

AGENDA ITEM 4

REPORT TO COUNCIL

22 FEBRUARY 2023

**REPORT OF CORPORATE
MANAGEMENT TEAM**

COUNCIL DECISION

Leader of the Council – Councillor Bob Cook

MEDIUM TERM FINANCIAL PLAN UPDATE AND STRATEGY

SUMMARY

This is the final report in setting the Council's 2023/24 Budget and Council Tax and outlining the Medium Term Financial Plan (MTFP) position to 2026. The report also includes an update on the financial performance for 2022/23.

The proposals in the Report would mean that the Council would have a balanced budget in 2023/24. The financial position over the medium term continues to be extremely uncertain in the context of a one-year financial settlement for local government and inflation. Current projections indicate a budget gap in 2025, although given the uncertainties this position could become even more challenging.

In order to prepare for the future, address the budget gap and build further financial resilience, the Council will embark on a transformation programme to review services to deliver savings whilst aiming to maintain or improve service delivery.

REASON FOR RECOMMENDATIONS/DECISIONS

The report outlines recommendations to Council in relation to:

- 2023/24 budget, MTFP and Capital Programme
- Council Tax
- Organisational and HR, Treasury Management Policy and Treasury Management Practices, Capital Strategy, Treasury Management Strategy, Investment Strategy, officer appointments to outside bodies, and member allowances.

RECOMMENDATIONS

1. That in accordance with the Local Government Act 2003, Members note that the Section 151 Officer confirms that the following recommendations:
 - a) represent a robust budget which has been prepared in line with best practice;
 - b) provide adequate working balances;
 - c) that the controlled reserves and provisions are adequate for their purpose.

General Fund Budget

2. Approve a 2023/24 Council Tax requirement for Stockton-on-Tees Borough Council of £108,606,509.

3. Approve a 2023/24 Council Tax requirement for Stockton-on-Tees Borough Council inclusive of Parish Precepts (£965,245) of £109,571,754.
4. Approve the 2023/24 budget and indicative 2023/26 MTFP as outlined in paragraphs 27 - 54, the level of General Fund Balances and the release of reserves to balance the 2022/23 in year financial position as set out in paragraphs 21-26.

Taxation

SBC

5. Approve the Council Tax for Stockton-on-Tees Borough Council prior to Parish, Fire and Police Precepts be increased by 4.9%, which includes the Government Levy of 2% in respect of Social Care i.e. to £1,851.18 at Band D (£1,234.12 at Band A).

Fire, Police & Parish

6. The Council note the Police & Crime Commissioner has set a precept of £17,056,780 which equates to a Council Tax of £290.73 at Band D (£193.82 at Band A).
7. The Council note the Fire Authority has set a precept of £5,095,972 which equates to a Council Tax of £86.86 at Band D (£57.91 at Band A).
8. The Council note the Parish precepts as set out in paragraph 79 of the budget report.

Capital

9. Approve the Capital Programme attached at **Appendix A & B**.

Organisational and HR

10. Council approve the Pay Policy Statement including the pay and grading structure at **Appendix C and C(1)**.

Members Allowances

11. Approve that Members allowances are frozen for 2023/24. This will mean that these allowances have been frozen since 2013/14.

Attendance at Court

12. Approve and note the updated job titles for posts who may lay complaint, appear at court, prosecute and defend in all matters relating to the collection and enforcement of Council Tax, Business Rates (NNDR) and the Business Improvement District levy.

Council Tax - Statutory Requirements

13. Members approve the statutory requirements for Council Tax as shown in **Appendix D**.
14. The Council must set its Local Council Tax Reduction scheme annually by 11 March of the preceding financial year. Cabinet therefore recommends to Council that the current Local Council Tax Reduction Scheme is retained for the financial year 2023/24 incorporating the updates for the prescribed requirements in regulations and with an updated income table at Schedule 1 to reflect increased income levels as a result of updated benefit figures.
15. That the Director of Finance, Development and Regeneration and Deputy Chief Executive be given delegated authority, in consultation with the Leader, to make further adjustments to the

income table and/or disregard additional funds should the government issue revised publications with regards to these matters after 22nd February to ensure that Government's intentions for additional support is maintained.

Capital Strategy

16. Approve the Capital Strategy as set out at **Appendix E** to the report, including the Flexible Use of Capital Receipts Policy and the MRP Strategy.

Treasury Management/Prudential Code

17. Approve the Treasury Management Strategy as set out in **Appendix F** to the report.
18. Approve the Treasury Management Policy and Treasury Management Practices as set out in **Appendix G** to the report.

Investment Strategy

19. Approve the Investment Strategy as set out at **Appendix H** to the report.

DETAIL

1. The MTFP report for 2023/24 to 2025/26 is attached.
2. The report also provides an update on the financial position for 2022/23. As reported previously, inflationary pressures are having a significant impact upon the financial position in 2022/23. We continue to see increased costs in maintaining vital services.
3. The Report outlines the Council Tax proposals and Budget for 2023/24 and the indicative MTFP for the next two years.
4. It provides an update on the position from that reported to Cabinet and Council in February 2022 and in particular reflects implications arising from the Autumn Statement 2022 and the Local Government Finance Settlement for 2023/24.
5. The Provisional Financial Settlement has provided funding allocations for 2023/24 only. The Autumn Statement and policy statement provided national funding totals for some of our funding streams for 2024/25, but we do not know how this translates into individual local authority level funding settlements for this year, leaving 2024/25 uncertain. The period for 25/26 and beyond is even more unknown, with no information announced on this period, it therefore needs to be treated with some caution.
6. The Council has a long history of providing value for money and delivering strong financial management. This has again been reinforced by the External Auditor in the Audit Completion Report which was considered by the Audit and Governance Committee on 28th November 2022. The external auditor will produce the Annual Auditors Report for 2022/23 following the resolution of two issues external to the council. These are a national issue regarding infrastructure assets and a delay to the audit of Teesside Pension Fund. Once these two issues are resolved, the Annual Auditors Report will be considered by the Audit and Governance Committee, then subsequently presented to Cabinet. As part of this approach, there is a strong track record of delivering savings and efficiencies and the Council remains well prepared for the challenges ahead.
7. Section 25 of the Local Government Finance Act 2003 requires that when a local authority is agreeing its annual budget and setting its Council Tax, the Chief Finance Officer (Section 151 Officer) must report to it on the following matters:

- The robustness of the estimates made for the purposes of the Council Tax requirement calculations
- The adequacy of the proposed financial reserves

8. The Council is required to have due regard to this report when making decisions on the budget.

9. The report is attached at **Appendix I**.

COMMUNITY IMPACT IMPLICATIONS

10. As part of the process of making changes to policy or delivery of services, we consider the impact on our communities. No changes to policy or service delivery are proposed as part of this report.

