

EXECUTIVE MEMBER REPORT TO COUNCIL

EXECUTIVE MEMBER: Executive Member for Finance

DATE OF MEETING: 10 September 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

1.1 Members Small Scheme (Capital) and Priorities Fund Ward Allocations

A briefing for all members on these two schemes was provided at my request on 14 July 2025, and I would like to thank officers for delivering this as well as for all their other work on these schemes.

1.1.1 Members Small Scheme (Capital)

The closing date for applications for the Members Small Scheme (Capital) was 25 August 2025 and I am informed that 15 bids were submitted.

The process now is, as included in guidance for members, that applications are scored by a panel of officers against criteria.

Also included in the guidance is that a report will then be submitted to the Executive Sub for Property with details of the various schemes and completed scoring matrix. The final decision on which schemes are successful and the level of funding provided rests with the members of the committee. Ward councillors who have submitted bids will be invited to attend the committee, which is expected to take place in October.

1.1.2 Priorities Fund Ward Allocations

The Priorities Fund Ward Allocations, which is revenue remains open for applications. Guidance outlined how schemes submitted by ward members will be approved if they are deliverable, affordable, and have no ongoing revenue implications, and that they will benefit the ward and have a positive impact on Council Plan ambitions. Middlesbrough Priority Fund applications will be programmed for delivery on completion of the Panel stage based on officer recommendations.

I am informed that to date 11 applications have been submitted by councillors. The first officer panel will meet in September, and councillors will be informed of the outcome of their applications. From now on the panel will meet on a monthly basis.

1.2 Welfare Rights

I would like to highlight and commend the exceptional work of our Welfare Rights team who have continued to provide significant support to residents over the last financial year. Over £3million of unclaimed benefits has been identified assisting 1,700 residents throughout this period which is a phenomenal achievement. Over the course of the year, targeted support has been provided to a wide variety of initiatives, including helping to assist with identifying those who were entitled to Pension Credits and potentially missing out on a Winter Fuel Payment from Central Government, whilst also assisting with maximising benefit for those residents recently identified as being entitled to Free School Meals for their children.

1.3 Pension Credit uptake

In addition to the Welfare Rights team working to identify those missing out on Pension Credit, the Benefit Service also made contact with a number of people to encourage Pension Credit take up. The results were again extremely impressive and brought some much-needed income to pensioners who were missing out. In total, support was provided to 194 residents who received over £715,000 in annual pension credit awards. Some of the awards were significant, with one resident receiving over £83,000 in backdated pensions which were previously unclaimed.

1.4 Housing Benefit Migration

As part of the long-standing policy of managed migration, to move all claimants from the existing 'legacy' benefits, including Housing Benefit, to Universal Credit, the number of residents migrating onto Universal Credit continues at pace. As at 1 April 2024, the number of working age residents receiving Housing Benefit was 3,734. Moving forward one year to 1 April 2025, this figure had decreased to 2,068, which is a reduction of 45% in one year. The Resident and Business Support team are continuing to offer full support to those moving onto Universal Credit to ensure a smooth transition and help with enquiries on an individual basis.

1.5 Household Support Fund (HSF) and Pensioners

As I have previously reported to Council, our Household Support Fund (HSF) scheme was approved by Council on 14 May 2025 and is based on the Council's previous successful HSF schemes. In relation to pensioners, my approach, agreed by the Executive under the existing 2025/26 scheme included an amount for pensioners who were no longer eligible for the state Winter Fuel Payment under the changed criteria introduced in 2024. This would have meant that those in receipt of Council Tax Reduction or Attendance Allowance who were not eligible for the Winter Fuel Payment from the Government could have received the amount of the Winter Fuel Payment of £300 or £200 depending on age in full from Middlesbrough Council's HSF.

On 9 June 2025 the Government amended the criteria for the Winter Fuel Payment again, meaning that pensioners with incomes of less than £35,000 will now be eligible for the Winter Fuel Payment, without HMRC taking it back. This has greatly reduced the number of pensioners in Middlesbrough who aren't eligible for the Winter Fuel Payment and consequently also reduced numbers of those eligible for the £300 or £200 HSF payment under the previously agreed scheme.

I have therefore been working with officers on a revised scheme to redistribute surplus funds which will offer additional support to both working age people and pensioners and include those on low incomes not entitled to benefits as well as those who are,

and I will provide an update in a future report to Council once a revised scheme has been considered by the Executive.

1.6 Budget Forecast Year-End Outturn position at Quarter One 2025/26

Quarter One Budget Clinics (Challenge Sessions) took place in July 2025, chaired by me and attended by the Mayor, relevant executive members for each service area and senior officers. As is usually the case at Quarter One, there is a projected overspend at year end. Part of the purpose of these budget clinics is to identify emerging pressures at an early stage and to put in place actions to reduce them or identify alternative measures that can be put in place. However, the current pressures are of concern, particularly within Children's Services budget, even at this early stage in the year.

Following the Budget Clinics, the 2025/26 revenue budget forecast year-end outturn as at Quarter One after proposed use of central contingencies and other budgets is a forecast overspend of £4.482m (3.1% of the budget). As always this would only be if no successful action is taken to reduce those overspends by year end, and my aim is that this figure will be brought down and that we will as we did last year return within budget.

The biggest area of overspend is within Children's Services, particularly external residential budgets. The number of Children Looked After within Middlesbrough has remained broadly the same. However, there are both increasing numbers of external residential placements and increased costs due to the complexity of a number of children and young people who require differing complex care provision which invariably cannot be provided within the Council's own residential homes.

