

EXECUTIVE MEMBER REPORT TO COUNCIL

EXECUTIVE MEMBER: Executive Member for Finance

DATE OF MEETING: 09 July 2025

The purpose of this report is to provide an update to members on areas of activity within my portfolio including performance against strategic priorities.

COUNCIL PLAN PRIORITIES

Delivering Best Value

1. HIGHLIGHTS

Update:

2024/25 Final Outturn

- 1.1 The net revenue budget year-end outturn for 2024/25 is an underspend against the agreed budget of £2.257m (1.6%) which is an improvement of £2.251m from that reported at Quarter Three.
- 1.2 Due to this 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).
- 1.3 I am pleased to be able to report that as the amount of EFS required is now much lower, a relatively small proportion of capital receipts already held by the Council will be utilised for the EFS rather than borrowing which was originally advised to Elected Members would be the case. This will mean that the Council will not incur any capital borrowing costs.
- 1.4 The savings for not having to borrow for exceptional financial support purposes are set out below. Borrowing would have been from the public works loan board over a 20 year period. The capital financing savings are as follows:

£13.400m – £1.121m p.a. If the full amount was financed by borrowing

£4.700m - £0.393m p.a. If the amount needed to balance the budget was financed by borrowing.

£2.444m - £0.205m p.a. If the amount needed to balance the outturn position was financed by borrowing.

- 1.5 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.
- 1.6 The final year-end underspend of £2.257m includes £2.816m of net savings which were not deliverable in 2024/25, however these were offset by a total of £5.073m of net underspends across the Council.
- 1.7 The final year-end underspend of £2.257m includes £6.457m of net underspends which were one-off in 2024/25 only.
- 1.8 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. 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
- 1.9 We do need to be mindful of the fact that some of the savings are one-off and of departments, particularly Children's Services where we are still experiencing major pressures. We're certainly not completely out of the woods and are not taking our eye off the ball.
- 1.10 This position has been achieved through a lot of hard work, with members and officers working together and as I did at the recent Executive meeting, I would like to thank officers, the Mayor, Executive and those councillors who have given their support.

Members Small Scheme (Capital) and Priorities Fund Ward Allocations

- 1.11 I have been working with officers on both of these schemes and notification was sent to members by officers on 27 June with further guidance and how to apply.
- 1.12 For the Members Small Scheme (capital) in order to increase the funding available for schemes this year and to provide a more even distribution of funding, I proposed an amendment to the Capital Programme which was agreed by the Executive on 11 June 2025. This will now provide £150k instead of £60k 2025/26 and a minimum of £120k, instead of £210k for a further round in 2026/27. As this scheme has not operated in recent years the lower amount of £60k seemed inadequate for this year.
- 1.13 My intention is that for 2026/27 the scheme will be opened for proposals from members at a much earlier stage. This year it made sense to run it alongside the revenue ward allocations from the Priorities Fund which is one-off funding and only planned for one year.
- 1.14 A briefing for all members on the two schemes is being currently being planned.

Review of Councillor Gateway

- 1.15 Following earlier positive feedback, it subsequently became clear that members were experiencing a variety of problems with Councillor Gateway. As a result of this I requested that officers initiate a review of Councillor Gateway with members and that has now been carried out and the cross-departmental Project Board, comprising of officers and including Cllr Gavigan and myself reconvened.

- 1.16 An action plan arising from responses from members has been formulated and progress against this will be monitored by the board and members will also be updated.
- 1.17 There is currently a backlog primarily in Environment and Community Services (ECS) which is where the vast majority of enquiries relate to. ECS are part of the project board and are looking at solutions to clear this backlog. However, there are also issues which have been identified in relation to the operation of the system itself.
- 1.18 Recruitment to a post of Councillor Gateway Officer is underway.

