

AGENDA ITEM

**REPORT TO EXECUTIVE
SCRUTINY COMMITTEE**

23 SEPTEMBER 2025

**REPORT OF
CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Resources and Transport – Lead Cabinet Member – Councillor Paul Rowling

FINANCIAL UPDATE AND MEDIUM TERM FINANCIAL PLAN (2025/26 QUARTER 1)

SUMMARY

This report summarises the Council's financial performance and position at the end of the first quarter of the 2025/26 financial year. The Powering Our Futures programme, and in particular the transformation mission has identified savings of £5.8m by 2026/27 to date. The updated savings target is now £1.35m in 2025/26 and £2.256m in 2026/27. The transformation programme, alongside the wider Powering our Futures Programme, will continue to look to address the budget gap, alongside ensuring improvements to services to local residents.

The financial position for the Council for the first quarter of the financial year (to 30th June 2025) highlights a projected overspend of £1.684m against the budget. Growing demand for Council services and the increased cost of delivery is putting pressure on several budget headings. Work is underway to look at ways to mitigate this projected overspend and the position will continue to be closely monitored and managed throughout the remainder of the financial year.

The financial challenges facing Stockton reflect a wider national picture, with councils across the country experiencing significant and well-documented pressures. Stockton has managed these pressures responsibly, using earmarked reserves over recent years to support the Medium Term Financial Plan and maintain stability during a period of exceptional strain. Looking ahead, reliance on reserves alone is not sustainable. Work is already under way on the 2026/27 budget and the updated MTFP, ensuring that planning is proactive and focused on maintaining financial resilience. Cabinet will continue to receive regular updates on progress and the measures being developed.

The report also presents an update on the Capital Programme.

REASON FOR RECOMMENDATIONS/DECISIONS

To update Members on the Council's financial performance and the Medium Term Financial Plan.

RECOMMENDATIONS

1. That the update to the Medium Term Financial Plan and the current level of General Fund balances be noted.

2. That the revised Capital Programme at **Appendix A** be noted.

DETAIL

FINANCIAL POSITION AS AT 30 JUNE 2025

GENERAL FUND

1. The following table details the projected budget outturn position for each Directorate in 2025/26, based on information to 30th June 2025. The position includes the emerging impact of inflationary pressures and details of the key variances are described in subsequent paragraphs of the report.

| Directorate | Annual Budget | Projected Outturn | Projected Variance Q1 Over/(Under) |
|---|----------------|-------------------|------------------------------------|
| | £'000 | £'000 | £'000 |
| Adults, Health & Wellbeing | 106,163 | 105,720 | (443) |
| Children's Services | 62,782 | 63,427 | 645 |
| Community Services, Environment & Culture | 56,739 | 57,597 | 858 |
| Finance, Transformation & Performance | 15,337 | 15,282 | (55) |
| Regeneration & Inclusive Growth | 2,233 | 2,401 | 168 |
| Corporate Services | 11,676 | 11,497 | (179) |
| Corporate Items | 8,802 | 8,892 | 90 |
| Total | 263,732 | 264,816 | 1,084 |
| Pay Offer | | 0 | 600 |
| Revised Total | 263,732 | 264,816 | 1,684 |

2. The projected position indicates a financial pressure for the current financial year, largely because of growth in demand for council services and additional pressures due to higher pay award than budgeted. All Directorates are considering opportunities to reduce / defer spend to support the position and the position will be kept under close review for the remainder of the year, with actions underway to try to improve the position, however the challenge to do so whilst maintaining current service provision is more and more difficult in the current financial environment.

Reasons for Variances over £100,000

Adults, Health and Wellbeing

3. There is a projected underspend against budgets for Community Based Services for people with physical disabilities, including older people of (£568,000). This is mainly due to demand for the service being lower than estimated following the implementation of the new Care at Home contracts in 2024/25.
4. Expenditure on residential placements for older people is expected to be (£200,000) less than budget due to more income from client contributions than anticipated.
5. Demand for residential placements for people with Learning Disabilities has increased significantly, with the number of clients exceeding the budgeted numbers generating a projected overspend of £378,000.

