

MIDDLESBROUGH COUNCIL	
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Report of:	Andrew Humble - Director of Finance and Transformation (s151 Officer)
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Relevant Executive Member:	Cllr Nicky Walker - Executive Member for Finance
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Submitted to:	Executive
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Date:	3 December 2025
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Title:	Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter Two 2025/26
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Report for:	Decision
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Status:	Public
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Council Plan priority:	All
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Key decision:	Yes
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Why:	Decision(s) will incur expenditure or savings above £250,000 and have a significant impact in two or more wards
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Subject to call in?	Yes
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Why:	Non-Urgent Report
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Proposed decision(s)	
<p>That Executive:</p> <ul style="list-style-type: none"> • APPROVES budget virements over £250,000 within the revenue budget (Appendix 1). • APPROVES budget virements over £250,000 within the Capital Programme (paragraph 4.47). • APPROVES the inclusion of new schemes and additions to existing schemes to the Capital Programme totalling £0.519m for 2025/26, of which £0.454m are externally funded and £0.065m is from existing Council funded resources (detailed in Appendix 5). Subject to approval this will increase the approved 2025/26 Capital Programme budget to £88.094m. • 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 Two, highlighting the budget pressures and the forecast year-end position if no further action is taken. At present, the revenue budget is forecast to be under pressure by £1.804m (1.3%) at year end after the proposed use of central contingences and other budgets. • NOTES that Directors have submitted recovery plans and mitigations aimed at reducing their forecast budget pressures and acknowledges the ongoing requirement for Directors to continue refining and implementing these plans to achieve a balanced 	

budget for the Directorates by the end of 2025/26. In support of this 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 Two 2025/26 and seeks approval of budget virements within the revenue budget and revisions to the capital programme in relation to activity in Quarter Two.

It is important to note that this report reflects forecast budget pressures at year end if no further mitigating actions are taken. The financial pressures outlined will only materialise if recovery plans and other actions are not successfully implemented.

The report enables the Executive to discharge its financial management responsibilities by setting out the following position at Quarter Two (30 September 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 forecast position at Quarter Two represents a significant improvement compared to Quarter One, when the forecast year-end budget pressure was estimated at £4.482m after the proposed use of contingencies. This improvement reflects the impact of actions already implemented and ongoing work to reduce financial pressures across Directorates.

The main highlights of the report are:

- the 2025/26 revenue budget forecast year-end outturn at Quarter Two indicates a projected budget pressure of £7.813m across Directorates and Central budgets. In line with the financial strategy, provisions have been made to mitigate this position through the planned use of central contingencies and other budgets totalling £6.009m. This approach, which includes offsetting pressures such as unachieved savings, is expected to reduce the **budget pressure to £1.804m (1.3%) by the year end** (see Table 1 in paragraph 4.10).
- the main areas of budget pressure remain within Children's and Adult Social Care, Environment and Community Services (including Bereavement Services, Fleet Services, and School Catering), and Strategic Commercial Properties (paragraphs 4.16 to 4.31). In some cases, these pressures are driven by under-achievement of income targets as well as increased expenditure. Directors have submitted recovery plans and mitigations aimed at reducing their forecast pressures, and there is an ongoing requirement for them to continue to refine and implement these plans to work towards achieving a balanced budget for their Directorate by the end of 2025/26. In support of this, corporate revenue budget spending controls will continue to be applied throughout 2025/26 to help manage financial pressures and reinforce budget discipline.
- the forecast year-end position includes **£7.085m of net savings currently forecast as undeliverable in 2025/26** (Table 2 and Appendix 2).

- the 2025/26 budgets and commitments against the central Corporate Contingency budget and Change Fund (paragraph 4.32 and Table 3)
- **forecast total usable unrestricted revenue reserves on 31 March 2026 of £25.808m** (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 on 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 £0.519m for new schemes and additions to existing schemes (externally and Council funded) to the Capital Programme in 2025/26** creating a revised budget of £88.094m for 2025/26 (paragraphs 4.45 and 4.51 and Appendix 5).
- **the 2025/26 Capital Programme forecast year-end outturn of £67.144m** which is a reduction of £20.950m from the revised £88.094m budget (Table 6). This is largely due to slippage of planned expenditure from 2025/26 into 2026/27 and future years (Appendix 6).
- that **£6.132m 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 4.52 to 4.57 and Appendix 7).
- the level of Debtors as at 30 September 2025 (Table 8).

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	

<p>Delivering best value</p>	<p>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 ensures that the Medium-Term Financial Plan to restore financial resilience and sustainability is not impacted.</p>
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2. Recommendations

2.1 That Executive:

- **APPROVES** budget virements over £250,000 within the revenue budget (Appendix 1).
- **APPROVES** budget virements over £250,000 within the Capital Programme (paragraph 4.47).
- **APPROVES** the inclusion of new schemes and additions to existing schemes to the Capital Programme totalling £0.519m for 2025/26, of which £0.454m are externally funded and £0.065m is from existing Council funded resources (detailed in Appendix 5). Subject to approval this will increase the approved 2025/26 Capital Programme budget to £88.094m.
- **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 Two, highlighting the budget pressures and the forecast year-end position if no further action is taken. At present, the revenue budget is forecast to be under pressure by **£1.804m (1.3%)** at year end after the proposed use of central contingences and other budgets.
- **NOTES** that Directors have submitted recovery plans and mitigations aimed at reducing their forecast budget pressures and acknowledges the ongoing requirement for Directors to continue refining and implementing these plans to achieve a balanced budget for the Directorates by the end of 2025/26. In support of this 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 Two 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, there are none for the purpose of the Quarter Two report.
- 4.5 The forecasts within this budget monitoring report as of 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.
 - forecast assume that current conditions and service delivery arrangements remain unchanged through to year-end, providing a prudent basis for monitoring and decision-making.

Revenue Budget

- 4.6 The 2025/26 Revenue Budget, Medium Term Financial Plan 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 as of 30 September 2025 (Quarter Two) is a

forecast budget pressure of £7.813m (5.01%) against the approved budget of £143.304m before the use of central contingencies and other central budgets. It is important to note that this reflects forecast pressures at year end if no further mitigating actions are taken. These pressures will only materialise if recovery plans and other actions are not successfully implemented. The Quarter Two forecast represents a significant improvement compared to Quarter One, when the forecast year-end budget pressure was estimated at £10.677m before the use of central contingencies and other central budgets. This improvement reflects the impact of actions already implemented and ongoing work to reduce financial pressures across Directorates.

4.10 As shown at the bottom of Table 1, the 2025/26 revenue budget forecast year-end outturn at Quarter Two indicates a forecast budget pressure of £7.813m across Directorates and Central budgets. In line with the financial strategy, provisions have been made to mitigate this position through the planned use of central contingencies and other central budgets totalling £6.009m. This approach, which includes offsetting pressures such as unachieved savings, is expected to reduce the forecast budget pressure to £1.804m (1.3%) by year end, which is a significant improvement from the Quarter One position of £4.482m. While these resources have been set aside for this purpose, their use would significantly reduce the remaining central contingencies available for the rest of 2025/26. It therefore remains essential that Directorates continue to make every effort to reduce their forecast budget pressures and deliver a balanced budget by year end.

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

Directorate	Current Full Year Budget	Forecast Outturn	Forecast Outturn Variance	Financial Recovery Plan	MEMO FORECAST VARIANCE SPLIT		Movement from Quarter One
					Savings Delivery Variance	Other variances	
	£m	£m	£m	£m	£m	£m	£m
			Adv /(Fav)	Adv /(Fav)	Adv /(Fav)	Adv /(Fav)	Adv /(Fav)
Adult Social Care	56.597	58.234	1.637	0.000	0.191	1.446	0.139
Public Health	0.086	0.086	(0.000)	0.000	0.000	(0.000)	(0.000)
Children's Care	57.700	65.704	8.004	(0.200)	3.833	4.171	1.332
Education & Partnerships	6.798	7.267	0.469	0.000	0.345	0.124	0.042
Regeneration	3.176	3.401	0.225	0.000	0.375	(0.150)	0.024
Environment & Communities	21.972	22.894	0.922	0.000	0.393	0.529	(0.976)
Legal & Governance	12.079	11.827	(0.252)	0.000	0.000	(0.252)	(0.189)
Finance	4.374	3.636	(0.738)	0.000	0.000	(0.738)	0.101
Chief Executive	0.259	0.259	0.000	0.000	0.000	0.000	0.000
Total Directorates	163.041	173.308	10.267	(0.200)	5.137	5.130	0.473
Central Budgets	(19.737)	(22.191)	(2.454)	0.000	1.948	(4.402)	(3.337)
Total	143.304	151.117	7.813	(0.200)	7.085	0.728	(2.864)

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

	£m	£m
Savings Delivery Risk Budget held centrally	(2.000)	0.000
Inflation & Growth held centrally	(0.206)	(0.206)
Corporate Contingency Budget	(0.482)	0.568
Middlesbrough Priorities Fund	(2.846)	(0.701)
Pay & Prices Contingency - amount remaining after use for agreed 3.2% pay award for 2025/26	(0.475)	0.525

Remaining forecast outturn variance	1.804	(2.678)
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4.11 A summary of the main variances for each Directorate is included in paragraphs 4.16 to 4.31 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 4.15 and Appendix 2), and other variances.

Budget Savings Delivery

- 4.12 The budget for 2025/26 is predicated on the delivery of £11.626m in savings, comprising £6.786m of new savings and £4.840m of savings previously approved in 2024/25. The revised new savings figure reflects the proposed removal of £0.250m, which will be formally taken out of the Council's budget as part of the 2026/27 budget setting process. In the interim, a temporary virement has been approved, and the removal of these savings will be funded from the Corporate Contingency budget in 2025/26, as shown in Table 3.
- 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 remaining to be achieved in 2025/26. This makes a total of £13.917m of savings which are required to be achieved in 2025/26.
- 4.14 Table 2 provides a summary of projected delivery performance against savings required in 2025/26. Further detail on savings currently unachievable is included in Appendix 2. All identified savings will be subject to ongoing monitoring through the monthly Budget Challenge sessions with Directorates and will be reported through this report. In addition, savings linked to transformational and corporate projects will continue to be overseen via the Directorate Performance 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 a 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.