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.

Due to the volatile nature of Children's Care external residential budgets, the Executive Member of Children's Services and myself have been meeting along with the Director of Finance and key officers from the service area on a monthly basis, since the start of the financial year.

Adult Social Care, Environment & Community Services (Bereavement Services, Fleet Services, and home to school and vulnerable adults transport), Strategic Commercial Properties income, and Central budgets are also all reporting pressures at Quarter One.

As part of the actions arising from the budget clinic process, service areas will be 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.

2. THE TIME AHEAD

Update:

2.1 Medium Term Financial Plan (MTFP) and Budget Timetable

In my last report to Council I referred to the Government's Fair Funding Review. A report which will be presented to the Executive on 3 September 2025 explains that the proposed approach by the Government in the fundamental reforms to local government funding aims to make the way funding is provided for local authorities fairer and simpler and aims to move funding to authorities who have the greatest need, such as Middlesbrough.

Analysis of the potential effects on the Government's proposed approach on individual authorities has been undertaken in conjunction with organisations such as SIGOMA (Special Interest Group of Municipal Authorities) and Pixel Financial Management. The Government has also provided some further information and clarification of some parts of the consultation.

Whilst no detailed information has been provided by the Government as to the effect on individual local authorities, the analysis undertaken to date indicates that Middlesbrough will obtain substantial additional funding from the proposed new approach, due to a recognition of the needs and demands that Middlesbrough faces in providing services and the fact that Middlesbrough has not received appropriate funding to meet its needs in previous years. There is still a high level of uncertainty in some aspects of the proposed approach and therefore at this stage no estimated figures are included in the report.

The consultation on the Review closed on 15 August 2025, and the Council submitted a response to the consultation which generally welcomed the Government's proposed approach.

After considering all the responses to the consultation the Government will provide detailed allocations of funding to individual local authorities for the next three years as part of the provisional Local Government Finance Settlement which is planned to be published in late November 2025. The Government have indicated that they will also publish a Local Government Finance Policy Statement by October 2025 and other information before the Settlement is published. The modelling of funding projections will be reviewed through the budget process to reflect new information as it becomes available. The timing of the provisional Settlement will determine how much certainty can be placed on the figures to be included in the report to Executive in December 2025.

Therefore, as further detailed information is required in order to provide robust figures for inclusion in an update of the MTFP, at this stage no revised figures are provided in the Executive report until greater assurance can be obtained. Work will continue as further information becomes available and an updated MTFP is planned to be submitted to Executive on 3 December 2025 along with the start of the budget consultation for 2026/27.

However, although the Fair Funding Review should bring good news for Middlesbrough, we also need to bear in mind that in common with most other local authorities, the combination of previous and existing high inflation and the cost of living crisis and other issues have significantly impacted the local and national economy and put significant pressure upon demand for Council services and the cost of providing them. As detailed in the Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter One 2025/26 report to Executive on 3 September 2025 existing

financial pressures are continuing, and further financial pressures are emerging in relation to:

- Adult Social Care – increased demand for services (mainly residential care)
- Children's Social Care – increased numbers and complexity of external residential placements
- Potential shortfalls on income from strategic commercial investments.
- Crematorium – reduced demand and associated reduction in income
- Fleet Management – increased staff costs due to recruitment and retention challenges and a sharp increase in the cost of vehicle parts
- Integrated Transport Service - home to school transport for children and transport for vulnerable adults

There are also a number of other significant potential financial pressures that are emerging in future years and which may require the MTFP to be amended for, including waste disposal costs and costs associated with recycling and other factors which need to be taken into account when updating the MTFP.

2.1.1 Budget Timetable

All elected members have a legal obligation to agree a balanced robust budget. In order to promote a collaborative and co-ordinated approach with all elected members and officers in developing the budget, briefings for all elected members will be arranged at various points of the process to ensure that key issues are understood. The Financial Resilience Working Group (FRWG) comprising cross party member representation will be re-established and will have the opportunity to play a key role in the budget setting process.

2026/27 Budget Setting - Budget Timetable		
Date	Responsible	Action
September - end of December 2025	Executive Member for Finance / S151 Officer	Monthly Financial Resilience Working Group meetings
September 2025	Elected Mayor / S151 Officer	Briefing - All Elected Members
August 2025 - end of October 2025	LMT / Executive	Development of budget proposals
25 November 2026	Elected Mayor / S151 Officer	Briefing - All Elected Members
3rd December 2025	Executive	Executive - budget proposals agreed for consultation. Capital Programme review. 2026/27 Council Tax Base set
4th December 2025 - 7th January 2026	Finance	Budget Consultation period with public, political groups, OSB, business community & other stakeholders
December 2025 / Early January 2026	Finance	Consider Provisional Local Government Finance Settlement (expected to be available late November 2025)
End January 2026	Finance	Final Local Government Finance Settlement to be considered
January 2026	Elected Mayor / Executive / LMT	Amend budget proposals in light of consultation, feedback/updated officer advice and consider any alternative budget proposals
27 January 2026	Elected Mayor / S151 Officer	Briefing - All Elected Members
4th February 2026	Executive	Executive - agree final budget proposals for recommendation to Council
18th February 2026	Council	Full Council - to set 2026/27 revenue budget, 2026/27 Council Tax, revised MTFP to 2029/30 and Capital Strategy 2026/27