

AUDIT COMMITTEE

Date: Thursday 14th March, 2024
Time: 2.00 pm
Venue: Mandela Room

AGENDA

1. Welcome and Evacuation Procedure
2. Apologies for Absence
3. Declarations of Interest
To receive any declarations of interest.
4. Minutes - Audit Committee - 1 February 2024 3 - 8
5. Corporate Governance Improvement Plan and Section 24
Action Plan progress report 9 - 22
6. Best Value Notice - Update 23 - 34
7. Review of Contracts awarded under Exemption from Contract
Procedure Rules 35 - 44
8. Programme and Project Management Framework Assurance 45 - 76
9. HR Assurance Presentation 77 - 90
10. Whistleblowing Policy 91 - 108
11. Lessons Learned - Corporate Governance Learning From 109 - 114

Standards Investigations

12. Teesside Pension Fund Audit - Update
Verbal Report
13. Internal Audit and Counter Fraud Progress Report 115 - 162
14. Any other urgent items which in the opinion of the Chair, may be considered.

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Wednesday 6 March 2024

MEMBERSHIP

Councillors J Ewan (Chair), J Kabuye (Vice-Chair), I Blades, D Coupe, B Hubbard, S Platt and M Storey

Assistance in accessing information

Should you have any queries on accessing the Agenda and associated information please contact Susan Lightwing, 01642 729712, susan_lightwing@middlesbrough.gov.uk

AUDIT COMMITTEE

A meeting of the Audit Committee was held on Thursday 1 February 2024.

PRESENT: Councillors J Ewan (Chair), J Kabuye (Vice-Chair), I Blades, D Coupe, B Hubbard, S Platt and M Storey

ALSO IN ATTENDANCE: P Jeffrey (Internal Auditor) (Veritau), M Rutter (External Auditor) (Ernst Young) and M Kirkham (Mazars)

OFFICERS: C Benjamin, C Heaphy, A Johnstone, S Lightwing and J Weston

APOLOGIES FOR ABSENCE: None

23/17 **WELCOME AND EVACUATION PROCEDURE**

The Chair welcomed all present to the meeting and read out the Building Evacuation Procedure.

23/18 **DECLARATIONS OF INTEREST**

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

23/19 **MINUTES - AUDIT COMMITTEE - 14 DECEMBER 2023**

The minutes of the Audit Committee meeting held on 14 December 2023 were submitted and approved as a correct record.

23/20 **DRAFT STATEMENT OF ACCOUNTS 2022/2023**

A report of the Director of Finance (Section 151 Officer) was presented for information in relation to the draft Statement of Accounts (SOA) for the 2022/2023 financial year.

Officers were due to meet with External Auditors to discuss the implications of the Government's proposals, announced in July 2023, in relation to the need to re-set the national local government audit market to address the significant delays in completing the audit of prior year accounts. Further information would be shared with the Committee when the position was clarified by the Department for Levelling Up Housing and Communities (DLUHC).

Presentation of the draft SOA for 2022/2023 had been delayed due to the ongoing audit of 2021/2022, which included a specific review of the methodology for calculating the Collection Fund bad debt provision for compliance with IAS37. The S151 Officer requested the External Auditor to undertake this work considering the material adjustments that were anticipated to result from the review, whilst other work on the 2021/2022 audit had been suspended by the External Auditor pending resolution of the approach to be taken to conclude legacy audits as part of the national reset of the local government audit market.

The cumulative delay to completing the audit of the Council's legacy accounts was also due to a much longer audit process on the previous two years audits (2019/2020 and 2020/2021) as reported to the Committee in October 2023. This was due to additional regulatory and value for money work being undertaken by the auditor.

Any potential audit adjustment because of the review of the Collection Fund Bad debt provision in the 2021/2022 accounts would impact on the opening balances of 2022/2023, therefore the S151 officer was unable to sign and publish the 2022/2023 accounts as presenting a true and fair view until this work was concluded.

Despite this delay (the statutory date for publishing these accounts was 31 May 2023), it was still an important aspect of the governance and approval process for Members to consider the financial details of the Council at the draft stage and prior to the external audit process being undertaken. Members of the Audit Committee had received bespoke training on the

Statement of Accounts prior to the meeting.

A copy of the draft Statement of Accounts (SOA) 2022/2023 was attached at Appendix A to the submitted report. The Statement of Accounts consisted of a Narrative Report from the Director of Finance that provided an explanation on the financial position of the Council and described the key activities/highlights for the Council during the year. The report also contained performance-based information that showed what had been achieved using public funds during the financial year. The second section includes the Council's financial statements. These were the core elements of the SOA and included the movement in reserves statement, the income and expenditure statement, the balance sheet, and the cash flow statement for 2022-23. The third section was the notes to the accounts, and these include detailed narrative explanation and figures that supported the key totals within the financial statements and other issues that were of interest to local authority stakeholders. The Accounts also included the collection fund, covering council tax and business rates activities, the accounts of the Teesside Pension Fund for which Middlesbrough Council was the administering authority, and a set of group accounts (financial statements and notes) which consolidated the wholly owned subsidiary, Middlesbrough Development Company, into the Council's own accounts. The final section was the Annual Governance Statement that set out how the Council had complied with best practice governance arrangements and any key issues that arose from that.

It was drawn to Member's attention that there were significant differences between the Council's financial statements, which were part of the SOA document, and its management accounts which were reported for budget and operational purposes. This related to technical accounting adjustments and timing issues in how certain totals were reported. Two important areas to note were the presentation of reserves and the net worth of the Council's balance sheet.

The total value of usable reserves in the Balance Sheet as of 31st March 2023 was £59.826m. This was much higher than the £14.829m total that had been reported in the budget monitoring process for 2023/24 and was leading to the Council having difficulties currently in setting a balanced budget for 2024/25. The reason for the higher total figure included capital and revenue grants unapplied (those amounts paid over in past financial years but to be expended on committed items), as well any other committed revenue reserves, such as schools reserves and the better care fund from the NHS. These were not available to finance the current year revenue budget position.

The net worth of the Council's balance sheet at the 31 March 2023 was £345.0m, an increase in year of £252.7m. It was highlighted that this increase predominantly related to retirement benefits under IAS 19 and a change in the discount rate applied to the liabilities that form part of the local government pension scheme. Further information on this was given in note 39 to the draft Statement of Accounts, but it was highlighted that again this increase was not available to the Council for revenue budget purposes as it would influence future pensions payments over the next 20-40 years.

In response to a request from a Member, it was confirmed that minutes from the Middlesbrough Development Company's Board Meetings could be made available.

Members asked about the timescale for recovery of debts and it was acknowledged that, particularly for Council tax, some were low in value and the Council needed to be more proactive in writing them off.

In relation to Trust Funds it was confirmed that they did not provide any income to the Council. Trust Funds were separate entities, managed by Trustees and the Council was the custodian.

Regarding the current low level of reserves, it was noted that information on the reserves was presented quarterly as part of the budget monitoring process. In recent years demand pressures for adult social care had outstripped budget for much longer than anticipated which had contributed to the current position. It was within the remit of the Chief Financial Officer to determine whether reserves were too high or too low.

AGREED as follows that:

1. the Committee noted that draft Statement of Accounts for 2022/2023 had been

approved by the Director of Finance for publication and were currently on the Council website and out to public inspection until 16 February 2024.

2. Copies of the minutes from the Middlesbrough Development Company Board Meetings would be made available to the Audit Committee.

23/21

BUSINESS CONTINUITY ANNUAL ASSURANCE REPORT

A report of the Director of Legal and Governance Services was presented, the purpose of which was to outline the Council's approach to Business Continuity management, summarised activity in the past year, and planned activity for 2024, in order to provide the Committee with assurance that the Council had robust arrangements in place, as required by the Civil Contingencies Act 2004.

Business Continuity planning was separate to emergency planning, which set out how the Council responded to emergency incidents that impacted on residents and businesses, though there would be occasions when the two disciplines interrelated.

The Council's Corporate Business Continuity Plan defined critical functions as those which, if interrupted could result in:

- Risk of serious injury
- Risk of death
- Massive financial losses; or
- Significant damage to the Council's reputation.

The following plans were place to respond to a variety of events that could occur:

- The Corporate Business Continuity plan.
- Supporting Departmental Business Continuity plans.
- Relocation Plan.
- ICT Disaster Recovery Plan.
- Fuel Plan.
- Pandemic Plan.

The Council did not publish its business continuity plans as they outlined sensitive information around its critical functions and their recovery that could be misused and contained personal information relating to employees who had agreed to share personal contact details to enable the Council to get in touch with them quickly in the event of an incident. The content of the Council's plans in broad terms only were outlined in the submitted report.

The Council aimed to test its plans at least once every 12 months, or produced a lessons learned report if a live incident had occurred during the past year. Testing of the plans was completed in January 2024. This was a live test of business continuity which involved senior managers surrounding a marauding attack and vehicle borne improvised explosive device on critical infrastructure. This ensured that senior management understood their roles and responsibilities during an incident and tested the robustness of plans.

In a normal planning cycle, Business Continuity plans were updated every six months, and reviewed on an annual basis (May and November) with the scale of the review dependent on the level of organisational change that had occurred in the intervening period. In some years this meant that only minor updates were required. In other years, fundamental reviews will be required to reflect changes to the Council's structure or other significant developments for example, where services have been outsourced, or brought back in house.

During the 2023 annual review of plans, there was an increased focus on the impact loss of ICT could have on critical activities to ensure services planned effectively for this event.

Activity in 2023/2024 included generator failover tests at both the Council's data centres and an emergency response exercise. All Corporate Business Continuity Plans were updated in November 2023 and an update and full review of Directorate Business Continuity plans had been completed. A corporate Business Continuity room has been established in Fountain Court. A Business Continuity and Emergency Planning mapping portal had been built in the Council's mapping software, including flood plains, gritting routes and schools. eLearning portal was developed in relation to Business Continuity capturing basic awareness raising and

advancing best practice and all senior management had received face to face training.

During 2024/2025, further work would be undertaken to build on progress made in 2023/2024 as part of the Council's commitment to continual improvement in business continuity planning. This would include:

- Officers planned to undertake a cyber-attack exercise on a key system as the next ICT Disaster Recovery Plan exercise to test its effectiveness.
- Increase the number of trained loggists to support Business Continuity responses in an invocation.
- Refresh eLearning package range in relation to Business Continuity capturing new amendments and best practice from the North East Local Resilience Forum and ISO 22301.
- Produce and deliver loggist training to all nominated loggists within the Business Continuity Teams.
- Further training for Senior Leadership relating to decision making and Business Continuity impacts.
- Undertake the annual full review and update of all business continuity plans to ensure they remain fit for purpose.
- Review and implement the Business Continuity Policy and Management System.
- Battle boxes to be updated by business-critical services to enable service delivery to be maintained in the event of a cyber-attack or power cut.
- Revision of plans to reflect occupation of the new main offices this year.
- Communications Plan for Business Continuity to be enhanced to cover communications in the absence of ICT system.

A query was raised in relation to communication with Elected Members on their role if there was an incident. It was confirmed that part of the recent test had included communication with Elected Members. It was suggested that it would be helpful for Members to receive some training on this area.

AGREED as follows that:

1. the arrangements in place to manage business continuity within the Council, progress within the last year, and plans to further strengthen those arrangements were noted.
2. a workshop for Members on what their role would be in a live business continuity incident would be provided.

23/22

LOCAL CODE OF CORPORATE GOVERNANCE

A report of the Director of Legal and Governance Services (Monitoring Officer) was presented to report the outcome of the annual review of the Council's Local Code of Corporate Governance (LCCG).

The Local Code of Corporate Governance provided a framework that enabled the Council to assess its governance arrangements against sectoral best practice.

The LCCG was reviewed annually to ensure it aligned with best practice. The report confirmed that the LCCG continued to align with the CIPFA code of practice on delivering good governance in local government which remained unchanged. The Council's Annual Governance Statement would assess compliance with the LCCG.

AGREED that the Audit Committee noted that there had been no changes in the past year to the CIPFA/SOLACE guidance document 'Delivering Good Governance' and, as such, that the current Council's Local Code of Corporate Governance was retained.

23/23

SECTION 24 REPORT

A joint report of the Chief Executive, Director of Finance and Director of Legal and Governance Services was presented to set out the key activities, progress and impact of the Corporate Governance Improvement Plan and activity in response to the Section 24 recommendations made by the Council's External Auditors, since last reported to Committee on 14 December 2023.

Alongside the activity that had been delivered, the report also set out the impact actions had

had on the measures of success that had been identified within the Corporate Governance Improvement Plan and Section 24 response plan.

Overall performance in relation to delivery of activity across the two improvement plans (excluding activity not yet planned to start and not due to be delivered yet) was set out at paragraph 5.2 of the report. 92% of planned activity had either been delivered or was on-track for delivery in relation to the Corporate Governance Improvement Plan, with seven planned activities measuring as off-track.

87.5% of activity in relation to the Section 24 delivery plan was on-track or had been delivered, with six activities showing as off-track. The report set out the detail of the delivery plan activity, alongside supporting measures of success that were in place to assess the impact of activity. Key activities and measures of success were shown in the Appendix to the submitted report.

Over the next four weeks, an exercise would be undertaken to refresh the content of the Corporate Governance Improvement Plan to capture additional key milestones that could now be articulated following delivery of initial actions in some milestones, therefore future reporting figures would be altered, however the changes would be outlined within reports.

Members raised several issues with regard to the presentation of the information and Officers agreed to amend the format.

On the overall position, the Chief Executive commented that he was pleased with progress and wanted to focus on the actions and to ensure completion as quickly as possible. In relation to the Best Value Notice issued in January 2023, this had recently been extended for a further six months. The Government reserved the right to put statutory intervention in place but had allowed the Council to continue addressing the issues previously raised in a timely manner. Work was progressing with the Independent Interim Advisory Board (IIAB) to ensure the Council's financial stability and was also focussing on efficiencies in process, IT and services at lower cost.

AGREED as follows that the:

1. progress against the Corporate Governance Improvement Plan and Section 24 Action Plan was noted.
2. Best Value Notice extension would be an agenda item at the next Audit Committee meeting.
3. Amendments would be made to the current format of the reports to ensure they were more accessible to read.

23/24

INTERNAL AUDIT CONSULTATION REPORT

The Head of Internal Audit presented a report to outline arrangements for developing the internal audit work programme and to ask for the Committee's views on areas that should be considered for audit in 2024/2025.

The consultation report was attached at Appendix 1 to the submitted report and contained information on Veritau's approach to producing the work programme and background on the internal audit opinion framework.

The Committee's views were sought on areas it considered a priority for internal audit coverage during 2024/25. The report represents the first stage in consultation on the annual programme of work. A full draft programme would be brought back to the Committee at a later date.

The following areas were suggested to the Internal Auditor for consideration:

- Home To School Transport costs.
- Middlesbrough Development Corporation and relationship with Middlesbrough Council.
- The Council's relationships with external agencies and contracts management.
- Controls over Council assets including alley gate keys, cotags, uniforms etc when

staff leave employment.

- Strategic Risk Register.

AGREED that the report was received and noted.

23/25

ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED.

None.

MIDDLESBROUGH COUNCIL	
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Report of:	The Chief Executive, Director of Finance and Director of Legal and Governance Services
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Relevant Executive Member:	The Mayor, Chris Cooke
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Submitted to:	Audit Committee
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Date:	14 March 2024
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Title:	Corporate Governance Improvement Plan and Section 24 Action Plan progress report
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Report for:	Information
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Status:	Public
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Strategic priority:	All
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Key decision:	Not applicable
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Why:	Not applicable
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Subject to call in?	Not applicable
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Why:	Not applicable
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Proposed decision(s)	
That Audit Committee notes the progress against the Corporate Governance Improvement Plan and Section 24 Action Plan.	

Executive summary	
This report sets out the key activities, progress and impact of the Corporate Governance Improvement Plan and activity in response to the Section 24 recommendations made by the Council’s External Auditors, since last reported to committee on 1 February 2024.	

1. Purpose

1.1 This report sets out the key activities and progress since an update was last provided to committee on 1 February 2024, in response to the Section 24 recommendations made by the Council’s External Auditors and the Council’s Corporate Governance Improvement Plan.

2 Recommendations

2.1 That Audit Committee notes the progress against the Corporate Governance Improvement Plan and Section 24 Action Plan.

3 Rationale for the recommended decision(s)

3.1 The Council must respond effectively and at pace to the deliver the improvements set out in both the Corporate Governance Improvement Plan and the Section 24 report if it is to effectively address the concerns around its culture, governance and financial challenges.

3.2 Member oversight is crucial in delivery of these actions and also provision of assurance that intended impacts to address the governance weaknesses identified by the Council’s External Auditors are being realised.

4 Background and relevant information

4.1 On 18 September 2023, Council received a report that set out the activities of Phase Three of the proposed Corporate Governance Improvement Plan, alongside the associated governance arrangements providing oversight of delivery. It also received a report from the Council’s External Auditors which made statutory recommendations in relation to the Council’s governance. This report provides an update on delivery against the action plan that was put in place in response to that report, as well as an update on delivery against the Corporate Governance Improvement Plan.

4.2 The activities in the improvement plan comprise ten workstreams, each with a milestone delivery plan which is monitored and reported monthly to the Leadership Team, the Independent Improvement Advisory Board and at each full Council.

5. Performance management methodology

5.1 The Council’s and Programme and Project Management policy set out the methodology used to assess and report on progress against delivery, which is applied across the Corporate Governance Improvement and Section 24 delivery plans.

KEY:	
BLUE - COMPLETE	Activity delivered in full
GREEN – ON TRACK	Delivery plan activities are on track and / or a or above standard
AMBER – OFF TRACK	Delivery plan activities are < 5% below standard
RED – OFF TRACK	Delivery plan activities are > 5% below standard
IMPACT - NO CHANGE	The measures of success used to assess impact, refresh on differing time periods. Some are annual, others are more frequent. If it says no change, either the data has stayed the same or is not due to be refreshed

IMPACT MET – NO (AMBER)	performance measures for this workstream are within 5% of the target
IMPACT MET – NO RED	Performance measures for this workstream are below target by more than 5%
IMPACT TREND – MIXED CHANGES	Of the range of performance measures that are against the workstream, some have improved and others have worsened

5.2 Overall performance in relation to delivery of activity across the two improvement plans is as follows (excluding activity not yet planned to start and not due to be delivered yet):

Activity	STATUS AT 14/02/2024				
	% On-track	% Off-track	% Delivered	Overall % on track or delivered	Trend
Corporate Governance Improvement Plan	50% (43/86)	3% (3)	47% (40)	97%	Improved
Section 24 Action plan	48% (23/48)	6% (3)	46% (22/48)	94%	Improved

5.3 The above table shows that 97% of planned activity has either been delivered or is on-track for delivery in relation to the Corporate Governance Improvement Plan, with seven planned activities measuring as off-track.

5.4 94% of activity in relation to the Section 24 delivery plan is on-track or has been delivered, with six activities showing as off-track.

5.5 The remainder of this report sets out the detail of the delivery plan activity, alongside supporting measures of success that are in place to assess the impact of activity.

6. Corporate Governance Improvement Plan: progress status

6.1 For the current reporting period, seven of the workstreams are on target in terms of activity, as per timescales set out in the corporate Governance Improvement Plan, with three being off target.

- CT4.01: Ensuring stable and sustainable leadership for the organisation* The milestones relating to 'Senior Management Review' continues to show slippage, however this was a legacy approach agreed in the initial delivery phase of the Governance Improvement Plan, to achieve stability in the workforce at a senior level. The ambition in this workstream has now been achieved through the recruitment of permanent staff to senior leadership posts in Children’s Services and the securing services of the Section 151 officer and Chief Executive in the medium-term, to March 2025 and the planned implementation of a governance protocol. Whilst wider reorganisation is still planned, this will be done as part of the Transformation Programme to ensure the management structure aligns with the future operating model of the organisation. As a result, the senior management review milestones will be removed from this workstream and that the savings target associated within the review will continue to be tracked through the Transformation Programme. This will be replaced with an alternative milestone that tracked permanent recruitment to the Section 151 officer and Chief Executive post in line with the timeline set out in the January 2024 report to Council.

6.2 Following a review of the current content of plans to assess where additional measures can now be added in as a result of progress. Additional milestones will now be included within future reporting to provide more detail on the delivery of the Transformation Programme, People Strategy and the Communications plan.

Measures of success

6.3 The Council, in identifying the data sources to measure success, has set a baseline against which it will judge ongoing performance. Frequencies in updating these measures vary and are detailed in Appendix 1. Some measures are ad hoc, some annual, while others are refreshed on a quarterly or monthly basis.

6.4 There there has been an update to measures, this is set out in full in the appendices. As part of the review of the improvement plan, the current measures of success were also reviewed. Future reporting will also separate out the agency staffing levels measures of success into BAU and transformation agency capacity.

Key activities

6.7 The following activities within the governance improvement plan have been delivered since progress was last reported to Committee:

THEME	WORKSTREAM	COMPLETED ACTIVITIES WITHIN REPORTING PERIOD
Cultural Transformation	Ensure stable and sustainable leadership for the organisation	Development of a recruitment plan for all interim posts in a leadership position
	Development and implementation of an improved focus on employee performance and accountability	Launch of the employee appraisal window
	Review the Council’s approach to Member enquiries and engagement	Completion of a review of the interim, short term improvements to the current system which has been put in place
	Develop and implement communications and engagement plan to support cultural transformation	Launch of regular CGIP newsletter communications to all staff and members from the Chief Executive, aligned to the meeting schedule of the Board
Financial Recovery and Resilience	Setting a balanced budget for 2024/25 to 2026/27	Implementation of a savings programme. Completion of reviews of fees and chargers and the Capital Programme

Changes to delivery dates

6.8 Detailed delivery milestone plans have been developed to underpin all workstream activities within the improvement plan.

6.9 Where slippage occurs to individual milestones but the overarching end date for the workstream activity is not impacted, no escalation or change control will be required and it can be assumed that any required mitigated will be put in place at an operational level.

6.10 Where there is impact on achieving the intended measure of success or overarching end date of workstream activity, a change control will be proposed for noting and transparency.

6.11 There is one change control to the timeline for completion of recruitment to the posts of Chief Executive and Director of Finance roles on a permanent basis. This reflects the Council decision on 17 January 2024. There is also change control to the same workstream to remove the elements in relation to the senior management review, the rationale for which is set out at 6.1.

Summary of progress against plan and measures of success

6.12 The following tables set out a summary position against planned activity and progress against the measures of success that have been agreed to track the long-term impact of this plan.

CULTURAL TRANSFORMATION	ACTIVITY TRACKING		OUTCOME IMPACT		LMT LEAD	EXEC MEMBER
	CURRENT STATUS	PREV. STATUS	IMPACT TREND	IMPACT TARGET MET?		
Development / implementation of People and Cultural Transformation Strategy	Green	Green	Improved	No	C Benjamin	Cllr N Walker
Development / implementation of Member Development Strategy and Programme	Green	Green	No change	No	C Benjamin	Cllr N Walker
Development / implementation of a corporate governance training programme	Green	Red	No change	No	C Benjamin	Cllr N Walker
Ensure stable and sustainable leadership for the organisation	Red	Red	Improved	No	C Heaphy / C Benjamin	Mayor Cooke
Development / implementation of improved focus on employee performance and accountability	Green	Green	No change	No	C Heaphy	Cllr N Walker
Review Council's approach to Member enquiries and engagement	Green	Green	No change	No change	C Benjamin	Cllr N Walker
Develop / implement communications and engagement plan to support cultural transformation	Green	Green	No change	No	C Heaphy	Mayor Cooke

FINANCIAL RECOVERY AND RESILIENCE	ACTIVITY TRACKING		OUTCOME IMPACT		LMT LEAD	EXEC MEMBER
	CURRENT STATUS	PREV. STATUS	IMPACT TREND	IMPACT TARGET MET?		
Controlling 2023/24 expenditure to within approved budgets	Green	Green	No change	No	D Middleton	Cllr N Walker
Setting a balanced budget for 2024/25 to 2026/27	Green	Green	No change	No change	D Middleton	Cllr N Walker
Improvements to financial governance, spending controls and monitoring through more effective financial management	Green	Green	No change	No	D Middleton	Cllr N Walker

7. Independent Improvement Advisory Board

7.1 Since the previous progress report, the Board met formally on 5 February 2024. The Board considered reports and presentations on the following:

- in-year budget position and the development of the 2024/25 update
- an update on work to develop a transformation programme
- an update on progress against the improvement plan and Section 24 report.

7.2 The Chief Executive invited all staff who were interested, to participate in a series of focus group sessions with the Board. Three groups met with Board members, covering frontline staff, middle managers and Heads of Service. The Board also met with the Trade union representatives.

7.3 This information was shared with all staff and members following the meeting.

7.4 Action points arising from formal Improvement Board meetings, excluding admin related tasks, e.g. facilitation of meetings, are set out at Appendix 3, alongside a summary of information requested by the Board.

8. Section 24: progress update

8.1 The table below sets out the current status of activity in response to the Section 24 recommendations, along with a summary of the impact these activities are having on the longer-term measures of success that have been set in order to enable the Council to be able to assess whether the activities are having the intended impact.

8.2 Since the last report a further two actions have been completed and the measure of success for another has been achieved. There is a slight amendment to the timeline for

reporting on closure of the Middlesbrough Development Company which be completed in line with current planned :

S24 ACTIONS	ACTIVITY TRACKING		OUTCOME IMPACT	
	CURRENT STATUS	PREV. STATUS	IMPACT TREND	IMPACT TARGET MET?
1. Progression of next phase of Corporate Governance Improvement Plan, prioritising actions to address cultural and governance issues.	Complete	Complete	N/A	N/A
2. Development of contingency and succession governance protocols to mitigate potential impact of any future changes in senior leadership.	Red	Red	Improved	No
3. Conclusion of Constitution review and provision of officer / member training ensuring changes are understood and implemented.	Green	Red	No change	No
4. Identification of deliverable short-term savings, protecting limited remaining reserves, considering statutory responsibilities and delivery of services.	Green	Red	N/A	N/A*
5. Review service delivery models to ensure that they are efficient, represent value for money and achieves the outcomes required.	Green	Green	N/A *	N/A*
6. Review of financial forecasting processes to understand emergence of significant financial pressures, in both 22/23 and 23/24.	Green	Green	Mixed changes	No
7. Conclusion of Financial and Contract Procedure rules review to ensure they are fit for purpose.	Complete	Complete	Complete	Complete
8. Provision of training on Financial and Contract Procedure rules to all officers involved in contracting, procurement or financial decisions.	Green	Red	Complete	Complete
9. Completion of contract review to ensure compliance with Public Contracts Regulations 2015.	Green	Red	No change	Y
10. Review oversight arrangements for Middlesbrough Development Company to assure value for money.	Complete	Complete	Complete	Complete
11. Develop action plan for the demise of Middlesbrough Development Company setting out benefit realisation.	Amber	Green	Worsened	No

*No baseline set

8.4 Across all S24 workstreams, 2 are reporting activity which is off-target:

- Recommendation 2, Contingency and succession planning:** The milestones relating to 'Senior Management Review' continues to show slippage, however this was a legacy approach agreed in the initial delivery phase of the Governance Improvement Plan, to achieve stability in the workforce at a senior level. The ambition in this workstream has now been achieved through the recruitment of permanent staff to senior leadership posts in Children’s Services and the securing services of the Section 151 officer and Chief Executive in the medium-term, to March 2025 and the

planned implementation of a governance protocol. Whilst wider reorganisation is still planned, this will be done as part of the Transformation Programme to ensure the management structure aligns with the future operating model of the organisation. As a result, it is proposed that the milestone will be removed from this workstream and that the savings target associated within the review will continue to be tracked through the Transformation Programme. This will be replaced with an alternative milestone that tracked permanent recruitment to the Section 151 officer and Chief Executive post in line with the timeline set out in the January 2024 report to Council.

