

## THE EXECUTIVE

A meeting of the Executive was held on 15 May 2018 at 1:00 p.m. in Mandela Room, Town Hall, Middlesbrough.

**PRESENT:** Mr D Budd (Chair), Councillors J Brunton Dobson, M Carr, D Rooney, J Rostron, N Walker and L Young.

**OFFICIALS:** J Bromiley, K Parkes, T Parkinson, S Reynolds, E Scollay and H Watson.

**APOLOGIES FOR ABSENCE:** Councillors C Rooney, J Sharrocks and M Thompson.

### DECLARATIONS OF INTERESTS

There were no Declarations of Interest.

#### 17/102 **MINUTES OF THE EXECUTIVE MEETING HELD ON 17 APRIL 2018**

The minutes of the Executive meeting held on 17 April 2018 were submitted and agreed as a correct record.

#### 17/103 **MINUTES OF THE EXECUTIVE SUB-COMMITTEE FOR PROPERTY MEETINGS HELD ON 21 FEBRUARY 2018 AND 21 MARCH 2018**

The minutes of the Executive Sub-Committee for Property meetings held on 21 February 2018 and 21 March 2018 were noted.

#### 17/104 **CHANGE PROGRAMME 3.1**

The Mayor and the Chief Executive submitted a report, the purpose of which was to seek the Executive's approval for the proposed approach to Phase 3.1 of the Council's Change Programme.

The Council had approved the Strategic Plan for 2018-2022 on 28 March 2018. Under the 'Business imperatives' aim, the plan set out a range of strategic priorities to deal with the £46m shortfall in the Council's finances to 2021/22, as set out in the Medium Term Financial Plan presented to Council on 7 March 2018.

The report detailed the progress that had been made in respect of the Council's Change Programme, which had been developed and implemented on a continual basis since 2013.

Change Programme 3.0 had identified £19m of potential savings to date, and taking into account the further £2m of additional savings identified for 2018/19, there was a residual gap of £26.9m in the period to 2021/22. To identify where further efficiency savings could potentially be made, one of the new mechanisms identified to produce these further savings was to introduce a 'unit cost' budgeting approach to Council services.

The most recent iteration of the Medium Term Financial Plan estimated that the Council required further budget reductions amounting to £26.9m in the period to 2021/22. Activity to identify these reductions, together with delivery of outstanding activity from Phase 3.0, would form Phase 3.1 of the Change Programme. Details of the proposed 'unit cost' budgeting approach and the associated methodology were provided in the submitted report.

### OPTIONS

It was imperative that the Council addressed its financial challenges in a systematic manner. The proposed methodology for Phase 3.1 of the Change Programme offered such an approach, which if successful would minimise the need for reducing standards to the statutory minimum and/or the cessation of discretionary services.

**ORDERED**

**That the proposed approach to Phase 3.1 Change Programme be agreed.**

**REASONS**

**The decision was supported by the following reason:**

**The Council would continue to address its ongoing financial challenges over the medium-term in a systematic manner, and maximise its contribution to the 2025 Vision for Middlesbrough.**

17/105

**LOCAL PLAN PREFERRED OPTIONS**

The Executive Member for Economic Development and Infrastructure and the Executive Director for Growth and Place submitted a report, the purpose of which was to seek approval of the Local Plan Preferred Options report for the purpose of public consultation, and to obtain delegated authority to make any minor amendments prior to consultation taking place.

A copy of the Local Plan Preferred Options Report was attached at Appendix 1.

Under the provisions of the Planning and Compulsory Purchase Act 2004, the Council was required to prepare a statutory development plan for the Borough, otherwise known as a Local Plan, which set out the policies and land allocations to guide development in the area. In May 2016, the Executive approved the Local Plan review. The purpose of the review was to ensure that all of the Council's planning policies were up-to-date, and to bring them together into a single document. The review excluded Minerals and Waste policies, which were adopted jointly across the Tees Valley in 2011 and remained up-to-date.

In November 2016, the Executive approved the Local Plan Issues Paper, which set out the key issues that the Local Plan would aim to address. The Issues Paper was subject to public consultation between December 2016 and January 2017. The comments received, and the Council's response to these, were included within the Report of Consultation on the Local Plan Issues Paper, and were attached at Appendix 2 of the submitted report.

