

# MIDDLESBROUGH COUNCIL

## COMMITTEE REPORT

### CORPORATE AFFAIRS AND AUDIT COMMITTEE

29 SEPTEMBER 2016

#### Council Improvement Plan – Progress Update

Strategic Director of Finance, Governance and Support: James Bromiley

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#### PURPOSE OF THE REPORT

1. This report provides an update on delivery of the Council's Improvement Plan (CIP) since it was last considered by the Corporate Affairs and Audit Committee in June 2016.

#### BACKGROUND

2. In June 2016 the Corporate Affairs and Audit Committee received an initial report on the Council's Improvement Plan. This report outlined the background to the plan's creation, the process the Council was going through to refine the plan's content and the framework that would be put in place to monitor delivery of improvement actions.
3. As part of that report, there was a commitment that quarterly updates on delivery of the CIP would be provided to this committee, the first of which would be provided in September 2016. This report forms that update.

#### Refinement of the CIP

4. In June 2016 the Committee was advised that an external review of the CIP was being undertaken by Deloitte and that the plan would be revised if required to ensure that the recommendations from this review were fully reflected within the CIP.
5. The Deloitte review was split into two parts and conducted concurrently. One team reviewed the original CIP, while another reviewed the Council's Change Programme structures and governance arrangements. These reviews were completed by the end of June 2016. In presenting findings to Leadership Management Team, Deloitte acknowledged that the pace of progress meant that even by the middle of July, further progress had been made in addressing the governance issues within the scope of the original CIP. To summarise, Deloitte found that:
  - there was a strong commitment to making the changes required to drive improvement in the Council;

- frameworks for new governance structures and processes have been created but, at the end of June there was still work to be undertaken to implement and embed them; and
  - there were plans for implementation of most improvement actions within the CIP, although further work was needed to document and share some of those plans.
6. Deloitte's reports added value to the CIP by identifying areas where actions within the original plan needed to be strengthened to ensure:
- the quality of performance-related information provided to Members and senior officers was strengthened to support effective scrutiny and oversight;
  - the culture of accountability for performance was strengthened; and
  - programme and project management processes were revised to ensure standardised reporting structures and governance arrangements were in place going forward, enabling officers to be held accountable more effectively.
7. The updated CIP was approved by the Executive Member for Finance and Governance on 8 September 2016 and is attached to this report at Appendix 1. The updated CIP contains actions split across the following themes:
- Financial performance reporting;
  - Financial planning;
  - Performance management;
  - Risk management;
  - Decision making;
  - Asset management;
  - Change Programme / Programme and Project Management;
  - Capital Programme monitoring; and
  - Embedding business change.
8. In order to ensure effective oversight of improvement actions, detailed delivery plans have been developed to deliver improvement actions for each theme within the updated CIP. The sections below provide:
- a summary of progress to date made against actions contained within the original CIP for each of these themes; and
  - reports by exception on delivery of additional activities that have been encompassed within the updated CIP.
9. It is intended that future reports to this Committee will report on progress against the CIP on an exception basis.

*Financial performance reporting and financial monitoring*

10. Since June, the actions below have been delivered. These actions also address the additional recommendations made by Deloitte in relation to financial performance reporting:
- the suite of reports used to provide oversight of financial performance has been reviewed;

- roles and responsibilities of staff have been clarified and communicated in relation to the reporting of business-as-usual capital projects and budgets to ensure provision of financial information is given in a timely manner; and
- the process for the development of the Annual Governance Statement has been revised and going forward it will be articulated within the end of year review process note to be developed in February 2017.

11. The only remaining actions are to conduct a post-implementation review of Agresso and put in place a training action plan to improve use of this system by the organisation going forward. The training action plan and the post- implementation review of Agresso will be completed by October 2016. The training plan has been delayed by a month to enable the new Organisational Development Manager to contribute to it.

