new externally funded schemes / additional external funding to existing schemes (detailed in Appendix 6). Subject to Executive approval of incorporating these within the Capital Programme, the revised budget for 2024/25 is £107.463m as summarised in Table 8.
- 4.30 During Quarter Four, including the above £0.322m for 2024/25, the Council received confirmation of additional external funding of £4.451m which will be utilised on new schemes and the enhancement of existing schemes within the capital programme. Details of all of the additional funding and the schemes to which it is attributed to are provided in Appendix 6.
- 4.31 There are also virements in relation to schemes requested for approval by Executive between schemes in the Capital Programme approved by Council in March 2024 which are funded from within existing Council resources and where there is no increase in planned expenditure above that approved by Council for funding by capital receipts and borrowing (details are provided in Appendix 6). For information, virements that are fully grant funded are also included within Appendix 6.

4.32 The final outturn at 31 March 2025 is expenditure of £57.163m, an underspend of £40.052m (41%) against the original budget adjusted for 2023/24 slippage, £49.978m (46%) against the Quarter Three 2024/25 revised budget, and £50.300m (47%) against the final 2024/25 budget.

4.33 The £57.163m expenditure was funded by:

- £31.930m (56%) grants and external funding/contributions
- £12.890m (23%) capital receipts
- £12.343m (21%) borrowing

4.34 Table 8 summarises the capital programme approved budget, outturn, and variance for 2024/25.

Table 8 – summary of capital programme approved budget, year-end outturn, and variance for 2024/25

Directorate	2024/25	2024/25	2024/25	2024/25	2024/25	2024/25	2024/25	MEMO Explanation of Forecast Outturn Variance	
	Capital Programme Budget (as approved by Council 8/3/24)	Revised Capital Programme Budget (as per Executive report 26/6/24)	Revised Capital Programme (as at Quarter Three)	Revised Capital Programme (as at Quarter Four)	Year-end Outturn	Year-end Outturn Variance	Year-end Outturn Variance % against Revised Budget at Quarter Four		
	£m	£m	£m	£m	£m	£m	%	Slippage £m	Underspend £m
Regeneration	21.582	27.428	29.628	29.657	17.753	(11.904)	(40.14)	(11.809)	(0.095)
Environment and Community Services	17.396	17.294	22.017	22.395	16.131	(6.264)	(27.97)	(6.233)	(0.031)
Public Health	0.043	0.519	0.689	0.689	0.489	(0.200)	(29.03)	(0.192)	(0.008)
Education and Partnerships	12.040	13.912	14.159	14.395	7.943	(6.452)	(44.82)	(6.040)	(0.412)
Children's Care	2.035	2.026	2.026	1.704	0.417	(1.287)	(75.53)	(1.279)	(0.008)
Adult Social Care	1.213	1.351	3.937	3.938	3.457	(0.481)	(12.21)	(0.481)	-
Legal and Governance Services	2.350	2.795	2.795	2.795	3.314	0.519	18.57	0.519	-
Finance	4.790	4.790	4.790	4.790	0.769	(4.021)	(83.95)	(0.692)	(3.329)
Transformation Programme	13.700	13.700	13.700	13.700	4.447	(9.253)	(67.54)	(9.253)	-
Exceptional Financial Support	13.400	13.400	13.400	13.400	2.443	(10.957)	(81.77)	-	(10.957)
Total	88.549	97.215	107.141	107.463	57.163	(50.300)	(46.81)	(35.460)	(14.840)

