

MIDDLESBROUGH COUNCIL	
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Report of:	Director of Finance and Transformation (s151 Officer), Andrew Humble
Relevant Executive Member:	Executive Member for Finance, Cllr. Nicky Walker
Submitted to:	Executive
Date:	3 September 2025
Title:	Revenue and Capital Budget – Forecast Year-End Outturn position at Quarter One 2025/26
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 Executive:	
<ul style="list-style-type: none"> • APPROVES budget virements over £250,000 within the revenue budget (Appendix 1) • APPROVES the inclusion of new schemes and additions to existing schemes to the Capital Programme totalling £5.004m for 2025/26, of which £1.818m are externally funded and £3.186m is from existing Council funded resources (detailed in Appendix 5). Subject to approval this will increase the approved 2025/26 Capital Programme budget to £87.575m • NOTES the Council's financial performance and forecast year-end financial outturns for revenue and capital budgets for the financial year 2025/26 as at Quarter One, including that if there is no further action the overspend on the revenue budget at year end is currently forecast to be £4.482m (3.1%) after the proposed use of central contingencies and other budgets • NOTES the requirement for Directors to develop and submit further recovery plans and mitigations in order to reduce their forecast overspends and seek to achieve a balanced budget for their Directorate by the end of 2025/26, and also that corporate revenue budget spending controls will continue to be applied during 2025/26 	

Executive summary

This report advises the Executive of the Council's forecast year-end financial outturn as at Quarter One 2025/26, and seeks approval of budget virements within the revenue budget and revisions to the capital programme in relation to activity in Quarter One.

The report enables the Executive to discharge its financial management responsibilities by setting out the following position at Quarter One (30 June 2025):

- General Fund Revenue Budget forecast outturn;
- virements
- statement of the Council's reserves and provisions;
- Capital Programme forecast 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 2025/26 revenue budget forecast year-end outturn as at Quarter One for Directorate and Central budgets is an overspend of £10.677m at year end. If actions to reduce this are not successful, the proposed use of central contingencies and other budgets totalling £6.195m can reduce the **forecast overspend to £4.482m (3.1%)** at year end (Table 1 in paragraph 4.10)
- the main areas of overspending are within Children's and Adults Social Care, Environment & Community Services (Bereavement Services, Fleet Services, and home to school and vulnerable adults transport), Strategic Commercial Properties income, and Central budgets (paragraphs 4.17 to 4.30), and Directors are required to develop and submit further recovery plans and mitigations in order to reduce their forecast overspends and seek to achieve a balanced budget for their Directorate by the end of 2025/26
- the forecast year-end overspend includes **£5.701m of net savings which are currently forecast to not be deliverable in 2025/26** (Table 2 and Appendix 2)
- the 2025/26 budgets and commitments against the central Corporate Contingency budget and Change Fund (paragraph 4.31 and Table 3)
- **forecast total usable unrestricted revenue reserves at 31 March 2026 of £23.860m** (Table 4 and Appendix 3). This is in line with that recommended by the Director of Finance and Transformation in the Reserves Policy for 2025/26 approved by Council on 19 February 2025 to rebuild the Council's financial resilience.
- **the forecast deficit of £9m for 2025/26 on the Dedicated School Grant**, increasing the **forecast cumulative deficit to £31.213m at 31 March 2026** (Table 5). This is a major risk as whilst the statutory override (which instructs Councils to account for the DSG deficits in a separate reserve and not to fund it by using its General Fund resources) has been extended recently it is due to end on 31 March 2028. The DSG recovery actions and risks to the Council's financial resilience are detailed in Appendix 4.
- the **addition of £5.004m for new schemes and additions to existing schemes (externally and Council funded) to the Capital Programme in 2025/26** creating a revised budget of £87.575m for 2025/26 (paragraphs 4.45 and 4.47 and Appendix 5)

- **the 2025/26 Capital Programme forecast year-end outturn of £78.619m** which is a reduction of £8.956m from the revised £87.575m budget (Table 6). This is largely due to slippage of planned expenditure from 2025/26 into 2026/27 and future years (Appendix 6)
- **that £7.500m of qualifying revenue expenditure is planned to be funded from Flexible Use of Capital Receipts (FUoCR) for Transformation in 2025/26** in accordance with the FUoCR strategy for 2025/26 approved by Council on 26 March 2025 (paragraph 4.55 to 4.57 and Appendix 7)
- the budget and forecast positions on **treasury management prudential indicators** at Quarter One for 2025/26 (Table 8)
- the forecast level of Debtors on 31 March 2026 (Table 9)

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 attempting to manage its finances within the budget approved by Council for 2025/26, and also ensures that the Medium Term Financial Plan to restore financial resilience and sustainability is not impacted.

2. Recommendations

2.1 That Executive:

- **APPROVES** budget virements over £250,000 within the revenue budget (Appendix 1)
- **APPROVES** the inclusion of new schemes and additions to existing schemes to the Capital Programme totalling £5.004m for 2025/26, of which £1.818m are externally funded and £3.186m is from existing Council funded resources (detailed in Appendix 5). Subject to approval this will increase the approved 2025/26 Capital Programme budget to £87.575m

- **NOTES** the Council's financial performance and forecast year-end financial outturns for revenue and capital budgets for the financial year 2025/26 as at Quarter One, including that if there is no further action the overspend on the revenue budget at year end is currently forecast to be £4.482m (3.1%) after the proposed use of central contingencies and other budgets
- **NOTES** the requirement for Directors to develop and submit further recovery plans and mitigations in order to reduce their forecast overspends and seek to achieve a balanced budget for their Directorate by the end of 2025/26, and also that corporate revenue budget spending controls will continue to be applied during 2025/26

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 financial position at Quarter One 2025/26.
- 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 Financial Procedure Rule 18.80.2 requires approval by Executive of the write off of debt over financial thresholds set out in the Financial Limits Annex of the Council's Constitution (summarised in Table 10 in paragraph 4.73).
- 4.5 The forecasts within this budget monitoring report as at 31 March 2026 have been prepared using the following major assumptions :
- All known staffing changes have been captured
 - Agreed pay award of 3.2% for local government officers for 2025/26 included
 - Income and Expenditure forecasts have been prepared in conjunction with budget holders using the best information currently available

Revenue Budget

- 4.6 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.

- 4.7 As part of that report a net revenue budget for 2025/26 of £143.304m was approved by Full Council. Within the report the Director of Finance and Transformation (S151 Officer) issued his Section 25 Report to Council Members which set out the basis upon which the revenue budget was considered to be robust and the basis upon which reserves were considered adequate.
- 4.8 While the Council has achieved significant improvement in its financial position from that which existed at the start of the 2024/25 financial year, there is still a need to control expenditure within the approved 2025/26 budget whilst developing further savings and income generating opportunities through the Recover, Reset, Deliver Transformation Portfolio in order to balance the MTFP and stabilise the Council's financial position and rebuild its financial resilience. This requires the delivery of all approved 2025/26 savings plans in full. Budgetary control measures as detailed in the 2024/25 Revenue and Capital Outturn report to Executive on 11 June 2025 will continue to be implemented during 2025/26.
- 4.9 Table 1 below summarises the overall position per Directorate and shows that the 2025/26 forecast year end outturn at 30 June 2025 (Quarter One) is an overspend of £10.677m (7.5%) against the approved budget of £143.304m.
- 4.10 As shown at the bottom of Table 1 if actions to reduce the overspend are not successful it is currently proposed to use central contingencies set aside for this purpose and other central budgets to reduce the forecast year end overspend to £4.482m (3.1%). The use of these would mean that there would be limited central contingencies remaining for use in the rest of 2025/26, therefore Directorates need to make every effort to reduce their forecast overspends and achieve a balanced budget by the end of 2025/26.