**Deloitte view on progress to date** – satisfied with progress to date, as reported above.

### *Financial planning*

12. All the actions within the original CIP in relation to financial planning have been delivered. The Deloitte report identified that the review of the Medium Term Financial Plan (MTFP) undertaken earlier in the summer had been a well-managed process, which involved input from senior managers across all Outcome Areas to ensure the document aligned with the Strategic Plan and was owned by all areas of the organisation. The only recommendation in relation to the MTFP included within the updated CIP was that a procedure should be put in place to ensure that the robust review approach continues, with the Plan being regularly refreshed and 'owned' by all Outcome Areas. A procedure for this has now been agreed by senior managers. In order to ensure that this is embedded across managerial practice, a Managers Network presentation on the MTFP and managerial roles and responsibilities was given on 8 September 2016, and the information placed on the intranet within the Managers' Toolkit thereafter.

**Deloitte view on progress to date** – The outstanding actions in respect of the MTFP are now complete, with a presentation having been given at the Managers Network meeting on 8 September 2016.

### *Risk management*

13. All the actions within the original CIP have been delivered within timescales, and a detailed improvement plan for risk has been developed, with implementation now well-underway. Information is now shared between risk and insurance officers. Risk registers have been created on an ICT solution, and managers will be given 'self-serve' access to this. The actions within the updated CIP relate to the need to deliver training to members and officers on risk management and ensuring that a mechanisms are put in place to embed risk management within the organisation. All actions are scheduled to be complete by the end of 2016/17.

**Deloitte view on progress to date** – Progress in this area continues however the timescale for delivering a small number of actions in the plan has slipped due to ensuring that the risk management approach is being fully adhered to by staff and workload pressures. However, these delays will be accommodated within the overall timescale for delivery of the Risk Management action plan by the end of 2016/17.

#### *Performance management*

14. Since May, both actions within the performance management element of the original CIP have been delivered. Finance and performance management reporting have been embedded within one quarterly report from quarter one of the 2016/17 financial year. The balanced scorecards model and content has been reviewed, and links have been strengthened between the scorecards and the Change Programme. The model has also been revised to reflect the differences across outcome areas in size, complexity and priorities; addressing specific recommendations made by Deloitte in its previous role as the Council's external auditor. Again, the recommendations within the updated CIP relate to rolling out training on the scorecards model, continuing to review the model to ensure it remains user friendly as changes occur, and ensuring the improvements in relation to the provision of timely finance information are sustained. These actions will be delivered over the next 18 months.

**Deloitte view on progress to date** – satisfied with progress to date, as reported above.

#### *Decision-making*

15. All the actions within the original CIP in relation to decision-making have either been delivered in full, in part or are ongoing. The actions that have been delivered to date are:
- ensure all service areas were aware of officer delegation pro-forma;
  - provision of 'roadshows' on officer decision-making to Departmental Management Teams and one-to-ones with those officers particularly affected;
  - an Internal Audit review of officer decision-making has been completed which found there was a good control environment; and
  - a review of partnership governance was completed and the Executive agreed to establish a Partnership Forum in May as part of the report on the Mayor's Vision for Middlesbrough.
16. The revised CIP reflects this progress, and focuses on delivery of outstanding actions within the original CIP, further communications to wider groups of staff and members, revision of the member development programme to provide refresher training on key governance issues and ensuring that there are plans for compliance checks in relation to decision-making processes. All actions within this section are scheduled to be delivered by February 2017.

Deloitte view on progress to date – The first actions on the Decision Making action plan are not due to be complete until October and, at present, it is anticipated that all but two actions within the plan will be completed on target. Two actions, in relation to

making e-learning in this area available to staff and liaison with senior managers to ensure that the process is well understood have been re-baselined. A more realistic timescale for delivery of the e-learning module has been identified and the liaison with managers has been delayed to ensure the process is well embedded prior to this taking place. Deloitte considers re-baselining these actions to be reasonable.