CORPORATE PARENTING IMPLICATIONS

11. None

FINANCIAL IMPLICATIONS

12. To update the MTFP position for 2023/24 – 2025/26 and recommend the budget for 2023/24.

LEGAL IMPLICATIONS

13. None

RISK ASSESSMENT

14. This MTFP update report is categorised as medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk. Understanding cost pressures and future government funding over the medium term will be key to understanding and mitigating this risk.

WARDS AFFECTED AND CONSULTATION WITH WARD/COUNCILLORS

15. N/A

BACKGROUND PAPERS

16. None

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**MEDIUM TERM FINANCIAL PLAN
AND BUDGET
2023/24**

CONTENTS

Section 1	National Changes Funding Position Government Funding – Provisional and Final Settlement
Section 2	Financial Position at 31 December 2022 Service Position Overall / General Fund Balances
Section 3	Medium Term Financial Plan 2023-26
Section 4	Capital Programme
Section 5	Pay Policy and Members Allowances Pay Policy Statement Officer Appointment to Outside Bodies and Governing Bodies Members Allowances
Section 6	Precept Levels Stockton Precept Police Precept Fire Precept Parish Precept Overall Tax Position Formal Tax Recommendations Local Council Tax Support Scheme
Section 7	Local Council Tax Support Scheme
Section 8	Capital Strategy
Section 9	Treasury Management Treasury Management Strategy Treasury Management Policy and Treasury Management Practices
Section 10	Investment Strategy
Appendices	
Appendix A	Capital Programme December 2022
Appendix B	Capital Programme
Appendix C	Pay Policy Statement
Appendix D	Council Tax Statutory Requirements
Appendix E	Capital Strategy
Appendix F	Treasury Management Strategy
Appendix G	Treasury Management Policy and Treasury Management Practices
Appendix H	Investment Strategy
Appendix I	Section 25 Statement – Section 151 Officer

SECTION 1 – NATIONAL CHANGES

Funding Position

1. On 17th November 2022 the Government announced the Autumn Statement 2022, setting out headline funding levels for government departments across the next two financial years to March 2025.

The key announcements which have an impact on local government funding (some subject to ratification or further detail in the forthcoming Local Government Finance Settlement) were:

- Council Tax Referendum Limits – The referendum limit for core council tax will increase from 2% to 3% from 2023/24. In addition, the limit for the Adult Social Care precept will rise from 1% to 2%. In Government funding announcements relating to resources available to Councils and additional funding for Social Care, there was an assumption that Councils increased Council Tax by these amounts.
 - Significant announcements were made in relation to social care funding:
 - £1bn of new grant funding in 2023/24 and £1.7bn in 2024/25 will be allocated to support adult social care and discharges from hospital. Of this, £600m in 2023/24 (£1bn in 2024/25) will be distributed through the Better Care Fund, with the intention of getting people out of hospital on time and into care settings, freeing up NHS beds. £400m in 2023/24 and £680m in 2024/25 will be distributed through a grant ring-fenced to adult social care, which is also intended to support discharge.
 - £1.3bn in 2023/24 and £1.9bn in 2024/25 will be distributed to local authorities through the Social Care grant for adults and children's social care. This funding has been re-directed from funding allocated to support the introduction of adult social care reforms. The Autumn Statement indicated that those reforms have been delayed for two years, however we are awaiting further clarity.
 - From 1st April 2023 business rates bills in England will be updated to reflect changes in property valuation since the last revaluation in 2018. A package of targeted support worth £13.6bn over the next 5 years is intended to support businesses as they transition to the new bills. It was stated that local authorities will be fully compensated for the loss of income as a result of these business rates measures.
2. On 19 December 2022 the DLUHC announced the Provisional Local Government Finance Settlement for 2023/24. The settlement was for a one-year period only. This confirmed a number of the key aspects from the Autumn Statement highlighted above and presented information at a local authority level.

The key announcements from the Provisional Local Government Finance Settlement were:

- Referendum limits are set at 3% for core council tax and 2% for the Adult Social Care levy.
- The Revenue Support Grant, which now is a small proportion of Government funding has increased in line with CPI
- Of the £600m of new discharge funding announced at the Autumn Statement, £300m will be allocated to local authorities as part of the Better Care Fund. (SBC allocation £1m)

- The £400m ASC grant announced in the Autumn Statement has been added to £162m Fair Cost of Care funding to create the Adult Social Care Market Sustainability and Improvement Funding (SBC allocation £2m).
 - Social Care Grant increased by £1.3bn (SBC allocation increased by £4.6m). This funding was redirected from delaying the adult social care charging reform until October 2025.
 - Services Grant has been reduced by £358m and New Homes Bonus legacy payments have ended.
3. On 12 December 2022, the government published a policy statement covering their intentions for the local government finance settlement in 2023/24. These were confirmed when the provisional settlement was announced on 19 December and are summarised above. The policy statement also included government's intentions for parts of the 2024/25 local government finance settlement.

The key points for 2024/25 intentions are

- For 2024/25 the referendum principles will continue the same as 2023/24; 3% per year increase to core council tax and 2% increase per year to the adult social care precept.
 - Social care grants will increase as set out in the Autumn Statement, described at paragraph 1 above.
 - Introduction of a new funding stream, the Extended Producer Responsibility for packaging. The details of this funding stream, and the impact it will have upon the wider local government funding settlement are yet to be understood.
4. The government has previously committed to carry out a Review of Relative Needs and Resources and a reset of the accumulated business rates growth. Government have confirmed these will not be implemented in this Spending Review period, which ends in March 2025. Government state they are committed to improving the local government finance landscape in the next Parliament.
5. The one-year spending review and financial settlement, and only limited information for 2024/25, leaves significant uncertainty regarding the position from 2024 onwards. This makes financial planning across the duration of the MTFP challenging and the delay to local government funding reforms add to future uncertainty.
6. The impact of the Autumn Statement, policy statement and Provisional Local Government Finance Settlement on levels of funding have been factored into the position set out in this report.
7. The final settlement was announced on 6th February 2023 which confirmed the funding allocations as set out above.

