

Member Report

Budget Proposals - 2025/26



Report to: Cabinet

Report from: Managing Director

Portfolio: Resources

Report Date: 10 December 2024

Decision Type: Key – Budget

Forward Plan Reference: RD0128

Council Priority: All

HEADLINE POSITION

1.0 Summary of report

1.1 This report sets out Cabinet's budget proposals for the forthcoming 2025/26 financial year along with an indicative medium term financial plan through to 2029/30. These proposals are subject to consultation, with a final 2025/26 budget and council tax level being recommended by Cabinet (11 February 2025) to full Council for approval (27 February 2024).

1.2 We will consult with the public and businesses on our budget proposals. The Budget Proposals will include a transformation savings programme in order to address the significant impact of rising costs and increasing demand for many of the Council's services. This is set within the context of a one-year funding settlement from Government, which won't be provisionally published until late December and finalised in late January 2025.

2.0 Recommendation

It is recommended that Cabinet:

- Approve for consultation the revenue budget for 2025/26 and indicative medium term financial plan through to 2029/30, as set out in this report.
- Agree to consult on the investment programme with businesses in the borough between 2024/25 and 2029/30.
- Agree to consult on a 2.99% increase to Council Tax
- Agree to consult on a 2.00% increase to the Adult Social Care Precept

DETAILED PROPOSALS

3.0 What are the objectives of the report and how do they link to the Council's priorities.

This medium-term financial strategy and budget proposals report for 2025/26 aligns to the newly approved Finance Strategy of the council and is integral to the Council's ability to deliver the entirety of the Corporate Plan. It ensures the financial

resources available to the council come together in a robust plan to fund the agreed priorities whilst retaining a focus on resilience and sustainability, particularly in the short term.

4.0 What options have been considered.

4.1 Approach and Key Principles

The Finance Strategy sets out the approach the Council will take in managing its financial resources in order to fulfil its legal and statutory duties and seek to make best use of the resources available to it to achieve its stated priorities and deliver valued services for the residents and businesses of the borough.

4.2 Considering the council's present financial standing and the challenging landscape facing local government in the foreseeable future, it is imperative to adopt a pragmatic approach in the short to medium term while maintaining our commitment to achieving the objectives outlined in the council's corporate plan and priorities. The overarching strategy for the next decade can be expressed into three distinct phases:

- **Survive:** Given the immediate financial pressures and uncertain outlook, the primary focus of this phase is to ensure the council's ability to sustain itself and fulfil its statutory obligation of setting a balanced budget annually.
- **Strive:** As the challenges of sustainability and budget balancing hopefully become more manageable, this phase strives to enhance the financial health and resilience of the council. Emphasis will be placed on re-establishing robust foundations, including more adequate reserve levels, flattening or reducing overall borrowing levels, and implementing a revenue budget with increased contingency to safeguard the council's financial position and mitigate risks.
- **Thrive:** Building upon the strengthened financial foundations established in the previous phases, this phase is geared towards realising the benefits thereof. It will enable the pursuit of longer-term strategies and planning horizons focused on delivering optimal outcomes for our stakeholders, including service users, residents, businesses, and visitors.

4.3 While the initial emphasis on ensuring financial sustainability may necessitate some services to exercise fiscal restraint and moderate ambitions in the short term, it also presents an opportunity for certain services to demonstrate ambition and creativity in improving outcomes. Indeed, enhancing outcomes for service users in some areas is integral to alleviating the council's financial pressures, such as reducing demand for statutory services like children's social care.

4.4 Context

The financial landscape for local government has become increasingly challenging since the banking crisis, with core spending power declining by approximately 30% in real terms since 2010. Government funding reductions have shifted reliance onto council tax, exacerbating financial pressures, with the LGA estimating a loss of £15 billion in government funding from 2010 to 2020.

- 4.5 High inflation and increasing demand for social care services has put further strain on council finances. More and more councils have issued section 114 notices or sought exceptional financial support from Government. The LGA have said there is evidence the local government funding system is broken, with surveys revealing more and more councils believe that they will run out of money in the next 2 years as funding fails to keep pace with inflation and increased demand for child protection, adult social care and homelessness services.
- 4.6 An important aspect of the financial challenges facing local government is that they are not evenly distributed. Local government funding inequalities persist due to delays in updating the national funding formula, resulting in disparities across regions. Many deprived areas are getting a lower share of local government funding than they are estimated to need.
- 4.7 Councils like Redcar and Cleveland who carry social care responsibilities and have areas of relative deprivation face greater pressure, with higher demand for services and less capacity to raise funds locally. Inevitably this has weakened the council's financial position, depleted reserves and exacerbated financial risks.
- 4.8 It has therefore been necessary to develop additional savings proposals, to ensure essential services can be maintained and the Council's financial position can be balanced across the near term, whilst seeking to improve sustainable and resilience in later years. The development of these savings proposals has benefited from the input of a wide range of councillors through a budget task and finish group, which has run in parallel to key transformation workstreams, with outputs being shared and refined through all member budget conferences held in April, July and November.

