EXECUTIVE

A meeting of the Executive was held on Tuesday 21 November 2023.

PRESENT: Councillors C Cooke - Elected Mayor (Chair), P Gavigan, T Furness, P Storey, J Thompson, Z Uddin and N Walker

PRESENT BY INVITATION: Councillors

ALSO IN ATTENDANCE: J Walker

OFFICERS: D Alaszewski, C Benjamin, S Bonner, G Field, A. Glover, C Heaphy, R Horniman, A Humble, D Middleton and E Scollay

APOLOGIES FOR ABSENCE: Councillors

23/28 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item/ Nature of Interest
Cllr N Walker	Pecuniary	Agenda Item 8 – Asset Review. Tenant of Viewley Centre

23/29 **MINUTES - EXECUTIVE - 4 OCTOBER 2023**

The minutes of the Executive meeting held on 4 October 2023 were submitted and approved as a correct record.

23/30 **ON STREET RESIDENTIAL ELECTRIC VEHICLE CHARGING POINTS**

The Executive Member for Environment submitted a report for Executive's consideration.

The aim of the report was to approve the acceptance of funding granted from the On-street Residential Charge point Scheme (ORCS) for the value of £209,582 (£125,750 from ORCS, and £83,333 from Ubitricity). It was also to provide up to 160 electric vehicle charging points, utilising existing lamp columns, in partnership with supplier Ubitricity.

Executive was advised that as part of National policy, the sale of Internal Combustion Engine (ICE) vehicles would be banned from 2030. Electric vehicles were increasing in popularity/accessibility, however supporting infrastructure (such as charging facilities) was not yet in a position to fully support this transition.

Many residential properties had off-street parking opportunities; allowing a vehicle to be charged on privately owned land through dedicated charging facilities. However, access to private driveways was limited across some areas of the Borough, such as terraced house streets.

Middlesbrough Council had successfully applied for ORCS funding for 60% (£125,750.00) of the value of the proposal. Ubitricity would provide the remaining 40% (£83,333) contribution which made it nil cost to the council. The Funding Agreement letter was contained in appendix 2 for Funding Agreement Letter.

A fixed term agreement of 15 years would be in place to ensure that both Middlesbrough Council and Ubitricity were aware of the requirements/terms and conditions for the delivery of the project. The Charge points would be placed in Middlesbrough Council owned assets with the service being managed by Ubitricity. As part of the agreement, the Council would earn an income of 5% of fees generated.

ORDERED that Executive:

1. **Approve the receipt of grant funding from ORCS and the match funding from Ubitricity;**
2. **Agree to enter into a 15-year contract; and**
3. **Approve the methodology outlined to deliver the On-street electric vehicle charging points.**

OPTIONS

Not accept the funding; this was not recommended as it would not allow the Council and residents to realise the benefits associated with the delivery of on-street residential electric vehicle charging points.

Fund the project using Council resources; a successful application had been made to provide grant funding (working in partnership with Ubitricity) which removed the requirement for any Council funding requirements.

Use an alternate delivery partner; Ubitricity (part of Shell) were a well-established provider of infrastructure and offered a competitive offer to Middlesbrough Council. Other operators could not offer the same level of support, expertise and financial incentives.

REASONS

The report aimed to provide availability of on street charge points in residential streets where off-street parking was not available. The proposal therefore ensured that living in locations without off-street parking capability was not a barrier to owing an electric vehicle.

The proposals also ensured that the Council was supporting the green agenda.

23/31 **CORPORATE PERFORMANCE REVIEW: QUARTER TWO 2023/2024**

The Executive Member for Finance and Governance submitted a report for Executive's consideration.

The report advised Executive of corporate performance at the end of Quarter Two 2023/2024 and where appropriate sought approval of any changes, where those were within the authority of the Executive.

The Council's Scheme of Delegation gave Executive collective responsibility for corporate strategic performance, together with associated action.

The report provided the necessary information to enable Executive to discharge its performance management responsibilities, setting out progress against Executive approved actions, delivery of the Strategic Plan and other key associated items, together with actions to be taken to address any issued identified.

The projected financial outturn at the end of Quarter Two 2023/2024 was presented separately to this meeting of Executive and was not repeated as part of this agenda item. Where performance had a significant impact on finances, this was highlighted within the body of the report.