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

Directorate	2025/26 Budgeted Savings Target £m	2025/26 Forecast Savings Achieved £m	2025/26 Savings (over) / under achieved £m
Adult Social Care	(2.733)	(2.542)	0.191
Children's Care	(4.112)	(0.279)	3.833
Education & Partnerships	(0.359)	(0.014)	0.345
Regeneration	(1.394)	(1.019)	0.375
Environment & Communities	(1.790)	(1.397)	0.393
Legal & Governance	(0.367)	(0.367)	-
Finance	(0.395)	(0.395)	-
Central	(2.767)	(0.819)	1.948
	(13.917)	(6.832)	7.085

Directorate main variances

- 4.16 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.
- 4.17 Directors have submitted financial recovery plans and mitigations aimed at reducing their year-end forecast budget pressures, which reflects the position if no further actions are taken. There remains an ongoing requirement for these plans to be refined and fully implemented to support the achievement of a balanced budget for each Directorate by the end of 2025/26. Corporate revenue budget spending controls will continue to be applied throughout 2025/26 to reinforce financial discipline. An update on the progress of Directorate financial recovery plans and associated mitigations will be provided in the Quarter Three budget monitoring report.
- 4.18 In developing the financial recovery plans, Directors considered actions that would not only address in-year budget pressures but also tackle recurring issues likely to impact the Medium-Term Financial Plan (MTFP). For the purposes of this report, the focus is on the short-term measures identified for implementation that are expected to have an immediate impact on the 2025/26 forecast position. While these measures may not fully eliminate financial pressures, particularly given the demand-led nature of many cost drivers, the implementation of robust financial controls remains critical. Strengthening financial governance fosters a culture of accountability and informed decision-making. Through constructive challenge and scrutiny, these controls help ensure that resources are used efficiently, value for money is achieved, and all viable options are considered before financial commitments are made. This approach underpins financial resilience and supports improved outcomes for communities through transparent and responsible service delivery.
- 4.19 A range of core financial controls are already in place across all departments and are being actively reinforced to support the financial recovery strategy. These include delegated authority for spending approvals, regular budget monitoring, demand management planning, procurement oversight, panel reviews for high-cost services, particularly in Children's and Adults social care, income and cost tracking, and close collaboration with Finance Business Partners. Strengthening the consistent application of these controls is key to maintaining financial discipline, improving forecasting, and ensuring value for money.
- 4.20 Proposed revenue budget virements above £250,000 require Executive approval, and those proposed following Quarter Two monitoring are set out at Appendix 1 for consideration and approval.

Adult Social Care: current forecast budget pressure at year end £1.637m

Adult Social Care	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	56.597	58.234	1.637

- 4.21 A budget pressure of £1.637m is currently forecast for the Directorate at year end, the main reasons for this are detailed below:

- *Prevention, Provider & Support Service: £0.232m*
Mainly because of unachieved savings and a shortfall of income in respect of the re-provisioning of Levick Court. Executive on 12th November 2025 approved a report regarding the reprovision of Levick Court. The proposed partnership with the Integrated Care Board (ICB) and Tees Esk and Wear Valleys NHS Trust (TEWV) aims to establish a financially sustainable model through joint commissioning and integrated clinical support. This model also allows for potential revenue generation if demand for health-commissioned beds exceeds the initial allocation of eight. A full financial appraisal and staffing model have been developed to ensure the block contract value will cover operational costs and support delivery of the £311,000 savings target set in 2024/25.
- *Purchasing - Growth: £2.042m*
This pressure has increased from £1.076m in Quarter One. The increase is attributed to demand for high-cost care services, particularly residential care. The forecast includes an estimate of net future growth for the remainder of the financial year, including a provision for additional health income in relation to some of the new care packages, however as the year progresses this may change.
- *Purchasing - Residential: (£0.458m)*
Savings have been achieved through the recovery of overpayments for out of area placements. These overpayments occurred due to delayed notifications from care homes following service users' death. New procedures have been implemented to prevent recurrence.
- *Other Variances across the Directorate: (£0.179m)*
Within the predicted saving of £0.179m there are staffing pressures that amount to £0.312m, mainly within Specialist & Lifelong Services and Access & Safeguarding. However, anticipated staff turnover later in the year has led to a reduced forecast, this is not attributed to a specific service line at present.
- *To address the forecast budget pressures, the Directorate is implementing the following measures:*

Levick Court Reprovision: as outlined above, the partnership with ICB and TEWV is expected to deliver savings and generate additional income.

Agency Staff Review: weekly reviews by the Director of Adult Social Services to ensure agency staff are being replaced with permanent hires where appropriate.

High-Cost Package Scrutiny: care package review, where all packages exceeding £5,000 per week are flagged for discussion at ASC Finance DMT sessions. This aims to reduce expenditure and identify commissioning gaps.

Transition Review: a focused review of transitions to promote closer joint working and prevent the implementation of high-cost packages prior to transfer to adult services.

Vacancy Freeze: a freeze on non-critical vacancies for the remainder of 2025/26 to control staffing costs.

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)

- 4.22 An underspend of £0.299m 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 resulting in an overall break-even position forecast 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: current forecast budget pressure at year end £8.004m

Children's Care	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	57.700	65.704	8.004

- 4.23 An overall budget pressure of £8.004m is currently forecast for the Directorate at year end. However, with the application of the Children's Services Prevention grant of £2.123m, this is likely to reduce to £5.881m. While the grant income is already included in the Council's overall forecast position, it is currently held within Central Budgets in section 4.31 and shown within Central Budgets forecast figure. In relation to the grant, although the associated costs are currently reflected in the £8.004m, the expenditure is subject to assurance to ensure the expenditure meets the grant conditions. The Finance team is actively working through this assurance process, and once completed, the grant will be allocated to Children's Care. The main reasons for the forecast budget pressure within Children's Care are detailed below:

- ***External Residential placements: £5.663m***
The number of Children Looked After (CLA) in Middlesbrough has remained broadly stable. However, there has been an increase in external residential placements, rising from 77 on 30 June 2025 to 84 by 30 September 2025. Alongside this increase, higher costs are being driven by the complexity of placements needs compared to those budgeted.

It should be noted that a significant proportion (21.3%) of the Council's CLA are placed in residential type settings (107 children out of a total CLA of 502 as at 30 September 2025).

Three projects have been launched to reduce the CLA numbers and residential placements. While the Reunification Project has shown positive impact, the Modernising Fostering and Edge of Care initiative have yet to deliver reductions.

This budget is likely to be volatile throughout the financial year due to a number of highly complex placements currently in place, which are greater in number than in previous years.

As part of the financial recovery plan, Children's Care is reviewing the use of vacant internal beds, including changes to the statement of purpose for internal residential homes to improve occupancy. The service also aims to maximise use of block bed contracts (6-bed and 12-bed units) by identifying external placements suitable for transfer and securing referrals for the new provision.

Under the Fostering Project, Children's Care are identifying young people who could realistically move from residential to foster care, along with projected timelines. However, progress is constrained by foster carer availability. Although recruitment is ongoing, it currently only offsets those leaving the profession, resulting in no net increase.

£0.200m 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 with a revised statement of purpose.

- *Fostering, Adoption and other internal placements: (£0.122m)*
Services within the Directorate are experiencing significant financial pressures due to costs associated with transport, emergency placements for looked-after young people, and support for those on the edge of care.

The Internal Fostering service currently has higher numbers of placements than originally budgeted, which would normally result in increased expenditure. However, because the planned expansion of Internal Fostering capacity has not been achieved due to recruitment challenges, the service is forecasting an underspend against its budget. This underspend is helping to offset financial pressures in other areas. The increased internal fostering numbers have not yet had a significant forecast impact on reducing demand for external residential placements.

- *Assessment & Safeguarding: £1.864m*
Assessment and Safeguarding have experienced a significant increase in the financial pressure, rising from £1.023m to £1.864m. This increase is largely due to the service's growing reliance on agency staff, which are more expensive than permanent employees. Staffing demand has increased across the Directorate, with agency workers brought in to cover sickness and maternity leave, as well as roles beyond the budgeted establishment. As a result, the service is currently operating above its approved staffing structure.

A review is underway to assess all agency positions and determine long-term staffing requirements for Medium-Term Financial Planning (MTFP). This review is also linked to current unachievable savings, which were partly based in assumptions around reduced staffing levels. Additionally, a small portion of the financial pressure relates to Section 17 spending.

- **Other Variances across the Directorate: £0.599m**

Across the remainder of the Children's Care directorate there are further financial pressures of £0.599m. This includes a £0.240m forecast pressure in Children Looked After and Children with Disabilities Services, driven by staffing pressures, particularly the use of agency staff, and emergency placements. Other services are forecasting a £0.515m pressure due to increased reliance on agency resource workers partially offset by vacancies across resource teams and projected savings within the Prevention service. Management is forecasting a saving of (£0.156m), due to vacancies in senior roles and business support service posts which partly offsets the pressures.

- *To address the forecast budget pressure, the Directorate is implementing the following measures:*

Identification of expenditure to potentially be funded by Flexible Use of Capital Receipts (FuoCR) within Assessments and MACH services for improvements and Ofsted readiness.

Residential Placements: All children who are cared for in external homes are being reviewed via the out of area panel chaired by the Director of Children's Services with the aim to assess quality, consider alternative step-down plans and other options for children and young people.

Maximise internal residential placements, including a review of the statement of purpose to improve occupancy.

Ensure the block bed contracts of which we have two (6-bed unit and 12-bed unit) are fully utilised.

Recruitment & Retention Strategy: Children's Care are in the final stages of appointing a recruitment lead who will lead in the recruitment and retention strategy.

In addition, the service will implement tighter controls in agency staff usage.

High-Cost Package Scrutiny: Placements exceeding £7,000 per week will require additional approval by the Director of Children's Care or the Director of Children's Services. This aims to reduce expenditure and identify commissioning gaps.

Education & Partnerships: current forecast budget pressure at year end £0.469m

Education & Partnerships	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	6.798	7.267	0.469

- 4.24 The forecast budget pressure of £0.469m within Education and Partnerships is due to the Integrated Transport Service, which provides home-to-school transport for children and transport for vulnerable adults.