Children's Services

6. Children's Services have experienced unprecedented budget pressures in recent years due to huge increases in the cost of residential placements as well as escalating needs, requiring greater levels of care. Members will recall the commentary on the pressures in previous reports and the investment in Children's Services across recent years.
7. A proposal to modernise the Fostering Service as part of the Transformation Review of Children in Our Care was approved by Cabinet in July. The objective is to address the declining number of foster carers and the increasing number of children in external private provider care, to support better outcomes for children in our care, and help give them the best start in life. The proposal aims to build sufficiency within the mainstream fostering service by encouraging new foster carers, retaining existing ones, and meeting the diverse needs of children in care. The business case anticipates less reliance on costly external residential placements, therefore relieving pressure on the budget across the medium term.
8. A significant number of children have come into care since budget setting and are being supported in a connected foster care arrangement. This is generating a projected overspend of £610,000 to the year end.
9. Services provided for young people aged 16/17 in care and care leavers, such as support and accommodation costs and living allowances, are currently expected to exceed the budget by £200,000.
10. The academy model is proving to be successful in filling social worker posts and agency spend is down significantly this year compared to previous years. However, there are still several vacancies across the service which is generating a projected underspend. This is offset by several smaller pressures on expenditure budgets resulting in a projected underspend of (£224,000).

Community Services, Environment and Culture

11. The number of children requiring Home to School transport has continued to grow this financial year. As a result, the service has a predicted overspend of £638,000.
12. Members will be aware of the high inflation increases in recent years, particularly in relation to food costs. This has meant that the cost of providing our catering services has increased significantly. As a result of this there are budgetary pressures across the catering service including schools and cafes predicted at £336,000.
13. Income from Green Waste disposal is projected to exceed the current budget leading to additional projected income of (£169,000).
14. Members will be aware that in previous years we have earmarked resources to support TAL to manage inflationary pressures in respect of energy costs and £500,000 is currently included in the budget. In previous MTFP updates, we have reported that due to the overall financial performance of TAL, this resource has not historically been required. Due to energy prices continuing to fall and usage being carefully managed it is currently anticipated that these full resources will not be required in 2025/26, saving (£500,000).
15. The highways maintenance budget has a complex mix of cost and income drivers, making it a volatile budget. We are currently experiencing increases in prices for materials and contractors, which is anticipated to lead to a financial pressure this year. These costs will be partly offset by staffing savings across the service, with the anticipated pressure being £102,000 by the end of the year.

16. The major capital investment of Preston Park Museum has resulted in a disruption to operational plans, leading to closure of the museum for a prolonged period this financial year. The costs of operating the museum continue to grow, also causing pressure against the budget. As a result there is an estimated overspend against budget of £216,000.

17. In the Libraries service, costs for running the service exceed the budget available. £182,000.

Finance, Transformation and Performance

18. There are anticipated to be significant savings across the Directorate due to staffing vacancies, leading to a projected underspend of (£347,000).

19. There are financial pressures emerging due to an increase in payments of benefits where subsidy is not paid at the normal 100% rate. This is in relation to supported accommodation and increased provision of temporary accommodation linked to increasing pressures of homelessness. This is projected to create an expenditure pressure of £250,000 within the housing benefits budgets.

20. Expenditure on the corporate mail and paper is anticipated to be higher than budget, as well as new equipment being required, which is generating a predicted overspend of £117,000.

Regeneration and Inclusive Growth

21. There are anticipated to be savings due to staffing vacancies within the planning service, leading to a projected underspend of (£245,000).

22. We are experiencing rising financial pressures in relation to the running and maintaining of the Council's assets portfolio thus leading to a projected overspend of £155,000. Work is ongoing through the Council's Strategic Asset Management Plan to develop and find different uses for assets to minimise these costs.

23. Wellington Square is anticipated to have a shortfall on shopping centre income due to vacant units of £200,000. The Council will continue to work with prospective tenants on future lettings to mitigate against this.

Corporate Services Directorate

24. There are anticipated to be significant savings across the Directorate due to staffing vacancies, leading to a projected underspend of (£236,000).