- *Recommendation 11 Develop an action plan for the demise of MDC* an action plan is in place and a closure report was due to be considered by Executive in March 2024. While the work to close the company will be concluded by 31 March 2024 and an instruction issued to the external specialists to commence closure of the Company on behalf of the Council. Reporting on that will not be possible within the current deadline of 31 March 2024. There is a change control in place to ensure this occurs by 30 May 2024.

Section 24: key activities

8.5 Progress against the Section 24 action plan agreed by full Council on 18 September 2023 since last presented to committee is set out below:

REC	ACTIVITY
4.09	Relaunch of use of Purchasing Cards, for essential users only and subject to mandatory training.
5.02	Development of a first stage transformation programme (2024/25 to 2026/27) to review service delivery models to maintain / improve service outcomes from an affordable and sustainable cost base.

Section 24: measures of success

8.5 Of the 17 measures of success in place to assess the impact of activity within the Section 24 action plan:

- Four are now complete
- Two are on or above target
- Four cannot yet be measured
- Of the remaining seven measures which are all below target, four have improved performance while two have worsened and there is no change in one.

8.6 As part of the review of measures of success, future reporting will include a slight amendment, replacing the proxy measure of success in relation to recommendation 9, with an indicator that more closely links to the recommendation – number of contract extensions that do not comply with Public Contract Regulations 2015, of which there were zero in 2022/23. This will be tracked quarterly.

9. Other potential alternative(s) and why these have not been recommended

9.1 Not applicable.

10. Impact(s) of the recommended decision(s)

Financial (including procurement and Social Value)

10.1 Not applicable.

Legal

10.2 There are no direct legal implications as a result of this report, however delivery of this plan provides evidence of compliance with a number of recommendations that have been made by the Council’s External Auditors under Section 24 of the Local Audit and Accountability Act 2014.

Risk

10.3 If the Council fails to respond effectively to the improvement plan, this will have a negative impact on the following strategic risks:

- Failure to meet a balanced budget.
- Risk of an unlawful decision by the Council.
- Corporate governance is not fit for purpose.

Human Rights, Public Sector Equality Duty and Community Cohesion

10.4 Not applicable.

Climate Change / Environmental

10.5 Not applicable.

Children and Young People Cared for by the Authority and Care Leavers

10.6 Not applicable.

Data Protection / GDPR

10.7 Not applicable.

Actions to be taken to implement the recommended decision(s)

10.8 Not applicable.

Appendices

1	Corporate Governance Improvement Plan: measures of success
2	Section 24 Plan: Measures of success

3	Key activities update from the Board
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Background papers

Reporting body	Report title	Date
Corporate Affairs and Audit Committee	Lessons Learnt: Best Value Inspection of Liverpool City Council	5 Aug 2021
Corporate Affairs and Audit Committee	Boho X: Draft findings from internal audit and proposed management response	6 Apr 2022
Corporate Affairs and Audit Committee	Audit Results Report 2020/21	22 Jul 2022
Corporate Affairs and Audit Committee	Statement of Accounts 2020/21	22 Jul 2022
Corporate Affairs and Audit Committee	Lessons learned: Best Value and external assurance within other councils.	22 Jul 2022
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Council	Corporate Governance Improvement Journey: CIPFA findings and next steps	19 Oct 2022
Council	Corporate Governance Improvement Plan and progress update	30 Nov 2022
Corporate Affairs and Audit Committee	External Audit: Value for Money Governance Update	5 Dec 2022
Council	Corporate Governance Improvement Plan and progress update	18 Jan 2023
Corporate Affairs and Audit Committee	Statement of Accounts 2020/2021	28 Apr 2023
Corporate Affairs and Audit Committee	Auditor's Annual Report – Year Ended 31 March 2021	29 Jun 2023
Council	Corporate Governance Improvement Next Steps	5 Jul 2023
Council	Section 24 Statutory EY recommendations	18 Sep 2023
Council	Corporate Governance Improvement Plan	18 Sep 2023
Corporate Affairs and Audit Committee	Lessons Learnt: Best Value Inspection of Liverpool City Council	5 Aug 2021
Audit Committee	Section 24 Report – Delivery and oversight arrangements	5 Oct 2023
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	25 Oct 2023
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	29 Nov 2023
Audit committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	14 December 2023
Audit Committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	1 February 2024

Contact:

Ann-Marie Johnstone, Head of Governance, Policy and Information
Ann-marie_johnstone@middlesbrough.gov.uk

Appendix 1: Corporate Governance Improvement Plan: measures of success

Outcome	Measure of Success	Track against which workstream	Current performance	Previous performance	Target	Status against target	Frequency of data refresh	Source	Current performance data	Current performance period	Previous performance data	Previous performance period
Improved understanding of corporate governance policies and process and improved adherence to them	Reduce the number of audits that have limited or no assurance	CT3	Worse	No change	0	Below target	every 2 months	Internal audit progress reports to Audit Committee	2 out of 12 complete audits	December 2023 report	1 out of 8 complete audits	October 2023 report
	Improve the percentage of priority One and Priority Two actions from Internal Audits that are delivered within original timescales	CT3	Improved	n/a baseline	80% or higher	Below target	Quarterly	Internal Audit	20% of P1 actions and 13% of P2 actions were complete within original timescales	Nov-23	20% of P1 actions and 10% of P2 actions were complete within original timescales	2022/23
	Reduce / Upheld whistleblowing reports on non-compliance with corporate governance processes.	CT3	No change	No change	0	At target	Annual	Internal Audit	0	2022/23	n/a	n/a
Improved relationships between officers and members	Staff and Member surveys to assess health of relationships and direction of travel	CT1, CT2	Improved	n/a baseline	50% of staff and 80% of councillors or higher	Below target	Ad hoc	Staff surveys	77% of heads of service and directors now view relationships with Executive members as positive or very positive (22)	Dec-23	26.6% of staff think relationships are somewhat or very positive, compared to 69% of Councillors	August 2023 Survey
Improved retention of staff	Staff turnover rates – number of leavers	CT1, CT4, CT5	No change	Improved	5%	Below target	Quarterly	HR - Kerry Rowe	5.60%	Quarter 3 2023/24	5.64%	Quarter 2 2023/24
Improved staff satisfaction	1-10 Score of how valued staff feel as an employee of the Council	CT1	Worse	n/a baseline	6.2 or higher	Below target	Ad hoc	Staff surveys	5.9	August 2023 Survey	6.22	Nov-22
Reduced need to use agency staff	Number of agency staff working for Middlesbrough Council – total	CT4	Improved	Worse	75	Below target	Monthly	Procurement - Claire Walker	116	Feb-24	121	Jan-24
Improved ability to recruit to key roles.	Number of roles at Head of Service and above that are vacant / occupied by Agency or interim staff	CT4	Improved	No change	3	Below target	Monthly	Procurement - Claire Walker	5	Feb-24	8	Jan-24
Improved outcomes for our community by ensuring that staff have the skills needed to deliver excellent services and that the behaviours increase trust in the Council	Number of complaints – total	CT1	Improved	Improved	Less than 150	Above target	Monthly	Monthly compliance report to LMT	101	Jan-24	133	Dec-23
	% of complaints upheld or partially upheld by the central team	CT1	Improved	Worse	Less than 40%	Below target	Monthly	Complaints dashboard	43%	Jan-24	54%	Dec-23
Members have a Member development programme that meets their needs and is well used	Percentage of members completing all mandatory training	CT2	Complete	Complete	100%	At target	Annual	Member training data	100%	Oct-23	100%	Oct-22
	Percentage of Members attending wider skills	CT2	n/a baseline	n/a baseline	95%	Above target	Annual	Member training data	98%	Oct-23	Data not available	Oct-22
	Member satisfaction with the Member development programme	CT2	n/a baseline	n/a baseline	90%	Below target	Annual	Member training data	87.5% this is based on 21 responses out of 24	Oct-23	71% this is based on 5 responses out of 7	Oct-22
Performance is effectively managed within the organisation	Completion of appraisal process	CT1	not yet measured	not yet measured	95%	not yet measured	Annual	OD - Nicky Spencer	n/a	n/a	n/a	n/a
Improved Member behaviour	Number of member on member complaints received	CT1	Worse	Worse	2 or fewer per quarter	Below target	Quarterly	Ann-Marie Wilson	6 complaints received member on member	Q3 2023/2024	3 complaints received member on member	Q2 2023/2024
Residents are increasingly satisfied with the way the Council is ran and with the Council overall	Questions within the 2023 Resident survey currently underway	CT7	45%	n/a baseline	61% (NE average 21/22)	Below target	TBD	Vickie Holmes	40%	Nov-23	64%	Previous survey was in 2017
Residents increasingly agree that the Council acts on their concerns	Questions within the 2023 Resident survey currently underway	CT7	43%	Not previously asked	55% (NE average 21/22)	Below target	TBD	Vickie Holmes	43%	Nov-23	n/a	Not previously asked

Page 10 of 10
Cultural Transformation

Outcome	Measure of Success	Track against which CGIP workstream	Track against which S24 recommendations	Current Performance	Previous Performance	Target	Status Against Target	Frequency of data refresh	Source:	Current performance data:	Current performance period:	Previous performance data:	Previous performance period:
Expenditure for 2023/24 is completed within the approved 2023/24 budget	Actual expenditure and Forecast revenue outturn within the approved budget	FRR1	6	Improved	Improved	£0	Below target	Quarterly report to Executive	Finance quarterly report to Executive	£7.023m	Period 8 2023/24	£7.438m	Period 7 2023/24
Set a balanced budget for 2024/25 and adhered to during 2024/25	2024/25 revenue budget is balanced and maintained during 2024/25	FRR2	4	n/a	n/a	Balanced budget set	n/a	Annual - One Time	Finance quarterly report to Executive	n/a	n/a	n/a	n/a
Set a sustainable Medium Term Financial Plan in place for the period 2024/5 to 2026/27	Balanced MTFP to 2026/27	FRR2	6	n/a	n/a	Balanced MTFP set	n/a	Annually	Finance quarterly report to Executive	n/a	n/a	n/a	n/a
Maintain General Fund balance and usable revenue reserves at 31/3/23 levels	Maintain GF balance at £12m at 31/3/24	FRR2	6	Improved	Worse	£12m or more	Below target	Annually	Finance quarterly report to Executive	£7.806m	Period 8 2023/24	£6.273m	Q2 2023/24
	Maintain unrestricted usable revenue reserves at a minimum of £4m at 31/3/24.	FRR2	6	Worse	Worse	£4m or more	Below target	Annually	Finance quarterly report to Executive	£0.0m	Period 8 2023/24	£1.171m	Q2 2023/24
Establish Medium Term Plan to rebuild GF balance and revenue reserves	Section 151 Officer assessment of adequacy of reserves	FRR2		n/a	n/a	n/a	n/a	Feb-24	Section 25 Report to Council	n/a sufficient resources in place - judgement of S151 officer	Feb 2023 report to Council	n/a	n/a
Financial Procedure Rules and Contract Procedure Rules training delivered	LMT, WLMT, all Budget Holders trained by 31 December 2023	FRR3	7, 8	Complete	Improved	95% or higher	Complete	Monthly	E-Learning training data reporting dashboard	80.10%	Feb-24	76.88%	Jan-01
Corporate finance training programme established	Quarterly programme of finance training established	FRR3		100%	n/a baseline	One training session delivered per quarter	Complete	Quarterly	E-Learning training data reporting dashboard	100%	Feb-24	n/a	n/a
Budget management and purchase to pay dashboards developed to improve management information and compliance	Budget management dashboard available to all budget holders from Business World through Power BI reporting tools by 30 November 2023. P2P Dashboards available by 31 March 2024	FRR3		Complete	n/a	Dashboard in place	Complete	n/a one off measure	Finance dashboard in place	n/a	n/a	n/a	n/a
Budget management training rolled out to budget holders	All Chief Officers, Heads of Service and Budget Holders Training delivered December 23 to March 24	FRR3		n/a	n/a	95% or higher	n/a at this stage	n/a one off measure	J.Weston and A.Humble? Data off Nicky	n/a due from April 2024 onwards	n/a	n/a	n/a
Establish Business World as one version of the financial truth for internal and external reporting	Reduce/eliminate need for manual intervention and re-work to produce internal budget management and external statutory reporting.	FRR3		n/a	n/a	n/a	n/a	Subjective measure	J.Weston/A.Humble	n/a	n/a	n/a	n/a
Develop value added finance business partnering approach	Realignment of accountancy resource from preparation of reports and more towards business partnering analysis, advice, challenge. By June 2024	FRR3		n/a	n/a	n/a	n/a	Service review completed	A Humble	n/a	n/a	n/a	n/a

Financial Recovery and Resilience

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Appendix 2 – Measures of success – Section 24 Report

Recommendation	Measure of Success	Also in CGIP	Current performance	Target	Status against target	Frequency of data refresh	Source:	Current performance data:	Current performance period:	Previous performance data:	Previous performance period:
1	Delivery of the Corporate Governance Improvement Plan activity		Complete	n/a	Complete	Monthly	Corporate Governance Improvement Plan	6 out of 10 workstreams activity on target	Nov-23	10 out of 10	Oct-23
2	Number of roles at Head of Service and above that are vacant / occupied by Agency or interim staff	Y	Improved	3	Below target	Monthly	Procurement - Claire Walker	5	Feb-24	8	Jan-24
3	Reduce the number of audits that have limited or no assurance	Y	Worse	0	Below target	Quarterly	Internal audit progress reports to Audit Committee	2 out of 12 complete audits	December 2023 report	1 out of 8 complete audits	October 2023 report
3	Improve the percentage of priority One and Priority Two actions from Internal Audits that are delivered within original timescales	Y	Improved	80% or higher	Below target	Annual	Internal Audit	20% of P1 actions and 13% of P2 actions were complete within original timescales	Nov-23	20% of P1 actions and 10% of P2 actions were complete within original timescales	2022/23
3	Percentage of members completing all mandatory training	Y	Complete	100%	Complete	Annual	Member training data	100%	Oct-23	100%	Oct-22
3	Percentage of Members attending wider skills	Y	No change	95%	Above target	Annual	Member training data	98%	Oct-23	Data not available	Oct-22
3	Member satisfaction with the Member development programme	Y	No change	90%	Below target	Annual	Member training data	87.5% this is based on 21 responses out of 24	Oct-23	71% this is based on 5 responses out of 7	Oct-22
4	2024/25 revenue budget is balanced and maintained during 2024/25	Y	No change	n/a	n/a	Annual	Finance quarterly report to Executive	Balanced budget set	n/a	n/a	n/a
5	90% of projects within the programme, once launched are on track			n/a	n/a at this stage	Quarterly once live		90% once launched	n/a		
5	90% of benefits from projects realised in line with benefits realisation trackers			n/a	n/a at this stage	Quarterly once live		90% once launched	n/a		
6	Actual expenditure and Forecast revenue outturn within the approved budget	Y	Improved	£0	Below target	Quarterly	Finance quarterly report to Executive	£7.023m	Period 8 2023/24	£7.438m	Period 7 2023/24
6	Balanced MTFP to 2026/27	Y	No change	Balanced MTFP set	n/a	Annually	Finance quarterly report to Executive	n/a	n/a	n/a	n/a
6	Maintain GF balance at £12m at 31/3/24	Y	Improved	£12m or more	Below target	Annually	Finance quarterly report to Executive	£7.806m	Period 8 2023/24	£6.273m	Q2 2023/24
6	Maintain usable revenue reserves at a minimum of £4m at 31/3/24.	Y	Worse	£4m or more	Below target	Annually	Finance quarterly report to Executive	£0.0m	Period 8 2023/24	£1.171m	Q2 2023/24
7 and 8	LMT, WLMT, all Budget Holders and all staff involved in Purchase to Pay trained by 31 December 2023	Y	Complete	100%	Complete	Monthly	E-Learning training data reporting dashboard	100.00%	Feb-24	76.88%	Jan-24
9	Reduce Upheld whistleblowing reports on non-compliance with corporate governance processes.	Y	No change	0	At target	Annual	Internal Audit	0 in 2022/23	2022/23	n/a	n/a
10 and 11	Provision of quarterly reports on MDC until closure		Complete	1 a quarter until closure	Complete	Quarterly	Executive reports	Report provided in December 2023	Dec-23	Report provided in September 2023	Sep-23

Appendix 3 – Summary of information requested and major action points arising from the Middlesbrough Independent Improvement Advisory Board (MIIAB) recent meetings

Information requests	Status
Provision of further information on the process being undertaken to close Middlesbrough Development Company	Complete
Provision of information on redundancy terms and conditions	Complete
Information on the methods of engagement undertaken between the Council and Trade Unions	Complete

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Major comments / action points
Setting the focus of future meetings – March meeting to include an update on delivery of cultural transformation, update on the development of the transformation programme and feedback on staff undertaken engagement by the Board
Planned programme of member engagement by the Board over the next three months to include the Mayor, Group Leaders, Audit Committee chair, Scrutiny chairs and the Chair of Constitution and member Development.
Planned engagement of the Board with external partners to be undertaken in May
The Board gave feedback on the proposed governance of the Council's Transformation Programme. This has been reflected in the report to Executive.
Suggestion for a more ambitious target to track the volume of discretionary training accessed by members.

MIDDLESBROUGH COUNCIL	
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Report of:	The Chief Executive, Director of Finance and Director of Legal and Governance Services
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Relevant Executive Member:	The Mayor, Chris Cooke
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Submitted to:	Audit Committee
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Date:	14 March 2024
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Title:	Best Value Notice - Update
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Report for:	Information
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Status:	Public
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Strategic priority:	All
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Key decision:	Not applicable
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Why:	Report is for information only
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Subject to call in?	Not applicable
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Why:	Not applicable
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Proposed decision(s)	That the Audit Committee note the revised 'Best Value Notice' that has been issued by government, following the expiration of the previous notice that was issued in January 2023.
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Executive summary	This report sets out to committee, information on the revised 'Best Value Notice' issued by government on 30 January 2024. The progress acknowledged within the notice is set out within this report, along with the revised terms of the notice, which has been extended on a non-statutory footing for a further six months.
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1. Purpose

- 1.1 This report sets out the content of the 'Best Value Notice' issued on 30 January 2024, following the expiry of the existing Notice which had been issued for a period of 12 months in January 2023.

2 Recommendations

- 2.1 That Audit Committee note the revised 'Best Value Notice' that has been issued by government, following the expiration of the previous notice that was issued in January 2023.

3 Rationale for the recommended decision(s)

- 3.1 The Council must continue to respond effectively and at pace to the deliver the improvements set out in both the Corporate Governance Improvement Plan and the Section 24 report if it is to effectively address the concerns around its culture, governance and financial challenges in order to provide Government with assurance that its corporate governance is fit for purpose.

4 Background and relevant information

- 4.1 The plans were put in place in response to corporate governance concerns identified in 2022, which were also formally raised by the Council's External Auditors in a Section 24 report issued in August 2022.

- 4.2 Since September 2022, the Council has had both a Corporate Governance Improvement Plan and a Section 24 action plan in place to address the range of governance issues identified in both plans. In January 2023, government issued a 'Best Value Notice' on a non-statutory footing, which set out government's concerns in relation to the Council's governance. That notice was in place for 12 months, with clear expectations that should the Council fail to respond positively to it, intervention would be moved to a statutory footing.

- 4.3 Following the local and Mayoral Elections held in May 2023, the Council's approach to improvement was refreshed and in September 2023 that revised improvement plan was presented to Council, alongside the establishment of an Independent Improvement Advisory Board which has been put in place to provide guidance and support to the Council on its improvement journey, as well as provision of an independent view on progress made to date to Government. Alongside this, there has been regular engagement with government.

- 4.4 The above has resulted in the Council being able to work effectively with the Department for Levelling Up, Housing and Communities for the last 12 months to provide it with assurance around the range of improvement measures it has put in place. This progress has been acknowledged by government and reflected in the wording of the refreshed 'Best Value Notice' which will continue to operate on a non-statutory footing for the next 6 months. The notice sets out that government expects the Council to:

- 'Continue to work with the Independent Improvement Board established in Middlesbrough to support the council to deliver the council's locally lead improvement strategies, organisational transformation and to monitor progress of the application of the improvement board recommendations and delivery of improvements against the serious concerns highlighted by the external auditor, published in July 2022, around governance arrangements, and cultural and governance issues further investigated in the CIPFA review published in September 2022.
- Continue in your efforts to deliver against your agreed action plan, accepted at full Council on 30 November 2022, at pace and to meet the set milestones and success measures established.
- Continue in your efforts to implement cultural change, particularly in relation to the relationships between officers and members, and that this will be an important continuing focus of the Independent Improvement Board.
- Work with the Department as you deliver on your Best Value requirement to secure the financial recovery and return to financial sustainability through setting a balanced 3-year MTFP over the period to 2026/27.'

9. Other potential alternative(s) and why these have not been recommended

9.1 Not applicable.

10. Impact(s) of the recommended decision(s)

Financial (including procurement and Social Value)

10.1 Not applicable.

Legal

10.2 There are no direct legal implications as a result of this report as government has stated that it wishes to see the Council's improvement journey continue to be on a non-statutory footing at this point of time. Should the Council fail to respond effectively to the challenges within the improvement journey and fail to meet government expectations, Government reserves the ability to exercise statutory powers and intervene formally in the authority's governance.

Risk

10.3 If the Council fails to respond effectively to the expectations set out within the refreshed notice, that will impact negatively on the following risks within the Council's Strategic Risk Register:

- Failure to meet a balanced budget.
- Risk of an unlawful decision by the Council.

- Corporate governance is not fit for purpose.

Human Rights, Public Sector Equality Duty and Community Cohesion

10.4 Not applicable.

Climate Change / Environmental

10.5 Not applicable.

Children and Young People Cared for by the Authority and Care Leavers

10.6 Not applicable.

Data Protection / GDPR

10.7 Not applicable.

Actions to be taken to implement the recommended decision(s)

10.8 Not applicable.

Appendices

1	Letter from Max Soule to Middlesbrough Council Chief Executive issued 30 January 2024
2	Letter from Simon Hoare MP to Mayor Chris Cooke issued 30 January 2024

Background papers

Reporting body	Report title	Date
Corporate Affairs and Audit Committee	Lessons Learnt: Best Value Inspection of Liverpool City Council	5 Aug 2021
Corporate Affairs and Audit Committee	Boho X: Draft findings from internal audit and proposed management response	6 Apr 2022
Corporate Affairs and Audit Committee	Audit Results Report 2020/21	22 Jul 2022
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Council	Section 24 Statutory EY recommendations	18 Sep 2023
Council	Corporate Governance Improvement Plan	18 Sep 2023
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Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	29 Nov 2023
Audit committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	14 December 2023
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	17 Jan 2024
Audit Committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	1 Feb 2024
Executive	Best Value Notice – update	14 Feb 2024

Contact:

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Department for Levelling Up,
Housing & Communities

Clive Heaphy
Chief Executive
Middlesbrough Council

Max Soule

*Deputy Director, Local Government
Stewardship*

Department for Levelling Up,

Housing and Communities

4th Floor, Fry Building

2 Marsham Street

London SW1P 4DF

www.gov.uk/dluhc

30 January 2024

Middlesbrough Council Best Value Notice issued on 30 January 2024

The Department expects authorities to identify and implement arrangements to secure continuous improvement and acknowledges the steps you have taken to identify the serious issues at Middlesbrough including your timely and helpful engagement with the Department.

In January 2023 we set in place a Best Value Notice because of concerns about Middlesbrough's capacity to comply with its Best Value Duty under the Local Government Act 1999. That Best Value Notice ("Notice") was a formal notification that the Department has concerns regarding an authority and requested that the authority engages with the Department to provide assurance of improvement.

Since then, the Council has worked effectively with the Department setting out and implementing a range of improvement measures to effectively address the identified concerns. We thank the Council for this work. We are also aware that more work is still to be embedded to ensure sustained and material improvements particularly in relation to financial sustainability, delivery of transformation and effectively implementing new strategies to embed positive cultures.

The Minister for Local Government has therefore made the decision to issue a revised Best Value Notice for Middlesbrough Council. This Notice will remain in place for 6 months, after which time, should the Department deem it necessary to continue to seek assurance through such a Notice, the Notice will be reissued. The Notice may be withdrawn or escalated at any point based on the available evidence.

During that time, the Department expects the Council to:

1. Continue to work with the Independent Improvement Board established in Middlesbrough to support the council to deliver the council's locally lead improvement strategies, organisational transformation and to monitor progress of the application of the improvement board recommendations and delivery of improvements against the serious concerns highlighted by the external auditor, published in July 2022, around governance arrangements, and cultural and

governance issues further investigated in the CIPFA review published in September 2022.

2. Continue in your efforts to deliver against your agreed action plan, accepted at full Council on 30 November 2022, at pace and to meet the set milestones and success measures established.
3. Continue in your efforts to implement cultural change, particularly in relation to the relationships between officers and members, and that this will be an important continuing focus of the Independent Improvement Board.
4. Work with the Department as you deliver on your Best Value requirement to secure the financial recovery and return to financial sustainability through setting a balanced 3-year MTFP over the period to 2026/27.

If the Independent Improvement Board and external auditor recommendations are not met in full, with necessary improvements delivered at sufficient pace then the Department will consider whether statutory intervention is needed.

To complement existing engagement between the Authority and the Department, we expect that contact at working level should continue on a quarterly basis, recognising that this may change according to need over time. We expect any requests for information to be fully and promptly met. The Department will also look to the Independent Improvement Board for assurance on your Authority's plan and its delivery as part of our engagement on this matter.

Whilst your Authority may continue to receive and be awarded government funding whilst under this Notice, we would emphasise that receipt of funding does not indicate the Department's broader view of the performance of the Authority, nor would it indicate any change in the status of this Notice, with individual funding programmes being managed and assured independently by their respective departments.

This Notice is issued outside the statutory powers held by the Secretary of State under the Local Government Act 1999 to inspect or intervene in local authorities where there is evidence of Best Value failure and, separately, under section 230 of the Local Government Act 1972 to request information from local authorities. However, a failure to demonstrate continuous improvement may be judged to contribute to Best Value failure and the Secretary of State will consider using these powers as appropriate.

It is important to ensure transparency in relation to the challenges faced by local authorities and the Department's engagement on these issues. A copy of this 'Best Value Notice' will therefore be published on gov.uk. I encourage you to make a copy of this letter available on Middlesbrough's website, to the full Council and the Audit Committee.

In line with this, we will notify your external auditor of this action. Separately to this Notice, I would encourage you to continue your engagement with the Local Government Association, making use of the full range of support they have to offer. A member of my team will be in touch with you to arrange further engagement. I look forward to receiving updates on your progress.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Max Soule', written in a cursive style.