- 4.35 Capital slippage results from a delay in delivery of projects compared to the planned delivery. Whilst expenditure remains within the approved project budget, this results in an in-year underspend which is required to be carried forward to the new financial year. This is called slippage. The confirmed amount of slippage from 2024/25 of £35.460m is reprofiled and carried forward to financial years 2025/26 to 2028/29 to reflect revisions to the expected delivery and expenditure timescale. £5.780m of the stated £35.460m slippage has been identified following reviews of the status of the projects within the capital programme during Quarter Four. Details of capital slippage for 2024/25 as at Quarter Four are shown in Appendix 7.
- 4.36 The major reasons for the underspend of £14.840m are that there was a reduction of £10.957m relating to Exceptional Financial Support (EFS) which was planned to be funded from borrowing. These funds were set aside as contingency for capital receipts delivery risk (£4.600m) which was not required as sufficient planned capital receipts were realised to fund the transformation expenditure in the year, the contingency for savings programme delivery risk (£3.500m), and the general contingency (£0.600m) which will all not be required now based upon the revenue outturn. Additionally, the revenue outturn underspend of (£2.257m) has meant that only £2.443m of the £4.700m EFS planned to be used to balance the 2024/25 budget will be required, for which capital receipts will be used (see paragraphs 4.5 and 4.6 for further details). Also, as outlined in the Quarter One report there was an underspend of £3.100m of Council resources due to the Capitalisation of Property Finance Lease Arrangements scheme, and at Quarter Four this underspend has increased to £3.129m.
- 4.37 At Quarter Four, £3.649m of funding profiled for future year expenditure has also been removed from the capital programme, the schemes and impact are:
- Children's Services Financial Improvement Plan – On 30 April 2025, Executive approved the "Residential and Supported Accommodation for Children in Our Care and Care Leavers Update" report. The report agreed a move to preventative measures as opposed to a reliance upon residential placements for children, and that the original intention of growing internal beds is no longer fit for purpose. The remaining £2.931m of Council funding allocated to this scheme can therefore be removed and utilised for other schemes in the future.
 - Linthorpe Road Cycleway - £0.414m of unrequired grant funding provided by TVCA has been removed from the capital programme
 - Towns Fund – £0.304m of grant has been removed from the capital programme to compensate for a reduction in assumed grant provided by TVCA in relation to the Brownfield Housing Fund. The Council is still in dialogue with TVCA regarding the funding and hope that it will be released. The removal of the funds is deemed worst case scenario and will be reinstated depending upon the final decision re the withheld funds. The Towns Fund grant has been used in accordance with Towns Fund conditions.
- 4.38 On 24 April 2024 Council approved the "Transformation of Middlesbrough Council" report, including approval for £13.700m of transformational expenditure which would be funded through the flexible use of capital receipts. Table 9 summarises the amounts allocated through each Transformation theme and the spend as at the end of 2024/25. A full list of all expenditure within themes can be found at Appendix 8.

Table 9 – Transformation Expenditure Funded Through Flexible Use of Capital Receipts 2024/25

Summary By Theme	2024/25 Budget Approved By Council (£m)	2024/25 Outturn (£m)	Difference (£m)
Adult Social Care	1.047	0.691	(0.356)
Children's Services	0.734	0.608	(0.126)
Place	0.262	0.332	0.070
Target Operating Model	0.944	0.858	(0.086)
Customer	0.904	0.228	(0.676)
Property / Regeneration	0.085	0.083	(0.002)
Enabling	1.507	0.988	(0.519)
Redundancy	6.500	0.659	(5.841)
Contingency	1.717	-	(1.717)
Total	13.700	4.447	(9.253)

- 4.39 On 19 February 2025 Council approved the “2025/26 Revenue Budget, Medium Term Financial Plan and Council Tax setting” report. The report includes a section which updates on the Capital Programme 2025/26 to 2028/29 and Capital Strategy 2025/26. This provides an update on the Flexible Use of Capital Receipts with £7.500m anticipated to be expended within 2025/26. The total allocation of £26.700m has been retained but reviewed with planned expenditure now extending into 2027/28 and 2028/29. Expenditure relating to Transformation will be reviewed on a regular basis and updates will be provided to Executive and Council where appropriate.
- 4.40 Table 10 summarises and Appendix 9 details updated outturn expenditure for 2024/25 and forecast expenditure for the period 2025/26 to 2028/29 split over the various schemes and the proposed funding.