4.9 Revenue Budget Proposals

The revenue budget has three key building blocks:

- Income and Funding
- Services Investments
- Transformation Savings

- 4.10 The assumptions within the budget proposals have been informed by a process of analysis and due diligence of the available evidence and intelligence, including the involvement of key service managers right across the council. It will be necessary to validate and refine these assumptions as more information becomes available, in particular governments announcement of the local government finance settlement, which is not expected to be released until late in December.

INCOME AND FUNDING

4.11 Government Funding

The 2024/25 local government funding settlement was for one year only. It is anticipated there will be another one-year settlement for 2025/26 that is due to be published in draft form in late December. The government funding assumptions within this report have therefore had to be based on information within the Government's Autumn Statement of 30 October.

4.12 The headlines from the Autumn Statement were:

- New Fiscal Rules
 - 'Stability Rule' – day-to-day spending matched by revenues.
 - 'Investment rule' – some assets now included within measure of debt.
- £40bn in tax increases
 - to fill the £22bn 'black hole' and increase unsustainable public spending assumptions.
 - Mainly from changes to National Insurance (£25bn)
 - Other changes include Capital Gains Tax, Inheritance Tax, various Duties, Non-Dom tax regime, Stamp Duty, VAT on Private School fees.
- National Insurance contributions
 - Increase to the rate of employer National Insurance Contributions (NICs) to 15% and a lowering of the threshold at which employers begin to NICs to £5000 per year.
 - Compensation to public sector organisations for this increase is included in the Budget, at a value of over £4bn every year.
- National Living Wage
 - Increased to £12.21 per hour (+6.7%)
 - Rate for 18- to 21-year-olds increased to £10 (+18%)
- Funding distribution reforms
 - **Planned for 2026-27 – targeted towards deprivation and low-income raising powers.**
 - Multi-year settlements from 2026/27 (likely 3 years)
- Local Government Funding - main items
 - Increase in local authority core spending power of around 3.2% real terms.
 - Assumed Council Tax increases of 5%.
 - £1.3bn increase in grant funding
 - £1.1bn income from Extended Producer Responsibility scheme
 - £1bn uplift in funding for SEND and alternative provision.
 - £500m additional funding for local roads maintenance
 - £233m additional homelessness prevention grant
 - £86m additional Disabled Facilities Grant
- The IFS highlighted that day-to-day public service funding is set to grow by just 1.3% per year following 2025-26. **This will likely result in uncomfortably tight settlements for public services, especially unprotected departments.**
- Business Rates
 - Permanently lowering business rates multipliers for retail, hospitality and leisure (RHL) properties from 2026-27
 - Providing 40% relief in 2025-26 on bills for RHL properties down from 75%, up to a £110,000 cash cap.
 - Freezing the small business multiplier for 2025-26.
 - Removing business rates charitable relief for private schools from 1 April 2025.
 - Publishing a business rates Discussion Paper to set out the government's priority areas for these business rates reforms.
 - Local government income to be protected from changes to business rates tax policy changes and compensated for administration costs.

- Other items
 - £1bn to extend the Household Support Fund and Discretionary Housing Payments in England and Wales.
 - Funding for MHCLG's core Levelling Up Fund projects is confirmed for 2025-26.
 - The Long-Term Plan for Towns will be retained and reformed into a new regeneration programme.
 - Over £250m to continue testing children's social care reforms, including £44m to pilot a Kinship Allowance and to create more foster placements.
 - Details for fundamental reform of the children's social care market will be announced in Phase 2, at the Comprehensive Spending Review in the Spring.

4.13 Any required updates from the 2025/26 Local Government Finance Settlement will be reported through to Cabinet and incorporated into the final budget put forward for full Council approval on 27 February 2025.

4.14 Details of how government will undertake their planned reform of local government finances in 2026/27 is yet to be announced. Therefore, no assumed changes have been included within future years of this proposed MTFs. It is anticipated that any changes will be reflected as part of the 2026/27 Budget set.

4.15 Fees & Charges

Fees and charges provide an important income stream to the Council and are an essential element of the MTFs. Proposals for 2025/26 are set out in a separate report to December Cabinet for approval. The forecast income generated in support of the MTFs is set out in the savings proposals appended to this report.

4.16 Council Tax

The breakdown of the changes to the council tax base (number of equivalent Band D properties) and the forecast balance on the collection fund impacting on 2025/26 are detailed in the separate Council Tax Base report presented to this Cabinet meeting and have been incorporated into these budget proposals.

4.17 In summary the tax base has increased by 582.9 Band D equivalents, from 41,132.0 to 41,714.9. This has had the effect of increasing the tax base by £1.163 million, which is in line with expected levels from housing growth and the introduction of premiums for empty and second homes approved in legislation.

4.18 In addition to this growth, there is also a forecast surplus of £0.250 million on the collection fund relating to council tax. The Council's share of this estimated surplus is £0.207 million which will be factored into the 2025/26 budget set.

4.19 Analysis of trends of council tax discounts and housing forecasts has informed a modest forecast of around 250 Band D equivalent growth each year from 2026/27 onwards, which equates to additional council tax funding of approximately £0.500 million.

