

EXECUTIVE

A meeting of the Executive was held on Wednesday 4 September 2024.

PRESENT: Councillors , P Gavigan, T Furness, P Storey, J Thompson, Z Uddin and N Walker

PRESENT BY INVITATION: Councillors I Blades

ALSO IN ATTENDANCE:

OFFICERS: S Bonner, R Brown, B Carr, C Cunningham, G Field, A. Glover, C Heaphy, R Horniman and A Humble

APOLOGIES FOR ABSENCE: Councillors C Cooke - Elected Mayor

24/21 **WELCOME AND FIRE EVACUATION**

The Chair outlined the Fire Evacuation Procedure.

24/22 **DECLARATIONS OF INTEREST**

There were no declarations of interest received at this point in the meeting.

24/23 **MINUTES - EXECUTIVE - 24 JULY 2024**

The minutes of the Executive meeting held on 24 July 2024 were submitted and approved as a correct record.

24/24 **CORPORATE PERFORMANCE: QUARTER ONE 2024/2025**

The Deputy Mayor and Executive Member for Adult Social Care and Public Health submitted a report on the Mayor's behalf for Executive's consideration. The purpose of the report was to advise Executive of corporate performance at the end of Quarter One 2024/2025, and where appropriate, sought approval of any changes, where those were within the authority of the Executive.

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

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

The projected financial outturn at Quarter One and 2024/2025, was presented separately to this meeting of the Executive.

As part of continuous improvement in performance and risk management, the Council's Leadership Management Team (LMT) had implemented monthly reviews of corporate performance utilising a Directorate Performance dashboard, drawing data from a range of performance feeder systems.

The output from these sessions was reflected through quarterly updates to the Executive and covering in addition, progress in delivering actions agreed by the Executive, key Directorate performance issues and other performance-related matters.

ORDERED That Executive:

1. **Approve the proposed changes to the Executive actions, detailed at Appendix 1**
2. **Approve the proposed changes to the Council Plan workplan actions, detailed at Appendix 3**
3. **Approve the proposed changes to the Council Plan workplan actions, detailed at Appendix 3**

AGREED That Executive:

1. **Note the progress and position of the corporate performance disciplines, including the Transformation Portfolio**
2. **Note delivery status of the Council Plan 2024-27 supporting workplan at Quarter One, detailed at Appendix 2**
3. **Note the Strategic Risk Register, at Appendix 4**

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.

24/25

REVIEW OF LICENSING FEES FOR HOUSES IN MULTIPLE OCCUPATION

The Deputy Mayor submitted a report, on the Mayor's behalf, for Executive's consideration. The purpose of the report was to seek Executive approval for the Houses in Multiple Occupation (HMO) fee structure and reviewed licensing process.

Since 2006, Middlesbrough Council had delivered a statutory (mandatory) licensing scheme for HMOs occupied by five or more unrelated people who shared amenities such as a bathroom, kitchen or living space. This was a duty under Part 2 of the Housing Act 2004. Owners of HMOs were required to submit a licence application and pay a fee. Environmental Health Officers then carried out an inspection of the property to check conditions met safety standards and good management arrangements were in place. Once granted a licence was usually issued for a five-year period. Currently, HMOs were only re-inspected during the five-year period if complaints were made by tenants or others regarding standards or management issues and regulatory action may be necessary. On an annual basis gas safety and electrical safety certificates were required to be submitted to the local authority by the property owners.

HMOs provided more affordable single or double person accommodation and, due to Middlesbrough's demographic, there was a considerable demand for this type of accommodation, particularly from the most vulnerable tenants. HMO accommodation was often used for emergency accommodation for the homeless. The number of HMOs had increased in recent years, providing more accommodation for a growing student market as well as meeting the need for low-cost single-person accommodation.

