

# MIDDLESBROUGH COUNCIL

## COMMITTEE REPORT

### Council Improvement Plan – Update

Strategic Director of Finance, Governance and Support: James Bromiley

9 February 2017

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### PURPOSE OF THE REPORT

1. This report provides an update on delivery of the Council's Improvement Plan (CIP) since progress was last reported to Executive in December 2016.

### BACKGROUND

2. As previously reported to the Committee, the 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.
3. In order to ensure effective oversight of improvement actions, detailed delivery plans have been developed for each theme within the updated CIP. The sections below provide progress reports by exception. The status of each section is reflected in the updated CIP attached to this report at Appendix 1.

#### *Financial performance reporting and financial monitoring*

4. Since September 2016, a post-implementation review of the Agresso system has been undertaken to identify lessons learned and an Agresso training plan has been drafted to ensure that the full benefits of this system are achieved moving forward. **A recent review of the budget setting environment by Internal Audit found that there was a STRONG control environment for budget monitoring.** The only remaining CIP action in this theme relates to revising the process for completion of the Annual Governance Statement (AGS) to ensure that the statement is fully owned by all senior officers. A revised process for completion of the AGS is expected to be produced in February 2017, which is in line with the Council's timescale for completing this statement.

**Deloitte view on progress to date** – The majority of outstanding actions in respect of financial performance reporting and financial monitoring are now complete. The remaining action is on course for completion within the expected timescale.

### *Financial planning*

5. As stated in the previous update to the Committee, these actions are complete and no further update in this area is required. **A recent review of the Council's Medium Term Financial Planning process by Internal Audit found that there was STRONG control environment.**

**Deloitte view on progress to date** – As stated above, the actions in respect of financial planning are complete.

### *Risk management*

6. The remaining outstanding overarching action in this theme was to 'embed arrangements for ongoing monitoring of compliance with the Council's new Risk Management Framework.' Whilst this embedding will continue on an ongoing basis, the underpinning actions to deliver this, such as initiating the use of internal peer reviews to provide quality assurance on the content of risk registers, are now complete. An ongoing programme of training, communication and quality assurance will be undertaken until March 2017 to ensure that Risk Management is effectively embedded.

**Deloitte view on progress to date** – Original CIP actions are now complete. Additional actions added to provide a strengthened commitment to ensuring that the risk management approach is fully embedded and adhered to by staff are well progressed.

### *Performance management*

7. Since the last update to the Committee, actions around training on the Performance Framework, scorecard and roles and responsibilities for staff and Members have been delivered. A proof of concept relating to 'self-service' dashboards, which allow staff to access performance information in real time has also been completed in the Safeguarding Outcome Area. Other actions in relation to performance management are underway and, despite minor slippage in a couple of actions in relation to the procurement of a Business Intelligence solution, it is now expected that all actions will be completed well within the original timeframe of June 2018 for this CIP area.

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

### *Decision-making*

8. As a result of the retirement of the Head of Democratic Services, there has been a change in the CIP Lead for this area. The new CIP Lead, the Members and Statutory Services Manager, is keen to further progress the actions around communications to wider groups of staff and Members on decision-making; revising the Member development programme to provide refresher training on key governance issues, and ensuring that there are plans for compliance checks in relation to the decision-making process. Timelines in relation to implementation of these actions have been re-baselined to take into account this change of leadership and to ensure that they are implemented effectively.

**Deloitte view on progress to date** – Actions in relation to making an e-learning decision-making module and liaison with senior managers to ensure that processes are well understood

have been re-baselined from December 2016 to June 2017. This is a more realistic timescale for delivery of these actions, particularly the e-learning module, as it will allow content to be refreshed and will allow the new CIP Lead to liaise with the Council's newly appointed Organisational Development Manager to ensure that the course is fit-for-purpose. As a result, Deloitte considers re-baselining these actions to be reasonable.