- 4.20 It is currently assumed that the referendum limit on council tax rises for 2025-26 will be 3% along with an additional 2% social care precept. As in recent years, the government have made clear that council tax rises are expected to be a key feature in councils achieving balanced budgets, representing most of the stated increase in core spending power for local government across the spending review period.
- 4.21 In this context, and with the cost pressures on services set out later in this report, these budget proposals are based on a 2.99% increase to council tax and a 2% increase for the adult social care precept in 2025/26, as reflected in the recommendations of this report. Similar indicative increases are assumed for the remaining years of the MTFs, although these assumptions are subject to decision by Full Council each year as part of the annual budget approval process.
- 4.22 **Business Rates**
- Business rates funding is based on the Business Rates Retention (BRR) system introduced in 2013/14, with local authorities retaining 49% of business rates collected locally from that point onwards. BRR provides a level of incentivisation for councils to grow their business rates tax base and retain Business Rates growth for a period until an eventual resetting of the Business Rates baseline.
- 4.23 Nationally, business rates are uplifted each year by September CPI inflation, and this has been assumed in these budget proposals. Council income is usually compensated for any policy changes made by Government, and it was indicated in the recent Autumn Statement that this would be the case again.
- 4.24 The business rates base and forecast collection fund balance are due to be finalised in early January and the updated assumptions will be presented to Cabinet for approval on 6 February 2025 as part of the development of the final budget position to be taken to Council for approval on 27 February 2024. The forecast 2024/25 deficit to be addressed within the 2025/26 Council's budget is £0.186 million. This forecast has been factored into these budget proposals but will be kept under review until the final position is approved in February 2025.
- 4.25 The regeneration of the Freeport tax sites is anticipated to generate additional business rates income, with £32.7 million forecast over the next three years. However, it should be noted that this is subject to risk regarding some key assumptions in terms of the timing and status of the investment pipeline for the sites and the modelling of business rates income that might yield. The updated MTFs within this report reflects this increased business rates income, but assumptions will need to be kept under review and updated as appropriate.
- 4.26 The government's planned reform of local government finances in 2026/27 should see a resetting of business rates baselines. It is not anticipated this will include the Freeport sites as these are legislated as designated areas and not subject to a reset for a period of 25 years. The Council's business rates baseline that is part of the national retention scheme has been below that assumed in the local government funding formula for a number of years, with a reset long overdue. However, with the detail of how government will undertake reform of local government finances yet to be announced, no assumed changes have

been included in this MTFS. It is anticipated that any changes will be reflected as part of the 2026/27 Budgets set.

SERVICE INVESTMENTS

- 4.27 The Council's approach to its MTFS looks to recognise the pressures faced on service delivery and ensure that additional investment into services is managed to cater for the required increases and policy decisions, in line with our corporate priorities and commitments. The list of proposed service investments within the revenue budget over the next five years, totalling £71.9 million, is set out in Appendix 1, with the main items described below.
- 4.28 The pressures are particularly front loaded in 2025/26 due to the increased cost base carried forward from this year, mainly owing to the pressures experienced on children in care costs. The amount required to cater for these pressures has been mitigated in part by the deployment of cost control measures, including retaining the spend and recruitment control parameters introduced this year.
- 4.29 In line with national trends, due to on-going demographic and price pressures, adult and children's social care are consuming an increasing share of overall council service spend. Whilst our services do pursue early intervention and prevention strategies to enable more children and older people to live safely at home with the right support at the right time, the upward pressure on spend is continuing, exacerbated by market insufficiency and increasing national living wage levels. In order to maintain statutory service levels and support our most vulnerable residents, extra investment is required.
- 4.30 Demographic pressures have been particularly acute within children's services. The number of children in care has increased, with a significant increase in complexity requiring a higher proportion of more expensive residential and supported accommodation placements, the costs of which have been compounded by market insufficiency.
- 4.31 The Council have modelled future expected demand increases and cost requirements and have set aside an updated growth allocation that is based on catering for the significant increase in cost levels from the current year and a transformation and prevention approach successfully containing further demand and cost increases within £4 million per annum from 2025/26. The approach to this is set out in the Children's and Families action plan, which has been developed with officer, member and sector led improvement input through the transformation programme and member task & finish group. The approach will focus on mitigating demand, deescalating care arrangements and strengthening the local care market to cater for required placements in the most cost-effective way.
- 4.32 The pay award for next year has been estimated based on 3% plus the increases to national living wage levels for 18–20-year-olds. The increase in anticipated waste disposal costs have been catered for along with an increase in the contribution rate to the pension fund.
- 4.33 Some of the additional investment has been offset by the release of previously held corporate contingencies for demand, inflation and utility costs. Some

contingency provision is planned to be replenished from the third year of the medium-term financial plan.

4.34 **TRANSFORMATION SAVINGS**

The 2024/25 budget report in February highlighted the need for further savings to mitigate the level of uncertainty and risk particularly inherent within demand led services like children's social care. The first few months of this year have seen a significant increase in the number of complex high-cost children's care placements.