Table 1 – Summary of Net Revenue Budget Forecast Outturn 2025/26 at Quarter One

Directorate	Current Full Year Budget £m	Forecast Outturn £m	Forecast Outturn Variance £m	MEMO FORECAST VARIANCE SPLIT	
				Savings Delivery Variance £m	Other variances £m
			Adv/(Fav)	Adv/(Fav)	Adv/(Fav)
Adult Social Care	55.264	56.762	1.498	0.211	1.287
Public Health	0.086	0.086	0.000	0.000	0.000
Children's Care	56.998	63.670	6.672	2.064	4.608
Education & Partnerships	6.595	7.022	0.427	0.343	0.084
Regeneration	1.605	1.806	0.201	0.375	(0.174)
Environment & Communities	22.142	24.040	1.898	0.624	1.274
Legal & Governance	11.503	11.440	(0.063)	0.136	(0.199)
Finance	4.943	4.104	(0.839)	0.000	(0.839)
Chief Executive	0.251	0.251	0.000	0.000	0.000
Total Directorates	159.387	169.182	9.795	3.753	6.042
Central Budgets	(16.083)	(15.200)	0.883	1.948	(1.065)
Total	143.304	153.981	10.677	5.701	4.976

Proposed use of central contingencies and other budgets to reduce forecast overspend

	£m
Savings Delivery Risk Budget held centrally	(2.000)
Corporate Contingency Budget	(1.050)
Pay & Prices Contingency - amount remaining after use for agreed 3.2% pay award for 2025/26	(1.000)
Middlesbrough Priorities Fund - remaining balance after report to Executive 16/7/25	(2.145)

Remaining forecast outturn variance **4.482**

- 4.11 A summary of the main variances for each Directorate is included in paragraphs 4.17 to 4.30 including any recovery plans proposed by Directorates. Table 1 also includes a split of the forecast outturn variance between those due to potential non-delivery of required budget savings (detailed in paragraphs 4.12 to 4.16 and Appendix 2), and other variances.

Budget Savings Delivery

- 4.12 The budget for 2025/26 is predicated on a total of £11.876m of savings being delivered in 2025/26 (£7.036m of new savings being delivered in addition to £4.840m of savings previously approved in 2024/25).
- 4.13 In addition to these new budget savings required there was also a total of £2.291m of previous savings which were not fully achieved during 2024/25 and are still remaining to be achieved in 2025/26. This makes a total of £14.167m of savings which are required to be achieved in 2025/26.
- 4.14 Table 2 summarises projected delivery performance in 2025/26 against the savings required. Further details of savings categorised as unachievable in 2025/26 are attached at Appendix 2, Savings delivery plans are monitored via the Thematic/Directorate and Corporate Transformation Boards.
- 4.15 Any forecast unachieved savings in 2025/26 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. Any savings that are deemed unachievable permanently will need to be submitted for Council approval to remove in the 2026/27 budget setting, and this will only be approved if finances allow.
- 4.16 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 was being paused. It is proposed that the savings associated with this (£0.250m) are submitted for removal from the Council's budget as part of the 2026/27 budget setting. Pending formal approval of the removal the savings will be funded from the Corporate Contingency budget in 2025/26 and a temporary virement is included for approval by Executive in Appendix 1.

Table 2 – Savings Programme Assurance Summary for 2025/26 by Directorate

Directorate	2025/26 Budgeted Savings Target	2025/26 Forecast Savings Achieved	2025/26 Savings (over) / under achieved
	£m	£m	£m
Adult Social Care	(2.733)	(2.522)	0.211
Children's Care	(4.112)	(2.048)	2.064
Education & Partnerships	(0.359)	(0.016)	0.343
Regeneration	(1.394)	(1.019)	0.375
Environment & Communities	(2.040)	(1.416)	0.624
Legal & Governance	(0.367)	(0.231)	0.136
Finance	(0.395)	(0.395)	-
Central	(2.767)	(0.819)	1.948
	(14.167)	(8.466)	5.701

Directorate main variances

- 4.17 The explanations for Directorate major variances and current proposed mitigations, where appropriate, which have been agreed with Directorates following the Member led Budget Clinics, are summarised below.
- 4.18 Directors are required to develop and submit further recovery plans and mitigations in order to reduce their forecast overspends and seek to achieve a balanced budget for their Directorate by the end of 2025/26, and an update of this will be provided in the Quarter Two budget monitoring report.
- 4.19 Proposed revenue budget virements above £250,000 require Executive approval, and those proposed following Quarter One monitoring are set out at Appendix 1 for consideration and approval.

Adult Social Care : forecast overspend £1.498m

Adult Social Care	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	55.264	56.762	1.498

- 4.20 An overall overspend of £1.498m is currently forecast for the Directorate at year end, the main reasons for this are detailed below:
- Prevention, Provider & Support Service : £0.578m*

Mainly as a result of unachieved savings and a shortfall of income in respect of the re-provisioning of Levick Court. Complex negotiations have been on-going for a number of months with Tees, Esk and Wear Valley Health Trust regarding the sale of beds to them on a block basis, and these are expected to conclude during Quarter Two, with anticipated mobilisation in the latter half of the financial year.
 - Purchasing - Growth : £1.076m*

Demand for services (mainly residential care) have exceeded the available budget for the year during Quarter One. The forecast includes a provision for future growth for the remainder of 2025/26.
 - Purchasing - Residential : (£0.281m)*

A number of over-payments for Out of Area placements have been identified and recovered. This was as a result of service users passing away some months ago and the care homes failed to inform the authority in a timely manner. Procedures have now been implemented to prevent reoccurrence.
 - Other Variances across the Directorate : £0.125m*

Public Health : forecast break even

Public Health	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	0.086	0.086	0.000

- 4.21 An underspend of £0.085m is currently forecast on Public Health budgets for 2025/26, however in accordance with the grant conditions this will be transferred to the Public Health reserve at year end. The Public Health Reserve totalled £1.686m at 31 March 2025 and plans are in place for this to be utilised on public health activities in accordance with the grant conditions.

Children's Care : forecast overspend £6.672m

Children's Care	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	56.998	63.670	6.672

- 4.22 An overall overspend of £6.672m is currently forecast for the Directorate at year end, the main reasons for this are detailed below:

- *External Residential placements: £4.493m*

The number of Children Looked After (CLA) within Middlesbrough has remained broadly the same. However, there are both increasing numbers of external residential placements (77 at 30 June 2025) and increased costs due to the complexity of number of young people's placement requirements against that budgeted for.

It should be noted that a significant proportion (20.4%) of the Council's CLA are placed in residential type settings (102 children out of a total CLA of 501 as at 30 June 2025) and this is currently increasing.

During the last year three projects have been set up with the aim to reduce numbers; whilst the reunification project has delivered reduced numbers, the Modernising Fostering and Edge of Care projects have not yet seen the effect of reducing numbers and numbers have actually increased in Quarter One.

This budget has potential to be a volatile forecast across the financial year due to a number of highly complex placements that currently exist (these are greater in number than in previous years).