Table 10 – Summary of Capital Programme 2024/25 to 2028/29

Directorate	2024/25 Actual £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m	TOTAL £m
Regeneration	17.753	32.617	34.823	5.070	3.810	94.073
Environment and Community	16.131	24.774	11.148	5.108	7.256	64.417
Public Health	0.489	0.971	-	-	-	1.460
Education and Partnerships	7.943	10.241	1.111	-	-	19.295
Children's Care	0.417	0.711	-	-	-	1.128
Adult Social Care	3.457	3.925	1.669	1.050	1.120	11.221
Legal and Governance Services	3.314	1.629	2.222	2.185	2.185	11.535
Finance	0.769	0.203	0.389	-	-	1.361
Transformation Programme	4.447	7.500	7.150	6.303	1.300	26.700
Exceptional Financial Support	2.443	-	-	-	-	2.443
Total EXPENDITURE	57.163	82.571	58.512	19.716	15.671	233.633
Funded by						
Borrowing	12.343	16.191	23.161	7.413	8.371	67.479
Capital Receipts	6.000	6.000	6.000	6.000	6.000	30.000
Flexible Use of Capital Receipts	4.447	7.500	7.150	6.303	1.300	26.700
Exceptional Financial Support - Flexible Use Of Capital Receipts	2.443	-	-	-	-	2.443
Grants	31.693	50.801	15.678	-	-	98.172
Contributions	0.237	2.079	6.523	-	-	8.839
Total FUNDING	57.163	82.571	58.512	19.716	15.671	233.633

- 4.41 The previous Director of Finance led the development of strengthened governance and reporting arrangements during 2024/25. These were detailed in the Capital Programme Governance Improvement report which was approved by Executive on 13 November 2024. The revised arrangements for capital governance, management and reporting have been implemented by the newly appointed Director of Finance and Transformation and Director of Regeneration. The Corporate Capital Board and the Strategic Capital Board have been created and were operational for the development of the 2025/26 capital programme contained in the 2025/26 Budget, Medium Term Financial Plan 2025/26 to 2028/29 and Council Setting report to Council on 19 February 2025.

Collection Fund - Council Tax and Business Rates income

- 4.42 Income received from Council Tax and Business Rates (NNDR) is a major source of revenue income for the Council and funds around 62% of its annual expenditure in delivering all Council services. It is accounted for within the Collection Fund and operates under the Government regulations. Due to the prescribed mechanisms for operating the Collection Fund, the financial impact of any 2024/25 income collection variances from the estimated forecast done at Quarter Three (which is used in setting

the Council Tax for 2025/26) do not immediately affect the General Fund position. By illustration, the impact of any final surplus or deficit variance on the Collection Fund for 2024/25 is fed into the development of the 2026/27 budget and MTFP and any cost/benefit does not impact the 2025/26 financial year. Table 11 below shows the Collection Fund position for 2024/25.

Table 11 – Collection Fund 2024/25

COLLECTION FUND BALANCE	Council Tax (£m)	Business Rates (£m)	Total (£m)
Balance brought forward at 1 April 2024	(12.783)	(2.162)	(14.945)
Contribution for Previous Years Surplus / (Deficit)	9.231	1.251	10.482
Deficit / (Surplus) for the year	(1.356)	2.639	1.283
Balance carried forward at 31 March 2025	(4.908)	1.728	(3.180)
Allocated to:	83.4%	49%	
Middlesbrough Council	(4.093)	0.847	(3.247)
Amount incorporated in budget for 2025/26	3.281	(0.229)	3.052
Additional surplus available for 2026/27	(0.812)	0.618	(0.195)

4.43 The 2024/25 MTFP presented to Council in March 2024 included the estimated effect of Council Tax and Business Rates income. In the context of the current economic climate and the Cost of Living Crisis, there is an ongoing risk to the levels of collection of these taxes which may result adversely upon collection rates. The actual in-year collection rate for 2024/25 was 93.03% for Council Tax and 97.29% for Business Rates. Overall collection rates remain respectable and present as a surplus on the collection fund as precept amounts have been prudently set lower than actual collection rates. Over a period of time (circa. 10 years) Council Tax collection rates (pre welfare reform) were around 98.7% and post welfare reform are around 97.6%, with business rates hovering around 97.7%.

4.44 The budgeted Council Tax base set for each year includes assumptions on housing growth. If there is a variance in growth in housing numbers compared to the levels budgeted, this will impact upon Council Tax income due.

Debt Recovery Performance

4.45 A key workstream within the plans to recover the Council's financial position is the renewed focus upon recovering monies owed to the Council from the following sources

- Council Tax
- Business Rates
- Sundry (general) debt
- Housing Benefit Overpayments

- 4.46 The Council's approach to improving debt recovery performance whilst maintaining appropriate support to residents and businesses who are entitled to available help, advice and support, was detailed in Appendix 11 of the Quarter Three report. Progress has been included in quarterly monitoring reports throughout 2024/25 with the position at year-end 2024/25 (31 March 2025) shown in Table 12 below

Table 12 – Debt Collection Performance 2024/25

Category of Collectable Debt	Balance at 1/4/24 (£m)	Movement in-year (£m)	Balance at 31/03/2025 (£m)
Council Tax	36.773	3.910	40.683
Business Rates	8.391	0.117	8.508
Sundry Debt	15.516	(4.885)	10.631
Housing Benefits Overpayments	6.535	(1.177)	5.358
Total	67.215	(2.035)	65.180

Note that the figures for Council Tax and Business Rates are Middlesbrough's share of the Collection Fund debt (Council Tax 83% and Business Rates 49%).