### *Asset Management*

17. In line with the original CIP actions, a review of the Council's asset disposal process was undertaken. This has triggered a larger piece of work to ensure the revised process effectively addresses the original concerns and implementation of the recommendations outlined within the Deloitte report. Valuations and Estates team have transferred to the Finance and Governance directorate to move this improvement work forward. A plan has been put in place to deliver improvement actions over the next three months which will revise the asset disposal process, review the Estates Strategy and embed the revised asset disposal process within the organisation.

<p><b>Deloitte view on progress to date</b> – The first actions on the Asset Management plan are not due to be complete until end of September. The majority of these actions are underway and it is expected that the timescale for delivery of these actions will be met.</p>
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### *Change Programme / Programme and Project Management*

18. The original CIP set targets for implementation of the Programme and Project Management (PPM) framework along with delivery of training, implementation of a solution to enable Capital Programme monitoring and an Internal Audit review of the Change Programme, which found that there was a moderate control environment when the audit was conducted in March 2016. These actions have all been achieved and the remaining action, to implement a Project Management ICT solution by October 2016, is on target. The updated CIP reflects this progress.
19. The one outstanding action noted above, along with recommendations from the Internal Audit report, has been included within the improvement plan for PPM. The focus of the CIP going forward is around ensuring effective oversight of the revised processes and embedding changes. In relation to the Change Programme, additional capacity has been put in place as part of phase three support from Deloitte. There were a small number of longer term actions in the Change Programme element of the original CIP which will be rolled into the proposed improvement plan for PPM and the Change Programme.
20. The actions required within this theme include improvements to communications and programme / project governance frameworks, monitoring tools, documentation and guidance. There are actions being put in place to ensure that phase three of the Change Programme is effectively established.

**Deloitte view on progress to date** – The improvement plan developed by Deloitte to deliver the actions identified in relation to the Change Programme / Programme and Project Management in the CIP included very challenging timescales. Whilst significant progress has been made within this area since additional resource has been added to the team in the form of a temporary Head of PMO, a number of these timescales have been missed. These targets have now been re-baselined, with a maximum additional 5 weeks added to the timescale for completion of each action in the plan. Deloitte consider that these new completion targets provide a more realistic timeframe for implementation of these actions and as most of the actions outstanding are significantly complete at this point, these targets should be achieved.

#### *Capital Programme monitoring*

21. When the original CIP was written in May 2016, Capital Programme monitoring was included within the financial monitoring section. As work has been undertaken to develop this, it has become clear that this function should be undertaken in conjunction with the PMO to ensure the Capital Programme monitoring is more holistic, focusing not only on financial spend, but also on achievement of project milestones and delivery of intended benefits.

**Deloitte view on progress to date** – Progress in this area has been delayed due to the historic lack of detailed documentation for capital projects, which has prevented these projects being assessed to determine their scale and type (e.g. major projects, minor projects, business as usual) in a timely manner and how they should be monitored moving forward. This first step is essential to delivering the remaining actions in relation to capital monitoring. This matter is now in hand and this initial delay will be accommodated within the overall timescale for the delivery of the capital monitoring plan in its entirety.

#### *Embedding Business Change*

22. Embedding business change was an additional theme included within the updated CIP and reflects the importance of training and organisational development across a number of the themes. Co-ordination of this plan will be undertaken by the Organisational Development Manager who will be in post from October 2016. The high-level plan for this theme will be developed further once this manager is in post.

**Deloitte view on progress to date** – The timescales for implementation of the actions in this theme reflect the fact that the Organisational Development Manager will be in post from October 2016. It is expected that there will be progress to report in the next update to Members.

#### **Monitoring and reporting**

23. The updated CIP and underpinning plans have been scrutinised by both Deloitte and Internal Audit to provide assurance that they will address the governance issues within this report. Content has also been reviewed against the baseline data used to prepare the first version of the CIP in May to ensure that it continues to address all the individual recommendations made by inspections, reviews and audits.

24. As agreed at Executive in May, a progress report on delivery of the CIP would be submitted to the Corporate Affairs and Audit Committee on a quarterly basis. The quarter ends on 31 December 2016. The next report and will be brought to the first committee meeting after that date, currently scheduled to be 9 February 2017.