£0.750m of mitigation has been proposed by the Service as part of its recovery plans and these will be included in future forecasts if assured. A full review of placement planning across all related services is being undertaken along with placement plans for the next couple of years for existing young people in order to feed into the Council's MTFP for 2026/27 onwards. This includes the Fostering project and internal residential occupancy review and statement of purpose.

- *Other placement pressures: £0.482m*

Services within the Directorate are overspending against budgets for transport (a review of this is currently taking place), and emergency placements for looked after young people and those on the edge of care to support.

The Internal Fostering service is currently spending in excess of that budgeted due to increased numbers against budget. Generally this would be a positive position if budgets for other placement types were on target. The increased numbers in Internal Fostering have not yet had a forecast impact upon the demand for external residential position.

- *Staffing & agency: £1.023m*

Demand for staffing has increased this year, including agency staff to support with challenges within across the Directorate. Some agency staff have been recruited for sickness and maternity cover whilst others are above budgeted structure. A review of this is required to determine what is required on a longer term for MTFP planning purposes.

- *Other Variances across the Directorate: £0.674m*

Services are overspending against budget on emergency related support packages including Section 17 budgets, and are reviewing whether any of those in future can be offset by other grants within the Council.

Education & Partnerships : forecast overspend £0.427m

Education & Partnerships	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	6.595	7.022	0.427

- 4.23 This forecast overspend is within the Integrated Transport Service which provides home to school transport for children and transport for vulnerable adults. The forecast overspend is mainly due to forecast unachievable savings of £0.345m which the Service are looking at alternative ways of achieving the required savings and/or replacing with alternative savings, alongside the service review of all routes and efficiencies for the school academic year from September.

Regeneration : forecast overspend £0.201m

Regeneration	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	1.605	1.806	0.201

- 4.24 An overall overspend of £0.201m is currently forecast for the Directorate at year end, the main reasons for this are detailed below

- *Strategic Commercial Properties £0.367m*

£0.438m Boho Buildings - Currently only 20% of the buildings are occupied, resulting in lost rent and increased building related costs to the Council. The Council is reviewing rents charged and employing a local agent and examining other options to increase the level of tenants within the buildings.

£0.129m Centre Square 1 and 2 - The major tenant at Centre Square 1 is in the process of renewing its lease agreement but is intending to reduce the space occupied, therefore increasing the cost to the Council due to the vacated space

£0.218m income below budget at Cleveland Centre and Captain Cook Square shopping centres

The above pressures are partially alleviated by the Investment Property Contingency budget being fully utilised.

- *Unachieved Savings*

The savings of £0.300m relating to homelessness will now not be achieved. Whilst actions are being undertaken which will address costs, the nature of the budgets which sit within other directorates and the increase in homeless cases will only result in cost reduction as opposed to budget savings. It is proposed that this saving is permanently replaced by a reduction in unrequired supplies and services budgets across Regeneration.

There will be an underachievement of a saving relating to the Captain Cook Museum of £0.075m due the service only receiving half of the £0.150m of sponsorship and donations income that were previously assumed. The unachieved element of the savings will be permanently covered by general savings across the Cultural Services.

4.25 There are other variances across the Directorate below £0.250m which reduce the total forecast overspend across the Regeneration Directorate to £0.201m.

Environment & Communities : forecast overspend £1.898m

Environment & Communities	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	22.142	24.040	1.898

4.26 An overall overspend of £1.898m is currently forecast for the Directorate at year end, the main reasons for this are detailed below:

- *Bereavement Services £0.463m overspend* - due to a significant reduction in the number of cremations, an income shortfall of £0.280m is anticipated. In addition, the expenditure budget is expected to overspend by £0.183m, mainly due to the need to replace the current digital display and music system. The Service are currently reviewing operations and processes in order to increase the income stream and reduce expenditure.

- *Catering Service £0.226m overspend* - due to rising food costs. School meal prices have not been increased to reflect the cost of delivering the Service. A decision is required as to whether to increase prices to cover costs.
- *Fleet Services £0.600m overspend* - the recruitment and retention of mechanical fitters and the sharp rise in the cost of vehicle parts have resulted in a forecast overspend totalling £0.600m. A comprehensive review of the Service has been undertaken to look at how this might be mitigated, and a report will be completed in August 2025.
- *On Street Car Parking £0.250m overspend* - A budgeted saving (totalling £0.250m) was applied as part of the 2024/25 Savings Programme with the intention to charge residents for issuing parking permits. Executive have made the decision not to proceed with the charge and it is proposed that this saving is permanently removed from the budget as detailed in paragraph 4.16.
- *Management Review Savings* - Increased service demands, growth and a health and safety issue has meant that the Director of Environment and Community Services has had to delay his staffing restructure. This is expected to result in a pressure of £0.374m. The original review will need to be re-configured to align with the updated service needs and is expected to complete in 2026/27.
- *Vacancy Factor Savings* – Current projections show that the savings target is expecting a shortfall in achievement of £0.464m. This will be partially offset by additional grant received totalling £0.344m.

Legal & Governance : forecast underspend (£0.063m)

Legal & Governance	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	11.503	11.440	(0.063)

4.27 An overall underspend of (£0.063m) is currently forecast for the Directorate at year end, the main reasons for this are detailed below:

- *ICT Service (£0.251m) underspend* - There are a number of posts that had been kept vacant until the new Head Of Service commenced her role, resulting in (£0.261m) of forecast salary savings in 2025/26.
- *Customer Centre / Mail and Print £0.062m overspend* - Mail & Print volumes for April and May 2025 are 13% higher than the previous year, and assuming this continues for whole financial year the budget is set to overspend by £0.050m. The contract is due to transfer to a different supplier in December 2025 which when confirmed will create some in-year savings in 2025/26 and bring the budget back to balance in future years.
- *Cross Cutting Admin. Savings £0.136m overspend* - The savings will be achieved through the Customer Programme, however, until planned actions are agreed and costed the savings are considered to be currently unachieved. It is proposed that

this budget is transferred to Central Budgets along with other cross cutting savings, and a virement will be actioned for this.

Finance : forecast underspend (£0.839m)

Finance	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	4.943	4.104	(0.839)

4.28 An overall underspend of (£0.839m) is currently forecast for the Directorate at year end – the main reasons for this are detailed below:

- (£0.403m) underspend within *Financial Planning & Business Partnering* mainly due to MTFP growth provided at 2025/26 budget setting not forecast to be fully utilised in 2025/26 as the associated staff review has not yet been implemented
- £0.236m overspend within *Corporate Finance* mainly due to pressures on bank charges and costs of cash collection
- (£0.183m) underspend within *Pensions Governance and Investments* due to staff savings on vacant posts
- (£0.306m) underspend within *Resident & Business Support (excluding Housing Benefits Subsidy)* due to staff savings, higher than anticipated income, and changes in bad debt provision requirement
- (£0.193m) underspend within *Strategic Commissioning & Procurement* mainly due to staff savings from vacant posts and staff working reduced hours to those budgeted

Chief Executive : forecast break even

Chief Executive	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	0.251	0.251	0.000

4.29 The *Chief Executive* budget is made up of the Chief Executive's salary budget, plus a small budget for supplies and services, and at this stage, it is forecast that this budget will be spent in full, with no variance to budget expected.

