

Annual Governance Statement 2018/19

Introduction

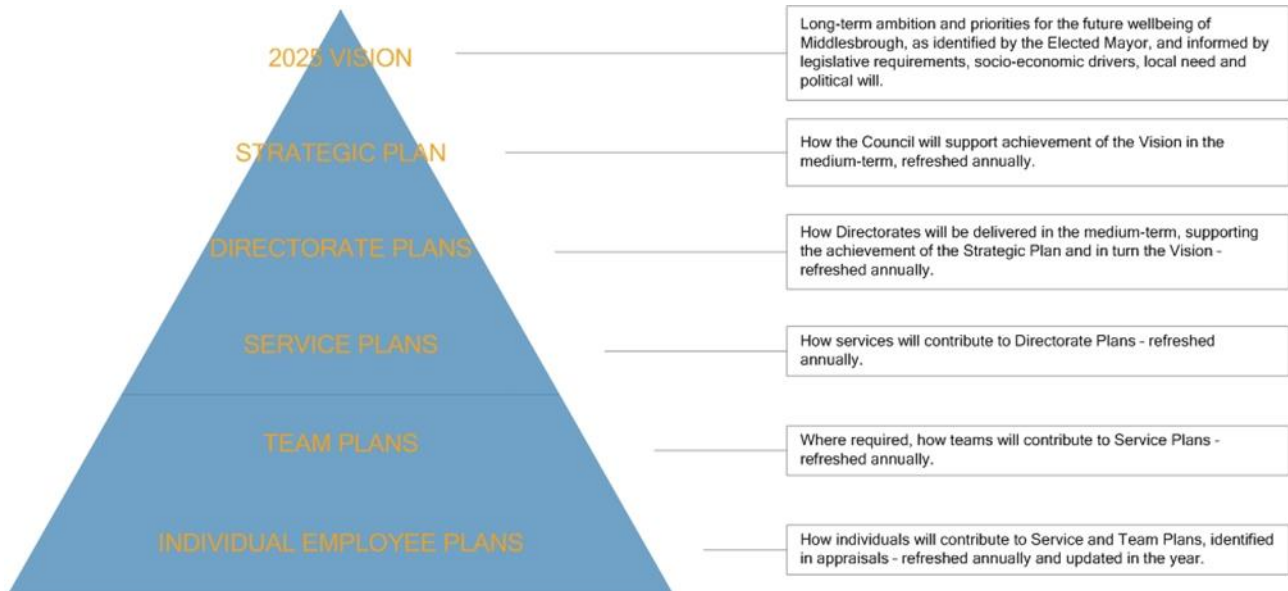
1. Middlesbrough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. The Council has in place a [Code of Corporate Governance](#), which sets out its corporate governance framework. This framework comprises the culture, values, systems and processes of the Council, which together ensure that it does the right things, at the right time and in the right way.
2. The Code of Corporate Governance aligns with the latest CIPFA / Solace guidance, which sets out the following principles of good governance:
 - behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - ensuring openness and comprehensive stakeholder engagement;
 - defining outcomes in terms of sustainable economic, social and environmental benefits;
 - determining the interventions necessary to optimise the achievement of the intended outcomes;
 - developing the entity's capacity, including the capability of its leadership and the individuals within it;
 - managing risks and performance through robust internal control and strong public financial management; and
 - implementing good practices in transparency, reporting, and audit to deliver effective accountability.
3. The purpose of the Annual Governance Statement (AGS) is to assess the extent to which the Council complies with its Code of Corporate Governance, how it has monitored and improved the effectiveness of its governance arrangements in the past year, and identify actions to strengthen these arrangements going forward.
4. The AGS forms part of the Statement of Accounts that the Council must produce on an annual basis and as such must be approved by the Mayor of Middlesbrough and the Council's Chief Executive and Section 151 Officer.

Structure of the AGS

5. The AGS comprises the following sections:
 - an overview of the Council's governance arrangements;
 - progress made on governance during 2018/19;
 - a position statement against the Code of Corporate Governance; and
 - governance priorities for 2019/20.
6. The development of the AGS was coordinated by the Strategy, Information and Governance service, in conjunction with statutory officers and other officers with responsibility for corporate governance processes, and with input from Internal Audit.

The Council's governance arrangements

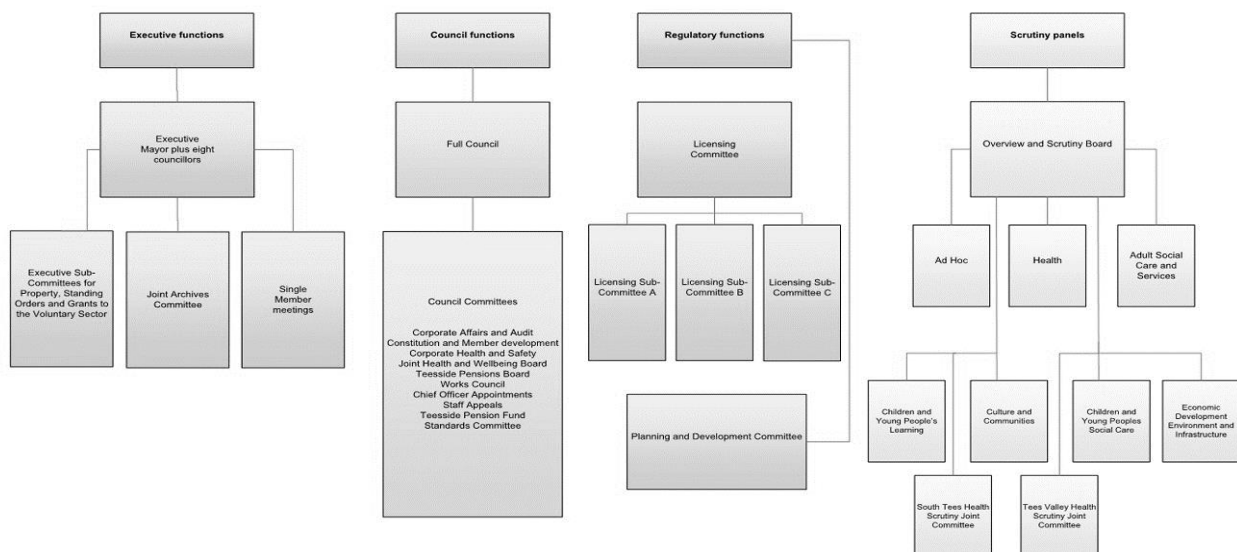
7. The strategic vision for the Council during 2018/19 was provided by the elected Mayor for Middlesbrough's 2025 Vision for Middlesbrough – Fairer, Safer, Stronger. The Council's contribution to the vision is articulated in its Strategic Plan. There is a 'golden thread' which runs from these two documents through the rest of the Council's governance and policy frameworks.