SECTION 2 - FINANCIAL POSITION TO 31 DECEMBER 2022

8. Members will be aware from the report to Cabinet in December 2022 of the level of inflationary pressures experienced in the current year. As previously reported actions have been taken in year to mitigate some of the growing budget pressures. These include
- Holding vacant posts where possible
 - Retention of one-off funding e.g. concessionary fares funding
 - Reduced expenditure on Supplies and Services
9. The following table details the projected General Fund outturn position for the current financial year, with detail provided in subsequent paragraphs.

Directorate	Annual Budget	Projected Outturn	Projected Variance Q3 Over/(Under)	Projected Variance Q2 Over/(Under)	Movement between Q2 and Q3
	£'000	£'000	£'000	£'000	£'000
Adults & Health	81,294	78,701	(2,593)	(1,949)	(644)
Children's Services	44,682	51,041	6,359	5,733	626
Community Services, Environment & Culture	51,564	51,738	174	1,328	(1,154)
Finance, Development & Regeneration	14,784	14,020	(764)	(421)	(343)
Corporate Services	11,799	10,774	(1,025)	(856)	(169)
Corporate Items	2,618	1,572	(1,046)	(1,056)	10
Total	206,741	207,846	1,105	2,779	(1,674)
Pay Offer Pressure			2,835	2,827	8
Revised Total			3,940	5,606	(1,666)
Excess General Fund Balances b/f from 2021/22			(1,413)	(1,413)	0
Revised Balance			2,527	4,193	(1,666)

Adults and Health

10. The service continues to manage vacancies which is generating a further saving this year of (£220,000). Lower activity on residential placements, home care and day care services are generating a saving against budget of (£400,000).

Children's Services

11. The significant financial pressures highlighted in the previous report have increased in the third quarter, particularly relating to very high costs of a number of specific placements.
12. There remain a number of key challenges for the Council in meeting its statutory duty to secure, as far as is possible, sufficient provision for children in care based on our own experience:
- a. Demand for places currently significantly outstrips supply
 - b. The market is currently provider led
 - c. The market is increasingly becoming dominated by similar types of provision, driven by financial considerations and the impact of regulation
 - d. Securing the right provision for the right price
 - e. There are emerging challenges for both public and private sectors around finding sufficiency quality staff to support provision
 - f. Community opposition to new development

13. The issues we face locally are replicated across the Country and the Competition and Markets Authority (CMA) have completed a market study into children's social care provision. The CMA final report, published in March 2022, highlighted significant problems in how this market is functioning, particularly:
 - a. a lack of placements of the right kind, in the right places, means that children are not consistently getting access to care and accommodation that meets their needs
 - b. the largest private providers of placements are making materially higher profits, and charging materially higher prices, than we would expect if this market were functioning effectively
 - c. some of the largest private providers are carrying very high levels of debt, creating a risk that disorderly failure of highly leveraged firms could disrupt the placements of children in care
 - d. The CMA concluded that the children's social care provision market is not working well and that it will not improve without focused policy reform as part of large-scale national policy programmes, and made recommendations to all 3 national governments to improve commissioning, reduce barriers to providers creating and maintaining provision, and reduce the risk of children experiencing negative effects from children's home providers exiting the market in a disorderly way. Whilst there has been no changes Nationally, members will be aware from the report to Cabinet in December 2022 of the interventions the Council are planning to improve the position.
14. The impact of these issues is that there are still considerable ongoing pressures on Children's Services, particularly relating to the costs of children in our care which is an issue facing the majority of local authorities. It has been necessary to place more children in external residential care, and such placements are now considerably more expensive due to the various factors outlined above. It should be noted that we also have increasing numbers of unaccompanied asylum seeking children in our care. This is all leading to greater financial strain on the Council's Medium Term Financial Plan (MTFP).
15. There are emerging challenges for both the public and private sectors around finding sufficiency quality staff to support provision for Children's Social Care. As a result of this difficulty to recruit, we continue to incur high levels of agency staff. This is creating an overspend against budget.

Community Services, Environment and Culture

16. Energy prices and inflation costs continue to be extremely volatile and difficult to predict. The receipt of actual bills has provided more certainty regarding the impact of the Government's Energy Bill Reduction Scheme. This results in a partial reduction in the forecast overspend for this year. There has also been a reduction in energy consumption which is reducing the forecast overspend. This is creating a combined reduction to the overspend reported last quarter of (£500,000).
17. The performance of Tees Active has improved during the year and despite significant inflationary pressures facing this sector. It is therefore anticipated that £400,000 of funding earmarked for TAL to support energy costs, will not be required in 2022/23.
18. There are further savings generated through managing vacancies and increased income streams.

Finance, Development and Regeneration

19. The projected position has improved by £343,000, largely as a result of savings through managing vacancies across the Directorate.

Corporate Services

20. The projected position has improved by £169,000, largely as a result of savings through managing vacancies across the Directorate.

Overall Revenue Position/General Fund Balances

21. The Council aims to retain General Fund Balances at a prudent level, currently £8,000,000 and Members will recall that the position at year-end 2021/22 exceeded this sum by £1,413,000.
22. Should the projected position for the current financial year 2022/23, summarised in the paragraphs above, materialise at year end, then the position for General Fund Balances would be

	£m
Brought forward as at 31 st March 2022	9.413
Less projected overspend in year	<u>(3.940)</u>
Balance	5.473
Required Level	<u>8.000</u>
Projected Shortfall	(2.527)

23. The projected shortfall of £2.527m would require to be either replenished by incorporating this pressure in the 2023/24 budget or to release earmarked reserves. Given the pressure on the Council's budget which is explained further in this report, identifying a further £2.5m would be extremely challenging and require immediate cuts to services and earmarked reserves must therefore be explored.
24. Earmarked reserves are retained for specific reasons and the majority of the reserves are committed and must be retained. There are some reserves however where although they are retained for particular reasons have not been committed and could therefore be considered.
25. A review of the Council's earmarked reserves has been undertaken and identified the following reserves that can be reprioritised
- A reserve is held for investment in public health activities. Whilst most is committed, £1.7m is held for future investment. This reserve is ringfenced for spend relating to public health priorities. Whilst this cannot be used to balance the in-year budget position, public health spend will be considered as part of the transformation programme discussed later in this report.
 - A reserve is held to support Adult and Health improvements and manage impact of legislative changes such as the Adult Care reforms. £5.1m is held but not committed to schemes at this stage.
26. Given the need to resolve the in-year position it is proposed to utilise £2.527m to balance the in-year deficit. The aim would be to replenish the amount as part of the transformation programme to meet future investment requirements.