Central Budgets: forecast overspend £0.883m

Central Budgets	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	(16.083)	(15.200)	0.883

4.30 The main issues comprising the latest forecast position for Central budgets are detailed below, however it should be noted that due to the nature of the budgets contained in this area, including Central Contingency budgets, the position on Central budgets is

volatile, and it is to be expected that the forecast position on these budgets will change between accounting reporting periods.

- (£0.600m) underspend on *Capital Financing* due to a combination of Exceptional Financial Support (EFS) financed by borrowing now not being required and slippage within the capital programme, resulting in lower revenue costs of financing capital expenditure
- (£0.465m) underspend on *Centrally Held Grants* due to final confirmation of the Extended Producer Responsibility (EPR) Grant funding which was higher than anticipated at the time of budget setting
- £0.244m overspend due to the *Senior Management Review* savings target which will now not be achieved in 2025/26
- £1.704m overspend due to *Cross Cutting Savings* which are now not expected to be achieved due to the following:
 - £0.700m relating to Contractual Spend Review, which has now been identified as a double count of a 2024/25 saving.
 - £1.004m of savings relating to Business Rates and Council Tax, which whilst savings have been made as intended these are recognised in the Collection Fund rather than the General Fund. Due to the prescribed mechanisms for operating the Collection Fund, the savings in the Collection Fund do not impact the General Fund position until the next year and therefore these cannot be included within the revenue outturn for 2025/26 (see paragraph 4.69 for details)
- The ongoing effect of the above unachieved savings is being considered within the MTFP for future years, as noted in the separate report to this Executive.

Contingency Budget and Change Fund

4.31 Table 3 summarises the 2025/26 budgets and commitments against the central Corporate Contingency budget and Change Fund Reserve which are controlled under the delegated powers of the S151 Officer.

Table 3 – Summary of 2025/26 budget and commitments - Corporate Contingency Budget and Change Fund Reserve

	Corporate Contingency	Change Fund Reserve
	£m	£m
Starting Budget 2025/26	1.327	2.766
Contributions 2025/26	-	0.730
Available for use	1.327	3.496
Approved use to date		
Middlesbrough Independent Improvement Advisory Board costs 2024/25 - residual costs falling into 2025/26	(0.007)	
Employers Pension Contribution Rate Review costs	(0.001)	
Interim Finance consultant - Infrastructure, assets and leasing	(0.002)	
Financial improvement - Interim finance lead - accounts closure and audit, financial reporting, systems, and control	(0.007)	
Armed Forces Day Council contribution	(0.001)	
Turner Prize contribution	(0.150)	
<i>Earmarked for potential use from Contingency Budget - if other budgets not available within Directorates</i>		
Education - Literacy work & events	(0.010)	
Finance - Community Grants - VE Day Celebrations	(0.027)	
General contingency for remainder of year	(0.073)	
Approved use to date	(0.277)	-
BALANCE REMAINING CURRENTLY UNCOMMITTED ON CORPORATE CONTINGENCY	1.050	
- AVAILABLE TO MITIGATE FORECAST OVERSPEND		
FORECAST CLOSING BALANCE ON CHANGE FUND RESERVE AT 31/03/26		3.496

Council Reserves and Provisions

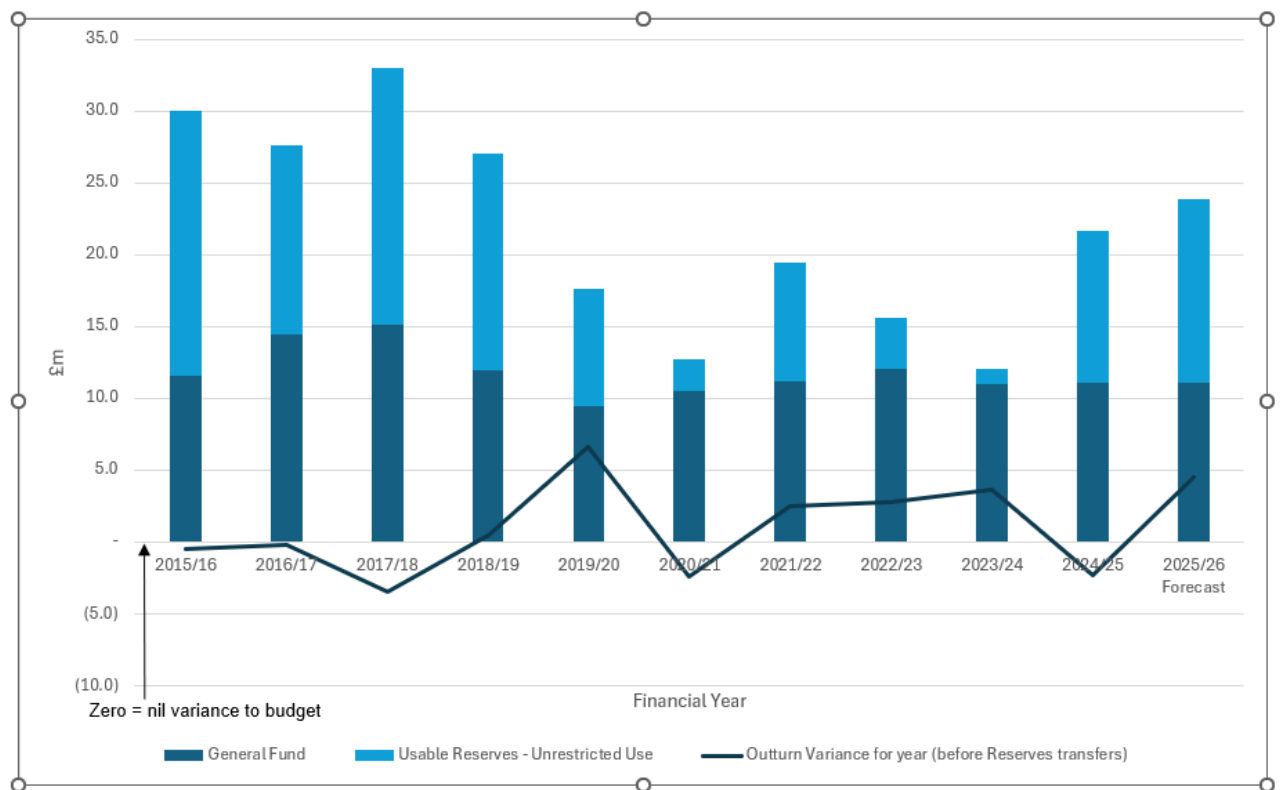
4.32 Table 4 summarises the Council's General Fund reserves and provisions showing the movement between 31 March 2025 and that currently forecast at 31 March 2026, with full details included in Appendix 3. It shows that the Council has forecast usable unrestricted revenue reserves at 31 March 2026 of £23.860m (highlighted yellow).

Table 4 – Summary of General Fund Balance, Reserves, and Provisions

	<u>Opening Balance 1/4/25</u>	<u>Forecast Use in Year</u>	<u>Projected Additional Contributions</u>	<u>Projected Transfers from / (to) General Fund</u>	<u>Projected Transfers between Reserves</u>	<u>Forecast 2025/26 year end overspend</u>	<u>Forecast Balance at 31/3/26</u>
	£m	£m	£m	£m	£m	£m	£m
GENERAL FUND RESERVE	11.100	-	-	-	-	-	11.100
USABLE EARMARKED RESERVES							
Restricted Use	2.689	-	0.500	-	-	-	3.189
Unrestricted Use	10.554	-	6.688	-	-	(4.482)	12.760
	13.244	-	7.188	-	-	(4.482)	15.950
UNUSABLE EARMARKED RESERVES	(16.813)	-	-	(9.000)	-	-	(25.813)
SCHOOL BALANCES	3.050	-	-	-	-	-	3.050
PROVISIONS	3.814	-	-	-	-	-	3.814
	14.395	-	7.188	(9.000)	-	(4.482)	8.101

- 4.33 Figure 1 below shows the trajectory of Middlesbrough's unrestricted usable reserves from 2015/16 through to 2025/26 year-end forecast closing balance against both the recommended minimum reserves level and the reported outturn position per year.