Since this time, the Council had been preparing the Local Plan Preferred Options using a robust and credible evidence base, in line with national planning policy. In addition to ensuring that identified needs were met, the Local Plan Preferred Options incorporated policies to support the wider ambitions of the Council, as set out in other plans and strategies, including, for example, the Affordable Homes Plan (2018). The report outlined a number of factors to which this policy approach was focused.

The key issue that the Local Plan would address was the need for housing and the supply of land to address this need. The Preferred Options report set out the identified level of need as being 425 dwellings per annum, which took into account the economic growth ambitions set out in the Tees Valley Strategic Economic Plan. This was the minimum level of housing that was required. As the Council was also currently working with the development sector to seek ways of boosting the supply of housing, an indicative target of 500 dwellings per annum had also been included for the first 10 years of the plan. This demonstrated clearly the Council's commitment to supporting housing growth.

The Local Plan Preferred Options report had been subject to sustainability appraisal (SA), which was a legal requirement of plan preparation. In addition, a Habitats Regulations Assessment had been undertaken.

Once approved, the Local Plan Preferred Options would be subject to a period of public consultation lasting six weeks, in accordance with the Council's adopted Statement of Community Involvement. Following the consultation, all comments received would be taken into account in finalising the Local Plan.

An Initial Impact Assessment of the Local Plan Preferred Options report was shown at Appendix 3.

## **OPTIONS**

It was a statutory requirement to prepare a Local Plan that identified land for development and could be used as a basis for determining planning applications. The Local Plan was critical for delivering some of the Council's key strategic objectives, in particular population retention, increasing the housing supply and supporting economic growth. Whilst the Local Plan Preferred Options stage was not in itself a statutory requirement, it would enable the Council to undertake necessary public consultation and progress to subsequent stages of plan preparation. An up-to-date Local Plan would also help the Council maintain control of development in the Borough.

### Other potential decisions and why these had not been recommended

- Not to approve the Local Plan Preferred Options report. This would mean that the Local Plan review as agreed previously by Executive would no longer be progressed, and existing out-of-date policies would be retained for longer. This would, in turn, present more challenges in achieving the type and quality of development that would help the Council realise its ambitions.

## **ORDERED**

1. **That the Local Plan Preferred Options report for the purpose of public consultation be approved.**
2. **That authority be delegated to the Executive Director for Growth and Place, in consultation with the Executive Member for Economic Development and Infrastructure, to make any minor amendments to the Local Plan Preferred Options report (should they be necessary) prior to consultation.**

## **REASONS**

The decisions were supported by the following reason:

The decision would help the Council achieve:

- **Its statutory obligations with regards to plan making;**
- **A programme of development to support the identified needs and ambitions for the area;**
- **Sufficient development to meet the requirements of the Medium Term Financial Plan; and**
- **All aspects of the Mayor's Vision that related to the use of land.**

17/106

## **TRANSPORT AND INFRASTRUCTURE CAPITAL PROGRAMME 2018/19-2020/21**

The Executive Member for Economic Development and Infrastructure and the Executive Director for Growth and Place submitted a report, the purpose of which was to seek Executive endorsement for the three-year Transport and Infrastructure Capital Programme.

The Council had an ambitious housing growth and economic regeneration plan for the Borough which, if successful, would increase the number of people living and working in the area. Delivery of this growth was critical to the Medium Term Financial Plan and the long term sustainability of the Council. The additional journeys resulting from this growth would naturally result in additional pressure on the transport network, so in order to ensure that this impact was managed and mitigated, the Council had produced a programme of works that would facilitate additional journeys across a wide range of modes. Both the growth driven activity and the regular improvement to the existing infrastructure needed to be addressed, through an extensive programme of capital investment.

The submitted report provided details regarding Road Condition; Adoption of an Area Based Approach; Programme Highlights; and Funding and Allocations.

The total available Capital for the programme was £15,839,000, and was scheduled as follows:

- 2018/19 - £5,715,000;
- 2019/20 - £7,287,000; and
- 2020/21 - £2,837,000.

An allocation breakdown was shown at Appendix A.

The Capital Programme was scheduled to utilise this funding to deliver projects across the following six themes: Highway Maintenance (£5,190,000); Road Safety (£1,210,000); Sustainable Transport (£956,000); Rail Improvements (£1,500,000); Traffic Flow Improvements (£6,410,000); and Programme Development, Planning and Contingency (£573,000). A detailed breakdown of this was shown at Appendices A and B.