Max Soule
Deputy Director, Local Government Stewardship

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Department for Levelling Up,
Housing & Communities

Mayor Chris Cooke
c/o Democratic Services
Town Hall
Middlesbrough
TS1 9FX

Simon Hoare MP
Minister for Local Government

Department for Levelling Up, Housing
and Communities
Fry Building
2 Marsham Street
London
SW1P 4DF

308
January 2024

I wish to inform you that the Department will issue a revised 'Best Value Notice' ('Notice') to Middlesbrough Council, for a further six months. This is in response to the need for continuing reassurance on the council's capacity to transform at sufficient pace, to ensure you meet your Best Value duties and that you continue to progress actions necessary to rectify the serious concerns highlighted by the external auditor, published in July 2022, around governance arrangements, and cultural and governance issues further investigated in the CIPFA review published in September 2022.

The revised Notice will be published on gov.uk today.

This revised Notice is a formal notification that my department has ongoing concerns regarding your authority and is a request that your authority continues to engage with the Department to provide assurance of Best Value.

The original Notice was issued in January 2023. Since then, your Council has worked well with the Department and has set out and implemented a range of improvement measures to begin to effectively address the identified concerns. We thank the Council for this work. We are also aware that more work is still to be embedded to ensure sustained and material improvements particularly in relation to financial sustainability, delivery of transformation and effectively implementing new strategies to embed positive cultures.

This revised Best Value Notice is intended to continue to support the Council to develop robust and comprehensive improvement plan and to enact those plans, at pace.

This revised Notice will remain in place for 6 months, after which time, should the Department deem it necessary to continue to seek assurance through such a Notice, the Notice will be reissued. The Notice may be withdrawn or escalated at any point based on the available evidence. If the council's Independent Improvement Board and external auditor recommendations are not met in full, with necessary improvements delivered at sufficient pace then the Department will consider whether statutory intervention is needed.

As Mayor, you will be more than aware of the challenges facing Middlesbrough Council and the need to demonstrate progress on those challenges. Your role in the improvement journey

in Middlesbrough is essential and I look forward to seeing progress in the coming months ahead.

Yours sincerely


SIMON HOARE MP

Minister for Local Government

MIDDLESBROUGH COUNCIL	
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Report of:	Director of Finance
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Submitted to:	Audit Committee
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Date:	14 March 2024
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Title:	Review of Contracts awarded under Exemption from Contract Procedure Rules
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Report for:	Information
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Status:	Public
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Strategic priority:	All
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Key decision:	No
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Why:	Report is for information only
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Subject to call in?:	No
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Why:	
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Proposed decision(s)
That Audit Committee note the contents of this report

Executive summary
<p>This report provides the Audit Committee with an overview of procurement activity related to:</p> <ul style="list-style-type: none"> • contracts which were originally approved subject to exemptions from the Council’s Contract Procedure Rules since 1 April 2021 through to 31/1/2024. • Contracts that were approved subject to extensions prior to 1 April 2021, which are still active contracts. <p>The report provides information on:</p> <ul style="list-style-type: none"> • The number of exemptions approved. • The number of exemptions declined. • Contractual position of all exemptions approved.

- The identification of exemptions “in query” and associated actions.

1. Purpose

- 1.1 The purpose of this report is to provide the Committee with assurance in relation to the Council’s compliance with the Public Contract Regulations 2015 specifically in relation to those contracts that have been awarded subject to an exemption from the Council’s Contract Procedure Rules (CPRs)/ Standing Orders (SOs).
- 1.2 Exemptions are allowed under specific circumstances as set out in the CPRs/SOs in exceptional circumstances, details of which can be found in paragraph 4.7 below. This report provides a summary of the Council’s activity in regard to exemptions submitted and approved under the Councils standing Order rule 5 (in accordance with the previous contract procedure rules). To report on the current status of those exemptions and any issues arising from their approval.

2. Recommendations

That the Audit Committee

- Note the content of this report.

3. Rationale for the recommended decision(s)

- To receive assurance that the Council has in place the Contract Procedure Rules as part of the Council’s Constitution, and these provide the governance in respect of exemption approvals that ensure compliance with the Public Contract Regulations 2015.

4. Background and relevant information

- 4.1 In August 2023 the external auditors EY produced a value for money report and Issued 11 Statutory Recommendations under section 24 schedule 7(2) of the Local Audit and Accountability Act 2014. One of the recommendations, (no.9) required:

We recommend that the Council complete their review of all ongoing contracts which were initially awarded under an exemption but have been subject to subsequent amendment (including extension) to identify whether they are compliant with The Public Contract regulations. If further non-compliance is identified, the Council should evaluation whether any remedial action is necessary.

- 4.2 During their audit work in 2022, EY audit had identified an issue relating to the multiple award of a contracts to a single service by Children’s Services in 2020 this has been appropriately reported, investigated and relevant actions have been undertaken in accordance with the Council’s management and procurement procedures. However, following the identification of this matter, external audit required the Council to demonstrate whether this was indicative of a wider issue of non-compliance with Contract Procedure Rules across the local authority, or whether this was an isolated event, which resulted in the statutory recommendation set out above.

4.3 The table below shows the financial thresholds as of 1st April 2022 to 31st March 2023, which all procurement activity within that time frame was required to adhere to:

WORKS	GOODS/ SERVICES/ CONSULTANTS	LIGHT TOUCH REGIME	TENDERING PROCEDURE
Up to £10,000	Up to £10,000	Up to £10,000	Neither written quotations nor tenders need to be invited. Ensure value for money is achieved using local suppliers where possible.
£10,001 - £1,000,000	£10,001 - £213,477 (inclusive of VAT) £177,897.50 (exclusive of VAT)	£10,001 - £633,540 (inclusive of VAT) £552,950 (exclusive of VAT)	At least 3 written quotations. The quotation system must be used for quotations. Use local suppliers where possible. Tenders can be sought but this is optional.
£1,000,001 - £5,336,937 (inclusive of VAT) £4,447,447.50 (exclusive of VAT)	N/A	N/A	At least 4 tenders must be sought. The Tender advert(s) must be placed on Contracts Finder. The NEPO portal must be used.
Above £5,336,937 (inclusive of VAT) £4,447,447.50 (exclusive of VAT)	Above £213,477 (inclusive of VAT) £177,897.50 (exclusive of VAT)	Above £633,540 (inclusive of VAT) £552,950 (exclusive of VAT)	EU Procedure - OJEU Notice. At least 5 tenders must be sought, ensuring that the tender process complies with the EU Directives. The NEPO portal must be used.

4.4 In order to ensure compliance with the Public Contract Regulations and in accordance with the Councils Financial and Contract procedure rules applicable at the time no exemptions could be approved above the following values:

- Goods & Services - £213,477
- Light Touch - £633,540 (specifically for services for health & social care)
- Works - £5,336,937

Within the contract procedures applicable at the time, section 5 contained the appropriate guidance with respect to request and award of exemptions.

4.5 An exemption understanding order 5 allowed for a contract to be placed by direct negotiation with one or more suppliers rather than through a procurement route in accordance with the procedures set out in the threshold table above. No exemption could be approved under the Contract Procedure Rules if the EU thresholds would be breached.

4.6 All exemption applications and the reason for them are required to be recorded and documented to enable due consideration for approval or rejection. As such a request for exemption form has been utilised which requires signature of both the requestor and budget holder. It stipulated a requirement that exemptions were to be signed by the Head of Service and Chief Finance Officer. This authority was delegated to the

Head of Commissioning by the former Chief Finance Officer who undertook the review and approval process on behalf of the Chief Finance Officer. However, this was not recorded in writing and was therefore an area of non-compliance with the CPRs identified by external audit.

4.7 Within standing order 5 the potential reasons for requesting the exemption were clearly outlined such as:

- Any contract or sub-contract that is substantially for the undertaking of services in which exercise of professional knowledge and skill is primary importance.
- For work, supplies and services which are patented or of a proprietary or special character and for which it is not possible or desirable to obtain competitive prices.
- Where for technical, commercial or artistic reasons or because of exclusive rights it is not reasonable to advertise for tenders.
- Social care services under the National health services and Community care Act, 1990 or the Children Act 1989 (contract value must be below £633,540).
- Where grant conditions require expenditure to be incurred within a financial year, and notification of a grant is received so late as to prevent compliance with the table above.
- Where a new contract is proposed to be entered into or an existing contract is being extended and a change of supplier would cause a) disproportionate technical difficulties b) diseconomies or c) significant disruption to council services.

This above is not an exhaustive list, other reasons included where there was no market, purchased by auction, purchases from another public body etc

4.8 In compliance with the section 24 recommendation made by EY in August 2023, a full review of live contracts that have been awarded subject to an exemption from CPRs has been undertaken. This identifies the status of those contracts and seeks to provide assurance to the Committee that the Council’s procurement practices are in accordance with Contract Procedure rules and are compliant with the Public Contract Regulations 20xx.

5.0 Review of Exemptions

5.1 The table below provides details of the number of contracts awarded subject to exemptions from CPRs since April 2021, and also includes any contracts awarded with exemptions prior to that date which are still live..

Exemptions	Number	%
Total Number of Request received	129	100
Total number of requests accepted	121	94
Total number of requests rejected	8	6

Of the 121 accepted:

Exemptions	Number	%
Number of contracts still active as end date of exemption has not passed	44	36
Number of contracts in place with an Extension	2	2
Number of contracts ceased	70	58

Number of exemptions “in query”	5	4
Total	121	100

- 5.2 The table indicates that 4% of exemptions received are in query by the Procurement service as a result of this process. The detail concerning those exemptions is outlined in Appendix 1, along with the issue and resulting actions.
- 5.3 It should be noted that none of the exemptions in query breach the Public Contract Regulations 2015 in terms of the total value of expenditure exceeding the financial limits within the regulations.
- 5.4 In addition, with regard to the 2 contracts that were let subject to an exemption which have subsequently been subject to a contract extension, the financial values have been checked and the total amount falls below the Public Contracts Regulations 2015.
- 5.5 The review has concluded that all contracts that have been awarded subject to an exemption are compliant with the financial thresholds determined under the Public Contract regulations 2015. Members can therefore be assured that the contract procedure rules in relation to letting contracts subject to exemptions are robust and compliant with legislative requirements.

6.0 Improvements to Date

- 6.1 Notwithstanding the assurance provided by this review, the Procurement Service has sought to deliver further improvement to strengthen the governance arrangements around procurement.
- 6.2 The contract procedures rules were refreshed and approved by Council as part of the Constitution in September 2023. As a result, authorisation on exemptions have been strengthened as follows:
- Requests for exemptions up to full contract value of £150,000 will be authorised by Head of Strategic Commissioning & Procurement
 - Request for exemptions in excess of £150,000 will be authorised by Head of Strategic Commissioning and Procurement, and the Director of Finance (s.151 officer)
 - Request to extend a contract that is subject to an exemption will be signed by Head of Strategic Commissioning & Procurement, Director of Finance and Director of Legal & Governance (Monitoring Officer).
- 6.3 The authorisation process assures additional due diligence for any extension requests to an original exemption. It should be noted that no extensions are permitted if the contract values would exceed the thresholds set out in the Public Contract Regulations.
- 6.4 In addition the guidance stipulates that exemptions should be for no more than two years, unless there is a defined case which can demonstrate the value for money for a longer time period.

- 6.5 A clear process has been established for referencing, as prior to submission for signature a procurement officer will explore all feasible options including the potential for call off from frameworks, variation of existing contracts etc.
- 6.6 Mandatory training has been provided to all budget holders in which exemptions have been covered, and the case for exemption to be the exception rather than the rule has been re-enforced to the staff base.
- 6.7 Finally, guidance on the staff intranet has been updated in regard to submission of appropriate forms and associated guidance.

7.0 Other potential alternative(s) and why these have not been recommended.

7.1 There are no other alternatives for consideration.

8.0 Impact(s) of the recommended decision(s)

Financial (including procurement and Social Value)

- 8.1 Within Middlesbrough Council’s constitution, the regulations pertaining to contracts are outlined within the Contract Procedure Rules. Staff are required to adhere to the contract procedures pertaining to any procurement activity, and flow charts and threshold tables are provided on the staff intranet as easy reference guides.
- 8.2 The table below indicated the level of spend against reach Directorate through the exemption route since 1st April 2021 to xxxx date xx (including an open exemptions at this date)

Directorate	Total Exemption spend 2021/22 to xxxxx (£)	% of overall Exemption Spend
Legal	52,780	1
ECS	1,138,811	11
Finance	413,170	4
Adults	2,033,513	20
Public Health	1,948,858	20
Regeneration	1,721,393	17
Childrens	2,665,717	27
Total	9,974,242	100

Rounded to nearest %

8.3 People services have the highest value in requests, this reflects the market positions locally and the individual needs experienced by the respective client groups. It is also reflective where grant income has been directed by Government within minimal time to progress procurement activity in order to deliver services to enable grant to be drawn

down in accordance with grant funding conditions which are often time limited. This is compliant with the terms of the exemption award criteria.

8.4 It should also be noted that some services have moved between directorates over time so this financial split is appropriate when the exemption was awarded but may not be reflective of current position.

8.5 A review of exemption activity will be undertaken quarterly, and information concerning activity will be shared with directors as part of the budget monitoring cycle.

9.0 Legal

9.1 A request for an exemption is a route to procurement therefore all elements of the procurement process are still progressed including any GDPR requirements, and the development of a contract with terms and conditions.

10. Risk

10.1 External audit requested a review of awarded exemptions principally to check that no exemptions had been agreed which breached the Public Contract Regulations 2015 financial threshold. This review provides the assurance that the Council has no exemptions awarded which have breached the statutory threshold.

11. Human Rights, Public Sector Equality Duty and Community Cohesion

There are no human rights, equality or data protection issues arising as a result of the recommendations in this report.

12. Climate Change / Environmental

There are no Climate Change / Environmental issues arising as a result of the recommendations in this report.

13. Children and Young People Cared for by the Authority and Care Leavers

There are no issues relating to Children and Young People cared for by the authority and care leavers arising as a result of the recommendations in this report.

14. Data Protection / GDPR

There are clear processes linked to data protection and GDPR within procurement guidelines and practices.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
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Appendices

1	Details of exemptions “in query”
2	

Background papers

Body	Report title	Date
none		

Contact: Louise Grabham
Email: louise_grabham@middlesbrough.gov.uk

Details of the exemption “in query”

Appendix 1ok –

Directorate	Date	Exemption detail	Value	Issue	Mitigating Action
Environment	July 2023	GP124 – provision of an additional electric charging point	£11,099	Not progressed as service area waiting for vehicle to be delivered prior to progressing	Exemption will be updated at the point the service area determined it is ready to progress.
Environment	June 2023	GP123 – provision of agency fleet fitters	£58,947	Exemption approved to December 2023 – however further payments have been made	Contract has been awarded until 01/03/2024. Recruitment has been unsuccessful so further options being explored.
Adult Social care	April 2022	ASC043 – exemption for New Walk Property Management for out of hours homeless provision	£75,908	Exemption approved to December 2023, however rolling month by month contract in place due to failed procurement	Direct award in place with new provider March 2024.
Public Health	August 2023	PH041 – Building works to public health service building with Tom Willoughby	£141,000	Contract not awarded	Works not progressed with provider– completed in-house. Exemption to be formally cancelled
Public Health	16 th August 2022	PH038 – Behavioural insights for vaccinations and cancer prevention work.	£38,000	Exemption approved march 2023 – contract variation completed with termination date August2024	During process it was establish exemption not required as contract variation was a feasible
Total			£324,954		

MIDDLESBROUGH COUNCIL	
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Report of:	Director of Legal and Governance Services
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Relevant Executive Member:	Executive Member for Finance and Governance
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Submitted to:	Audit Committee
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Date:	14 March 2024
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Title:	Programme and Project Management Framework Assurance
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Report for:	Information
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Status:	Public
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Strategic priority:	Quality of service
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Key decision:	Not applicable
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Why:	Not applicable
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Subject to call in?:	Not applicable
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Why:	Not applicable
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Proposed decision(s)	
That the Committee: <ul style="list-style-type: none"> • Approves the revised Programme and Project Management Framework (PPMF) 2024-27. • Notes internal audit opinion that robust arrangements are in place to govern programme and project management within the Council. • Notes project delivery performance over the past year. • Notes the plans to increase PMO capability and capacity to support delivery of the Council's strategic priorities, aims and emerging Transformation Programme. 	

Executive summary

This report provides an overview of the Councils approach to programme and project management arrangements to provide assurance that they are robust and fit for purpose to support the delivery of the Council's strategic priorities and aims and emerging transformation programme:

- Overview of the Council's corporate portfolio of projects delivery performance 2022/23-2023/24
- Improvements delivered during 2023/24
- Emerging Transformation Programme
- Revised Programme and Project Management Framework (PPMF) 2024-27

Audit Committee are asked to approve a revised Programme and Project Management Framework (PPMF) 2024-27.

Purpose

1. The purpose of this report is to outline the Council's approach to Programme and Project Management (PPM), to summarise activity in the past two years and planned developments for 2024 and beyond to provide the Committee with assurance that the Council has robust arrangements in place to support the delivery of the Councils strategic aims and priorities.

Recommendations

That the Audit Committee

- Notes the current arrangements in place to govern programme and project management within the Council.
- Acknowledges the improvements to the PPM framework and documentation.
- Acknowledges the improvement in project delivery performance over the past 12 months.
- Notes plans to further strengthen the PMO capability and capacity to support the delivery of the emerging transformation programme.
- Approves the revised PPMF 2024-27.

Rationale for the recommended decision(s)

2. To provide assurance to the Audit Committee that robust PPM processes and governance arrangements are in place to support the delivery of the Council's strategic priorities, aims and transformation.

Background and relevant information

3. The Portfolio Management Office (PMO) has responsibility for the strategic oversight of the Council's portfolio of programmes and projects that are managed within the corporate Programme and Project Management Framework (PPMF), which is in place to provide a consistent approach to PPM governance and documentation.
4. The PPMF is supported by an existing range of tools and templates and provides support and assurance for existing priority programmes and projects.
5. At the time of writing, the PMO has oversight of the corporate portfolio comprising 21 projects, all of which support the achievement of strategic priorities and which continue to further embed the PPM framework across the Council, ensuring compliance through monthly project health checks.

Performance 2022/23-2023/24

6. Projects managed within the portfolio are categorised as either Level 1 (the most complex projects) or Level 2, and their performance is assessed and reported using Red, Amber, and Green (RAG) indicators that measure how well the project is delivering against expectations.
7. The table below shows a positive increase in the overall performance status of projects to date (end February 2024) in the last 12 months:

Level	RAG	Target	End 2022/23	Feb 2023/24	On target	Direction of travel
1	Red	N/A	0%	0%	Yes	Optimum
	Amber	90%	8%	13%	Yes	Worsened
	Green		92%	87%		
2	Red	3%	0%	0%	Yes	Optimum
	Amber	90%	14%	0%	Yes	Optimum
	Green		86%	100%		
Totals	Red	N/A	0%	0%	Yes	Optimum
	Amber	90%	10%	9%	Yes	Improving
	Green		90%	91%		

Internal Audit Opinion

8. An internal audit of project management arrangements in 2023, determined that a sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
9. The overall opinion of the controls within the system was '*Substantial Assurance*' in relation to project governance arrangements in place to support the Council's strategic objectives, with a strong commitment to the PPM framework within the Council.

Improvements delivered during 2023/24

10. The PPM Framework and documentation has recently been reviewed and refined with the following minor amendments made to ensure the framework remains fit for purpose:
- Lowering the financial benefits thresholds in the Benefit Complexity Matrix tool, to ensure any projects delivering savings are prioritised and are given the highest level of governance and scrutiny.
 - A revised and simplified Programme Definition document to ensure a more appropriate and proportionate level of detail is captured.
 - A revised and simplified Level One Business Case to ensure a more appropriate and proportionate level of detail is captured.
 - The development and implementation of 'An introduction to the Council's PPM Methodology' online training module.
 - The introduction of monthly project health checks.

Emerging Transformation Programme

11. The Council is currently mid-way through a corporate governance improvement journey and is subject to a Best Value notice issued in January 2023, from the Department of Levelling Up, Housing and Communities (DLUHC).
12. To respond effectively to the wider governance challenges facing the Council, the corporate governance improvement plan was refreshed in September 2023 around two specific themes: cultural transformation and financial resilience.
13. An Independent Improvement Advisory Board was established to provide expertise, challenge, and advice against delivery of the revised governance improvement plan, with the first meeting taking place in September 2023. Progress against which (and including the Section 24 improvements), is reported at these monthly Boards, as well as each meeting of full Council and Audit Committee.
14. Whilst Government has since recognised progress made, however due to the seriousness and extent of the issues identified, the Best Value Notice has been extended for a further six months.
15. Within this timeframe, there is an expectation to demonstrate traction and progress on development and delivery of the corporate transformation portfolio.
16. Successful Council-wide transformation of the organisation is integral to delivering the Council Plan 2024-27, its Medium-Term Financial Plan, and removal of the Best Value Notice through development of new approaches to the design of service delivery, driving of improved controls and efficiencies, implementation of effective demand management measures as part of the wider governance improvement arrangements.
17. The scope, scale and pace of change required over the course of the MTFP will require building upon these foundations, refining governance and delivery approaches, applying best practice programme and project management principles in a pragmatic and proportional manner, and ensuring the PMO has the capability and capacity to deliver effectively.
18. The Portfolio Management Office (PMO) will play a vital enabling role in the successful delivery of the Council's Transformation Portfolio, and existing priority business as usual programmes and projects, both directly linked to the achievement of a balanced budget

over the next three years. It will do so by assuring, and supporting, the consistent application of sound programme and project management principles, applied practically and proportionally to ensure a balance of pace and control across the selection, design and delivery of priority initiatives.

19. A proposal to strengthen the capability and capacity of the PMO is currently under consideration.

20. To ensure the existing priority projects continue without disruption, it is proposed that the PMO Manager continues to focus on oversight, assurance and support of the existing Operational Portfolio, and that additional capacity is created dedicated to the Council's emerging Transformation Portfolio:

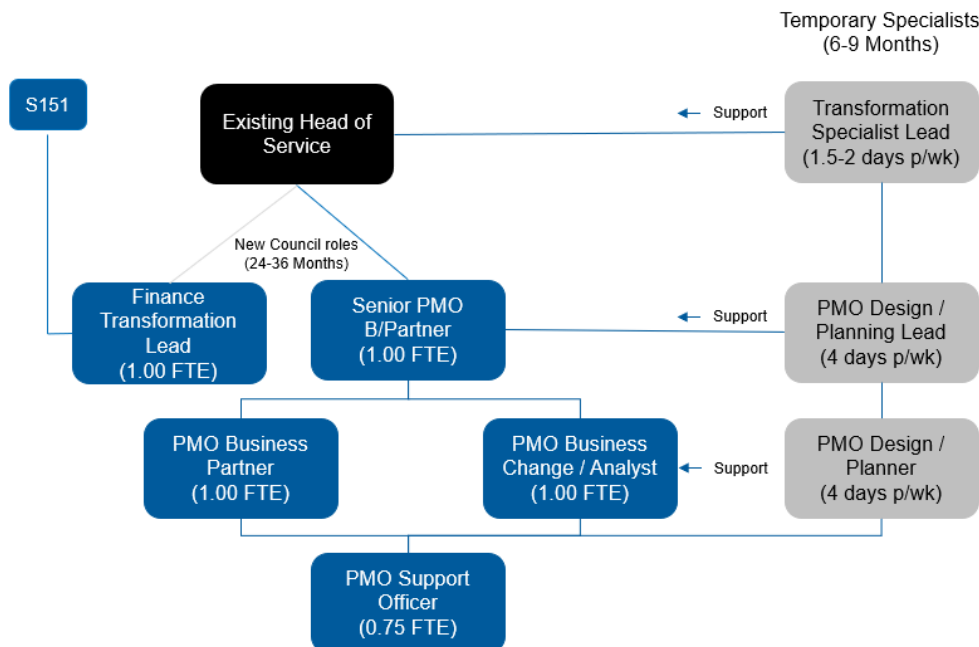
Substantive Roles



Facilitates programme and project prioritisation, sets programme and project governance and delivery standards, leads the monitoring and assurance of programme and project delivery, retaining oversight of the corporate portfolio in its entirety.

Provides administrative and logistical support, supports programme governance, maintains information on the scheduling of PMO resources, assists in the production of communication materials, maintains tools and templates.

21. Over a likely period of the next 6 months+, the PMO will be expected to balance more than when in a steady state and to that end, the following structure is proposed for the Transformation PMO:



22. Once new transformation capability and capacity is implemented and embedded, a review of the PMO structure would be appropriate in consideration of the Council's longer-term requirements.

Other potential alternative(s) and why these have not been recommended

23. Not applicable.

Impact(s) of the recommended decision(s)

Financial (including procurement and Social Value)

24. The Council's approach to transformation is one of the key drivers of the Council Plan 2024-27, to ensure full alignment between the Council's ambitions and spending plans. In outlining an achievable programme of work that delivers performance improvement within reduced resources, the approach to transformation governance will support the Council in delivering value for money in the medium-term.

Legal

25. The PMO is a vital enabling role in the successful delivery of the Council's strategic priorities and aims, directly linked to the achievement of a balanced budget over the next three years, and continue to meet its various statutory duties, including the overarching Duty of Best Value.

Risk

26. The PPM framework provides for the effective management of programme and project risk, aligning this with the Council's strategic approach.

Human Rights, Public Sector Equality Duty and Community Cohesion

27. Not applicable.

Climate Change / Environmental

28. Not applicable.

Children and Young People Cared for by the Authority and Care Leavers

29. Not applicable.

Data Protection / GDPR

30. There are no concerns that the minor amendments made to the PPMF and documentation could impact adversely on data protection or GDPR.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
Revised PPMF to be socialised and published on Council website and intranet.	Portfolio Management Office Manager	31 Mar 2024

Appendices

1	Programme and Project Management Framework 2024-27
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Background papers

Body	Report title	Date
Corporate Affairs and Audit Committee	PMO Six monthly report	6 Jun 2019
Corporate Affairs and Audit Committee	Annual Assurance Report – Portfolio Management Office (PMO)	25 Jul 2019
Corporate Affairs and Audit Committee	Performance and Risk Management: Annual Assurance Report 2020	4 Feb 2021
Executive	Transformation: Governance Arrangements (Draft report)	13 Mar 2024

Contact: Gemma Cooper, Head of Strategy, Business and Customer
Email: gemma_cooper@middlesbrough.gov.uk



Portfolio, Programme and Project Management Framework: 2024-27

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Purpose

The purpose of this framework is to provide a robust overview of the Council's Programme and Project Management (PPM) methodology, to enable staff to gain an understanding of the approved practices and processes that must be adhered to, when managing the Council's portfolio of programmes and projects.

The framework expands on the Programme and Project Management Policy to give further detail on how projects are categorised, set up, developed, documented, monitored, governed and closed down, with links provided to the required documents and tools. Support and guidance are available via the [Portfolio Management Office \(PMO\)](#).