### **Internal Audit Opinion**

25. The Internal Audit work programme for 2016/17 includes audit support to provide assurance that the actions within the CIP are being implemented successfully. In order to effectively influence the delivery of the actions, Internal Audit will conduct quarterly reviews on the status of the CIP and each report on the CIP will contain a section entitled Internal Audit opinion, which will enable Internal Audit to set out its views on delivery to date. It is intended that this work will culminate in a formal judgement on delivery of the CIP before the end of the financial year.

26. The objectives for the audit are to ensure that:

- there is an adequate mechanism in place for setting and monitoring the content of the CIP and for reporting on its delivery;
- the actions stated in the CIP will ensure that all issues previously identified from the peer review, internal and external audit and other relevant inspections are addressed;
- there is evidence to confirm that the actions stated in the CIP are being delivered or are on track to be delivered according to their timescales and that the outcomes of those actions achieve the associated purpose;
- there is evidence to support the accurate and meaningful reporting of CIP progress to elected Members; and
- the overall progress of the CIP is such that it has delivered (or substantial progress has been made) the required improvements in the governance framework (year-end assessment only).

27. At this stage in the CIP, Internal Audit has focussed mainly on its formulation i.e. whether the content and actions of the CIP have been defined so that the planned actions will address the recommendations made by Deloitte in their recent review, as well as remedying the weaknesses identified within previous reports prepared by the former external auditors, the peer review and a various internal audit reports. Going forward, evidence will be sought to provide assurance that actions have been implemented (when claimed to have been) and that there is a robust process for identifying slippages in the delivery of the CIP. To date, assurance can be given that:

- actions to address previously identified control and governance issues have been collated into one overarching CIP thereby enabling all improvement actions to be captured into one document for ease of monitoring;
- the CIP has been communicated to Members with the original CIP created and submitted to Executive in May 2016. Progress on the CIP has also been reported to the Corporate Affairs and Audit Committee and the CIP (or specific items relating to the CIP e.g. risk management) are included on future agendas; and
- commitment to implementing the required governance improvements demonstrated by the appointment of Deloitte to provide independent review and guidance on the CIP and further action required.

28. Internal Audit notes that a number of actions have already been delivered from the original CIP as presented to Executive in May 2016. For example, one key area that was identified in a 2014/15 internal audit report on project management was the lack of a corporate project management framework. One of the original CIP actions (August 2016 target date) was to fully implement a corporate Programme and Project Management Framework and for assistant directors to ensure that all relevant staff are nominated for training and then comply with the framework and use the IT solution provided where necessary going forward.
29. TVAAS's Principal Compliance Officer and Audit and Assurance Officer have both attended Programme and Project Management Group meetings (which commenced in February 2016) and also attended the Project in a Box presentation prior to its procurement. Both have recognised the actions taken to strengthen the control regime which included:
- the appointment of a dedicated Change Programme Manager;
  - the recent issuing of a Programme and Project Management (PPM) Framework;
  - the assessment, baselining, and prioritisation of all known Council projects;
  - the procurement of the Project in a Box system;
  - the appointment of an external provider for the delivery of PPM training; and
  - the introduction of the PPM steering group which comprises of membership from across the Council and includes TVAAS officers.
30. Progress is now underway to update the CIP to reflect Deloitte's review and to ensure that actions are in place for the future delivery. Based on a review of the draft improvement plans, all actions include a timescale and action owner. Most of the actions have not yet passed their target date and therefore will not be followed up by internal audit until January 2017. Having reviewed the draft improvement plans, a number of suggestions and comments have been provided to the Corporate Strategy Manager for consideration.

## RECOMMENDATIONS

31. It is recommended that:

- the Committee considers the progress made to date;
- notes the reporting timeline
- monitoring arrangements for the CIP (attached at Appendix 1) are noted.