A Proposed Programme of Works was shown at Appendix C; Details of an Area Based Highways Maintenance Approach at Appendix D; Mapped Improvements at Appendix E; and an Equality Impact Assessment at Appendix F.

## OPTIONS

In order to allow for prudent management of the Transport and Infrastructure Capital Programme, appropriate allocation of the funding identified in the report would be necessary.

Having identified indicative funding for three years, this allowed for effective resource planning and allocation to be amended (and re-allocated if necessary) through the associated financial year. This was prudent and provided resilience given the available resources for undertaking a programme of this scale.

### Other potential decisions and why these had not been recommended

- Not approve the delivery of the Transport and Infrastructure Capital Programme. This had not been recommended, as it would result in a delay in the delivery of the programme. The programme could not be effectively progressed without an appropriate allocation of funds being agreed at the earliest opportunity. This may result in delays and impact negatively upon residents and the local economy through a combination of ineffective planning and timescales being sympathetic to the workload. This could also potentially result in the Council losing existing resources, or not securing further resources based on road quality.

## ORDERED

1. **That the three year Transport and Infrastructure Capital Programme (based on indicative allocations) to a total value of £15,839,000, as per the table in Appendix B, be endorsed.**
2. **That any changes in the resource allocation through the year (up to a value of 15% or £25k, whichever was higher under each budget heading) be delegated to the Director of Regeneration, in consultation with the Executive Member for Economic Development and Infrastructure.**

## REASONS

The decisions were supported by the following reason:

**The Transport and Infrastructure service would be able to plan and design the proposed programme of actions in advance, allowing for a more efficient resourcing and delivery process.**

**17/107 COUNCIL, OVERVIEW AND SCRUTINY BOARD - MATTERS FOR RECONSIDERATION**

There were no items for consideration.

**17/108 CONSIDERATION OF REPORTS FROM THE OVERVIEW AND SCRUTINY BOARD**

There were no items for consideration.

**17/109 BUDGET AND BALANCED SCORECARDS: YEAR-END 2017/18**

The Executive Member for Finance and Governance and the Strategic Director of Finance, Governance and Support submitted a report that provided information regarding the Council's final outturn position against its revenue and capital budgets, and its performance overall at year-end 2017/18, as well as a position statement in respect of Treasury Management and General Reserves.

**2017/18 Revenue Budget Outturn and Savings Delivery**

The report set out the overall revenue outturn at year-end before and after proposed transfers to reserves and provisions. Assuming the Executive's approval of these transfers, the 2017/18 year-end revenue outturn position of the Council was £113,382,000, which represented an underspend of £287,000 (0.25%).

The submitted report summarised the position by each Department / Directorate.

The explanations for the major variances over £150,000 had been agreed with Directorates and were summarised, together with key budgetary savings achievements, as follows:

- Growth and Place: budget overspend of £85,000;
- Public Health and Public Protection: budget underspend of £128,000;
- Children's Services: budget overspend of £1,260,000;
- Adult Social Care and Health Integration: budget underspend of £405,000;
- Finance, Governance and Support: budget underspend of £83,000; and
- Central Costs: budget underspend of £1,016,000.

**Medium Term Financial Plan**

The continuing pressures within Children's Care and Legal Services, as outlined in the report, were addressed within the Revenue Budget, Council Tax, Medium Term Financial Plan and Prudential Indicators 2018/19 report to Full Council on 7 March 2018.

If the pressures with Children's Care continued to increase and expected savings in future years were not delivered, then this would require fundamental changes to the Council's budget strategy and Medium Term Financial Plan. Monitoring of demand, expenditure trends and transformation plans within Children's Care would continue to be accorded the highest priority going forward.

**2017/18 Capital Outturn**

Over the period to 2020/21 the Council was investing £95m of its own resources in growing the town's economic base, driving financial self-sufficiency via growth in Council Tax, Business Rates and income from commercial activity, and transforming how the Council delivered its services, minimising service reductions and job losses over this period. This investment would support major regeneration schemes outlined in the Middlesbrough Investment Prospectus, examples of which were provided in the report.

Following review in Quarter Three, Executive agreed a revised Investment Strategy on 20 February 2018. The report summarised the capital outturn position for 2017/18 of £34.730m against the revised 2017/18 budget of £37.652m, or 92% of the revised budget, reflecting some re-profiling across the four-year strategy period. Compared with the budget set at the start of the year of £33.757m, this position represented a 3% over delivery against the

Council's initial assumptions for 2017/18.