Definitions

Corporate governance	The systems, processes and values by which local authorities operate and by which they engage with, and are held accountable to, their communities and stakeholders.
Portfolio	A set of programmes and projects managed together to achieve an organisation's strategic objectives.
Programme	A temporary structure used to manage a set of interrelated projects to deliver outcomes and their benefits, aligned to strategic objectives. A programme will only be successful if its constituent projects succeed. Programmes often comprise of sequential work streams and / or tranches of related projects.
Programme management	The coordinated management of interrelated projects and business change activities to deliver beneficial change.
Project	A piece of planned work that is finished over a period to achieve a specific aim. Projects are different from routine operations in that they are temporary structure that introduce changes into the organisation and / or the community, and they do this in a <i>controlled</i> manner. Once changes are embedded, they become 'business as usual'. Projects often comprise sequential stages of activity.
Project management	The process of planning and controlling project resources to achieve a specific aim.
Business Change Management	The process of identifying, planning, delivering and evaluating business change activities throughout the life of a project.

Scope

The Council's Programme and Project Management Framework (PPMF), underpins the achievement of its strategic objectives. PPM activity does not include planned and structured business-as-usual (BAU) activity such as staffing reviews or reviews of existing strategies and policies. These will be managed through Directorate performance activity tracking.

The Council process for programme and project management is based on an interlinked process of Start - Plan - Deliver - Review / Close.



Defining the proposed programme or project and obtaining approval to proceed to the Plan stage by completing the Project Brief and Part One of the Business Case (Outline Business Case).

Justifying the programme or project and obtaining approval to proceed to the Deliver stage by completing Part Two of the Business Case and planning effectively to ensure that it achieves targeted deliverables and benefits.

Managing effective controls to ensure deliverables and benefits are achieved within agreed tolerances for scope, cost, time and quality.

Evaluating the programme or project, sharing lessons learned and handing back to 'business as usual' operations.

All eligible programmes and projects undertaken within the Council must comply with this framework. The following sections outline expectations on how programme and project management will be applied within the Council.

It is the responsibility of Programme and Project Sponsors and Programme / Project Managers to ensure compliance with this framework. Failure to comply with the requirements and standards will be addressed by training and support in the first instance unless the severity of the breach and nature of the issue means that performance capability and / or disciplinary processes are required to ensure ineffective programme and project management is addressed quickly and effectively.

Where projects are being delivered in conjunction with external partners, there is a need to strike a balance between having assurance of delivery and those projects which must follow the corporate PPM framework e.g., public sector reform and integration of health and social care, etc.

On that basis, the lead partner methodology will be adopted, providing assurance can be given that it meets a minimum standard against the corporate PPM framework e.g., full justification of project prior to initiation, robust business case, management of risks, gateway approvals, etc. The PMO will work with Project Managers to offer advice and guidance in these situations.

Portfolio, Programme and Project Governance

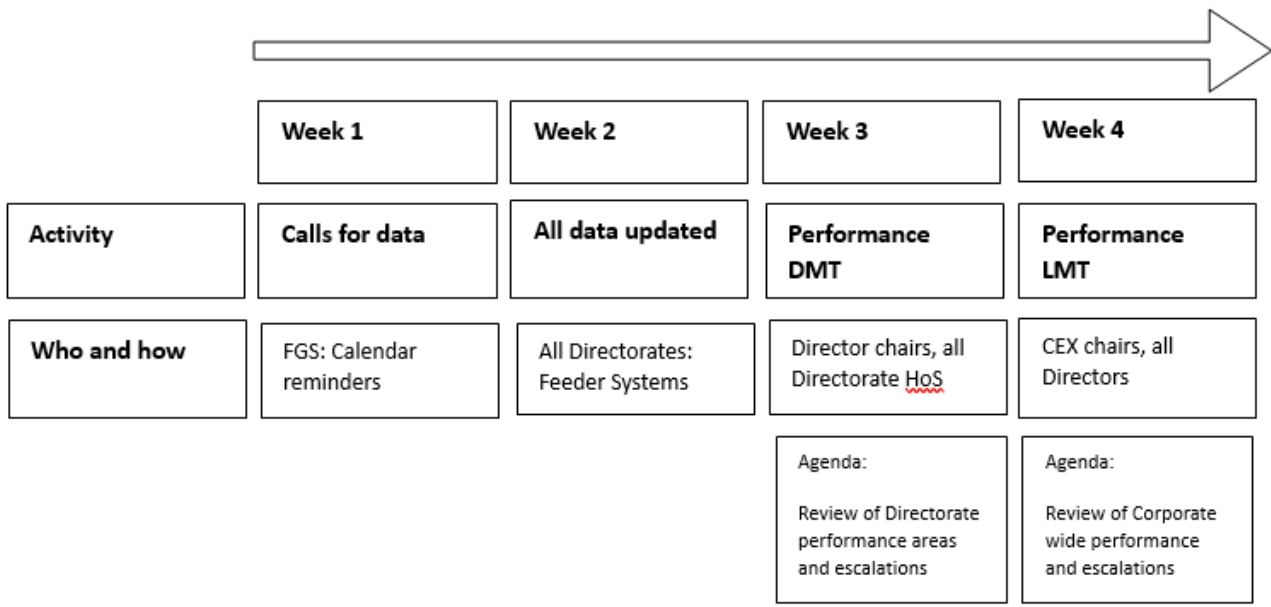
Middlesbrough Council (MBC) has a corporate portfolio, which is the totality of all the formal programmes and projects that are contributing to the achievement of strategic priorities and the Council Plan. This is further broken down into Directorate sub portfolios which may consist of one or more programmes with constituent projects and standalone projects.

Portfolios, programmes, and projects will be governed through a clear and integrated board structure that approve the initiation and continuation of activity through the project lifecycle via gateways, including routes for escalation and change control where required. LMT will sit as the Corporate Portfolio Board, supported by Directorate Portfolio Boards and local programme and project boards as appropriate. These Boards are encompassed within the monthly Directorate and LMT Performance meetings.

The structure ensures that projects and programmes are scrutinised in a uniform way with exceptions escalated to senior managers to ensure action is taken to bring portfolios, programmes, and projects back on track.

All decisions must be made at the appropriate Board, accurately recorded on an action / decision log and communicated to the project team via the Project Manager.

Consideration of these issues is embedded within a wider performance framework to ensure that a full view of Council performance in its widest context is presented to senior officers for consideration, monthly, as articulated by the diagram below:



Roles and key responsibilities

Executive members	Overall responsibility for programme and project management across the Council, including agreeing the PPM policy and ensuring that organisational performance is managed, monitored and reviewed regularly.
Elected members	Agree the Mayor's priorities for Middlesbrough, the Council's Strategic Plan, Revenue Budget, and Investment Strategy (as Council) and scrutinise service performance in line with this policy. The role of elected officials is restricted to either scrutinising or approving activity in line with agreed authorities and delegations and being briefed accordingly in a timely fashion. It is not appropriate for elected officials to sponsor or otherwise lead projects or to fulfil any other project role as this would be highly likely to represent a conflict of interest with their scrutiny or Executive role.
Audit Committee	Review the effectiveness of PPM and receive a bi-annual assurance report on progress being made.
Corporate Board (Leadership Team)	Ensure the Council's portfolio fully aligns with its strategic objectives; review risks and exception reports for all Level 1 activity; identify appropriate recovery action, providing appropriate challenge, scrutiny and support.
Directorate Boards	Agree and resource the Directorate portfolio; review risks and delivery reports of all programmes and projects within the remit of the Directorate; approve / reject all gateway approvals / change controls; establish reasons for under-performance and identify appropriate recovery action, providing appropriate challenge, scrutiny and support.
Local Programme / Project Boards	Review and approve programme documentation for Directorate level approval; provide guidance to unblock issues and address risks to programme and project objectives. Boards will include the Sponsor, Programme / Project Managers and senior representatives of the customer, user and supplier (as relevant).
Programme Sponsors	Ultimately accountable for the success of programmes; champions and sells the programme to stakeholders; provides strategic direction and secures resources for the programme; acts as escalation point for decisions outside of programme manager's authority; represents programme at Directorate or Corporate Boards.
Project Sponsor	Ultimately accountable for the success of projects; provides direction and secures resources for the project; acts as escalation point for decisions outside of project manager's authority; represents project at Directorate or Corporate Boards.
Programme Manager	Completes programme level documentation as required by this policy and its supporting framework; plans, coordinates, and controls delivery of the programme; provides progress reports and escalates issues to Sponsor or Board where required.
Project Manager	Completes project level documentation as required by this policy and its supporting framework; plans, coordinates, and controls delivery of the project; provides progress reports and escalates issues to Sponsor Programme Manager or Board where required.
Project Teams	Responsible for delivering the project tasks to the set objectives, within budget and timescale, working to the Project Manager within the matrix environment.
Portfolio Management Office (PMO)	Strategic oversight of the Council's portfolio and compliance with this policy and its supporting framework, providing guidance training and support as appropriate; coordinates Board activity, reviewing monthly programme / project progress reports and reporting by exception to Boards.

Project Categorisation

Is it business as usual activity or a project or programme?

The following guide will be used to determine whether the proposed activity should be delivered within a PPM environment.



PPMF or BAU
Criteria.docx

Project level

Where it is deemed a formal project is required, projects will be defined using a common categorisation matrix, aligned with the Council's risk appetite, which will also determine governance arrangements to be applied to the programme or project, proportionate to scale, cost, risk, and benefit.

Smaller, simpler programmes and projects will have lighter-touch governance requirements, with larger, more complex activity subject to a greater level of oversight.

All projects do not require the same level of governance and scrutiny, therefore a structure of two levels will be used to ensure proportionate oversight is applied:

Level 1	Projects of the most strategic importance to the Council in terms of cost, risk, complexity to deliver and significant benefits. These projects will use the full framework documentation, be monitored by the PMO and reported by exception to the Directorate and Corporate Boards.
Level 2	Projects with intermediate levels of cost, risk, complexity to deliver and measurable benefits. These projects will require a lighter-touch project management discipline, will be monitored by the PMO, and reported by exception to Directorate and Corporate Boards where appropriate.

Where appropriate, activity across the Start, Plan, Deliver, Review and Close lifecycle may be condensed to ensure delivery at pace whilst also being consistent with the requirements of good PPM discipline and governance.

To categorise projects in a standardised way, a Benefit Complexity Matrix (BCM) tool has been devised that will score the projects based on benefit and complexity criteria, to be used by the PMO to determine the level of governance which a project requires.



BCM Assessment
Toolkit.xlsx

Programmes and projects that do not contribute to the Council's priorities will not be progressed through the PPMF, unless there is a legal requirement to do so.

Business Change Management

Projects produce outputs that may introduce long lasting change into the organisation. Whether the change is about processes, technologies, the structure of the organisation, or something else, each change impacts how individual employees do their jobs. For change to be successful, individuals must embrace, adopt and utilise the intended change.

An example of this could be the deployment of a new technology. If the capabilities are not utilised and exploited, the benefit that the organisation expects to get from the technology will not be fully achieved. In this instance, change management would be required to ensure that employees are aware of the new technology and what it aims to achieve, are bought into the change, trained in relation to how to use it, and of course ensuring that the new ways of working are adopted.

Change management is comprised of the tools and techniques deployed to manage the people side of change. Programmes and projects with a dependency on people to enable the achievement of benefits, will be required to evidence business change activity throughout the life of the project, which should be identified, planned, delivered, and evaluated as an integral part of the programme or project plan. Additional information and support tools can be provided via the PMO.

Start and Plan

Portfolio, Programme and Project creation

All projects will be connected to overarching Directorate sub-portfolios and programmes wherever possible to clearly articulate their contribution to strategic priorities.

Programmes may be cross-cutting, multi-disciplinary, risky, influenced by a wide range of stakeholders, and liable to change direction in the light of experience and external events. They can often span several years and are flexible so that they can be adapted and realigned if the organisation's strategic priorities change. This means that some of the constituent projects may be stopped and closed early if the outputs are no longer going to achieve the expected outcomes and benefits. New projects may also be added to the programme's portfolio throughout the life of the programme.

Programme Sponsors and Managers will be expected to complete a Programme Definition Document (PDD) to justify the creation of the new programme. The purpose of the document is to define the programme in terms of why it is needed, what it must achieve, its governance arrangements and how it will be managed.

It will be used to inform the decision whether the work of the programme should commence under the proposed structure.



Programme
Definition Document.c

The PDD should be treated as a live document and therefore, should be updated as and when any formal changes to the programme's time, cost, scope and benefits have been approved by the Directorate Board.

Establishing programme controls

Following approval of the PDD and to give the programme the best chance of successful delivery, it is important that robust **programme level** controls are established as soon as possible to demonstrate active management of the following areas:

- governance;
- programme benefits management;
- programme business change management;
- programme stakeholder management and communications;
- programme level risk management;
- programme planning;
- programme budget;
- programme resources; and
- programme dependencies.

Deliver

Programme outcomes and benefits are realised via the delivery and completion of its constituent projects. It is the Programme Managers responsibility to ensure robust oversight of each one and to provide Project Managers with active support and direction to ensure successful delivery.

Project and Programme Highlight Reporting

It is the responsibility of all Programme Managers to ensure monthly project highlight reports are produced using the Council's standard template to enable accurate reporting of the programme's progress and Red, Amber, Green (RAG) status to the Directorate and LMT monthly meeting using the project highlight report template:



Programme Highlight
Report.xlsx

Programme Change Control Process

In all programmes, issues will arise that may deflect the programme from its intended path e.g. a change to the Council's political leadership and / or strategic priorities or an unforeseen reduction in budget to fund the programme. In these circumstances, the Programme Manager must produce an escalation report that outlines the impact upon the expected outcomes and benefits of the programme so that the Programme Sponsor and DPB can determine if the programme is still viable.

If the programme is to continue and there is any change to the programme's original timescale, cost, scope and benefits, a Change Control document should be completed using the corporate standard template. This should be taken to the next available Directorate monthly meeting and if necessary LMT monthly meeting. Once the changes have been approved, the PDD should be updated accordingly, and this will become the new baseline against which progress will be monitored.



Change Control
template.docx

Review and Close

Closing down the programme

Once all the programme's constituent projects have been delivered, formally closed and handed over to BAU it the responsibility of the Programme Manager to produce a formal closure report that includes the following:

- aims and objectives of the programme;
- how well the programme performed against time, cost, scope and benefit realisation;
- key achievements of the programme;
- lessons learned;
- any follow-on actions to take forward to BAU; and
- on-going performance monitoring arrangements e.g. post programme evaluation of business change impact and benefits realisation.

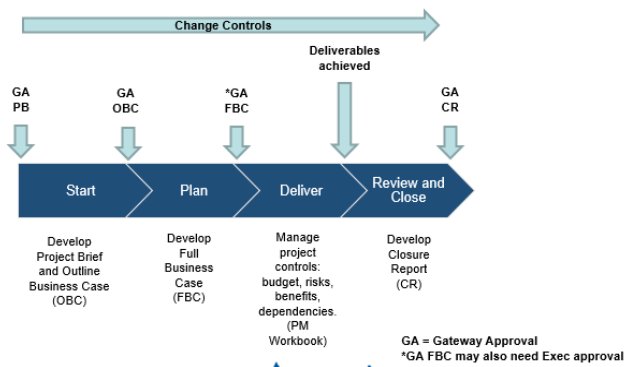
Once the Programme closure report is completed, it should initially be sent to the PMO for quality assurance. If necessary, the PMO will provide comment and recommendations to further strengthen the document. Once the final amendments have been made it should be approved by the Project Sponsor prior to being formally submitted to the PMO to go to the next Directorate and Corporate Board.

Project Management Lifecycle

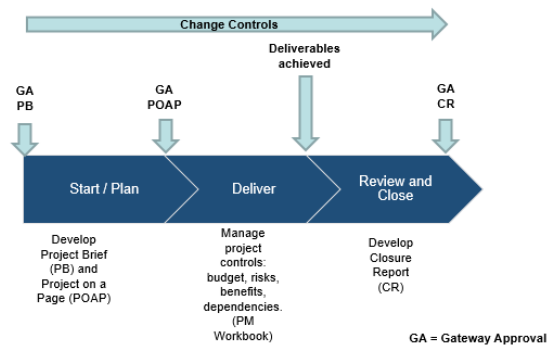
Introduction

As stated above, the Council process for programme and project management is based on an interlinked process of Start - Plan - Deliver – Review / Close. A project can only progress to the next stage after the appropriate gateway documentation has been completed and approved by the project sponsor and where appropriate, Corporate Board as illustrated in the diagrams below. This is to ensure that robust challenge can be given to the project throughout its life to confirm that the business case remains fit for purpose, affordable, deliverable and the expected benefits are still on track to be realised. It should be noted that approval given to start a project does not mean it will automatically progress through to completion and may be ceased at any time at the discretion of the Directorate /Corporate Board.

Project lifecycle and gateway approvals Level 1 Projects



Project lifecycle and gateway approvals Level 2 Projects



Project Business Case

All projects must be supported by a fully justified business case before any approval or funding from Executive can be sought, using the Council’s standard templates.

The business case template for Level 1 projects has been developed using the Five Case Model, which is the UK public sector best practice approach to developing business cases. It consists of two parts; part one is the Outline Business Case (OBC), that covers the strategic and economic cases and includes an appraisal of the options that have been considered to deliver the change. Part two covers the commercial, financial and management cases and together both parts make up the Full Business Case (FBC).

Level 2 projects which are usually less complex and with a lower level of risk are required to complete a lighter touch business case called Project on a Page (POAP). For Level 2 projects that do not require a formal public consultation or procurement exercise, the Start and Plan stage may be condensed and a POAP submitted as Full Business Case at the end of Start stage. If approved, this will allow the project to bypass the Plan stage and move straight into Deliver.

For **all** Level 1 projects and any Level 2 projects that require a formal public consultation or procurement exercise, the full business case should only be completed following the conclusion of any consultation and procurement activity and submitted to the Directorate and if appropriate, LMT monthly meeting for approval at the end of Plan stage.



Project On a Page (POAP) 2.1.docx



Two Stage Business Case v3.2.docx

Social Value Projects

All projects must be able to demonstrate clear achievable benefits and a return on investment (of time, cost and effort), for the project to proceed. Most council projects usually realise tangible benefits in the form of financial / efficiency savings, income generation and economic growth for Middlesbrough Town. However, some projects are more focused on achieving wider social and environmental benefits which are often intangible and for which there is no market price. This is commonly referred to as social value, which is a collective term for acknowledging the value of all outcomes (not just economic or financial) in evaluation and decision making. It is the value that people place on the changes they experience in their lives because of the interventions that have been put in place.

For these type of projects, Project Sponsors are required to develop a fully justified business case that demonstrates a Social Return on Investment (SROI), i.e., predicts how much social value will be created if the interventions meet their intended outcomes. This will provide a rounded view to help make difficult decisions that balance economic, social and environmental trade-offs and to ensure funding is being directed at projects/programmes that most benefit society and improve people's lives.

To assist in this process, the council have adopted the Greater Manchester Combined Authority (GMCA) Cost Benefit Analysis (CBA) toolkit, which should be used to calculate the Social Return on Investment (SROI) for any social value project that is requiring funding classed as medium or higher in the BCM or is expected to have a significant saving. Additional support can be provided via the PMO and Finance Business Partners.



Copy of Greater
Manchester Cost Ben



GMCA Guidance.pdf



New Economy
Working Paper - Soci

Change Control Process

Once a project has been initiated, it is a common occurrence in all projects that issues will arise that may deflect the project from its intended path. To tackle this a straightforward control mechanism is needed so that anyone associated with the project can communicate to the Project Manager issues they think might require management attention, such as:

- changes to requirements (e.g., requests to change to the scope, objectives, target dates or detailed deliverables of the project);
- faults / errors (e.g., notification that one or more delivered products that have been signed-off after quality control are subsequently found not to meet specification);
- problems (e.g., a key stakeholder failing to meet commitments);
- risks that have become an issue reality (e.g., supplier failure, industrial action);
- loss of key skills (resignation, promotion, transfer, sickness); and
- concerns about the project and / or its deliverables

In many cases the Project Manager will have authority to deal with issues as part of day-to-day management. Potential changes that are outside of agreed project tolerances or beyond the Project Manager's authority which will impact upon the project's time, cost, scope and / or benefits should be referred to the Programme Manager and Project Sponsor and the recommended changes documented using the Council's standard Change Control template.



Change Control
template.docx

Approval of the Change Control document

Once the Change Control is completed, it should initially be sent to the PMO for Quality Assurance. If necessary, the PMO will provide comment and recommendations to further strengthen the document. Once the final amendments have been made it should be approved by the Project Sponsor prior to being formally submitted to the PMO to go to the next Directorate and Corporate Board.

In making the decision to approve the recommended changes, the relevant Board should consider the implications for the Benefits Realisation Plan:

- Will there be a change to the approved option?
- Will there be a change to the quantified value of any benefit?
- Will there be a change to the timing of delivery of any benefits?
- Will there be any new benefits arising from a proposed change?
- Is the change justified in terms of additional costs and risk?

Once approved, the Change Control should be recorded in the Change Control Log and the Outline Business Case amended with the relevant version control in place. Any changes approved to time, cost, scope and benefit will become the new baseline against which progress will be monitored.

Lifecycle Stage 1: Start

The 'Start' stage focuses on the 'what and 'why' and takes place prior to the formal initiation of the project. It is designed to assure the key stakeholders that it will be a reasonable and rewarding undertaking i.e., should be done, can be done, and will achieve benefits that contribute to the achievement of the Council's strategic priorities.

The key objective of this stage is to gain the approval necessary for initiating the project, which includes the following activities:

- project categorisation.
- completion and approval of the project brief;
- project set-up and establishing project controls;
- project highlight reporting;
- completing outline business case; and
- approval of the outline business case and progression to 'Plan' stage.

The 'Start' stage is usually triggered when a service identifies the need for a new initiative that will contribute to the achievement of strategic priorities; or organisational change / improvement need is identified.

New potential projects (referred to in this document as pipeline projects), should be brought to the attention of the PMO as soon as possible so that they can be initially assessed and categorised to ensure the correct level of governance is put in place from the outset.

Project Categorisation

Categorisation of the pipeline project is determined by an initial assessment made by the PMO of the project's potential benefits and complexity to deliver using the benefit complexity matrix (BCM) tool and Business-as-Usual v Project criteria as outlined above, prior to any formal work taking place.

To ensure an appropriate level of governance going into the 'Plan' stage, the project will be reassessed against the BCM tool again following completion of the Project Brief when more detail about the project is known, to confirm the level of project and governance required for the life of the project.

For those projects that do not meet the criteria of a Level 1 or 2 project but are still contributing towards the Council's priorities, these may be included the Directorate Service Plans and will be tracked via the corporate performance dashboard.

Progress on corporate performance is monitored monthly by Directorate Management Teams (DMT), and exceptions reported monthly to Leadership Management Team (LMT) and on a quarterly basis to the Executive and Overview and Scrutiny Board.

Completion and approval of the Project Brief

To initiate a new project, a Project Brief using the Council's standard template must be completed at the beginning of Start stage, which will provide a brief high-level overview of the project's purpose, how it will contribute to the achievement of the Council's strategic aims and priorities, its key objectives and scope.



Project Brief
v3.0.docx

Once the Project Brief is completed, it should be approved by the Project Sponsor prior to being formally submitted to the PMO and added to the corporate portfolio.

Project set-up and establishment of controls

Once approval has been given for the project to be further developed, there are several key activities required to set up the project:

- identify a Project Sponsor
- assign a Project Manager;
- establish a project board and project team;
- identify the extent of business change required;
- undertake an appraisal of the options considered to deliver the change;
- identify and secure resources for the Plan stage;
- develop a project plan for Plan stage; and
- identify key stakeholders and develop a communications plan.

To give the project the best chance of successful delivery it is important that robust project controls are established which should be proportionate to the level of the project.

A project management workbook has been developed and should be used to ensure the effective management of:

- action and decisions log;
- risks and issues;
- dependencies;
- project budget and financials;
- benefits realisation;
- project plan; and
- resources.

All project controls should be reviewed as a minimum, every month at Project Board meetings prior to the submission of a monthly project highlight reports.



Copy of Project
Workbook v2.xlsx

Project highlight reporting

It is the responsibility of Programme Managers to ensure all Project Managers complete monthly highlight reports using the Council's standard template to enable accurate reporting of the programme's progress and Red, Amber, Green (RAG) status to the Directorate and LMT monthly Boards.

Highlight reports should be approved by the Project Sponsor before being submitted to the PMO.



Project Highlight
Report word.docx

Any changes required to the dates for completing milestones during the 'Start' stage must be approved via completion of a Change Control and submitted to the PMO to go to the next Directorate and LMT monthly meeting and if necessary LMT monthly meeting.

Completion and approval of the Outline Business Case or POAP

As stated above either an Outline Business Case for Level 1 projects or POAP for Level 2 projects, must be completed and submitted at the end of Start stage. This document is owned by the Project Sponsor but may be completed by the Project Manager based on information derived from research undertaken to develop the project concept.

If the project is part of a wider programme of work, it is the Project Manager's responsibility to share the Outline Business Case with the Programme Manager in addition to relevant key stakeholders to ensure they have received programme level approval **before** wider approvals are undertaken.

Once completed, the Outline Business Case or POAP should contain enough information to enable the Project Sponsor and DPB to consider the proposed options and to decide whether the project is viable, affordable and worth considering in more detail.

Once the Outline Business Case is completed, it should initially be sent to the PMO for Quality Assurance. If necessary, the PMO will provide comment and recommendations to further strengthen the document. Once the final amendments have been made it should be approved by the Project Sponsor who will determine if the project can progress to the 'Plan' stage or in the case of Level 2 projects that do not require a formal public consultation or procurement exercise, to progress straight to the 'Deliver' stage.

Lifecycle Stage 2: Plan

The 'Plan' stage focuses on taking the current understanding of the 'what' and 'why', as documented in the project brief, and extending it to include a detailed definition of 'how', 'when', and by 'whom'. Its purpose is to build upon the information captured in the Outline Business Case (part one - strategic and economic cases) and through the completion of part two (commercial, financial and management cases), create a sound baseline for the Full Business Case.

The extent of work required to demonstrate this will be proportionate to the scale and scope of the project, though the following activities are expected to take place within this stage:

- identification of key stakeholders;
- further refining the recommended option;
- undertaking formal consultation / engagement;
- review and management of project controls;
- securing resources for delivery;
- producing detailed project plan for delivery;
- project highlight reporting;
- change control process;
- completing the full business; and
- securing approval of the full business case to move to the Deliver stage.

Identification of key stakeholders

To give the project the best chance of success and to gain buy-in from those that the project will affect, it is important that you identify who the key stakeholders are, their interest and influence on the project and develop a communications plan to keep them informed.

A stakeholder engagement and communications plan template has been developed to assist.



Stakeholder
Engagement.xlsx

Further refinement of the recommended option

The options appraisal in the Outline Business Case identifies a recommended option which is further defined during the Plan stage and may require a procurement exercise to include the full costs and measurable benefits to enable the completion of a Full Business Case.

Undertaking formal consultation / engagement

Formal consultation / engagement may need to be undertaken to assess the impact of the recommended option upon service users or staff. It is the responsibility of the Project Sponsor and Project Manager to ensure due regard has been given to the Council's [Corporate Consultation and Engagement policy](#) and to seek appropriate guidance on areas of concern from the Council's Governance and Information Manager.

Review and management of project controls

The project controls that were established in Start within the Project Management Workbook should be reviewed as a minimum, every month at Project Board meetings prior to the submission of a monthly project highlight reports.