SECTION 3 – MEDIUM TERM FINANCIAL PLAN 2023-2026

Current Approved MTFP

27. The current approved position in February 2022 was as follows:

	2023/24 £'000	2024/25 £'000	2025/26 £'000
Budget Gap (+) / Surplus (-)	816	1,473	2,594

28. Members will however be aware from the report to Cabinet in December that this position has changed considerably due to inflation, pressures and funding changes. The details of these changes are outlined in the paragraphs below

Changes to current expenditure plans

29. There are a number of emerging issues which will need to be factored into the 2023/24 budget and considered in the MTFP going forward and these are outlined below.

- a) It is expected that the significant energy cost pressures experienced in the current year will remain into 2023/24 and beyond. The Department for Business, Energy & Industrial Strategy recently announced a new Energy Bill Discount Scheme (EBDS) for 2023/24, this replaces the time limited Energy Bill Relief Scheme (EBRS) which was introduced for non-domestic energy customers, including the public sector, from October 2022 to March 2023. Eligibility for the scheme remains the same however the level of support under the new EBDS scheme is capped at a lower total amount than the existing EBRS scheme. Recently the unit price of electricity has seen a decrease which is reflected in these figures. Despite this the price for electricity and gas still remain higher than 2021 prices. Similar scale energy price increases are also being experienced by TAL and whilst the level required is lower than previously anticipated, this is incorporated into the overall pressure.
- b) As set out in paras 11 to 15 above, we continue to see a rise in cost and demand pressures Children's Social Care, which is an issue facing the majority of local authorities. These costs have been considered moving forward and need to be incorporated into the plan. As reported to Cabinet in December the Council are planning a range of interventions to mitigate these pressures.
- c) The existing MTFP includes an uplift in 2022/23 of £1.9m in respect of the impact of NLW and inflation increases on Adult Care Fees and the budget increases by a further £1.5m each year thereafter. Whilst there are savings in the current financial year, latest projections indicate that additional sums will need to be allocated from 23/24 onwards in recognition of the increased living wage and inflation.
- d) The agreed pay award for 2022/23 at £1,925 per employee, represented an average increase of 6.4%. The pay award levels for future years are particularly uncertain given the current economic market. We are estimating pay awards for future years to be 4% in 2023/24, 3% in 2024/25 and 2% thereafter. As previously reported the planned 1.25% increase in National Insurance contributions have been reversed. The financial impact of these changes is incorporated into the table below.
- e) A triennial review of the Teesside Pension Fund has been undertaken by independent Actuaries and is expected to result in an increase in the level of employer contributions to the Fund starting in 24/25 (an additional 0.5% each of the two years).

- f) The costs of waste collection and disposal have increased mainly due to inflationary uplifts on gate fees as well as market fluctuations in the income associated with the disposal of recycling.
- g) A national procurement exercise for local authority external audit has resulted in significant cost increases, expected to be £150,000 per annum for Stockton.
- h) Costs of community transport are increasing as a result of higher inflationary pressures and market forces as well as increased demand.
- i) The Bank of England base rate and gilt rates have increased significantly over the past few months. Whilst we manage our cash flows carefully and we will only borrow when necessary, this could create an additional pressure through increased costs of borrowing.
- j) As set out above the council is facing unprecedented levels of growing cost pressures and financial uncertainty. A programme of service transformation, described in more detail later in the report, will begin to assess the suitability and efficiency of council services. Resources will be required in order to support the delivery of this programme.

The changes to current expenditure plans are summarised in the table below:

Pressures identified	2023/24 £'000	2024/25 £'000	2025/26 £'000
Inflation - Energy & Fuel	1,900	1,250	1,250
Children In Our Care	6,650	6,950	6,950
Adult Social Care Inflation on fees	700	1,950	2,200
Pay Award	5,241	6,668	7,014
Pension Fund Contribution Increase	0	450	930
Waste & Recycling	650	1,000	1,300
Audit Fee Increase	150	150	150
Community Transport	400	400	400
Interest Rate Risk Contingency	0	500	1,000
Transformation Support	300	300	300
Pressures	15,991	19,618	21,494

Income and Resources

30. The following changes can be made to income levels and resources:

Council Tax – the tax base has been updated with the latest projections of increases

Business Rates – the Government have again frozen the level of business rates and the Council receive grant to compensate for the loss of inflationary increase. The level of income from business rates has been updated with the latest projections.

The announcements from the Provisional Local Government Finance Settlement can be incorporated and set out below:

- Revenue Support Grant (RSG) has increased by CPI and 3 specific grants have been rolled into RSG. The Grant has been reduced nationally, to reflect the reversal of the increase in National Insurance contributions.
- The legacy payments element of New Homes Bonus has ceased in 23/24. It is anticipated that funding will continue at this reduced level in 24/25 and end altogether in 25/26. The

Lower Tier Services grant has ceased. These two elements have been used mainly to fund a new Minimum 3% Funding guarantee, SBC do not receive anything from this grant.

- Social Care Grant (Adults and Childrens) – our allocation has increased by £4.6m. Government have also rolled the Independent Living Fund into the Social Care Grant. This is used to fund placement costs and the ongoing spending commitments are built into the plan.
- The Adult Social Care Market Sustainability and Improvement Funding allocation is £2m.
- Better Care Fund – the 22/23 allocation has been increased by £623k. Inflation is also expected for 2023/24 and 2024/25 and has been built into the table below.

