

MIDDLESBROUGH COUNCIL



<b>Report of:</b>	Corporate Director of Finance (s151 Officer), Andrew Humble
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<b>Relevant Executive Member:</b>	The Mayor, Chris Cooke Executive Member for Finance, Cllr. Nicky Walker
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<b>Submitted to:</b>	Council
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<b>Date:</b>	18 February 2026
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<b>Title:</b>	2026/27 Revenue Budget, Medium Term Financial Plan, and Council Tax setting
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<b>Report for:</b>	Decision
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<b>Status:</b>	Public
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<b>Council Plan priority:</b>	All
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<b>Key decision:</b>	Yes
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<b>Why:</b>	Decision(s) will incur expenditure or savings above £250,000 and have a significant impact in two or more wards
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<b>Subject to call in?</b>	No
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<b>Why:</b>	Part of the statutory budget setting process
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### Proposed decision(s)

This report contains a number of issues for consideration and approval by Council, and also a number of issues to note. These are detailed in Section 2.

### Executive summary

The 2025/26 Budget and MTFP report to Council in February 2025 and the quarterly budget monitoring reports to Executive throughout 2025/26 have highlighted a significant improvement in the Council's financial position and financial resilience from that which existed at 2024/25 budget setting, and this has been backed up by improved governance and budgetary control measures being strengthened. However, there still needs to be a continuing focus on the Council's finances in the future.

This report provides for approval by Council of the proposed budget for 2026/27 and the Medium Term Financial Plan (MTFP) to 2029/30, following on from the previous reports presented to Executive on 17 December 2025 and 4 February 2026.

The annual budget report and MTFP is by its nature a detailed and complex report which forms the basis of the Budget and Policy Framework. Members need to have regard to all information presented in the main report which highlights the key issues for consideration and provides substantial detail in the supporting appendices.

The report reflects the Final Local Government Finance Settlement (LGFS) published on 9 February 2026, and updates on the minor changes from the report to Executive on 4 February 2026 which was based on the Provisional Local Government Finance Settlement (LGFS) published on 17 December 2025. It incorporates the following key points from the Final LGFS and the conclusion of the recent budget consultation:

- Government funding in the form of Fair Funding Allocation (Revenue Support Grant, Local Authority Better Care Fund, Retained Business Rates and Business Rates Top up Payment) of £130.960m in 2026/27 (summarised in Table 1a in paragraph 4.14), which is an increase of £14.171m for 2026/27 (as shown in Table 1b in paragraph 4.14)
- The increase in the Council's Core Spending Power (the Government's calculation used to illustrate the overall impact of local authority funding which includes the Settlement funding, the Government's assessment of Council Tax income, and various specific grants) from 2025/26 to 2028/29 is £57.511m or 28.4% and from 2024/25 to 2028/29 £75.648m or 41.0% (paragraph 4.17)
- Forecast service demand pressures and re-basing of budgets (including for reduced income levels and legislative requirements) totalling £15.549m for 2026/27 rising to £35.963m in 2029/30. This includes the proposed decision by Executive not to increase school meals prices for parents who do not receive free school meals in order to support families, for which budget provision of £0.230m for 2026/27 rising to £0.371m in 2029/30 has been provided (paragraphs 4.59 to 4.61 and Appendix 1)
- Savings totalling £2.458m p.a. are removed from the MTFP. which are now found to be unachievable in the manner originally intended (Table 8 in paragraph 4.65)
- Proposed Service Budget Growth totalling £6.460m from 2026/27 as summarised in the table below and detailed in Appendix 3

<b>Growth Area</b>	<b>£m</b>
Continuing to improve the look and feel of our Town	1.700
Making our town safer	0.650
Improving housing standards	0.300
Improving Play Parks	0.200
Supporting our communities	0.600
Supporting and protecting vulnerable residents	0.870
Childhood Enrichment	0.900
Supporting our carers and foster families	0.110
Supporting Growth and Jobs	0.630
Spending more on culture and events	0.500
<b>Total Proposed Service Budget Growth</b>	<b>6.460</b>

- Proposed Corporate Demand of £0.499m p.a. from 2026/27, and the continuation of the Member Led Ward Schemes budget of £0.235m p.a. from 2026/27 (Table 7 in paragraph 4.62)
- The Mayor and Executive propose no increase in core (general) Council Tax for 2026/27, but a 2% increase in Council Tax in 2026/27 relating to the Adult Social Care precept to reflect the increased costs of the statutory duties required for Adult Social Care (paragraph 4.30 and Appendix 11)
- Proposed 2026/27 Net Revenue Budget of £200.840m (Appendix 5) and a balanced Medium Term Financial Plan (MTFP) for the period 2026/27 to 2029/30 (Table 12 in paragraph 4.74)
- Capital Strategy Report for 2026/27 and proposed Capital Programme for 2026/27 to 2029/30 totalling £183.741m (including proposed new capital schemes and additions to current schemes and extension of schemes deemed Business as Usual totalling £11.735m in 2026/27 and rising to £56.633m by 2029/30), and the associated financing (Appendix 9)
- The Flexible Use of Capital Receipts (FUoCR) Strategy for 2026/27 totalling £5.789m (Appendix 10)
- Report of the Corporate Director of Finance (s151 Officer's) in relation to the robustness of budget estimates and the adequacy of financial reserves under s25 of the Local Government Finance Act 2003 (Appendix 6)
- Budget Consultation feedback (paragraphs 4.76 to 4.86 and Appendix 4)
- The Financial Reserves Policy for 2026/27 and the forecast level of Reserves over the MTFP period (Appendix 7)
- The proposed Fees and Charges Policy for 2026/27 (Appendix 8)
- Education funding and the current level of the Dedicated Schools Grant (DSG) Deficit and the risk to the Council (Appendix 12)
- The Pay Policy Statement 2026/27 which sets out the Council's policies on remuneration of its staff in accordance with Section 38 of the Localism Act 2011 (Appendix 13)

This report contains a number of issues for consideration and approval by Council, and also a number of issues to note. These are detailed in Section 2.

Council approval of the 2026/27 budget and proposed Council Tax is required by the statutory deadline of 11 March 2026.

The report should be read in conjunction with the Prudential Indicators 2026/27 to 2029/30 and Treasury Management Annual Strategy 2026/27 report elsewhere on this agenda. That report translates the Council's revenue income and expenditure plans and capital investment plans for the purpose of the council's cash flow management together with setting the framework within which the Council's investment and borrowing activity is governed.

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

- 1.1 This report proposes a 2026/27 net revenue budget of £200.840m, and a Medium Term Financial Plan (MTFP) for the period 2026/27 to 2029/30 following the publication of the Final Local Government Finance Settlement (LGFS) and sets out the financial planning assumptions applicable to the budget based upon the best information available at this time.
- 1.2 A Council Tax increase for 2026/27 of 2% is proposed, comprising of no increase in the Core (general) Council Tax but a 2% increase in Council Tax for 2026/27 relating to the Adult Social Care precept to fund increased costs of statutory duties in Adult Social Care. This is within the referendum limits set by Government of a total increase of 4.99% (comprising of 2.99% core (general) increase and 2% for Adult Social Care precept).
- 1.3 The report proposes a Capital Programme of £79.483m for 2026/27 and totalling £183.741m over the period from 2026/27 to 2029/30 together with a financing statement comprising a combination of external funding and council resources. In addition, the proposed capital strategy sets out the Council's approach to capital investment and financing, including the forecast levels of borrowing. The Prudential Indicators 2026/27 to 2029/30 and Treasury Management Annual Strategy 2026/27 report elsewhere on this agenda translates the Council's revenue income and expenditure plans and capital investment plans for the purpose of the council's cash flow management together with setting the framework within which the Council's investment and borrowing activity is governed. It includes the Minimum Revenue Provision (MRP) Policy which governs how the Council accounts for debt repayment in accordance with statutory regulations.
- 1.4 A summary of the Schools' Budget and allocation of the Dedicated Schools Grant (DSG) as determined under the Department for Education's (DfE's) National Funding Formula, together with an overview of the financial pressures on the DSG High Needs Block and forecast deficit which currently presents a financial risk to the Council.
- 1.5 The s151 Officer's recommended Reserves Policy for 2026/27 sets out the plan for replenishing and maintaining unrestricted usable revenue reserves over the period of the MTFP in order to achieve financial recovery and re-establish the Council's financial resilience.
- 1.6 The s151 Officer's recommended Fees and Charges Policy sets out the proposed framework within which discretionary charges for services will be reviewed and fees

and charges set in the future in order to ensure financial viability of discretionary services.

1.7 The report is underpinned by the Section 151 Officer's report in accordance with s25 of the Local Government Act 2003 which assesses the robustness of budget estimates and the adequacy of financial reserves in the context of the known financial risks that exist in the Council's operating environment. The report sets out the responsibilities of all officers and members to work collaboratively together in order to enable the Council to successfully achieve financial sustainability over the medium term. Under s31A of the Local Government Finance Act 1992, the Council is required to have regard to this report when making decisions on agreeing the budget and setting the Council Tax.

1.8 The Pay Policy Statement sets out the Council's policies on remuneration of its staff in accordance with Section 38 of the Localism Act 2011. This includes various employee policies relevant to the remuneration of Chief Officers in operation within the Council. The actual content of those policies included within the statement will continue to be determined by current mechanisms. The Pay Policy Statement must be approved by Full Council before publication on the Council's website and must be published before 31st March each year.

<b>Our ambitions</b>	<b>Summary of how this report will support delivery of these ambitions and the underpinning aims</b>
<b>A successful and ambitious town</b>	The MTFP underpins the delivery of the Council's vision for Middlesbrough and therefore supports all the ambitions within the Council Plan.
<b>A healthy Place</b>	
<b>Safe and resilient communities</b>	
<b>Delivering best value</b>	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 and financial planning arrangements in place, and that the Council is working towards managing its finances by the development of a balanced budget for 2026/27 and MTFP to 2029/30 for approval by Council on 18 February 2026, whilst also ensuring that resilience and sustainability are not impacted. The forward planning for and setting of a robust budget and balanced MTFP enables the Council to provide and deliver services within its overall corporate and financial planning framework.

## 2. Recommendations

2.1 That the Council is requested **to approve the following** as set out in **2.1.1 to 2.1.11** below

- 2.1.1 Proposed service budget growth of £6.460m from 2026/27 in order to reinvest in some direct services to the community and provide reinvestment in the resilience of enabling services (detailed in Appendix 3)
- 2.1.2 Budget provision of £15.549m for 2026/27 rising to £35.963m in 2029/30 to address forecast service demand pressures and re-basing of budgets (including for reduced income levels and legislative requirements). This includes the decision by Executive not to increase school meals prices for parents who do not receive free school meals in order to support families, for which budget provision of £0.230m for 2026/27 rising to £0.371m in 2029/30 has been provided (paragraphs 4.59 to 4.61 and Appendix 1)
- 2.1.3 Budget provision of £0.499m p.a. from 2026/27 for Corporate Demand, and the continuation of the Member Led Ward Schemes budget of £0.235m p.a. from 2026/27 (Table 7 in paragraph 4.62)
- 2.1.4 Budget provision of £2.458m p.a. from 2026/27 to remove savings from the MTFP which are now found to be unachievable in the manner originally intended (paragraph 4.65)
- 2.1.5 No increase in core (general) Council Tax for 2026/27, but an increase in Council Tax for 2026/27 of 2% relating to the Adult Social Care precept to fund increased costs of statutory duties in Adult Social Care (paragraph 4.30), resulting in a proposed Council Tax level (Band D) of £2,115.86 excluding parish, Fire, and Police precepts (detailed in Appendix 11)
- 2.1.6 The proposed General Fund revenue budget for 2026/27 with a net budget requirement of £200.840m (Appendix 5)
- 2.1.7 The Financial Reserves Policy for 2026/27 (Appendix 7) including the proposed contributions to reserves to strengthen the Council's financial resilience and the setting up of a new Budget Smoothing Reserve from 2026/27
- 2.1.8 The proposed Fees & Charges Policy for 2026/27, and the schedule of fees and charges arising from the application of the approved policy for 2026/27 (Appendix 8)
- 2.1.9 The Capital Strategy Report 2026/27 and the proposed 2026/27 to 2029/30 Capital Programme totalling £183.741m which includes the addition of new Council funded schemes and additions to current schemes and extension of schemes deemed Business as Usual totalling £11.735m in 2026/27 and rising to £56.633m by 2029/30, and the associated financing statement (Appendix 9)

2.1.10 The Flexible Use of Capital Receipts (FUoCR) Strategy for 2026/27 including transformation and redundancy expenditure as part of the Transformation Programme amounting to £5.789m which can be capitalised in 2026/27 (Appendix 10)

2.1.11 The Pay Policy Statement for 2026/27 which sets out the Council's policies on remuneration of its staff in accordance with Section 38 of the Localism Act 2011 (Appendix 13)

2.2 The Council is requested to **note** the key issues as set out at **2.2.1 to 2.2.10** below:

2.2.1 The statutory s25 report of the Council's Section 151 Officer in respect of the robustness of the estimates within the budget and the adequacy of reserves (Appendix 6)

2.2.2 That the Council's S151 officer recommends that the Council increases the Council Tax each year by the maximum allowed by the Government due to the reasons outlined in paragraph 4.31. However, whilst not recommended, given the improved financial position and financial resilience of the Council and the improved governance and budget spending controls that exist, and the increased Government funding available to the Council it is possible to financially accommodate a decision by the Mayor and Executive for a lower than maximum increase in core (general) Council Tax to be proposed to Council for 2026/27 (paragraph 4.32). Also, it is recommended that no decisions are made in relation to 2027/28 and 2028/29 Council Tax increases, and these should be made at a later date when there is more certainty on the financial position (paragraph 4.33)

2.2.3 The updated financial planning assumptions in the Council's Medium Term Financial Plan following the publication of the Final Local Government Finance Settlement (LGFS) on 9 February 2026, and updates on the minor changes from the report to Executive on 4 February 2026 which was based on the Provisional Local Government Finance Settlement published on 17 December 2025.