Overall, the Council's performance at the end of Quarter Two saw a slight dip from the position reported at Quarter One, with progress towards expected performance standards, as set out in the Council's risk appetite, achieved in one of the four active performance disciplines in 2023/24.

ORDERED that Executive:

1. **Approve the proposed amendments to Executive actions at Quarter Two 2023/24 detailed in Appendix 1 of the report;**
2. **Notes progress of delivery of the Strategic Plan 2022-24 at Quarter Two 2023/24**

detailed in Appendix 2 of the report; and

3. **Approve the proposed amendments to Strategic Plan workplan at Quarter Two 2023/24 as detailed in Appendix 3 of the report.**

OPTIONS

No other options were put forward as part of the report.

REASONS

To enable the effective management of performance and risk in line with the Council's Local Code of Corporate Governance.

23/32 **REVENUE AND CAPITAL BUDGET - FORECAST OUTTURN POSITION AT QUARTER TWO 2023/24**

The Executive Member for Finance and Governance submitted a report for Executive's consideration.

The report set out the Council's forecast 2023/24 financial position at Quarter Two and highlighted the areas of particular financial challenge. The report also set out the management actions taken to control expenditure within the General Fund budget approved by Council in February 2023.

The report also sought Executive endorsement of the management actions that were planned in the form of Financial Recovery Plans in order to control expenditure within the approved budget and to develop more financially sustainable solutions for future years. Finally, the report sought approval of the Executive in relation to revenue budget virements and revisions to the Capital programme.

The Council's Scheme of Delegation gave the Executive collective responsibility for corporate strategic performance and financial management / monitoring, together with associated actions. Standing Orders and Financial Procedures required Executive's approval for major virements between revenue budgets, and in-year changes to the Council's Capital Programme within approved Council resources.

The report would enable the Executive to discharge its financial management responsibilities which included setting out the General Fund Revenue Budget forecast outturn at Quarter Two as well as the statement of the Council's projected reserves and provisions at Quarter Two.

ORDERED that Executive:

In respect of the General Fund Revenue Budget:

1. **Note the forecast 2023/24 net revenue budget outturn as at Quarter Two of £134.910m against an approved budget of £126.354m, a forecast overspend of £8.556m (6.8%). This represented an improvement of £3.007m from that forecast at Quarter One.**
2. **Note that the forecast overspend of £8.556m related primarily to a combination of forecast demand and inflationary pressures as outlined in the table at paragraph 79 of the report.**
3. **Note and endorse the management actions taken in consultation with Executive Portfolio Holders over the year to date to control expenditure within the approved budget and to develop more financially sustainable solutions for future years as was set out in paragraphs 7 to 14 of the report.**
4. **Note that further work was continuing with a view to fully mitigate the forecast overspend and that further reports would be submitted to Executive for noting and approval of management actions when appropriate.**
5. **Approve the proposed revenue budget virements over £250,000 as detailed in Appendix 4 of the report.**

In respect of the Council's Reserves and Provisions:

1. **Note that the interim s151 Officer had undertaken a review of the balance sheet**

which had resulted in the release of £0.758m from the Revenue Grants Received Unapplied account that would be transferred to the Change Fund for which the balance would be re-stated as at 31 March 2023.

2. **Note the interim s151 Officer had determined that the uncommitted 2023/24 Change Fund Reserve of £1.488m would be available to fund expenditure on transformation and efficiency as part of an agreed financial recovery plan.**
3. **Note that as a result of the balance sheet review, the interim s151 Officer was in discussion with the External Auditor in relation to the audit review of the Council's methodology to calculate the Collection Fund Bad Debt provision in the 2021/22 financial statements. This may result in favourable adjustments affecting the 2022/23 and 2023/24 accounts and impact upon 2024/25 budget setting. This would be reported upon conclusion of that work.**

In relation to the Council's financial recovery and resilience:

1. **Note the Quarter Two forecast of usable revenue reserves of £6.273m available at 1 April 2024 based on the Quarter Two forecast outturn position of £8.556m, a reduction from the already critically low level of £14.829m at 31 March 2023 reported in the Quarter One report. Those would comprise of the General Fund Reserve of £6.273m and the Council's unrestricted usable earmarked reserves of £NIL.**
2. **Note that the risk of a s114 Notice under the provisions of the Local Government Finance Act 1988 in relation to setting a legally balanced budget for 2024/25 remained. A further report setting out the proposed 2024/25 draft budget and MTFP for the period 2024/25 to 2026/27 for consultation would be presented for consideration at Executive's meeting of 20 December 2023.**
3. **Note that Statutory Officers remained in dialogue which the Department for Levelling Up Housing and Communities (DLUHC), the External Auditor and the Middlesbrough Independent Improvement Advisory Board (MIIAB) in relation to the development and delivery of the Council's Financial Recovery and Resilience plans.**