There were currently around 1,730 people living in around 245 licensed HMOs in Middlesbrough, the majority of these offered a compliant standard of accommodation. There were HMO properties that operated illegally without a licence. These only become known to officers when tenants made complaints or intelligence was shared between regulatory bodies, including review of Council tax records and information sharing with other agencies, such as the Fire Brigade. It was difficult to quantify the extent of unlicensed HMOs.

Local Authorities set their own fees to recover the costs of administrating and enforcing mandatory HMO licensing. The current fee structure (2024/2025) was £755.42 for HMOs with 5 bedrooms plus a further £24.98 for each additional bedroom. This fee was for a five-year licence.

ORDERED That Executive approve:

1. **The fee structure set out in paragraph 4.10 of the report and in Appendix 1, and**
2. **The review of the HMO licensing process.**

OPTIONS

The implementation of a new fee and fee structure would enable the Council to deliver its regulatory requirements and deliver a neutral budget cost-effective licensing scheme. It would also help to deliver the Council's aspiration of providing high quality, affordable housing for all.

The option to 'Do Nothing': this would have resulted in the Council continuing to charge the current fees and applying a single fee scheme which would be contrary to recent legal determination. The HMO licensing scheme would have to operate within the current income received from application fees, with the current staffing resource which would restrict the delivery of the statutory function. To ensure that the licensing function was adequately administered it was likely that public funds would be required. There may also be legal challenge of the current one payment fee structure. The Council may be subject to appeals and associated costs.

REASONS

The current fee and fee structure for HMO licensing in Middlesbrough comprised of a single payment and, subject to any annual council-wide inflationary increase, the fee had not been reviewed for approximately 12 years. Fees and charges should be reviewed periodically and adjusted to reflect changes in operating costs. The Housing Act 2004 (section 63) enabled Local Authorities to require the payment of a fee to accompany the application for a licence. Fees charged were to cover all costs incurred in the carrying out the licensing function under the Act. The licensing scheme should operate on a full-cost recovery basis with all the costs borne by the licence-holders and no burden placed on the public purse. A review was required to ensure that the staffing resource was adequate for the delivery of the licensing functions and ensure the operating costs of scheme are being met by the income from the licence fee. The following changes in the licensing process had been identified which impacted on the required staffing resource:

- i. A need for interim additional housing inspections during the five-year licence period to ensure the properties were being well maintained and managed.
- ii. The additional work required to ensure that gas safety certificates and electrical safety reports were submitted by property owners to the Council annually or when requested.
- iii. The time taken for the administration of licensing larger HMOs. Historically, larger HMOs had benefitted from comparatively low licence fees, the inspection of larger HMOs took considerably more time than smaller properties.
- iv. Management and enforcement costs.

In relation to the charging structure, the current licence fees were charged as a single payment. In accordance with court judgements, licence fees must be charged in two-parts. A Part 1 payment covered the costs of processing and administering the licence application and the Part 2 payment covers the costs of the ongoing administration, management, investigation of unlicensed properties, compliance checks with licence conditions, officer training and development, enforcement of the licensing scheme and associated overhead costs. The Part 1 application fee was non-refundable should the application be unsuccessful. The income from each HMO licence issued was spread over the five-year duration of the licence.

24/26

INTEGRATED TRANSPORT STRATEGY

The Executive Member for Environment submitted a report for Executive consideration, the purpose of which was to re-fresh the Integrated Transport Strategy which had been aligned with the updated policy and government strategy. The report and its recommendations supported the wider economic growth of Middlesbrough and the pursuit of external funding to enable delivery.

The Council adopted the Integrated Transport Strategy (ITS) on 12th December 2018 as part of the Strategic Transport Strategy Executive Report.

Since this time, several national policies and technical guidance from Central Government had been formulated and amended, and the Council had undertaken refreshed traffic modelling works. This had been incorporated into the updated ITS document as a refresh to ensure it was relevant. It was recommended that the Council approves the updated strategy document to ensure that the Council could deliver its objectives in a prudent manner, as set out within the strategy.

ORDERED That Executive approve the updated Integrated Transport Strategy.