- 4.35 Whilst these pressures are common across many councils, councils like Redcar & Cleveland are particularly affected due to inequities in the local government funding system. The regeneration of the Teesworks site offers some respite in future years through increased business rate income, though caution is needed in assumptions and forecasts.
- 4.36 Decisive action has therefore been required in the short term, aligned to the Council's Financial Strategy, to ensure the Council's ability to sustain itself and fulfil its statutory obligation of setting a balanced budget annually.
- 4.37 The 2025-26 budget proposals need to cater for the pressures rolling forward from this year as well as additional service investments for further cost increases anticipated next year.
- 4.38 The Authority has taken a collaborative approach between Cabinet, Elected Members and Senior Officers to develop further savings for the 2025/26 Budget Proposals. An all-member budget task and finish group was established, in parallel to a transformation programme approach, which sought to identify savings proposals in the following prioritised order:
1. Identify and address the root causes of financial pressures,
 2. Implement measures to enhance operational efficiency,
 3. Optimise funding and revenue streams to cover service costs and align with council priorities, and
 4. Adjust service provision to align with available resources while upholding statutory duties and strategic priorities.
- 4.39 Three all-member budget conferences have also been held to provide regular progress updates and seek further views. This approach has proven to be extremely helpful and valuable in informing the savings programme within these budget proposals. Savings have been identified to be delivered over the term of the plan, £8.8 million of which is planned for next year. These are set out at Appendix 2.
- 4.40 The main financial pressure being experienced by the council relates to the cost of providing children's care placements. To try to mitigate this the service has launched a series of initiatives aimed at trying to address the causes of children needing to be taken into care in the first instance, with a particular focus on more complex needs that often result in high-cost placements being required. This will aim to contain further demand and cost increases within the parameters set out in the service investments section above.

- 4.41 In addition, the service is also working closely with local suppliers to identify opportunities to enhance the provision of locally based solo and dual placements to negate the need to incur a high premium cost for these types of placements, whilst seeking to minimise the length of time these placements are required for individual children. Savings from this work have been estimated across the next two years.
- 4.42 Home to school transport has also seen significant increases in numbers of journeys and costs in recent years. A specific review is being undertaken to try to address this. No changes are proposed to the council's current Home to School Transport policy, but the review will look to ensure there is consistency in its application. The review will also investigate the potential for efficiencies in the way the council fulfils its transport duties, the monitoring and review of needs to ensure arrangements remain appropriate and developing specifications for future procurements.
- 4.43 Measures to enhance operational efficiency include more effective use of technology and reablement services within adult social care to reduce need or cater for it in a more cost-effective way. On-going climate change initiatives will seek to further reduce energy consumption.
- 4.44 The asset strategy has had a near term focus of identifying surplus assets for sale, the proceeds from which can then be used through the council's flexible use of capital receipts policy to fund transformation initiatives within the revenue budget that aim to generate on-going savings or transform service delivery in a way that reduces cost or demand for services in future years.
- 4.45 Another key focus of the savings approach has been to optimise revenue streams to cover service costs. This has involved an extensive piece of work with the all-member budget task and finish group resulting in the revised strategic policy approach to the council's fees and charges set out in a separate report to December Cabinet for approval. This savings programme has incorporated the forecast income to be generated.
- 4.46 The identification of the above savings proposals has meant that significant service reductions have not been required at this stage. However, as portrayed in the council's finance strategy, the next two years are a critical period in the council's financial journey. With reserves and resilience at depleted levels, we need to ensure these proposed savings are delivered, and remain vigilant to the substantial risks faced, especially in managing the rising costs associated with children and families' services and the uncertain future of our business rates growth forecasts.

Summary of Revenue MTFS position

- 4.47 The current medium term financial strategy approved by Full Council in February 2024 presented a deficit balance for the 2024/25 Budget of £0.705 million, which forms the starting point for the 2025/26 Budget. These budget proposals extend the MTFS through to 2029/30 to maintain a 5-year financial planning horizon and refresh the underlying assumptions across the three key building blocks of income and funding, service investments and transformation savings, as per the information contained within this report.

4.48 The refreshed MTFS through to 2029/30, based on the estimates within these budget proposals, produces the following financial position:

Revenue Position	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m
Opening Budget balance	0.705	-0.943	-4.439	-11.100	-2.427
Funding changes	-17.184	-13.617	-22.490	-6.601	-6.938
Service investments	24.386	10.773	12.958	15.474	8.339
Savings proposals	-8.848	-0.653	2.871	-0.200	-0.200
(Surplus) / Deficit balance	-0.943	-4.439	-11.100	-2.427	-1.226

Strategic MTFS Reserve forecast (opening balance estimate of £0.376m)	2025/26	2026/27	2027/28	2028/29	2029/30
	1.319	5.758	16.858	19.285	20.511
As % of net revenue budget	1%	4%	9%	10%	10%
Finance Strategy STRIVE target				10%	

4.49 These estimated balances will be refreshed in line with the further detail to be announced in the local government finance settlement, prior to the final budget being presented to Full Council for approval in February 2025.