In respect of the Capital Programme and Treasury Management:

1. **Note that a full review of the Capital Programme had been undertaken since Quarter One including a review of profiling and alignment of funding sources in order to optimise the use of grants and external funding and mitigate the revenue impact of debt financing as far as possible.**
2. **Approve the inclusion of additions to the Capital Programme for 2023/24 totalling £4.330m, as detailed in paragraph 60 of the report, which were externally funded or funded from within existing Council resources for the 2023/24 Capital Programme, as approved by Council in February 2023. These have increased the 2023/24 Capital Programme budget to £67.334m from the £63.004m revised Capital Programme budget for 2023/24 approved at Quarter One.**
3. **Note the 2023/24 Capital Programme forecast outturn of £54.595m at Quarter Two, which was a reduction of £12.739m (19%) from the revised £67.334m budget for 2023/24. The forecast outturn against the revised capital programme was a favourable variance comprising, an underspend of £0.076m and slippage of £12.663m into 2024/2.**
4. **Note the Treasury Management forecast outturn position with respect to the Council's prudential indicators as set out in paragraphs 69 to 79 of the report.**

In respect of the Dedicated Schools Grant (DSG), the Executive is requested to:

1. **Note the current forecast in-year deficit of £3.231m for 2023/24 relating to the High Needs Block, which was an increase of £1.451m from the £1.780m reported at Quarter One.**
2. **Note the forecast total cumulative deficit of £9.795m at 31 March 2024, including £10.252m relating to the High Needs Block, as was set out in Table 7 and paragraphs 51 to 57 of the report.**
3. **Note that under existing government regulations this deficit could not be funded from the General Fund, and the Council was required to deliver a recovery plan to the Department for Education (DfE).**

4. **Note that the Council was part of the DFE Delivering Better Value (DBV) scheme which aimed to support financial recovery of the DSG position.**

OPTIONS

No other options were put forward as part of the report.

REASONS

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

23/33 **FEES AND CHARGES REVIEW**

The Executive Member for Finance and Governance submitted a report for Executive's consideration.

The purpose of the report was for Executive to approve the proposed fees and charges increases from 1 December 2023. The changes were outlined in the report following a review of fees for a range of services. The report also noted the impact on each Directorate's forecast position. The review resulted in an uplift for inflation incurred since the last increase in November 2022. A full fees and charges review was being undertaken as part of the 2024/25 budget setting process.

The Council's scheme of delegation gave the Executive collective responsibility for financial management and budget monitoring with budgets delegated to Directors for operational and strategic decision making.

It was proposed that going forward from the 2024/25 budget setting, that Fees and Charges would be increased annually as part of the budget setting process and incorporated into the Council's decisions in February each year in line with the prevailing inflation rate determined by the s151 Officer.

A full review of fees and charges for discretionary services was being progressed as part of the 2024/25 budget setting process and this would consider the potential effect of increases in fees and charges upon demand for services. The review would feed into the 2024/25 budget setting with the effects of the review being included as part of the budget report to Executive and Council in February 2024. The review would also be undertaken in conjunction with external consultants as detailed in the *Governance Improvement: Next steps – Resourcing the Financial Recovery and Resilience and Cultural Transformation Programmes* report to Executive on 19 July 2023.

Details of the areas of Fees and Charges proposed to be increased from 1 December 2023 were summarised in Appendix 1 of the report, with the detail of the increases for each area contained in Appendix 2. A cautious approach had been taken to estimate the potential additional income that could be achieved in the remainder of 2023/24 considering the achievability of each increase, the consultation required, any statutory constraints and any adverse effect on demand. It was estimated that £0.116m of additional income would be achieved by the end of 2023/24. Table 1 in the report showed by Directorate the estimated additional income from the fees and charges implementation and showed a revised forecast position for 2023/24 if the additional income is realised.