2.2.4 Government funding in the form of Fair Funding Allocation (Revenue Support Grant, Local Authority Better Care Fund, Retained Business Rates and Business Rates Top up Payment) of £130.960m in 2026/27 (summarised in Table 1a in paragraph 4.14), which is an increase of £14.171m for 2026/27 (as shown in Table 1b in paragraph 4.14)

2.2.5 The increase in the Council's Core Spending Power (the Government's calculation used to illustrate the overall impact of local authority funding which includes the Settlement funding, the Government's assessment of Council Tax income, and various specific grants) from 2025/26 to 2028/29 is £57.511m or 28.4% and from 2024/25 to 2028/29 £75.648m or 41.0% (paragraph 4.17)

- 2.2.6 That there is no requirement currently for the Council to make any additional further budget savings in 2026/27 other than those already included in the current MTFP, however work will continue to identify and deliver efficiencies and savings in the future through robust budget monitoring and the Transformation Programme (paragraphs 4.63 and 4.69)
- 2.2.7 The updated Medium Term Financial Plan position for 2026/27 to 2029/30 highlighting a balanced budget each year for the MTFP period (Table 12 in paragraph 4.74)
- 2.2.8 The feedback of the budget consultation exercise (paragraphs 4.76 to 4.86 and Appendix 4)
- 2.2.9 The forecast level of Council reserves over the period of the MTFP from 2026/27 to 2029/30 following the proposed budget, and that the proposed budget and MTFP should not negatively impact reserves levels in the medium term. The estimated balances on unrestricted usable revenue reserves as at 1 April 2026 of:
  - General Fund balance - £11.100m
  - Unrestricted Usable Earmarked reserves – £14.837m
- 2.2.10 Details of the Dedicated Schools Grant (DSG) Grant for 2026/27 and the allocation to schools, the forecast total cumulative DSG deficit of £31.213m on 31 March 2026, and the risk to the Council arising from this (Appendix 12)

### **3. Rationale for the recommended decision(s)**

- 3.1 The forward planning for and setting of a robust budget and balanced MTFP enables the Council to provide and deliver services within its overall corporate and financial planning framework. The MTFP underpins the delivery of the Council's vision for Middlesbrough to be a thriving, healthier, safer, and more ambitious place where people want to live, work, invest, and visit, and where we will support our residents to live fulfilling lives, to ensure that our communities thrive.
- 3.2 All Council elected members have a legal obligation to agree a balanced robust budget and set the Council Tax by 11 March 2026. In addition, the Council has a Best Value duty to demonstrate financial sustainability through the delivery of a balanced MTFP over a period of at least 3 years. The setting of the budget is part of the budget and policy framework and therefore requires Full Council approval.
- 3.3 The recommendations enable the Council to progress towards meeting its statutory responsibility to set a balanced revenue budget in 2026/27 and the requirement to secure financial sustainability of the period of the MTFP.
- 3.4 The Council is required to take a systematic, coherent, and controlled approach to addressing its ongoing financial challenges over the medium-term, while enabling the delivery of the Mayor's vision and priorities for Middlesbrough through delivery of the wider Council Plan.

#### **4. Background and relevant information**

4.1 The Council Plan is the Council's overarching business plan for the medium term and is typically refreshed on an annual basis. It sets out the ambitions and priorities of the Elected Mayor of Middlesbrough and the wider priorities that the Council is required to deliver. Executive on 3 December 2025 approved the proposed approach and revisions to refresh the Council Plan as part of its 2026/27 refresh. This included the adoption of an outcome driven approach to the Council Plan. The aims and outcomes have been further refined to ensure they reflect the Council Plan priorities fully, and a further report will be presented to Executive in March 2026 for adoption. The proposed service budget growth detailed in Appendix 3 and summarised in Table 9 in paragraph 4.67 are linked to the achievement of the proposed outcomes contained within that report.

4.2 The Medium Term Financial Plan (MTFP) is a financial interpretation of the Council Plan and incorporates the annual revenue and spending plans which aim to align to deliver the Council's ambitions.

4.3 The 2025/26 Budget and MTFP report to Council in February 2025 and the quarterly budget monitoring reports to Executive throughout 2025/26 have highlighted a significant improvement in the Council's financial position and financial resilience (including increased levels of reserves in the medium term) from that which existed in 2023/24 and at 2024/25 budget setting. This has been backed up by improved governance existing throughout the Council, and budgetary control measures being strengthened along with quicker and more effective intervention when budgets are overspending (including the requirement for services to produce recovery plans). However, there still needs to be a continuing focus on the Council's finances in the future.

4.4 It is therefore essential that the Council develops a robust medium term financial strategy to achieve financial sustainability over the course of its MTFP whilst demonstrating that it is achieving Best Value in its use of resources. It is essential that the 2026/27 budget process achieves the following key objectives:

- Set and deliver a balanced General Fund budget for 2026/27
- Continue to ensure the Council's financial resilience through the achievement of a balanced MTFP and rebuilding of revenue reserves
- Further develop and establish programmes and projects that deliver improved outcomes at lower cost whilst meeting the Mayor's priorities within a Council Plan

4.5 The report presented to Executive on 17 December 2025 provided an update to Executive of the issues affecting the Council's current MTFP at that time, including local government funding, the general economic climate, service demand pressures (in particular within relation to Adults and Children's Social Care), savings now found to be unachievable, Dedicated Schools Grant (DSG), pay awards, and the 2025 Pension Fund triennial valuation.

4.6 This report updates the financial planning assumptions in the Council's Medium Term Financial Plan following the publication of the Final Local Government Finance Settlement (LGFS) on 9 February 2026, and updates on the minor changes from the

report to Executive on 4 February 2026 which was based on the Provisional Local Government Finance Settlement published on 17 December 2025.

4.7 The December 2025 Executive report outlined the estimated additional Government funding that the Council was likely to receive from the Fair Funding Review 2.0 based on the latest information at the time writing that report and set out a number of budget proposals for consultation, and the additional Government funding was then updated in the report to Executive on 4 February 2026 based on the Provisional LGFS. This report provides an update on the Government funding available to the Council following the Final LGFS and includes the budget proposals to be submitted for approval by Council.

### **LOCAL GOVERNMENT FUNDING**

4.8 The report to Executive on 17 December 2025 provided details of the review of Local Government Funding (known as Fair Funding Review 2.0), which was a fundamental review of local government finance and involved a number of substantial changes to the formulae for calculating the amount of Government funding to local authorities and also included Council Tax Equalisation plans, a full business rates baseline reset and the rolling of a number of existing grants into the main Revenue Support Grant (RSG). The approach by the Government aimed to make the way funding is provided for local authorities fairer and simpler and move funding to authorities who have the greatest need, such as Middlesbrough.

4.9 The approach is well overdue and welcomed as authorities such as Middlesbrough have suffered significant cuts in local government funding since 2013, with Middlesbrough suffering a significant reduction in general Government funding in the form of RSG and Business Rates Top Up Grant with a reduction of £35m (43%) from £81.2m received in 2013/14 to £46.2m in 2025/26 (this does not take into account inflation). It reflects a change in the mix of funding over the years including an increasing percentage of overall funding from Council Tax and a reducing percentage from RSG. It should be noted that some of this reduction has been offset by growth in service specific grants, such as the Local Authority Better Care Fund, and the Social Care grant. Due to the reduced Government funding Middlesbrough Council has had to make cumulative savings of approximately £123m since 2013 in order to balance its budget.

4.10 The Government in the Fair Funding Review 2.0 also indicated that local authorities would receive a multi-year settlement covering the 3 year period from 2026/27 to 2028/29. This is the first time in a number of years that a multi-year settlement has been published by the Government, and this helps to provide a level of assurance of funding over the MTFP period and enable improved financial planning.

4.11 The report to Executive on 17 December 2025 included the expected increases in Government funding for Middlesbrough Council based on the initial analysis by Pixel Financial Management (PIXEL) as at 1 December 2025 following the Local Government Finance Policy Statement announcement on 20 November 2025 and other information available at the time of writing that report. This indicated that Middlesbrough was likely to obtain substantial additional funding from the proposed new approach, due to a recognition of the needs and demands that Middlesbrough

faces in providing services and the fact that Middlesbrough has not received appropriate funding to meet its needs in previous years.

4.12 The Provisional Local Government Finance Settlement (LGFS) was published on 17 December 2025 by the Government, and this outlined the grant funding for local authorities for the period from 2026/27 to 2028/29. This was issued after the publication of the report to Executive on 17 December 2025.

4.13 The 2026/27 Provisional LGFS announcement, alongside other changes since the December 2025 report, were reflected in the report to Executive on 4 February 2026. There were only minor changes from that contained in the Provisional LGFS in the Final LGFS published on 9 February 2026, and these are reflected in this report.

4.14 Settlement Funding is the amount of funding assumed by the Ministry of Housing, Communities and Local Government (MHCLG) to be available to an authority through the Fair Funding Allocation following the Fair Funding Review 2.0 and includes the estimated business rates share and general grant funding. **Table 1a** summarises the total amount of funding assumed by MHCLG to be available to the Council through the Fair Funding allocation for 2026/27 (including previous specific grants which have been rolled into it), with details of the individual components of the funding being provided in the paragraphs below. **Table 1b** shows the increase from that received in 2025/26 under the previous funding system. The £14.171m funding for 2026/27 is an increase of approximately £3.5m from the estimate for 2026/27 reported to Executive in December 2025, due to clarification of the funding as part of the Final LGFS. Further details of the changes made to the MTFP since the December 2025 report are shown in Table 11.

**Table 1a: Final Local Government Finance Settlement 2026/27 – Fair Funding Allocation**

Main Element of Settlement	Provisional Settlement 2026/27 £m
Revenue Support Grant*	49.069
Local Authority Better Care Fund	10.666
Business Rates Baseline	24.475
Business Rates Top Up	46.750
<b>Total</b>	<b>130.960</b>

\*Fair Funding documentation produced by Government for 2026/27 includes £10.666m of Local Authority Better Care Fund grant funding. This will be rolled into RSG from 2027/28, in 2026/27 it will still be paid as a separate grant, outside of RSG

**Table 1b: Final Local Government Finance Settlement 2026/27 – increases in Government Funding from Fair Funding Allocation**

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	TOTAL £m
Increase in Government Funding from Fair Funding Allocation	(14.171)	(13.116)	(13.181)	(0.511)	(40.979)

It should be noted that as well as the above Government funding, other funding will be provided by the Government to the Council in the form of specific grants. The basis of distribution varies from grant to grant. This budget has again been constructed on the established basis that if specific grant funding reduces then the associated expenditure and activity will reduce accordingly.

## Core Spending Power (CSP)

4.15 Core Spending Power (CSP) is the Government calculation used to illustrate the overall impact of local authority funding. This includes the Settlement funding, the Government's assessment of Council Tax income, and various specific grants. This measure attempts to assess the total resources over which the Council can exercise discretion on how it can spend its funding.

4.16 As part of the Final LGFS the Government published their assessment of Middlesbrough's overall Core Spending Power for 2026/27, 2027/28, and 2028/29. This and the calculation is set out in Table 2 below:

**Table 2: Core Spending Power (CSP)**

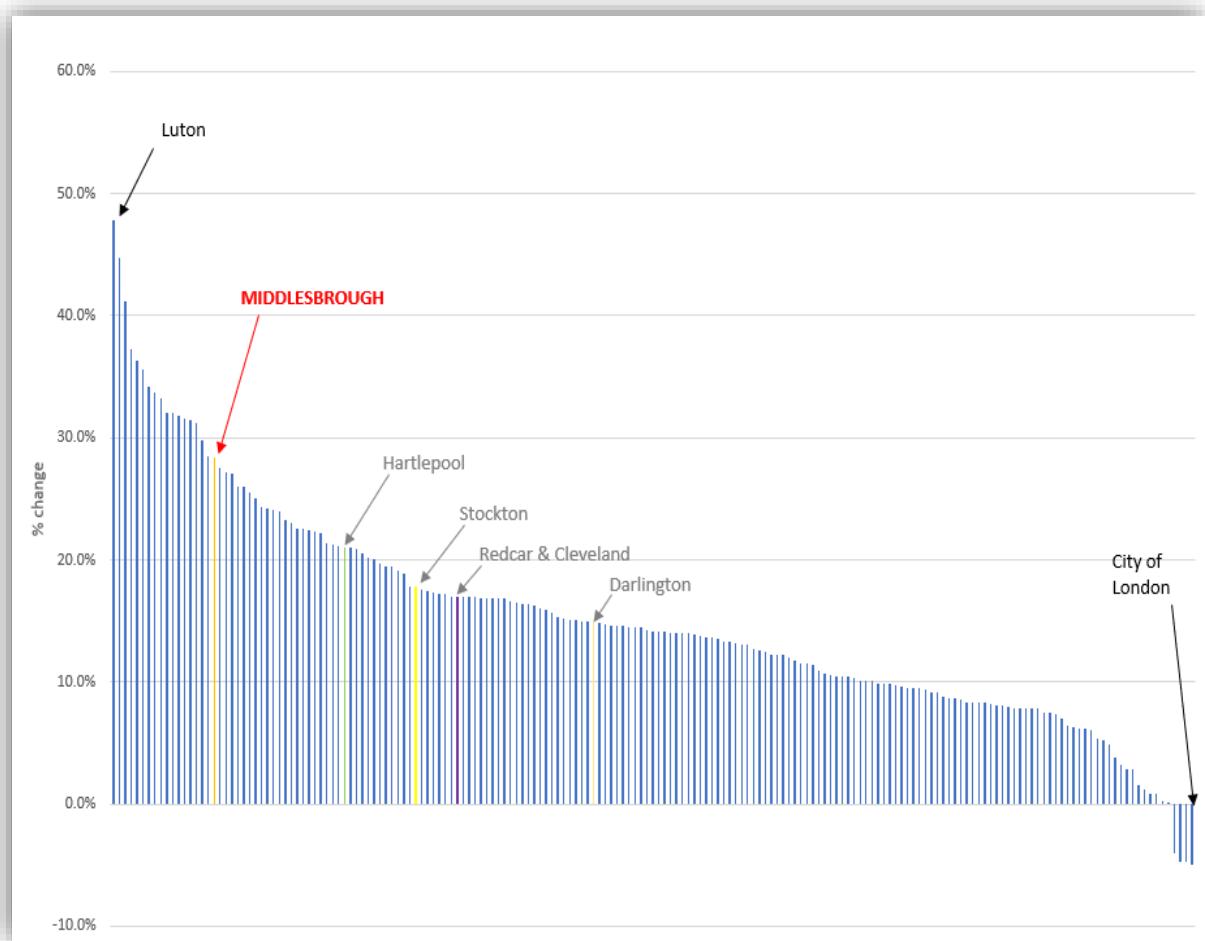
	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
<b>Fair Funding Allocation</b>					
• of which: Baseline Funding Level	-	-	130.960	144.076	157.257
• of which Revenue Support Grant	-	-	71.225	72.859	74.328
• of which: Local Authority Better Care Grant	-	-	49.069	71.217	82.929
<b>Legacy Funding Assessment</b>	109.940	115.028	-	-	-
• of which: Legacy Business Rates	60.735	61.609	-	-	-
• of which: Legacy Grant Funding	40.559	42.753	-	-	-
• of which: Local Authority Better Care Grant	8.646	10.666	-	-	-
<b>Council Tax Requirement</b>	71.400	75.742	80.674	85.928	91.524
<b>Homelessness, Rough Sleeping and Domestic Abuse</b>	0.689	1.596	1.884	2.061	2.354
<b>Families First Partnership</b>	1.303	3.426	4.243	4.243	3.624
<b>Grants rolled in to Revenue Support Grant</b>	1.190	1.457	-	-	-
<b>Recovery Grant</b>	-	5.410	5.410	5.410	5.410
• of which: Recovery Grant	-	5.410	5.410	5.410	5.410
<b>Core Spending Power</b>	<b>184.521</b>	<b>202.659</b>	<b>223.172</b>	<b>241.719</b>	<b>260.170</b>
Core Spending Power year on year change (£m)		18.138	20.513	18.547	18.451
Core Spending Power year on year change (%)		9.8%	10.1%	8.3%	7.6%
Core Spending Power change since 2024 (£m)		18.138	38.650	57.197	75.648
Core Spending Power change since 2024 (%)		9.8%	20.9%	31.0%	41.0%
Core Spending Power change since 2025 (£m)			20.513	39.060	57.511
Core Spending Power change since 2025 (%)			10.1%	19.3%	28.4%