4.50 It should be noted that even following the local government finance settlement being announced, there remains a level of uncertainty and risk regarding the assumptions underpinning the MTFS, especially in managing the rising costs associated with children and families' services and the uncertain future of our business rates growth forecasts. These risks will be monitored on an on-going basis. The finance strategy seeks to increase the MTFS reserve and budget contingencies where possible in order to improve the council's financial resilience and ability to weather any adverse changes. The next two years remain the period of highest risk whilst this resilience is restored. For this reason, any improvement in the position, including from the finance settlement, will go towards increasing the level of the MTFS reserve during this period.

4.51 Capital Investment Programme

The Council manages its capital investments programme on a rolling basis, with an on-going programme of investments in our infrastructure alongside a range of investments to stimulate sustainable growth. These proposals follow a refresh of our investments programme to ensure alignment to the Council's priorities, finance strategy and to the five-year planning horizon of the revenue budget. The five-year planning timescale necessitates that some of the investment programme is indicative at this stage and will therefore remain under constant review as we firm up and appraise plans and proposals including funding opportunities, business case credentials and overall impact on financial sustainability.

4.52 The table below summarises the £195.153 million of investment proposed through to 2029/30, with scheme level detail set out at Appendix 3.

Capital Block	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	Total £'m
Town Scope Investment	37.541	42.106	0.100	0.100	0.100	0.100	80.047
Visitor Attractions & Amenities	7.306	8.883	0.000	0.000	0.000	0.000	16.189
Business Infrastructure	1.040	3.150	0.000	0.000	0.000	0.000	4.190
Transport Infrastructure	5.922	6.466	5.252	3.420	3.419	3.419	27.898
Housing	1.404	0.000	0.000	0.000	0.000	0.000	1.404
Supported Housing	3.385	2.290	2.090	2.090	2.090	2.090	14.035
Community Capacity	0.199	0.320	0.000	0.515	0.000	0.000	1.034
Recycling & Waste Initiatives	0.255	1.629	0.100	0.100	0.100	0.100	2.284
Education	3.386	4.197	0.165	0.164	0.165	0.164	8.240
Council Investments	10.501	8.626	7.144	4.995	4.283	4.283	39.832
Total	70.939	77.667	14.851	11.384	10.157	10.156	195.153

- 4.53 The impact of increased interest rates has resulted in rising costs of borrowing which have been catered for in the Council's revenue budget. Some additional borrowing has been taken in the context of the survive phase of the finance strategy to generate immediate revenue savings, with the strategy looking to reduce reliance on borrowing in later years.
- 4.54 In line with our aims to reduce carbon emissions specific investment is retained to underpin actions within our Climate Change Strategy, including development of renewable energy projects, support for sustainable transport infrastructure and more tree planting on an on-going basis.
- 4.55 This complements the on-going investment in our IT infrastructure that allows us to operate more flexibly, reducing the need for building space and travel. Our fleet replacement programme allows our older vehicles to be replaced with cleaner ones, with more electric vehicles and alternative fuels being trialled and integrated into the fleet. The on-going investment in the planned maintenance of our buildings includes provision to make them more energy efficient as we undertake these works and grant funding will continue to be sought to accelerate this process.
- 4.56 In support of our Start Life Well and Live and Age Well priorities there is on-going investment in disabled facilities and adaptations to allow people to live more independently in their own homes, investment has been made in supporting our children in care through the development of additional localised placements in conjunction with local providers, and further investment in our school estate is planned, expanding existing school provision, and creating new provision, to meet the educational needs of our young people. Investment is also underway to develop a new swimming bath in Eston and promote grass roots sports throughout the borough.
- 4.57 We have extensive plans to improve the physical appearance of the borough and enhance prosperity. Significant investment in our towns is taking place, including through the Redcar Town Fund, Loftus Future High Streets Fund, Levelling-up funding for investment in Guisborough and the Greater Eston area. Investment is also planned to support business growth, with our industrial estates programme creating the infrastructure needed, particularly in relation to a significant development of Business Unit space at Skippers Lane in South Bank.

- 4.58 Our approach to investing in a strong and sustainable council is also reflected. The infrastructure requirements for service delivery including IT, assets and fleet are provided for. On-going investment is also planned in the Borough's transport infrastructure, including the road network, repair and maintenance of highways assets.
- 4.59 The Council operate established governance arrangements around the delivery of the investment programme, to maximise the realisation of benefits and delivery of value for money. Our 'In-Control' toolkit is utilised to ensure all the five cases of the green book business case model are considered at the key milestones of planning and scheme delivery. These business cases are considered at the Council's officer-based Programme Management Group, consisting of a cross section of relevant senior officers from across the council, to ensure a comprehensive appraisal of proposals prior to being presented to Cabinet for consideration and approval.
- 4.60 Several schemes within the investment programme have already been approved and are currently being delivered. Other schemes are at an earlier stage and are included in the proposed programme now for financial planning purposes. These schemes will go through the governance process described above, and as such could be amended or removed as appropriate.
- 4.61 Indicative funding sources for the investment programme have been included, which currently shows approximately £2.60 of external funding leveraged for every £1 invested by the council. In summary the indicative funding sources for the £195.153 million programme are £134.162 million grant funding, £52.001 million borrowing and £8.990 million capital receipts.
- 4.62 In order to promote financial resilience and sustainability, we continue to seek to maximise the use of external funding sources and minimise the amount of borrowing required to underpin our investments. The investments programme will continue to evolve over time. Consideration of future investment proposals will appraise strength of fit to the agreed priorities of the Council, as well as ability to deliver a return on investment where appropriate to support the financial sustainability of the Council and ensure the funding of the programme remains affordable.