ORDERED that Executive:

1. **Approve the proposed fees and charges increases for a number of services from 1 December 2023 as summarised in Appendix 1 and detailed in Appendix 2 of the report;**
2. **Approve the proposed increases in fees for land charges services from 1 December 2023 as detailed in Appendix 3 in the report; and**
3. **Note that a full detailed fees and charges review for all discretionary services was being undertaken as part of the 2024/25 budget setting process and future increases would fall in line with the annual budget process thereafter**.

OPTIONS

To not propose the increase in fees and charges from 1 December 2023 would have resulted in the Council not covering the cost of service provision for those discretionary services which would adversely impact its financial position. A range of measures were being taken to mitigate the in-year overspend in order to protect the Council's level of revenue reserves which were at a critically low level.

REASONS

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

To contribute to the significant additional costs the Council is incurring during 2023/24 as a result of the high levels of inflation that persist in the economy. This would contribute to meeting the cost of provision and support the reduction of the forecast overspend reported in the Revenue and Capital Budget – Forecast Outturn position at Quarter Two 2023/24 report to Executive.

At this point the Executive Member for Finance and Governance withdrew from the meeting for the duration of Agenda Item 8 – Asset Review.

23/34 **ASSET REVIEW**

The Executive Member for Regeneration submitted a report for Executive's consideration.

This report set out the details of a review of land and property assets held by the Council, with a view to generating additional income and/or disposals resulting in a pipeline of capital receipts being realised to support the financial recovery and return to financial sustainability over the period of the Medium-Term Financial Plan.

An asset review had been undertaken to identify land and property owned by the Council that could be utilised differently (including disposal) to assist in supporting the Council's financial recovery and to achieve financial sustainability.

Disposal of capital assets generated capital receipts that could be used to support the Council's financial position in serval ways including to fund investment in projects that will either deliver ongoing revenue savings or deliver transformation in public service delivery through cost and/or demand reduction in accordance with Government regulations governing the Flexible Use of Capital Receipts.

The Council held significant amounts of land and buildings on its balance sheet which presented opportunity for review and optimisation to support the Council's delivery of services in the future.

A review had been undertaken for all land and property assets, and recommendations made as to the future strategy for each. These recommendations were summarised in the report and included the investment of £1.5m in existing Council buildings to accommodate additional staff and the development of a public sector hub within the Cleveland Centre

The financial impact of the proposed sales would be an estimated net capital receipt of over £33m, with a reduction in the Council's longer-term income of £1m pa, with a one off revenue cost of £0.6m in relation to TeesAMP 1.

The Ward Member for Hemlington stated the Viewley Centre was included on the list of Assets that could be disposed of. As the site held value for the local community, the Member raised several queries. They asked if assurance could be provided that there was no intention to close the Viewley Hill Shopping Centre, but that if it was to be sold it would be as a going concern as a shopping centre with leases protected. They also queried if the Viewley Centre would be considered at the end of the three-year period for disposals rather than in the near future and sought confirmation that the Viewley centre had no interested parties to buy it. The Member also asked, were the Viewley Centre were to be earmarked for disposal, that a report be brought to Executive for agreement before that happened.

The Executive Member for Regeneration stated that any intentions to dispose of assets, including the Viewley Centre, would follow proper processes and that consultation would be carried out with interested parties including Ward Members.

ORDERED the Executive

a) Close and sell Middlesbrough House, relocating staff to Fountain Court and other Council buildings;
b) Invest £1.5m from the Council's Capital Programme in expanding the capacity of Fountain Court and other Council buildings;
c) Relocate the Live Well Centre from Dundas House to the Cleveland Centre, subject to confirmation of external funding;
d) Relocate Middlesbrough Community Learning from the Multi Media Exchange to the Cleveland Centre, subject to confirmation of external funding;
e) Close and sell Multi Media Exchange;
f) Relocate Children's Services staff from 6-14 Viewley Centre to other Council buildings
g) Close and sell 3 Park Road North;
h) Close and sell Lloyd Street Depot;
i) Seek specialist external management arrangements for the premium assets within the commercial portfolio;
j) Sell the following commercial properties:
i. Tees AMP 1 & 2;
ii. Viewley Centre;
iii. Lorne Street Industrial Estate;
iv. Howard Street Industrial Estate;
v. Letitia Industrial Estate;
vi. Gilkes Street Industrial Estate;
vii. Carcut Road Industrial Estate;
viii. Florence/Italy Street Units;
k) Sell the Middlesbrough Municipal Golf Centre with the appropriate covenants in place to protect members and secure its permanent use as a golf club;
l) Sell the Zetland Street Car Park with the appropriate covenants in place to secure its permanent use as a car park;
m) Sell the following sites for housing development:
i. Land East of Middlesbrough Municipal Golf Centre Driving Range;
ii. Acklam [Stainsby Road];
iii. Hemlington Grange [West];
iv. Coulby Farm Way East / West;
v. Muirfield, Nunthorpe;
vi. Land West of Toby Carvery;
n) Sell the following sites for commercial development:
i. Cannon Park Car Park 1;
ii. Cannon Park Car Park 2;
iii. Corporation Quay;
o) Delegate the approval of individual Asset Disposal Business Case forms for the assets listed above to the Director of Regeneration, in consultation with the Director of Finance; and,
p) Delegate the packaging and timing of disposals identified in this report to the Director of Regeneration, in consultation with the Director of Finance.
q)