Corporate Areas

25. There are no significant variances to report at Q1.

Pay Offer 2025/26

26. The pay award for 2025/26 for employees on National Joint Council (inc. Chief Officers) terms and conditions has been agreed with the trade unions. The terms of the pay award are that all employees will receive an increase of 3.2%. This was paid to employees as part of their August salary. The MTFP for 2025/26 included a provision at 3%, therefore the additional amount above this has resulted in a budget pressure of £600,000.

Powering Our Futures

27. Members will be aware from the various briefings and reports that the Powering our Futures programme is now progressing at pace and updates on progress of the programme will continue to be reported to Cabinet.

28. The Powering Our Futures programme, and in particular the transformation mission has identified savings of £5.8m by 2026/27 to date. The updated savings target is now £1.35m in 2025/26 and £2.256m in 2026/27. The transformation programme, alongside the wider Powering our Futures Programme, will continue to look to address the budget gap, alongside ensuring improvements to services to local residents.

General Fund Balances & Reserves

29. The Council aims to retain General Fund Balances at a prudent level, currently at £8,000,000.

30. In addition to the £8m General Fund balances the Council holds several earmarked reserves. This funding is held for a variety of purposes including for known and committed risks, such as the insurance fund and revenue funding for the capital programme. Due to overspends in previous years, reserves have reduced significantly.

31. If in-year savings do not materialise to fund the projected overspend, funds would need to be redirected from these reserves. The use of reserves to fund overspends is not sustainable and it is a key area that we must work to avoid as part of the transformation programme.

CAPITAL

32. As with revenue expenditure and income, the public sector and local authorities are now experiencing significant pressures relating to capital schemes and construction contracts. The position will be closely monitored and any impact on the Capital Programme identified.

33. The Capital Programme is shown at **Appendix A** and summarised in the table below:

| CAPITAL PROGRAMME Up to 2027 | Current Approved Programme £'000 | Programme Revisions £'000 | New Approvals £'000 | Revised Programme £'000 |
|--|---|----------------------------------|----------------------------|--------------------------------|
| School Investment Programme & Childrens Services | 16,081 | 0 | 7 | 16,089 |
| Inclusive Growth | 11,204 | (60) | 0 | 11,144 |
| Regeneration | 145,885 | 75 | 0 | 145,960 |
| Transportation | 24,284 | 353 | 200 | 24,837 |
| Community, Environment, Culture & Leisure | 20,274 | 370 | 401 | 21,045 |
| Adults, Health & Wellbeing | 5,252 | 0 | 9 | 5,261 |
| Xentrall ICT | 900 | 0 | 0 | 900 |
| Council Wide | 20,000 | 0 | 0 | 20,000 |
| Total Approved Capital MTFP | 243,879 | 737 | 617 | 245,234 |

Reasons for movements over £100,000

New approvals

Transportation

34. The Greens Beck Culvert £401,000 has been added to the programme. This is funded by grant from the Environment Agency.

35. Newport Bridge works are planned to rectify an imbalance in the structure. The funding for the scheme is from CRSTS which is already included within the capital programme, with additional funding of £200,000 from Middlesbrough Council being added to the programme above.

Programme revisions

Community & Environment, Culture & Leisure

36. £370,000 has been added to the 2025/26 planned maintenance programme. This is funded by MEND grant via The Arts Council for work at Preston Park Museum and Grounds.

Transportation

37. The Thornaby to Stockton Cycleway has additional TVCA funding of £353,000.

COMMUNITY IMPACT IMPLICATIONS

38. 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

39. No direct implications.

FINANCIAL IMPLICATIONS

40. The report summarises the financial position for 2025/26 based on information for the first quarter of the financial year.