5.0 Impact Assessment

5.1 Climate Emergency – The budget proposals identify areas of service that, if approved will need to be considered for their impact on the Climate, with some proposals proactively targeted at delivering improvements.

5.2 Health and Safety – The budget has a secured level of funding for our Health & Safety needs.

5.3 Social Value – A key component of the procurement and investment strategies of the Council is to promote social value across the Borough.

5.4 Legal – It is a statutory requirement of the Local Government Act 2003 Section 33 for the Chief Finance Officer to achieve a balanced budget for the Council. In addition, Section 25 of the Local Government Act 1972 addresses the Chief Finance Officer’s legal requirement to be satisfied regarding the adequacy of its reserves when setting and operating budgetary policy of the Council.

5.5 Financial – The main body of the report sets out the revenue and capital aspects of the budget.

5.6 Human Resources – Aspects of the proposals may impact the staffing establishment in some service areas. As has been the case in previous years, any impact will be managed in line with HR policies.

6.0 Implementation Plan

6.1 Timetable for Implementing Decision:

- 04 December 2024 – Budget proposals report considered at Resources Scrutiny & Improvement Committee
- 10 December 2024 – Cabinet approve Budget Proposals for consultation.
- 11 December 2024 – Budget consultation period starts.
- 06 January 2024 – Budget consultation period ends
- 11 February 2025 – Cabinet to propose the 2024/25 Budget and Council Tax requirement to Council.
- 27 February 2025 – Council to set the 2024/2025 Budget and Council Tax requirement.

6.2 Lead Officer: Phil Winstanley – Director of Finance (Section 151 Officer)

6.3 Reporting Progress: As per the timetable for implementation above.

6.4 Communications Plan: As per the timetable for implementation above.

7.0 Consultation and Engagement

The purpose of this report is to commence a period of consultation on the council’s budget proposals, prior to a final budget being presented on 27 February 2025 to Council for approval.

The Council, through legislation, has two requirements to consult on the annual budget. The required consultation is with the businesses located in the borough and is in respect of the council’s capital investment programme and proposals for increases in local taxation levels.

Extensive consultation has already been undertaken with members, with the all-member budget task and finish group and all-member budget conferences helping to inform these budget proposals. Further consultation will be conducted through an on-line survey, targeted communications with key stakeholder groups, consultation through the Council’s Corporate Resources Scrutiny & Improvement Committee, and further discussion with wider council members.

8.0 Appendices and Background Papers

Appendix 1 – Service Investments

Appendix 2 – Transformation Savings

Appendix 3 – Capital Investments Programme

9.0 Contact Officer

9.1 Name: Phil Winstanley

9.2 Position: Director of Finance (Section 151 Officer)

9.3 Email address: Philip.winstanley@redcar-cleveland.gov.uk

Appendix 1 – Service Investments

Service Investments	2025/26	2026/27	2027/28	2028/29	2029/30
Roll forward of pressures from 2024/25	12,000,000	300,000			
Children in care demographic and cost pressure	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Adult social care demographic and cost pressures	2,700,000	2,000,000	2,000,000	2,000,000	2,000,000
Waste and Highways services - volume and price pressures	1,577,150	832,250	166,700	934,300	
Environmental Services - expiry of grant funding	130,000				
Pay Award (24/25 5% then 3% from 25/26)	2,262,557	2,161,246	2,204,505	2,270,640	2,338,759
Pension Fund Triennial Revaluation	500,000				
Capital financing costs	1,486,000	930,000	587,000	269,000	
Recharges to Capital	500,000				
Utility Inflation - Forecast Energy Cost Reductions in 25/26	(500,000)				
General demand and price contingency			4,000,000		
Inflation Provision	150,000	550,000			
Release of Transformation and Prevention provision	(420,000)				
Funding of service infrastructure to reduce borrowing costs				6,000,000	
Total	24,385,707	10,773,496	12,958,205	15,473,940	8,338,759