8. During 2019/20 the new Mayor of Middlesbrough will develop and publish his vision for the town, and the Council's plans will then be aligned with this new vision.

Roles and responsibilities

9. The following diagram sets out the current Committee structure of the Council. Again, this will be reviewed during 2019/20 following the May 2019 Mayoral and Council elections.



10. The Mayor and councillors are supported by a senior management structure that is designed to support effective compliance with the Council's legal responsibilities. The Council's Constitution clearly defines the roles of councillors and officers, outlines expected standards and behaviours and supports effective working relationships across the Council. The Constitution also provides clear direction on the various roles that are in place to ensure effective corporate governance arrangements within the Council.

Progress made during 2018/19

Implementing actions from the 2017/18 AGS

11. The 2017/18 AGS outlined a range of actions that would be taken during 2018/19 to strengthen corporate governance. Progress on these is set out below.

Action	Responsibility	Progress
Initiate a rolling review of the constitution by the Constitution and Member Development committee during 2018/19.	Head of Legal and Democratic Services	Completed.
Review the member induction process to ensure it is suitable for Members joining the organisation following the May 2019 local elections.	Member and Statutory Service Manager	Completed.
Continue to embed the values in everything the Council does during 2018/19 by delivering the People Strategy, but also reviewing all HR documents and processes to embed the values within these.	Head of Human Resources	Completed.
Roll out of the Contract Management framework across the Council, prioritising delivery during 2018/19.	Head of Strategic Commissioning and Procurement	Completed.
Ensure the Council complies with the immediate requirements of GDPR by 25 May 2018 and has plans in place to ensure full compliance within 2 years.	Head of Strategy, Information and Governance	Completed.
Refresh the Performance and Risk Management Framework to reflect the revised Strategic Plan during 2018/19.	Head of Strategy, Information and Governance	Completed.
Refresh the Customer Strategy to ensure it continues to support the Council's ambitions and customer expectations.	Head of Strategy, Information and Governance	Completed.

Action	Responsibility	Progress
Creation of an Information Strategy to ensure a coherent approach to Information Governance.	Head of Strategy, Information and Governance	Completed.
Implementation of a new approach to complaints including quarterly management information and lessons learnt reports.	Head of Strategy, Information and Governance	In progress. New complaints module has been implemented, with complaints dashboards completed.
Develop a Middlesbrough guide for social value in procurement and commissioning during 2018/19.	Head of Strategic Commissioning and Procurement	Completed.
Refresh the Programme and Project Management Framework (PPMF) by March 2019 to improve consideration of social value within projects.	Head of Strategy, Information and Governance	In progress. Review of the PPMF has been completed and reported to Corporate Programme Board. A preferred social value model has been identified, and will be implemented during 2019/20 alongside other changes to the framework requested by the Board.
Include a robust forecast of demand for children's and adult social care within the Medium Term Financial Plan (MTFP).	Director of Children's Care Director of Adult Social Care and Health Integration Head of Financial Planning and Support	Completed. Adult demand model was refreshed during 2019/20 and model developed for priority areas of expenditure in Children's Services.
Review the Public Health grant to ensure it continues to be appropriately used to deliver against Public Health required outcomes.	Director of Public Health and Public Protection Head of Strategic Commissioning and Procurement	Completed. Appropriate assurance is in place and Public Health England advised accordingly.

Internal Audit during 2018/19

12. During 2018/19 Internal Audit has undertaken the following audits:

Audited System / Service	Assurance Opinion	Priority		
		P1	P2	P3
Creditors	Strong	0	1	1
ICT Disaster Avoidance	Strong	0	0	1
ICT Strategy Measurement	Strong	0	0	0
Health & Social Care Integration (risk verification audit ¹)	Strong	0	0	2
Hot Topic – Cyber Security	Strong	0	0	1
Hot Topic - Investment in new IT technologies	Strong	0	0	0
Investment Strategy	Strong	0	0	0
Members' Allowances	Strong	0	0	2
Priory Woods Primary School	Strong	0	2	2

¹ Risk verification audits are short assignments focussed on providing confirmation that the stated controls and planned actions to mitigate a risk profile are in place and helping to mitigate the risk

Audited System / Service	Assurance Opinion	Priority		
		P1	P2	P3
Risk verification - Failure to secure funding for schools	Strong	0	0	0
Selected Landlord Licensing	Strong	0	0	0
Thorntree Primary School	Strong	0	0	3
Travel & Expenses	Strong	0	0	4
Youth Employment Initiative	Strong	0	0	0
Main Accounting	Strong	0	0	2
Acklam Whin Primary School	Good	0	3	3
Council Tax & Business Rates	Good	0	2	0
Payroll	Good	0	7	0
Attendance Management	Good	0	0	2
Compliance with Grievance Policy	Good	0	0	1
Debtors	Good	0	5	2
Hot Topic – Corporate Culture	Good	0	0	3
Hot Topic – GDPR Compliance	Good	0	2	0
Hot Topic – Workforce Planning	Good	0	0	0
Land & Property Disposals	Good	0	2	0
Newham Bridge Primary School	Good	0	2	3
Prevention & Early Help	Good	0	1	2
Project Management	Good	0	0	4
Treasury Management	Good	0	1	0
Adult Social Care Payments	Moderate	0	5	5
Highways	Moderate	0	5	6
Hot Topic – Vendor Risk	Moderate	0	3	0
Onestop Shop	Moderate	0	6	2
Asset Registers & Inventories	Moderate	0	7	7
Partnership Governance	Moderate	0	15	8
Children's Services Financial Management	Cause for Concern	0	7	1
Purchasing Cards	Cause for Concern	0	6	1
Section 117 / health care costs	Cause for Concern	0	6	0
Budgetary Planning and Medium Term Financial Plan	Good	0	0	3
Hot Topic – Political Impact Preparation	Good	0	1	0
Business World	Moderate	0	1	0
Contract Management	Moderate	0	5	0
	Total² :	0	95	71

²Audits on grey background have been finalised. Those yet to be finalised but where an indicative judgment has been reached are shown next.