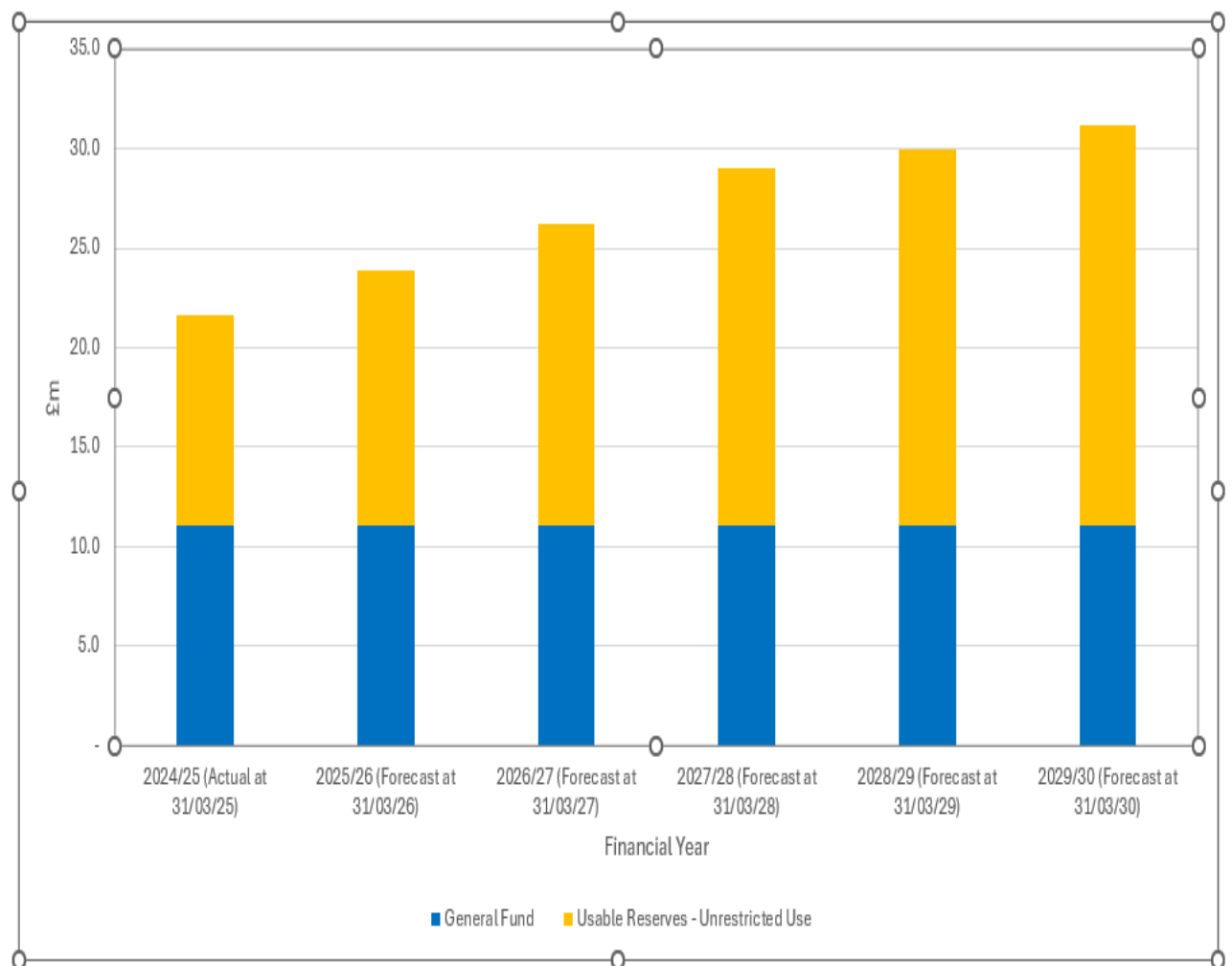
Figure 1 - Middlesbrough Council - Unrestricted Reserves Balances from closing balance 2015/16 through to year-end forecast closing balance 2025/26 and reported outturn variance per year



- 4.34 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.

- 4.35 Figure 2 below shows the projected unrestricted usable reserves through to the end of 2029/30 after planned contributions, however this will depend on any unplanned drawdowns of reserves.

Figure 2 - Forecast Unrestricted Usable Reserves from closing balance 2024/25 through to closing balance 2029/30 (following planned contributions and drawdowns)



Dedicated Schools Grant (DSG)

4.36 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 funding comprises of a number of blocks:

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

4.37 Table 5 below summarises the latest position on the DSG budget and shows that there is a forecast year-end overspend of £9.000m on DSG within 2025/26 and this when added to the cumulative deficit at the end of 2024/25 means that there is currently forecast a total cumulative deficit of £31.213m at 31 March 2026.

Table 5 - Dedicated Schools Grant (DSG) after recoupment and deductions

	2025/26 Income	2025/26 Expenditure	2025/26 Year-end Overspend	Balance as at 31/03/2025	Cumulative DSG Deficit as at 31/03/2026
	£m	£m	£m	£m	£m
Early years Block	22.674	22.674	0.000	(0.749)	(0.749)
Schools Block	12.526	12.526	0.000	(0.490)	(0.490)
High Needs Block	33.910	42.910	9.000	23.515	32.515
Central school services Block	1.136	1.136	0.000	(0.063)	(0.063)
TOTAL	70.246	79.246	9.000	22.213	31.213

- 4.38 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 was planned to end on 31 March 2026, however in the Government's Fair Funding review consultation published on 20 June 2025 it was announced that this would be extended by a further two years to 31 March 2028 to tie in with the transition to a reformed Special Education Needs and Disabilities (SEND) system, details of which will be set out in a White Paper in the autumn.
- 4.39 The limited impact of measures taken to date and if the statutory override is removed without a government led solution in 2028, this presents a significant risk to the Council's financial position as the forecast DSG deficit at 31 March 2026 of £31.213m is greater than all of the Council's forecast usable revenue reserves of £23.860m at 31 March 2026, 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 in the future without a solution by the Government.
- 4.40 The Delivering Better Value (DBV) programme is due to end in Summer 2025 and the results of this will be analysed and further work undertaken by the Education Service and Finance to look at options to improve the deficit figures during future years. However there is a likelihood of significant deficits continuing to arise in future years and this will therefore remain a significant risk in the future even if the Government resolves the deficits accumulated from previous years.
- 4.41 Further details of the DSG budget and the management actions being taken alongside the DBV programme are provided in Appendix 4.
- 4.42 The DSG risk is included in the Council's Strategic Risk Register and was reflected in the Annual Governance Statement for 2024/25.