Appendix 2 – Transformation Savings

Planned savings	2025/26	2026/27	2027/28	2028/29	2029/30
Climate change invest to save activities to mitigate energy costs through targeted intervention measures	(75,000)	(75,000)			
Renegotiation on extension of Revenues and Benefits contract	(100,000)				
Development of more in-borough children's care placement provision	(2,918,000)	(762,000)			
Review of Home to School transport arrangements	(1,000,000)	(500,000)			
More efficient use of technology and reablement services to reduce care needs and costs	(260,000)				
Review of opening hours at HWRC to match seasonal demand	(12,000)				
Additional income derived from Fees and Charges proposals	(796,000)	(200,000)	(200,000)	(200,000)	(200,000)
Utilisation of asset sales proceeds through flexible use of capital receipts policy	(3,687,000)	884,000	3,071,000		
Grand Total	(8,848,000)	(653,000)	2,871,000	(200,000)	(200,000)

Appendix 3 – Capital Investment Programme

Scheme	Revised 2024/25	Revised 2025/26	Revised 2026/27	Revised 2027/28	Revised 2028/29	Revised 2029/30	Total Budget	Cap Receipts	Prudential Borrowing	Capital Grants / Contributions / Loan Repayment	DRF	Total Funding
Town Scape Investment												
Redcar Central Station	8,201,700	0	0	0	0	0	8,201,700	0	0	-8,201,700	0	-8,201,700
East Cleveland Town Centre Revival	13,850	0	0	0	0	0	13,850	0	-1,850	-12,000	0	-13,850
Saltburn Town Centre Revival	679,700	0	0	0	0	0	679,700	0	0	-679,700	0	-679,700
Loftus Future High Street	4,154,250	266,500	0	0	0	0	4,420,750	0	-68,900	-4,351,850	0	-4,420,750
Redcar Town Deal	1,905,500	15,788,050	0	0	0	0	17,693,550	0	0	-17,693,550	0	-17,693,550
LUF Connecting People and Place	4,744,050	14,651,850	0	0	0	0	19,395,900	0	0	-19,395,900	0	-19,395,900
LUF Eston	4,493,300	11,087,000	0	0	0	0	15,580,300	0	0	-15,580,300	0	-15,580,300
Levelling Up Partnership	13,190,200	0	0	0	0	0	13,190,200	0	0	-13,190,200	0	-13,190,200
Parks & Play Equipment	100,000	255,650	100,000	100,000	100,000	100,000	755,650	0	-755,650	0	0	-755,650
Levelling Up Parks Improvement	6,300	0	0	0	0	0	6,300	0	0	-6,300	0	-6,300
Kingsley Field	52,150	0	0	0	0	0	52,150	0	0	-52,150	0	-52,150
Skinningrove Coastal Protection	0	56,800	0	0	0	0	56,800	0	0	-56,800	0	-56,800
SUB-TOTAL EXPENDITURE	37,541,000	42,105,850	100,000	100,000	100,000	100,000	80,046,850	0	-826,400	-79,220,450	0	-80,046,850
Visitor Attractions & Amenities												
Cleveland Ironstone Mining Museum	37,100	0	0	0	0	0	37,100	0	0	-37,100	0	-37,100
Regent Cinema Development	11,200	0	0	0	0	0	11,200	0	0	-11,200	0	-11,200
Guisborough Town Hall Gateway Project	452,800	0	0	0	0	0	452,800	0	0	-452,800	0	-452,800
Eston Sports Village	6,649,700	8,654,900	0	0	0	0	15,304,600	0	-11,663,350	-3,641,250	0	-15,304,600
Loftus MFCF Sports Project	155,000	0	0	0	0	0	155,000	0	0	-155,000	0	-155,000
Kirkleatham Future Development	0	228,250	0	0	0	0	228,250	0	0	-228,250	0	-228,250
SUB-TOTAL EXPENDITURE	7,305,800	8,883,150	0	0	0	0	16,188,950	0	-11,663,350	-4,525,600	0	-16,188,950
Business Infrastructure												
Coatham Leisure - Phase 1	390,400	0	0	0	0	0	390,400	0	0	-390,400	0	-390,400
Industrial Estates Programme	650,000	3,149,500	0	0	0	0	3,799,500	0	0	-3,799,500	0	-3,799,500
SUB-TOTAL EXPENDITURE	1,040,400	3,149,500	0	0	0	0	4,189,900	0	0	-4,189,900	0	-4,189,900
Transport Infrastructure												
Highways Block Allocation - City Regional Sustainable Transport Settlement Allocation	4,118,450	3,399,400	3,419,400	3,419,400	3,419,400	3,419,400	21,195,450	0	0	-21,195,450	0	-21,195,450
Environmental Assets	1,417,900	3,066,750	1,832,650	0	0	0	6,317,300	0	-6,317,300	0	0	-6,317,300
Flood Alleviation and Resilience Works	285,000	0	0	0	0	0	285,000	0	0	-285,000	0	-285,000
Eston to South Bank Cycleway	100,750	0	0	0	0	0	100,750	0	0	-100,750	0	-100,750
SUB-TOTAL EXPENDITURE	5,922,100	6,466,150	5,252,050	3,419,400	3,419,400	3,419,400	27,898,500	0	-6,317,300	-21,581,200	0	-27,898,500