- *Integrated Transport Unit: forecast budget pressure £0.469m*

The pressure is primarily due to unachievable savings of £0.345m. Whilst preparing the Financial Recovery Plan the service reviewed each of the savings and believe they remain achievable within a more realistic timeframe, therefore whilst their Financial Recovery Plan may not necessarily achieve the required savings to ensure a balanced position by the end of the year, they are confident that the savings can still be delivered in the following year. In the meantime, the service is exploring alternative savings options and conducting a full review of all transport routes and operational efficiencies aligned with the school academic year from September 2025.

Regeneration: current forecast budget pressure at year end £0.225m

Regeneration	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	3.176	3.401	0.225

4.25 An overall forecast budget pressure of £0.225m is currently forecast for the Directorate at year end, the main reasons for this are detailed below

- *Strategic Commercial Properties £0.405m*
£0.411m Boho Buildings - Currently only 20% of the buildings are occupied, resulting in lost rent and increased building related costs to the Council. A sector expert in managed accommodation has now been appointed and as from December 2025 will be actively seeking tenancies.

£0.099m Centre Square 1 and 2 - The major tenant at Centre Square 1 has renewed its lease agreement and reduce the space occupied, therefore increasing the cost to the Council due to the vacated space. The Council is actively seeking alternative tenancies for the remaining space.

£0.312m below budgeted income at Cleveland Centre and Captain Cook Square shopping centres.

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

- *Other Variances across the Directorate including Unachieved Savings: (£0.180m)*
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.

4.26 There are other variances across the Directorate below £0.250m which reduce the total forecast budget pressure across the Regeneration Directorate to £0.255m.

***Environment & Communities: current forecast budget pressure at year end
£0.922m***

Environment & Communities	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	21.972	22.894	0.922

4.27 There has been a significant improvement in the forecast budget pressure which was reported to be £1.898m at Quarter One and is now currently forecast at £0.922m for the Directorate at year end, the main reasons for this are detailed below:

- Bereavement Services £0.369m***

Bereavement Services have improved their forecast position by reducing the budget pressure by £0.094m. The remaining forecast budget pressure of £0.369m is primarily due to a reduction in the number of cremations, resulting in an anticipated income shortfall of £0.256m. Additionally, expenditure is expected to exceed budget by £0.113m, mainly due to the replacement of the digital display and music system. However, the facility remains in a financially stable position and is able to cover its running costs. The anticipated income levels have been impacted by competition from neighbouring facilities. Ongoing reviews of operations and processes are beginning to have a positive effect, and part of the cost pressure has been mitigated through the capitalisation of some of the digital display equipment and PlotBox, a new booking system.
- Catering Service £0.206m***

The financial pressure is due to rising food costs combined with school meal prices that have not been increased to reflect the cost of delivering the catering service. This position is influenced by the Executive's decision to not increase the price of school meals in order to support families. A decision is required as to whether to increase prices to cover costs or identify alternative mitigation.
- Fleet Services £0.495m***

Fleet Services currently forecasting a budget pressure of £0.495m, an improvement from the previous forecast of £0.600m. Financial pressures persist due to difficulties in recruiting and retaining mechanical fitters, as well as the rising vehicle parts costs. A review of the service recommended a hybrid vehicle replacement strategy, combining direct capital purchase with leasing. For leased vehicles, repair and maintenance costs would be included, which is expected to reduce future costs. Decisions to lease or purchase will be made on a case by case basis, supported by financial analysis to ensure value for money.
- Management Review Savings £0.374m***

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.

- ***Other Variances across the Directorate: (£0.148m)***

Additional Capital Grant has been received following a Government Spending review, this has allowed the service to review and capitalise some of the works that have been completed or that are due to take place that were previously funded from the revenue budget. In addition, due to delays in recruitment particularly within Area Care temporary in year savings have been realised, all which have supported with the reduction of the forecast budget pressure.

- ***To address the forecast budget pressures, the Directorate is implementing the following measures:***

The Directorate is implementing a range of measures, within Environment Services, recruitment is limited to essential posts only, Public Protection is considering delaying recruitment to a small number of vacant positions to help manage in-year pressures and across all services, expenditure is monitored and assessed to ensure it is essential.

In Catering, the Service is reviewing the impact of increasing school meal prices, with a separate paper to be prepared outlining the rationale for a price increase and presenting various pricing models

Legal & Governance: current forecast underspend at year end (£0.252m)

Legal & Governance	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	12.079	11.827	(0.252)

4.28 An overall underspend of (£0.252m) is currently forecast for the Directorate at year end, the main reasons for this are detailed below:

- ***ICT Service: (£0.297m)***

There are a number of posts that had been kept vacant until the new Head of Service commenced her role, resulting in (£0.323m) of forecast salary savings in 2025/26.

- ***Customer Centre / Mail and Print: £0.081m***

Mail & Print costs are currently 22% higher than the previous year, and if this trend continues, the forecast financial pressure could increase to £0.109m without further action. To mitigate this, several cost-saving measures have already been implemented. Staff have been advised to use the economy mail option, saving 4.5p per letter with a potential reduction in costs of £0.020m. Residents and Business Services, the largest user of Mail and Print, is working closely with the team to identify further reductions. Additionally, the print contract is being transferred to a new supplier, and the mail contract has been extended for one year with the discount on economy post as mentioned above.

- Although Legal & Governance are forecasting an overall underspend of £0.252m, a Financial Recovery Plan has been submitted in response to areas facing ongoing pressure, particularly where demand is expected to continue into the next financial year.

Finance: current forecast underspend at year end (£0.738m)

Finance	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	4.374	3.636	(0.738)

4.29 An overall underspend of (£0.738m) is currently forecast for the Directorate at year end – the main reasons for this are detailed below:

- (£0.490m) 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.
- £0.119m within *Corporate Finance* mainly due to pressures on bank charges and costs of cash collection.
- (£0.171m) within *Pensions Governance and Investments* due to staff savings on vacant posts.
- (£0.308m) within *Resident & Business Support (excluding Housing Benefits Subsidy)* due to staff savings, higher than anticipated income, and changes in bad debt provision requirement.
- £0.166m in relation to Resident & Business Support Housing Benefit Subsidy. The forecast has been updated following the submission of the Mid-Term Subsidy claim.
- (£0.054m) within *Strategic Commissioning & Procurement* mainly due to staff savings from vacant posts and staff working reduced hours to those budgeted.
- Although Finance is forecasting an overall underspend of £0.738m, a Financial Recovery Plan has been submitted in response to areas facing ongoing pressure, particularly where demand is expected to continue into the next financial year.

Chief Executive: forecast break even

Chief Executive	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	0.259	0.259	0.000

4.30 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: current forecast underspend at year end (£2.454m)

Central Budgets	Full Year Budget £m	Full Year Forecast £m	Forecast Over / (Under) spend £m
Revenue Outturn	(19.737)	(22.191)	(2.454)

4.31 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.

- (£1.000m) 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) 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 savings target due to the *Senior Management Review* will now not be achieved in 2025/26.
- (£0.730m) savings on the *Change Fund*, the planned contribution to top up the Change Fund Reserve in 2025/26 is no longer deemed a requirement due to the current use of FUoCR to fund Transformation & Redundancy costs.
- (£2.123m) A centrally held Government Grant, the Children's Services Prevention Grant, as referenced in section 4.23, is currently contributing to the underspend within Central Budgets. Although the grant is included in the Council's overall forecast position, it is temporarily held centrally pending completion of an assurance process. The Finance team is actively working through this process to confirm the associated expenditure. Once assurance is complete, the grant will be allocated to Children's Care, thereby reducing their forecast budget pressure from £8.004m to £5.881m.
- £1.704m 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 4.57 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

4.32 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 £m	Change Fund Reserve £m
Starting Budget 2025/26	1.327	2.766
Contributions 2025/26 (<i>Planned contribution of £0.730m in 2025/26 no longer required due to use of Flexible Capital Receipts Funding for transformational expenditure</i>)	-	-
Temporary budget virement to ECS to cover unachieved Residents Parking Permit charges saving	(0.250)	-
Available for use	1.077	2.766
<u>Approved use to date</u>		
Middlesbrough Independent Improvement Advisory Board costs 2024/25 - residual costs falling into	(0.009)	
Employers Pension Contribution Rate Review costs	(0.003)	
Interim Finance consultant - Infrastructure, assets and leasing	(0.002)	
Financial improvement - Interim finance lead - accounts closure and audit, financial reporting, systems, and	(0.007)	
Armed Forces Day Council contribution	(0.001)	
Turner Prize contribution	(0.300)	
LGS Staff Review costs	(0.236)	
<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	-	
Approved use to date	(0.595)	-
BALANCE REMAINING CURRENTLY UNCOMMITTED ON CORPORATE CONTINGENCY - AVAILABLE TO MITIGATE FORECAST OVERSPEND	0.482	
FORECAST CLOSING BALANCE ON CHANGE FUND RESERVE AT 31/03/26		2.766