Actions to be taken to ensure financial sustainability in future years of the MTFP

- 4.47 While the Council has achieved significant improvement in its financial position from that which existed at the start of the 2024/25 financial year, it continued to spend above its available annual income sources in 2024/25. Whilst there is a year-end underspend of (£2.257m) for 2024/25 this is after using £2.443m of EFS to balance the budget, which means without the use of EFS the Council spent above its annual revenue income streams in 2024/25.
- 4.48 The 2025/26 Revenue Budget, Medium Term Financial 2025/26 to 2028/29, and Council Tax report to Council on 19 February 2025 set out the future financial position of the Council. Both this report and that report should be read together to fully understand the context within which the Council is operating and the financial challenges that it faces.
- 4.49 Whilst the report to Council on 19 February 2025 showed that balanced budgets could be set for 2025/26 and 2026/27, there was a budget gap of £2.726m remaining for 2027/28, rising to £5.170m by 2028/29. This may increase upon review of the MTFP during Summer 2025 if demand for services increases or new pressures emerge. This review of the MTFP will include updating where possible, if information available, assumptions around government funding.
- 4.50 The successful delivery of approved savings within the Recover, Reset, Deliver Transformation Portfolio as detailed in the budget and MTFP report to Council in February 2025 are critical to delivering within the approved 2025/26 budget and future

years of the MTFP. The Transformation Portfolio is required to develop a further pipeline of new projects that will deliver further income growth and/or expenditure reduction to balance future years in the MTFP to secure the longer term financial sustainability of the Council, and to modernise and transform to enable the Council to deliver improved outcomes for residents, businesses and visitors to the town within a financially sustainable cost envelope

4.51 A corporate approach to delivering within the approved 2025/26 budget is essential and robust budget management and control practices must be complied with. This includes but is not limited to:

- Expenditure and income will be managed within approved budgets and subject to virement rules in accordance with Financial Procedure rules and specifically [18.32 to 18.42](#).
- The over achievement of individual savings/income targets associated with approved budget proposals, should be 'banked' and reported in full through the Transformation Portfolio savings tracker and via corporate budget monitoring and forecasting reports.
- Individual budget surpluses generated through savings delivery and/or business as usual activity will be considered by Directors, LMT and the Executive as in relation to securing the achievement of controlling directorate net expenditure and the wider total General Fund net expenditure for 2025/26 within the approved budget.
- Any new or unplanned expenditure within approved council policies, will require Directors to reprioritise approved revenue or capital budgets in accordance with established virement rules and financial limits. Exceptional expenditure that could not be planned for, should be discussed with the s151 Officer for consideration of application of appropriate central contingency budgets.
- New or unplanned expenditure that is outside the approved budget and policy framework is reserved for a decision by Council in accordance with the [Constitution](#).
- Any recurring savings achieved in Directorates from cross cutting savings initiatives must be transferred to the cross cutting savings budget and must not be utilised by Directorates to fund other expenditure or cover other Directorate pressures.

4.52 The following budgetary control measures implemented during 2023/24 and 2024/25 will be continued in 2025/26 :

- Monthly budget monitoring, including officer budget clinics for all services chaired by the s151 Officer, and quarterly member led budget clinics led by the Executive Member for Finance for all services. For Children's Care there will be monthly member led budget clinics as this is a high risk service area
- Service reviews to be undertaken for areas where significant financial pressures are forecast
- Vacancy control measures for all posts, and controls on the recruitment of agency staff

- Monthly management reports to enable directors to ensure compliance with non-essential spending controls on travel, expenses, purchase cards, expenditure over £5,000
- Further improvements to Business World and Power BI budget management dashboards to improve financial information available to budget holders (including training) to improve financial awareness and budget monitoring
- Further training in the use of Business World to process orders and invoices to improve data quality within the Finance system
- Further procurement training for all staff involved in procuring goods and services to ensure compliance with procurement rules
- Strengthened capital programme governance, management and reporting arrangements including the holding of Officer and Strategic Capital Boards (as detailed in the report to Executive on 13 November 2024)

5. Ward Member Engagement if relevant and appropriate

5.1 Not applicable

6. Other potential alternative(s) and why these have not been recommended

6.1 The alternative would be to not approve changes to the Council's capital programme and to not report the Council's financial year-end financial outturn for the financial year 2024/25. This would not enable the Executive to discharge their responsibilities to manage and control the revenue budget, capital programme and overall balance sheet position of the Council.