31. Government announced £600m of new discharge funding at the Autumn Statement, of which £300m will be allocated to local authorities as part of the Better Care Fund. (SBC allocation £1m). We do not know the conditions attached with this funding yet, however it is intended to relieve some pressure on the NHS by accelerating discharge from hospital. It is therefore anticipated that additional spend will be incurred equal to the grant amount.
32. Government funding allocation 2024/25 onwards – As highlighted above, there is considerable uncertainty regarding government funding from 2024/25. For the purposes of this report a working hypothesis is put forward that the additional funding to be received in the one-year settlement for 2023/24 continues into 2024/25 and beyond unless we have been informed otherwise.

Additional Income and Resources	2023/24 £'000	2024/25 £'000	2025/26 £'000
Taxbase increase	(807)	(830)	(855)
Business Rates	(3,090)	(4,182)	(4,263)
RSG	(544)	(995)	(1,126)
New Homes Bonus/Lower Tier Services Grant/Other Services Grant	2,680	3,131	3,782
Social Care Grant	(4,641)	(6,694)	(6,694)
ASC Market Sustainability & Improvement Fund	(1,979)	(2,976)	(2,976)
BCF Inflation	(1,282)	(1,978)	(1,978)
Total Additional Income and Resources	(9,663)	(14,524)	(14,110)

Overall Budget Position and Proposed Savings

33. A summary of the resulting position is outlined below:

	2023/24 £'000	2024/25 £'000	2025/26 £'000
Approved Budget Position	816	1,473	2,594
Expenditure Pressures	15,991	19,618	21,494
Additional Income and Resources	(9,663)	(14,524)	(14,110)
Budget Gap (+) / Surplus (-)	7,144	6,567	9,978

34. The above table summarises the overall position and highlights the pressures in future years which shows a pressure of £7.1m in 2023/24 rising to £10m in 2025/26. This means that immediate actions are required to address the position next year.

Mitigating Actions

35. Members will be aware from the report in December 2022 that work was underway to assess budgets for immediate savings which could be delivered quickly to support the position. This work has identified a number of areas where savings could be incorporated into the plan without a significant impact on front line services and these are outlined below

- Turnover – Many organisations budget for a staff turnover saving. The Council’s natural staff turnover has been around 10% and it takes approximately 3 months to recruit and appoint staff replacements. Whilst this does obviously cause operational pressures, it does result in a financial saving. These savings are either used to fund pressures, or manifest themselves as savings throughout the year. A staff turnover saving estimate of 2.5% would generate £2.5m
- Budget Rebase – The budget has been rebased to reflect higher planning fee income, savings from service reviews and savings in system costs.
- Housing Grant – A specific grant has now been confirmed for 3 years which will release core resources across the plan.
- TVCA Concessionary fares – Due to reducing demand for this service, the payment to the bus operators is anticipated to reduce next year.
- Fees and Charges – an increase on 7.5% is proposed for the majority of our fees and charges. This does not apply to care fees or car parking, although it is proposed that car parking charges are introduced at Preston Park.
- Care for Your Area – A temporary resource to support borough wide cleansing was included in the 2022/23 budget for 2 years. Given the financial position it is proposed that the funding for the second year is withdrawn.
- Environmental improvements – The current allocation for the members improvement budgets is £400k per year. Given the financial position it is proposed that this is reduced to £200k. This will be reconsidered in 2024/25 depending on the financial circumstances at that time.
- Service Reviews – There are a number of areas where reviews are planned where savings are expected such as Cashiering function & Governance and it is proposed to reduce the number of publications of Stockton News as well as explore enhanced digital publications.
- In the 2022/23 budget report, the Council committed to investing £1.3m to support the 2025 anniversary celebrations of the Stockton Darlington Railway. It is unlikely that this money will be required in 2023/24 and this could therefore be deferred and funded in 2024/25. Whilst this will not result in a saving across the MTFP in total, it will support the 2023/24 position and reduce the immediate pressure.

Approach to delivering Savings	2023/24 £'000	2024/25 £'000	2025/26 £'000
Turnover provision	(2,500)	(2,500)	(2,500)
Budget Rebase (Planning Income, Service Reviews and system costs)	(285)	(310)	(310)
Housing Grants	(150)	(150)	(150)
TVCA Concessionary Fares Settlement	(200)	0	0
Implement Fees increases across services and introduce parking charges	(400)	(850)	(850)
Remove MTFP CFYA Street Cleansing	(250)	0	0
Reduce members environmental improvement budget	(200)	(200)	(200)

Service Reviews	(140)	(280)	(280)
Defer Stockton and Darlington Anniversary allocation	(1,000)	1,000	0
Savings	(5,125)	(3,290)	(4,290)

36. After applying the savings above, the updated MTFP would be:

	2023/24 £'000	2023/24 £'000	2023/24 £'000
Budget Gap	7,144	6,567	9,978
Savings	(5,125)	(3,290)	(4,290)
Remaining Gap	2,019	3,277	5,688

2023/24 COUNCIL TAX AND SOCIAL CARE PRECEPT

Core Council Tax

37. Members will be aware in previous years, the decisions taken around Council Tax increases considered the long-term impact of decisions and reflected the commitment to a planned and managed approach of the Council's financial position.
38. As highlighted at paragraph 2, the Government announced in the Provisional Local Government Finance Settlement that the Core Council Tax Referendum Threshold;
- Will increase from 2% to 3% for 2023/24 and 24/25 for Core Council Tax
 - Will increase from 1% to 2% for Adult Social Care
 - These changes will apply to both 2023/24 and 24/25.

This level of increase has been assumed in the Government's spending power calculation.

39. The current MTFP assumes a Council Tax increase of 2.9%. The additional flexibility outlined above would allow an additional 2% increase in each of the next 2 years. If this increase were applied in 2023/24, it would generate £2m and effectively balance the budget. If this increase is not applied, then it would mean immediate cuts to services to ensure a balanced budget.
40. In recognition of the unprecedented budget pressures, and in order to avoid cuts to services, it is recommended that the Council increase core Council Tax by 2.9% for 2023/24 and implement the full Adult Social Care levy of 2%. The impact of the increase of 4.9% in 2023/24 would be £1.11 per week (Band A) and £1.66 per week (Band D).
41. As outlined above, the government have announced for 2024/25 the core council tax referendum limits will remain the same as 2023/24. Final decisions on council tax and ASC precept levels will be made each financial year.