### *Asset Management*

9. In line with the original CIP actions, a review of the Council's asset disposal process was undertaken and is now completed. The original finding in relation to this area was that whilst there was no wrong doing by officers or Members, nor was there any criticism of values realised for assets, there was a need for a clearer audit trail. In order to address this finding, a key aspect of this new process is the requirement for completion of a Disposal Business Case prior to any disposal. This will detail the preferred use for the asset, taking into account regeneration plans for the area, the market value of the property along with any other outcomes required from the disposal. Other possible outcomes will include the potential social value offered by any sale, such as job creation and community benefits. Completion of the Disposal Business Case will give a baseline to refer back to as the disposal progresses, offering guidance as to the purpose behind the disposal and the circumstances of the sale. In addition, the information documented in the Disposal Business Case will form the basis of any scoring matrix when assessing the most suitable tenders for an asset disposal.
10. The Disposal Business case will be authorised in the first instance by the Head of Asset Management to ensure that the disposal of the asset is in line with the Council's overall Estates Strategy. The disposal will then be approved by either the Head of Financial Planning and Strategic Director of Finance, Governance and Support or the Executive Sub Committee for Property, depending on the estimated value of the asset.
11. In addition to the Disposal Business Case, an Asset Disposal Control Document for each asset disposal will be maintained by the Valuations and Estates Team. This will provide an audit trail of all key decisions made in relation to the disposal. To add an additional level of control, a Consolidated Asset Disposal Control Document will also be maintained by the team. This will provide a record of all asset disposal decision in one place. It will be reviewed and signed off by the Strategic Director of Finance, Governance and Support every month to ensure that he is aware of decision taken in this area. This new process is now being implemented.
12. A larger piece of work to revise the Council's Estate Strategy is now being undertaken to ensure that the Council is able to use its estate in the most effective, efficient and economic manner. The Valuations and Estates Team have transferred to the Finance, Governance and Support directorate to move this improvement work forward and additional specialist resources have been procured to deliver embedded improvement actions at pace over the next three months. These additional resources are expected to commence their work on site in February 2017.

**Deloitte view on progress to date** – Asset disposal is a key area of the CIP and the revised Asset Disposal Process will significantly strengthen the oversight of this area, as well as provide a clear audit trail of decisions made. The Council's decision to procure specialist resources to add capacity and capability to the implementation of the actions in relation to the Council's Estate Strategy is sensible.

## *Change Programme / Programme and Project Management*

13. Revised processes and documentation have now been rolled out across the Council, in line with the Programme and Project Management (PPM) framework. Over one hundred staff have received training and arrangements for the governance of Programme and Project Management have been agreed and Boards have now commenced. The team are focussing on ensuring that robust project documentation for new and existing projects is in place to allow effective monitoring of progress to be undertaken at these Boards. Further resourcing of the PMO will be addressed as part of the development of phase three of the Change Programme.

**Deloitte view on progress to date** – Significant progress has been made in this area of the CIP, with all actions now completed. Deloitte considers that the key area in the successful implementation of improvement in this area has been the commencement of Programme and Project Boards, which hold officers to account for their performance against plans both financially and in achievement of project milestones. These Boards commenced in November 2016.

### *Capital Programme monitoring*

14. Capital monitoring actions are being progressed by the financial monitoring section in conjunction with the PMO, while management of the capital programme occurs within Outcome Areas. A process has now been established for the monitoring of Capital Programme projects. **A recent review of the Capital Programme by Internal Audit found that there was a STRONG control environment.** Detailed documentation for capital projects was gathered to determine the scale and type of projects (e.g. major projects, minor projects, business as usual) and they are being monitored as appropriate, depending upon which category they sit in. Capital monitoring was included within the Quarter 2 Balanced Scorecard and will continue to be further refined as processes are further embedded.

**Deloitte view on progress to date** – CIP actions in this area are now complete with capital monitoring now incorporated into the Balanced Scorecard. The Scorecard for quarter 2 2016/17 showed that there was a capital underspend position of £14.3m (29.4%). Unless the capital monitoring is used by LMT to manage performance and hold officers and Outcome Areas to account for their performance in relation to the capital programme, the expected benefits of implementing the actions in the CIP for this area will not be realised. It should be noted that the underspend at Quarter 3 as a percentage of the budget is expected to improve significantly, a reflection of the further work that has been taken to embed processes. Draft figures suggest the underspend will be in the region of 5%. This will be confirmed by Executive on 21 February 2017.