OPTIONS

Do nothing. If the Council did not approve and endorse the updated ITS, this would have resulted in a significant challenge to delivering future sustainable transport programmes across Middlesbrough, due to an approved strategy not being in place.

Not having an approved strategy in place, could indicate that the Council had not considered mitigation measures to support new transport and housing schemes across the town. This would result in a disjointed approach between local, regional and national approaches to facilitate economic growth; presenting a weaker methodology for seeking funding from future external funding sources.

REASONS

The approval would reference changes to Government policy and strategy since the formation of the approved strategy in 2018; allowing the Council to deliver and develop infrastructure that better met the needs of Middlesbrough.

This would support the wider economic growth of Middlesbrough, and the pursuit of external funding to enable delivery.

24/27

REVENUE AND CAPITAL BUDGET - FORECAST OUTTURN POSITION AT QUARTER ONE 2024/25

The Executive Member for Finance and Governance submitted a report for Executive's consideration. This purpose of the report was to discharge the responsibilities of the Executive to manage and control of the revenue budget, capital programme and overall reserves position of the Council.

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 the 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 enabled the Executive to discharge its financial management responsibilities by setting out the:

- General Fund Revenue Budget forecast outturn at Quarter One;
- Statement of the Council's projected reserves and provisions at Quarter One
- Capital Programme forecast outturn at Quarter One;
- Statement of the Council's borrowing and prudential indicators;
- Statement to monitor the level of debt owed to and to be recovered by the Council;
- Actions that the Council has taken and plans to take in order address the issues
- Identified.

Financial Procedure Rule 1.37 required Executive's approval of the proposed revenue budget virements as set out in Appendix 3 of the report.

Section 25 of the Local Government Act 2003 required the Chief Finance officer to report on the robustness of the budget estimates and the adequacy of the financial reserves to Council in agreeing its annual budget and precept for the forthcoming financial year. The Chief Finance Officer was as defined in S151 of the Local Government Act 1972 and was fulfilled by the Director of Finance.

The Director of Finance (S151 Officer) presented her Section 25 Report to the Executive as part of the 2024/25 Revenue Budget, Medium Term Financial Plan, and Council Tax setting report to Executive on 28 February 2024 which was then approved by Council on 8 March 2024. The report set out the basis upon which the revenue budget was considered to be robust and the basis upon which reserves were considered adequate, being dependent upon the approval of Exceptional Financial Support (EFS) by the Ministry of Housing, Communities and Local Government (MHCLG) (formerly DLUHC) as summarised in the report:

The Council's financial position remained critical and its ability to control expenditure within the approved 2024/25 budget, whilst developing further savings and income generating opportunities through the Recover, Reset, Deliver Transformation Portfolio in order to balance the MTFP, would be crucial to stabilising the Council's financial position and rebuilding its financial resilience. This required the delivery of all approved £13.9m of 2024/25 savings plans in full.

The Council had achieved significant improvement in its financial position from that which existed at the start of the 2023/24 financial year. However, it continued to spend above its available income sources as reflected by the forecast year end overspend of £3.742m for 2024/25, after using £4.7m of EFS to balance the budget. The further challenges of delivering a balanced budget in 2025/26 to 2028/29 were set out in the Medium-Term Financial Plan (MTFP) report, with a projected budget gap currently of £7.864m in 2025/26 rising to £8.749m in 2028/29. It was advised both the MTFP report, and this report, should be read together to fully understand the context within which the Council is operating and the challenges it faces.