13. The opinions used by Internal Audit during 2018/19 are explained below:

- Strong – Overall, a Strong Control Environment in relation to the areas examined. Based on the audit work undertaken, an effective system of internal control is in operation and is applied consistently.
- Good – Overall, a Good Control Environment with room for improvement in relation to the areas examined. Based on the audit work undertaken, an effective system of internal control is in operation but is not always applied consistently.
- Moderate – Overall, a Moderate Control Environment with some weaknesses in relation to the areas examined. Based on the audit work undertaken, an acceptable internal control environment is in operation, but there are a number of improvements that could increase its consistency and effectiveness.
- Cause for Concern – Overall, Cause for concern in relation to the areas examined. Weak management of risk exists within a key area(s) that is/are crucial to the achievement of objectives. Major improvements need to be made to the system or area in order to ensure the control environment is effective.
- Cause for Significant Concern – Overall, Cause for Considerable Concern in relation to the areas examined. Fundamental failures exist within the control environment and the Council is exposed to unacceptable levels of risk. Key areas that are crucial to the achievement of objectives need fundamental improvements.

14. The following categories of opinion are also applied to individual recommendations agreed with management:

- Priority 1 (P1) – A fundamental risk exists to the achievement of the system/service objectives and it is of an unacceptable level. Management should initiate immediate action to address this system weakness.
- Priority 2 (P2) – A significant risk exists which has the potential to adversely affect the achievement of the system/service objectives. Management should initiate timely action to address the weakness.
- Priority 3 (P3) – System objectives are not exposed to significant risk but the issue merits attention by management as it offers service improvements by complying with best practice, and strengthening the overall control environment.

Corporate Affairs and Audit Committee during 2018/19

15. Corporate Affairs and Audit Committee is in place to review the Council's arrangements for corporate governance and make recommendations as appropriate to ensure good governance and continuous improvement. The committee met seven times during 2018/19, and considered:

- the annual review of the Code of Corporate Governance;
- the Council's 2017/18 Statement of Accounts (including the last AGS);
- the Internal Audit Charter, its annual report for 2017/18, its plan for 2018/19, in-year progress updates, and consultation on its plan for 2019/20;
- a range of reports from the Council's External Auditor, including the Annual Audit letter, certification of claims and returns, and the year-end planning report, as well as the Audit results report for 2017/18;
- a response from the Section 151 officer to the External Auditor's results report, and the removal of the Council's past value for money qualification;
- a protocol for raising concerns with auditors;

- the annual report on anti-fraud arrangements;
- the annual report of the Senior Information Risk Owner (SIRO);
- the annual review of the Programme Management Office (PMO);
- the annual assurance report on business continuity arrangements;
- the annual assurance report on decision-making;
- the annual assurance report on health and safety arrangements;
- the annual assurance report on human resources;
- the annual assurance report on risk management;
- revisions to the Council's performance and risk management frameworks;
- presentations on plans to address risks in the Council's Strategic Risk Register, namely a reduction in health partners' ability to fund statutory and preventative services and General Data Protection Regulation (GDPR);
- a review of scrutiny arrangements;
- a review of polling stations;
- the appointment of school governors;
- updates on the estates strategy, asset disposal policy and asset disposals;
- an update on procurement and compliance with financial regulations; and
- an analysis the Best Value inspection of Northamptonshire County Council and the Council's position compared with issues identified in that authority.

Overview and Scrutiny during 2018/19

16. The Council has an Overview and Scrutiny Board (OSB) in place, supported by a range of topic-specific panels, to scrutinise Executive decisions and the performance of Council services. During 2018/19, scrutiny considered the following items that are relevant to corporate governance:

- quarterly results (performance, finance and risk) reports;
- the new report format for committee reports;
- the Executive Forward Work Programme; and
- the Council's provisional budget and savings proposals for 2019/20 and the proposed approach for consulting on these.

17. In addition OSB has considered five call-ins during 2018/19 relating to governance concerns in respect of the following decisions:

- the future of the Southlands Centre;
- Southlands future redevelopment;
- A172 Dixons Bank / Stainton Way Highway Improvement scheme;
- the Middlesbrough Place Brand; and
- acquisition of Homes England land at Middlehaven (NB call-in triggered during 2018/19 but heard on 4 April 2019).

18. None of the decisions relating to the above were referred back to the Executive for re-consideration.

Responding to External Auditor's recommendations

19. During 2018/19 the Council's external auditor made recommendations in relation to governance as part of its audit results report for 2017/18 (reported to Corporate Audit and Affairs Committee in September 2018). The Section 151 Officer updated the

committee on progress against these recommendations in February 2019. A further update is set out below.

Auditor Recommendation	Action	Progress
<p>[In relation to asset disposal policy] Our testing of the arrangements identified one recommendation. This relates to establishing a clear definition of the difference between active and pipeline disposals in the Asset Disposal Policy. No other material issues were identified in our testing of this risk.</p>	<p>We agree and will update the asset disposal policy accordingly.</p>	<p>Completed. The asset disposal policy has been updated to set out criteria for active and pipeline disposals.</p>
<p>We recommend that the Council introduce a standard approach to due diligence that details the minimum due diligence procedures that the Council is expected to complete, as well as who is required to review and approve the due diligence procedures that have been completed and how these are communicated as part of the formal reporting process.</p>	<p>Due diligence is an important part of any significant decision making process ensuring that the Council enters into contracts having taken reasonable care in doing so. There is no one size fits all approach to due diligence, as its can take many forms and require varying levels of detail depending on the complexity of the project. It is agreed that the nature of the due diligence carried out and risks identified will be formally reported as part of the Member decision making processes.</p>	<p>Substantively complete. Due diligence wording has been included in guidance for report writers and in advice given to them. Amendments to the Constitution will be proposed in due course to the Constitution and Members' Development Committee, to the effect that due diligence should be considered.</p>
<p>We recommend that the Council undertakes an Internal Audit of the One Stop Shop process in order to identify improvements in the controls and processes. It is our view that the performance of this review will strengthen the processes, helping to ensure that no requests go unanswered, and also providing assurance on the operation of the system.</p> <p>This review should consider:</p> <ul style="list-style-type: none"> ▪ Response times and how these are monitored; ▪ Monitoring of unanswered requests; and ▪ Processes where information is not provided and documentation of why this has occurred, ensuring an audit trail is kept. 	<p>Internal audit will be asked to include the audit of the one-stop shop process in the 2018/2019 workplan for that to be complete and reported on before the end of March 2019. This will allow recommendations to be considered and implemented before the 2018/2019 audit is complete.</p>	<p>Completed. The audit has been completed and finding used to inform proposals for future arrangements, to be agreed with the new Mayor of Middlesbrough and his Executive, and implemented during 2019/20.</p>