Securing resources for delivery

The resources you will need at each stage of the project should be identified and confirmed and documented in the project business case, with a view to securing those resources to progress the project within the expected timescales, as early as possible.

A template to record and manage your resources can be found in the project management workbook above.

Producing detailed project plan for delivery

Planning is the most critical part of project management. Insufficient attention to this area is one of the main reasons projects fail.

To give your project the best chance of success, particular attention must be given to producing a project plan that is proportionate to the level and complexity of the project. As a minimum, Level 1 projects should have a detailed project plan that is broken down into sections that encompasses individual tasks with assigned resources and timescales for completion. It is not enough to simply have high level milestones.

It is also recommended that Level 2 projects adopt the same methodology as for Level 1 projects however as a minimum, key milestones must be documented within the project management workbook.

Project highlight reporting

It is the responsibility of Programme Managers to ensure all Project Managers complete monthly highlight reports using the Council's standard template to enable accurate reporting of the programme's progress and Red, Amber, Green (RAG) status to the Directorate and Corporate monthly Boards / meetings.

Highlight reports should be approved by the Project Sponsor before being submitted to the PMO.

Change control process

Any changes required to the dates for completing milestones or changes to the approved scope must be approved via completion of a Change Control and submitted to the PMO to go to the next Directorate and if necessary LMT monthly meeting.

Completion and approval of the Full Business Case

Level 1 projects that required further definition in 'Plan' stage should now complete the Full Business Case.

Part one of the Business Case (Outline Business Case), which covers the strategic and economic cases should be revisited to ensure that the information provided is still relevant and valid and should be updated where appropriate.

Part two of the Business Case covers the commercial, financial and management case and must be completed to an appropriate level depending upon the level and scope of the project. The results of any formal consultation / engagement exercise undertaken, confirmed procurement route (if applicable), confirmed costs and management plans to deliver the change must be included.

Once the Full Business Case is completed, it should initially be sent to the PMO for Quality Assurance. If necessary, the PMO will provide comment and recommendations to further strengthen

the document. Once the final amendments have been made it should be approved by the Project Sponsor and if necessary, approved at LMT monthly meeting.

The Directorate / Corporate Board will determine if the full business case is viable and has a high chance of realising the expected benefits. If approved, the project can progress to the 'Deliver' stage.

Lifecycle Stage 3: Deliver

The main purpose of this stage is to ensure robust management of the project controls to ensure the project will deliver within time, cost, scope and expected benefits, as detailed in the business case.

If any variances occur that are outside of the agreed project tolerances and delegated authority, this will trigger a change control to be escalated at the next Directorate monthly meeting and if necessary to the Corporate LMT monthly meeting.

The following activities take place within the 'Deliver' stage:

- detailed project plan is executed and kept up to date;
- robust management of project controls;
- effective utilisation of resources;
- stakeholders are kept informed and engaged;
- project roles and responsibilities are fulfilled;
- highlight reporting; and
- change control process.

Project plan

The project should be delivered, working to the detailed project plan. It is imperative that as well as the technical delivery aspect of the project (i.e. delivering the product) that the business change aspect of the project is delivered alongside and should form part of the overall project plan.

Robust management of project controls

Following approval of the business case, the Project Manager should ensure that the project controls established in the Project Management Workbook in 'Start' stage, are reviewed as a minimum every month at Project Board meetings and updated prior to the completion of the monthly highlight report. Project control documentation will be subject to quality assurance by the PMO to ensure robust management of project controls.

Effective utilisation of resources

The Project Manager is responsible for the effective utilisation of project resources to ensure that projects deliver. Any resource issues that arise during the 'Deliver' stage that pose a risk to the timely and successful delivery of the project must be addressed in the first instance with the Programme Manager at the earliest opportunity.

If the issue cannot be resolved it should be escalated to the Project Sponsor and if required, further escalated to the next Directorate monthly meeting and if necessary LMT monthly meeting.

Engaging and informing stakeholders

The Project Manager is responsible for ensuring the stakeholder engagement and communications plan that was established in the 'Plan' stage is further refined and executed to ensure key stakeholders are kept informed and engaged.

Fulfilment of project roles and responsibilities

The Project Manager is responsible for ensuring all project roles and responsibilities are fulfilled. Any issues that may arise during the 'Deliver' stage that pose a risk to the timely and successful delivery of the project must be addressed at the earliest opportunity.

If the issue cannot be resolved it should be escalated to the Programme Manager and Project Sponsor and if required, further escalated to the next Directorate monthly meeting and if necessary LMT monthly meeting.

Project Highlight reporting

It is the responsibility of all Project Managers to ensure monthly highlight reports are produced using the Council's standard template to enable accurate reporting of the programme's progress and Red, Amber, Green (RAG) status to the Directorate or Corporate / LMT monthly meeting, using the programme highlight report template:

Change Control process

Any changes required to the dates for completing milestones during the 'Start' stage must be approved through completion of a change control and submitted to the PMO to go to the next Directorate or if necessary LMT monthly meeting.

Once the changes have been approved, the project Business Case, or in the case of Level 2 projects, the POAP, should be updated to reflect the changes and this will become the new baseline by which projects are monitored.

Lifecycle Stage 4: Review / Close

The main purpose of this final stage of the project lifecycle is to undertake an assessment of the project's performance against the approved business case, ensure all project activities have been completed and that the outputs can be transferred to BAU.

Once the Project Sponsor is satisfied that the project plan has been delivered (or in the case of premature closure is no longer viable), and the intended outputs have been achieved they must ensure that the project is formally closed.

The following activities take place within the Review / Close Stage:

- assessment of project performance (time, cost, scope);
- assessment of project objectives and deliverables;
- assessment of project benefits realisation;
- review of any remaining risks / follow-on actions to be transferred to BAU;
- capturing lessons learned;
- scheduling a post project implementation review (where appropriate);
- completion of Project Closure report and approval to formally close the project.

Assessment of project performance

An assessment of project performance against the approved time, cost and scope must be undertaken with any variances explained, to ensure a robust audit trail and to inform lessons learned for similar future projects.

Assessment of project objectives and deliverables

An assessment of the achievement of project objectives and deliverables must be undertaken, with any variances explained to ensure a robust audit trail and to inform lessons learned for similar future projects.

Assessment of project benefits realisation

An assessment of the achievement of project benefits realisation both financial and non-financial must be undertaken with any variances explained to ensure a robust audit trail and to inform lessons learned for similar future projects.

It is common for some benefits to be realised following closure of the project and therefore, appropriate arrangements should be made to ensure any outstanding benefits continue to be monitored through normal BAU processes e.g., performance monitoring or within the monitoring of the wider programme / project.

Equally, a review of the project's risks must be undertaken to ensure that all risks are either closed or transferred to appropriate BAU risk monitoring or the wider programme / project.

To ensure a smooth transition from project to BAU it is essential that any follow-on actions are identified, ownership agreed, and timescales set for completion.

Capturing lessons learned

To ensure the organisation can become more effective at delivering projects and to avoid costly errors, it is important that a review of the lessons learned is undertaken, documented and shared

with relevant parties. It is good practice to capture lessons learned (both positive and negative) throughout the life of the project.

Post-project implementation review

If the project included a business change element that had an impact upon people (internal or external), business processes and / or a change to service delivery, it is recommended that a Post Implementation Review is undertaken 6-12mths following project closure, where appropriate to ensure that the changes have been successfully embedded and to assess the impact of the changes made including post-project benefits realisation.

Completion and approval of the Project Closure report

Projects must complete a Project Closure Report using the Council’s standard template.

The activities undertaken during the ‘Review / Close’ stage as outlined above will enable the completion of the Closure Report. The level of detail within the report will be determined by the scale and scope of the project and will be agreed between the Project Sponsor, Programme Manager and Project Manager.



Project Closure Report template.docx

Once the Closure Report is completed, it should initially be sent to the PMO for Quality Assurance. If necessary, the PMO will provide comment and recommendations to further strengthen the document.

Once the final amendments have been made it should be approved by the Project Sponsor prior to being formally submitted to the PMO to go to the next Directorate monthly meeting and if necessary LMT monthly meeting.

Further information and support

In addition to the corporate standard documents referred to within this framework, a full suite of supporting project documentation templates can be found [here](#).

Further guidance and support on the framework set out in this document can be provided by the Portfolio Management Office.

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HR Assurance Presentation

Audit Committee

14th March 2024

Employee Health and Wellbeing 2023/24

- Following covid we had a dedicated lead, the funding for which ran out in June 22. Since then the wellbeing activities have been co-ordinated within the HR team.
- We are ambitious to further develop our wellbeing culture and drive sustainable changes to improve our employee's wellbeing long term.
- Staff can access HAWB self-help books, podcasts, financial health advice, domestic abuse plus 24/7 telephone support

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HAWB Work to Date

- Dedicated HAWB pages on the intranet that provide 24/7 365 day employee assistance programme, self directed help and signposts to policies, external organisations and videos to support health and wellbeing.
- Developed the Mental Health first aider group to relaunch. This has involved training 30 employees who have volunteered to provide the assistance to colleagues at work who may be experiencing mental health struggles.
- Provided 526 face to face counselling service to over 90 employees. This was alongside the use of the EAP telephone service.
- Supported mental health awareness talks for hard to contact groups both face to face at toolbox talks (provided by Andy's Man Club) and a men's only online session with ManHealth who promoted both physical and mental health concerns in men.

HAWB Work to Date



- **Occupational Flu Vaccine scheme**

- we purchased 252 vaccines
- Priority was given to front line workers in direct contact with vulnerable service users/client and then opened up to all staff
- 3 clinics provided at different venues in Middlesbrough. All 252 vaccines were booked, we initially had 13 unused vaccinations after the clinics were held, but staff that hadn't been able to book a spot were able to use these by visiting Medac's directly.

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- **MFC Boro Bus**

- 3 days of health MOT"s were provided on the Middlesbrough FC health bus
- Over 50 members of staff attended appointments held at various Middlesbrough Council workplaces where blood pressure, weight, irregular heartbeats and physical fitness were checked and recommendations given on how they could be improved.



Better Health At Work Award



- We remain committed to the Maintaining Excellence Award which recognises the importance of sustaining our progress.
- Better Health At Work Award – 2023 submission was deferred to Summer 2024 as the assessment clashed with the move of the intranet where a lot of our information was saved. This doesn't impact on the award and we are confident that we will retain our status of Continuing Excellence.

Employee Network Groups

- Our great staff networks have supported to shape organisational culture by using the ideas, passion and knowledge of our staff, effective networks can help both to create change and to support leaders and managers in implementing it. We have had Senior management support in leading the staff networks.
- The networks have been working on a re-brand to make sure they are fit for purpose. All the names/logos and events planned have been ran from the group with support from the EDI Lead.
 - RR&B (Race, Religion & Belief)
 - Disability and Wellbeing Network
 - GEN (Gender equality network)
 - SPECTRUM (LGBT+ network currently being rebranded)
 - Carers' Network
 - Menopause group



Staff Networks & Support Group

- Miss Menopause has been engaged to provide 2 training sessions this year, 1 aimed to support those experiencing symptoms of menopause, 1 for managers to understand the support they can provide. These have had excellent feedback and supported the menopause group to grow.
- 72% of our workforce is female, there had been direct requests from employees to create a group. This has also supported some of the initiatives the GEN network are reviewing and we are looking at introducing a period positive workplace.

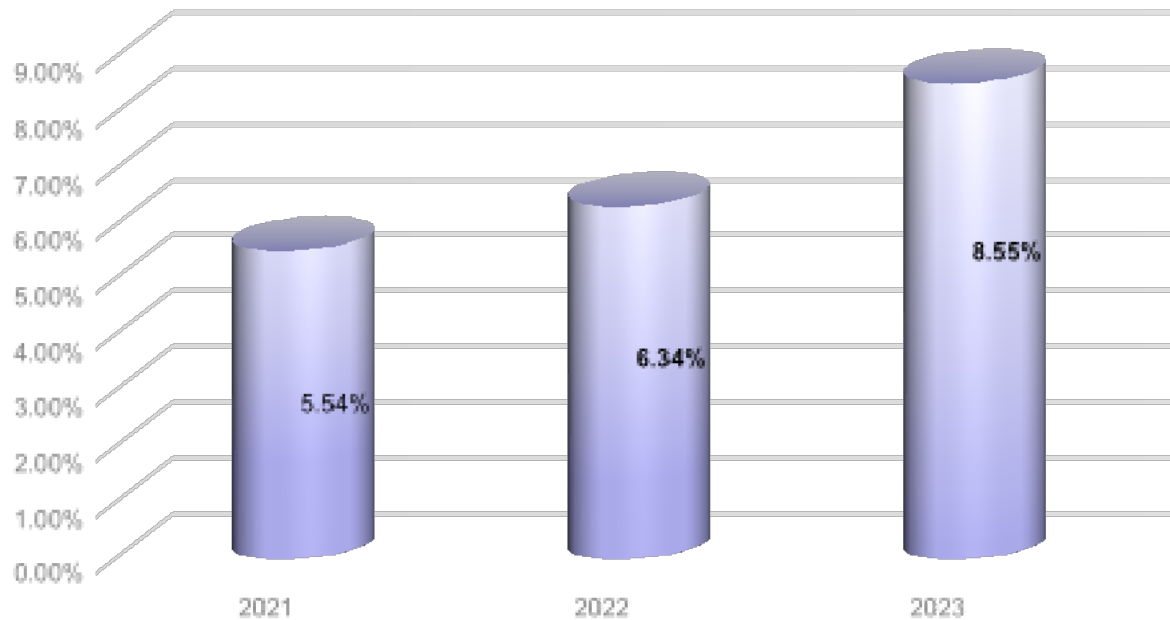
Page 83

We recognise that the way people write and speak about others can support equality, diversity and inclusion but using certain language can also exclude and discriminate certain groups based on age, race, ethnicity, disability, gender or sexual orientation. To ensure we are using inclusive language an inclusive language toolkit has been developed for all staff.

- In 2023 we re-launched our inclusion calendar which highlights key diversity, inclusion, wellbeing and awareness dates throughout the year. The calendar allows us to celebrate the diverse and inclusive nature of its community, promoting respect and understanding between all groups.

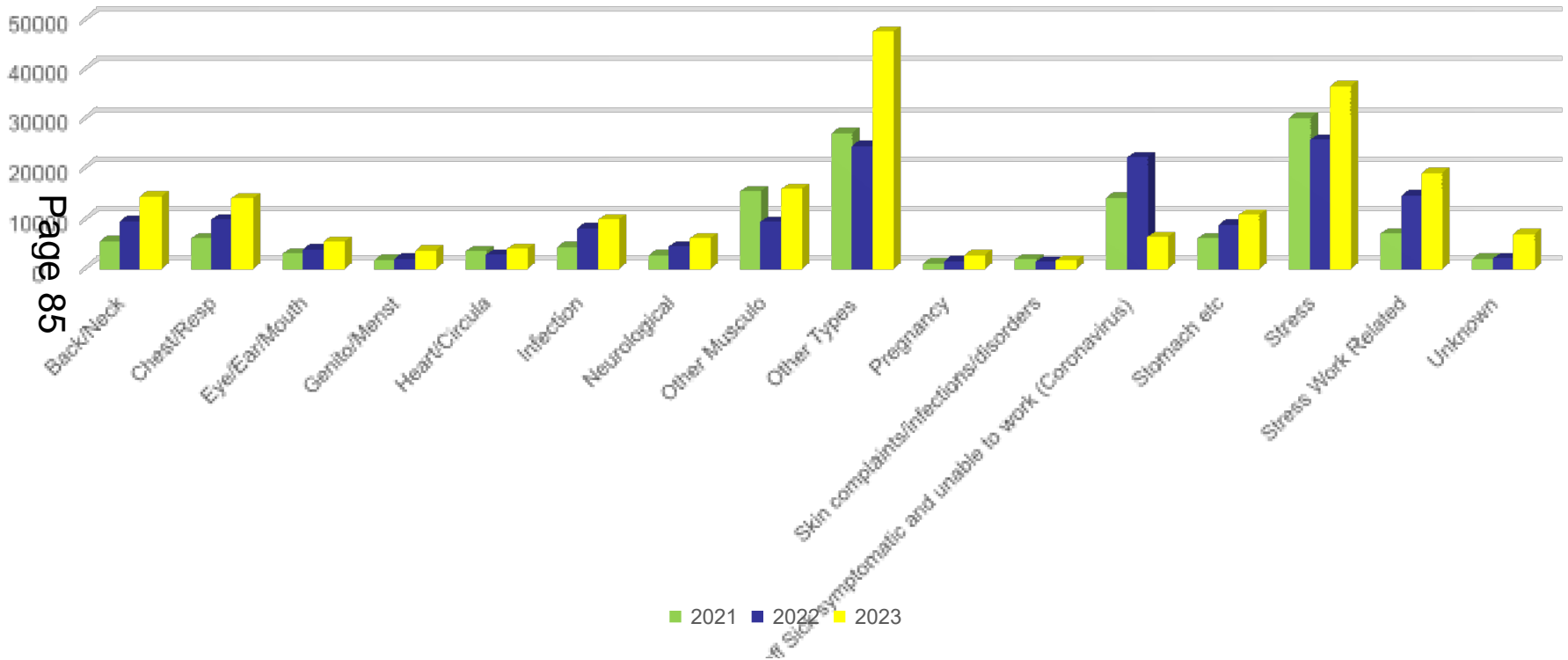
Absence Management

Sickness % by Year



Top Absence Reasons

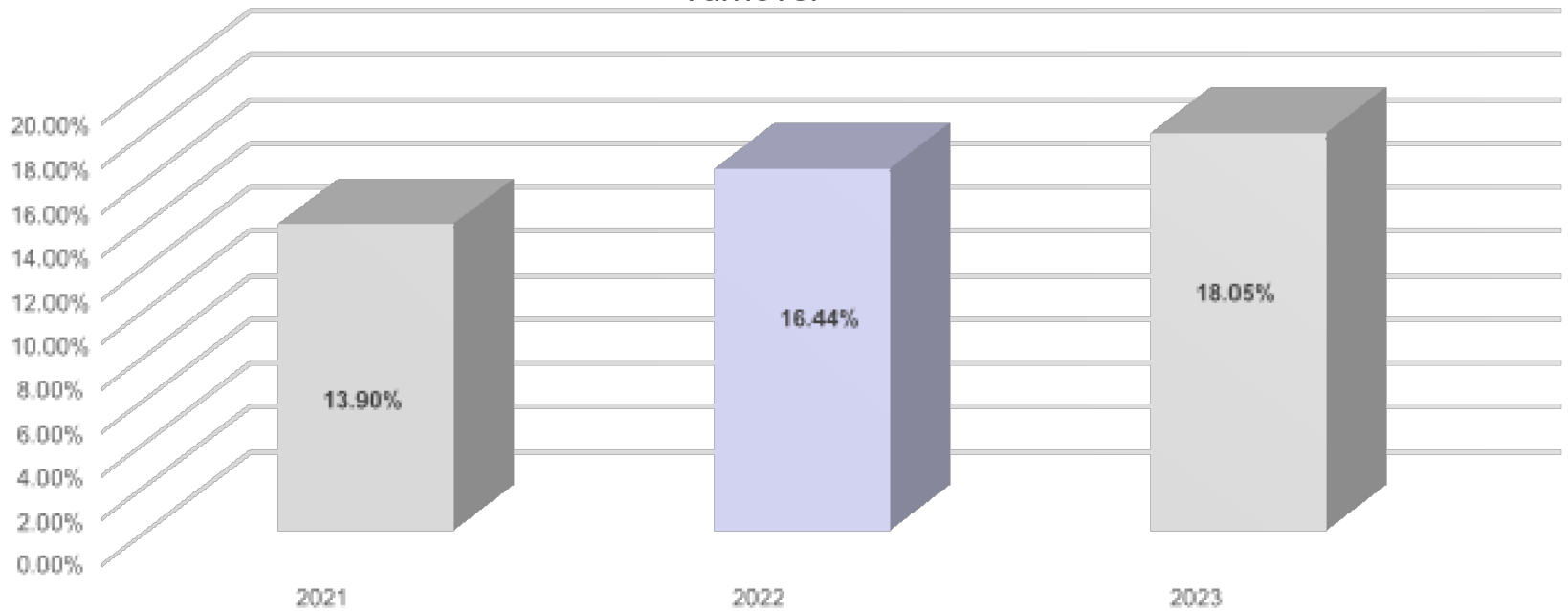
Hours lost by sickness reason



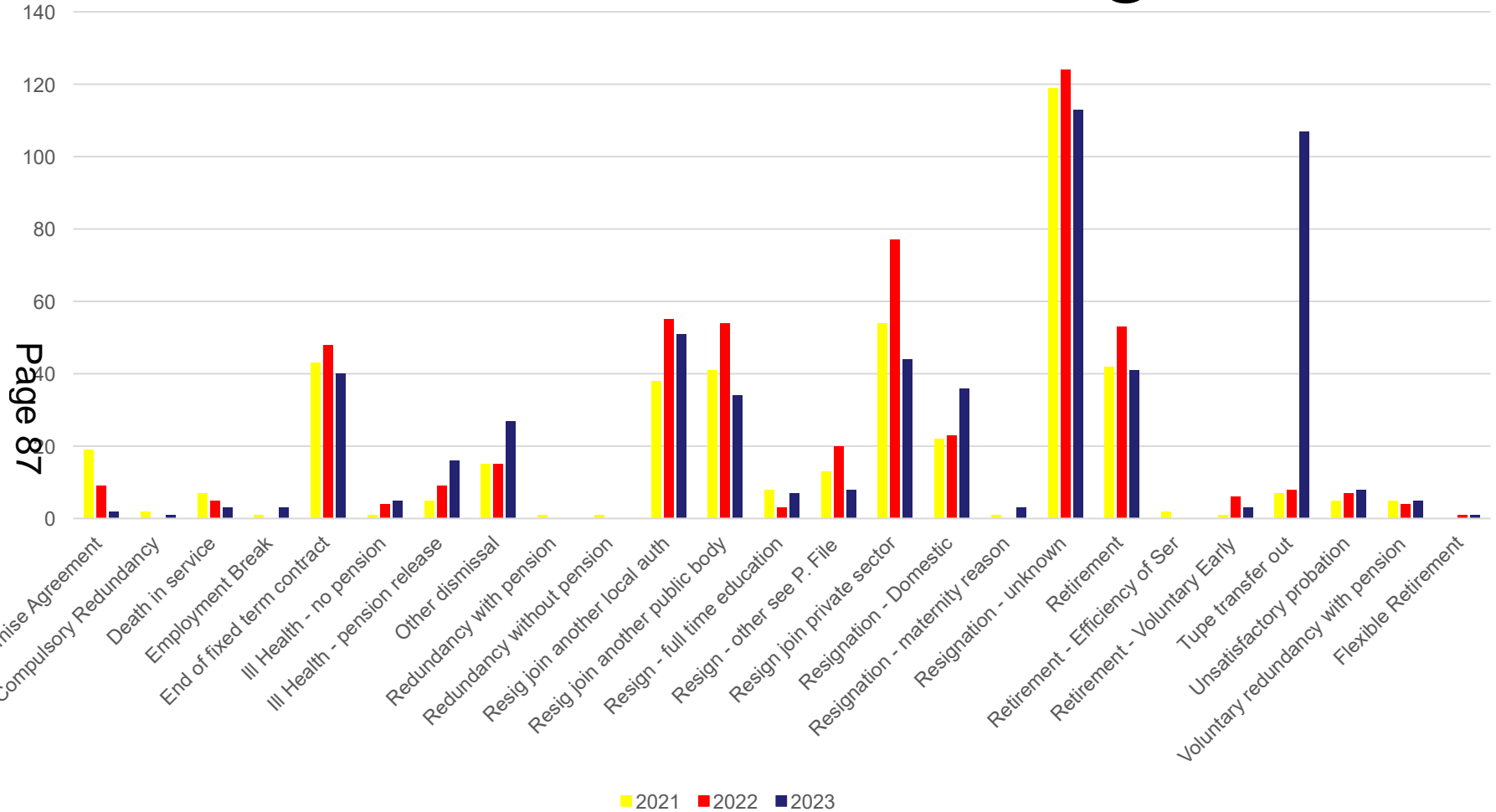
Turnover by year

Turnover

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Reason for Leaving





What's Coming Next?

- The launch of the people strategy supports our focus on Staff Health & Wellbeing, in order to deliver our ambitious ask, a business case for a full-time post on a permanent basis was accepted and recruitment will commence.
- The launch of the Bridge and the move to SharePoint have prompted a review of the intranet content and a programme of improvements, updates and increase of ease of navigation.
- Quotes are currently being gathered by procurement for the face-to-face counselling service. This will include a greater emphasis on learning and development that can support staff and managers to prevent / shorten periods of sickness absence related to mental wellbeing

Questions?

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MIDDLESBROUGH COUNCIL



Report of:	Director of Legal and Governance
Relevant Executive Member:	Executive Member for Finance and Governance
Submitted to:	Audit Committee
Date:	14 March 2024
Title:	Whistleblowing Policy
Report for:	Information
Status:	Public
Strategic priority:	All
Key decision:	Not applicable
Why:	Not applicable
Subject to call in?:	Not applicable
Why:	Not applicable

Proposed decision(s)

That Audit Committee notes the updated Whistleblowing Policy and Procedure.

Executive summary

The Whistleblowing Policy forms part of the governance framework and is required to be updated on a regular basis. The revised policy has been developed based on the model policy supplied by Veritau and provides a route for concerns to be raised and sets out the process for dealing with these.

1. Purpose

1.1 This report provides a copy of the updated whistleblowing policy and procedure.

2. Recommendations

That the Audit Committee

- Notes the revised Whistleblowing Policy

3. Rationale for the recommended decision(s)

3.1 The existing whistleblowing Policy requires review every three years and this policy is a result of review.

4. Background and relevant information

4.1 The Whistleblowing Policy provides a framework for employees and contractors to raise concerns in a confidential manner about issues happening at the Council. For example, health and safety risks, criminal or unlawful activity, or activities that could damage the environment. It sets out how concerns can be raised and the protection that people working for the Council have if they raise an issue.

4.2 The policy has been reviewed in conjunction with Veritau and has been developed using their model policy.

4.3 Along with the updated policy a dedicated email address has been launched as a nother avenue for concerns to be raised.

5. Other potential alternative(s) and why these have not been recommended

Not applicable

6. Impact(s) of the recommended decision(s)

Financial (including procurement and Social Value)

6.1 Not applicable

Legal

6.2 The Public Interest Disclosure Act 1998 (PIDA) is the law that protects people against detrimental treatment or dismissal if they make a protected disclosure. It is part of the Employment Rights Act 1996. This policy is designed to reflect the legislation as well as guidance from the government and other organisations.

Risk

6.3 Not applicable – this is a review of an existing policy.

Human Rights, Public Sector Equality Duty and Community Cohesion

6.4 Not applicable

Climate Change / Environmental

6.5 Not applicable

Children and Young People Cared for by the Authority and Care Leavers

6.6 Not applicable

Data Protection

6.7 When managing whistleblowing reports, the Council processes personal data collected in accordance with its information governance policies. Data collected following receipt of a whistleblowing concern is held securely. It is only accessed or disclosed to individuals as necessary to manage, investigate, or take action in relation to the concern raised.