The Executive Member for Finance and Governance advised Executive that a slight amendment to Appendix 3 had been made concerning proposed Revenue Virements over £250,000. The virement of £0.732m for the Integrated Transport Unit should read from Education and Partnerships to Central Budgets rather than Environment & Community Services to Central Budgets

ORDERED That Executive:

- 1. Approve the amendment to Appendix 3 of the report.**
- 2. Approve the proposed revenue budget virements over £250,000 as detailed in paragraph 4.13 and Appendix 3 of the report.**
- 3. Approve the inclusion of additional expenditure budgets to the Capital Programme totalling £8.973m for 2024/25 which were externally funded (detailed in Appendix 9). Subject to approval this would increase the approved 2024/25 Capital Programme budget to £106.188m.**
- 4. Approve proposed virements over £250,000 between schemes in the 2024/25 Capital Programme approved by Council in March 2024 which were funded from within existing Council resources (detailed in Appendix 9 and paragraph 4.37).**

AGREED That Executive:

- 1. Note the forecast 2024/25 revenue outturn as at Quarter One of £146.932m against an approved budget of £143.190m, a forecast year-end overspend of £3.742m (2.6%) summarised below and detailed in Table 1 of the report,**
- 2. Note the progress on savings delivery set out in Tables 2 and 3 and Appendix 4 of the report.**
- 3. Note that the Council was dependent upon Exceptional Financial Support (EFS) in 2024/25, approved in principle by the Ministry of Housing, Communities & Local Government (MHCLG) of up to £13.4m of one-off borrowing, the costs which were factored into the MTFP. Of this sum £4.7m had been utilised to achieve a balanced budget in 2024/25 (paragraph 4.5) of the report.**
- 4. Note that it was essential that all available measures were taken by management to control revenue expenditure within the approved budget, given that the Quarter One forecast overspend, if realised would require further £2.498m of EFS borrowing to fund slippage in savings delivery and £1.244m call upon revenue reserves. Both EFS and reserves could only be used once, and the financial pressure would remain in 2025/26 to be addressed.**
- 5. Note that based upon the Quarter One forecast outturn, the forecast revenue balances at 31 March 2025 would be lower than recommended in the approved**

Reserves Policy at £17.670m:

- General Fund Reserve of £11.1m (minimum recommended)
 - Council's unrestricted usable earmarked reserves of £6.570m
6. Note the 2024/25 Capital Programme forecast year end outturn of £99.698m at Quarter One, which was a reduction of £6.490m (6.1%) from the revised £106.188m budget for 2024/25 comprising:
 - An underspend on projects of £3.223m
 - Slippage on projects of £3.267m into 2025/26 and 2026/27
 7. Note that a full review and reprofiling of the Capital Programme would be undertaken during Quarter Two including the establishment of a Capital Programme Board to provide improved management of the Council's Capital Programme and its financing.
 8. Note the Treasury Management forecast outturn position with respect to the Council's prudential indicators as set out in paragraphs 4.46 to 4.54.
 9. Note the current forecast deficit of £5.501m for 2024/25 relating to the High Needs Block with the Dedicated Schools Grant which increases the forecast cumulative deficit to £19.794m at 31 March 2025.
 10. Note the recovery actions and risks to the Council's financial resilience set out in paragraph 4.30 to 4.33 and Appendix 8.
 11. Note the level of Collection Fund and General Fund Debtors at 30 June 2024 as follows (paragraph 4.57 to 4.59):
 - Council Tax £35.790m
 - Business Rates £6.731m
 - Sundry Debt £11.565m
 - Housing Benefit Overpayments £6.427m

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 the Council's financial regulations.

24/28

INITIAL MTFP 2025/26

The Mayor and Executive Member for Finance and Governance and the Executive Member for Finance and Governance submitted a report for Executive's consideration. The purpose of the report was to set out the financial framework and timetable within which Officers would work with the Mayor and the Executive to develop the 2025/26 budget and MTFP to 2028/29.

In common with all local authorities, the Council continued to operate within a difficult and uncertain economic environment. The ongoing impact of high inflation in recent years combined with increased demand and the complexity of needs of vulnerable residents in the wake of the COVID-19 pandemic together with the Cost of Living Crisis, continued to place significant pressure upon service budgets.

The sector continued to face uncertainty in relation to financial support that may be available from Central Government over the medium term. As detailed in paras 4.13 and 4.14 of the report, His Majesty the King's Speech to Parliament on 17 July 2024 outlined a number of areas affecting local government, and the Chancellor had also announced that the Government would deliver the next Budget on 30 October 2024.