Council Reserves and Provisions

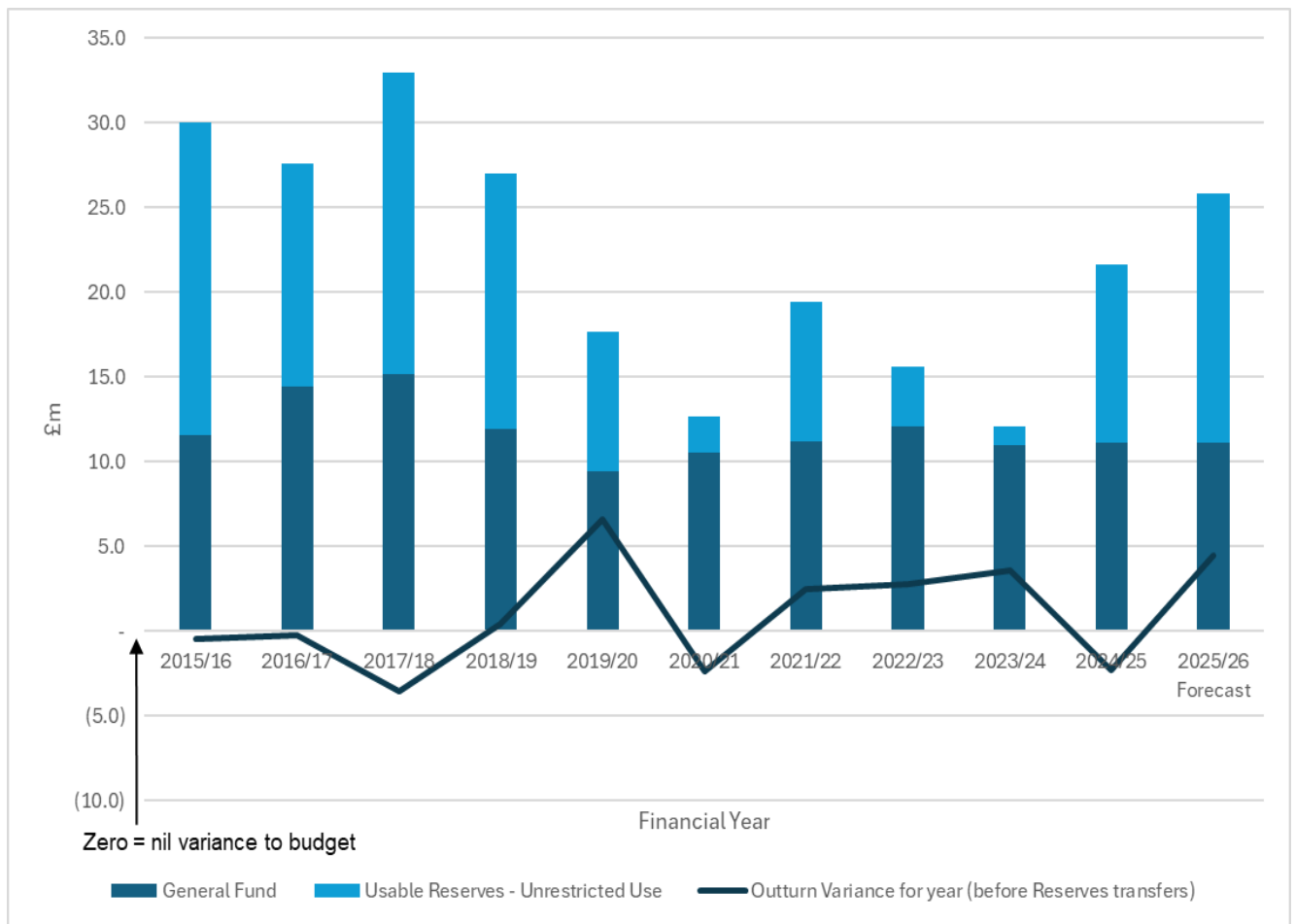
4.33 Table 4 summarises the Council's General Fund reserves and provisions showing the movement between 31 March 2025 and that currently forecast at 31 March 2026, with full details included in Appendix 3. It shows that the Council has forecast usable unrestricted revenue reserves on 31 March 2026 of £25.808m (highlighted yellow).

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

	<u>Opening Balance 01/4/25</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>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
GENERAL FUND RESERVE	11.100	-	-	-	-	-	11.100
USABLE EARMARKED RESERVES							
Restricted Use	2.689	-	0.500	-	-	-	3.189
Unrestricted Use	10.554	-	5.958	-	-	(1.804)	14.708
	13.244	-	6.458	-	-	(1.804)	17.898
UNUSABLE EARMARKED RESERVES	(16.813)	-	-	(9.000)	-	-	(25.813)
SCHOOL BALANCES	3.050	-	-	-	-	-	3.050
PROVISIONS	3.814	-	-	-	-	-	3.814
	14.395	-	6.458	(9.000)	-	(1.804)	10.049

4.34 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.

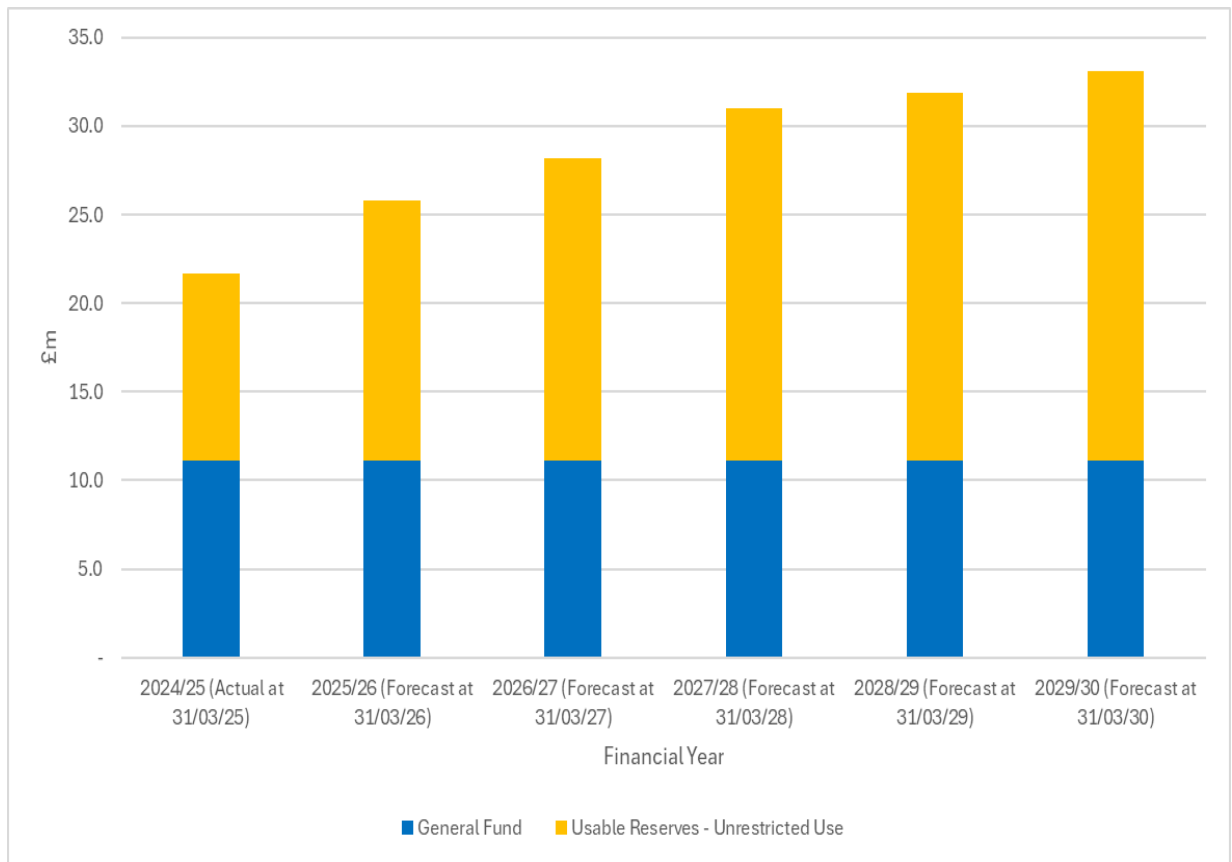
Figure 1 - Middlesbrough Council - Unrestricted Reserves Balances from closing balance 2015/16 through to year-end forecast closing balance 2025/26 and reported outturn variance per year



4.35 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.

4.36 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)

4.37 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

4.38 Table 5 below summarises the latest position on the DSG budget and shows that there is a forecast budget pressure at year-end 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 on 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

- 4.39 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.
- 4.40 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 £25.808m 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.
- 4.41 The Delivering Better Value (DBV) programme ended 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.
- 4.42 Further details of the DSG budget and the management actions being taken alongside the DBV programme are provided in Appendix 4.
- 4.43 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

4.44 Quarter Two 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 2026/27 Draft Budget and Medium Term Financial Plan 2026/27 to 2029/20 is included in the agenda for this Executive. 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 Two

4.45 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. At Quarter One the budget was revised to £87.575m to account for additional programme slippage and new externally funded schemes.

4.46 The budget has been revised at Quarter Two by the addition of a total of £0.454m of new externally funded schemes / additional external funding to existing schemes. Also, additional £0.065m of Council funding in 2025/26 has been added to fund new and existing schemes. The total additional funding of £0.519m has increased the capital programme for 2025/26 to £ 88.094m as at Quarter Two. Details of all of the additional funding and the schemes to which it is attributed to are provided at Appendix 5.

4.47 There are two virements 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 over £0.250m. There is one additional virement that is under £0.250m, for information, all virements between schemes are provided at Appendix 5.

- £0.871m virement from De-Risking Sites to Site Assembly at Middlehaven in respect of a longstanding legal dispute.
- £0.500m virement from the Transformation Contingency to fund newly approved and existing transformational initiatives.

4.48 The 2025/26 projected outturn on capital expenditure at Quarter Two is £67.144m, the revised projection includes new and additions to existing schemes, reductions in existing schemes and programme slippage.

4.49 The £67.144m of planned expenditure is expected to be funded by:

- £36.277m (54%) grants and external funding / contributions
- £12.132m (18%) capital receipts
- £18.735m (28%) 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 at Quarter 1)	2025/26 Revised Capital Programme Budget (as at Quarter Two)	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 Two	MEMO Explanation of Year-End Forecast Outturn Variance	
	£m	£m	£m	£m	£m	%	Slippage £m	Underspend £m
Regeneration	32.716	34.145	34.170	26.090	(8.080)	(23.65)	(8.080)	-
Environment and Community	20.198	26.538	26.628	22.169	(4.459)	(16.75)	(3.836)	(0.623)
Public Health	0.779	1.042	1.042	0.942	(0.100)	9.60	-	(0.100)
Education and Partnerships	7.553	11.772	12.176	4.913	(7.263)	(59.65)	(7.151)	(0.112)
Children's Care	0.550	0.821	0.821	0.821	-	0.00	-	-
Adult Social Care	3.701	3.925	3.925	3.905	(0.020)	0.51	-	(0.020)
Legal and Governance Services	1.610	1.629	1.629	1.978	0.349	21.42	0.349	-
Finance	0.191	0.203	0.203	0.194	(0.009)	4.43	(0.009)	-
Transformation Programme	7.500	7.500	7.500	6.132	(1.368)	18.24	(1.368)	-
Total	74.798	87.575	88.094	67.144	(20.950)	(23.78)	(20.095)	(0.855)

4.50 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. This is called slippage. The amount of slippage (currently forecast at £20.095m) is reprofiled and carried forward to 2026/27 to 2028/29 to reflect revisions to the expected delivery and expenditure timescale. £11.867m of the stated £20.095m slippage has been identified following reviews of the status of projects within the capital programme during Quarter Two. Additionally, expenditure assumptions relating to future years has also been reviewed. Details of all slippage / reprofiling of spending assumptions throughout the capital programme as at Quarter Two are shown in Appendix 6

4.51 As at Quarter Two a total of £0.855m of underspend within schemes has been removed from the 2025/26 capital programme, £0.755m has been previously reported in the Quarter Two report and an additional £0.127m has been identified during the Quarter Two review.