Auditor Recommendation	Action	Progress
<p>We recommend that an action plan is developed to address the cultural and relationship issues that exist. It is for the parties involved to decide how they wish to proceed, however we recommend externally facilitated sessions with experts in conflict management where the concerns of both parties can be discussed and resolutions identified.</p>	<p>Council officers welcome further action to improve the trust and relationships with the small number of members where the relationship can be improved. The details of the process can be developed with those Members, however as a start it is suggested that Officers approach the leaders of each of the political groups plus the single independent Members to ask if they would like to nominate members of their groups or themselves to be involved in externally facilitated sessions. It is suggested that the Local Government Association could be that external organisation who could facilitate those sessions to help improve the trust and relationships.</p>	<p>Complete as far as possible. Officers have confirmed that all members of Leadership Management Team are willing to take part in mediation if required. The LGA have been contacted and are willing to act as mediator. Labour and Conservative parties have indicated they are willing to take part but as both groups do not consider they have issues which require mediation; however an individual mediation has been held between the Chief Executive and two members. No independent member has indicated that they have issues which need resolution. The MICA group has stated it is unwilling to take part in mediation until sanctions have been removed from one of its members. As removal of sanctions is a decision for Standards Committee, no further action on the outstanding element of this action was therefore possible in 2018/19. If necessary, the matter will be revisited during 2019/20 with the new Mayor of Middlesbrough and those councillors returned in the May 2019 elections. Revised arrangements in respect of the Monitoring Officer and Head of Democratic Services should help improve relationships in future.</p>

Other governance related events during 2018/19

20. The General Data Protection Regulation (GDPR) came into force during 2018/19. In order to ensure compliance with these regulations, the Council reviewed and revised a number of governance policies and procedures, and also delivered training to staff and members on the changes. During 2018/19 Corporate Audit and Affairs Committee also considered steps being taken to ensure compliance as the GDPR as part of its rolling review of strategic risks. The most recent internal audit of GDPR compliance resulted in a Good assurance opinion.
21. In February 2018, Northamptonshire County Council (NCC)'s Executive Director for Finance issued a section 114 notice to members, the first Section 151 Officer to do so in 20 years. This generated significant and ongoing national media interest in the financial position of NCC, and of local authorities in general. This Council undertook a self-assessment against the findings of the Government's Best Value Inspection of NCC, which was reported to Corporate Affairs and Audit Committee in May 2018, and

generated a number of actions relating to financial planning and savings delivery, programme and project management, and partnership working, among other governance issues. Some of these, for example around the strength-testing of savings plans, will be ongoing and are included within the Council's governance priorities for 2019/20.

22. During 2018/19 the Council has continued to work regionally with partners to plan for BREXIT (in particular a 'no deal' BREXIT) and the impacts this could have on the achievement of the Council's strategic objectives and its day-to-day operations. An update report on this was provided to full Council in March 2019, and members will be kept informed on progress throughout 2019/20 until BREXIT is resolved. A further report will then be brought forward to full Council on confirmed impacts and mitigation plans.
23. While it did not occur during 2018/19, the local elections held in May 2019 were a significant event. They resulted in a new independent Mayor of Middlesbrough, and the Council moved from a majority for the Labour Party to no overall control.
24. During 2019/20 officers will work with the new Mayor and councillors to ensure continued compliance with the Local Code of Corporate Governance. It is clear that some of the Mayor's priorities, for example in respect of increasing public involvement in the work of the Council, and elected members' communication and performance, will result in changes to policy and practice, and these changes will be reflected in the 2019/20 Annual Governance Statement.
25. During 2018/19 the Council created MHome, a Housing Delivery Vehicle (HDV) as a local authority trading wholly owned company limited by shares with the council as the sole shareholder. A full Executive meeting in December 2018 approved the structure, management, governance and resources for the company. Governance has been put in place to ensure that the Council has the correct processes in place to:
 - a) approve the Memorandum and Articles of Association, Shareholder Agreement, Business Plan and Loan Agreement;
 - b) appoint the Board of Directors;
 - c) approve draw-downs from any Loan;
 - d) monitor the Board and HDV through regular reports and updates; and,
 - e) approve the strategic direction of the company, such as changes to the Business Plan.
26. To date one drawdown decision has been taken by the Board, comprised of two Councillors and the Executive Director of Growth and Place, to draw £50,000 to the HDV³.

Position statement against the Council's Code of Corporate Governance

Self-assessment

27. The Council has completed a position statement against its Code of Corporate Governance for the 2018/19 year, informed by:

³ As at 1 July 2019.

- the professional opinion of statutory and other officers with responsibility for the development and maintenance of the Council's internal control environment;
- reports from Overview and Scrutiny, and Corporate Affairs and Audit Committee's examinations of governance processes; and
- findings from Internal Audit's review programme, and engagement with the Council's external auditor.

28. The detailed position statement is appended to this AGS. In summary, the Council considers that it continues to demonstrate good governance in all areas. To ensure continuous improvement, a number of actions have been identified to further improve the Council's approach during 2019/20, and these are set out at the end of this statement.

Internal Audit opinion

29. TVAAS undertakes its programme of work in accordance with the standards set out in the Public Sector Internal Audit Standards (PSIAS). Standard 2450 states that the Council's chief audit executive should provide an annual internal audit opinion and report on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual opinion should be supported by sufficient, reliable, relevant and useful information. The annual report should cover:

- (a) the scope of the work undertaken and the time period to which that opinion refers;
- (b) a summary of the audit work used to form an opinion;
- (c) the opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- (d) any qualifications to be made to the overall opinion and reasons for them,
- (e) any issues of relevance to the Council's Annual Governance Statement;
- (f) a statement on conformance with the PSIAS and the results of the internal audit service's quality assurance and improvement programme.