LEGAL IMPLICATIONS

41. None

RISK ASSESSMENT

42. This update to the MTFP is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

WARDS AFFECTED AND CONSULTATION WITH WARD/COUNCILLORS

43. Not applicable.

BACKGROUND PAPERS

44. Medium Term Financial Plan Update & Strategy Report to Council 19th February 2025

Name of Contact Officer: Clare Harper
Job Title: Chief Financial Officer
Telephone: 01642 528377
Email Address: Clare.Harper@Stockton.gov.UK

Capital Programme June 2025 – Appendix A

| CAPITAL PROGRAMME Up to 2027 | Current Approved Programme | Programme Revisions | New approvals | Revised Programme |
|---|---|--------------------------------|----------------------|------------------------------|
| SCHOOL INVESTMENT PROGRAMME & CHILDRENS SERVICES | | | | |
| School Investment Programme | 15,442,436 | 0 | 0 | 15,442,436 |
| Children Investment | 639,007 | 0 | 7,254 | 646,261 |
| SCHOOL INVESTMENT PROGRAMME & CHILDRENS SERVICES | 16,081,443 | 0 | 7,254 | 16,088,697 |
| INCLUSIVE GROWTH | | | | |
| Inclusive Growth & Development | 8,453,564 | (60,000) | 0 | 8,393,564 |
| Office Accommodation | 2,750,000 | 0 | 0 | 2,750,000 |
| INCLUSIVE GROWTH | 11,203,564 | (60,000) | 0 | 11,143,564 |
| REGENERATION | | | | |
| Stockton Town Centre Schemes | 18,947,601 | 0 | 0 | 18,947,601 |
| Reshaping Town Centres | 8,730,275 | 75,000 | 0 | 8,805,275 |
| Billingham Town Centre | 30,000,000 | 0 | 0 | 30,000,000 |
| Thornaby Town Centre | 33,070,923 | 0 | 0 | 33,070,923 |
| Re-Development of Castlegate Site | 30,934,381 | 0 | 0 | 30,934,381 |
| Yarm & Eaglescliffe LUF | 23,909,840 | 0 | 0 | 23,909,840 |
| Infrastructure Enhancements, Regeneration & Property Acquisitions | 291,717 | 0 | 0 | 291,717 |
| REGENERATION | 145,884,737 | 75,000 | 0 | 145,959,737 |
| TRANSPORTATION | | | | |
| City Regional Sustainable Transport | 12,553,782 | 0 | 200,000 | 12,753,782 |
| Other Transport Schemes | 10,199,021 | 352,755 | 0 | 10,551,776 |
| Developer Agreements | 1,530,973 | 0 | 0 | 1,530,973 |
| TRANSPORTATION | 24,283,776 | 352,755 | 200,000 | 24,836,531 |
| COMMUNITY & ENVIRONMENT AND CULTURE & LEISURE | | | | |
| Energy Efficiency Schemes | 400,000 | 0 | 0 | 400,000 |
| Environment and Green Infrastructure | 9,048,023 | 0 | 401,000 | 9,449,023 |
| Waste | 8,125,939 | 0 | 0 | 8,125,939 |
| Building Management | 1,251,758 | 369,733 | 0 | 1,621,491 |
| Vehicle Replacement | 1,448,278 | 0 | 0 | 1,448,278 |
| COMMUNITY & ENVIRONMENT AND CULTURE & LEISURE | 20,273,998 | 369,733 | 401,000 | 21,044,731 |
| ADULTS, HEALTH & WELLBEING | | | | |
| Adults & Public Health Investment | 202,000 | 0 | 0 | 202,000 |
| Housing Regeneration | 1,450,514 | 0 | 0 | 1,450,514 |
| Private Sector Housing | 3,599,195 | 0 | 8,996 | 3,608,191 |
| ADULTS, HEALTH & WELLBEING | 5,251,709 | 0 | 8,996 | 5,260,705 |
| XENTRALL ICT | | | | |
| Xentrall ICT Network | 900,000 | 0 | 0 | 900,000 |
| XENTRALL ICT | 900,000 | 0 | 0 | 900,000 |
| COUNCIL WIDE | | | | |
| Unallocated council wide invest to save | 20,000,000 | 0 | 0 | 20,000,000 |
| COUNCIL WIDE | 20,000,000 | 0 | 0 | 20,000,000 |
| Total Approved Capital MTFP | 243,879,227 | 737,488 | 617,250 | 245,233,965 |