OPTIONS

Several options were submitted as part of the report including:

The disposal of all non-operational assets.

Although the Council's short term financial situation was challenging and would be supported by the complete disposal of all non-operational assets, there was a need to balance this with the longer-term view as well. If the Council sold all commercial assets and invested the receipts in reducing capital borrowing and funding transformation, there was inevitably going to be less long-term reliance upon the revenue income

generated by a commercial portfolio. That reliance was, however, unlikely to be eased to the extent that none of the commercial income was required in future. The optimum balance could be found by taking a more incremental approach that was recommended in the report, and if the financial position improved and the long-term reliance on commercial income reduced over time then there was a case to be made for further asset disposals.

Sale and leaseback of operational assets

Similar to the argument regarding the disposal of all non-operational assets, the Council needed to balance taking short term capital benefits at the expense of the longer-term revenue position. A sale and leaseback arrangement may ultimately be determined to be necessary if the financial position did not improve, but this exchange of long-term revenue for short term capital was viewed as being an unnecessary step at this stage, with such saleable commercial assets to utilise first.

Categorisation of community based properties for disposal or retention

The long list of community based assets identified in the report represented an opportunity to reduce running costs, rather than to raise capital receipts. The future use of community assets was as likely to be driven by Council need and the appetite for community asset transfers than it was by commercial considerations, as the properties had only a limited financial value. Determining the disposal or retention of these individually ahead of the Council determining its preferred model for locality working would potentially weaken the chances of success and create a confused local picture.

REASONS

Reducing the number of assets held by the Council would enable revenue costs to be reduced, capital receipts to be secured, and the alternative strategies proposed for others should enable the Council to reduce its revenue costs and increase commercial income. The additional income, reduced expenditure and secured capital receipts would all be essential to addressing the budget challenges the Council faced but came at the cost of reducing longer term income potential.

23/35 **REVIEW OF FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY 2023/24**

At this point the Executive Member for Finance and Governance returned to the meeting.

The Executive Member for Finance and Governance submitted a report for Executive's consideration.

The report proposed a revision of the Flexible Use of Capital Receipts Strategy for the Council for 2023/24 that was subject to approval by Full Council. The report set out the required revisions to the Strategy to enable a range of transformation and efficiency plans to be progressed within the 2023/24 financial year. Those plans would be funded from Usable Capital Receipts which were the primary source of funding given the Council's usable revenue reserves which were critically low.

The report set out the approach that would be taken to optimise the Flexible Use of Capital Receipts during 2023/24 in accordance with Statutory Guidance. It would do so within the context of the Council realising a pipeline of cash receipts from the disposal of capital assets, subject to Executive approval of Asset Review report.

ORDERED that Executive:

1. **Endorse the proposed revisions to the Flexible Use of Capital Receipts Strategy increasing the planned expenditure in 2023/24 from £3m to £4.299m and refer to Council for consideration and approval.**
2. **Note the interim revenue financing arrangements from the Change Fund pending receipt of cash from asset disposals enabling the application of capital receipts in line with the regulations.**

OPTIONS

If the revised Flexible Use of Capital Receipts Strategy was not approved, then projects and initiatives to deliver cost reduction and income growth would either not be able to progress at all or will be constrained by limited revenue resources in the Change Fund.

REASONS

The revised Flexible Use of Capital Receipts Strategy would enable the progression of Financial Recovery Plans to deliver cost reduction, income generation, and/or income generation that would contribute to reducing the in-year overspend and the Council's ability to balance the 2024/25 budget and MTFP to 2026/27.

23/36 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED.**

None.

All decisions 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.