## BACKGROUND PAPERS

31/03/16	Executive, Corporate Peer Review – Final report and draft action plan
10/05/16	Executive, Council Improvement Plan
30/06/16	Corporate Affairs and Audit Committee, Council Improvement Plan
8/09/2016	Executive Member for Finance and Governance – CIP

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## Appendix 1: Revised Council Improvement Plan

Governance Area	Outcomes To Be Achieved	Action(s)	Who	Deadline
Performance and Financial Management	Ensure that the performance management tools of the Council provide an effective framework to enable managers to consider and address performance within an integrated process that drives improvement	The Council should focus efforts to roll out the Corporate Performance and Risk Management Framework. The plan for this roll out should be documented and should include the planned provision of training for staff who prepare performance management information and end users of this information, including Members.	Head of Performance and Partnerships	Nov-16
		Finance should continue to provide up-to-date information for inclusion in the quarterly Balanced Scorecard report in a timely manner to ensure that it provides all required key information and is consistent with other finance reports.	Head of Financial Planning	Completed
		The Balanced Scorecard should have a layout that is as user friendly as possible and allows a comparison of performance from the previous period to be undertaken to allow effective scrutiny and challenge by senior officers and Members to take place.	Head of Performance and Partnerships	Nov-16
		The process for ensuring that the Annual Governance Statement is owned by all senior managers and has input from finance, performance, risk management and other disciplines as shaped by the content of the governance issues section.	Head of Financial Governance and Revenues	Feb-17
Financial Monitoring	Ensure effective financial monitoring processes are in place for revenue and capital spend that aligns with expectations around good governance standards	Complete review of current suite of reports for both revenue and capital spend, including frequency of these reports, to ensure that they allow intended users to access key information in a timely manner and provide effective oversight of the Council's financial position.	Head of Financial Planning & Support	Completed
		Formalise a training and communication plan for Agresso users to ensure that both finance and non-finance staff understand the system and are able to use it effectively. This plan should include defined milestones and arrangements for monitoring progress against this plan should be put in place.		Was Sep-16 revised to Oct-16
Medium Term Financial Planning	Ensure that the Medium Term Financial Planning process effectively considers and transparently articulates the Council's financial likely position during the life of the plan and demonstrates how the Council's financial position aligns with the Mayor's vision, providing an overarching financial assessment which is reflected in the Council's other key documents e.g. Strategic Plan, Outcome Delivery Plans, Change programme content etc.	Complete a post implementation review of Agresso		Oct-16
		Put in place a formal, documented process for refreshing the Medium Term Financial Plan on an ongoing basis, including clear roles and responsibilities for undertaking this task, frequency of reviews, circumstances where an additional review of the plan may be required and where the plan will be reported to. This process should also set out how the plan and the financial monitoring process will be linked.		Completed
Risk Management	An approach to risk management that is fit for purpose to ensure that risks are effectively managed by the organisation strategically, operationally and as part of good project and programme management.	Put in place and deliver a Risk Improvement Plan to ensure that risks are effectively managed by the Council. This plan should include provision of training to strategic and operation staff to ensure that a risk management becomes fully embedded as a BAU activity. Training should also be provided to Members to ensure that they can effectively carry out their oversight and scrutiny role in this area.	Head of Performance and Partnerships	Completed
		Embed arrangements for ongoing monitoring of compliance with the Council's new risk management framework.		Dec-16