Support for Council Taxpayers on low incomes

42. The Council's Local Council Tax Reduction scheme is set annually and this report recommends approval of the revised scheme for 2023/24. The revised scheme retains 100% reduction for the most vulnerable and together with the prescribed pensioner scheme results in 10,000 households not paying council tax at all from 2023/24 onwards.
43. The government have also announced £100m (SBC share £450k) to provide additional support to households already receiving support council tax reduction, and discretion to determine a local approach to other vulnerable households.

Summary Medium Term Financial Plan

44. Assuming council tax decisions above, the MTFP can be summarised as follows and this takes into account the council tax proposal and assumptions above.

	2023/24 £'000	2024/25 £'000	2025/26 £'000
Budget Gap (+) / Surplus (-)	2,019	3,277	5,688
Core Council Tax Increase 2.9% 23/24 (1.9% 24/25 onwards)	(1,035)	(1,076)	(1,118)
Social Care Precept Increase 2% 23/24 (1% 24/25 onwards)	(1,035)	(1,076)	(1,118)
Budget Gap (+) / Surplus (-)	(51)	1,125	3,451

45. This would mean a balanced budget in 2023/24 and a budget gap in 2024/25 rising significantly in 2025/26. The budget gap in 2024/25 could be resolved through additional Council Tax flexibility, but this will be determined at budget setting time for 2024/25 financial year.
46. The current approved position in February 2022 included a use of reserves in 2023/24 of £2,943,000. The updated position includes a surplus of (£51,000), this is reflected in the table below.
47. The MTFP could be represented as follows:

	2023/24 £'000	2024/25 £'000	2025/26 £'000
Income			
Business Rates (incl any Deficit/Surplus & s31 grants)	(52,110)	(54,408)	(55,412)
Revenue Support Grant	(6,099)	(6,550)	(6,681)
New Homes Bonus / Lower Tier Services Grant / Other Services Grant	(2,060)	(1,609)	(959)
Adult & Children's Social Care Grant	(13,087)	(15,140)	(15,140)
ASC Market Sustainability & Improvement Fund	(1,979)	(2,976)	(2,976)
Better Care Fund (incl Pooled Budget)	(19,470)	(20,166)	(20,166)
Public Health Grant	(14,852)	(14,852)	(14,852)
Council Tax (incl any Deficit/Surplus)	(108,082)	(112,894)	(117,341)
Use Of Reserves Previously Approved	(2,892)		
Total Income	(220,631)	(228,595)	(233,527)
Expenditure			
Adults & Health	84,274	86,406	87,923
Community Services, Environment & Culture	50,850	51,205	53,800
Children's Services	50,736	51,011	51,011
Finance, Development & Regeneration	14,641	14,486	14,474
Corporate Services	11,979	12,409	12,409
Corporate Items incl Pay Award Provision	8,151	14,203	17,361
Total Expenditure	220,631	229,720	236,978
Final Budget Position	0	1,125	3,451

Transformation Programme

48. As well as the future anticipated budget gap outlined above, there are a number of future risks around income, pay awards, inflation including construction cost. In order to address financial pressures and financial sustainability in the future, a programme of transformation is required. This will not just focus on cost but also on delivering outcomes. The key aims of the programme are to:
- Ensure we are providing the optimum services aligned to priorities
 - Ensure Services are delivered in the most efficient and effective way
 - Identify savings and improve efficiency
 - Improved performance and outcomes for our communities
49. The reviews will also need to consider:
- Priorities within the Council Plan
 - The principles of Fairer Stockton on Tees Framework, particularly supporting vulnerable people and tackling poverty.
 - CO2e impact and options for reduction
50. The review programme will be across the whole council. To ensure we consider the services holistically,
- Some reviews will be a transactional / service review
 - Some reviews will be cross cutting themed reviews fundamentally considering the way we deliver services (e.g. Support to vulnerable)
 - It will incorporate change and transformation programmes within Childrens and Adult Services to consider approaches to addressing demand pressures.
51. There will be robust governance arrangements across the programme and each review will consider
- Scope and baseline of current service
 - Are there alternative creative delivery options that could be considered
 - Opportunities for Community assets and volunteers
 - Efficiency improvements
 - Collaboration with other LA's and agencies
 - Technology and automation
 - Customer centric service design
 - Early intervention and prevention approach
 - Workforce Development and Skills

Capital Resources and One-Off Priorities

52. The disposal of capital assets has generated £2,000,000 of capital receipts. Members may also be aware that the Council benefit from the share of the VAT shelter arrangement with Thirteen Group and the current capital programme assumes a level of receipts to support regeneration. There has been significant uncertainty over whether these receipts would materialise, however we have now confirmed a programme to ensure they are delivered. This means that the £2m capital receipts can be allocated to capital expenditure.
53. Local authorities have a statutory requirement to provide a means for residents to safely dispose of large and excess recycling and household waste. Stockton's current Household Waste Recycling Centre (HWRC) is a shared facility with Middlesbrough Council located on Haverton Hill Road. Suez manage and operate the HWRC, on our behalf, and the latest

contract extension expires in March 2024. Options are being considered for the future operation of the HWRC, and work is ongoing to identify a new location. It is recommended £2,000,000 capital receipts are approved towards the cost of the new HWRC. A report will be brought back to cabinet outlining the business case and preferred option for operating the HWRC.

54. Members will be aware the Council were unsuccessful in the bid for Levelling Up funds of £20m to support the redevelopment of Billingham Town Centre. Members will also recall an existing commitment of £10m borrowing approvals to support the regeneration of Billingham and given the announcement we will now explore options of bringing forward a scheme to demonstrate this commitment.

SECTION 4 - CURRENT CAPITAL PROGRAMME

55. The current Capital Programme is set out at **Appendix A** and summarised in the table below:

CAPITAL PROGRAMME Up to 2026	Current Approved Programme £'000	Programme Revisions £'000	Revised Programme £'000
School Investment Programme & Childrens Services	44,193	2,890	47,084
Housing Regeneration Development & Growth	38,752	33	38,785
Town Centres	118,909	0	118,909
Transportation	28,627	17,976	46,603
Community & Environment, Culture & Leisure	10,150	873	11,023
Adults & Public Health	352	0	352
Total Approved Capital MTFP	240,983	21,772	262,756

Reasons for movements over £100k

New schemes

Transportation

- A S278 contribution totalling £100,000 in respect of road widening works on the A67 / Tesco roundabout, funded from the developer, has been added to the programme.