Scheme	Revised 2024/25	Revised 2025/26	Revised 2026/27	Revised 2027/28	Revised 2028/29	Revised 2029/30	Total Budget	Cap Receipts	Prudential Borrowing	Capital Grants / Contributions / Loan Repayment	DRF	Total Funding
Housing												
Local Authority Housing Fund	1,404,000	0	0	0	0	0	1,404,000	0	0	-1,404,000	0	-1,404,000
SUB-TOTAL EXPENDITURE	1,404,000	0	0	0	0	0	1,404,000	0	0	-1,404,000	0	-1,404,000
Supported Housing												
CSDP Adaptations	125,000	140,000	140,000	140,000	140,000	140,000	825,000	0	0	-825,000	0	-825,000
Aids & Adaptations	800,000	500,000	300,000	300,000	300,000	300,000	2,500,000	0	-435,150	-2,064,850	0	-2,500,000
Digitalisation of Telecare	415,000	0	0	0	0	0	415,000	0	0	-415,000	0	-415,000
Assisted Technology	250,000	0	0	0	0	0	250,000	0	-250,000	0	0	-250,000
Disabled Facilities Grant	1,794,900	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	10,044,900	0	0	-10,044,900	0	-10,044,900
SUB-TOTAL EXPENDITURE	3,384,900	2,290,000	2,090,000	2,090,000	2,090,000	2,090,000	14,034,900	0	-685,150	-13,349,750	0	-14,034,900
Community Capacity												
Grassroots Sport	180,000	320,000	0	0	0	0	500,000	0	-500,000	0	0	-500,000
Investment in Leisure Centres	18,900	0	0	515,000	0	0	533,900	0	-533,900	0	0	-533,900
SUB-TOTAL EXPENDITURE	198,900	320,000	0	515,000	0	0	1,033,900	0	-1,033,900	0	0	-1,033,900
Recycling & Waste Initiatives												
Recycling Initiatives	150,000	149,650	0	0	0	0	299,650	0	-299,650	0	0	-299,650
Purchase of Refuse Bins	100,000	100,000	100,000	100,000	100,000	100,000	600,000	0	-600,000	0	0	-600,000
Food Waste	0	1,040,350					1,040,350	0	0	-1,040,350	0	-1,040,350
Waste Management Infrastructure	5,000	338,900	0	0	0	0	343,900	0	-343,900	0	0	-343,900
SUB-TOTAL EXPENDITURE	255,000	1,628,900	100,000	100,000	100,000	100,000	2,283,900	0	-1,243,550	-1,040,350	0	-2,283,900
Education												
School Estate Investment	2,343,650	4,133,250	100,000	100,000	100,000	100,000	6,876,900	0	0	-6,876,900	0	-6,876,900
Devolved Formula Capital at LEA Level	64,500	64,500	64,500	64,500	64,500	64,500	387,000	0	0	-387,000	0	-387,000
Kirkleatham School Expansion	394,200	0	0	0	0	0	394,200	0	0	-394,200	0	-394,200
A Special Free School for the Tees Valley in Grangetown	500,000	0	0	0	0	0	500,000	0	0	-500,000	0	-500,000
The Ridings - Renovation	83,550	0	0	0	0	0	83,550	0	-83,550	0	0	-83,550
SUB-TOTAL EXPENDITURE	3,385,900	4,197,750	164,500	164,500	164,500	164,500	8,241,650	0	-83,550	-8,158,100	0	-8,241,650
Council Investments												
Business Premises Improvements	688,550	239,500	150,000	150,000	150,000	150,000	1,528,050	0	-1,137,000	-391,050	0	-1,528,050
Purchase of Vehicles (Fleet Replacement)	4,569,750	2,017,700	1,595,000	2,663,650	2,000,000	2,000,000	14,846,100	-1,500,000	-13,346,100	0	0	-14,846,100
Climate Strategy	583,300	316,300	200,000	200,000	200,000	200,000	1,699,600	0	-1,426,650	-272,950	0	-1,699,600
Tree Safety Strategy	250,000	0	0	0	0	0	250,000	0	-250,000	0	0	-250,000
Information Technology Improvement Projects	1,674,400	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	6,674,400	0	-6,674,400	0	0	-6,674,400
PFI Lifecycle Costs	753,750	864,150	896,150	481,400	432,700	432,700	3,860,850	0	-3,860,850	0	0	-3,860,850
Business Transformation	1,000,000	3,687,000	2,803,000				7,490,000	-7,490,000	0	0	0	-7,490,000
Changing Places	28,200	0	0	0	0	0	28,200	0	0	-28,200	0	-28,200
Asset Management - Capitalised Repairs	953,200	500,000	500,000	500,000	500,000	500,000	3,453,200	0	-3,453,200	0	0	-3,453,200
SUB-TOTAL EXPENDITURE	10,501,150	8,624,650	7,144,150	4,995,050	4,282,700	4,282,700	39,830,400	-8,990,000	-30,148,200	-692,200	0	-39,830,400
TOTAL EXPENDITURE	70,939,150	77,665,950	14,850,700	11,383,950	10,156,600	10,156,600	195,152,950	-8,990,000	-52,001,400	-134,161,550	0	-195,152,950