4.17 In the Final LGFS the Government have shown the increase in CSP to 2028/29 both from 2024/25 and 2025/26. As shown in Table 2 above the increase in CSP from **2025/26 to 2028/29 is £57.511m or 28.4% and from 2024/25 to 2028/29 £75.648m or 41.0%**.

4.18 In the information provided with the Final LGFS the Government also showed the increase in CSP per head of population (using projected population). This for Middlesbrough is **£1,436 or 20.9% from 2024/25 to 2026/27 and £1,666 or 41.0% from 2024/25 to 2028/29**. This is above the England figures of £1,320 and 14.2% from 2024/25 to 2026/27 and £1,424 and 24.3% from 2024/25 to 2028/29.

4.19 **Figure 1** below shows that Middlesbrough will receive a substantial change in CSP by 2028/29 compared to other similar upper tier local authorities, with it receiving the 18<sup>th</sup> highest increase in CSP over the period.

**Figure 1: change in 3-year CSP from 2025/26 to 2028/29**



4.20 As mentioned in paragraph 4.9 the source of local authority funding has altered in recent years with a greater proportion of overall funding coming from Council Tax and less from Revenue Support Grant (RSG). Nationally by 2028/29 55% of local authority funding in the CSP will be from Council Tax, which is an increase from 53% in 2025/26. For Middlesbrough there is actually a reduction from 37% to 35% due to the increased Government funding for Middlesbrough in the Final LGFS.

4.21 It is important to note that the Government's calculation of Core Spending Power assumes that the local authority increases the Council Tax by the maximum permitted. Therefore, the extent to which the Council has determined Council Tax increases below the maximum permitted, results in a level of funding below the assessed Core Spending Power.

## Collection Fund

- 4.22 Statutory regulations require councils to account for annual Council Tax / Business Rates income in a manner different to normal accounting arrangements as would apply if using International Financial Reporting Standards (IFRS). This means any difference between the budgeted net Council Tax and Business Rates income and the actual is held on the Council's balance sheet to be distributed in subsequent years.
- 4.23 Councils are required to calculate an estimated position of the Collection Fund in January which is used by the precepting authorities in setting its budget for the forthcoming year.
- 4.24 An annual review is undertaken to assess the estimated level of collection, the likely balance of the funds and to advise the precepting authorities (Fire and Police) of their share of any surplus/deficit. This enables them to take this into account in their own budget calculations.
- 4.25 It is currently estimated that there will be a total surplus on the Collection Fund of **(£2.116m)** with the Council's share being **(£2.087m)**. This comprises a surplus on the Council Tax Collection Fund of **(£3.054m)** with the Council share of this being **(£2.546m)**. It is estimated that there will be a deficit on the Business Rates Collection Fund of **£0.938m** with the Council share of this being **£0.459m**. Surpluses on the Collection Fund will be fully transferred to the Financial Resilience Reserve to provide some financial resilience by rebuilding reserves, which are still at a relatively low level. This will also help to provide resilience in the future against changes in Council Tax and Business Rates income which may affect the budget in the future.

## Council Tax Income and Proposed Level for 2026/27

- 4.26 As mentioned in paragraphs 4.9 and 4.20 Council Tax income has increased as a proportion of total income over the last 12 years as the level of RSG has reduced. This presents a particular financial challenge for Middlesbrough Council given it has a particularly low Council Tax base with 49.7% of dwellings in Band A, 17.4% in Band B, and 17.5% in Band C. This is a higher proportion than the national Band A to C percentage and means that a greater proportion of our residents pay a Band A to C than comparable Councils. This means that a higher rate of Council Tax is needed to raise the same income yield compared with many other Councils. Every 1% of Council Tax raises approximately £0.750m per year.
- 4.27 Middlesbrough Council with a Band D Council Tax of £2,074.34 in 2025/26 was in the upper quartile (highest) for all single tier authorities and has a Band D Council Tax more than double that for Westminster Council. However, due to the fact that approximately 85% of Middlesbrough households are in Band A to C and pay less than the Band D Council Tax it was in the lower quartile for Average Council Tax per dwelling at £1,437 in 2025/26 against the national average of £1,770 and was the lowest in the Tees Valley. There are significant anomalies in the current Council Tax system which result in extreme variances in council tax levels both regionally and nationally.

4.28 Over time, local authorities have become increasingly reliant on locally generated revenue from Council Tax, but the ability to raise Council Tax has not been fully accounted for when allocating funding. Within the Fair Funding Review 2.0 the Government has attempted to act as an equaliser for local government income, directing funding towards the places that are less able to meet their needs through locally raised income. This is demonstrated by the level of Government funding to be received by Middlesbrough Council as shown in Tables 1a and 1b.

4.29 In the Fair Funding Review 2.0 and the Provisional and Final LGFS the Government confirmed their intention that the maximum permissible Council Tax increase for 2026/27 without the need for a referendum would remain at 4.99% (which includes a 2.99% increase in the core (general) Council Tax and the continuation of the 2% Adult Social Care precept). The Government will assume that local authorities will increase the Council Tax by the maximum permissible in their calculation of the Council's Core Spending Power, which is a measure of how much the Government believes local authorities can raise from Council Tax and that they have available to spend.

4.30 The Mayor and Executive are however in light of the increased Government funding proposing that the maximum permissible Council Tax increase of 4.99% is not adopted in 2026/27. Instead, the Mayor and Executive are proposing that there is no increase in core (general) Council Tax for 2026/27 but are proposing that the Council Tax is only increased for the 2% Adult Social Care Precept for 2026/27 in order to fund the increased costs of statutory duties within Adult Social Care. This will financially help residents and also help to continue the aims of the Fair Funding Review 2.0 in equalising Council Tax and lessen the gap that currently exists. Decisions on future years Council Tax increases will be confirmed at a later date when more certainty is available on Government funding over the medium term.

4.31 The Council's s151 Officer would recommend that the Council increases the Council Tax each year by the maximum allowed by the Government, due to the fact that the Government will assume that the maximum permissible increase of 4.99% is applied and will use this in their calculations of Government funding to the Council and also in any potential future evaluation of the Council's finances. It should be noted that the lost income arising from any increase in Council Tax below the maximum allowed will be permanently lost forever in future years. If a 2% increase in Council Tax is applied in 2026/27 this will mean that approximately £2.250m p.a. of Council Tax income is lost in 2026/27 and each year in the future. This means that approximately £9m of Council Tax income is permanently lost forever to the Council over the period of the MTFP from 2026/27 to 2029/30.

4.32 However, whilst not recommended, given the improved financial position and financial resilience of the Council and the improved governance and budget spending controls that exist (as mentioned in paragraph 4.3), and the amount of the increased funding available to the Council it is possible to financially accommodate a decision by the Mayor and Executive for a lower than maximum increase in core (general) Council Tax to be proposed to Council for 2026/27.

4.33 Currently a 2% increase p.a. relating to the Adult Social Care precept to reflect the increased costs of the statutory duties required for Adult Social Care has been

assumed for the remainder of the Fair Funding Review 2.0 period (2027/28 to 2028/29), however this will be subject to further review at a later date when there is more certainty on the financial position. For 2029/30 a Council Tax increase of 4.99% has been assumed as the Fair Funding Review 2.0 does not cover 2029/30 and no information has yet been provided regarding Government funding levels for 2029/30, and therefore the current maximum level of increase in Council Tax allowed has been applied.

- 4.34 The Council Tax Base for 2026/27 for the whole of Middlesbrough was set at 37,062.20 in the report to Executive on 3 December 2025, based upon an assumed Council Tax in year collection rate of 98.3% for 2026/27. This will produce an estimated £1.138m in 2026/27 and on an ongoing basis, based on the 2025/26 Basic Council Tax. Currently similar levels of growth have been assumed for 2027/28 to 2029/30.
- 4.35 Appendix 11 sets out the Council Tax base, proposed Council Tax increase and detailed calculations for 2026/27 which are required by statute to determine the Council Tax applicable to each Council Tax band. Appendix 11 also provides details of the Council Tax for areas covered by a Parish Council, and the Fire (subject to formal approval) and Police elements, which make up the total Council Tax charged to residents.
- 4.36 It shows that if the final budget proposed in this report is approved by Council the Net Revenue Budget requirement for 2026/27 will be £200.840m with a Council Tax Requirement of £78.460m, equating to a Council Tax (Band D) for non-parish areas (Middlesbrough Council only element) of £2,115.86 and Band A of £1,410.57. This represents a total increase in Council Tax of 2% for 2026/27 comprising of a core (general) increase of 0% and an Adult Social Care precept of 2%.
- 4.37 Council Tax along with Business Rates is collected via the Collection Fund as highlighted in paragraphs 4.22 to 4.25 and this will be closely monitored during 2026/27.
- 4.38 The Executive recognises the financial challenge faced by many households due to the cost of living crisis and provides financial support in the form of reductions to Council Tax for the most financially vulnerable households in addition to grants under the Household Support Fund and its Welfare Strategy.
- 4.39 Whilst the Council takes a very firm and fair approach to collection there are a number of support solutions which are available to assist financially vulnerable households. Through the Council's proposed Council Tax Reduction Scheme 2026/27, which is a separate paper on this agenda to be approved by Council, a maximum of 90% support is provided. This equates to an overall level of expenditure to support financially vulnerable households of approximately £22.2m per year is provided to 18,500 households across the town. The Council has considered increasing the scheme to 100%, which would mean more working age households would have nothing to pay, however this would likely cost the Council around an additional £2m to implement and operate and this is not considered affordable at present.

4.40 In addition to the Council Tax Reduction Scheme a number of other support solutions exist. The Council has a Welfare Strategy which is designed to support households who may be struggling financially. The range of support is extensive and can include such things like maximising benefits, support with any shortfall in rent, as well as help with white goods, furniture, food, and energy referrals. The Council takes a firm but fair and persistent approach to collection of debt including full benefit and welfare checks to ensure that households have access the right level of support to help them meet their Council Tax obligations.

### **Business Rates Retention and Reset**

4.41 The Fair Funding Review 2.0 included a full business rates baseline reset. As part of this the Government has calculated the total amount of business rates to be retained by local government and estimated how much each local authority will collect from April 2026 based on the methodology confirmed in the response to the Government's technical consultation on resetting the business rates retention system.

4.42 The Baseline Funding Level (BFL) calculates the amount of an individual local authority's Fair Funding Assessment allocation provided through the local share of the retained business rates income. BFLs for Middlesbrough for the period 2026/27 to 2028/29 are shown in Table 2 CSP, with the BFL being set at **£71.225m for 2026/27, £72.859m for 2027/28 and £74.328m for 2028/29**. These amounts are guaranteed in the Settlement to be received by the Council.

4.43 An authority's Business Rates Baseline (BRB) is an estimate of the authority's business rates income generating ability determined on an individual basis. This has been recalculated as part of the business rates reset. A calculator was published alongside the Provisional LGFS to show local authorities how new BRBs have been calculated, and this is shown in Table 3 below, which shows the total gross rateable value of businesses in Middlesbrough offset by various deductions for appeals. The locally retained element of Business Rates is 50%, of which the Council retains 49% and 1% is received by Cleveland Fire Authority. The BRB calculation for Middlesbrough is therefore calculated at **£24.475m for 2026/27**. Calculations for 2027/28 and 2028/29 were not provided in the Provisional LGFS and the Government indicated that the Business Rates Baselines will be revised at some point in the future, however no further details of when have yet been provided. In the absence of any further information these have been currently estimated to increase in line with inflation to £25.030m for 2027/28, £25.540m for 2028/29, and £26.051m for 2029/30.