Transformation

4.52 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.

4.53 This section provides an update on the FUoCR with £6.132m 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 £16.121m for 2026/27 onwards has also been reviewed at Quarter Two. The following changes to assumptions regarding FUoCR have therefore been made:

- The total projected expenditure during 2025/26 has reduced to £6.132m, this is primarily due to changes in assumed start dates for the physical works at the Neighbourhood hubs additionally, new ICT solutions are being assessed, it is not envisaged that there will be significant expenditure within 2025/26, consequently £1.305m of anticipated expenditure has been re-profiled into 2026/27 and £0.630m into 2027/28.
- The total allocation for Transformation / Subject Matter Expertise over the MTFP period has increased from £6.802m to £7.664m to fund newly approved initiatives. The increase of £0.862m has been funded through a reduction in the contingency budget.

4.54 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	26.090	41.872	10.403	7.783	86.148
Environment and Community Services	22.169	13.984	6.108	7.256	49.517
Public Health	0.942	-	-	-	0.942
Education and Partnerships	4.913	8.262	-	-	13.175
Children's Care	0.821	-	-	-	0.821
Adult Social Care	3.905	1.669	1.050	1.120	7.744
Legal and Governance Services	1.978	1.873	2.185	2.185	8.221
Finance	0.194	0.398	-	-	0.592
Transformation Programme	6.132	10.827	5.294	-	22.253
Total EXPENDITURE	67.144	78.885	25.040	18.344	189.413
Funded by					
Borrowing	18.735	21.687	3.074	-	43.496
Capital Receipts	6.000	6.000	12.560	14.231	38.791
Flexible Use of Capital Receipts	6.132	10.827	5.294	-	22.253
Grants	35.339	33.059	-	-	68.398
Contributions	0.938	7.312	4.112	4.113	16.475
Total FUNDING	67.144	78.885	25.040	18.344	189.413

Treasury Management - Borrowing & Prudential Indicators

- 4.55 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.
- 4.56 Treasury Management activity is governed by the Prudential Indicators which are set within the TMS. The Council uses external expert treasury advisors (Arlingclose) to inform the development of its strategy and operational in year decisions. A half yearly review of the Council's TMS and prudential indicators has taken place at Quarter Two and a specific report is submitted to Executive elsewhere on this agenda.

Collection Fund - Council Tax and Business Rates income

- 4.57 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.
- 4.58 An update on the Collection Fund position will be provided in the Quarter Three budget monitoring report. Indications suggest that there is currently an estimated forecast surplus on the Collection fund for 2025/26. This will be subject to further assurance work before the figure is confirmed and this will be reported as part of the Budget report in February 2026. The estimated surplus is unavailable in 2025/26 but becomes available to support the development of the 2026/27 budget.

Debt Recovery Performance

- 4.59 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
- 4.60 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 Two 2025/26 (30 September 2025) is shown in Table 8 below

Table 8 – Debt Collection Performance Quarter Two 2025/26 (as of 30 September 2025)

Category of Collectable Debt	Balance at 1/4/25 (£m)	Movement in-year (£m)	Balance at 30/9/25 (£m)
Council Tax	40.683	(5.253)	35.430
Business Rates	8.508	(1.606)	6.902
Sundry Debt	8.905	(0.423)	8.482
Housing Benefits Overpayments	5.358	(0.291)	5.067
Total	63.454	(7.573)	55.881

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%).

- 4.61 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 9 below for information:

Table 9 – Debt write off levels as per the Constitution

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

- 4.62 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 wound up, sundry debts due to changing circumstances etc.
- 4.63 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.
- 4.64 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.

- 4.65 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 amounts delegated (set at the 2023 review and under guidance from CIPFA and in comparison with other councils of a similar size and as shown in Table 9) are nil for the purposes of the Quarter Two report.
- 4.66 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.
- 4.67 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)	<p>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.</p> <p>In addition, it should be read in conjunction with as part of this agenda the Treasury Management Mid-Year Review 2025/26, Calculation of Council Tax Base for 2026/27.</p>

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 Two 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	31/12/25
Subject to approval by Executive, amendments to the capital programme for 2025/26 to be actioned.	Head of Financial Planning & Business Partnering	31/12/25
Corporate revenue budget spending controls will continue to be applied to Directorates in 2025/26.	Director of Finance and Transformation (s151 Officer)	31/3/26

Directors to continue refining and implementing their Financial Recovery Plans and mitigations in order to reduce their forecast budget pressures and seek to achieve a balanced budget for their Directorate by the end of 2025/26.	All Directors	31/3/26
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Appendices

1	Proposed revenue budget virements above £250,000 at Quarter Two 2025/26
2	Details of savings currently classified as unachievable at Quarter Two 2025/26
3	Detail of Forecast Reserves and Provisions Movements in 2025/26
4	Dedicated Schools Grant
5	Capital Programme Quarter Two 2025/26 – New External Funding, Additions to Council Funded Schemes, and Virements Between Schemes
6	Capital Programme Quarter Two 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
Executive	Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter One 2025/26	3/9/25

Contact: **Helen Dalby**
Head of Financial Planning & Business Partnering

Email: helen_dalby@middlesbrough.gov.uk

Appendix 1 : Proposed revenue budget virements above £250,000 at Quarter Two 2025/26
(under Financial Procedure Rule 18.38.3)

Proposed Virement Request	Regeneration	Environment & Community Services	Public Health	Education & Partnerships	Children's Care	Adult Social Care	Legal & Governance Services	Chief Executive	Finance	Central Budgets
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Permanent										
Technical adjustment for noting - already processed Allocation of 2025/26 Pay Award to Directorate budgets	0.209	0.798	-	0.203	0.752	0.552	0.323	0.007	0.290	(3.134)
Temporary										
Total Virement	0.209	0.798	-	0.203	0.752	0.552	0.323	0.007	0.290	(3.134)
									Total:	-

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Appendix 2 - Detail of savings currently classified as unachievable in 2025/26

Year Saving Initiative Introduce	Saving Reference	Saving Detail	Unachieved savings at Quarter Two £m	Reason for underachievement
Adult Social Care				
2024/25	ASC11	Re-provision use of Levick Court	0.191	Negotiations with Health are on-going - due to conclude Sept 2025, and due to time required to mobilise new service, no savings are anticipated in 25/26, however a one-off mitigation of (£0.120m) has been identified.
			0.191	
Children's Care				
2024/25	CS04 - in year	Reduction in agency costs	0.380	This saving was brought forward from 2024/25 unachieved savings. Numbers of agency Social work related posts are not reducing and there is also a forecast overspend against staffing.
2024/25	CS07 - in year	Introduce Supplier Incentive Scheme across Children's Care	0.031	This saving was brought forward from 2024/25 unachieved savings. To date, there has been minimal take up of early payments. (The full year effect of early payments required to achieve this savings would need to be £6.2m).
2025/26	CC01 24-25	Review of all Children's Care staffing	0.500	Unachieved due to demand increases in service areas identified as savings by consultant analysis and report/proposal
2025/26	CC01	Modernising Foster Care	1.518	Placements into residential care are currently increasing rather than decreasing, this saving was linked to reducing residential care placements, and increasing fostering placements instead.. Part of Recovery Plan for Children's Services is to increase fostering provision. Costs of young people identified as fostering long term placement have increased significantly.
2025/26	CC05	Maximising Grants across Children's Services	0.604	Bid writer post has left. Currently awaiting outcome of two bids and any impact if successful on 2025-26 financial position.
2025/26	CC04	Introduce Edge of Care Team	0.800	Reduction in numbers has not yet materialised, and placements into residential care are currently increasing rather than decreasing.
			3.833	
Education & Partnerships				
2025/26	EDC02	Deliver passenger assistance training internally	0.037	
2025/26	EDC03	Increase transport capacity	0.084	The majority of the budgeted savings are unachieved to date
2025/26	EDC04	Management Review	0.044	in 2025/26. Plans for achievement or replacement savings for
2025/26	EDC05	Recharge Discretionary Home to School Transport Services	0.078	the remainder of the financial year are currently updated and updates will be provided in future Quarterly reports.
2025/26	EDC07	Travel Training	0.102	
			0.345	
Regeneration				
2024/25	REG03	Review and implementation of alternative operating models for Captain Cook Birthplace Museum	0.075	It was assumed that the service would receive an annual contribution of (£0.150m) to keep the museum open, however following negotiations, only half of this will be received.
2024/25	REG07	Investing in better coordination of the way the Council provides housing to reduce the overall spend on emergency, temporary and short term accommodation for people	0.300	Whilst there are actions 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 rather than budget savings. As mentioned in paragraph 4.24 this saving will be replaced permanently by an alternative saving.
			0.375	
Environment & Community Services				
2024/25	ECS05	Integrate Environment Services and Supporting Communities functions and create a Neighbourhood Management approach	0.111	Due to service growth, it has not been possible to achieve the full £0.287m saving, as in order to meet service demands, staffing numbers could not be reduced further. A saving of £0.195m was achieved in 2024/25.
2024/25	ECS08	Resident Parking Permits charge		- Temporary Virement to Contingency
2025/26	ECS13	Management Review	0.282	The Director of Environment and Community Services has delayed his review until the Senior Management Review across the Council has been completed. It is expected that the original saving will need to be re-configured due to growth and new service demands. It is now expected to commence in 2026/27.
			0.393	
Central				
2023/24	CEN02	Senior Management Review	0.244	Review has not yet been completed.
2024/25	FIN02	Review of Single Person Discount and Student Exemption for Council Tax	0.264	Saving will be realised in Collection Fund, not General Fund
2024/25	FIN03	Collection of Council Tax (Old Debt)	0.110	Saving will be realised in Collection Fund, not General Fund
2024/25	FIN04	Collection of Council Tax (Charging Orders)	0.504	Saving will be realised in Collection Fund, not General Fund
2024/25	FIN05	Collection of Business Rates	0.126	Saving will be realised in Collection Fund, not General Fund
2025/26	FIN13	Procurement Contract Management (Council wide)	0.700	Double count of saving FIN07 from 24/25 budget setting
			1.948	
TOTAL SAVINGS CURRENTLY CLASSIFIED AS UNACHIEVABLE IN 2025/26			7.085	