30. The overall opinion of the Audit and Assurance Manager on the controls operating in the Council during 2018/19 is that they provide a judgement of **Good** Assurance. This opinion is based on the work performed by the Internal Audit team during the year 2018/19 and is subject to finalisation of outstanding work highlighted in this section.

31. The opinion of **Good** for 2018/19 considers that assurance can be obtained by the number of reports where the overall opinion is Strong or Good and the action taken to implement recommendations where cause for concern or moderate opinions have been given. No priority one actions have been raised during the year and none are outstanding from previous years. During 2018/19, Internal Audit issued three reports with a cause for concern opinion: S117 Healthcare Costs, Purchasing Cards and Children's Services Financial Management.

32. Based on the audit work carried out during 2018/19, Internal Audit identified many areas where controls and governance were assessed as being strong or good and the financial control audits continue to consistently receive a high level of assurance. The number of management actions that are past their due date but remain outstanding is lower than in previous years. The main areas where control was found to be weaker during 2018/19 are outlined below.

33. The purchasing cards audit sample testing identified control weaknesses in relation to the use of purchasing cards which needed to be addressed to strengthen the anti-fraud environment and to ensure that all purchasing cards are used in accordance with procedures. Although there were only seven recommendations included in the report, the majority were the same issues that had been reported in the audit report issued in November 2017. The continued issues included VAT recovery and the fact that 30% of the sample of card holders tested (compared with 31% in the previous audit) were not performing any checks on the validity of their card expenditure. The overall audit opinion was cause for concern and seven recommendations were made (6 P2 and 1 P3). Action to improve controls has since been taken by the Council and all actions agreed during the audit have been confirmed as implemented.
34. At the time of the partnership governance audit carried out in the first half of 2018/19, the Council did not have a corporate framework in place for partnership governance or a partnership register although it was understood that the intention was for both to be implemented. The audit examined three partnerships: the Health and Wellbeing Board (HWB), the Community Safety Partnership (CSP) and the Children's Trust Board (CTB). All three were, at the time of the audit, in a period of transition or were relatively new in their existing format. Whilst all three had defined terms of references and acceptable governance arrangements in place, there were several areas where greater clarity could be provided and governance could be further strengthened to help those partnerships achieve their aims and objectives. Although the audit noted that there was a need for the Council to consider the robustness of its current strategic approach to partnerships, it was emphasised that the Council alone cannot be responsible for effective partnership working and that an equal engagement and commitment from all partners is key to success. The audit report gave an overall opinion of Moderate Assurance and the 23 recommendations (similar actions were recommended for each partnership hence the high number) were accepted with implementation underway. Nine actions have been confirmed as implemented but the remaining are still in progress although only one of the remaining 14 actions has passed its agreed target date (as at 24 May 2019).
35. The Section 117 / Health Care costs audit identified a lack of supporting evidence to demonstrate that the Council is obtaining the appropriate balance between value for money and promoting and protecting the welfare of the Borough's vulnerable adults. The audit opinion was based upon the results of a testing programme developed to ascertain whether the Council's administrative arrangements for S117 aftercare are fit for purpose. Testing was not performed on the actual quality of services being provided directly by the Council's social work teams, therefore, the audit did not provide a judgement on that basis. The audit included 6 P2 recommendations of which none have been confirmed by the Auditors as implemented as the due date is not until August 2019.
36. The audit of Children's Care Financial Management highlighted the severe budgetary pressures being faced by Children's Services. Although this is a national trend and not unique to Middlesbrough; there is scope to improve existing processes in terms of implementing a future predictive cost model and ensuring a co-ordinated monitoring approach between the 2019/20 budget, the Savings Plan, and the proposed Looked After Children Sufficiency Strategy. The Auditor identified some mitigating actions stated on the risk profile that were not in existence yet and has recommended a full review of the profile to ensure that it is an up to date and accurate assessment of how this risk is being managed. This report includes 7 P2 recommendations.

37. During 2018/19 Internal Audit carried out sample testing to confirm that controls remain in place in relation to the disposal of land and property assets. This area has been a previous area of concern as noted by both the internal and external auditors. Due to the processes implemented, the external auditors removed their value for money qualification in the 2017/18 financial statements. The purpose of internal audit testing in 2018/19 was therefore to provide assurance that the controls remain in place. The report has now been issued with an opinion of Good assurance.

38. For the previous year 2017/18, approximately 134 internal audit recommendations were made of which 128 have been closed as implemented. Only 6 actions remain outstanding (5 P2 and 1 P3) of which none have passed their due date. For 2018/19, 142 actions have been recommended (based on final reports), of which the risk has been accepted for two actions (one within a school audit and the other within the Delivery of Short Breaks Provision audit); 42 have been implemented to date. Of the 98 that have yet to be implemented, 10 have passed their agreed target date (as at 25 June 2019).⁴

External opinion

39. The Council’s external auditor has reviewed and commented upon this Annual Governance Statement. The auditor’s final opinion is included in the financial statements.

Governance priorities for 2019/20

40. The information above has been used to identify a number of improvement actions for 2019/20 to ensure continuous improvement in the Council’s corporate governance. These are summarised in the following table.

Issue	Action	Outcome(s)	Lead officer	Deadline
Ensure the Council takes steps to identify and manage risks relating to BREXIT.	Continue to engage in local and regional planning activities to ensure the Council identifies and addresses the governance implications of BREXIT.	That plans to mitigate the impacts of BREXIT are as robust as possible.	Head of Strategy, Information and Governance	Ongoing
Ensure the new cohort of members is aware of the various governance processes they must comply with.	Deliver the member induction programme for all members and continue ongoing training around governance issues including risk and procurement.	That members understand the Council’s governance processes and the role they play in good governance.	Head of Democratic Services	Induction: Completed Training: March 2020
Improved visibility of partnership governance arrangements.	Develop partnership governance guidance and put in place a central register of all significant partnerships.	That the contribution of partnership working to the Council’s strategic aims is optimised.	Head of Strategy, Information and Governance	June 2019 re-profiled to September 2019

⁴ Please note that these figures may change as there are a small number of audits still to be finalized.