**Table 3: Calculation of Business Rates Baseline (BRB) for Middlesbrough for 2026/27**

	<b>£m</b>
Gross Rates Payable	54.395
Appeals deduction	2.040
Bad Debt deduction	0.326
Cost of Collection deduction	0.163
Designated Areas deduction	1.676
Renewables deduction	0.242
City of London offset	-
	<b>49.949</b>
<b>of which Middlesbrough share (49%)</b>	<b>24.475</b>

4.44 The Council submitted to MHCLG a NNDR1 return for 2026/27 on 6 February 2026, which showed an estimated business rates income for the year similar to that outlined above. Funding for the BRB is guaranteed and therefore this has been assumed to be used for the Retained Business Rates income for 2026/27. MHCLG has stated that any changes from the BRB will be accounted for in the Collection Fund.

4.45 There are currently numerous rating appeals lodged with the Government's Valuation Office in respect of rateable values. Not all of these will be successful either in full or part. The cost of any successful appeals will be met from the monies received and hence will impact the Council's overall funding. The Council holds an earmarked provision to secure a degree of protection against such appeals which could otherwise cause in-year budget management issues.

### Business Rates Top-up Payment

4.46 Under the retained Business Rates system any local authority whose Business Rates Baseline is less than their Baseline Funding Level, as is the case for Middlesbrough, will receive the balance as a 'top-up' grant. The Council will receive **£46.750m** for 2026/27. Other authorities, whose Business Rates income is greater than their initial baseline funding level, pay a 'tariff'. It is the combination of 'tariffs' and 'top-ups' that balances the system nationally.

### Revenue Support Grant (RSG)

4.47 Most authorities currently continue to receive RSG from the Government in addition to their retained Business Rates. The Council will receive **£49.069m** in 2026/27. Under the Fair Funding Review 2.0 the Government have rolled into the RSG a number of grants in order to simplify and de-ringfence the funding and provide local authorities with greater certainty and freedom to deliver their own priorities. The following grants totalling £39.057m have been calculated to be rolled into the RSG and will therefore be distributed using the new Fair Funding system:

**Table 4: Grants rolled into Revenue Support Grant 2026/27**

Grant	£m
<b>Revenue grants rolled into RSG</b>	
Biodiversity Net Gain Planning Requirement Grant	0.027
Employer National Insurance Contributions Grant	1.458
Enforcement of Location and Volume Price Promotions Restrictions Grant	0.001
Enforcement of OOH Calorie Labelling Regulations Grant	0.001
Homelessness Prevention Grant - Temporary Accommodation	0.511
Local Government Finance Data Review New Burdens Grant	0.001
Local Reform and Community Voices: Deprivation of Liberty Safeguards Funding	0.016
Market Sustainability and Improvement Fund	3.316
New Homes Bonus	0.031
Social Care Grant	22.504
Virtual School Head Extension to Children With a Social Worker and Children in Kinship Care Grant	0.139
War Pensions Disregard Grant	0.048
Historic business rates grant compensation for under-indexation of tax rates, Green Plant and Machinery exemptions, and Small Business Rates Relief lost supplementary income	11.004
<b>Total</b>	<b>39.057</b>

## **Recovery Grant**

4.48 The Recovery Grant, which was introduced as part of the 2025/26 LGFS to target places with greater need and demand for services due to deprivation and were also less ability to raise income locally, is to be continued for 2026/27 to 2028/29 as part of the Fair Funding Review 2.0 with the same allocations as in 2025/26. It was expected that this grant would end following the introduction of the Fair Funding review, but the Government has decided to continue it. In the MTFP set as part of the 2025/26 budget setting the Council had made the prudent assumption that it would be a one off grant for 2025/26 only and therefore there is a benefit to the MTFP of the grant continuing.

4.49 Middlesbrough Council will receive **£5.410m** of Recovery Grant each year for 2026/27 to 2028/29. This is likely to not continue in 2029/30, and this has currently been assumed in the updated MTFP. This grant will not be ringfenced, nor are grant conditions imposed on its use. The grant is included in Core Spending Power.

## **Local Authority Better Care Fund**

4.50 This grant was created in 2024/25 following the consolidation of the two previously existing grants known as the improved Better Care Fund (iBCF) and the ASC Discharge Fund. The grant is required to be pooled as part of the BCF and is distributed using the current iBCF methodology. Local authorities should work with their local NHS partners and wider public services to plan their integrated use of the BCF. Supporting the recovery of urgent and emergency care services remains a priority, and local areas will be expected to use the grant to reduce delayed hospital discharges, as part of meeting the objectives that will be set out in the framework. The allocation for 2026/27 remains unchanged from that received in 2025/26 at **£10.666m**.

4.51 The Final LGFS outlined plans that this grant would be rolled into RSG from 2027/28 to link in with the planned Better Care Fund reform, and that this would be confirmed at a later date. It has therefore currently been assumed in the updated MTFP that this £10.666m grant would roll into RSG from 2027/28.

## **Consolidated Grants**

4.52 As part of the Provisional LGFS and confirmed in the Final LGFS the Government published details of four new consolidated grant streams that have been created to simplify funding from a range of different sources. Some grants from within the current CSP are included (Domestic Abuse Safe Accommodation Grant, Children's Social Care Prevention Grant). Other grants are being brought together from outside the current settlement. The largest grant stream is the Public Health Grant. Some of the new Consolidated Grants will be within CSP whilst some will not be. Also, there will be ringfencing of some of the grant funding by the use of grant conditions. It should be noted that currently there is still a degree of uncertainty regarding some of the Consolidated Grants, and further information will be received later regarding these. Details of the four new consolidated grant streams based on information currently available are shown below:

### Children, Families and Youth Grant

The new consolidated Children, Families and Youth Grant is a combination of both existing and newly announced funding as part of the funding simplification process. This grant will distribute £3.1 billion to local authorities over the multi-year Settlement. The five funding streams have been rolled in are as follows:

- Children's Social Care Prevention Grant
- Supporting Families (previously part of the Children and Families Grant in 2025/26)
- Holiday Activities and Food Programme
- Post-16 Pupil Premium Plus Programme
- New funding for children's social care reform (from the Transformation Fund announced in the Spending Review and then increased in the Policy Statement).

All these grants, except the Holiday Activities and Food Programme and the Post-16 Pupil Premium Plus Programme, will be included in CSP.

### Homelessness, Rough Sleeping and Domestic Abuse Grant

This consolidated grant will distribute £2.7 billion to local authorities in total over the spending review period, including £272m over the spending review period (£91m increase for 2026/27) in additional allocations announced as part of the Final LGFS, including new burdens funding associated with the Renters Rights Act and £159m for Supported Housing. It includes the following grants:

- The prevention and relief and staffing element of the Homelessness Prevention Grant
- Rough sleeping accommodation programme
- Rough sleeping prevention and recovery grant
- Domestic abuse safe accommodation support

The domestic abuse component of the grant will be ringfenced for domestic abuse only. Provisional allocations for the Domestic Abuse Safe Accommodation Duty are based on flat cash value of £480m. The Final Settlement reflects the £19m uplift that the Government announced on 15 December 2025.

Allocations are based on the existing formulae. All the funding from this consolidated grant is included in CSP and therefore is not additional to CSP.

### Crisis and Resilience Fund

The Government has announced that this consolidated grant will be worth £2.5 billion over the multi-year Settlement and sit outside of CSP and will include:

- Households Support Fund
- Discretionary Housing Payment funding

### Public Health Grant

Public Health Grant is to be combined with related grants. Over the three-year period from 2026/27 to 2028/29, £13.45 billion will be provided through the new consolidated Public Health Grant, using, as far as possible, the same distribution approach as in previous years. This grant includes:

- Public Health Grant
- Drug and Alcohol Treatment and Recovery Improvement Grant, including the

Rough Sleeping Drug and Alcohol Treatment Grant

- Individual Placement and Support Grant
- Local Stop Smoking Services and Support Grant and Swap to Stop scheme

The new consolidated Public Health Grant will continue to be funded by, and administered by, Department of Health and Social Care (DHSC) and will be ringfenced. There will be service specific ringfences for smoking cessation and drug and alcohol treatment funding. Public Health Grant will not form part of Core Spending Power.

4.53 Table 5 below details the Consolidated Grants for Middlesbrough as published in the Final LGFS. It should be noted that allocations for 2027/28 and 2028/29 are currently only indicative and will be confirmed in the LGFS for those years.

**Table 5: Final LGFS – Consolidated Grants 2026/27 to 2028/29 Middlesbrough**

Consolidated Grant	2026/27 £m	2027/28 £m	2028/29 £m	TOTAL £m
Homelessness, Rough Sleeping and Domestic Abuse Grant	1.884	2.061	2.354	6.299
Public Health Grant	24.041	24.261	24.496	72.798
Crisis and Resilience Fund	3.999	3.997	3.950	11.946
Children, Families and Youth Grant	5.415	5.379	4.760	15.554
<b>Total</b>	<b>35.339</b>	<b>35.698</b>	<b>35.560</b>	<b>106.597</b>

4.54 There still remains a number of grants which will be received outside of the key settlement figures and are not included in the calculation of Core Spending Power. The basis of distribution varies from grant to grant. This budget has again been constructed on the established basis that if specific grant funding reduces then the associated expenditure and activity will reduce accordingly.

### Extended Producer Responsibility

4.55 Whilst not part of the LGFS the Government has confirmed separately that funding for the Extended Producer Responsibility (EPR), which started from 2025, will continue in the future. The funding arises where some organisations and businesses have to pay a fee for the packaging they supply to or import into the UK market.

4.56 The money collected will go to local authorities (LAs) and it will cover net costs of collecting, managing, recycling and disposing of household packaging waste to enable more efficient and effective waste services.

4.57 Local authorities receive a basic payment calculated using a model based on certain LA characteristics, national policies and circumstances, amount of waste collected and managed, and the estimated composition of this waste. Data about tonnages, operations and unit costs are submitted by LAs and any adjustments will be based on data to the Scheme Administrator and is therefore unpredictable. Whilst the funding is un-ringfenced it is intended that the funding will be used on waste activities and to cover additional responsibilities, such as the revenue costs associated with food waste collection which is to be introduced as part of Simpler Recycling in 2026/27.

4.58 Middlesbrough Council have been notified by PackUK (the Government's chosen administrator for the scheme) that they will receive at least **£3.921m** in 2026/27. For future years beyond 2026/27 it has been assumed that the amount received will reduce by 10% per annum until the funding in 2029/30 reduces to £2.475m as organisations and businesses reduce the packaging they use.

## **REVENUE MEDIUM TERM FINANCIAL PLAN 2026/27 TO 2029/30**

### **Forecast Service Demand Pressures and Re-basing of Budgets**

4.59 As reported in the September and December 2025 reports to Executive and quarterly budget monitoring reporting there are a number of existing service demand/inflation pressures that are continuing, and further financial pressures are emerging. There are also a number of budgets that require re-basing due to other reasons such as re-evaluating achievable income levels against current budgets and changes to services required due to legislative changes.

4.60 Table 6 below summarises the updated current and future Forecast Service Demand Pressures and Re-basing of Budgets across the MTFP period with further details being provided below and in Appendix 1. These form a significant driver of cost with the MTFP, with a total of £15.549m in 2026/27 rising to £35.963m in 2029/30.

***Table 6: Summary of Forecast Service Demand Pressures and Re-basing of Budgets per Directorate (including for reduced income levels and legislative requirements)***

Directorate	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Cumulative £m
Regeneration & Housing	1.089	(0.089)	-	-	1.000
Public Health	-	0.447	-	-	0.447
Environment, Communities & Culture	3.107	(0.221)	1.589	0.205	4.680
Children's Services	3.084	3.000	3.000	1.500	10.584
Education & Partnerships	0.720	-	-	-	0.720
Adult Social Care & Health	6.782	3.548	3.691	3.733	17.754
Legal & Corporate Services	0.465	-	-	-	0.465
Finance	0.132	0.005	0.005	-	0.142
Chief Executive's Office	0.170	-	-	-	0.170
<b>Total</b>	<b>15.549</b>	<b>6.690</b>	<b>8.285</b>	<b>5.438</b>	<b>35.963</b>

Further details of the forecast service demand pressures and re-basing of budgets in the following key areas of service provision are provided below:

- Adult Social Care – a total of £6.782m has been included for 2026/27 rising to £17.754m in 2029/30 mainly for increased demand for services (in particular in residential care) and also in order so that services provided comply with statutory requirements and meet the needs of service users. This includes a total of £8.277m over the period of the MTFP for the increased charges from commissioned care providers due to increases in the National Living Wage rates, with the Budget 2025 published by the Government on 26 November 2025 announcing that the National Living Wage for 21 year olds and over will increase to £12.71 per hour from 1 April 2026 from the current level of £12.21 per hour (a £0.50 per hour and 4.1% increase). The amounts that are allocated in the updated MTFP to cover the increases expected as a result of this have been revised accordingly, with £1.877m being allocated in 2026/27 and £8.277m over the period of the MTFP.
- Children's Social Care – continuing increased demand for care and increased complexity of cases, in particular for external residential placements. £3.000m p.a. of funding has been provided for 2026/27 to 2028/29 and a further £1.500m in 2029/30.