### *Embedding Business Change*

15. 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 is being undertaken by the Organisational Development Manager who joined the Council in October 2016. The OD Manager has now liaised with all key Council stakeholders and determined the priorities and appropriate approach for this area. Delivery of all key actions in this area are expected by September 2017.

**Deloitte view on progress to date** – The timescales for implementation of the actions in this

theme reflect the fact that the Organisational Development Manager joined the Council in October 2016. Meetings with key stakeholders have occurred and the Workforce Plan is in the early stages of development, with the expectation that it will be developed by the September 2017 target.

### **Monitoring and reporting**

16. This Committee and the Executive have received regular reports on delivery of the Council Improvement Plan. Following completion of a year-end report to Executive on progress future progress will be reported through the Annual Governance Statement. Stand-alone reports may be brought forward by exception if there are concerns about delivery of the small number of remaining actions.
17. The Council is in the process of agreeing dates for a follow up visit from the Local Government Association team that was invited to undertake a peer review of the Council's governance processes 12 months ago. The purpose of the follow up visit will be to provide independent peer views on progress that has been made to improve governance since the first review. This visit is likely to take place in April 2017.

### **Internal Audit opinion**

18. Internal Audit have been involved in the CIP process to ensure that they are able to sign off actions as complete where they originated from an internal audit report. The Internal Audit work programme for 2016/17 included audit support to provide assurance that the actions within the CIP were being implemented successfully.
19. In order to effectively influence the delivery of the actions, Internal Audit has conducted regular reviews on the status of the CIP in liaison with Deloitte and council staff, and has contributed to each quarterly report produced on the CIP setting out its views on delivery to date.
20. More recently, Internal Audit has produced a series of audits based upon some key CIP themes and strong assurance has been provided on each occasion further demonstrating the level of progress made by the Council in these related areas. The assurance given by the internal auditors so far reflects the progress made by the Council to develop its governance framework. It does not, at this stage, make an assessment as to the level of actual compliance with that framework by officers and Members across the organisation.
21. Internal Audit concurs with the judgements of Deloitte and is satisfied with both the Council's commitment to the CIP and of processes developed for setting and monitoring its content, and with reporting arrangements. Satisfactory evidence has been provided in relation to each of the completed areas to support the progress made to date, and whilst there are a few areas still to be fully completed, these will be the subject of further examination in due course. The next stage will be for further internal audit testing to be undertaken as part of the 2017/18 Audit Plan programme which will confirm the success of the frameworks and evaluate whether actions have become fully embedded as business as usual processes and that outcomes have achieved the associated purpose.

## RECOMMENDATIONS

22. That:

- progress made to date is noted;
- findings from Deloitte's reviews are noted;
- the updated CIP (at Appendix 1) is noted;
- note the planned follow up visit by the LGA peer review team; and
- the information provided is considered by the Committee.

## 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
08/09/16	Executive Member for Finance and Governance, Council Improvement Plan CIP
29/09/16	Corporate Affairs and Audit Committee, Council Improvement Plan
6/12/16	Executive – Council Improvement Plan update.

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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	Completed
		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	Completed
		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 Performance and Partnerships	Completed
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.		Completed
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.	Head of Financial Planning & Support	Completed
		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.		Completed

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.	Members and Statutory Services Manager	Was Dec-16 now Jun-17
		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.		Was Jan-17 Now Jun-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.		Completed
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	Was Nov-16 revised to April-17
		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.		Completed
		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	Completed
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	Completed
		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.		Completed
		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.		Completed



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	Completed
		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.		Completed
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 Business As Usual (BAU) capital projects and budgets to ensure that relevant and accurate information can be reported in a timely manner.		Completed
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