The report was the first stage of the budget development strategy for the four-year period 2025/26 to 2028/29. It built upon the MTFP approved by Council on 8 March 2024, the 2025/26 Budget and MTFP Approach and Timetable report to Executive 22 May 2024, the 2023/24 financial outturn reported to Executive on 26 June 2024, and the 2024/25 forecast financial position at Quarter One. The report set out the financial framework and timetable within which Officers would work with the Mayor and Executive, with input from the cross-party Financial Resilience Working Group (FRWG) to develop budget proposals that will deliver the Council Plan within available resources.

In summary, the Council continued to spend in excess of its annual income streams and needed to successfully address the challenge of delivering within its financial means in order to set a legally balanced budget for 2025/26 and longer term financial sustainability.

The current financial position was summarised as follows:

- The 2023/24 General Fund revenue outturn was an overspend of £3.594m (2.8% of Net Revenue Budget).
- The MTFP covering the three-year period 2024/25 to 2026/27 was approved by Council on 8 March 2024.
- The 2024/25 General Fund revenue budget could not be balanced in the usual way. The Council relied upon £4.7m of one-off borrowing through Exceptional Financial Support (EFS) approved in principle by the Ministry of Housing Communities and Local Government (MHCLG) (formerly DLUHC) in order to set a legally balanced budget of £143.190m for 2024/25 and to avoid the s151 Officer being required to issue a s114 Notice. The EFS falls out in 2025/26 and therefore contributes to the ongoing budget gap referenced in this report.
- A further £8.7m of one-off borrowing via EFS was approved in principle to cover potential risks in the budget and MTFP relating to the timing of savings delivery and realisation of capital receipts during 2024/25. This was required in order for the s151 Officer to assess the budget and MTFP as robust in the light of risks facing the Council and given its critically low revenue reserves which would be insufficient to cover those risks if they crystallised and this was addressed in the s151 Officer's s25 report to Council.
- The forecast revenue budget overspend at Quarter One of 2024/25 was £3.742m as detailed in a separate report on this Executive agenda. Within this sum, £2.498m was due to savings that may not be delivered in 2024/25 for which EFS of up to £3.5m would be used in 2024/25 to fund the overspend in order to protect the critically low revenue reserves. The £3.742m would be added to the 2025/26 budget gap and therefore it was imperative that those savings were delivered through the original plans or alternative proposals on an ongoing basis. The balance of the 2024/25 overspend of £1.244m, if not controlled, would need to be covered by revenue reserves.
- The 2024/25 MTFP incorporated new savings projects totalling £13.910m in 2024/25, and a further £5.151m in 2025/26 and £1.967m in 2026/27 which was a significant challenge for the Council to deliver successfully. However, a budget gap of £7.474m remained in 2025/26, rising to £7.965m in 2026/27.
- The Council's Reserves had been significantly depleted in recent years to fund overspending. The General Fund Balance stood at £11.1m at 1 April 2024 and unrestricted earmarked reserves stood at £9.280m after realising a Collection Fund surplus of £8.3m following a review of the bad debt provision. This was very low when compared to other unitary authorities nationally.
- There was a need to rebuild reserves to strengthen the Council's financial resilience and sustainability in the medium to long term, enabling it to withstand unforeseen financial shocks and plan investment in services more effectively. Strengthening the Council's financial resilience was one of the 11 statutory recommendations made by the External Auditor in August 2023 and was also a requirement of the Best Value Notice issued by MHCLG in January 2024 and was critical to stabilising the Council's financial future.

The 2024/25 MTFP, approved by Council on 8 March 2024, was summarised in Table 1 of the report.

AGREED That Executive:

- 1. Note the current projected budget gap of £7.864m in 2025/26 rising to £8.749m in 2028/29 (Table 7 and paragraphs 4.29 to 4.33).**
- 2. Note the revised budget preparation timetable set out in Appendix 2.**

OPTIONS

The Council was required by law to set a balanced budget and this report set out the development process and timeline for achieving that objective. Therefore, no other options were put forward as part of the report.