Proposals for further significant re-profiling following the 2017/18 year-end review, and explanations for major variances, agreed with Departments / Directorates, were set out in the report. Based on these, a revised Investment Strategy for the period to 2020/21 was shown at Appendix 1 for approval.

### **Treasury Management**

#### **Borrowing Position**

The balance of borrowing at 31 March 2018 was £152m (comprising £142m long-term, and £10m short-term borrowings), an increase of £20m since 31 December 2017, due to increased long and short-term borrowing to fund both the general cashflow position of the Council, and capital programme borrowing requirements, in line with expectations.

#### **Borrowing Limits**

On 1 March 2017, Full Council approved borrowing of up to a maximum of £211.1m during 2017/18 (the Authorised Limit). At no time during the year was either the Operational Borrowing Limit (£189.4m), or the Authorised Limit, reached.

#### **Loan Portfolio Trend**

The report illustrated the change in the Council's cash and loan position in recent years. Since 2011, cash balances had been run down to fund the Investment Strategy, without additional borrowings, resulting in the drawdown of short-term loans, in line with expectations and Medium Term Financial Plan assumptions.

### **Reserves and Provisions**

As part of proper financial planning, the Council held a level of reserves and provisions as a safety net against unexpected expenditure, and to provide for anticipated events with financial implications. As part of the Strategic Plan 2016-20, it was determined that the Council's overall level of reserves and provisions could be safely reduced in order to smooth out future savings requirements and to fund investment. The report set out a summary of the Council's opening balance of reserves and provisions at the start of 2017/18, and the position at the end of the year.

A review of the Council's reserves policy was set out in the Revenue Budget, Council Tax, Medium Term Financial Plan and Prudential Indicators 2018/2019 report to Council on 7 March 2018.

### **Performance at Year-End 2017/18**

The Council's overall performance at year-end 2017/18 was summarised, which showed the movement from Quarter Three. Seven of nine Directorates, and the Council overall, exceeded the corporate standard of meeting 75% or more of performance targets at year-end. Explanations of major variances from target and mitigating activity were reported, with the complete set of Balanced Scorecards shown at Appendix 2.

### **Strategic Risk Register (SRR)**

In line with best practice, the Council was committed to regularly reviewing its SRR to ensure that it reflected the key risks to delivery of the strategic priorities. The updated SRR was attached at Appendix 3 for information.

### **OPTIONS**

No options were discussed as they were not applicable to the report.

**ORDERED**

1. That £712,000 of savings within Adult Social Care be transferred to the Social Care Demand Risk reserve; £507,000 of savings within Public Health be transferred to the Public Health Reserve; £737,000 of Capital Financing savings be transferred to the Capital Refinancing Reserve.
2. That £655,000 of Section 31 Business Rates Grant be transferred to the Business Rates Risk Reserve; and that £596,000 of Section 31 Business Rates Grant and NDR Enterprise Zone Discount be transferred to the Business Rates Relief Reserve.
3. That the resulting year-end revenue outturn position in 2017/18, namely a budget underspend of £287,000 (or 0.25%), be noted.
4. That the revised Investment Strategy for the period to 2020/21 at Appendix 1 be approved, and that capital expenditure of £34.730m against the revised budget of £37.652m in 2017/18 (or 92% of the revised budget) be noted, reflecting some re-profiling of schemes, and representing 3% over delivery against the Council's initial assumptions for 2017/18.
5. That the Council's borrowing at 31 March 2018 of £152m, and its General Reserves at 31 March 2018 of £15.1m be noted, along with a further £23.6m of reserves earmarked for specific purposes, and £4.4m of School reserves, making a total of £43.1m, in line with expectations.
6. That the performance of Directorates at year-end (Appendix 2), and the Council's updated Strategic Risk Register (Appendix 3) be noted.

**REASONS**

The decisions were supported by the following reason:

To enable the effective management of finances, performance and risk in line with the Council's Local Code of Corporate Governance, the Scheme of Delegation and agreed corporate financial regulations.

17/110

**NEWHAM GRANGE LEISURE FARM OPTIONS APPRAISAL**

The Executive Member for Environment and Commercial Services and the Executive Director of Growth and Place submitted a report, the purpose of which was to summarise the findings of the independent options appraisal of Newham Grange Leisure Farm, and outline recommendations for future development.