- Integrated Transport Service – forecast growth in home to school transport for children and transport for vulnerable adults with £0.500m p.a. being provided from 2026/27.
- Potential shortfalls on income from strategic commercial investments arising from potential tenancy changes, with £1.000m p.a. being provided from 2026/27.
- Crematorium – reduced demand and associated reduction in income has meant a need to revise budgets with £0.250m p.a. being provided from 2026/27.
- Fleet Management – increased staff costs due to recruitment and retention challenges and a sharp increase in the cost of vehicle parts with £0.300m p.a. additional budget being provided from 2026/27.
- School meals catering – a shortfall in income due to rising food prices and the prices of meals not being increased accordingly due to a political decision taken by Executive not to increase prices in order to support families, there is a need to adjust the budget by £0.230m p.a. in 2026/27 rising to £0.371m p.a. by 2029/30. This is included as a recommendation for approval by Executive to be forwarded to Council for formal approval on 18 February 2026.
- Waste Services - £2.279m remaining annual revenue costs are required to be incurred from 2026/27 onwards relating to Simpler Recycling – Legislation changes for Waste Streams as detailed in the report to Executive on 16 July 2025. The Government have confirmed as part of the Spending Review 2025 published on 11 June 2025 that local authorities will continue to receive Extended Producer Responsibility (EPR) funding (currently assumed to total £3.921m in 2026/27), and it is proposed that EPR funding will be used to cover the annual revenue costs arising from Simpler Recycling.
- Waste Disposal - the budget has been reviewed over the period of the MTFP taking into account latest estimates on tonnages and costs per tonne. This has included evaluation of the effect of the introduction of Simpler Recycling in 2026/27 on waste tonnages. It should also be noted that whilst outside the current MTFP period there is a new waste disposal contract and Tees Valley Energy Recovery Facility planned to operate from 2030 which could impact on the price per tonne of waste disposed that the Council has to pay.
- Emissions Trading Scheme (ETS) – the Government have announced the planned introduction of the ETS from 2028/29. This will increase waste disposal costs for local authorities, particularly those operating energy-from-waste (EfW) facilities or incinerators. This is because the ETS puts a price on carbon emissions, and waste management operations that produce emissions will need to purchase permits to cover their carbon footprint. It is currently estimated that this will cost £1m p.a. from 2028/29 but this will be updated as further information becomes available. EPR funding will be used to offset the costs of ETS.

4.61 These will be constantly monitored and challenged and updated in future revisions of the MTFP where appropriate when further information is available. A centrally held Corporate Contingency Budget will continue to be maintained to utilise against any increased service demand which may occur above that provided and to avoid the use of reserves for this purpose. This will total £0.873m in 2026/27. Consideration of funding from the Corporate Contingency budget will only be made following the production of a detailed business case and full evaluation. Use of the Contingency budget will be reported via the quarterly budget monitoring process.

### **Corporate Demand Pressures**

4.62 There are a number of other demand pressures which have arisen corporately from developments of services with the Council and reviews of required corporate enabling services as detailed in Table 7 below. These are seen as essential for the continued development of the Council as it continues to transform. It is proposed that the following are recommended for approval by Full Council as part of the 2026/27 budget and MTFP.

***Table 7: Corporate Demand Pressures***

Directorate	Detail	£m
Chief Executive's Office	Additional capacity to provide further improvement in corporate governance and policy and embed continuous improvement across the Council	0.128
		0.128
Legal and Corporate Services	Creation of budget to support Mayoral Initiatives	0.100
Legal and Corporate Services	Additional HR capacity	0.056
Legal and Corporate Services	Creation of Civics & Armed Forces Officer post	0.045
Legal and Corporate Services	ICT Services Restructure	0.170
		0.371
<b>Total</b>		<b>0.499</b>
Members	Continuation of Member Led Ward schemes	0.235

### **Budget Savings**

4.63 The increased Government funding to be available to the Council as shown in Tables 1a and 1b means that the Executive is currently able to propose that there is no requirement to implement any further additional budget savings in 2026/27. However, work will continue to identify and deliver efficiencies and savings in the future through robust budget monitoring and the Transformation Programme.

#### **Additional Budget Savings already approved in previous years**

4.64 It should however be noted that there are a number of additional budget savings totalling £3.517m relating to 2026/27 that were approved in previous years budget reports which are built into the MTFP, and the MTFP assumes that they will be fully achieved or replaced with alternative savings. These are detailed in Appendix 2.

#### **Removal of savings now found to be unachievable in the manner originally intended**

4.65 The December 2025 Executive report detailed a number of previously approved budget savings totalling £2.458m p.a. that are now unlikely to be achievable in the

future in the manner originally intended, and it is now proposed that they are removed from the MTFP and funded from the increased Government funding estimated to be received. These are summarised in Table 8 below:

**Table 8: Unachievable savings proposed to be removed from MTFP**

Detail	Budget Report in which saving first introduced	Reason for removal	£m
Charging residents for issuing parking permits Savings ref. ECS08	2024/25	As announced at Full Council on 26 March 2025 the plan to charge for residents parking permits approved as part of the 2024/25 budget setting process was being paused	0.250
<b>Total Environment, Communities &amp; Culture</b>			<b>0.250</b>
Recharge Discretionary Home to School Transport Services Savings ref. EDC05	2025/26	It has not been possible to achieve this saving by the means previously intended	0.078
<b>Total Education</b>			<b>0.078</b>
Savings relating to Business Rates and Council Tax totalling £1.186m Savings ref. FIN02-05	2024/25	Whilst savings will be 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 under legislation, the savings in the Collection Fund do not impact the General Fund position until the next year in the form of a surplus on the Collection Fund which can be used in the budget setting. Budgeting for surpluses on the Collection Fund is not recommended, as whilst surpluses may exist on the Collection Fund which can be used for budget setting it is better practice to not budget for these in the MTFP. It is therefore recommended that these budgeted savings are considered for removal from the MTFP	1.186
Contractual Spend Review savings for 2025/26 Savings ref. FIN13	2025/26	This has now been identified as a double count	0.700
Senior Management Review savings of £0.244m Savings ref. CEN02	2023/24	The Senior Management Review proposed by the Chief Executive does not achieve any savings in the budget. This will allow the Council to maintain a stable leadership team and continue the progress that is being made by the Council	0.244
<b>Total Education</b>			<b>2.130</b>
<b>Total</b>			<b>2.458</b>

### **Service Budget Growth in line with Council Plan priorities**

4.66 As detailed in the December 2025 Executive report, after allocating the estimated additional Government funding in the order set out in paragraph 4.7 of that Executive report, an amount of £6.460m remained to invest in service budget growth in order to reinvest in some direct services to the community and reinvestment in the resilience of enabling services, in line with the Council Plan priorities.

4.67 The Mayor led on developing proposals with Directors in conjunction with their relevant Executive Members which met the Council Plan priorities and proposed that the service budget growth proposals totalling £6.460m were subject to public consultation. It should be noted that this is recurring funding and is not one-off funding. No changes have been made to these following the budget consultation. These are summarised in Table 9 below with full details provided in Appendix 3, including how the proposals are linked to the achievement of the proposed outcomes contained within the Council Plan 2026/27-29: Outcomes Refresh report approved by Executive on 3 December 2025.

**Table 9: Summary of proposed service budget growth (recurring funding)**

Growth Area	£m
Continuing to improve the look and feel of our town	1.700
Making our town safer	0.650
Improving housing standards	0.300
Improving play parks	0.200
Supporting our communities	0.600
Supporting and protecting vulnerable residents	0.870
Childhood enrichment	0.900
Supporting our carers and foster families	0.110
Supporting growth and jobs	0.630
Spending more on culture and events	0.500
<b>Total</b>	<b>6.460</b>

4.68 Implementation plans have been developed by Directors for the implementation of the service budget growth following approval of the budget by Council, and progress against the plans will be closely monitored. Further reports will be submitted to Executive where appropriate, for example where details of implementation have not yet currently been fully finalised and further detailed work is required to implement the service budget growth, or where approval is required under legislation.

### **Transformation**

4.69 The Council will continue to change the way it delivers services and engages with the community, to reduce costs, maintain return on investment, and improve outcomes for residents. Due to the improved financial position, there is no requirement to include any budget savings relating to this in the current revised MTFP. However, as mentioned in paragraph 4.63, the Council will continue to identify opportunities to improve outcomes for its residents and deliver change. These opportunities will be identified within the revised Performance Management framework of the organisation. When budget savings occur, these will be reported in the quarterly budget monitoring reports. This helps to move the focus from a savings led approach to one of continuous improvement to ensure the Council becomes more efficient in the future. Long term projects will be used to bring about town level change. Improving resident and town outcomes will be seen as a valuable return, with returns on investment potentially being over a longer term and they may land in other agencies focused on the town. A further report on the Council's approach to performance management, transformation and continuous improvement will be submitted to Executive in March 2026.

### **Key MTFP Assumptions**

4.70 The MTFP is based on a number of financial planning assumptions that have been updated following the publication of the Final Local Government Finance Settlement (LGFS) on 9 February 2026, and updates on the minor changes from the report to Executive on 4 February 2026 which was based on the Provisional Local Government Finance Settlement published on 17 December 2025.

4.71 The main assumptions regarding Local Government Funding, Council Tax, and budget proposals are detailed in the paragraphs above but there are a number of other key assumptions which have currently been used in the development of the updated MTFP.

**Table 10: MTFP assumptions**

<b>Budget heading</b>	<b>Assumption</b>
Pay award	3% for 2026/27, 2.5% for 2027/28 and 2% for 2028/29 onwards.
Employers pension contribution	Revised to reflect the latest information provided by the Actuary that there will be a 1.5% reduction p.a. in contributions from 2026/27 (equalling an estimated annual reduction of £1.211m in the amount required to be paid), following the triennial valuation of the Teesside Pension Fund that took place on 31 March 2025.
Contractual Inflation	£1.797m provided for 2026/27, reducing to £1.547m p.a. for 2027/28 to 2029/30, being provided for in relation to specific contracts, mainly around Adult Social Care purchasing budgets and Children's Care external residential and fostering contracts.
Energy costs	Updated to reflect Current forecasts provided by NEPO (North East Purchasing Organisation).
General supplies and services inflation	None provided - to be funded from service budgets
Discretionary fees and charges	Inflationary increase of 2% p.a. A Fees and Charges Policy and Schedule of Charges is attached at Appendix 8.
Income from Commercial Developments	Latest information regarding occupancy and leases used.
Capital financing (borrowing) costs	Reviewed to reflect the updated Capital Programme in Appendix 9. The s151 Officer has, in line with CIPFA guidance, issued an affordability threshold that the total annual cost of principal and interest repayments should not exceed 10% of the Net Revenue budget over the period of the MTFP to 2029/30.
Savings	All savings already approved in previous years will be fully achieved or replaced with alternative savings (paragraph 4.64) with the exception of those savings now found to be unachievable in the manner intended which are proposed to be removed from the MTFP (detailed in paragraph 4.65).
Contingencies	A centrally held Corporate Contingency budget will continue to be maintained over the period of the MTFP. This will total £0.873m in 2026/27.
Reserves	Reserves levels are increased over the MTFP period as a minimum in line with the Reserves Policy (Appendix 7) in order to achieve financial sustainability over the medium term and to meet any unplanned overspends resulting from failure to deliver the financial outturn within the approved budget. The Council must avoid unplanned use of reserves without plans to replenish them, in order to secure its financial recovery going forward.

## **Changes to the MTFP since December 2025**

4.72 There have been a few changes to the MTFP since the report to Council in December 2025 and these are summarised in Table 11 below and are reflected in the updated MTFP in Table 12. These mainly relate to slightly increased funding following the publication of the Final LGFS.

***Table 11: movement in budget gap since 17 December 2025 Executive report***

Item	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Cumulative £m
<b>Original Budget Gap as at December 2025</b>	<b>(6.460)</b>	-	-	-	<b>(6.460)</b>
<i>Used for:</i>					
• Service budget growth added in	6.460	-	-	-	6.460
	-	-	-	-	-
<b>Funding movements</b>					
• Revenue Support Grant changes	16.143	8.101	8.451	8.788	41.483
• Business Rates Retained changes	(3.190)	(3.356)	(3.476)	(3.596)	(13.618)
• Business Rates Top up changes	(16.394)	(17.094)	(17.677)	(18.277)	(69.442)
	<b>(3.441)</b>	<b>(12.349)</b>	<b>(12.702)</b>	<b>(13.085)</b>	<b>(41.577)</b>
<i>Used for:</i>					
<b>Corporate Demand Pressures</b>					
• Creation of budget to support Mayoral Initiatives	0.100	-	-	-	0.100
• Additional capacity to provide further improvement in corporate governance and policy and embed continuous improvement across the Council	0.128	-	-	-	0.128
• Additional HR Capacity	0.056	-	-	-	0.056
• Creation of Civics & Armed Forces Officer post	0.045	-	-	-	0.045
• ICT Restructure	0.170	-	-	-	0.170
	0.499	-	-	-	0.499
<b>Capital Financing changes</b>					
• Additional capital financing funding for impact of capital plan	0.446	0.165	(0.417)	0.627	0.820
	0.446	0.165	(0.417)	0.627	0.820
<b>Contingencies and Reserves</b>					
• Continuation of centrally held Corporate Contingency Budget	0.872	0.894	0.490	0.026	2.282
• Changes in contributions to/from Budget Smoothing Reserve	-	(2.758)	(2.405)	(2.588)	(7.752)
• Changes to brought forward budgets as a result of funding changes in previous year	-	3.441	15.107	15.107	33.655
	<b>0.872</b>	<b>1.577</b>	<b>13.192</b>	<b>12.545</b>	<b>28.186</b>
<b>Grant Funding changes</b>					
• Changes to Children's Social Care Prevention Grant as now ringfenced	1.442	-	-	-	1.442
• Change to amount of grant rolled into formula - Homelessness Prevention Grant	0.060	-	-	-	0.060
• War Pensions Disregard grant rolled into formula	0.048	-	-	-	0.048
• Local Reform & Community Voices - Deprivation of Liberty Safeguards Funding grant rolled into formula	0.016	-	-	-	0.016
• Biodiversity Net Gain Planning Requirement grant rolled into formula	0.027	-	-	-	0.027
• Local Authority Better Care Fund grant rolled into formula from 2027/28	-	10.666	-	-	10.666
	<b>1.593</b>	<b>10.666</b>	-	-	<b>12.259</b>
<b>Other changes</b>					
• Revision to expected reduction in employers superannuation saving	0.072	-	-	-	0.072
• Revision to inflationary increase for fees and charges	(0.046)	(0.060)	(0.074)	(0.088)	(0.268)
• Increase in Environment Agency Levy	0.005	-	-	-	0.005
	0.031	(0.060)	(0.074)	(0.088)	(0.191)
	-	-	-	-	-
<b>Collection Fund Surplus</b>					
<i>Used for:</i>					
• Top up of Financial Resilience Reserve for 2026/27 only from Collection Fund Surplus	<b>(2.087)</b>	-	-	-	<b>(2.087)</b>
• Changes to brought forward budgets as a result of Collection Fund surplus available in previous year only	2.087	(2.087)	-	-	-
	-	2.087	-	-	2.087
	<b>0.000</b>	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-
<b>GAP / (SURPLUS) - December 2025</b>	<b>(6.460)</b>	-	-	-	<b>(6.460)</b>
<b>CURRENT GAP / (SURPLUS)</b>	-	-	-	-	-
<b>Movement in gap since December 2025</b>	<b>6.460</b>	-	-	-	<b>6.460</b>

Note: Revenue Support Grant and Business Rates changes are due to the funding outlined in the Final Local Government Finance Settlement, which changes the mix of the funding between these elements

## Updated MTFP

4.73 Table 12 below shows the major components of the updated MTFP reflecting the above amendments and budget assumptions, which are based upon the best information available at the time of writing the report.