Medium Term Financial Plan issues

4.43 Quarter One budget monitoring has identified several issues for consideration along with other strategic longer term issues within the next update of the Council's Medium Term Financial Plan (MTFP) for which a separate MTFP update and 2026/27 budget approach and timetable report is included in the agenda for this meeting. These mainly relate to increased demand for Children's and Adults Social Care, Integrated Transport Unit (home to school and vulnerable adults transport), Bereavement, Catering and Fleet Services, Strategic Commercial Property income, and unachieved savings.

2025/26 Capital Programme Forecast Outturn as at Quarter One

4.44 On 19 February 2025 Council approved a Capital Programme for 2025/26 of £74.798m (the original 2025/26 capital budget). This was revised to £82.571m as approved by Executive within the 2024/25 Revenue and Capital Outturn report of 11 June 2025 to take account of 2024/25 programme slippage and some new externally funded schemes.

4.45 The budget has been further revised at Quarter One by the addition of a total of £1.818m of new externally funded schemes / additional external funding to existing schemes, mainly relating to Regeneration grant funded schemes and schemes in schools.

4.46 Also £3.186m of existing Council funding has been added to 2025/26 to fund new and existing schemes (shown below), this has been provided from the cessation of the Children's Services Financial Improvement Plan scheme where £2.931m of Council funding was withdrawn from the Capital Programme at Quarter Four 2024/25 and other minor changes to the capital programme.

- £1.6m relating to investment in Middlesbrough College to enable facility expansion
- £1.515m to acquire additional bins to comply with the new legislation for Simpler Recycling
- £0.071m for investment in equipment with the Council's leisure provider as part of the contract

4.47 The total additional funding of £5.004m has increased the Capital Programme for 2025/26 to £87.575m as at Quarter One.

4.48 An additional £8.275m of externally provided funding has also been added to the Capital Programme relating to financial years 2026/27 to 2028/29.

4.49 Details of all of the additional funding and the schemes to which it is attributed to are provided at Appendix 5.

4.50 There are no virements over £0.250m requested for approval by Executive between schemes in the Capital Programme approved by Council on 19 February 2025 which are funded from within existing Council resources. There are two virements between Directorates that are under £0.250m and several virements between schemes within

Directorates, and for information all virements between schemes are provided at Appendix 5. The virement relating to East Middlesbrough Community Hub does not require Executive approval as the movement of Council resources is below £0.250m.

4.51 Table 6 below summarises the capital programme approved budget, revised budget, forecast year end outturn, and forecast year end outturn variance for 2025/26. It shows that the 2025/26 forecast year end outturn on capital expenditure at Quarter One is £78.619m, against the revised budget of £87.575m for 2025/26.

4.52 The £78.619m of planned expenditure is expected to be funded by:

- £46.903m (60%) grants and external funding / contributions
- £13.500m (17%) capital receipts
- £18.216m (23%) borrowing

Table 6 – summary of capital programme approved budget, revised budget, forecast year end outturn and variance for 2025/26

Directorate	2025/26 Capital Programme Budget (as approved by Council 19/2/25)	2025/26 Revised Capital Programme Budget (as per Executive report 11/6/25)	2025/26 Revised Capital Programme (as at Quarter One)	2025/26 Year-end Forecast Outturn	2025/26 Year-end Forecast Outturn Variance	2025/26 Year-end Forecast Outturn Variance against Revised Budget at Quarter One	MEMO Explanation of Year- End Forecast Outturn Variance	
	£m	£m	£m	£m	£m	%	Slippage	Underspend
							£m	£m
Regeneration	32.716	32.617	34.145	28.908	(5.237)	(15.34)	(5.237)	-
Environment and Community	20.198	24.774	26.538	25.039	(1.499)	(5.65)	(0.876)	(0.623)
Public Health	0.779	0.971	1.042	1.042	-	0.00	-	-
Education and Partnerships	7.553	10.241	11.772	9.342	(2.430)	(20.64)	(2.325)	(0.105)
Children's Care	0.550	0.711	0.821	0.821	-	0.00	-	-
Adult Social Care	3.701	3.925	3.925	3.925	-	0.00	-	-
Legal and Governance Services	1.610	1.629	1.629	1.839	0.210	12.89	0.210	-
Finance	0.191	0.203	0.203	0.203	-	0.00	-	-
Transformation Programme	7.500	7.500	7.500	7.500	-	0.00	-	-
Total	74.798	82.571	87.575	78.619	(8.956)	(10.23)	(8.228)	(0.728)

4.53 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 future financial years. The amount of capital slippage (currently forecast at £8.228m) is reprofiled and carried forward to 2026/27 and future years to reflect revisions to the expected delivery and expenditure timescale. Details of capital slippage for 2025/26 as at Quarter One are shown in Appendix 6.

4.54 The major reasons for the underspend of (£0.728m) are as follows:

- (£0.380m) of assumed contributions from Stockton Borough Council has been removed from the Transporter Bridge scheme within Environment and Community Services due to a reduction in the overall costs of the scheme
- The Food Waste Collection scheme in Environment and Community Services has reduced by (£0.243m) as the Department for Environment, Food and Rural Affairs (DEFRA) have confirmed that this element of the grant is to be used for revenue purposes.

Transformation

4.55 The Capital Programme 2025/26 to 2028/29 and Capital Strategy 2025/26 (Appendix 6) of the 2025/26 Revenue Budget, Medium Term Financial Plan and Council Tax setting report approved by Council on 19 February 2025 noted the inclusion of transformation and redundancy expenditure totalling £7.500m which can be capitalised under the Flexible Use of Capital Receipts Strategy (FUoCR) in 2025/26 (as part of the planned £26.700m Transformation Programme from 2024/25 to 2028/29), and the annual Flexible Use of Capital Receipts (FUoCR) Strategy for 2025/26 approved by Council on 26 March 2025 confirmed this and provided further details.

4.56 This section provides an update on the FUoCR with £7.500m still anticipated to be spent within 2025/26, however there has been a change in how it will be spent as shown in Appendix 7. Appendix 7 also shows that the total remaining allocation of £14.753m for 2026/27 onwards has also been reviewed at Quarter One with the following changes to assumptions being made :

- On 30 April 2025 Executive approved the Neighbourhoods Model report. The report detailed £2.042m of required expenditure for increased staffing over a two year period. In addition, £5.000m was included for significant investment into the building works at the Neighbourhood Hubs. The total amount of £7.042m has been ringfenced to Neighbourhood transformation, and a further report will be presented to Executive relating to this element of expenditure once a detailed plan has been completed.
- The total allocation for 2025/26 to 2028/29 for Transformation / Subject Matter Expertise has changed from £11.362m to £6.802m.
- The total amount allocated for redundancies for 2025/26 to 2028/29 has reduced to £0.547m, this is based on all current known redundancies that will be required due to savings initiatives.
- As overall costs for Transformation are firmed up the need for the contingency decreases, as such the contingency allowance has reduced to £3.362m for 2025/26 to 2028/29.

4.57 An update of Transformation expenditure forecast to be incurred in 2025/26 will be provided at Quarter Two along with details of the forecast expenditure.

4.58 Table 7 summarises and Appendix 7 details updated forecast year-end outturn expenditure for 2025/26 and forecast expenditure for the period 2026/27 to 2028/29 split over the various schemes and the proposed funding.