Newham Grange Leisure Farm was returned to Council management in August 2017 from Askham Bryan College. The farm currently attracted around 30,000 visitors a year and there was significant emotional attachment to the farm by the people of Middlesbrough. The farm currently ran at an estimated financial loss of around £40,000 per year. Visitor dwell time at the farm was limited as a result of the facilities available. Whilst the farm offer was not as attractive as comparable facilities, other competitors were distant from Middlesbrough. The farm had vast potential for improvement thanks to the size of the site and the knowledge and experience of its staff.

An independent options appraisal was conducted by specialist leisure consultants to scope the potential for the farm and the future income it could achieve, fully understanding the market and identifying all potential development opportunities linked to four investment options. The report set out the findings of the options appraisal and the rationale for the recommended future development option of Newham Grange Leisure Farm.

**OPTIONS**

Option 1 - Continue as present with no further investment, maintaining current financial loss and risk further decline of the farm.

Option 2 - Continue as present with very minimal investment to maintain and slightly improve the current standards of the farm.

Option 3 - Small level of investment to improve the farm and increase visitor numbers, quality of visitor experience and educational offer.

Option 4 - Significant investment to transform the farm into a leisure and education facility, becoming a destination visitor attraction for Middlesbrough with Spring 2019 opening (restoration of the farmhouse would take longer). This option would also include the ability to meet wider educational and community objectives set by the Council.

#### Recommended Option

Significant investment (Option 4) was recommended as the most appropriate course of action as it offered the greatest financial advantage to the Council due to the income it would generate, whereas options 1, 2 and 3 would not deliver adequate income. Option 4 would transform the farm into a regional attraction that met both wider leisure and educational objectives for Middlesbrough and the Tees Valley.

The farm would become a long term financially sustainable leisure and education facility that increased visitor numbers both from Middlesbrough and outside of the town, as well as contributing to the Council's Social and Physical Regeneration agenda, Business Imperatives, One Planet Living objectives and the Cultural Strategy of the Tees Valley Combined Authority.

#### Other potential decisions and why these had not been recommended

**Option 1** (status quo) - Continue as present with no further investment, maintaining the current financial loss and risking further decline of the farm. The farm would continue to operate as was with only on-going essential maintenance to comply with legal obligations and no additional capital investment. The report detailed the positive and negative implications associated with this option.

**Option 2** - Continue as present with very minimal investment to maintain and slightly improve the current standards of the farm (£350k). This option had not been recommended as the impact on the bottom line would be very minimal. The report detailed the positive and negative implications associated with this option.

**Option 3** - Small level of investment to improve the farm and increase visitor numbers, quality of visitor experience and educational offer (£1m). This option had not been recommended as the impact on the bottom line would be minimal and it would not lead to a sustained increase in visitor numbers and income. The report detailed the positive and negative implications associated with this option.

#### **ORDERED**

1. **That Option 4, to transform Newham Grange Leisure Farm into a leisure and education facility for Middlesbrough and the Tees Valley, be approved.**
2. **That the appointment of a Leisure Facility Manager be approved.**
3. **That the development of a detailed business plan for farm operations following investment be approved.**
4. **That the establishment of a Management Board of relevant stakeholders from Environment and Commercial Services, Culture and Education be approved.**

#### **REASONS**

**The decisions were supported by the following reasons:**

**The physical buildings and site of Newham Grange Leisure Farm would change as a result of the development works listed in this report. Current farm operations would change due to an increase in animals and activities offered, staffing levels would also change as more staff would need to be employed to look after the additional animals and run the proposed activities. Management of the farm could also change as specialist staff may be required to oversee the new educational offer and the farm as a visitor attraction. There may also be minimal impact upon the surrounding area due to**



**increased visitor traffic.**

17/111 **EXCLUSION OF PRESS AND PUBLIC.**

The resolution to exclude the press and the public was agreed.

The Executive noted that in addition to an exemption falling within paragraph 4 of Part 1 of Schedule 12A of the Local Government Act 1972, there were also exemptions falling within paragraphs 1 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

17/112 **FUTURE OF AYRESOME INDUSTRIES**

The Director of Growth and Place submitted a report to set out the proposed future strategy for Ayresome Industries.

**ORDERED**

**That the recommendations of the report be approved.**

**REASONS**

**The decision was supported by the following reason:**

**For reasons outlined in the report.**

The decision(s) will come into force after five working days following the day the decision(s) was published unless the decision becomes subject to the call in procedures.