4.74 This shows that there is currently a balanced budget for 2026/27 to 2029/30. There is a high level of uncertainty relating to 2029/30, and the figures for 2029/30 will be reviewed and updated when further information is made in the future available regarding Government funding levels.

**Table 12: updated MTFP 2026/27 to 2029/30**

Budget Item	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
<b>Net Budget brought forward</b>	<b>140.252</b>	<b>200.840</b>	<b>224.688</b>	<b>237.888</b>
Pay Inflation	2.402	3.101	2.543	2.594
Contractual inflation	1.797	1.547	1.547	1.547
Other inflation	0.008	-	-	-
Fees & Charges inflation	(0.694)	(0.708)	(0.722)	(0.736)
<b>Inflation total</b>	<b>3.513</b>	<b>3.940</b>	<b>3.368</b>	<b>3.405</b>
Removal of Middlesbrough Priorities Fund (one off for 2025/26 only)	(4.367)	-	-	-
Member Led Ward schemes	0.235	-	-	-
Corporate Demand Pressures	0.499	-	-	-
Service Demand pressures	15.549	6.691	8.286	5.438
<b>Demand pressures total</b>	<b>11.916</b>	<b>6.691</b>	<b>8.286</b>	<b>5.438</b>
Service Growth	6.460	-	-	-
<b>Service Growth total</b>	<b>6.460</b>	-	-	-
Removal of one off contribution to Financial Resilience Reserve for 2025/26 only	(1.370)	-	-	-
One off top up to Financial Resilience Reserve from Collection Fund surplus (2026/27 only)	2.087	(2.087)	-	-
Budgeted Contribution to Financial Resilience Reserve	-	0.750	0.750	0.750
Changes to Planned Contribution to Change Fund Reserve	(0.730)	0.730	-	-
Contributions to/(from) Budget Smoothing Reserve	-	0.577	3.343	(3.920)
Changes to Corporate Contingency budget	(0.454)	0.895	(0.343)	0.027
Changes to Pay & Prices Contingency budget	0.275	-	-	-
Removal of Savings Delivery Risk budget	(2.000)	-	-	-
Grant Funding adjustments (including grants rolled into formula)	41.005	11.058	0.392	5.802
Capital Financing adjustments	0.946	1.871	0.746	0.627
Savings - approved in previous years	(3.517)	-	-	-
Savings - approved in previous years now removed	2.458	-	-	-
<b>Other adjustments total</b>	<b>38.699</b>	<b>13.794</b>	<b>4.888</b>	<b>3.286</b>
<b>PROJECTED NET BUDGET</b>	<b>200.840</b>	<b>225.265</b>	<b>241.231</b>	<b>250.017</b>
Council Tax	(78.459)	(81.189)	(83.974)	(89.325)
Business Rates Retained	(24.475)	(25.030)	(25.540)	(26.051)
Business Rates Top up Payment	(46.750)	(47.829)	(48.788)	(49.761)
Estimated 25/26 Collection Fund Surplus	(2.087)	-	-	-
Revenue Support Grant	(49.069)	(71.217)	(82.929)	(84.880)
<b>Assumed Funding</b>	<b>(200.840)</b>	<b>(225.265)</b>	<b>(241.231)</b>	<b>(250.017)</b>
<b>Incremental Budget Gap + / Surplus ()</b>	-	-	-	-
<b>Cumulative Budget Gap + / Surplus ()</b>	-	-	-	-

4.75 The MTFP and the assumptions used will remain subject to constant review throughout 2026/27, and any changes will be reflected in future updates to the MTFP which will be presented to Executive in 2026/27.

## Budget Consultation Feedback 2026/27 (Appendix 4)

4.76 This section provides a summary of consultation activity and responses, along with impact assessments included at Appendix 4.

4.77 A near 4 week public consultation on the 2026/27 MTFP proposals and Council Tax increase commenced on 18 December 2025 and concluded on 11 January 2026 with consultation taking place via a general public survey on the Council's website, a general consultation email address, and an in-person public consultation event led by the Executive Member for Finance and the Corporate Director of Finance.

4.78 Consultation received the views of range of people through diverse channels of engagement, below is a summary of consultation activity:

- The budget consultation was promoted to over 45,000 residents via an email Council newsletter and promoted on the Council website and social media (Facebook and X).
- 302 responses to the Council's consultation survey
- a public consultation in person event led by the Executive Member for Finance and the Corporate Director of Finance and attended by senior officers at the Town Hall on 5 January 2026, was attended by 2 people
- a number of consultations with staff
- briefings for all Elected Members
- Elected Members were provided with details of the budget consultation to enable them to share with residents in their ward
- consultation on the budget with the Financial Resilience Working Group (FRWG) comprising cross party member representation with 5 meetings being held on 13 October 2025, 27 October 2025, 20 November 2025, 22 December 2025 and 14 January 2026
- consultation with the Council's Overview and Scrutiny Board (OSB), and attendance of the Mayor and Executive Member for Finance at Overview and Scrutiny Board on 18 December 2025
- consultation with the Council's partners and the local business sector, including consultation with the town's Chamber of Commerce, at a meeting on 10 December 2025

4.79 The on-line survey invited respondents to tell us about their views on the proposed draft budget and service budget growth and the proposed Council Tax increase for 2026/27.

4.80 Analysis of the budget consultation survey responses received shows the following main points:

- 54% of respondents who answered the question were in favour of a Council Tax increase of 2%. 43% were against, and 3% did not answer the question
- The survey asked those who disagreed with the proposed budget to provide alternative suggestions they thought should be considered. 155 comments were received. Analysis of the free text responses to this question identified general themes around the current cost of Council Tax, lack of information on how it is

spent, and the need for more support for families who are struggling but do not qualify for benefits support.

4.81 Consultation responders were also asked if they agreed with each of the areas of budget growth separately that had been proposed in the budget. 302 people viewed the questions as to whether they supported, were neutral, or opposed the areas of growth. Not all people answered each question. The figures for those who viewed the questions are set out below for each proposal, and this shows that the majority of those people agreed with all the areas of proposed budget growth:

- Continuing to improve the look and feel of our Town – 242 (80%) agreed with this proposed area of growth, 26 (9%) opposed it and 34 (11%) were neutral or did not answer
- More money for Youth services – 221 (73%) agreed with this proposed area of growth, 26 (9%) opposed it and 55 (18%) were neutral or did not answer
- Boosting schools and holiday clubs - 187 (62%) agreed with this proposed area of growth, 44 (15%) opposed it and 71 (23%) were neutral or did not answer
- Giving more children the experience they deserve - 152 (50%) agreed with this proposed area of growth, 54 (18%) opposed it and 96 (32%) were neutral or did not answer
- Supporting businesses and helping people to find jobs - 186 (62%) agreed with this proposed area of growth, 48 (16%) opposed it and 68 (22%) were neutral or did not answer
- Spending more on events and museums - 172 (57%) agreed with this proposed area of growth, 47 (16%) opposed it and 83 (27%) were neutral or did not answer
- Making our town safer – 263 (87%) agreed with this proposed area of growth, 11 (4%) opposed it and 28 (9%) were neutral or did not answer
- Improving housing - 210 (70%) agreed with this area of growth, 33 (11%) opposed it and 59 (19%) were neutral or did not answer
- Improving play parks - 195 (65%) agreed with this area of growth, 33 (11%) opposed it and 74 (24%) were neutral or did not answer
- Supporting and protecting people - 212 (70%) agreed with this proposal, 31 (10%) disagreed with it and 59 (20%) were neutral or did not answer
- Supporting our carers and foster families – 190 (63%) agreed, 25 (8%) disagreed and 87 (29%) were neutral or did not answer
- Supporting our communities – 169 (56%) agreed, 43 (14%) disagreed and 90 (30%) were neutral or did not answer

4.82 The key points from the responses to the consultations as set out in paragraph 4.80 have been considered by the Mayor and Executive as part of the budget process as set out as follows:

#### Current cost of Council Tax

Whilst the Council sets the Council Tax each year the Government assumes that the Council (as the case with other local authorities) increase their Council Tax by the maximum allowed and assumes this in their calculation of funding available to the Council. The Mayor and Executive are however proposing a lower than maximum Council Tax increase of 2% relating to the Adult Social Care Precept in 2026/27 in

order to help reduce the cost of Council Tax to residents (see paragraph 4.30 for details). As outlined in paragraph 4.27 there are significant anomalies in the current Council Tax system which result in extreme variances in council tax levels both regionally and nationally. The Government have recognised this and have provided for council tax equalisation in the government funding provided under the Fair Funding Review 2.0. However, a fundamental review of the Council Tax system and bands is required by Government so that a fairer Council Tax system can exist.

Lack of information on how Council Tax is spent

Information is included with Council Tax bills and will be provided on the Council's website regarding this following approval of the budget by Council planned on 18 February 2026.

The need for more support for families who are struggling but do not qualify for benefits support

The Council currently provides for this through the Welfare Strategy (see paragraph 4.40 for details) and through the extension of the Household Support Fund to provide support to these families. It will also seek to target these such families where possible in the future. The proposal to freeze school meal prices for those not on free school meals will also benefit these families.

4.83 As part of the consultation process at OSB and in the FRWG elected members suggested two potential amendments to the proposed budget in light of the additional Government funding. Firstly, a number of elected members suggested that the charges for the Green Waste Service could potentially be reduced from the current charges of £40 per year for the first bin and £20 per year for each subsequent bin. It was also suggested by the Executive Member for Finance and an elected member at OSB that car parking charges could be reduced from current levels or that there could potentially be the provision of a free period of parking in order to encourage people to visit the town centre and boost the local economy. These have been considered by the Mayor and Executive as part of the budget process as set out in the following paragraphs.

Suggested reduction in Green Waste service charge

An analysis of the cost of implementing this proposal is to be undertaken. An income target of £0.406m was set for this when the charge was introduced in 2024/25 and due to increased take up of the service above that expected a further income target of £0.450m was set in 2025/26, making a total income target of £0.856m. Currently the income forecast to be received in 2025/26 is £0.879m. Executive are minded to agree to a suggested reduction in charges, however it will not be possible to implement this for 2026/27 due to the time required to consult residents and implement it. Executive will consider options regarding this during the early part of 2026/27 and a report to Executive containing their preferred option for approval will be produced by the end of December 2026, with implementation of the potential reduced charge planned for 2027/28.

Suggested reduction in car parking charges or provision of a period of free parking

The Mayor and Executive generally supported the provision of a period of free parking but have asked for a full analysis and potential options to be provided. A report on this will be submitted to Executive by the end of April 2026 and following that any adjustments required to the car parking charges and the MTFP will be made. In the meantime, the car parking charges will be levied as per those contained in the Schedule of proposed Fees and Charges for 2026/27 as part of the Fees and Charges Policy 2026/27 (Appendix 8 Annex 1).

- 4.84 While the Mayor and Executive are not obliged to change their budget proposals in light of the outcome of the consultation, they are required to have due regard to it in making their decisions around the Council's Council Tax levels and the Medium Term Financial Plan.
- 4.85 Following consultation, the recommendation is to proceed with the budget proposals presented in the 17 December 2025 Executive MTFP report,
- 4.86 Responses to the budget consultation survey were analysed to assess whether there were any concerns about impacts from proposals that varied by protected characteristic, which could give an indication of an unintended impact or a concern that there would be a disproportionate adverse impact on individuals or groups because they held one or more protected characteristics. This analysis is set out in the Human Rights, Equality and Data Protection section (section) of this report. Impact assessments for the budget proposals that were subject to public consultation and an overall impact assessment are set out in Appendix 4.

**Report of the Corporate Director of Finance (s151 Officer) under s25 of the Local Government Finance Act 2003 (Appendix 6)**

- 4.87 Section 25 of The Local Government Act 2003 requires the Chief Financial Officer (CFO) to report to the Council on:
  - the robustness of the estimates made for the purpose of the budget calculations.
  - the adequacy of the proposed financial reserves.
- 4.88 The Council is required by law to take this report into account when making its decisions in relation to setting the annual budget and setting the Council Tax for the financial year 2026/27.
- 4.89 Section 26 of the Local Government Act 2002 places an onus on the CFO (the Corporate Director of Finance and s151 Officer) to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget.
- 4.90 The s151 Officer's report is extremely important and sets the context within which the 2026/27 budget and MTFP report and the Treasury Management Strategy reports should be considered. It provides a summary of the risks and issues that need to be addressed as a priority in order to strengthen the Council's grip on its financial management arrangements to deliver financial recovery and achieve financial

resilience over the period of the MTFP. It also sets out the accountabilities and responsibilities of all members and officers in relation to delivering in accordance with the 2026/27 Budget and MTFP in order to secure the financial future of the organisation.

4.91 The s25 report is detailed in Appendix 6 and includes the following sections

- Legal Framework
- Chief Finance Officer Overall Opinion
- Current context and financial standing of the Council
- Recommendations in relation to financial recovery and resilience
- Robustness of Estimates
- Governance
- Accounting Practice
- Budget Savings Delivery
- Key Risks impacting Budget Delivery
- Adequacy of Reserves

### **Reserves and Financial Reserves Policy (Appendix 7)**

4.92 Details of the current level of the Council's General Fund reserves and provisions are included in the separate Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter Three 2025/26 report to Executive on 4 February 2026.