Community & Environment, Culture & Leisure

- Regeneration of Littleboy Park and Tennis Courts has been included, £241,906 funded from LTA Grant, developer agreements, external contributions and Council contributions.
- £160,000 has been added to the capital programme to deliver four new Children's outdoor play areas in Billingham, Hartburn, Hardwick, and Norton, funded from developer agreements and Council contributions.
- Cemetery improvements of £250,000 that were approved in February 2022 MTFP have been included in the plan.

Additional Funding

School Investment Programme

- As per the approved School Investment Strategy in October 2022, £2,158,041 developer agreement funding has been included to invest in a number of schools across the borough.

Children's Services

- As per the approved Capital Investment Strategy for Children in our Care and with additional needs report in December 2022, £500,000 has been included for children's homes investment.
- New referrals for extensions to Foster Carer properties have been authorised and £198,000 included in the capital programme.

Transportation

- Following notification from TVCA confirming the City Region Sustainable Transport Settlement: Local Highway Funding for the period 2023/24 to 2026/27 (the former Local Transport Plan funding) has been confirmed and added to the plan. Within the plan, £1,500,000 is identified for Eaglescliffe Station car park.

Community & Environment, Culture & Leisure

- Further grant funding for planting trees in the Borough has been confirmed for £135,669.

SECTION 5 – PAY POLICY AND MEMBERS ALLOWANCES

Pay Policy

56. The April 2022 pay award was agreed in November 2022 and was a flat rate of £1,925, paid pro rata for part time employees. The 2022 pay rates have been used for the purposes of the Pay Policy Statement.
57. The Council's grading structure begins at scp 3 Grade C, which currently is £10.79 per hour (pay award pending from 1 April 2023). This is still above the current National Living Wage which is £9.50 per hour from 1 April 2022 and £10.42 from 1 April 2023.
58. Whilst the Council remains committed to its objective of paying the Foundation Living Wage which is £10.90 per hour, the outcome of the national collective bargaining process for 2023 will need to be considered in order to determine whether further action should be taken to achieve our commitment. The 2023 national pay negotiation is expected to be difficult due to the cost of living pressures, whilst needing to ensure the national pay spine achieves the necessary increases in NLW from 1 April 2024.
59. The Council's median hourly rate and pay multiple, both calculated as at 31 December 2022 are as follows:
 - Median Hourly rate is £13.66 (£12.20 at 31 December 2021); and
 - Pay multiple is 6.20 (6.53 at 31 December 2021) which remains well under the Council's target of 10.

This is a positive change in both the median hourly rate and pay multiple which is likely due to the flat rate pay award of £1,925 which was paid to all employees, pro rata for part time employees, including Chief Officers and the Chief Executive. The pay multiple is well within the stated aim of less than 10

60. The Council’s Pay Policy Statement is attached at **Appendix C**

Withdrawal of Exit Payment Legislation

61. Following the revocation of the Exit Payments Regulations in March 2021 the Government has issued statutory guidance for Local Authorities when making Special Severance Payments. *The payments are described as payments made to employees that are outside of statutory, contractual or other requirements when leaving employment in the public sector.* The Council would not usually make such payments however, should it be necessary to do so the statutory guidance will be followed.

Apprentices

62. From 1 April to 31 December 2022 the Council has recruited 42 apprentices to new positions, the majority of which were through our annual apprenticeship programme. In addition, 31 existing employees started an apprenticeship to support their development, a total of 73.

63. Since the introduction of the Apprenticeship Levy in April 2017 we have seen a gradual increase in the number of “apprenticeship starts” (newly employed apprentices and existing employees undertaking a qualification) each year, with the exception of 2020/21 due to the Covid-19 pandemic. 2021/22 saw a significant increase, particularly in existing employees undertaking an apprenticeship, and with the return to delivering an annual programme. We are proposing to run a further apprenticeship programme in 2023, going out to advertise in May, with apprentices starting employment in September 2023.

Apprenticeships	New Apprentices	Existing Employees	Total
2017/18	17	43	60
2018/19	33	42	75
2019/20	55	27	82
2020/21	14	30	44
2021/22	46	67	113
April 22 – to date	42	31	73

64. The Council continues to pay its new apprentices the national minimum wage for age ranging from £5.28 per hour for 16 and 17 year olds rising to £10.42 per hour for those aged 23 or over effective from 1 April 2023. The National Minimum wage rates increase in April each year and are set nationally by the government.

65. For apprentices undertaking a Level 4 apprenticeship or above the Council currently pays a minimum of Grade C being 10.79 per hour April 2022 rates.

Headcount and FTE

66. Headcount and FTE as at 31 December 2022 compared to 2019, 2020 & 2021 is:

	31 December 2022	31 December 2021	31 December 2020	31 December 2019
Headcount	3,145	3,205	3,218	3,226
FTE	2,554.9	2,572	2,551.4	2,531

67. Headcount and FTE have remained fairly static over the last 3 years but overall, there has been a significant reduction in the headcount and FTE of the workforce over the last 11 years. The headcount has reduced by 1,115 (26%) from 4,260 as at 31 March 2011 to 3,145 as at 31 December 2022. Total FTE has reduced by 587.1 (18.7%) from 3,142 as at 31 March 2011 to 2,554.9 as at 31 December 2022.
68. The Council will continue to manage any service changes, including minimising redundancies, sensitively, proactively and in accordance with our policies.
69. We continue to maintain strong relationships with the Trade Unions, including regular update meetings being held with the Trade Unions and the Chief Executive and Director of Corporate Services. We will continue to provide opportunities for employees to put forward ideas and suggestions for service changes and improvements and that employees are supported through change.

Officer Appointments to Outside Bodies and Governing Bodies

70. All officer appointments to any Body, including a Governing Body, as a Local Authority representative need to be approved by Cabinet where that Body is concerned with functions which are a Cabinet responsibility, for example education, social care, regeneration.
71. Attached at **Appendix C(1)** is a list of appointments that have been made to external bodies where officers are acting in a Local Authority capacity. It is intended that this list is kept updated and reported to Cabinet annually as part of the MTFP reporting process.
72. It should be noted that the Council's insurance and indemnity arrangements will apply to these appointments as the officer is acting on behalf of the Local Authority. In addition, the external Body may have indemnity arrangements in place for its Directors, Trustees or Governors.