Actions to be taken to implement the recommended decision(s)

Not applicable

Appendices

1	Whistleblowing Policy and Procedure
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Background papers

None

Contact: Nicola Finnegan Head of Human Resources
Email: Nicola_finnegan@middlesbrough.gov.uk

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Whistleblowing Policy and Procedure

Live from: June 2023

Live until: May 2026

1 INTRODUCTION

- 1.1 The Whistleblowing Policy provides a framework for employees and contractors to raise concerns in a confidential manner about issues happening at the Council. For example, health and safety risks, criminal or unlawful activity, or activities that could damage the environment. It sets out how concerns can be raised and the protection that people working for the Council have if they raise an issue.
- 1.2 Concerns or complaints about councillors are not covered by the whistleblowing policy. They would come under the Members' Code of Conduct. Any issues relating to councillors should be referred to the Monitoring Officer for advice.
- 1.3 This policy covers concerns raised by employees and contractors. It reflects the specific protections they have in law when making a protected disclosure. This is also known as raising a whistleblowing concern or blowing the whistle. Further information on what a protected disclosure is, and who the law protects is set out below.
- 1.4 The Council is committed to maintaining the highest standards of integrity and accountability. It aims to create an open environment in which employees and those working on behalf of the Council can raise issues confidentially and be confident that they will be acted upon. The Council's message to anyone working for the council is straightforward - if in doubt, raise it!
- 1.5 Prior to instigating the formal whistleblowing policy, colleagues, should complete an e-form using the attached link with an additional and anonymous option to flag any concerns which may affect the integrity or delivery of Middlesbrough Council services prior to instigating this policy. Please see link to e-form here [Early resolution of matters relating to conduct - Section 1 - Middlesbrough Dash \(achieveservice.com\)](#)
- 1.6 The Public Interest Disclosure Act 1998 (PIDA) is the law that protects people against detrimental treatment or dismissal if they make a protected disclosure. It is part of the Employment Rights Act 1996. This policy is designed to reflect the legislation¹ as well as guidance from the government and other organisations².
- 1.7 A guide for managers and other employees on what to do if they receive a whistleblowing report is contained in Appendix A of this policy.

¹ PIDA 1998 was updated by the Enterprise and Regulatory Reform Act 2013.

² Whistleblowing guidance has been issued by the Department for Business, Energy & Industrial Strategy, the National Audit Office and the charity, PROTECT.

2 AIMS AND SCOPE OF THE POLICY

2.1 This policy aims to:

- encourage colleagues to raise concerns they have about their workplace or working practices
- ensure that colleagues receive a response to any concern raised
- inform colleagues about how they can pursue an issue further if they are not satisfied with the action taken by the Council
- reassure colleagues that they will be protected from dismissal or negative treatment if they raise concerns

2.2 This policy applies to most people working for the Council. This includes employees, colleagues, staff in maintained schools, agency personnel, contractors and staff seconded to or from a third party. Throughout the rest of the policy, the terms colleague is used to mean anyone covered by the policy and the protections of the Public Interest Disclosure Act (PIDA).

2.3 PIDA does not provide protection under the law for job applicants, genuinely self-employed colleagues, or volunteers.

Definitions

2.4 Protected disclosures are concerns raised that are protected under PIDA. To be a protected disclosure, anyone raising a concern must:

- reasonably believe that their concern is in the public interest – this is explained in paragraph 2.6
- reasonably believe their concern is a type of wrongdoing covered by the law – a list of the types is included in paragraph 2.7
- raise it in a way that that is in accordance with the law – further information on this is provided in section 7

2.5 A reasonable belief is one where the whistleblower has some reasonable grounds or basis for believing there has been wrongdoing. It does not actually have to be true. For example, it does not matter if it turns out they were mistaken if they had reasonable grounds for believing it when they originally raised the concern.

- 2.6 An issue in the public interest means that it will usually affect people other than just the person raising it. Something that relates only to an individual's own employment may not be covered by the law. Although there are some circumstances when this could still be in the public interest. For example, an issue about bullying or harassment that reflects a wider cultural issue in a team. This policy is intended to cover colleagues raising an issue in the public interest. If a person needs to address a problem that relates only to their own employment, then they should refer to the appropriate Human Resources policies, for example the Dignity and Respect at Work policy, Disputes policy and Grievance policy.
- 2.7 The list below sets out the types of concerns that qualify for protection under the law if they are raised.
- A criminal offence – for example corruption, theft, or fraud
 - Failure to comply with a legal obligation such as a statutory requirement, a contract, or common law obligations (e.g. negligence)
 - A miscarriage of justice
 - Health and safety risks. This includes risks to anyone, not just colleagues – for example risks to customers and service users
 - Environmental damage – any wrongdoing that endangers or damages the environment
 - Cover up. This includes anything where wrongdoing in any of the above areas has been deliberately concealed

3 SAFEGUARDS

- 3.1 The Council recognises that a decision to report a concern can be a difficult one. In many cases it is colleagues who are best placed to learn of wrongdoing within service areas and schools or to hear about issues where standards have fallen below those that the Council and public expect. The Council is grateful to everyone who reports their concerns.
- 3.2 Colleagues should have nothing to fear by reporting their concerns if they have grounds for believing what they are reporting is true. Even if it is later found to be incorrect. No action will be taken against anyone genuinely reporting a concern.
- 3.3 While rare, deliberately false reports are sometimes made. If false or deliberately misleading information is provided, then this would be considered a serious matter. It could result in action being taken under the Council's disciplinary policy. Equally, deterring another colleague from reporting a genuine concern is also a serious matter and may result in disciplinary action being taken.

- 3.4 The Council will not tolerate any negative treatment (including harassment or victimisation) of a worker who has raised a whistleblowing concern, by anyone (including colleagues and managers). Any allegations of negative treatment of someone raising a concern will be investigated. Where evidence of mistreatment is found then this could result in disciplinary action being taken.
- 3.5 The Council recognises that colleagues may want to raise a concern in confidence under this policy and the Council aims to protect their anonymity. However, this cannot be guaranteed. For example, if evidence needs to be presented in court, or revealed as part of a subsequent investigation. If it becomes clear that a whistleblower's anonymity cannot be protected, then this will be discussed with the colleague before any disclosure is made.

4 HOW TO RAISE A CONCERN

- 4.1 Many whistleblowing concerns are raised and properly addressed within individual service areas. In most cases, colleagues are therefore encouraged to raise concerns with their line manager in the first instance³. Line managers will provide feedback to the whistleblower about the action they are taking. Contractors should report issues to the Council's designated contract or client manager.
- 4.2 Concerns do not have to be made in writing. Any issues raised verbally will be treated just as seriously.
- 4.3 If a colleague raises an issue with their line manager but it is not adequately addressed or if the concern involves the line manager, then they should speak to a more senior officer. School-based colleagues can escalate issues to the chair of governors.
- 4.4 The Council recognises that there may be times when whistleblowers feel unable to speak to anyone in their own service area. For example, if they believe the issue involves more senior officers or if the issue has already been raised through the normal channels but has not been addressed. In this situation colleagues can contact the Council's independent whistleblowing hotline on 0800 9179 247, which is overseen by Veritau.
- 4.5 If anonymous concerns are raised through social media, then they will be considered under the more general counter fraud or complaints policies

³ People raising a concern may not directly say they are whistleblowing or making a protected disclosure. It is therefore essential that managers understand when an issue raised with them would be considered whistleblowing. Further information is available in the guidance notes included with this policy. Managers can also contact Veritau for advice on any issues raised.

unless it is beyond doubt that the person raising the concern would fall under the whistleblowing policy.

5 HOW THE COUNCIL WILL RESPOND

- 5.1 All whistleblowing reports will be carefully considered. Initial enquiries will be made to help decide whether an investigation is needed or what action may be required.
- 5.2 The Council aims to acknowledge all whistleblowing reports within five working days. The line manager or other officer dealing with a whistleblowing issue will try to write or speak to the whistleblower promptly, to provide additional information on what is being done. For example, whether an investigation is needed or if specific action is to be taken.
- 5.3 If an investigation is undertaken, the line manager or investigating officer will provide feedback on the outcome, and details of action to be taken as far as possible. Although it may not always be possible to provide full details. For example, it would not be appropriate to share personal data about other people.

6 INVESTIGATION AND REPORTING PROCESS

- 6.1 The steps line managers need to take will depend on the nature, complexity, and seriousness of the issue raised. An outline of the process managers should follow is set out below. Further information for managers on who they need to inform about whistleblowing issues is set out in the guidance at appendix A.
- 6.2 Previously investigated whistleblowing issues that have been resolved may be dealt with directly by line managers. The manager must ensure the requirements for acknowledging concerns and providing feedback are followed (see section 5 above). When the issue has been dealt with, the line manager must provide details to Veritau of the concern raised and the outcomes (Veritau keeps a record of all whistleblowing concerns raised, on behalf of the Council).
- 6.3 For more complex cases, and any case involving suspected fraud, corruption, or theft, managers must refer the issue to Veritau at the outset. Veritau will liaise with the manager to decide how the issue should be investigated. The officers assigned to investigate each case will depend on the nature of the issue. For example, safety issues may be investigated by the Health & Safety Team, alleged fraud or criminality by the Counter Fraud Team, or employment issues by the manager or a manager from another team, with support from Human Resources.

- 6.4 The amount of contact between officers investigating whistleblowing concerns and the whistleblower will depend on the nature of the matters raised and the clarity of the information provided. If necessary, further information may be sought from the whistleblower.
- 6.5 If a face to face meeting is necessary or desirable the whistleblower has the right, if they so wish, to be accompanied by a Trade Union representative or a colleague who is not involved in the area of work to which the concern relates.
- 6.6 The Council will take steps to support whistleblowers during an investigation, where possible. For example, if they are required to give evidence in any proceedings, the Council will provide advice and support with the process as far as appropriate. Whistleblowers should contact HR if they suffer any negative treatment as a result of raising an issue. Investigating managers should be alert to the possibility of a whistleblower being mistreated and should liaise with the Head of HR or relevant HR business partner if they have concerns.
- 6.7 All whistleblowing issues raised will be logged centrally by Veritau. The Chief Executive, Head of HR, Section 151 Officer, and the Monitoring Officer will be notified of relevant whistleblowing issues. Numbers of whistleblowing concerns raised and significant trends will also be reported annually to the Corporate Affairs and Audit Committee.

7 HOW MATTERS CAN BE TAKEN FURTHER

- 7.1 This policy aims to provide colleagues with the means to raise concerns within the Council. If colleagues have reported an issue in accordance with the policy, but are not satisfied that it has been addressed then they may contact the following prescribed bodies:
- the Council's External Auditor⁴
 - the NSPCC or Ofsted (for concerns about children at risk of abuse)⁵
 - relevant professional bodies or regulatory organisations⁶, for example, the Information Commissioner's Office, Care and Quality Commission (CQC), and the Health and Safety Executive.

⁴ Ernst and Young act as the Council's external auditor (see [EY UK](#) for further details).

⁵ The NSPCC and Ofsted offer dedicated national whistleblowing hotlines (see www.nspcc.org.uk and www.gov.uk/government/organisations/ofsted for further details).

⁶ The Department for Business, Innovations and Skills maintains a list of prescribed persons and organisations who may be contacted, www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies.

- 7.2 Disclosure of issues to a non-prescribed body (such as a newspaper or through social media) does not provide whistleblowers with protection under PIDA. Colleagues who are considering making a disclosure, other than to the prescribed bodies, should obtain specialist legal advice before doing so.

8 INDEPENDENT ADVICE

- 8.1 Free confidential advice on how to raise a concern about malpractice at work can be sought from the independent charity PROTECT. They can be found at www.protect-advice.org.uk, or contacted by email at info@protect-advice.org.uk. The charity's lawyers can give free confidential advice about how to raise a concern about serious malpractice at work.

9 DATA PROTECTION

- 9.1 When managing whistleblowing reports, the Council processes personal data collected in accordance with its information governance policies. Data collected following receipt of a whistleblowing concern is held securely. It is only accessed or disclosed to individuals as necessary to manage, investigate, or take action in relation to the concern raised.

10 REVIEW OF THE POLICY

- 10.1 This policy will be reviewed at least every three years or when any significant changes to whistleblowing legislation, guidance or case law occurs.

Managers' Guidance on Whistleblowing

1 Introduction

- 1.1 The Council's whistleblowing policy aims to encourage employees, colleagues, and contractors⁷ to raise concerns about activities in the workplace. It contains further information about what whistleblowing is and should be read alongside this guidance.
- 1.2 All managers are expected to take concerns raised by colleagues seriously and to follow the process set out in this guidance. Further training on whistleblowing is available through the Council's Learning Management System?

2 What is a whistleblowing complaint?

- 2.1 Managers need to consider any concern raised by a worker about working practices or malpractice, to assess whether it is a whistleblowing issue.
- 2.2 The concern does not have to be raised in writing. Issues raised verbally should be treated as seriously as those raised in writing. You should carefully document anything raised verbally with you.
- 2.3 It is not necessary for the term "whistleblowing" or "protected disclosure" to be used for an issue to be considered whistleblowing. Any concern that falls under the types of issues covered by the policy (see paragraph 2.7 of the main policy) may be a whistleblowing issue. The range of issues that could qualify is very broad and could include problems that may not initially appear very serious. For example, relatively minor breaches of health and safety processes or issues concerning a breach of contract. Care must therefore be taken to assess any issue raised with you, to consider whether it is whistleblowing.
- 2.4 Whistleblowing will generally be about issues that relate to more people than the individual who raised it. If it is clear that a concern relates only to an individual worker, then it should be considered under another of the Council's policies. However, care is needed when deciding this. For

⁷ Throughout the rest of the guidance, the terms worker, or colleagues is used to mean anyone covered by the whistleblowing policy and the protections of PIDA.

example, a report of bullying could just be about one worker. However, it could also reflect a culture of bullying and harassment in a service area. In this case the concern may be whistleblowing.

- 2.5 Whistleblowing reports can only come from people who work for the Council (including contractors). Further detail about who can report a concern is set out in paragraphs 2.2 and 2.3 of the policy. Concerns raised by members of the public or other groups would not be considered as whistleblowing. They should still be taken seriously though and directed to the relevant team. For example, the Council's Information and Complaints team or the counter fraud team.
- 2.6 Whistleblowing reports are often made anonymously. Where an anonymous report is made, you should try to encourage (but not pressure) the person to give their name. For example, if you are taking information by phone or have an email address you can respond to. Make it clear that it can be more difficult to investigate concerns if contact with the whistleblower is not maintained.
- 2.7 If you are not sure whether an issue should be classed as whistleblowing then advice can be sought from Veritau⁸.

3 Reporting the receipt of a whistleblowing concern

- 3.1 Section 6 of the policy sets out what managers should do when they receive a whistleblowing concern. Managers should also notify their Head of Service, relevant Director, Section 151 Officer, Monitoring Officer and Head of HR. The Monitoring Officer will notify Veritau who will record the concern in a central log.
- 3.2 If the issue involves any of the people named above then you should tell a more senior officer such as the Chief Executive, Director of Finance / Section 151 Officer, Director of Children's Services (in the case of schools). Veritau should be informed to record the concern in the central log.
- 3.3 Veritau maintains a central log of all whistleblowing reports received. Where a whistleblowing issue is handled within a department, the outcome of any investigation and action taken should be reported to Veritau once the matter is completed.
- 3.4 If you are unsure about how to deal with a whistleblowing issue then you can seek advice from Veritau. Any complex issues, or any case involving fraud, corruption or theft should be reported to Veritau immediately.

⁸ Veritau can be contacted by email on whistleblowing@veritau.co.uk

Veritau will determine how the issue should be investigated, in consultation with other relevant officers.

- 3.5 If you receive details of a whistleblowing concern raised with an external body (one of the prescribed persons and organisations set out in section 7 of the policy), the information should be forwarded to Veritau.

4 Initial response

- 4.1 If you are notified of a concern, you should acknowledge it immediately. Unless it was raised anonymously (with no reply address) then this should usually be done by email. If you are notified verbally, you should try to find out as much information as possible and document it. Try to obtain contact details if possible. Complete the Whistleblowing Proforma (Appendix B) with as much detail as possible. Where information is received in writing you should usually try to arrange a meeting with the whistleblower to gather further information.
- 4.2 This initial meeting can be done in person, in or outside of the Council's offices, or by telephone. It is important to find an environment that the whistleblower feels comfortable with. They may be supported by a trade union representative or colleague. A note taker can be brought to the meeting with prior agreement from the whistleblower.
- 4.3 If anonymity is requested then every effort should be made to keep the whistleblower's identity concealed. However, anonymity cannot be guaranteed and you should not promise this. If it becomes apparent that a whistleblower's identity may become known, then they should be told about this as soon as possible.
- 4.4 All information relating to a whistleblowing report or gathered during a subsequent investigation should be kept confidential. Information should only be shared on a strictly need to know basis.
- 4.5 A record of any meetings with the whistleblower should be made either contemporaneously or as soon as possible afterwards. These notes must be kept securely.
- 4.6 No commitments should be made about the process or outcome of a whistleblowing investigation. However, the whistleblower should be reassured that their concerns will be taken seriously.
- 4.7 Any additional information you obtain should be shared with the people you have already notified (paragraphs 3.1 and 3.2 above) or with Veritau, if the issue is to be referred to them.

5 Conducting an investigation

- 5.1 At the start of an investigation, the person looking into the issue should inform the whistleblower that they are investigating the matter.
- 5.2 Updates should be provided to the whistleblower during the investigation if this is possible. However, only appropriate information can be shared. Personal data about other people must not be shared. Nor can any information that may prejudice the investigation. In some cases, it may be better to wait until the end of the investigation before sharing any details (although personal data cannot be shared at any point).
- 5.3 Notes should be made throughout the investigation about the action being taken and evidence collected. Conclusions should also be documented.
- 5.4 The investigator should consider whether any action to be taken during the investigation is likely to lead to the identity of the whistleblower becoming known. If it becomes apparent that the investigation cannot be pursued without the whistleblower's identity becoming known, then they should be made aware of this before further action is taken. The whistleblower's name should only be made known to other people on a need-to-know basis.
- 5.5 Investigations should be completed as quickly as possible. Where a whistleblowing investigation leads to other Council processes being considered or commencing (such as a pre-disciplinary investigation) then relevant officers should be made aware at an early stage.
- 5.6 At the conclusion of an investigation a report should be prepared setting out all of the evidence gathered and stating whether it confirms or contradicts the original issue raised. It should also set out the conclusions reached, and recommendations. The report should be shared with those notified of the issue originally (paragraphs 3.1 and 3.2 above). A copy should also be sent to Veritau.

6 Special circumstances

Safeguarding concerns

- 6.1 If a concern raised includes issues relating to safeguarding, then the manager notified should ensure that it is raised immediately through normal Council safeguarding arrangements.

Anonymous concerns

- 6.2 If a concern has been made anonymously then it must still be treated as credible and dealt with through the procedure detailed in this guidance.

Negative treatment of the whistleblower

- 6.3 The Council will not tolerate any negative treatment of whistleblowers. If any manager becomes aware of any mistreatment of a whistleblower, they should report this to the Head of HR or relevant HR business partner as soon as possible. The Council may be in contravention of whistleblowing legislation if action is not taken to address this behaviour.

Vexatious or malicious reports

- 6.4 If a whistleblower acts in bad faith or raises malicious, vexatious, or knowingly untrue concerns then they may be subject to disciplinary action. If you have reasonable grounds to suspect that this may be the case, then the matter should be reported to the Head of HR or relevant HR business partner.

External disclosures

- 6.5 It is important to be supportive and encouraging to those raising a concern. However, if a worker indicates that they are considering taking their concerns outside of the Council, for example to the media or social networking sites, you should advise them of the following:
- You will not be able to support them if they take this action
 - Their disclosure may not be covered by the whistleblowing policy and relevant legislation
 - Their action may represent an unauthorised disclosure
 - They could jeopardise any legal protection that they may have in law
 - They could be subject to disciplinary action themselves.
- 6.6 If a whistleblower makes an external disclosure, then this should be reported to Veritau as soon as possible. Some types of disclosure are covered by legislation. However, consideration of whether the action taken is appropriate or not will need to be considered on a case by case basis.

Support

- 6.7 If you have any queries or issues about whistleblowing then you can seek further advice from Veritau.

Document Control				
Version Date	Version Ref.	Reviser	Approved By	Review Date
December 2014	1.0	Pip Schofield, Head of HR – to reflect roles of TVAAS & Monitoring Officer		
November 2015	2.0	Diane Wallinger, HR Policy Project Officer – Middlesbrough Manager Framework	LMT 3 December 2015	December 2018
December 2017	3.0	Nicola Finnegan, HR Business Manager – TVAAS recommendations incorporated		December 2020
December 2020	4.0	Nicola Finnegan, Head of Human Resources – Veritau recommendations incorporated		December 2023
June 2023	5.0	Veritau recommended policy	LMT	June 2026

MIDDLESBROUGH COUNCIL	
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Report of:	The Chief Executive, Director of Finance and Director of Legal and Governance Services
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Relevant Executive Member:	The Mayor, Chris Cooke
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Submitted to:	Audit Committee
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Date:	14 March 2024
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Title:	Lessons learned – corporate governance learning from standards investigations
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Report for:	Information
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Status:	Public
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Strategic priority:	All
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Key decision:	Not applicable
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Why:	Not applicable
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Subject to call in?	Not applicable
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Why:	Not applicable
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Proposed decision(s)

<p>That the Audit Committee notes the:</p> <ul style="list-style-type: none"> • outcome of lessons to be learned the outstanding code of conduct complaints and • crossover between issues identified in this report and the Annual Governance Statements for 2020/21 and 2021/22 (draft), the External Auditors Value for Money judgement 2020/21 and reports Council has considered on the Corporate Governance improvement journey.
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Executive summary

This report sets out the outcome of an exercise to ensure the Council takes the opportunity to learn lessons from standards complaints that have involved corporate

governance issues. These issues arose from complaints investigations that had not completed by the end of the previous administration in relation to elected members who were not returned to office.

It identifies actions to strengthen Middlesbrough Council's corporate governance arrangements and sets them out within the body of the report. The findings in the report are reflective of the governance concerns identified within the draft Annual Governance Statement 2020/21 and the External Auditor's Value for Money judgement for the same period.

Purpose

1. On 3 July 2023, the Council's Standards Committee considered its quarterly report on code of conduct complaints. During the life of the last political administration 142 complaints were received. Ten of these complaints, had not reached a conclusion as at the 2023 local elections and related to Members who were not re-elected into office.

Recommendations

2. That the Audit Committee notes the:
 - outcome of lessons to be learned the outstanding code of conduct complaints and
 - crossover between issues identified in this report and the Annual Governance Statements for 2020/21 and 2021/22 (draft), the External Auditors Value for Money judgement 2020/21 and reports Council has considered on the Corporate Governance improvement journey.

Rationale for the recommended decision(s)

3. The report provides the committee with assurance that corporate governance learning from code of conduct complaints has been undertaken and has been reflected in planned actions to address weaknesses in corporate governance understanding and compliance.

Background and relevant information

4. The matters raised within these complaints revealed learning opportunities to strengthen corporate governance arrangements going forward. This report sets out that learning. As the complaints process was not completed, it is not appropriate to identify those who had been subject to complaint as it is unknown whether the outcome would have been to dismiss or uphold the complaint. On that basis, the lessons to be learned are set out below in an anonymised form.
5. The next section of this report sets out the themes of the lessons that have been learned and the action taken. The learning from these processes has informed the content of corporate governance improvement actions taken to date, which are reported to this committee.

Member induction and training

6. The Council delivered an induction programme offer to members in 2019 that covered the key corporate governance processes, the differences in roles between officers and members and member obligations in relation to conduct.
7. This training approach had been scaled back during austerity to a detailed guide and a series of briefings held in the first few months of election. While there was and is a member training budget, this was relatively small and had to be used on occasion to cover other costs. The result of this was that levels of knowledge around processes and roles and responsibilities differed across the cohort of members in office during that time. The Democratic Services team did not have the capacity to be able to proactively engage with Members to ensure they attended training, gather meaningful feedback on training and put in place a wider programme of training on a cyclical basis to ensure learning was retained.
8. As a result of learning from this and as part of the Corporate Governance Improvement Plan, there has been significant involvement from the Council's Organisational Development (OD) team, who are training specialists. The OD team has worked with Democratic Services, Members and other officers to agree a revised approach to this for those members who were inducted following the May 2023 local elections.
9. Additional resourcing has also been identified to fund training and development going forward to ensure the improved offer is delivered on a cyclical basis. This was agreed by Executive on 19 July 2023.
10. This is an issue which was identified by the Council's External auditors in its 2020/21 Audit Results report, considered by this committee on 22 July 2022. Annual Governance Statement actions and delivery of the Corporate Governance Improvement Plan have included actions to strengthen training of officers and members on a range of topics.

Adherence to roles and responsibilities

11. Linked to the above issue, a number of the standards complaints alleged that individuals had not adhered to the remit of their role, either allegedly taking decisions that exceeded their authority or not following a proper governance route in order to take a decision that they had the authority to take.
12. Improving understanding of roles and responsibilities and the roles and responsibilities of officers has been a key theme that underpins the revised member induction programme and will continue through the delivery of additional training on corporate governance good practice during 2023/24. There is a detailed Corporate Governance programme in place which is being delivered to officers. All training materials have also been made available to members through the Council's online training portal. This covers:
 - Principles, Values and the Constitution
 - Procurement procedure rules
 - Financial procedure rules
 - Programme and Project Management
 - Risk Management
 - Consultation and engagement

- Committee report writing
- decision making
- GDPR and Information Governance.

Declarations of interest

13. A number of complaints both within the outstanding complaints, and closed complaints during the last administration related to declarations of interest. Compliance with declarations of interest was also identified as an issue by the Council's External Auditors (EY). Since July 2022, Democratic Services team have conducted regular checks of declarations within meetings against declarations of interests forms as part of steps to support Members in compliance with their legal obligations. This has also included cross checking declared information with Companies House published information. In addition, Members induction training following the May 2023 elections has included refreshed content on the declarations of interest process.

Member and Officer relationships

14. There was a theme in the outstanding complaints around Member and officer relationships and allegations of poor behaviour. This is an as an area of concern in the 2020/21 and 2021/22 Annual Governance Statements and also in the 2020/21 Audit Results report of EY.
15. As set out above, action to address this was undertaken within the Corporate Governance Improvement Plan that was developed in 2022/23. The refreshed approach to this work, set out in the report to Council on 5 July 2023, included a programme of work to continue to address the cultural transformation within the Council across member to member and member to officer relationships.

Other potential decision(s) and why these have not been recommended

16. Not applicable

Impact(s) of the recommended decision(s)

Financial (including procurement and Social Value)

17. Not applicable.

Legal

18. There are no direct legal implications as a result of this report. The actions within it are intended to ensure the Council continues to operate lawfully and in line with the Local Code of Corporate Governance.

Risk

19. The issues identified within the report and actions within the draft Annual Governance Statement 2020/21 to address that risk that the Council Corporate Governance arrangements were not fit for purpose.

Human Rights, Equality and Data Protection

20. Not applicable.

Climate Change / Environmental

21. Not applicable.

Children and Young People Cared for by the Authority and Care Leavers

22. Not applicable.

Actions to be taken to implement the recommended decision(s)

23. Actions, where required are embedded within the draft Annual Governance Statement 2022/3 and in the Corporate Governance Improvement plan.