Table 7 – Summary of Capital Programme 2025/26 to 2028/29

Directorate	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m	TOTAL £m
Regeneration	28.908	41.103	8.329	7.783	86.123
Environment and Community Services	25.039	12.024	5.108	7.256	49.427
Public Health	1.042	-	-	-	1.042
Education and Partnerships	9.342	3.436	-	-	12.778
Children's Care	0.821	-	-	-	0.821
Adult Social Care	3.925	1.669	1.050	1.120	7.764
Legal and Governance Services	1.839	2.012	2.185	2.185	8.221
Finance	0.203	0.389	-	-	0.592
Transformation Programme	7.500	9.522	5.231	-	22.253
Total EXPENDITURE	78.619	70.155	21.903	18.344	189.021
Funded by					
Borrowing	18.216	25.315	-	-	43.531
Capital Receipts	6.000	6.000	12.560	14.231	38.791
Flexible Use of Capital Receipts	7.500	9.522	5.231	-	22.253
Grants	45.165	22.810	-	-	67.975
Contributions	1.738	6.508	4.112	4.113	16.471
Total FUNDING	78.619	70.155	21.903	18.344	189.021

Treasury Management - Borrowing & Prudential Indicators

- 4.59 The Council's investment and borrowing activity is managed in accordance with the Treasury Management Strategy (TMS) which is a key element of the MTFP alongside the annual revenue budget and capital programme which are approved by Council annually before the start of the financial year, with the TMS for 2025/26 approved by Council on 19 February 2025.
- 4.60 The affordability & sustainability of the Capital Programme and its total level of external borrowing and capital financing costs is self-regulated by the Council through a set of prudential indicators. CIPFA and central government view this approach as best practice in ensuring resources are allocated prudently to capital schemes and the local authority achieves value for money in the use of resources.
- 4.61 Investment and borrowing decisions are taken to manage the short, medium, and long-term cash needs of the Council and these are driven primarily by the following:
- the extent to which the Council finances its capital expenditure by borrowing which is measured by the Capital Financing Requirement (CFR)
 - the timing differences between operational income and expenditure flows
 - the level of cash backed reserves held, and.
 - current short to long term interest rate forecasts.

- 4.62 The budget and forecast positions on these prudential indicators at Quarter One for 2025/26 are summarised in Table 8 below.

Table 8 – Prudential Indicators – Quarter One 2025/26

	<u>Budget</u> <u>(as approved</u> <u>by Council</u> <u>19/2/25)</u> <u>(£m)</u>	<u>Forecast</u> <u>at Quarter</u> <u>One</u> <u>(£m)</u>	<u>Variance</u> <u>(£m)</u>	<u>Variance</u> <u>as %</u> <u>of Budget</u> <u>%</u>
Capital Expenditure	74.798	78.619	3.821	5.11
<u>Financing</u>				
External Sources	44.213	46.903	2.690	6.08
Own resources	13.500	13.500	0.000	0.00
Debt	17.085	18.216	1.131	6.62
	74.798	78.619	3.821	5.11
Capital Financing Requirement	310.197	312.261	2.064	0.67
External Debt	292.388	249.860	(42.528)	(14.55)
Investments	15.000	14.812	(0.188)	(1.25)
Capital Financing	13.205	12.605	(0.600)	(4.54)
Cost as a % of Revenue Budget	9.21%	8.80%	-0.42%	

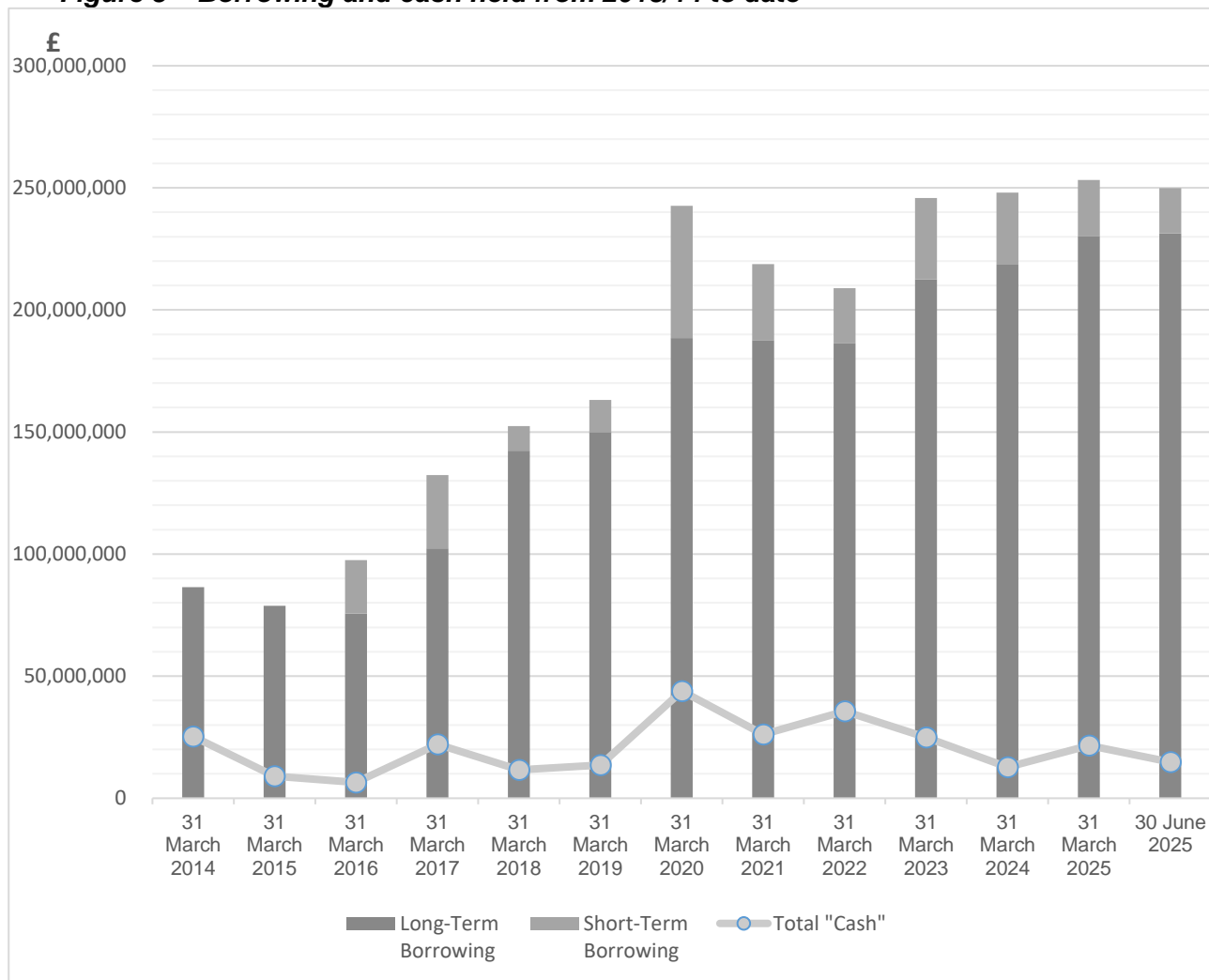
- 4.63 The Council's forecast Capital Expenditure outturn at Quarter One is £78.619m compared to an original approved budget of £74.798m for 2025/26, a forecast increase of £3.821m (5.1%) against the original approved budget for 2025/26. The increase in capital expenditure is due to new schemes funded by grants and contributions of £2.690m, plus additional borrowing of £1.131m (mainly the loan of £1.6m to Middlesbrough College approved by Executive in July 2025, offset by some minor rephasing).
- 4.64 During the first quarter of 2025/26, external borrowing decreased from £253.441m on 1 April 2025, to £249.860m on 30 June 2025. This decrease of £3.581m reflects the repayment of principal on annuity loans only. Long-term interest rates from the Public Works Loan Board have increased above 5.00% during the first quarter. This is well above the target borrowing rate of 4.75% for the financial year. As a result, no new long or short-term borrowing has been taken during the period, mainly due to those higher interest rates and with cash flow being generally positive within the first three months.
- 4.65 The ratio of long-term to short-term borrowing has also remained stable during the quarter given that repayments only have been made to date. The Council's total under borrowed position (external debt compared to the capital-financing requirement – or underlying need to borrow for the financial year) is £62.401m on 30 June 2025, or 20.0%. Total borrowing of around £40m is required over the remainder of the financial year to finance the forecast spend on the capital programme and to keep liquidity balances at a sustainable level. The over-riding objective continues to be to demonstrate value for money and affordability from any borrowing decisions taken over the medium term, whilst using internal cash balances in the interim.