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Appendix 3 - Detail of Forecast Reserves and Provisions movements in 2025/26

	<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 Balance at year-end (before any adjustments for forecast outturn variance)</u>	<u>Forecast 2025/26 year end overspend</u>	<u>Forecast Balance at 31/3/26 (after adjustment for forecast outturn variance)</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
GENERAL FUND RESERVE	11.100	-	-	-	-	11.100	-	11.100
USABLE EARMARKED RESERVES								
<i>Restricted Use</i>								
Public Health	1.686					1.686		1.686
Insurance Fund	0.013		0.500			0.513		0.513
Better Care Fund	0.897					0.897		0.897
Marton Library S106	0.025					0.025		0.025
Housing Rental Sinking Fund	0.068					0.068		0.068
	2.689	-	0.500	-	-	3.189	-	3.189
<i>Unrestricted Use</i>								
Financial Resilience Reserve	6.711		2.836		1.000	10.547		10.547
Legacy Accounts Reserve	1.000				(1.000)	-		-
Savings Delivery Risk Reserve	-		3.052			3.052	(1.804)	1.248
Change Fund	2.766					2.766		2.766
Elections Costs	0.077		0.070			0.147		0.147
	10.554	-	5.958	-	-	16.512	(1.804)	14.708
	13.244	-	6.458	-	-	19.702	(1.804)	17.898
UNUSABLE EARMARKED RESERVES								
Revenue Grants Unapplied (Technical Reserve)	5.400					5.400		5.400
Dedicated Schools Grant Adjustment Account	(22.213)	(9.000)				(31.213)		(31.213)
	(16.813)	(9.000)	-	-	-	(25.813)	-	(25.813)
SCHOOL BALANCES	3.050	-	-	-	-	3.050	-	3.050
PROVISIONS								
Business Rates Appeals	1.041					1.041		1.041
Insurance	2.606					2.606		2.606
Other	0.167					0.167		0.167
	3.814	-	-	-	-	3.814	-	3.814
	14.395	(9.000)	6.458	-	-	11.853	(1.804)	10.049

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Appendix 4

Dedicated Schools Grant

1. The DSG conditions of grant require that any local authority with an overall deficit on its DSG account at the end of financial year 2021/22, or who's DSG surplus had substantially reduced, present a plan to the DfE for managing its DSG spend in 2022/23 and future years and commit to reducing the deficit. There is also a requirement to provide information as and when requested by the DfE about pressures and potential savings on its High Needs budget.
2. The Council complete regular DSG management recovery plans to outline forecasts over the next 5 years. The Council continues working with the DfE and have received a Stage 1 grant of £45,000 and a Stage 2 grant of £1m for the "Delivering Better Value" (DBV) programme that is supporting work to reduce the ongoing pressures within the High Needs Block using best practice and benchmarking across the country. This funding is due to expire in summer 2025. Within this programme it has been identified that, to be successful, inclusion in mainstream schools needs to improve. DBV is a long-term programme and 55 other local authorities as well as Middlesbrough Council are participating in the DBV programme. It should be noted that Middlesbrough Council is not involved in the "Safety Valve" programme, which is support for those local authorities with the greatest DSG deficits.
3. DfE also expect that schools be regularly updated via the Schools Management Forum about the authority's DSG account and plans for handling it, including high needs pressures and potential savings.
4. The DBV programme (which commenced in September 2023) highlighted there were risks to the programme outcomes without significant change, regarding inclusion in mainstream schools. Inclusion within mainstream has remained a challenge, which has resulted in continued increased demand for specialist provision for children with an Education, Health and Care Plan (EHCP) and alternative provision for those children and young people who are permanently excluded. This has resulted in increasing numbers of over commissioned places, the financial impact of which is pressure to provide additional place funding alongside high needs top up to meet the individual needs of the pupils. There have also been rate increases from specialist providers. The number of commissioned Alternative Provision placements has also increased to meet rising demand from the significantly high rates of exclusion; this again places additional financial pressure on the High Needs Block.
5. A range of management actions are being taken alongside the DBV programme these include initiatives such as:
 - Launch of Special Educational Needs & Disabilities (SEND) and Inclusion clinics in all schools to review how they are using their notional SEND budget as well as identifying training and support required within the setting.
 - Work with health colleagues to identify health contributions where relevant,
 - On-going reviews of Education, Health, and Care Plans (EHCPs)

- Dedicated training for school staff to support inclusive practice,
 - On going work with school to prioritise the reintegration of excluded pupils into mainstream school where possible
 - Review of funding provided to schools including special schools,
 - Continued early intervention and prevention work with schools to reduce exclusions,
 - Review of maintained schools' reserves and updated policy for challenging the use of those reserves
 - New Free School to be built by September 2026 which will support more children access local provision.
 - Ongoing development of local provision to meet needs and reduce the number of out of area placements,
 - Greater support during transitions
6. Regular meetings take place with the DfE and the DBV lead to monitor the actions within our DBV plan. Regular monitoring reports are also produced in line with the DBV grant conditions. The pressures on the High Needs Block are highlighted as part of this process to ensure the DfE are fully aware of the ongoing pressures within Middlesbrough.
7. The increasing pressure in DSG and the High Needs Block is due to the fact that alongside social care, the Service has seen, and is predicting, an increase in more complex placements with a forecast increase in Education, Health, and Care plans (EHCPs) in the future. In Middlesbrough, the number of EHCPs have increased from 1,659 in 2022 and 1,804 in 2023 to a current level of 2,040 in January 2025, an 8% increase between start of 2024 to 2025. It should be noted that the number of children with an EHCP is also a key cost driver in relation to home to school transport costs that are met by the General Fund through the Integrated Transport Unit. Some children in Alternative Provision are also a factor in relation to home to school transport costs. In 2022 132 children accessed Alternative Provision and in 2023 the figure was 175, and this figure has currently risen to 297. This is a national issue affecting many local authorities and presents a growing and significant financial risk to the Council. The Government have partly recognised this by an increase in funding allocated in the finance settlements in recent years for both Schools and High Needs Blocks. However, no specific funding has been provided in recognition of the adverse impact upon the General Fund cost of home to school transport.
8. Table 1 below shows the actual and forecast Education, Health, and Care plans (EHCPs), and is periodically being updated and used to calculate the forecasted increase in required demand on alternative provision services and also the Council's SEND transport requirements and also used to inform updates of the DSG Management Plan for Middlesbrough.

Table 1 – Actual and forecast Education, Health, and Care plans (EHCPs)

Year	2022	2023	2024	2025	2026	2027
Number of EHCP – actual and forecast	1,659	1,804	1,881	2,040	2,046	2,147

9. Table 2 shows forecasted in year position for the overall DSG position including the High Needs block affected by the above.

Table 2 – forecast Income and expenditure for DSG blocks in year and forecast balance position at 31st March 2026

	2025/26 Forecast Income	2025/26 Forecast Expenditure	2025/26 Forecast Year-end Overspend	Balance as at 31/03/2025	Forecast 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

* the income figures include the 0.5% (£751k) transfer from schools block to High Needs block agreed at School Management Forum 15th January 2025

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Appendix 5 : Capital Programme Quarter Two 2025/26 - new externally funded schemes / additional external funding to existing schemes, additions to Council funded schemes, and virements between schemes

Directorate	Scheme	Total Value 2025/26 £m	Total Value Future Years £m	Reason	Total Change to Capital Programme £m	External Funding £m	Council Funding £m
<u>New Externally Funded Schemes / Additional External Funding To Existing Schemes</u>							
Regeneration	New Museum Stewart Park Feasibility Study	0.025	-	Provision of external funding for feasibility works regarding a proposed new museum.	0.025	0.025	-
	Total Regeneration	0.025	-		0.025	0.025	-
Environment and Community Services	Libraries Improvement Fund	0.025	-	Additional grant provided from the Arts Council.	0.025	0.025	-
	Total Environment and Community Services	0.025	-		0.025	0.025	-
Education and Partnerships	New Secondary SLD Provision (Discovery)	0.300	-	The Department for Education has provided the Council with an additional £0.300m for the provision of a new Discovery Special Academy nursery.	0.300	0.300	-
Education and Partnerships	Other Small Scale Additions	0.104	-		0.104	0.104	-
	Total Education and Partnerships	0.404	-		0.404	0.404	-
	TOTAL ALL DIRECTORATES	0.454	-		0.454	0.454	-
<u>Additions To Council Funded Schemes</u>							
Environment and Community Services	Bereavement Services PlotBox System	0.065	-	Acquisition of a ICT system PlotBox to enable funeral directors to book cremations online.	0.065	-	0.065
	Total Environment and Community Services	0.065	-		0.065	-	0.065
	TOTAL ALL DIRECTORATES	0.065	-		0.065	-	0.065
<u>Virements Within Directorates</u>							
Regeneration	De-Risking Sites	(0.871)	-	There has been a longstanding dispute in respect of a compulsory purchase order undertaken for a business at Middlehaven. The owner was claiming significantly more compensation than the Council deemed appropriate. In order to defend it's position the Council needed to procure expert legal advice and King's Counsel. The virement is to fund the costs of the advice. The hearing has now concluded, the Court awarded the owner some additional compensation and their legal fees were payable by the Council. Whilst paying some additional compensation, the Council saved in excess of £6m, inclusive of interest payments, when comparing to the amount the owner was claiming.	(0.871)	-	(0.871)
Regeneration	Site Assembly At Middlehaven	0.871	-		0.871	-	0.871
Regeneration	De-Risking Sites	(0.105)	-	The virement is required to pay for external expert support for the Council to rebuff a claim from a contractor in relation to a house build contract at Middlehaven. This dispute has now been resolved with the contractor withdrawing its claim, saving the Council approximately £1m.	(0.105)	-	(0.105)
Regeneration	Middlesbrough Development Company	0.105	-		0.105	-	0.105
	Total Regeneration	-	-		-	-	-
Transformation	Transformation / Subject Matter Expertise	0.500	0.362	Virement of funds, predominantly from Contingency to fund newly approved and / or the continuation of transformational initiatives.	0.862	-	0.862
Transformation	Contingency	(0.500)	(0.358)		(0.858)	-	(0.858)
Transformation	Neighbourhood	-	(0.004)		(0.004)	-	(0.004)
	Total Transformation	-	-		-	-	-
	TOTAL ALL DIRECTORATES	-	-		-	-	-

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Appendix 6 : Capital Programme Quarter Two 2025/26 – Details of capital slippage

Capital slippage is a way of reprofiling capital budgets between financial years to match forecast timing of expenditure, whilst staying within the approved project budget.