Appendices

24. No appendices.

Background papers

Reporting body	Report title	Date
Corporate Affairs and Audit Committee	Lessons Learnt – Best Value Inspection of Liverpool City Council	5 August 2021
Corporate Affairs and Audit Committee	Lessons learned – Best value and external assurance within other councils	22 July 2022
Corporate Affairs and Audit Committee	Annual Audit Results Report 2020/21	22 July 2022
Corporate Affairs and Audit Committee	Annual Governance Statement 2021/22	5 December 2022
Standards Committee	Quarterly update report to Standards Committee	3 July 2023
Council	Corporate Governance Improvement next steps	5 July 2023
Executive	Governance Improvement: Next Steps – Resourcing the financial recovery and resilience and cultural transformation programmes	19 July 2023
Council	Corporate Governance Improvement Plan	18 Sep 2023

Contact: Charlotte Benjamin, Director of Legal Services (Monitoring Officer)
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MIDDLESBROUGH COUNCIL	
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Report of:	Head of Internal Audit, Veritau
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Relevant Executive Member:	Executive Member for Finance and Governance
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Submitted to:	Audit Committee
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Date:	14 March 2024
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Title:	Internal audit and counter fraud progress report
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Report for:	Information
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Status:	Public
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Strategic priority:	All
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Key decision:	No
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Why:	Not applicable
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Subject to call in?:	No
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Why:	Not applicable
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Executive summary

This report provides the committee with:

- an update on internal audit and counter fraud work undertaken in the period.

Purpose

1. To provide Members with an update on the delivery of internal audit and counter fraud work and on reports issued and other work completed since the last update report to this committee. The report also provides Members with an update on the new Global Internal Audit Standards.

Background and relevant information

2. Internal audit provides independent and objective assurance and advice on the Council's operations. It helps the organisation to achieve overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
3. The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit.
4. Fraud is a significant risk to the public sector. Annual losses are estimated as being as high as £58 billion in the United Kingdom. Veritau are engaged to deliver a counter fraud service for Middlesbrough Council. The service helps the Council to mitigate fraud risks and to take appropriate action where fraud is suspected.
5. The purpose of this report is to provide an update on internal audit and counter fraud work carried out in 2023/24. The Council's internal audit and counter fraud work programmes were approved by this Committee in June 2023.

Internal Audit Progress report

6. The internal audit progress report is contained in appendix 1. This includes a summary of current work in progress, internal audit priorities for the year, completed work, and follow-up of previously agreed audit actions. A copy of the audit report on the Council's acquisition of the former Crown public house is attached as appendix 2.

Global Internal Audit Standards

7. In January 2024, the International Internal Audit Standards Board released the new Global Internal Audit Standards. These will be effective from 9 January 2025 and all internal audit functions will be expected to adopt the new standards by then. In the meantime, we expect the PSIAS to be updated to reflect the new standards.

Counter Fraud Progress report

8. The counter fraud progress report is contained in appendix 3. A range of work is detailed including activity to promote awareness of fraud, work with external agencies, and information on the level of fraud reported to date.

What decision(s) are being recommended?

That the Audit Committee

- Notes the latest update on internal audit and counter fraud work.

Rationale for the recommended decision(s)

9. Internal audit professional standards require that progress in delivering internal audit work, and the findings and outcomes from audit work are reported to the audit committee.

Other potential alternative(s) and why these have not been recommended

10. This report is for information. There are no other options available.

Impact(s) of the recommended decision(s)

Financial (including procurement and Social Value)

11. There are no specific impacts or implications.

Legal

12. There are no specific impacts or implications.

Risk

13. There are no specific impacts or implications.

Human Rights, Public Sector Equality Duty and Community Cohesion

14. There are no specific impacts or implications.

Climate Change / Environmental

15. There are no specific impacts or implications.

Children and Young People Cared for by the Authority and Care Leavers

16. There are no specific impacts or implications.

Data Protection / GDPR

17. There are no specific impacts or implications.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
n/a	n/a	n/a

Appendices

1	Internal audit progress report March 2024
2	Acquisition of the former Crown public house report
3	Counter fraud progress report March 2024

Background papers

Body	Report title	Date
n/a	n/a	n/a

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INTERNAL AUDIT PROGRESS REPORT

Date: 14 March 2024

Appendix 1





BACKGROUND

- 1 Internal audit provides independent and objective assurance and advice about the Council's operations. It helps the organisation to achieve overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit.
- 3 The internal audit work programme was agreed by this committee in June 2023. The plan is flexible in nature and work is being kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the Council.
- 4 The purpose of this report is to update the committee on internal audit activity up to 5 March 2024.



INTERNAL AUDIT PROGRESS

- 5 A summary of internal audit work currently underway, as well as work finalised during 2023/24 is included at annex A, below.
- 6 The work programme showing current priorities for internal audit work is included at annex B. Alongside the work in the 'do now' and 'do next' categories we show when work commenced or is expected to commence, and when the findings are expected to be reported to the committee. These timescales are subject to change and work priorities may also change during the year depending on an ongoing consideration of risk.
- 7 Two audits have reached draft report stage since the last progress report to this committee in December 2023. We are currently discussing the findings with management in order to agree actions to address the issues identified.
- 8 The programme includes several audits in the 'do later' category. The internal audit work programme is designed to include all potential areas that should be considered for audit in the short to medium term, recognising that not all of these will be carried out during the current year (work is deliberately over programmed). We are currently assessing which of these audits will be included as a priority for audit in 2024/25 alongside any new and emerging audit areas identified as part of our continuous audit planning process.
- 9 Four audits have been finalised since the last report to this committee. The findings from three of the audits are summarised in Annex C. The remaining report relating to the Council's acquisition of the former Crown public house is attached to the covering report as Appendix 2.

- 10 Annex D lists our current definitions for action priorities and overall assurance levels.

FOLLOW-UP OF AGREED ACTIONS

- 11 Following an audit, actions are agreed with the responsible managers to address any issues found. All actions agreed are followed up to ensure that any underlying control weaknesses are addressed. A summary of follow up work is included at annex E.

ANNEX A: 2023/24 INTERNAL AUDIT WORK

Audits in progress

Audit	Status
Public health governance	Draft report issued
Agency staff (Children's Services)	Draft report issued
Teesside Pension Fund – Administration	In progress
Main accounting	In progress
Treasury management	In progress
Use of residential care	In progress
Health and safety	In progress
Benefits and Council Tax Support	In progress
Procurement cards	In progress
Procurement	In progress
Direct payments	In progress
Information governance including FoI	In progress
Schools themed audit (business continuity)	In progress
VAT accounting	In progress
Early years funding	In progress
Creditors	In progress
Continuing healthcare	In progress
Commercial property income	In progress

Final reports issued

Audit	Reported to Committee	Opinion
Supplier relief	July 2023	No opinion given
Middlesbrough Development Company	August 2023	No opinion given
Children's commissioning & contract management	October 2023	Limited Assurance
Disabled Facilities grant	October 2023	Substantial Assurance
Schools themed audit – Schools Financial Value Standard	October 2023	Reasonable Assurance
Regeneration projects	October 2023	Substantial Assurance
Disaster recovery (IT)	October 2023	Substantial Assurance
Council Tax and NNDR	October 2023	Substantial Assurance

Audit	Reported to Committee	Opinion
Tees Community Equipment Service	December 2023	No opinion given
Homecare	December 2023	Reasonable Assurance
Procurement cards (Children's Services)	December 2023	Limited Assurance
Selective landlord licensing	December 2023	Substantial Assurance
IT applications – Liquid Logic	March 2024	Substantial Assurance
IT applications – iTrent	March 2024	Substantial Assurance
Acquisition of the former Crown public house	March 2024	No opinion given
Debtors	March 2024	Substantial Assurance

Other work in 2023/24

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- A review of grant claims including Family Life and Hubs, Changing Places Fund and Children's Services Practice Improvement.
- A review of returns completed by the Council for the Supporting Families scheme.
- A review of the effectiveness of arrangements in place to manage subcontractor systems and controls in relation to Middlesbrough Council's Community Learning Service (MCLS).
- Support and advice on improvements to processes in the Teesside Pension Fund.
- A Homes England compliance audit on the Council's Affordable Housing Programme.

Annex B: CURRENT PRIORITIES FOR INTERNAL AUDIT WORK

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
Corporate & cross cutting			
Category 1 (do now)			
Procurement cards	This is now underway and involves the review of procurement card usage across all Council directorates following the audit report issued in respect of Children’s Services. Some interim findings have been shared with management and a full follow-up will take place in Q1 2024/25.	October 2023	July 2024
Health and safety	Fieldwork is complete.	November 2023	July 2024
Procurement	Planning has started. This has been delayed as we have been discussing the potential scope of the audit with officers.	March 2024	July 2024
Information governance including FoI	Planning has started.	February 2024	July 2024
Category 2 (do next)			
Category 3 (do later)			
Savings plans and delivery	The Council has significant budget pressures and has agreed a further set of savings plans. The audit will review progress against these plans and the reasonableness of assumptions made in calculating savings.		

¹ This is the expected date the audit findings will be included in reports to the Audit Committee. The report will potentially be finalised sooner than this, and the date of issue will be included when reported to the Audit Committee.

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
Decision making and Council governance	The Council has had several governance related issues in recent years which have been reviewed by internal audit. We will allocate time to review any emerging issues and to ensure previously agreed actions have been implemented.		
Risk management	This is a key area of governance for the Council and has not been audited for some time.		
Information security	Considered high risk due to external threats and the continuing pace of technological change. Risks may also have changed as a result of the office move to Fountains Court.		
Corporate complaints	Essential for effective governance. This area has not been audited for some time.		
Project management	Sound project management arrangements are important because it helps every part of the Council run more efficiently and effectively. When done correctly, it enables the leadership team to plan and manage projects so that objectives and deliverables are completed on time and within budget. The Council has several projects in development or underway including Boho X and regeneration projects including the old Southlands Centre, Captain Cook Square, and housing regeneration in Gresham. This audit may include a follow-up of actions relating to Boho X.		
Performance management	A key assurance area reflecting its significant contribution to the achievement of the Council's objectives.		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
Financial / Corporate systems			
Category 1 (do now)			
Teesside Pension Fund – Administration	Fieldwork is underway.	October 2023	July 2024
Main accounting	Fieldwork is complete.	August 2023	July 2024
Treasury management	Fieldwork is underway.	November 2023	July 2024
Benefits & Council Tax Support	Fieldwork is complete.	October 2023	July 2024
VAT accounting	Fieldwork is underway.	November 2023	July 2024
Creditors	Planning has started.	February 2024	July 2024
Category 2 (do next)			
Payroll	This is a key financial system requiring effective internal controls. This was originally planned to start in Q3; however, the service has requested a 2024 start date due to work pressures in December. The audit is now likely to start in April.	April 2024	July 2024
Teesside Pension Fund – Investments	This is a key financial system for the Pension Fund requiring effective internal controls. This review will start following the conclusion of the Pension Fund – Administration audit.	April 2024	July 2024

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
Category 3 (do later)			
ICT			
Category 1 (do now)			
Category 2 (do next)			
Category 3 (do later)			
IT asset management	This is now a potential audit due to the implementation of Office 365 and the higher priority of the IT applications audit.		
Cyber security	Cyber threats are a high risk for all organisations and it's therefore essential that controls are in place to manage the risks they present.		
Operational audits			
Category 1 (do now)			
Public health governance	Draft report issued.	May 2023	July 2024
Supporting families	Quarterly review of grant claims. Q1, Q2 and Q3 are complete.	Ongoing	Ongoing
Agency staff (Children's Services)	Draft report issued.	August 2023	July 2024
Use of residential care	Fieldwork is nearly complete.	September 2023	July 2024

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
Early years funding	Fieldwork is underway.	January 2024	July 2024
Direct payments	Fieldwork is underway.	February 2024	July 2024
Schools themed audit	Fieldwork is underway.	November 2023	July 2024
Commercial property income	Planning has started.	March 2024	July 2024
Continuing healthcare (CHC)	Fieldwork is underway.	February 2024	July 2024
Category 2 (do next)			
Social care transitions (Children's to Adult's)	This was identified as a significant risk at DMT due to the pressures on resources, and the increasing number and complexity of individual cases. This audit may cover a number of financial and non-financial processes.	April 2024	July 2024
Housing development	A review of the arrangements to regenerate housing provision in Middlesbrough.	April 2024	July 2024
Category 3 (do later)			
Domestic abuse	The scope was previously agreed however, the audit has not progressed in part due to changes in senior management within Children's Services. The audit is now likely to start in Q1 2024/25.		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
Ofsted Improvement Plan	This remains a high risk for the Council and progress is regularly reported to the Executive. We have reviewed the Improvement Plan in the past and further areas for review will be discussed with the DCS.		
Youth Justice Service (Turnaround scheme)	The South Tees Youth Justice Service is a multi-agency partnership serving the local authority areas of Middlesbrough and Redcar and Cleveland. The scheme receives funding from central government for early intervention for young people.		
Children's Services demand / budget management	The Council continues to face significant budget pressures within Children's Services. This audit would look at overall arrangements for managing demand for services and costs.		
Financial assessments (Adult's)	In the context of increasing financial pressure on care services, robust assessments can help the Council to accurately determine charges for care and to work within budget. This area has not been reviewed for some time.		
Climate change	Climate change is a Council priority in the Strategic Plan and the Council has a 2-year Green Strategy (2021-2023) with 3 overarching aims including to ensure the Council is a lead authority on environmental issues.		
Anti-social behaviour management	Reducing anti-social behaviour (and crime) is a Council priority in the Strategic Plan. We have recently conducted an audit of this area so this audit would follow-up previously agreed actions.		
Homelessness	This is a high risk nationally with 271,000 people recorded as homeless in England. Middlesbrough has the highest rates of homelessness in Teesside according to the charity Shelter.		

Audit / Activity	Rationale / Comments on progress	Actual / Expected start	Expected finish ¹
Burials (follow-up)	An audit of the burials service was carried out in 2022/23 which resulted in the need for a number of service improvements. A follow-up review will be due towards the end of 2023/24 or early 2024/25.		
Transporter Bridge (follow-up)	This audit will follow-up the outstanding actions which remain to be implemented in relation to the maintenance of the Transporter Bridge. Implementation will depend on whether the bridge is returned to operational use.		

ANNEX C: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area	Opinion	Area reviewed	Date issued	Comments / Issues identified	Key management actions agreed	P1 actions	P2 actions
IT applications – Liquid Logic	Substantial Assurance	Access and authentication measures, change management, system performance.	9 Feb 2024	Procedures and controls are working well.	No significant actions agreed.	0	0
IT applications - iTrent	Substantial Assurance	Access and authentication measures, change management, system performance.	15 Feb 2024	Procedures and controls are working well.	No significant actions agreed.	0	0
Debtors	Substantial Assurance	Debt recovery, write-offs, credit notes	27 Feb 2024	Procedures and controls are working well.	No significant actions agreed.	0	0

A copy of the audit report on the Council's acquisition of the former Crown public house is attached to the covering report as appendix 2.

ANNEX D: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions	
Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.	
Opinion	Assessment of internal control
Substantial assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Priorities for actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

ANNEX E: FOLLOW UP OF AGREED AUDIT ACTIONS

Where weaknesses in systems are found by internal audit, the auditors agree actions with the responsible manager to address the issues. Agreed actions include target dates and internal audit carry out follow up work to check that the issue has been resolved once these target dates are reached. Follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, and ultimately may be referred to the Audit Committee.

Actions completed.

A total of 11 actions have been completed since the last report to this committee. A summary of the priority of the 11 completed actions are included below.

Actions agreed		Actions agreed by directorate						
Priority of actions	Number of actions agreed	Priority of actions	Adult Social Care	Children's Services	Environment and Community	Finance	Legal and Governance	Regeneration
1	4	1	0	1	2	0	1	0
2	5	2	1	3	0	1	0	0
3	2	3	0	2	0	0	0	0
Total	11	Total	1	6	2	1	1	0

Actions Outstanding

A total of 14 actions with original due dates that have passed are still outstanding. A summary of the priority of these actions is included below.

Actions agreed		Actions agreed by directorate						
Priority of actions	Number of actions agreed	Priority of actions	Adult Social Care	Children's Services	Environment and Community	Finance	Legal and Governance	Regeneration
1	3	1	0	0	3	0	0	0
2	9	2	1	6	2	0	0	0
3	2	3	0	1	0	0	1	0
Total	14	Total	1	7	5	0	1	0

Of the 14 actions outstanding 10 have had a revised date agreed. The 4 remaining actions are currently being followed up.

Actions outstanding for more than 6 months (Priority 1 and 2)

Seven P1 or P2 actions have currently been outstanding for more than 6 months. Of these, 4 actions relate to the audit of the Transporter Bridge, details of which have been reported previously to this committee. The actions are operational in nature and will not be dealt with until the bridge is brought back into operation, for which there is no agreed date. We have therefore removed the actions from our normal follow up process.

Details of the remaining three actions are included in the table below. Revised dates have been agreed and we will follow these up when the new implementation dates become due.

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Burials	2	31/12/2022	31/03/2024	A charter is being developed to clarify the role of the Council in respect of death registration, burials and cremations. The charter will be completed in conjunction with the Head of Democratic Services clarifying the roles, responsibilities and expected conduct of the Council in relation to death registration, burials and cremations, as well as the expected conduct of Funeral Directors. The charter will include a section relating to expected behaviour based on the Council's dignity & respect Policy and clarify the hierarchy of actions the council will take in the event that the standards are not maintained.	Whilst some progress has been made on each of these actions, implementation of these actions has been delayed due to some ongoing operational issues. Further revised dates have been agreed.
Burials	2	31/12/2022	31/03/2024	The arrangements for same day burials including the out of hours service will be reviewed and the circumstances in which they are offered documented.	
Burials	2	30/06/2023	31/03/2024	A Bereavement Services framework will be produced to include a strategy setting the direction for change and an action plan setting out how that change will be delivered	

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Acquisition of the former Crown Public House Middlesbrough Council

For: Chief Executive

Status: Final

Date Issued: 27 February 2024

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Introduction and scope

- 1 The former Crown public house on Linthorpe Road, Middlesbrough is a heritage asset which was originally built in 1923. It has remained empty since the last business closed in 2015. Since then, it has changed ownership and its condition has deteriorated significantly. The property is now in a derelict state.
- 2 On 24 January 2023, the Council's Executive was asked to approve the purchase of the freehold interest in the property for £750k¹. The report to the Executive stated that the immediate priority was to 'ensure the control and protection of a locally important asset'. The report also stated that once the purchase was completed, a business case would be developed to restore and convert the building, to a commercially viable use.
- 3 The Executive approved the recommendation to purchase the property and the purchase was subsequently completed on 10 February 2023. Since that date, the full extent of the dilapidations has become apparent. The restoration and development costs are likely to be significant. No business case has ever been produced as required by the report to Executive.
- 4 The Council's current Chief Executive therefore requested an urgent review by internal audit of the process followed to acquire the property.

Scope and objectives

- 5 The purpose of this audit was to undertake a fact-finding review to establish the process followed to acquire the property and, if possible, the reasons why the risks relating to the condition of the property were not identified and mitigated. The scope of the audit was to establish:
 - a full chronology of events to the present day
 - the rationale for the acquisition
 - the manner in which the valuation was agreed
 - the basis of determining the present condition of the building and future liabilities
 - any legal matters arising or outstanding
 - the actions of officers and members in the acquisition process
 - the comprehensiveness of the business case against the 'Green Book' norm and whether it set out what the objectives were (for example future commercial viability)
 - the extent to which council policies and governance were or were not followed in the acquisition process

¹ The Executive report states the cost of purchasing the freehold interest was provisionally agreed at £750k plus £27k for stamp duty land tax and approximately £10k for professional fees.

- the impact of the site now being within the Mayoral Development Corporation boundary
 - any lessons learned
- 6 The work undertaken included discussions with, and the review of documentation provided by, officers involved in the acquisition process. These included:
- Director of Regeneration and Culture
 - Head of Valuation & Estates
 - Principal Valuer
 - Head of Legal Services - Places (Deputy Monitoring Officer)
 - Commercial Property Solicitor
 - Head of Economic Growth & Infrastructure
 - Finance Business Partner
 - Democratic & Registration Manager
 - the former Chief Executive
- 7 This report provides a summary of the findings from the review.

Findings

Background

- 8 The former Crown public house is a prominent building in Middlesbrough's town centre and is well known to residents through its previous uses as a cinema, bingo hall and nightclub. The property is located at the junction of Borough and Linthorpe Roads, close to the town centre. It was originally built in 1923 but has been vacant since 2015.
- 9 The Crown public house is included in Middlesbrough's local list of buildings, structures, parks, gardens and open spaces of special architectural or historic interest². To prevent the building being demolished, the Council issued a Town and Country Planning (General Permitted Development) Order in May 2015. Since it was vacated, ownership of the property has changed hands. It was acquired by Land Investments Limited (a company registered in Hong Kong) in January 2016. The parent company of Land Investments Limited is registered in the British Virgin Islands.

Timeline

- 10 Following Andy Preston's election as Mayor in May 2019, the need to regenerate the town centre was identified as a corporate priority in successive versions of the Council's Strategic Plan³.
- 11 A report to the Executive on 16 June 2020, set out the intention to address the problem of eyesore sites and buildings within the town. It sought approval to acquire properties where voluntary improvement by the owners or enforcement action was unsuccessful. Acquisition would be through voluntary arrangement with the owners, or by compulsory purchase where this was not possible. The report listed 11 sites that had already been identified and that would form the priorities for action. We have not been able to establish the basis for deciding which properties would be included on the list – but the former Crown public house was **not** included. The report also did not set out a proposed methodology for identifying and prioritising sites where action was to be taken. For each site, it was expected that a separate business case would be prepared to determine the costs and benefits of acquisition, proposed future use, and anticipated financial costs. No specific funding was requested to support the policy. The report stated that the business case would be used to determine the most appropriate method to fund each acquisition.
- 12 On 3 September 2021, the Executive Member for Regeneration, Cllr Eric Polano emailed the Director of Regeneration and Culture, Richard Horniman regarding eyesore properties across the town. He cited a list of properties

² The Local List includes 91 buildings and other sites in the Council area of architectural or historic value, determined by reference to agreed criteria.

³ The Strategic Plan 2021-2024 included a commitment to '*transform our city centre, improving accessibility, revitalising unused assets, developing iconic new spaces, and building new town centre homes*'

that was largely the same as that contained in the Executive report of June 2020. The Executive Member asked that the owners of the buildings be contacted, the poor condition of the buildings be highlighted, and for it to be made clear that if improvements were not made, the Council could take action to compulsorily purchase them. The former Crown public house was not included on this list.

- 13 On 13 October 2021, the Executive Member for Regeneration approved investment of up to £1m to 'tackle eyesore land and property in Middlesbrough' including the possible acquisition of sites subject to the approval of a relevant business case⁴. The report did not identify any specific properties.
- 14 We have been unable to establish the date when the Crown became a priority for action as an eyesore site, although it appears to have been sometime before December 2021. On 8 December 2021, the Director of Regeneration and Culture wrote to the owners of the Crown, requesting urgent engagement about the property. The letter noted its condition and the detrimental impact of the property on the town centre. The letter asked for a discussion and noted that the Mayor and Executive Member for Regeneration were pushing for the property to be compulsorily purchased if a route to bringing the building back into use could not be identified.
- 15 The Crown continued to remain a priority for senior politicians from December 2021 onwards. On 11 January 2022, the [then] Mayor emailed the Director of Regeneration and Culture, in an email entitled '*Crown Building*'. The email asked, '*shall we get the CPO process started*'. In response, the Director said that the Council would need to have some legal basis for starting the process and that the challenge would be proving the Council needed to buy it – he said he would seek advice from Legal Services.
- 16 The former Crown public house continued to be a topic of discussion between senior officers and politicians, and with the owners and other parties, and in April 2022, the Director of Regeneration and Culture contacted the property agents acting for the owners of the Crown, De Villiers Commercial Property Surveyors, to ask if there was any update regarding possible development. In May 2022, the agent said that a planning consultant had been instructed to bring forward a development. Around July 2022, contact with the Council was made by a representative of the owner, to arrange a meeting to discuss planning principles in advance of submitting a planning application.
- 17 In July 2022, the Council submitted a bid to the Department for Levelling Up, Communities and Housing (DLUCH) for a £20m grant from the Levelling

⁴ The report stated that if the business case was approved by the Directors of Regeneration and Culture and Finance then attempts would be made to agree a voluntary purchase of the site in accordance with the Council's Asset Acquisition Policy. The report further noted that where an owner was unwilling to improve their site or dispose of it to someone who would then the Council had a range of enforcement options open to it including the use of compulsory purchase powers.

Up programme⁵. The bid was intended to help fund the redevelopment of the House of Fraser site, and the acquisition and development of the former Crown public house site. The bid sought £7.5m for the Crown site.

- 18 From August 2022, the Director of Regeneration and Culture discussed the potential development of the Crown with a third-party developer who said they were interested in the site. Correspondence recognised that the property was owned by a third party and discussions included how the Council could help facilitate contact with the owners. Discussions with this developer were still ongoing in December 2022.
- 19 The Director of Regeneration and Culture provided regular updates about the Crown to the former Mayor, Andy Preston throughout 2022. For example, as part of scheduled two weekly regeneration catch-up meetings. In addition to the Director of Regeneration and Culture, invitees to this meeting were the former Mayor, former Chief Executive, former Interim s151 Officer, and the Director of Legal and Governance Services. The Director of Regeneration and Culture confirmed that no minutes of these meetings were taken. The former Chief Executive confirmed that the Crown was regularly discussed at these meetings. He said that the former Mayor had said he would like the Council to acquire this property at one of these meetings.
- 20 On 18 October 2022, the Executive Member for Regeneration and the Director of Regeneration and Culture presented a report to the Executive. The Executive passed a resolution to exclude the press and public from the meeting when the report was presented due to the nature of the information it contained. The former Mayor, Andy Preston, was present when the report was considered. The report identified three properties in the town centre, including the former Crown public house, which needed to be conserved and brought back into sustainable and viable use. The report proposed that the Council should try to work collaboratively with the owners of these properties in order to develop a masterplan to bring them back into use. However, if this collaborative approach was unsuccessful, the Council should then seek to exercise its powers through a Compulsory Purchase Order process to secure ownership of the properties alongside the Tees Valley Combined Authority (TVCA) Mayoral Development Corporation (MDC). The report noted that the property was within the proposed boundary of the MDC. The report also noted that the likely costs of acquiring the site would be £600k, including stamp duty land tax and professional fees. It was also estimated that any subsequent survey and design fees would cost approximately £400k, and any restoration and structural works would cost approximately £5.5m. The report stated that there would be no financial risk or cost to the Council from adopting this approach. Any financial assistance provided to the property owners would be through grants already secured through the Future High Streets Fund and Towns Fund.

⁵ Round 2 of the DLUHC Levelling Up Programme offered £2.1bn of funding to invest in schemes to help regenerate town centres and high streets.