4.93 The Financial Reserves Policy at Appendix 7 provides an overview of the Council's Reserves, the planned replenishment of the usable reserves over the term of the MTFP in order to achieve financial resilience and sets out the principles governing their use. The Policy is reviewed and updated annually as part of the annual budget setting cycle.

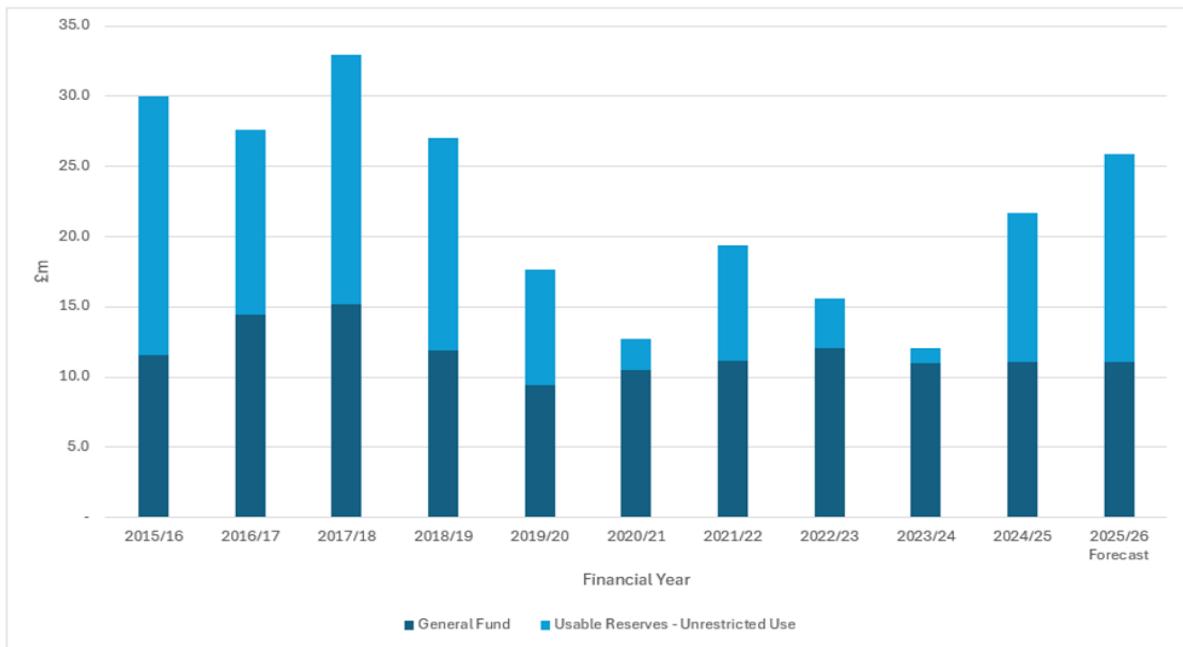
4.94 The Council must continue to rebuild its unrestricted revenue reserves over the period of the MTFP in order to strengthen the Council's financial resilience and to provide sufficient resilience to support the management of risks in the delivery of the revenue budget over the current MTFP period. Reserves will increase in future years due to planned contributions to reserves as set out in the Financial Reserves Policy at Appendix 7, and the budget proposed has no adverse effect on these planned increases over the MTFP period.

4.95 The s151 Officer recommends that the minimum balance on the General Fund Reserve should be maintained at a level of at least £11.1m over the MTFP period to 2029/30. Whilst the value of the General Fund Reserve is the same as that in the 2025/26 Financial Reserves Policy, the percentage has reduced from 7.75% in 2025/26 to 5.5% in 2026/27 due to the increase in the proposed net revenue budget arising from the additional government funding and the rolling in of a number of grants into RSG. The increase in other unrestricted usable reserves also means that this Reserve can be maintained at the same level.

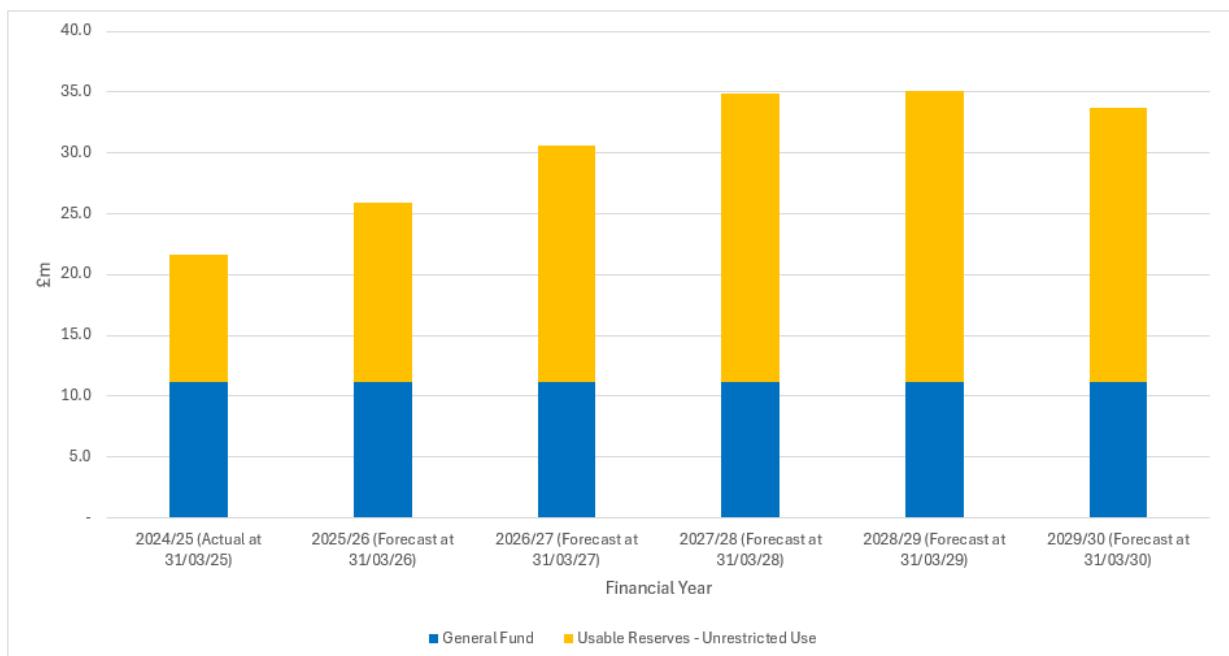
4.96 In addition, the s151 Officer recommends the build-up of the Financial Resilience Reserve to at least £10m in 2026/27 and at least £20m by the end of 2029/30 to strengthen the Council's financial resilience.

4.97 Figure 2 below shows that in 2023/24 the level of the total value of the Council's unrestricted usable reserves had declined to a critical level, however they have then started to be rebuilt in the last few years. Rebuilding of reserves will continue over the period of the MTFP to increase reserves to acceptable levels by the end of the MTFP period as shown in Figure 3 below, however, this will depend on any unplanned drawdowns of reserves. The uncertainty regarding Government funding for 2029/30 onwards means reserves have been increased further than that originally planned.

**Figure 2 – Movement in unrestricted usable reserves 2015/16 to 2025/26 forecast**



**Figure 3 - Forecast Unrestricted Usable Reserves from closing balance 2024/25 through to closing balance 2029/30 (following planned contributions and drawdowns)**



## **Fees and Charges Policy 2026/27 (Appendix 8)**

4.98 Appendix 8 details the Fees and Charges policy for 2026/27, which applies sector wide good practice on the levying of fees and charges into Middlesbrough's context.

4.99 Appendix 8 Annex 1 provides a Schedule of proposed Fees and Charges for 2026/27 for services provided by the Council arising from the application of the proposed policy for 2026/27, for approval by Council.

## **Capital Programme 2026/27 to 2029/30 & Capital Strategy 2026/27 (Appendix 9)**

4.100 The Council Plan for Middlesbrough acknowledges that a sustainable Capital Programme, and the strategy and controls to shape and manage it, is a critical contributor to the future ambitions, overall service delivery, and financial position of the Council going forwards.

4.101 The Council must consider how capital expenditure is paid for and what the long-term financial implications are of undertaking this investment. The Council is permitted to borrow funds to finance the Capital Programme under the Local Government Act 2003. It needs to consider the impact on the revenue budget in relation to repayment of borrowing proposed, how it funds the repayment of this debt and the period over which it is repaid.

4.102 The Council operates a strict approach to considering and prioritising schemes for inclusion in the Capital Programme set against available resources including a technical review process, as set out in the proposed Capital Strategy in Appendix 9 for approval by Council.

4.103 The Council's Capital Programme is reviewed each quarter via the quarterly budget monitoring reports. A review of the Council's Capital Programme has taken place prior to budget setting and the process for the review was detailed in the 17 December 2025 Executive report. As mentioned in the December 2025 report further work has been undertaken regarding this, in particular with relation to profiling over the years of the MTFP, and this has been revised in this report.

4.104 The main points arising from the review of the Capital Programme and the Capital Strategy detailed in Appendix 9 are:

- Proposed new schemes and additions to current schemes and an extension of schemes deemed Business as Usual totalling £11.735m in 2026/27 and rising to £56.633m by 2029/30. These are for essential expenditure required to support the delivery of the Council's objectives and priorities (details are provided in Section 3).
- The total capital expenditure over the MTFP period from 2026/27 to 2029/30 of £183.741m, with a programme of £79.483m for 2026/27. This is funded by a combination of external borrowing, grants and contributions, capital receipts and flexible capital receipts for transformation purposes.
- Notes the inclusion of transformation and redundancy expenditure which can be capitalised under the Flexible Use of Capital Receipts strategy (FUoCR) of

£5.789m in 2026/27 (as part of planned £26.700m Transformation Programme from 2024/25 to 2028/29) and the proposed annual Flexible Use of Capital Receipts (FUoCR) Strategy in Appendix 10 which will be presented to Council for consideration and approval on 18 February 2026 as part of the budget report.

- Notes that the capital financing requirement (need to borrow) will need to increase to £333.755m in 2026/27 and external debt will increase to £326.028m in 2026/27 to support these plans.
- Notes that a capital financing cost expected to be £14.151m or 7.1% of the revenue budget being proposed of £200.675m.

4.105 Provision has been made in the MTFP in respect of the potential capital financing costs arising from the new capital investment proposed to be included in the updated Capital Programme. An affordability limit that capital financing costs should not be more than 10% of the net revenue budget has been set by the Council's s151 Officer in line with CIPFA guidance, and the proposed capital investment will adhere to this. Full details regarding this are included in the Prudential Indicators 2026/27 to 2029/30 and Treasury Management Annual Strategy 2026/27 report to this Council.

4.106 The Council needs to control its spending plans over the medium to long term and seek to fund expenditure via external funding sources or capital receipts from asset sales rather than borrowing which needs to be rationed going forward in order to maintain affordability. The overall capital financing position makes it more important that the Council controls its revenue expenditure within budget, delivering its savings plans in full and realises the planned capital receipts to fund transformation and future capital investment.

### **Education Funding and Dedicated Schools Grant (DSG) (Appendix 12)**

4.107 The key points relating to Education Funding are:

- As detailed in the separate Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter Three 2025/26 report to this Executive and in Appendix 12 the DSG deficit is predicted to increase by £9m during 2025/26 and it is currently forecast that there will be a total cumulative DSG deficit of £31.213m at 31 March 2026, including £32.515m relating to the High Needs Block which is partly offset by £1.302m of surplus forecast across the other blocks. The pressure has been driven up by Education and Health Care Plans (EHCPs) increasing. The position will be closely monitored during 2026/27 and reported through the quarterly budget monitoring process.
- The Government indicated in the Budget 2025 published on 26 November 2025 that it is proposing that it will take over the future funding of Special Educational Needs and Disabilities (SEND) from 2028/29 when the statutory override ends at the end of 2027/28, and that they would not expect local authorities to fund future SEND costs from general funds.
- On 12 December Department for Education (DfE) announced that at least £3 billion of capital funding between 2026/27 and 2029/30 would be provided to deliver 50,000 specialist places nationally, in addition to 10,000 places to be delivered through special and AP free schools or alternative funding for local

authorities. This funding will be repurposed from funding previously intended for mainstream free school projects.

- In the Education Written Ministerial Statement published alongside the Provisional LGFS on 17 December 2025 the Government confirmed that the Schools White Paper to be published early in the new year will include plans for reform of Special Educational Needs and Disabilities (SEND) provision.
- It was also announced on 17 December 2025 that further details on plans to support local authorities with historic and accruing Dedicated Schools Grants deficits and conditions for accessing such support will be provided later in the Local Government Finance Settlement process.
- Following the Written Ministerial Statement as part of the Provisional LGFS, the DfE published on 17 December 2025 local authorities' allocations through the Dedicated Schools Grant (DSG) for schools, high needs, central schools' services and early years for 2026/27. This showed total indicative grant funding for Middlesbrough is **£222.114m** for 2026/27, after deductions for national non domestic rates and direct funding of high needs by DfE (further details are provided in Appendix 12).
- This is a total increase of **£14.945m (7.2%)** from the 2025/26 indicative budget after deductions.
- The figures currently are indicative, and the grant will be amended throughout the year as the Schools Block includes amounts which are passported straight to academies.
- In the Final LGFS published on 9 February 2026 the Government announced that it was committed to supporting local authorities with their DSG deficits in the transition to a reformed SEND system, and will introduce support for local authorities in phases. The first phase will address historic deficits accrued up to the end of 2025/26. All local authorities with a SEND deficit will be eligible in 2026/27 to receive a High Needs Stability Grant covering 90% of their High Needs-related DSG deficit accrued up to the end of 2025/26. The issuing of this grant will be subject to the Government validating the amount of a local authority's historic deficit up to the end of 2025/26 and that all spending included in it is eligible, and also it is subject to a local authority submitting and securing the Department for Education's approval of a local SEND reform plan.
- In the Final LGFS the Government also confirmed that the Statutory Override will remain in place until the end of 2027/28 (31 March 2028). While it remains in effect, all DSG deficits including any proportion of the historic deficit up to 2025/26 not covered by grant ("the residual deficit") will remain in the associated statutory reserve ("the unusable reserve") and will not affect local authorities' wider financial positions. Also to note whilst the High Needs Stability Grant will be received in 2026/27 this grant cannot be applied to the DSG deficit until 2028/29 when the statutory override ends and must be held

in a separate reserve until then. The Government has stated that local authorities will need to plan to be able to meet the cost of the residual deficit from their own resources in 2028/29, including setting aside appropriate reserves in the preceding years.