Issue	Action	Outcome(s)	Lead officer	Deadline
Ensure that members are appropriately supported in their casework and information requests.	Introduce a revised members' enquiries process.	That responses to members' enquiries are timely and comprehensive.	Head of Strategy, Information and Governance	From July 2019
Ensure that the Vision for Middlesbrough and Strategic Plan is up to date.	Ensure that the Vision for Middlesbrough is updated to reflect the aims and priorities of the new Mayor of Middlesbrough and that the Council's Strategic Plan and its supporting plans are aligned with the new Vision.	That the Council effectively supports the delivery of the Mayor's agenda and the 'golden thread' which runs through the Council's governance and policy frameworks is maintained.	Head of Strategy, Information and Governance	July 2019
Embed social value guidance within the existing Programme and Project Management Framework.	Undertake a review of the Programme and Project Management Framework.	That business cases for projects with principally non-financial benefits are considered appropriately.	Head of Strategy, Information and Governance	September 2019
Ensure that the Council's savings plans are fit-for-purpose and deliverable within required timescales.	In conjunction with external audit, undertake risk-based strength-testing of planned savings initiatives and the governance arrangements for these.	The Medium-Term Financial Plan is based on robust and realistic financial assumptions.	Internal Audit	September 2019
Ensure compliance with procurement regulations.	Offer training on the Contract Management Framework to all contract managers by June 2019 and to all other managers during 2019/20.	More efficient and effective contract management in line with the Middlesbrough Manager model.	Head of Strategic Commissioning and Procurement	March 2020
Ensuring the constitution is kept up to date.	Continue to deliver the rolling review of the constitution by the Constitution and Member Development Committee during 2019/20.	A constitution that is up-to-date and accessible to support good governance and effective decision making.	Head of Legal Services	March 2020
Ensure the Council's scheme of delegation supports effective officer decision making.	Put in place a scheme of sub-delegations where appropriate to further improve governance around officer delegated decisions.	Improved, more timely and transparent officer decision-making.	Head of Legal Services	March 2020
Ensure managers have a robust understanding of roles and responsibilities in relation to risk management.	Delivery of masterclasses to managers on risk management, decision-making and continuous improvement.	Continuous improvement in risk management and associated disciplines.	Head of Strategy, Information and Governance	March 2020

Issue	Action	Outcome(s)	Lead officer	Deadline
Ensure that all agreed actions from internal audit are implemented as agreed.	Continue to review progress against agreed actions and take corrective action as necessary.	Continued improvement of the Council's internal control environment	All Heads of Service	March 2020

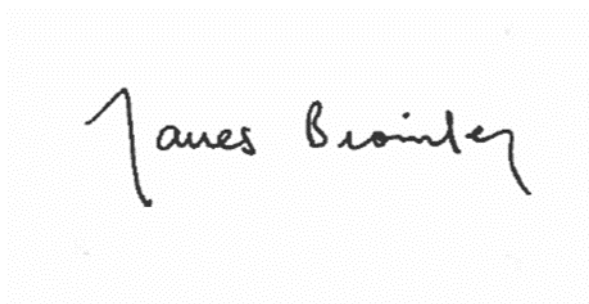
Signed on behalf of Middlesbrough Council



Andy Preston
Elected Mayor of Middlesbrough
15 July 2019



Tony Parkinson
Chief Executive
15 July 2019



James Bromiley
Strategic Director of Finance, Governance
and Support
15 July 2019

Annex 1: Position statement against the Council's Code of Corporate Governance

Local Code of Corporate Governance		Self-assessment	
Principle / supporting principles	To meet these requirements, the Council will:	Evidence of compliance with this principle	Action(s) identified
<p>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.</p> <ul style="list-style-type: none"> Behaving with integrity Demonstrating strong commitment to ethical values Respecting the rule of law 	<ul style="list-style-type: none"> Work diligently and with integrity to achieve the Elected Mayor's Vision for Middlesbrough. Clearly document expected behaviours, and decision-making processes, for members and officers, and regularly review these. Effectively communicate expected behaviours to members and officers, and provide appropriate training on ethical behaviour. Ensure members, statutory officers, other key post holders are able and supported to fulfil their duties and meet their responsibilities. Ensure compliance by maintaining effective audit committee, internal audit and scrutiny functions, and standards and disciplinary processes. 	<ul style="list-style-type: none"> Constitution and supporting documentation clearly set out expected behaviours and decision-making processes, including member and officer relationships, codes of conduct, financial procedure rules and schemes of delegation. Corporate values (one of which is integrity) in place and embedded within employee recruitment and selection, induction, appraisal and development. Comprehensive member induction process, including ethical awareness training, and member development programme. Member and officer declarations of interests registers in place, and updated annually. Mandatory training for members on the code of conduct in place, and with all members individually signed up to the code. Comprehensive member handbook in place to provide guidance and signpost support, and members' enquiries service in place to assist with casework and data requests. Statutory officers clearly identified and appropriately supported. The Council complies with the CIPFA statement on the role of the Chief Financial Officer (2016). Effective audit committee, internal audit and scrutiny arrangements in place, with members trained appropriately. Policies in place for anti-fraud, bribery and corruption; complaints; procurement; and whistleblowing, and regularly reviewed. Member standards arrangements and employee disciplinary procedures in place. Proactive and developing approach to equality and inclusion in place, engaging staff, acting on intelligence and reporting progress. 	<ul style="list-style-type: none"> Hold the Constitution Committee on a quarterly basis to continue delivering the rolling review of the constitution during 2019/20. Put in place a scheme of sub-delegations where appropriate to further improve governance around officer delegated decisions. Introduce a revised members' enquiries process to ensure that responses to members are both timely and comprehensive.