The following details the slippage during Quarter Two. Details of slippage at Quarter 1 of £8.228m was shown in Appendix 6 of the respective budget monitoring report. These added together total the £20.095m total slippage for 2025/26 as at the end of Quarter Two.

APPENDIX 6

Directorate	Scheme	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Funding Source	Slippage Explanation
Regeneration	Towns Fund	(3.939)	3.939	-	-	Grant / Borrowing	The tender for the works at the Old Town Hall has now been awarded, however, there have been delays in the signing of the contract, this has resulted in £2.050m of funds being re-profiled into 2026/27. The Council is in discussions with an external partner with regard to investing in properties to alleviate homelessness. If the discussions are successful the Council will seek to contract with the partner. It is likely that the costs of this scheme will be incurred in 2026/27, as such £2.584m has been reprofiled. The contractor for the creation of Nunthorpe Community Centre is now on site, a works / cost plan is in place, £0.695m of future year funding has been brought into 2025/26 to fund the scheme.
Regeneration	Newham Hall - Housing Growth	-	(2.000)	2.000	-	Borrowing	This is a large scheme with various elements of the scheme works being undertaken in different phases. The costs and timing are reviewed regularly, with the overall scheme now anticipated to conclude in 2027/28, funds have been reprofiled to reflect this.
Regeneration	Acquisition of Town Centre Properties	-	(1.000)	1.000	-	Borrowing	There are no current plans to acquire properties, the funds have been re-allocated to reflect this.
Regeneration	Housing Growth	0.031	(0.484)	0.453	-	Borrowing	All of the active housing sites have the appropriate level of funds in place, the balance of funds has been reprofiled for use as and when further sites are identified.
Regeneration	Derisking Sites	0.976	(0.105)	(0.871)	-	Borrowing	The funding has been brought forward in order to settle legal costs and compensation payments totalling £0.871m in relation to a long standing compulsory purchase order settlement claim that was disputed by the owner of a car breaking and parts sale site at Middlehaven. Additionally, the Council was required to employ legal experts to defend it's position regarding costs that a house building contractor was attempting to claim which were in excess of the agreed contract. Collectively, whilst the cost of external legal / counsel support is expensive, the Council ultimately saved in excess of £6m when comparing the amounts paid to the respective parties against the amounts claimed.
Regeneration	Cemetery Provision	(0.006)	0.514	(0.508)	-	Borrowing	The Council's external consultants have assessed and revised the timescale of the works, resulting in the greater majority now completing in 2026/27.
Regeneration	Other Small Scale Slippage Across The Directorate	0.095	(0.095)	-	-	Borrowing	
	Regeneration Total	(2.843)	0.769	2.074	-		
Environment and Community Services	Purchase of Vehicles	0.908	(0.908)	-	-	Borrowing	The purchase of additional refuse vehicles in order to comply with the government's directive to introduce food waste and simpler recycling collection has resulted in the need to bring forward resource from future years.
Environment and Community Services	City Regional Sustainable Transport Scheme - Highways Maintenance	(0.500)	0.500	-	-	Borrowing	Delays to the contract process have been experienced due to internal capacity issues. This has resulted in the re-profiling of funds.
Environment and Community Services	Bridges and Structures	(1.000)	-	1.000	-	Borrowing	Delays to the contract process have been experienced due to internal capacity issues. This has resulted in the re-profiling of funds.
Environment and Community Services	Highways Infrastructure	-0.600	0.600	-	-	Borrowing	Delays to the contract process have been experienced due to internal capacity issues. This has resulted in the re-profiling of funds.
Environment and Community Services	Linthorpe Road Cycleway Removal	(1.169)	1.169	-	-	Grant	The contractor has not been able to commence work on the original estimated start date. This will result in the work not being completed until 2026/2027.
Environment and Community Services	City Regional Sustainable Transport Scheme - Incentive Funding	(0.400)	0.400	-	-	Grant	Some project specifications are now expected to be finalised later than planned. A proportion on the grant allocation will now not be spent until 2026/27.
Environment and Community Services	Other Small Scale Slippage Across The Directorate	(0.199)	0.199	-	-	Grant	
	Environment and Community Services Total	(2.960)	1.960	1.000	-		
Education and Partnerships	Basic Need Block Budget	(2.439)	2.439	-	-	Grant	The Education capital programme for 2025/26 has been agreed and costed. The remaining funds within the block budget have been re-profiled and are anticipated to be expended when the 2026/27 programme of works is agreed.
Education and Partnerships	Contribution to New School at Middlehaven	(0.455)	0.455	-	-	Grant / Contributions	The Council's contributions to the scheme are agreed based on milestones associated with the scheme. The Department of Education have experienced delays which have resulted in the Council now making one of the phased payments in 2026/27 rather than 2025/26.
Education and Partnerships	Unity City Academy Bulge Scheme	(1.178)	1.178	-	-	Grant	It is now deemed unlikely that the scheme will commence in 2025/26 as originally anticipated. The funds have been re-profiled accordingly.
Education and Partnerships	Macmillan extension SEND classrooms	(0.300)	0.300	-	-	Grant	Following changes within the school there are now internal limitations on what can be achieved within the physical space. This has meant that the whole project has needed to be reviewed as priorities have changed. As such, the previously assumed planned expenditure will not bow be incurred in 2025/26..
Education and Partnerships	Acklam Grange - Conversion of caretakers accommodation	(0.454)	0.454	-	-	Grant	The trust are advising that they now intend to submit planning permission for the conversion in February 2026 and are expecting a decision regarding their application for the 4G pitch in December 2025. The anticipated works within this financial year have been reassessed based on these dates with costs revised accordingly, resulting in the re-profiling of funds.
		(4.826)	4.826	-	-		
Legal and Governance Services	Other Small Scale Slippage Across The Directorate	0.139	(0.139)	-	-	Borrowing	
	Legal and Governance Services Total	0.139	(0.139)	-	-		
Finance	Other Small Scale Slippage Across The Directorate	(0.009)	0.009	-	-	Borrowing	
	Finance Total	(0.009)	0.009	-	-		

Transformation	Transformation / Subject Matter Expertise	(0.320)	0.297	0.023	-	Borrowing	There are a number of individual schemes where re-profiling into future years is required.
Transformation	Neighbourhood	(0.648)	0.424	0.224	-	Borrowing	A report is due to be presented to Executive regarding the proposals in respect of the Neighbourhood capital expenditure, upon agreement the physical works to the buildings can be undertaken, which are now expected to begin in 2026/27. The overall Neighbourhood allocation has reduced slightly as a consequence of job evaluation of the new roles.
Transformation	ICT	(0.400)	0.400	-	-	Borrowing	Whilst ICT solutions are currently being assessed, it is not envisaged that there will be significant purchases within the financial year.
	Transformation Total	(1.368)	1.121	0.247	-		
	TOTAL	(11.867)	8.546	3.321	-		

Appendix 7 : Revised Capital Programme Forecasts 2025/26 to 2028/29

	Forecast Expenditure				TOTAL	Council Funding £m	External Funding £m
	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m			
Regeneration							
Town Centre Related Projects	0.083	-	-	-	0.083	0.083	-
Middlehaven Related Projects	0.871	-	-	-	0.871	0.871	-
Housing Growth	0.061	0.140	0.453	-	0.654	0.654	-
Newham Hall	1.340	9.892	2.000	-	13.232	4.094	9.138
BOHO X	0.418	-	-	-	0.418	0.042	0.376
Indigenous Growth Fund - Captain Cook Square	1.441	1.541	-	-	2.982	-	2.982
Towns Fund	2.114	9.670	-	-	11.784	1.125	10.659
Towns Fund - East Middlesbrough Community Hub	3.519	1.340	-	-	4.859	1.940	2.919
Acquisition of Town Centre Properties	-	-	1.000	-	1.000	1.000	-
Acquisition of The Crown	0.005	-	-	-	0.005	0.005	-
Levelling Up Partnership	4.451	4.776	-	-	9.227	0.081	9.146
New Civic Centre Campus	-	0.237	-	-	0.237	0.237	-
Middlesbrough Development Company	0.105	-	-	-	0.105	0.105	-
Capitalisation of Major Schemes Salaries	0.530	0.530	0.530	0.530	2.120	2.120	-
Capitalisation of Planning Services Surveys	0.086	0.050	0.009	-	0.145	0.145	-
Affordable Housing Via Section 106	-	1.495	2.360	2.361	6.216	0.302	5.914
Highways Infrastructure Development Section 106	-	0.722	1.752	1.752	4.226	0.142	4.084
Levelling Up Fund - South Middlesbrough Accessibility	3.470	1.000	-	-	4.470	-	4.470
Middlesbrough College Investment	1.600	-	-	-	1.600	1.600	-
Derisking Sites	0.063	0.759	0.429	1.300	2.551	2.551	-
Property Services Building Investment	0.340	0.340	0.340	0.340	1.360	1.360	-
Property Asset Investment Programme	1.902	2.811	1.500	1.500	7.713	7.713	-
Town Hall Roof	-	2.956	-	-	2.956	2.956	-
Municipal Buildings Refurbishment	0.257	0.891	-	-	1.148	1.148	-
Resolution House	-	0.482	-	-	0.482	0.482	-
Cleveland Centre	0.748	0.226	-	-	0.974	0.974	-
Cemetery Provision	0.344	2.014	0.030	-	2.388	2.388	-
Investment In Parks	0.007	-	-	-	0.007	0.007	-
Cultural Development Fund - Enhancements to Central Library & Partner Organisations	2.309	-	-	-	2.309	0.090	2.219
Museum Estate and Development Fund	0.001	-	-	-	0.001	-	0.001
New Museum at Stewart Park Feasibility Study	0.025	-	-	-	0.025	-	0.025
Total Regeneration	26.090	41.872	10.403	7.783	86.148	34.215	51.933