Governance Area	Outcomes To Be Achieved	Action(s)	Who	Deadline
Decision Making	Ensure effective and robust governance arrangements are in place to support delivery of the Council's priorities within a transparent framework.	Plans to provide further communication and training to staff on the Council's decision making and governance requirements should be progressed. These plans should be documented, with identified milestones, and arrangements should be put in place to monitor progress against these milestones.	Head of Democratic Services	Oct-16
		Checks of compliance with the decision making process should be put in place to provide those charged with oversight of the Council's governance arrangements with assurance that these processes have become fully embedded within the Council and to hold staff accountable for instances of non-compliance.		Jan-17
		Plans to address the deficit in effective scrutiny and oversight of key decisions through Member development should be documented and progressed at pace. Planned training should include additional training for Members of the Corporate Affairs and Audit Committee to strengthen oversight and challenge around key governance areas such as risk management and issues identified through Internal Audit reviews. This plan should also take cognisance of the expected outcome of the review of scrutiny arrangements which are expected to result in the level of specialist scrutiny support at officer level to reduce.		Oct-16
Asset Management	Ensure assets are maintained, operated, managed and disposed of within a framework that provides assurance around good governance	Update the Estates Strategy to ensure that there is clarity over the strategic objectives in relation to land and property assets and what success should look like, in relation to both financial and non-financial objectives. A plan setting out how 'success' will be achieved and the timelines for working towards this should support this document.	Head of Financial Planning & Support	Nov-16
		The Asset Disposal process should be fully documented to ensure that it is carried out in a consistent, transparent manner and in line with legislative and Council governance requirements.		Nov-16
		Review the section 106 framework process to ensure that it provides an appropriate level of control, monitoring, accounting and recording of section 106 obligations	Head of Planning	Sep-16
Programme and Project Management	Robust Programme and Project Management practices that align with good governance practices and support delivery of programmes and projects to planned time, cost and quality objectives.	Programme Planning - The Council should have in place a procedure that ensures there is oversight of all projects to check they are viable and there are no overlaps in the potential savings. This process should include a review by the Change Programme Office to assess them for best fit and identify potential interdependencies. There should be clear, high quality documents which capture detailed information on milestones, risks, issues and benefits, so the projects can be assessed and monitored moving forward.	Head of Performance and Partnerships	Oct-16
		Programme Governance - The Council should have in place a clear governance structure with appropriate formal standing groups that can provide assurance of development and delivery of the Change Programme with the necessary challenge to the programme if, and when, it is underperforming. These groups should have defined memberships, terms of reference and roles and responsibilities and consider a level of detail appropriate to their place and seniority within the organisation.		Oct-16
		Programme Reporting - The Council should have in place formal reporting processes which collect the appropriate information relating to finance, performance indicators, milestones and quality through robust Business Cases and Project Implementation Plans. This information should be provided to the standing groups in 'user friendly' formats to provide assurance over delivery and flag up any issues that require action.		Oct-16

Governance Area	Outcomes To Be Achieved	Action(s)	Who	Deadline
Programme and Project Management	Robust Programme and Project Management practices that align with good governance practices and support delivery of programmes and projects to planned time, cost and quality objectives.	Culture of Accountability- The Council must create a culture of assertive challenge to those responsible for delivery of the Change Programme. Individuals throughout the Change Programme must have defined roles and responsibilities against which they can be held to account. Focus must be given to high priority projects in terms of the size of the potential opportunity, scale of difficulty to deliver and strategic importance to the Council.	Head of Performance and Partnerships	Oct-16
		PMO Structure - The Council should have in place a PMO structure with the appropriate resourcing that allows it to perform both critical functions of <i>keeping score</i> and <i>supporting delivery</i> . This requires dedicated management, monitoring, project management and analytical support.		Oct-16
Capital Programme Monitoring	Robust capital programme monitoring to support delivery of programmes and projects to planned time, cost and quality objectives.	Clarify and document arrangements, including roles and responsibilities of staff in Outcome Areas and Finance, in relation to reporting of BAU capital projects and budgets to ensure that relevant and accurate information can be reported in a timely manner.		Sep-16
Embedding Business Change	Ensure business change is fully embedded for key governance frameworks and processes.	Develop the Strategic HR function to deliver the development of a Workforce Strategy that ensure the organisation has the capabilities to comply with the governance frameworks.	Organisational Development Manager	Jun-17
		The plans for Middlesbrough Manager Phase 3 should be documented and the programme should be progressed to ensure that staff technical training requirements are met and the good practice set out in the Council's governance frameworks or guidance are fully implemented in a prioritised manner that takes cognisance of the interdependencies between these areas and the potential to overwhelm staff with a number of new requirements.	Organisational Development Manager	Sep-17