REASONS

All Council Members had a legal obligation to agree a balanced robust budget and set the Council Tax by 11 March 2025. In addition, the Council had a Best Value duty to demonstrate financial sustainability through the delivery of a balanced Medium Term Financial Plan (MTFP) over a period of at least 3 years. The setting of the budget was part of the budget and policy framework and therefore required Full Council approval scheduled for 19 February 2025.

The Council was required to take a systematic, coherent, and controlled approach to addressing its ongoing financial challenges over the medium-term, while enabling the delivery of the Mayor's vision and priorities for Middlesbrough through delivery of the wider Council Plan.

24/29

VULNERABILITY POLICY

The Executive Member for Finance and Governance submitted a report for Executive's consideration, the purpose of which was to address inconsistencies, updates and presentational issues that required minor amendments to the current policy.

The Council recognised that some residents may be regarded as vulnerable for a variety of reasons and required support to repay any debts owed. There was no strict definition of 'vulnerable', although the policy did provide some information around a number of scenarios where this may have applied. The list was not exhaustive, and it would be for officers to determine if someone was presenting as vulnerable. Once a resident had been identified as vulnerable, and thus requiring support, that an alternative approach to debt recovery should be considered.

The three-year review provided the opportunity to refresh the policy and make the necessary amends. During the operational period of the policy, the Council had implemented the Welfare Strategy which brought together a number of services to provide a wide range of support for residents. This provided further assistance to the most vulnerable and would not only maximise income through the identification of any unclaimed benefit entitlement, but also provided wider opportunity to reduce debts through any free advice or available grant funded opportunities (such as discretionary housing payments or household support funding).

Through early intervention, alternative options for repayment of debt could be discussed and agreed and this may have extended to working with a third party or liaising with a relative as and when required.

The minor amendments to the policy as outlined in paragraph two would ensure that the current process for recovery remained transparent and consistent. This policy would continue with the principle that residents should only be required to pay what they can afford, whilst ensuring the debt is repaid in the long term.

ORDERED

That Executive approves the refresh of the policy to address inconsistencies, updates and presentational issues that require minor amendments. The amendments were:

- **Update the policy to reflect the way in which assistance was provided to those who were hard of hearing / deaf. This would be achieved through the use of British Sign Language interpreters and utilised for the resident via their agreed method of communication e.g. face to face, online etc;**
- **Reference to the Council's welfare strategy as this strategy was not formally in place when the previous Vulnerability policy was agreed;**
- **Confirmation that vulnerable residents would be signposted to the Benefits or Welfare Rights services to ensure that their income was fully maximised to support the repayment of any outstanding debts**

OPTIONS

Leave the policy unaltered: although the policy did not make any reference to the Welfare Strategy which was pivotal to the way in which debt recovery was now

undertaken.

The current policy did not make any reference as to how those who were hard of hearing or deaf would be treated which should be a consideration. In addition, the existing policy did not provide confirmation of how the Council can support residents to maximise benefit entitlement through the identification of any unclaimed benefits.

REASONS

The policy was a key decision that impacted on two or more wards and as such required Executive approval.

That delegated authority to approve any future minor revisions/modifications is provided to the Director of Finance and the Executive Member of Finance and Governance to reflect the financial / economic climate as necessary.

The updated policy upholds good practice within democratic processes and enables the refreshed policy to maintain visibility with the Executive.

The minor amends would result in no changes to the threshold to services and support provided.

Delegated authority to the Director of Finance and Executive Member of Finance and Governance to approve future minor modifications to the policy-maintained service operation levels. As a working policy, failure to keep pace with new legislation or working practices left the Council at risk and can result in inconsistent practices.

The proposals provided clarification and ensured vulnerable residents had a clear understanding of the Council's approach to any outstanding debts and the support that they will be provided with.

24/30

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.