- The Government have recognised that SEND reform will take time to fully embed and local authorities will need further support. For deficits that arise in 2026/27 and 2027/28, they have stated that local authorities can expect that the Government will continue to take an appropriate and proportionate approach, though it will not be unlimited. Whilst recognising the challenges of the current system, it remains vital that every authority provides appropriate high-quality support for children and young people's education whilst ensuring robust controls as we work together to reform the SEND system. They have also said that they will support local authorities and their partners to do this through their Local SEND Reform Plans.
- Therefore, even with the significant financial support announced in the Final LGFS there remains a risk around satisfying the conditions of the High Needs Stability Grant, along with the remaining historic deficit and accruing future deficits post 2025/26. In order to mitigate this risk an amount of approximately £5m has been provisionally set aside from the Financial Resilience Reserve in 2028/29 to cover the 10% remaining historic deficit and also 10% of forecast deficits for each of 2026/27 and 2027/28, pending further clarification from the Government on how to address these deficits and the publication of the Schools White Paper.
- There also remains a risk about the future of SEND provision and the fact that the statutory override will end on 31 March 2028. The timing and content of the proposed reforms to SEND provision will have a significant impact on the remaining periods in which local authorities remain responsible for funding these services and in which deficits are expected to continue accumulating. In addition, it is not clear what role local authorities will continue to play as key partners in complex local delivery systems including partners in education (state and private), healthcare, children and families, and transport providers. Transitions for those who might require continuing support as working age adults with learning disabilities will continue to need careful operational and financial planning.
- This will remain a risk whilst the Council awaits further detailed announcements on how the Government will deal with future accruing deficits and the detail of the Schools White Paper which is due to be published shortly.
- The DSG risk is included in the Council's Strategic Risk Register and was reflected in the Annual Governance Statement for 2024/25, and its inclusion in future years will be evaluated in light of further Government announcements and analysis of DSG deficit.

- The DSG deficit has potentially resulted in a capital financing cost to the Council. The effect of expenditure being greater than income on this grant has depressed overall cash balances, incurring an opportunity cost of the investment income that could have been earned.
- Further details of the DSG budget and DSG deficit and the management actions being taken following the completion of the Delivering Better Value programme to manage the deficit are provided in Appendix 12. The Council must continue to demonstrate strong leadership including engagement with all local system partners and apply robust financial control and operational; rigour so that all expenditure and related deficits are managed appropriately.

### **Pay Policy Statement 2026/27 (Appendix 13)**

4.108 The Council must publish a Pay Policy Statement each year which sets out the Council's policies on remuneration of its staff in accordance with Section 38 of the Localism Act 2011. This includes various employee policies relevant to the remuneration of Chief Officers in operation within the Council. The actual content of those policies included within the statement will continue to be determined by current mechanisms. The Pay Policy Statement must be approved by Full Council before publication on the Council's website and must be published before 31st March each year.

4.109 The Pay Policy Statement for 2026/27 is attached to this report in Appendix 13.

### **5. Ward Member Engagement if relevant and appropriate**

- 5.1 All elected members, including ward members, have a role to play in the budget setting process.
- 5.2 As detailed in 3 September 2025 Executive report the annual budget financial planning cycle requires a collaborative and co-ordinated approach by all elected members and officers in order to achieve a balanced budget and MTFP and ensure the financial sustainability of the Council. Briefings for all elected members will be arranged at various points of the process to ensure that key issues are understood, including the holding of a full briefing to all elected members when the Executive papers for the 17 December 2025 report were published on 9 December 2025, and also on 29 January 2026 after the papers for Executive on 4 February 2026 were published.
- 5.3 The Financial Resilience Working Group (FRWG) comprising cross party member representation has met five times during the budget setting process on 13 October 2025, 27 October 2025, 20 November 2025, 22 December 2025 and 14 January 2026. A further meeting will be held in late February / early March following approval of the budget to update members on the implementation of the budget proposals.

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

6.1 The Council is required by law to set a balanced budget and to operate robust and meaningful financial planning arrangements and this report is a key part of achieving that objective. Therefore, no other options are feasible.

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

Topic	Impact
	<p>Financial (including procurement and Social Value)</p> <p>This report represents a key step in the budget process and reports on the current position at the time of writing the report following the publication of the Final Local Government Finance Settlement (LGFS) on 9 February 2026, and updates on the minor changes from the report to Executive on 4 February 2026 which was based on the Provisional Local Government Finance Settlement published on 17 December 2025.</p> <p>Council approval of the 2026/27 budget and proposed Council Tax is sought at this Council meeting of 18 February 2026 in order to comply with the statutory deadline of 11 March 2026 and to enable the billing of Council Tax to Middlesbrough households to be undertaken.</p> <p>The detailed financial implications associated with the report are set out throughout the main body of the report and are summarised below.</p> <ul style="list-style-type: none"> <li>• Government funding in the form of Fair Funding Allocation (Revenue Support Grant, Local Authority Better Care Fund, Retained Business Rates and Business Rates Top up Payment) of £130.960m in 2026/27 (summarised in Table 1a in paragraph 4.14), which is an increase of £14.171m for 2026/27 (as shown in Table 1b in paragraph 4.14)</li> <li>• The increase in the Council's Core Spending Power (the Government's calculation used to illustrate the overall impact of local authority funding which includes the Settlement funding, the Government's assessment of Council Tax income, and various specific grants) from 2025/26 to 2028/29 is £57.511m or 28.4% and from 2024/25 to 2028/29 £75.648m or 41.0% (paragraph 4.17)</li> <li>• Forecast service demand pressures and re-basing of budgets (including for reduced income levels and legislative requirements) totalling £15.549m for 2026/27 rising to £35.963m in 2029/30. This includes the decision by Executive not to increase school</li> </ul>

	<p>meals prices for parents who do not receive free school meals in order to support families, for which budget provision of £0.230m for 2026/27 rising to £0.371m in 2029/30 has been provided (paragraphs 4.59 to 4.61 and Appendix 1).</p> <ul style="list-style-type: none"><li>• That it is proposed that savings totalling £2.458m p.a. are removed from the MTFP. which are now found to be unachievable in the manner originally intended (paragraph 4.65).</li><li>• Proposed Service Budget Growth totalling £6.460m from 2026/27 as detailed in Appendix 3</li><li>• Proposed Corporate Demand of £0.499m p.a. from 2026/27, and the continuation of the Member Led Ward Schemes budget of £0.235m p.a. from 2026/27 (Table 7 in paragraph 4.62)</li><li>• The Mayor and Executive propose no increase in core (general) Council Tax for 2026/27, but a 2% increase in Council Tax in 2026/27 relating to the Adult Social Care precept to reflect the increased costs of the statutory duties required for Adult Social Care (paragraph 4.30). Appendix 11 details the proposed Council Tax to be set for 2026/27.</li><li>• Proposed 2026/27 Net Revenue Budget of £200.675m (Appendix 5) and a balanced Medium Term Financial Plan (MTFP) for the period 2026/27 to 2029/30 (Table 12 paragraph 4.74)</li><li>• Capital Strategy Report for 2026/27 and proposed Capital Programme for 2026/27 to 2029/30 totalling £183.741m (including proposed new capital schemes and additions to current schemes and extension of schemes deemed Business as Usual totalling £11.735m in 2026/27 and rising to £56.633m by 2029/30), and the associated financing (Appendix 9)</li><li>• The Flexible Use of Capital Receipts (FUoCR) Strategy for 2026/27 totalling £5.789m (Appendix 10)</li><li>• Education funding and Dedicated Schools Grant (DSG) and the risk to the Council arising from the DSG deficit (Appendix 12)</li><li>• The Pay Policy Statement for 2026/27 which sets out the Council's policies on remuneration of its staff in</li></ul>
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	<p>accordance with Section 38 of the Localism Act 2011 (Appendix 13)</p> <p>The report should be read in conjunction with the Prudential Indicators 2026/27 to 2029/30 and Treasury Management Annual Strategy 2026/27 report elsewhere on this agenda. That report translates the Council's revenue income and expenditure plans and capital investment plans for the purpose of the council's cash flow management together with setting the framework within which the Council's investment and borrowing activity is governed.</p> <p>There are no direct Procurement implications arising from the report, but there are potentially Procurement implications arising from the budget proposals for service budget growth if they are approved as part of the Council budget on 18 February 2026.</p> <p>A number of the service budget growth proposals should positively provide social value.</p>
Legal	<p>The Council is required by law to set a legally balanced budget by 11 March for each year. Failure to do so will result in the statutory requirement for the s151 Officer to issue a s114 notice under s114(3) of the Local Government Act 1988.</p> <p>The Medium Term Financial Plan and revenue and capital budgets form part of the Council's policy framework, as set out in its constitution. The approach outlined within the document will enable the Council to operate within the resources available and continue to meet its many statutory duties.</p> <p>Elected members (individually and collectively) have a fiduciary duty to local taxpayers and so duty to facilitate, rather than frustrate, the setting of a lawful budget, and not to do so would bring damaging legal, financial, operational, and reputational consequences for the Council, and precepting authorities such as the police, fire service and local parish councils. It may also give rise to personal liability for individual members for misfeasance in public office, negligence, or breach of statutory duty, should they be found to be purposely failing to set a lawful budget.</p>
Risk	<p>The revision of the Council's Medium Term Financial Plan for 2026/27 to 2029/30 plays a fundamental role in ensuring that the Council Plan is delivered effectively.</p>

	<p>The proposed approach will ensure a positive impact on the strategic risk (SR01) that the Council fails to maintain a balanced budget and Medium Term Financial Plan. The proposed approach also aligns with legal requirements around consultation and assessing the impact of proposals. It therefore impacts positively on the risks that the Council could fail to achieve good governance or comply with the law (SR01 and SR04).</p> <p>The uncertainties of the economic environment over the short to medium term present a high risk to the authority as reflected in the pressures being experienced and reflected in the Quarter Three forecast year-end overspend for 2025/26. It is essential that Directors in consultation with Executive Members are focused upon continuing to develop and deliver financial recovery plans to attempt to control expenditure within the approved budget for 2025/26. Any increases in the overspend in 2025/26 will impact upon the 2026/27 budget and MTFP to 2029/30.</p>
Human Rights, Public Sector Equality Duty and Community Cohesion	<p>The Council must ensure that, in line with the Public Sector Equality Duty, that any budget saving proposals, other budget proposals, or proposed Council Tax increases thought to impact on those with protected characteristics are assessed, mitigated where possible and/or justified. An Impact Assessment has been completed on the proposed budget. It did not identify any concerns that the Budget could have a disproportionate, adverse impact on individuals or groups, because they hold one or more protected characteristics. The budget and growth areas are relevant to the following protected characteristics and will positively impact on them - Age and disability. No concerns were identified as a result of the budget consultation process that the budget proposals could have a disproportionate adverse impact on one or more groups because they hold one or more protected characteristics.</p>
Reducing Poverty	<p>A number of the service budget growth proposals should positively help to reduce poverty.</p>
Climate Change / Environmental	<p>The proposed recommendations in this report do not directly impact on Climate Change/Environmental issues.</p>
Children and Young People Cared for by the Authority and Care Leavers	<p>A number of the service budget growth proposals should positively impact upon Children and Young People Cared for by the Authority and Care Leavers.</p>
Data Protection	<p>The proposed recommendations in this report do not directly impact on Data Protection issues.</p>

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

Action	Responsible Officer	Deadline
If approved by Council on 18 February 2026, the proposals set out in this report will form the basis of the 2026/27 revenue and capital budgets of the Council	Corporate Director of Finance (s151 Officer)	18/2/26

## Appendices

<b>1</b>	Forecast Service Demand Pressures and Re-basing of Budgets (including for reduced income levels and legislative requirements)
<b>2</b>	Additional Budget Savings already approved in previous years
<b>3</b>	Proposed Service Budget Growth in line with Council Plan priorities
<b>4</b>	Budget Consultation – overall budget impact assessment 2026/27
<b>5</b>	Details of net revenue budget by Directorate 2026/27
<b>6</b>	s151 Officer Statement on Robustness of the budget and adequacy of reserves, required under s25 of The Local Government Act 2003 (Pt 1)
<b>7</b>	Financial Reserves Policy
<b>8</b>	Fees and Charges Policy 2026/27
<b>9</b>	Capital Programme 2026/27 to 2029/30 and Capital Strategy 2026/27
<b>10</b>	Flexible Use of Capital Receipts (FUoCR) Strategy 2026/27
<b>11</b>	Council Tax setting 2026/27
<b>12</b>	Education Funding 2026/27 and Dedicated Schools Grant (DSG)
<b>13</b>	Pay Policy Statement 2026/27

## 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
Executive	2024/25 Outturn Report	11/6/25
Executive	Medium Term Financial Plan (MTFP) update and 2026/27 budget development approach and timetable	3/9/25
Executive	Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter One 2025/26	3/9/25

Executive	Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter Two 2025/26	3/12/25
Executive	Calculation of Council Tax Base for 2026/27	3/12/25
Executive	Treasury Management Mid-Year Review – 2025/26	3/12/25
Executive	Council Plan 2026/27-29: Outcomes Refresh	3/12/25
Executive	2026/27 Draft Budget and Medium Term Financial Plan 2026/27 to 2029/30	17/12/25
Executive	Revenue and Capital Budget – Forecast Year-end Outturn position at Quarter Three 2025/26	4/2/26
Executive	Prudential Indicators 2026/27 to 2029/30 and Treasury Management Annual Strategy 2026/27	4/2/26
Executive	2026/27 Revenue Budget, Medium Term Financial Plan, and Council Tax setting	4/2/26

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