7. Impact(s) of the recommended decision(s)

Topic	Impact
Financial (including procurement and Social Value)	This report sets out the implications associated with the financial performance of the Council in managing its revenue, grant and capital resources for the financial year 2024/25 and the financial implications are incorporated throughout. The report should be read in conjunction with the 2025/26 Budget, Medium Term Financial Plan 2025/26 to 2028/29, and Council Tax setting report presented to Council on February 2025, and also the 2024/25 Treasury Management Outturn report to this Executive to fully understand the financial position of the Council.
Legal	The proposed recommendations are consistent with and will promote the achievement of the Council's general legal duty to achieve Best Value in accordance with Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007).
Risk	In line with the Council's Risk Management Policy, the corporate Strategic Risk Register will be reported to this Executive as part of the Corporate Performance Update: Quarter Four 2024/25 Year End report.

Human Rights, Public Sector Equality Duty and Community Cohesion	The complete overall impact assessment included in Appendix 3 of the 2024/25 budget report to Council on 8 March 2024 , along with all the individual impact assessments found that there was a justified adverse impact from these proposals in order to ensure the Council is able to maintain a balanced budget and continue to meet its statutory obligations.
Reducing Poverty	The proposed recommendations in this report do not directly impact on Reducing Poverty.
Climate Change / Environmental	The proposed recommendations in this report do not directly impact on Climate Change/Environmental issues.
Children and Young People Cared for by the Authority and Care Leavers	The proposed recommendations in this report do not directly impact on Children and Young People Cared for by the Authority and Care Leavers.
Data Protection	The proposed recommendations in this report do not directly impact on Data Protection issues.

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

Action	Responsible Officer	Deadline
Corporate revenue budget spending controls set out in the main body of the report will continue to be applied to Directorates in 2025/26.	Director of Finance and Transformation	31/3/26
Amendments to the capital programme for 2024/25 to be actioned, subject to approval by Executive	Director of Finance and Transformation	30/6/25

Appendices

1	Analysis of the main variances 2024/25 including assessment of the 'one-off' or 'ongoing' nature of the variances
2	Detailed savings tracker of savings categorised as unachievable in 2024/25 ("Red") by Directorate
3	Detailed Reserves and Provisions Movements between 1/4/24 and 31/3/25
4	Summary of projects approved for utilisation of Contingency Budgets and Change Fund 2024/25
5	Dedicated Schools Grant
6	Capital Programme Quarter Four 2024/25 – New External Funding & Virements Between Schemes
7	Capital Programme Outturn 2024/25 – Details of capital slippage
8	Transformational Expenditure Funded through Flexible Use of Capital Receipts 2024/25

9	Revised Capital Programme to 2028/29
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Background papers

Body	Report title	Date
Executive	2024-25 Budget and MTFP – Application for Exceptional Financial Support	17/1/24
Executive	Middlesbrough Independent Improvement Advisory Board: First Update Report	17/1/24
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	17/1/24
Council	Flexible Use of Capital Receipts Policy	17/1/24
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	Approach to Transformation of Middlesbrough Council	27/3/24
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	2025/26 Medium Term Financial Plan	4/9/24
Executive	Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter One 2024/25	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	2025/26 Draft Budget and Medium-Term Financial Plan 2025/26 to 2028/29	4/12/24
Executive	Treasury Management Mid-Year review – 2024/25	4/12/24
Executive	Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter Three 2024/25	5/2/25
Executive	2025/26 Budget, Medium Term Financial Plan 2025/26 to 2028/29, and Council Tax setting	5/2/25
Council	2025/26 Budget, Medium Term Financial Plan 2025/26 to 2028/29, and Council Tax setting	19/2/25
Executive	2024/25 Treasury Management Outturn Report	11/6/25

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