Local Code of Corporate Governance		Self-assessment	
Principle / supporting principles	To meet these requirements, the Council will:	Evidence of compliance with this principle	Action(s) identified
<p>Ensuring openness and comprehensive stakeholder engagement.</p> <ul style="list-style-type: none"> • Openness • Engaging comprehensively with institutional stakeholders • Engaging with individual citizens and service users effectively 	<ul style="list-style-type: none"> • Document and operate a culture of openness and transparency within the organisation. • Maintain a culture of accountability, so that members and officers understand for what they are accountable and to who. • Consult appropriately with stakeholders on the development of its budget, key plans and service development. • Maintain effective decision making processes, ensuring that reports to decision makers clearly set out stakeholder views where relevant. • Publish all Executive and Committee reports and decision papers, unless there is a legitimate need to preserve confidentiality on the basis of the statutory tests. • Publish on its website information on the Council's strategies, plans and finances as well as on outcomes, achievements and challenges. 	<ul style="list-style-type: none"> • Stated commitments to transparency within the Strategic Plan and supporting strategies such as the Information Strategy. • Constitution and supporting documentation clearly set out accountabilities and delegated authorities. • Biennial Residents' Survey; consultation on Strategic Plan priorities; and annual budget consultation in place. • Corporate consultation and impact assessment policy in place, ensuring that stakeholders (including third party providers) engaged appropriately and views considered in decision making. • Committee diary planner published on an annual basis, approved by members and accessible via the Council's website. • Executive Forward Work Programme in place, setting out planned decisions in the coming four months. • All public Executive and Committee agendas, papers and minutes are published via the Council's website. Officer-delegated decisions are also published. • Key strategies and plans are clearly published on the Council's website, and regularly updated. • Information on performance and expenditure sent to all households annually as part of Council Tax billing. • The Council complies with Open Data requirements, publishing statutorily required and other datasets such as the Freedom of Information Act publication scheme on its website. • Plans with the digital and marketing and communications strategies to advance in the current approach in future years. 	<ul style="list-style-type: none"> • Put in place a scheme of sub-delegations where appropriate to further improve governance around officer delegated decision. • Provide masterclasses to key officers on key governance issues around decision-making including use of confidentiality and exemptions, forward work programme publication requirements and use of urgent reports.

Local Code of Corporate Governance		Self-assessment	
Principle / supporting principles	To meet these requirements, the Council will:	Evidence of compliance with this principle	Action(s) identified
<p>Defining outcomes in terms of sustainable economic, social and environmental benefits.</p> <ul style="list-style-type: none"> Defining outcomes Sustainable economic, social and environmental benefits 	<ul style="list-style-type: none"> Clearly set out its contribution to delivery of the Vision for Middlesbrough, and use this as the basis for its overall strategy, planning and other decisions. Define outcomes through robust consideration of appropriate evidence bases, such as the Joint Strategic Needs Assessment. Ensure that it delivers defined outcomes on a sustainable basis within available resources. Effectively identify and manage risks to the achievement of targeted outcomes. Manage customer expectations effectively when determining priorities to make best use of resources, and ensure fair access to services. 	<ul style="list-style-type: none"> Strategic Plan and Directorate Delivery Plans clearly outline how the Council plans to deliver the Vision for Middlesbrough, including key measures of success. Vision and Strategic Plan are part of the Council's policy framework – reports to decision makers set out how recommendations would impact on strategic objectives if approved. Joint Strategic Needs Assessment and supporting assessments in place and regularly updated – the children and young people's assessment was refreshed during 2017/18. Market position statements use needs assessments to inform commissioning priorities. Corporate planning cycle considers targeted outcomes and annual budgeting over the medium-term within the context of the Council's Medium-Term Financial Plan and capital Investment Strategy. Performance, Risk and Programme and Project Management frameworks provide for regularly tracking of progress and addressing issues and risks, with reporting to members and senior managers as appropriate. Biennial Residents' Survey; consultation on Strategic Plan priorities; and annual budget consultation in place. Customer Strategy and Charter in place, identifying what customers can expect from the Council, alongside specific service eligibility criteria. 	<ul style="list-style-type: none"> Ensure that the Vision for Middlesbrough is updated to reflect the aims and priorities of the new Mayor of Middlesbrough and that the Council's Strategic Plan and its supporting plans are aligned with the new Vision.

Local Code of Corporate Governance		Self-assessment	
Principle / supporting principles	To meet these requirements, the Council will:	Evidence of compliance with this principle	Action(s) identified
<p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p> <ul style="list-style-type: none"> • Determining interventions • Planning interventions • Optimising achievement of intended outcomes 	<ul style="list-style-type: none"> • Ensure reports to decision makers on services are fair, balanced, and analyse options and the risks associated with those options, to ensure Best Value is achieved. • Ensure that external and internal stakeholders are engaged with when the Council is determining how services should be planned and delivered, and the outcome of consultations is considered when decisions are made. • Ensure achievement of social value through service planning and commissioning. • Ensure that it has clear and robust planning and control cycles for its strategic and operational plans, priorities and targets. • Determine appropriate KPIs to demonstrate service and project performance, and provide members and senior managers with timely updates on these. • Ensure medium and long term resource planning is realistic, sustainable and inclusive. • Prepare budgets that are aligned to the strategic objectives of the organisation and its MTFP. 	<ul style="list-style-type: none"> • Reports to decision makers developed using a standard format to ensure effective, fair, and evidence-based decision making. • Corporate consultation and impact assessment policy in place, ensuring that stakeholders engaged appropriately and views considered in decision making. • Strategic procurement strategy in place, and refreshed during 2017/18. Contract management framework now also in place. • 'How to do Business with Middlesbrough Council' guidance for providers in place. • Guide to social value in procurement and commissioning in place. • Annual reports to audit committee on disposals on the grounds of social value provided where appropriate. • Corporate planning cycle considers targeted outcomes and annual budgeting over the medium-term within the context of the Council's Medium-Term Financial Plan and capital Investment Strategy. • Performance, Risk and Programme and Project Management frameworks provide for regularly tracking of progress against KPIs and addressing issues and risks, with reporting to members and senior managers as appropriate. 	<ul style="list-style-type: none"> • Put in place a scheme of sub-delegations where appropriate to further improve governance around officer delegated decision. • Offer training on the Contract Management Framework to all contract managers by June 2019 and to all other managers during 2019/20.