2. THE TIME AHEAD

Update:

Setting the scene-changes to Core Spending Power

- 2.1 As has been repeatedly flagged up over the years, austerity and cuts to local authority funding has hit area like Middlesbrough with higher levels of deprivation, greater demand for services and less ability to deliver raise money locally through council tax and business rates hardest.
- 2.2 Core Spending Power is a measurement by government of the core revenue funding available for local authority services through the local government finance settlement. It consists of government revenue grant funding made available through the settlement, locally retained business rates and council tax at levels assumed by central government.
- 2.3 I have used a resource provided by SIGOMA (Special Interest Group of Municipal Authorities) of which Middlesbrough is a member to illustrate this through comparison with other authorities. SIGOMA have calculated the real term change in Core Spending Power per household from 2010/11 to 2024/25.
- 2.4 For England on average there was a real term reduction in core spending power per household of £556 over that period
- 2.5 In Middlesbrough that real term cut in spending power was £958 per household, 72% above the figure for England
- 2.6 In neighbouring North Yorkshire the reduction was only £261 per household or 53% below the England total.
- 2.7 Wokingham in the leafy south, actually saw areal term increase in Core Spending Power of £116 per household or 121% below the England total

The Fair Funding Review 2.0

- 2.8 The Fair Funding Review 2.0, published on Friday 20 June 2025, is a consultation on the government's proposed approach to local authority funding reform through the Local Government Finance Settlement from 2026-27.
- 2.9 Published alongside this consultation are the "needs" shares for all of the Relative Needs Formulas (RNFs).

- 2.10 This fairer funding system, which is undoubtedly good news for Middlesbrough, will target money where it is most needed. It will take account of the different needs and costs faced by local authorities in urban and rural areas, and the ability of individual local authorities to raise Council Tax.
- 2.11 It represents a fairer and simpler approach overall, with fewer formulae, whilst also proposing that in certain high-cost areas, like temporary accommodation and home-to school transport, bespoke formulae are justified.
- 2.12 Some of the key points are summarised below.

Changes in Funding Distribution

- significant shifts in funding distribution, with notable changes in "needs" assessments affecting various local authorities
- shift in needs assessments and funding from Inner London and shire districts to shire counties and unitary authorities
- Metropolitan districts to receive a larger share of needs, but increases may be minimal
- Significant changes anticipated in funding for 2026/27

Multi-Year Settlement for Local Authorities

- Multi-year settlement for 2026/27 to 2028/29
- First multi-year settlement since 2016/17
- Provides certainty for financial planning, but some authorities may face significant cuts.

Simplifying funding formula

- Grants from across government will be brought into large ringfenced consolidated grants, delivered as part of the Settlement. Anticipated to be 4 ringfenced consolidated grants – This document was classified as: OFFICIAL Homelessness and Rough Sleeping Grant, Public Health Grant, Crisis and Resilience Grant and Children, Families, and Youth Grant
- End of competitive bidding between local authorities for grants
- Shift towards outcome-based accountability for local authorities
- Seeks to roll in current grants which are part of the existing settlement into Revenue Support Grant (RSG), include New Homes Bonus, Recovery Grant, 3 adult social care grants, Children's Care Prevention Grant and maybe NI Contribution. Also other grants outside the Settlement that cannot be placed into a suitable consolidated grant.

Council Tax Equalisation Plans

- As central government funding has reduced, over time, local authorities have become increasingly reliant on locally generated revenue from Council Tax, but the ability to raise Council Tax has not been fully accounted for when allocating grant funding. The government believes it is not right that these areas do not currently receive their 'fair' share of government funding
- The government proposes to act as an equaliser for local government income, directing funding towards the places that are less able to meet their needs through locally raised income • Full council tax equalisation planned for 2026/27

- The objective of equalisation is to make funding available in such a way as to enable all local authorities to provide the same level of service to their residents
- This will be based on an assumed or “notional” level of Council Tax for all authorities, not local income

2.13 Council Tax

The government confirmed that there are “no plans to reform council tax”. To be clear the above Council Tax equalisation relates to the approach to accounting for Council Tax income in the allocation of government funding and as mentioned above this is a key focus of funding reform proposals. There has been some confusion over this in the media.

There are some changes proposed to the administration of council tax, including changing council tax billing from 10 months to 12 months by default.

2.14 Transitional Arrangements

- Transitional support package proposed to mitigate funding for certain authorities, ensuring no cash-terms reductions in overall funding
- Transition to occur over three years, with bespoke arrangements for affected authorities facing significant losses. As it is proposed to move local authorities to their new allocations over the three-year settlement, by phasing in the new methodology to gradually move to their updated funding allocations, the full effect of the Settlement Funding Assessment will not be felt until Year 3 (2028/29), although positive impacts will be felt from 2026/27.

2.15 What this means for Middlesbrough

Although, as stated above, this is undoubtedly good news for us, further information is needed before we know more clearly what this means for Middlesbrough and officers do need more time to analyse the consultation before determining any estimated figures.

2.16 As things become clearer a briefing will be provided for all members.