4.66 The amount of external debt at £249.860m and the total underlying need to borrow of £312.261m, are both below the Council's authorised debt limit of £331.000m for the year. This is the threshold above which any borrowing would be unlawful. The difference relates to the contingency buffer included within the authorised limit for any unexpected and unbudgeted borrowing required by the Council outside of the capital programme. The total annual cost of financing the capital investment plans is forecast at £12.605m, or 8.8% of the current net revenue budget. This is a £0.600m underspend against the approved budget, which relates to a combination of Exceptional Financial Support (EFS) financed by borrowing now not being required, and interest savings from slippage on the capital programme into later financial years.

4.67 Cash balances have reduced from £21.555m to £14.082m between the start of April 2025 and the end of June 2025. This reflects the capital and revenue spending plans of the Council to date in this financial year and that internal balances have been used in lieu of new borrowing.

4.68 The debt and cash levels held by the Council and how these have changed over time is showing in the graph below.

Figure 3 – Borrowing and cash held from 2013/14 to date



Collection Fund - Council Tax and Business Rates income

- 4.69 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 2025/26 income collection variances from the budgeted amount used in setting the Council Tax for 2025/26 do not immediately affect the General Fund position. By illustration, the impact of any estimated surplus or deficit variance on the Collection Fund for 2025/26 is fed into the development of the 2026/27 budget and MTFP and any cost/ benefit does not impact the 2025/26 financial year.
- 4.70 An update on the Collection Fund position will be provided in the Quarter Two budget monitoring report.

Debt Recovery Performance

- 4.71 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
- 4.72 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 2024/25 report. The position at Quarter One 2025/26 (30 June 2025) is shown in Table 9 below

Table 9 – Debt Collection Performance Quarter One 2025/26 (as at 30 June 2025)

Category of Collectable Debt	Balance at 1/4/25 (£m)	Movement in-year (£m)	Balance at 30/6/25 (£m)
Council Tax	40.683	(0.701)	39.982
Business Rates	8.508	(1.382)	7.126
Sundry Debt	8.905	0.301	9.206
Housing Benefits Overpayments	5.358	(0.215)	5.143
Total	63.454	(1.997)	61.457

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%).

- 4.73 The financial procedure rules (Financial Procedure Rule 18.80.2 and Financial Limits Annex) for the Council set out the thresholds for debt write offs between the S151 Officer (and nominated deputies) and the Executive. These are set out in Table 10 below for information:

Table 10 – Debt write off levels as per the Constiution

Category of Collectable Debt	S151 Officer (Amount per debtor)	Executive (Amount per debtor)
Council Tax	£0 - £10,000	Above £10,000
Business Rates	£0 - £100,000	Above £100,000
Sundry Debt (single debts)	£0 - £10,000	Above £10,000
Sundry Debt (subscription debts)	£0 - £50,000	Above £50,000
Housing Benefits Overpayments	£0 - £10,000	Above £10,000

- 4.74 All debts raised by the Council require an element of recovery to receive the cash amounts from the appropriate third parties. Due to the wide range of income streams and the volumes of debts raised, there are times where amounts cannot always be recovered, for example council tax debts due to lack of household income, business rates due to companies being winding up, sundry debts due to changing circumstances etc.
- 4.75 Where all avenues for collection of the debt have been exhausted and these can be significant and take several financial years, there is no choice but to write these debts off, generally against the revenue budget which received the benefit of the income previously.
- 4.76 It is recommended accounting practice to assess the level of debts and their recoverability at the end of each financial year, both at directorate level or corporately. Where there is the possibility of non-recovery, an assessment of the likelihood of this happening against the financial value should be calculated for each debt, and the appropriate amount placed in a bad debt provision. This will then act as a buffer against any amounts that subsequently need to be written off.
- 4.77 Most of these debts that do need to be written off are relatively low in value and can be considered and approved by the Director of Finance and Transformation (s151 Officer). However, there has only been partial delegation of debt write offs to the s151 Officer under the Constitution (financial procedure rules). The current amounts delegated (set at the 2023 review and under guidance from CIPFA and in comparison with other councils of a similar size) are set out in Table 10 above.
- 4.78 In exceptional circumstances following appropriate due diligence being applied over all aspects of the collection process and with no prospect of recovery for the reasons given, debt amounts that cannot be recovered and need to be written off, do exceed these levels and these will be required to be submitted to Executive for approval.
- 4.79 A separate report will be presented to Executive later in the year for approval of the write off a number of such debts, detailing the debtor involved, date raised, amount involved, recovery action taken to date, and the reason why this debt cannot be collected.

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 the revenue budget virements over £250,000 and the changes to the Council's capital programme, and to not report on the Council's forecast year-end financial outturn for the financial year 2025/26. 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 2025/26 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 and the Prudential Indicators and Treasury Management Strategy 2025/26 report presented to Council on 19 February 2025 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 Quarter One 2025/26 report.
Human Rights, Public Sector Equality Duty and Community Cohesion	The complete overall impact assessment included in Appendix 3 of the 2025/26 budget report to Council on 19 February 2025, 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
Subject to approval by Executive revenue budget virements detailed in Appendix 1 to be actioned	Head of Financial Planning & Business Partnering	30/9/25
Subject to approval by Executive, amendments to the capital programme for 2025/26 to be actioned	Head of Financial Planning & Business Partnering	30/9/25
Corporate revenue budget spending controls will continue to be applied to Directorates in 2025/26.	Director of Finance and Transformation	31/3/26
Directors are required to develop and submit further recovery plans and mitigations in order to reduce their forecast overspends and seek to achieve a balanced budget for their Directorate by the end of 2025/26.	All Directors	31/10/25

Appendices

1	Proposed revenue budget virements above £250,000 at Quarter One 2025/26
2	Details of savings currently classified as unachievable at Quarter One 2025/26
3	Detail of Forecast Reserves and Provisions Movements in 2025/26
4	Dedicated Schools Grant
5	Capital Programme Quarter One 2025/26 – New External Funding, Additions to Council Funded Schemes, and Virements Between Schemes
6	Capital Programme Quarter One 2025/26 – Details of capital slippage
7	Revised Capital Programme Forecasts 2025/26 to 2028/29

Background papers

Body	Report title	Date
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
Council	Prudential Indicators and Treasury Management Strategy 2025/26 report	19/2/25
Council	Flexible Use of Capital Receipts Strategy 2025/26	26/3/25
Executive	2024/25 Outturn Report	11/6/25

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