Members Allowances

73. Members will be aware that allowances have been frozen since 2014 following a 4% reduction and it is proposed that this freeze continues for 2023 to support the Council's financial position.

Attendance at Court

74. Section 223 of the Local Government Act 1972 requires that those post holders who lay complaint, appear at Court, prosecute and defend in all matters relating to the collection and enforcement of Council Tax, Business Rates (NNDR) and the Business Improvement District levy need authorisation from Council. Following the recent review of the Revenues, Benefits and Welfare Service new job titles have been introduced therefore a new resolution must be made.
75. It is recommended that the following post holders be authorised to prosecute, defend or appear in proceedings before the Magistrates' Court in relation to Council Tax, Business Rates (NNDR) and Business Improvement District (BID) charges:

Director of Finance, Development and Regeneration	Head of Revenues, Benefits and Welfare
Service Strategy and Improvement Manager	Technology Enablement and Business Rates Manager
Income Collection Manager	Council Tax & Benefits Manager
Welfare Support Manager	Assistant Manager Service Strategy and Improvement
Assistant Manager Income Collection	Assistant Manager Council Tax and Benefits

Assistant Manager Welfare Support	Team Leader Business Rates
Team Leader Income Collection	Team Leader Stockton Collections
Team Leader Council Tax & Benefits	Team Leader Welfare Assistance
Corporate Debt Officer	Team Leader Technology Enablement
Revenues, Benefits and Welfare Officer	Business Rates Officer
Enforcement Agent	Enforcement Assistant
Fraud & Compliance Officer	Visiting Officer
Returns and Reconciliation Officer	Projects and Improvement Officer
System and Development Officer	

SECTION 6 – PRECEPT LEVELS

Stockton Precept

76. Stockton’s current tax level for 2022/23 at Band A (the biggest percentage of its properties) is £1,176.47 (£22.62 per week).

	Band A £	Band D £
2022/23	1,176.47	1,764.71
2023/24	1,234.12	1,851.18

Police Precept

77. The Police & Crime Commissioner has approved a £15 increase to the Council Tax level, or 5.44%.

	Band A £	Band D £
2022/23	183.82	275.73
2023/24	193.82	290.73

Fire Authority

78. The Fire Authority has approved a Council Tax increase of £5 or 6.1%.

	Band A £	Band D £
2022/23	54.57	81.86
2023/24	57.91	86.86

Parishes

79. Details of the Parish precepts are given below:

Parish	2022/23 Precept £	2023/24 Precept £	Precept Increase/ Decrease £	Precept Increase/ Decrease %	Band D Increase/ Decrease %	LCTS Grant Both Years £	2023/24 TOTAL £
Aislaby & Newsham	0	0	0	0.00%	0.00%	0	0
Carlton	8,000	8,000	0	0.00%	-0.78%	22	8,022
Castlelevington / Kirklevington	21,000	21,000	0	0.00%	-9.04%	348	21,348
Egglescliffe & Eaglescliffe	53,270	67,458	14,188	26.63%	25.88%	5,446	72,904
Elton	0	0	0	0.00%	0.00%	0	0
Wynyard	21,000	21,000	0	0.00%	-5.43%	0	21,000
Grindon & Thorpe Thewles	9,700	10,088	388	4.00%	-2.71%	0	10,088
Hilton	2,621	2,871	250	9.54%	9.89%	129	3,000
Ingleby Barwick	180,300	180,300	0	0.00%	-1.19%	3,445	183,745
Long Newton	13,764	13,764	0	0.00%	-1.97%	236	14,000
Maltby	3,504	3,504	0	0.00%	-1.73%	138	3,642
Preston	5,779	5,779	0	0.00%	-0.42%	471	6,250
Redmarshall	4,100	4,400	300	7.32%	1.11%	118	4,518
Stillington & Whitton	10,000	10,300	300	3.00%	0.24%	1,243	11,543
Thornaby	160,861	160,861	0	0.00%	2.64%	36,050	196,911
Wolviston	14,159	14,159	0	0.00%	-0.82%	533	14,692
Yarm	121,409	133,550	12,141	10.00%	10.20%	6,141	139,691
Billingham	296,083	308,211	12,128	4.10%	3.66%	23,509	331,720
Total	925,550	965,245	39,695	4.29%	5.31%	77,829	1,043,074

Overall Tax Position

80. Stockton Borough Council is required to collect tax on behalf of 4 independent organisations:

The Council
Police
Fire
Parishes

The position assuming Stockton Borough Council sets its Council Tax requirement at £108,606,509 is given below:

Tax 2023/24			
	Current 2022/23 (Band A) £	Proposed 2023/24 (Band A) £	Increase %
Police	183.82	193.82	5.4%
Fire	54.57	57.91	6.1%
Stockton BC	1,176.47	1234.12	4.9%

Formal Tax Recommendations

81. The Council must approve precept/tax in line with statutory guidelines. These are contained at **Appendix D**.

SECTION 7 – LOCAL COUNCIL TAX SUPPORT SCHEME

82. The Council must set its Local Council Tax Reduction scheme annually by 11 March of the preceding financial year. Cabinet therefore recommends to Council that the current Local Council Tax Reduction Scheme is retained for the financial year 2023/24 incorporating the updates for the prescribed requirements in regulations and with an updated income table at

Schedule 1 to reflect increased income levels as a result of updated benefit figures. The scheme is available here www.stockton.gov.uk/CTR.

83. That the Director of Finance, Development and Regeneration and Deputy Chief Executive be given delegated authority, in consultation with the Leader, to make further adjustments to the income table and/or disregard additional funds should the government issue revised publications with regards to these matters after 22 February to ensure that Governments intentions for additional support is maintained.

SECTION 8 – CAPITAL STRATEGY

84. The Capital Strategy required to be approved under the relevant code, including the Flexible Use of Capital Receipts Policy and the MRP Policy, is attached at **Appendix E**.

SECTION 9 - TREASURY MANAGEMENT STRATEGY

85. The Council's Treasury Management Strategy required to be approved is shown at **Appendix F**.
86. The Council's Treasury Management Policy and Treasury Management Practices are required to be approved and are shown at **Appendix G**.

SECTION 10 – INVESTMENT STRATEGY

87. The Investment Strategy required to be approved by statutory guidance is attached at **Appendix H**