Appendix 7 : Revised Capital Programme Forecasts 2025/26 to 2028/29

	Forecast Expenditure					Council Funding £m	External Funding £m
	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	TOTAL £m		
Environment and Community Services							
Purchase of New Vehicles	4.475	0.292	1.200	1.200	7.167	7.167	-
Capitalisation of Wheeled Bin Replacement	0.100	0.100	0.100	0.100	0.400	0.400	-
Capitalisation of Street Furniture / Dog Fouling & Litter Bins	0.055	0.055	0.055	0.055	0.220	0.220	-
Capitalisation of Highways Maintenance	0.575	0.575	0.575	0.575	2.300	2.300	-
City Regional Sustainable Transport Scheme - Highways Maintenance	3.495	2.839	-	-	6.334	-	6.334
City Regional Sustainable Transport Scheme - Incentive Funding	1.055	1.691	-	-	2.746	-	2.746
Street Lighting-Maintenance	0.585	0.468	0.468	0.468	1.989	1.989	-
Urban Traffic Management Control 1	0.033	-	-	-	0.033	-	0.033
Flood Prevention	-	0.090	-	-	0.090	-	0.090
Section 106 Ormesby Beck	-	0.015	-	-	0.015	-	0.015
Bridges and Structures	1.125	3.380	3.650	4.798	12.953	12.953	-
Newport Bridge	0.877	0.500	-	-	1.377	1.377	-
CCTV	0.010	-	-	-	0.010	0.010	-
Towns Fund Initiatives	0.016	-	-	-	0.016	-	0.016
Traffic Signals -Tees Valley Combined Authority	0.029	-	-	-	0.029	-	0.029
Highways Infrastructure	0.771	0.600	-	-	1.371	1.371	-
Libraries Improvement Fund	0.031	-	-	-	0.031	-	0.031
Urban Traffic Management Control 2	0.389	-	-	-	0.389	-	0.389
Traffic Signals Non Tees Valley Combined Authority	0.516	-	-	-	0.516	0.516	-
Traffic Signals Obsolescence Grant	1.877	-	-	-	1.877	-	1.877
FUSION adaptive travel control solution	0.372	-	-	-	0.372	-	0.372
Food Waste Collection	1.076	-	-	-	1.076	-	1.076
Street Lighting Column Replacement	0.209	0.363	-	-	0.572	0.572	-
Levelling Up Partnership - Neighbourhood Safety	0.915	-	-	-	0.915	-	0.915
Section 106 Marton West Beck	-	0.094	-	-	0.094	-	0.094
Community Recovery Fund	0.033	-	-	-	0.033	-	0.033
Parks Playzones	0.125	-	-	-	0.125	-	0.125
Members Small Schemes	0.060	0.210	0.060	0.060	0.390	0.390	-
Linthorpe Road Cycleway Removal	1.000	1.169	-	-	2.169	-	2.169
Carriageway Resurfacing Programme	0.187	0.687	-	-	0.874	0.874	-
Footways Repairs Programme	0.100	0.500	-	-	0.600	0.600	-
Regulatory Services ICT System	0.466	0.356	-	-	0.822	0.822	-
Section 106 Stewart Park	0.032	-	-	-	0.032	-	0.032
Simpler Recycling	1.515	-	-	-	1.515	1.515	-
Bereavement Services Plot box System	0.065	-	-	-	0.065	0.065	-
Total Environment and Community Services	22.169	13.984	6.108	7.256	49.517	33.141	16.376

	Forecast Expenditure		Council	External
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Appendix 7 : Revised Capital Programme Forecasts 2025/26 to 2028/29

	2025/26	2026/27	2027/28	2028/29	TOTAL
Public Health	£m	£m	£m	£m	£m
Live Well East – Internal Alterations and Improvements	0.010	-	-	-	0.010
Swimming Pool Support Fund	0.182	-	-	-	0.182
Middlesbrough Sports Village Full Size 3g Pitch Repair	0.507	-	-	-	0.507
Neptune Leisure Centre Boiler Replacement	0.172	-	-	-	0.172
Leisure Trust Investment - Equipment	0.071	-	-	-	0.071
Total Public Health	0.942	-	-	-	0.942

Funding	Funding
£m	£m
-	0.010
-	0.182
0.507	-
0.172	-
0.071	-
0.750	0.192

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
Education and Partnerships	£m	£m	£m	£m	£m
Block Budget - Family Hubs	0.003	-	-	-	0.003
Block Budget - Devolved Formula Capital (DFC) - All Schools	0.097	-	-	-	0.097
Block Budget - School Condition Allocation (SCA)	0.014	0.737	-	-	0.751
Block Budget - Basic Need	-	2.439	-	-	2.439
Block Budget - High Needs Provision Capital Allocation (HNCPA)	0.409	1.426	-	-	1.835
Block Budget - Early Years 2 years old entitlement	0.001	-	-	-	0.001
Section 106 - Lowgill	0.035	-	-	-	0.035
Contingency Funding Reserve	0.105	-	-	-	0.105
Building Condition Improvements - Primary School	0.424	0.010	-	-	0.434
Building Condition Improvements - Special Schools	0.028	0.005	-	-	0.033
School Led Capital schemes - All Maintained Schools	0.148	0.100	-	-	0.248
Sufficiency Schemes - Primary	0.315	0.185	-	-	0.500
Sufficiency Schemes - Secondary	1.130	2.379	-	-	3.509
Sufficiency Schemes - Special Educational Needs & Disabilities (SEND) and Alternative Education	1.784	0.854	-	-	2.638
Special Educational Needs (SEN) Small Capital Grant Schemes	0.255	-	-	-	0.255
Family Hubs and Early Years	0.042	-	-	-	0.042
Capitalisation of Salary Costs	0.123	0.127	-	-	0.250
Total Education and Partnerships	4.913	8.262	-	-	13.175

Council Funding	External Funding
£m	£m
-	0.003
-	0.097
-	0.751
-	2.388
-	1.783
-	0.001
-	0.035
-	0.105
0.043	0.391
-	0.033
-	0.248
-	0.500
0.646	2.863
-	2.741
-	0.255
-	0.042
-	0.250
0.689	12.486

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
Children's Care	£m	£m	£m	£m	£m
Gleneagles Refurbishment	0.030	-	-	-	0.030
Children's Services Financial Improvement Plan	0.791	-	-	-	0.791
Total Children's Care	0.821	-	-	-	0.821

Council Funding	External Funding
£m	£m
0.030	-
0.550	0.241
0.580	0.241

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL

Council Funding	External Funding
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Appendix 7 : Revised Capital Programme Forecasts 2025/26 to 2028/29

Adult Social Care	£m	£m	£m	£m	£m
Chronically Sick & Disabled Persons Act - All schemes	1.080	0.935	1.000	1.070	4.085
Disabled Facilities Grant - All schemes	2.674	0.684	-	-	3.358
Capitalisation of Staying Put Salaries	0.050	0.050	0.050	0.050	0.200
Home Loans Partnership (Formerly 5 Lamps)	0.067	-	-	-	0.067
Small Schemes	0.034	-	-	-	0.034
Total Adult Social Care	3.905	1.669	1.050	1.120	7.744

£m	£m
3.899	0.186
-	3.358
0.200	-
-	0.067
-	0.034
4.099	3.645

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
Legal and Governance Services	£m	£m	£m	£m	£m
Desktop Strategy / Device Refresh	0.182	-	-	-	0.182
Enterprise Agreements	0.908	-	-	-	0.908
IT Refresh - Network Refresh	0.194	-	-	-	0.194
IT Refresh - Lights On	0.259	-	-	-	0.259
ICT Essential Refresh & Licensing	0.295	1.836	2.185	2.185	6.501
SharePoint	0.092	-	-	-	0.092
HR Recruitment	0.021	-	-	-	0.021
Iken Legal Case Management System	0.027	-	-	-	0.027
HR Pay	-	0.037	-	-	0.037
Total Legal & Governance Services	1.978	1.873	2.185	2.185	8.221

Council Funding	External Funding
£m	£m
0.182	-
0.908	-
0.194	-
0.259	-
6.501	-
0.092	-
0.021	-
0.027	-
0.037	-
8.221	-

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
Finance	£m	£m	£m	£m	£m
Former Partnership Investment (ICT Infrastructure Revenues & Benefits)	0.016	0.248	-	-	0.264
Business World Upgrade	0.028	-	-	-	0.028
Capitalisation of Property Finance Lease Arrangements	0.150	0.150	-	-	0.300
Total Finance	0.194	0.398	-	-	0.592

Council Funding	External Funding
£m	£m
0.264	-
0.028	-
0.300	-
0.592	-

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL

Council Funding	External Funding

Appendix 7 : Revised Capital Programme Forecasts 2025/26 to 2028/29

Transformation Programme	£m	£m	£m	£m	£m
Transformation / Subject Matter Expertise	4.687	2.870	0.107	-	7.664
Neighbourhood	0.498	3.980	2.560	-	7.038
Redundancy	0.347	0.200	-	-	0.547
ICT	0.350	2.650	1.500	-	4.500
Contingency	0.250	1.127	1.127	-	2.504
Total Transformation	6.132	10.827	5.294	-	22.253

£m	£m
7.664	-
7.038	-
0.547	-
4.500	-
2.504	-
22.253	-

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
ALL DIRECTORATES	£m	£m	£m	£m	£m
Total ALL DIRECTORATES	67.144	78.885	25.040	18.344	189.413

Council Funding	External Funding
£m	£m
104.540	84.873

	Forecast Expenditure				
	2025/26	2026/27	2027/28	2028/29	TOTAL
FUNDED BY:	£m	£m	£m	£m	£m
Borrowing	18.735	21.687	3.074	-	43.496
Capital Receipts	6.000	6.000	12.560	14.231	38.791
Flexible Use of Capital Receipts	6.132	10.827	5.294	-	22.253
Grants	35.339	33.059	-	-	68.398
Contributions	0.938	7.312	4.112	4.113	16.475
					-
Total FUNDING	67.144	78.885	25.040	18.344	189.413

Council Funding	External Funding
£m	£m
43.496	-
38.791	-
22.253	-
-	68.398
-	16.475
104.540	84.873

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