Local Code of Corporate Governance		Self-assessment	
Principle / supporting principles	To meet these requirements, the Council will:	Evidence of compliance with this principle	Action(s) identified
<p>Developing the Council's capacity, including the capability of its leadership and the individuals within it.</p> <ul style="list-style-type: none"> Developing the Council's capacity Developing the capability of the Council's leadership and other individuals 	<ul style="list-style-type: none"> Regularly review operations to ensure that it is continuing to deliver services that are effective, including the use of benchmarking and sectoral research. Work collaboratively and in partnerships where added value can be achieved. Maintain an effective approach to organisational development to ensure continued capacity and capability to deliver. Clearly define roles, responsibilities and terms of engagement for members and employees. Maintain and regularly review its schemes of delegations that outline the types of decisions that are delegated and those that are reserved for collective decision-making. Develop the capabilities of members and senior management to achieve effective shared leadership. Ensure there are appropriate structures in place to encourage public participation. Ensure that systems are in place to ensure that members and staff can be both held to account for performance, and supported as appropriate. 	<ul style="list-style-type: none"> Performance management framework provides for quarterly review of corporate performance. Directorates review performance internally on a more frequent basis. Business intelligence dashboards are being implemented to facilitate this. Range of benchmarking and other tools are used within Directorates to contextual performance and drive improvement. Horizon scanning is undertaken by LMT on a bi-annual basis, aligned with consideration of risk. Wider Leadership Management Team in place to enable broader consideration of key policy issues. Key strategic partnerships in place, such as the South Tees Health and Wellbeing Board. People Strategy clearly outlines corporate approach to organisational development, including workforce analysis and succession planning. Constitution and supporting documentation clearly set out member and officer role profiles, relationship protocol and schemes of delegation. Corporate consultation policy, citizen's panel and online consultation portal in place. Plans with the digital and marketing and communications strategies to advance in the current approach in future years. Processes in place for public involvement in determining scrutiny priorities, for the public to petition Council and to register questions to be considered by full Council. Clear employee appraisal and development process and member development programme in place. 	<ul style="list-style-type: none"> Put in place a scheme of sub-delegations where appropriate to further improve governance around officer delegated decision. Deliver the member induction programme for all Members to support their understanding of the governance processes of the organisation.

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Principle / supporting principles	To meet these requirements, the Council will:	Evidence of compliance with this principle	Action(s) identified
<p>Managing risks and performance through robust internal control and strong public financial management.</p> <ul style="list-style-type: none"> Managing risk Managing performance Robust internal control Managing data Strong public financial management 	<ul style="list-style-type: none"> Embed a proportionate approach to risk management within all activities, ensure that progress is reviewed regularly and that risk is considered as part of decision making. Ensure effective performance management of service delivery, and provide members and senior managers with timely updates on service performance and progress towards outcomes. Ensure reports to decision makers on services are fair, balanced, and analyse options and the risks associated with those options, to ensure Best Value is achieved. Ensure effective, member-led scrutiny is in place that provides constructive challenge and debate on objectives and policies before, during and after decisions are taken. Ensure an effective, risk-led Internal Audit service is in place to provide assurance on the overall adequacy and effectiveness of the Council's governance arrangements. Ensure effective counter fraud and anti-corruption policies and arrangements are in place. Ensure effective internal control arrangements exist for sound financial management. Maintain an effective audit committee function. Ensure effective arrangements are in place to collect, store, use and share data, including processes to safeguard personal data. Put in place arrangements to ensure that data used to support decision-making is accurate and clear. Ensure financial management arrangements support both long term outcome delivery and day-to-day operations. 	<ul style="list-style-type: none"> Performance, Risk and Programme and Project Management frameworks provide for regularly tracking of progress and addressing issues and risks, with reporting to members and senior managers as appropriate. Risk is a standard section in reports to decision makers. Reports to decision makers developed using a standard format to ensure effective, fair, and evidence-based decision making. Wide-ranging annual scrutiny programme in place, examining policy and performance. Urgent decision process and records in place and reported to Council annually. Effective internal audit arrangement in place, utilising the Council's plans and risk registers to identify priorities. Policy in place for anti-fraud, bribery and corruption; complaints; procurement; and whistleblowing, and regularly reviewed. Money Laundering Policy, reviewed by audit committee during 2017/18. Effective audit committee in place clear terms of reference and a full and trained membership. Information Strategy in place to provide systematic approach to information governance, including data protection and data quality. Robust financial management procedures in place relating to medium-term financial planning, budget setting, procurement and contract management. Internal audit opinion is that overall the Council has a good overall control environment. 	<ul style="list-style-type: none"> Put in place a scheme of sub-delegations where appropriate to further improve governance around officer delegated decision. Delivery of masterclasses to managers on risk managers, decision-making and continuous improvement. Hold the constitution committee on a quarterly basis to continue delivering the rolling review of the constitution during 2019/20. Offer training on the Contract Management Framework to all contract managers by June 2019 and to all other managers during 2019/20.

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Principle / supporting principles	To meet these requirements, the Council will:	Evidence of compliance with this principle	Action(s) identified
<p>Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</p> <ul style="list-style-type: none"> Implementing good practice in transparency Implementing good practices in reporting Assurance and effective accountability 	<ul style="list-style-type: none"> Provide reports in plain English wherever possible, ensuring that they are easy to access and interrogate and balancing transparency requirements with clarity. Report regularly on performance, delivery of value for money and stewardship of resources. Report on compliance with good governance principles within its Annual Governance Statement, including an action plan for continued improvement. Ensure compliance with good governance principles extends to its partnership arrangements. Ensure that recommendations made by external audit are addressed. Ensure that the internal audit service has direct access to members to enable it to provide assurance with regard to governance arrangements. Welcome and positively engage with peer challenges, reviews and inspections of its services. 	<ul style="list-style-type: none"> Standard template for reports to decision makers designed to advance proposition logically and simply, and reduce duplication of information. Training for report writers ongoing, including expectations around use of plain English. Quarterly results reports to Executive and scrutiny covering performance, financial and risk updates. Annual Governance Statement complying with the standard set out in the Local Code of Corporate Governance. Governance arrangements in place for key strategic partnerships, such as the South Tees Health and Wellbeing Board, with improvement activity underway. Recommendations made by external audit are addressed as a matter of priority through the most appropriate route. Internal audit reports its plans, progress and findings regularly to the audit committee. Agreed actions from internal audit are tracked by DMTs until completion. Council proactively seeks peer challenge, publishing findings and responses and commissioning follow-ups. There are positive relationships with statutory inspectorates and regulators. 	<ul style="list-style-type: none"> Hold the constitution committee on a quarterly basis to continue delivering the rolling review of the constitution during 2019/20. Put in place a register of all significant partnerships.