- 21 On 7 November 2022, the Director of Regeneration and Culture emailed the former Chief Executive, Tony Parkinson (copying in the former Mayor) with contact details for the agents of the owner of the Crown. The email stated that the Mayor had asked him to provide these details to the Chief Executive.
- 22 On 21 November 2022, the former Chief Executive, Tony Parkinson emailed De Villiers Commercial Property Surveyors to request a meeting about the former Crown public house. TP said that the meeting was to ask what the owner's intentions were for the property – not to discuss a possible purchase. TP said that it had been agreed at one of the regular regeneration catch-up meetings that he should meet the agents.
- 23 A meeting was held at 10am on 29 November 2022⁶ between Tony Parkinson (TP) and a representative from De Villiers Commercial Property Surveyors. TP confirmed that no record was kept of the meeting and no other Council officers were present. TP said that the subject of potential public funding to support the development of the property came up during the meeting (a figure of £3m of support to make the development viable was apparently mentioned). Following this, TP said that the agent indicated that the owner might instead wish to sell the property given that such an amount public funding was unlikely to be available. At 4.15pm, TP attended a regular Regeneration briefing meeting with the Mayor, the Director of Regeneration and Culture, the Monitoring Officer / Director of Legal and Governance, and the acting s151 Officer. An officer attending the meeting told us that TP announced that a deal had been reached to purchase the former Crown public house. No record of the meeting was kept so we have not been able to establish the details of the discussion, or whether there was any consideration of the price to be paid or condition of the property. The Director of Regeneration and Culture commented that he was surprised that the owners had agreed to sell the property given their previous reluctance to even talk about a possible disposal.
- 24 At 4.51pm on the 29 November, a representative from De Villiers Commercial Property Surveyors emailed Tony Parkinson, to confirm that the owners of the former Crown public house
- "...would be willing to potentially sell, but price would have to be at a level of £750,000 on an unconditional basis".*
- 25 Tony Parkinson informed us that he then emailed the former Mayor, Andy Preston, to seek his views. He said that the former Mayor replied, saying "yes we should do that" (we have not been able to obtain a copy of this email exchange). Tony Parkinson then responded to De Villiers Commercial Property Surveyors by email at 4.59pm, as follows:

⁶ The appointment was originally set up as a Teams meeting but Tony Parkinson thought it was conducted by telephone.

"I have spoken to Richard (cc'd) and the Mayor and can confirm that we would not be adverse [sic] to purchase at that price with completion before 31 January 2023. Richard will lead from our end."

The email was copied to the Director of Regeneration and Culture, Richard Horniman.

- 26 We understand that officers responsible for detailed work relating to the acquisition were instructed to progress the purchase by the Director of Regeneration and Culture at the beginning of December 2022. For example, the Head of Economic Growth and Regeneration was asked on 6 December 2022 to draft a report to the Executive seeking approval for the purchase.
- 27 On 18 January 2023, DLUCH announced the outcome of the Levelling Up fund bids. The bid from Middlesbrough Council for funding to regenerate the former Crown public house and House of Fraser sites was unsuccessful.
- 28 On 24 January 2023, the Executive was recommended to approve the purchase of the former Crown Public House. The covering report did not identify the property but described it as a major town centre building of strategic significance. The report noted that this symbolic asset had strong links to the Council's strategic plan but did not specify what those links were. The report also noted that no business case for a commercially viable project had yet been developed or specific end use identified for the building. The report stated that the property could be adapted for a number of purposes and business cases would therefore be prepared as part of the next stage of the project once these had been identified. The report stated that the use of a Compulsory Purchase Order (CPO) might be avoided if the current owner complied with the process. The Executive passed a resolution to exclude the press and public while the rest of the report was presented.
- 29 The report was presented by the Executive Member for Regeneration, Cllr Eric Polano. The former Mayor, Andy Preston did not attend the meeting. The exempt section of the report provided further details about the property and its possible uses. It sought approval from the Executive to acquire the Crown for £750k. The report noted that:
- the condition of the property was unknown but that a condition survey should be carried out as part of any engagement with the current owner.
 - the building would be located within the proposed Mayoral Development Corporation boundary, and this might therefore open up additional opportunities for its redevelopment. Alternatively, the Council could pursue enforcement action and undertake a Compulsory Purchase Order (CPO), but this would take 18 – 24 months to complete. It would also need to be evidenced by an approved masterplan or planning application, and the relevant funding would need to be in place.
 - the property was currently valued at £460k.
 - the site was adjacent to the cleared Gresham area and in a key gateway location adjacent to the University quarter.

- the acquisition cost had been provisionally agreed at £750k with a further £27k for stamp duty land tax, approximately £10k for professional fees, and up to £100k for essential works and security in mitigation of insurance requirements.
 - additional surveys would be conducted once the purchase had been completed, and the results would inform the final structural redevelopment package.
 - although not part of the decision, the cost of future structural and design fees was estimated to be £400k, and the cost of the restoration and structural works was estimated to be £5.5m. Given the preferred future use of the building as a possible venue for community events or entertainment, it was estimated that a further £1m might be required to bring it up to the required standard.
 - the property was included in the Council's bid for Levelling Up funding.
 - the *'emerging Mayoral Development Corporation would likely see the asset as a major / early development opportunity - particularly if coupled with adjacent land and University aspirations, as such the acquired asset could form part of the collaborative works within the new MDC - bringing new and additional assets to bear'*.
- 30 The exchange and completion of contracts for the purchase of the property took place on 10 February 2023. There were some delays following the 24 January Executive meeting to (a) allow for the call-in period and (b) to seek assurance on the Option to Tax and the appropriate treatment of VAT.

Rationale for acquisition

- 31 We have not been able to fully establish the rationale for the acquisition nor its links to the Council Strategy. Priorities around dealing with eyesore sites were identified from mid-2020 but The Crown was not initially included in lists of priority sites. The approach would include working with property owners and taking enforcement action before considering acquisition. Decisions about individual cases were to be the subject of a business plan. However, no overall policy setting out how such sites would be identified or ranked has been seen. The former Crown site appears to have become a priority in late 2021 although we have not seen any documentary evidence to show how or why this came about.
- 32 Discussions about the use of the Crown site were ongoing throughout 2022. These included possible development by the owners, and some interest from a third-party developer. It is possible these may not have come to fruition. However, the discussions appeared to still be ongoing in November 2022 at the point the former Chief Executive met the owner's agent – which initiated the process that led to purchase of the Crown.
- 33 The principal arguments for acquisition of the property put forward in the Executive report were that it is an important heritage site, it could bring potential advantages through its proximity to other development areas, and that it would be unlikely to be viable for commercial development. However, in the absence of a full business case (see paragraph 46 below), it is not

possible to weigh the strength of these arguments. The former Chief Executive said that there were two policy drivers for the acquisition of the Crown. These were regeneration of the town centre including changes in property use away from retail, as identified in the strategic plan, and the separate policy agreed by the Executive around tackling eyesore buildings. He also referred to conversations he said the former Mayor had had with representatives of the University, who were concerned about the Crown as an eyesore property, due to its close proximity to them. The former Chief Executive said that the Crown became a key priority for the former Mayor.

- 34 Some officers we spoke to who were involved in the purchase said that they did not understand the rationale for acquisition. It was also noted that some officers were unhappy with the process they were asked to follow. We were told that some concerns were raised verbally, but we have not seen any documented or formal challenge to the process by officers. Examples of comments received by the auditors, from a range of officers, included the following.

"An unconditional price was pre-agreed by management prior to the involvement of... in tandem with the imposition upon officers of an unworkable timeframe for the exchange of contracts, and legal completion."

When asked about the rationale for acquisition *"...no idea other than there was an intention to transfer it to the proposed MDC. At this point I have to say that all officers that I spoke to could not understand why the acquisition was going ahead and voiced their concerns accordingly. I certainly did so on a number of occasions... officers collectively did not understand why the acquisition was taking place and the pace of the acquisition was really surprising"*

"The key lesson that needs to be learned is for the senior decision makers (Chief Exec / Mayor) to not commit the Council to deals without first taking advice from officers. Once this has happened there is little that officers can do to retrofit processes and good governance. The challenge from officers (Statutory and Non Statutory) could also have been greater, but the organisational culture was not conducive to that happening." In a separate comment, the same officer said *"The way the purchase was done was entirely consistent with the macho style of leadership in place at the time..."*

The manner in which the valuation was agreed

- 35 As noted above, the former Chief Executive, Tony Parkinson (TP) met with a representative of the agents on 29 November 2022. During the meeting the owner's potential willingness to sell was indicated by the agent. This was followed by the emails described at paragraphs 24 and 25 in which TP confirmed that the Council would not be averse to purchasing the property at the price of £750k stated by the agents. This was without further negotiation or reference to a valuation and prior to an Executive decision having been made. After these exchanges, TP said that he asked officers to take forward the potential purchase through the Executive. TP said that he thought £750k seemed a lot although he was not concerned about it and could not say whether it was an appropriate sum. He felt that it was

acceptable if it was affordable, given that it met key policy objectives around town centre regeneration and eyesore properties, and provided that the relevant professional officers had no concerns. TP said that he did not consider the price of £750k to be non-negotiable and he would therefore have expected the relevant professional officers to negotiate on the price if this was appropriate. He did not consider this to be his role. He said that no one raised any concerns about the price with him. This appears to conflict with statements made by some other officers (as noted in paragraph 34) who seemed to believe a deal had effectively been agreed.

- 36 The Executive report of 24 January 2023, seeking approval for the acquisition stated that the Council had valued the Crown at £460k. It also states that that *'Whilst all valuation opinions are less than the proposed purchase price of £750k, the benefits of controlled ownership, access to public grant programmes and alignment with the emerging Mayoral Development Corporation, present significant advantages in relation to the valuation premium'*. We have reviewed some of the valuation information provided by officers and the figure of £460k quoted in the report did not seem unreasonable. The Executive therefore took a decision to acquire the Crown and agreed to a pay approximately 60% more than its market value, for the reasons set out above.

Assessment of present condition and future liabilities

- 37 No assessment of the condition of the property was undertaken in advance of the email from the former Chief Executive in November 2022 to the owner's agents saying that the Council would not be averse to purchasing the Crown.
- 38 The Executive report of 24 January 2023, seeking formal approval for acquisition, made the following points:
- *The Crown has stood empty since 2015. The vacancy has resulted in the buildings condition deteriorating in that timeframe*
 - *The condition of the property is unknown, there has historically been a number of surveys carried out on the buildings but these are no longer valid, as part of any engagement with the current property owner a condition survey should be carried to ascertain the level of works that would be required to bring it back into a commercial use*
 - *On last viewing C. 2017, the property was in a severe state of dilapidation and in need of a wholesale renovation, notwithstanding any heritage / structural works which may be required*
 - *The current condition of the building is not known therefore this could present a risk to any assumptions made with the renovation of the building.*
- 39 The Executive report included an indicative figure of £5.5m for restoration and structural works, based on historical surveys, site plans and planning information. However, this estimate was likely to be subject to error given that no recent condition survey had been undertaken, and no firm plans for

future use of the building had been determined. The degree of uncertainty and hence risk was not made sufficiently clear in the Executive report. As noted below, it also appears there was an expectation that the property would transfer to the MDC after completion.

- 40 The Executive report requested the allocation of £200k of revenue budget to fund costs associated with holding the property (for example security and insurance).

Legal matters arising or outstanding

- 41 A number of issues arose during the preparations for acquisition, but these appear to have been resolved. We are not aware of any outstanding issues.
- 42 The seller's solicitors contacted the Council on 22 December 2022 to commence the formal sale of the property. This was at least one month before the Executive report was considered and approved.
- 43 Legal issues considered in advance of the purchase included the conduct of appropriate searches, enquiries as to current ownership, resolving issues around dealing with an overseas seller, and VAT. Advice was sought from HMRC about whether the option to tax form provided was valid, in advance of paying VAT on the purchase.
- 44 Potential risks to the Council between the exchange and completion of contracts were noted, and discussions were held with the Council's insurers. It was subsequently agreed that exchange and completion would happen simultaneously. The purchase was completed on 10 February 2023.
- 45 In discussions, officers in Legal Services made the following observations:
- The tight turnaround time for the purchase was queried. The officers involved in the process said they challenged the reasons for this but did not receive a substantive reply from Property Services.
 - Legal Services ensured that a full suite of searches was undertaken, and these highlighted a couple of points of interest which were raised with officers in Property Services.

The business case

- 46 An Asset Acquisition Business Case was prepared for the purchase of the Crown, in December 2022, after the process to purchase the property was triggered by the former Chief Executive on 29 November 2022. It is included as appendix 2 to the exempt Executive report on 24 January 2023. It is very brief and does not include a full analysis of the costs and benefits for the purchase or any clear rationale, other than that it would ensure the control and protection of an important local asset. Preparation of a business case was a requirement of Council policy. However, the business case completed was superficial and did not present a detailed analysis of the case for purchasing the property.

- 47 A standalone business case to Green Book⁷ standards was not developed for the acquisition of the Crown property. We understand that a Green Book business case was produced as part of the Levelling Up Fund round 2 bid in July 2022 although we have not reviewed this. We would have expected the considerations for the Council funded purchase of the Crown to have been significantly different to those relating to the wider Levelling Up Fund bid. The Director of Regeneration and Culture also said that he thought the business case was slightly irrelevant given that the former Chief Executive had already agreed a deal.
- 48 The overall case for acquisition set out in the Executive report of 24 January 2023 was built around the need to gain control of the site and a recognition that a premium would need to be paid to the owners as a result. However, elements of the case made out in the report were misleading. We have outlined some examples of our reasons for concluding this below.
- 49 There was no indication in the report that negotiations for the purchase were at an advanced stage. In practice, final sign off for the purchase was being sought in the knowledge that it would be followed by almost immediate completion. There are some indications that discussions with the owner had commenced – for example paragraph 10 of the exempt (part B) report states that *'The acquisition cost of the site is anticipated to be, and provisionally agreed at, £750k'*. However, other statements throughout the report give the impression of the acquisition as work to be progressed following the decision. For example:
- Paragraph 6 of the public (part A) report states *'The asset is privately owned and, assuming owner compliance, a Compulsory Purchase Order (CPO) process may be able to be avoided'* (further statements about the possibility of a CPO taking 18-24 months are included in part B)
 - Paragraph 4 of the part B report states *'The condition of the property is unknown...as part of any engagement with the current property owner a condition survey should be carried to ascertain the level of works that would be required to bring it back into a commercial use.'*
 - Paragraph 6 of the part B report states *'There is an opportunity to engage with the current property owner for the acquisition and redevelopment of this symbolic heritage asset'*.
- 50 The report indicates that there was no reasonable prospect of the property being brought back into commercial use by the private sector. Other than acquisition, the only other option listed in the report is *'Do Nothing'* – with the consequence that the property would remain in its present dilapidated state. We have not seen any evidence to show how officers reached the conclusion that there was no prospect of private development of the site. As noted in paragraphs 16 and 18 above, discussions had taken place with both the current owner and a third party interested in the site in mid to late 2022. We have not seen evidence to confirm that these discussions had run

⁷ The Green Book sets out guidance issued by HM Treasury on how to appraise policies, programmes and projects. The Council's Constitution sets out the requirement for a business case to be prepared for each capital project, that should comply with the principles of the Green Book.

their course before the process to acquire the property was initiated in November 2022.

- 51 There was also an urgency to complete acquisition of the property. In his email of 29 November 2022 (stating that the Council would not be averse to purchasing the property), the former Chief Executive, Tony Parkinson (TP) said that completion should be before 31 January 2023 – just two months later.
- 52 TP said that the urgency was driven by the former Mayor, who had told TP to ensure it was done by 31 January. TP said that he understood that the former Mayor felt that property deals generally took too long, and also that the Mayor was aware of the upcoming pre-election period (purdah). There was only one Executive meeting before this period commenced and the Mayor wanted the decision to be taken at that meeting. TP said that he thought the former Mayor was concerned about decisions he had made being potentially undone after the election. We have not seen any documentary evidence to show why prompt acquisition of the Crown was an essential part of the business case for the Council (for example to ensure an opportunity to purchase was not lost).
- 53 The Executive report of 24 January 2023 noted that the proposal to acquire and develop the former Crown public house was included in the Council's July 2022 Levelling Up bid. It stated that a decision on the bid was due in spring 2023 and that, if successful, this would be the principal source of capital for fees and restoration. It also stated that if the bid was unsuccessful then new options would be presented to the Executive for consideration. This was misleading. It was already known that the results of the bid were likely to be announced in January 2023 – and the actual outcome was known on 18 January before the report was considered. A draft version of the Executive report included reference to the outcome of the Levelling Up bid being known in January. However, internal officer comments on the draft recommended being less specific and removing the reference because it could raise the question as to why the Council was not willing to wait a month to find out the result.

Adherence to policies

- 54 Once instructed to progress a decision for acquisition of the Crown, officers attempted to ensure that policies and procedures were followed. However, there were weaknesses in the processes followed. Some examples are listed below.
- 55 Regeneration of the town centre was clearly identified as one of the Council's strategic priorities (see paragraph 10 above). The Executive had also set out its intention to address eyesore sites across the town (see paragraph 11 for example). However, this was not supported by a transparent framework for identifying and ranking priorities for action. The former Crown public house appeared to become a priority in late 2021 but we have not seen documentary evidence to show the reason for this (see paragraph 14). In the absence of a clear policy and a robust business case,

it is not possible to confirm that the Crown site should have been a key target for acquisition and development.

- 56 A full business case for the acquisition and development of the Crown site was not prepared in advance of discussions with the owners commencing. The initial meeting with the owner's agents, where the potential for a purchase was raised, only involved the former Chief Executive, with no other officers present. This was not documented. On the same day as this meeting, the former Chief Executive communicated to the seller's agent that the Council would not be averse to purchasing the property at the proposed price of £750k. He had no knowledge of the condition of the property or its market value at the time of this communication. In addition, no attempt was made to formalise negotiations with the agents after the initial communications. The initial exchanges that triggered the purchase seem to have had the effect of fixing the terms of the purchase by the Council, whether or not this was the intention.
- 57 A business case was completed in December 2022, after the acquisition process had commenced. However, as noted in paragraph 46 above, this was superficial and did not present a detailed analysis of the case for purchasing the property. It did not comply with Green Book principles as required by the Constitution.
- 58 An issue arose relating to outstanding business rates owed by the current owner of the Crown site, during the acquisition. We understand that £68k in business rates was expected to be owed by the time of completion. Officers considered whether it would be possible to recover the debt by making it a condition of the purchase. On 15 December 2022, the Director of Regeneration and Culture emailed colleagues to say that he had spoken to the former Chief Executive who was of the opinion that the Council could try to recover some of the money owed, but not to jeopardise the deal because of it.
- 59 On 22 December 2022, officers in legal services highlighted a conflict between the proposed approach to business rates and the Corporate Debt Management Policy. This states that any amounts owing should be recovered in advance of a contract being concluded or offset against the contract value. It was advised that it would be preferable to recover the money owed from the purchase price. However, if this was not done, the report to the Executive in January 2023 should explicitly ask that an exemption from the Corporate Debt Management Policy be given, to avoid setting a future precedent.
- 60 On 5 January 2023, the former interim Director of Finance said in an email that the issue of debt management was not referred to in the draft Executive report. She also said that the Council needed to be seen to be recovering the debt and to have appropriate discussions with the seller. She goes on to say that Legal Services will provide appropriate wording for the report. No reference was subsequently made to outstanding business rates in the Executive report.

Impact of site being within the MDC boundary

- 61 From the information seen, there are indications that links to the proposed transfer of assets to the Mayoral Development Corporation (MDC) could have been a factor in decision making around the Crown site. However, we have not looked at this issue in detail. The former Chief Executive said that he believed that at the time the property purchase was being considered, formal establishment of the MDC was still some way off. Although this is inconsistent with statements in the Executive report of 18 October 2022 about eyesore sights including the Crown (see paragraph 20). This says that the property is within the proposed MDC boundary.
- 62 Officers spoken to about the acquisition said that the assumption was that the Crown site would be transferred to the MDC. Links are also made to the MDC in the Executive report of 24 January 2023. This noted that the site was within the MDC boundary and that this might open up additional opportunities for development. It also concluded that *'The emerging Mayoral Development Corporation (MDC) would likely see the asset as a major / early development opportunity – particularly if coupled with adjacent land and University aspirations, as such the acquired asset could form part of the collaborative works within the new MDC – bringing new and additional assets to bear'*.
- 63 One officer spoken to indicated that the transfer of the Crown site to the MDC would be dependent on whether wider approval was given on the transfer of assets. They also noted that, given the state of dilapidation, it was not clear whether the MDC would want to take the Crown site. Or whether its state could mean conditions could be imposed on the Council by MDC if the asset was to transfer. We did not explore this issue as part of this review.

Conclusions

- 64 Regeneration of the town centre was a key aim for the Council. Policy developed to address eyesore sites and buildings reflected this. However, no methodology for identifying and prioritising sites for action was developed to support the policy. We would have expected to see clearly defined criteria that could be used to assess the relative importance of different sites. We would also expect to see a clear process for capturing information and ranking potential sites. In the absence of this, it is difficult to judge the relative merits of any specific proposal. In a report to the Executive in June 2020, 11 sites were identified for potential action. We did not see any evidence to show why these sites were to be targeted or why the former Crown site was not included, given that it subsequently became a priority.
- 65 As late as September 2021, lists of eyesore sites asked about by the Executive Member for Regeneration did not include the former Crown Public House. Soon after this (in December 2021) the Crown appeared to become a priority. We have seen no evidence to show what had changed and why this property was now to be targeted for action. Similarly, we have seen no evidence of how it ranked compared with other potential sites – for example the 11 sites on the original list presented to the Executive in June 2020.
- 66 In the absence of clear criteria for ranking eyesore sites, it is not possible to say whether the Crown site should have been a priority for action or not. Senior councillors clearly felt it was important for regeneration purposes by late 2021. However, despite this, no formal process was established to progress action for the site. For example, by drawing up a business case and staged action plan, setting out how activity would be escalated if no progress with development was seen. We have seen evidence that action was being taken. For example, communications with the owners about development, and some discussions with interested third parties. By late 2022 we were also told that the former Mayor was interested in the Council acquiring the site. However, the lack of formal plans meant that the Council was not ready to act when an opportunity came up in November 2022.
- 67 Discussions about regeneration priorities between officers and councillors were carried out in an unstructured way. Two weekly regeneration catch up meetings were held. These were attended by the former Mayor, the Director of Regeneration and Culture, and other senior Council officers. However, there was no standing agenda, and the meetings were not formally documented. It is also not clear what the role of this group was in determining priorities, and the links between these informal discussions and the Council's formal decision-making processes.
- 68 An Executive report in October 2022 identified the Crown as one of three priority eyesore sites. This is the first point at which the Council's interest in the site was formally recorded. However, the report contains little information to say why these three sites were a high priority compared to other potential sites. This report notes the proposed approach to dealing with the properties – escalating action through discussions with the owners

up to acquisition by compulsory purchase, if required. While action was subsequently taken for the Crown (see below), we saw no evidence that a clear plan to formally take forward the decisions from this Executive meeting was then prepared. Instead, the approach taken continued to be unstructured.

- 69 The former Chief Executive stated that it was agreed at one of the two weekly regeneration catch up meetings that he would speak to the agents for the owners of the Crown site (the meeting requested on 21 November 2022 and held on 29 November 2022). It is not clear why the Chief Executive was asked to progress this rather than officers from the relevant service. There was also a lack of transparency around the subsequent meeting. The Council was represented solely by the former Chief Executive and the meeting was undocumented. However, this was an important meeting which effectively started the process that resulted in the purchase of the Crown. It provided an opportunity to purchase the property thereby shortcutting the need for more formal intervention, or a compulsory purchase. However, the Council was unprepared to progress the opportunity in a structured way. No consideration had been given to the potential value of the property at this point, and a business case had not been prepared.
- 70 The former Chief Executive said that he indicated to the owners of the Crown that the Council might be interested in purchasing the site; but he expected the relevant professional officers to firm up and progress any agreement. However, other officers said that they believed they were being asked to implement a deal that had already been agreed. At best, this represents poor communication. However, some officers refer to wider concerns about the culture within the Council at the time and an inability to challenge how decisions were made or things were done. These issues resulted in the Council purchasing the Crown at 60% more than its market value, with no negotiation of terms with the owner after the initial contact by the former Chief Executive.
- 71 Subsequent actions by officers appear to reflect this situation – that is, that they felt they were implementing a deal already agreed. They attempted to follow the correct procedures, but the arrangements failed to consider whether best value was achieved for the Council in practice. For example, a valuation was sought – but no attempt was made to negotiate on price once this was known to be substantially less than the asking price. In addition, a business case was prepared that provided insufficient information to judge the relative merits of purchasing the property against the Council’s policy objectives. At the point of purchase, there was no clear plan for the use of the property and no detailed assessment of the potential development costs.
- 72 The difficulties that officers would have experienced in developing a proper business case will have been exacerbated by the urgency to complete the purchase. The Council requested completion of the purchase within two months – by 31 January 2023. However, we’ve seen no evidence to show why this was in the interests of the Council. For example, that it was necessary to guarantee the acquisition of the site. The former Chief

Executive said that the urgency to complete the purchase was driven by the former Mayor.

- 73 In accordance with Council requirements, the Executive was asked to formally review the business case for the acquisition of the Crown, and approve its purchase, at its meeting on 24 January 2023. However, there was a lack of transparency in the information presented to the Executive and elements of the report were either missing or misleading. For example:
- the business case presented was superficial - it stated that the purchase would meet policy objectives, but this was not clearly explained (and would have been difficult in the absence of clear criteria, as noted above)
 - no credible consideration was given to other options in the report
 - the report gave the impression that further work was to be done to engage with the owners, before a purchase was pursued – in reality, it represented final sign off before completion of the acquisition almost immediately afterwards
 - no information was provided about the levelling up bid that related to the Crown (submitted in July 2022) - it was already known that the bid had been unsuccessful at the time the report was presented, but the report stated that the decision was due in the spring and could be the source of funding for restoration; this wording was different from earlier drafts that stated the outcome of the bid would be known in January.
- 74 From the information reviewed during the audit it is not possible to say whether the decision to purchase the Crown appears reasonable or represented best value. It could meet a number of the Council's key policy aims, but in the absence of a framework for determining priorities for eyesore sights it is not possible to confirm this. If it does address key aims, then the purchase price and short timescale for acquisition might have been appropriate. For example, if the purchase was likely to be the only viable outcome and the price was lower than a potential compulsory purchase exercise; or if the seller had demanded a quick timescale for completion. However, no information has been seen to confirm whether this was the position. Overall, there were a lack of formalised arrangements for taking forward a decision of this nature.
- 75 No subsequent business case setting out commercially viable options for future use of the site has been produced (as set out in the Executive report of 24 January 2023).
- 76 Comments in the report to the Executive on 18 October 2022 note that the Crown is within the proposed Mayoral Development Corporation (MDC) boundary. It seems likely that links to the proposed MDC were a factor in decision making and influenced the process undertaken to acquire the property. However, it is not possible to confirm this. Some officers said that there was an assumption that the property would transfer to the MDC, and potential MDC interest in the property was also noted in the January 2023 report to the Executive on purchase of the Crown. However, at the time of the decision the arrangements for the MDC had not been finalised. There

was also no certainty that the property would transfer if acquired. If transfer to the MDC was a factor in the minds of officers and councillors when considering the purchase, then the potential implications and risks were not set out.

Recommendations

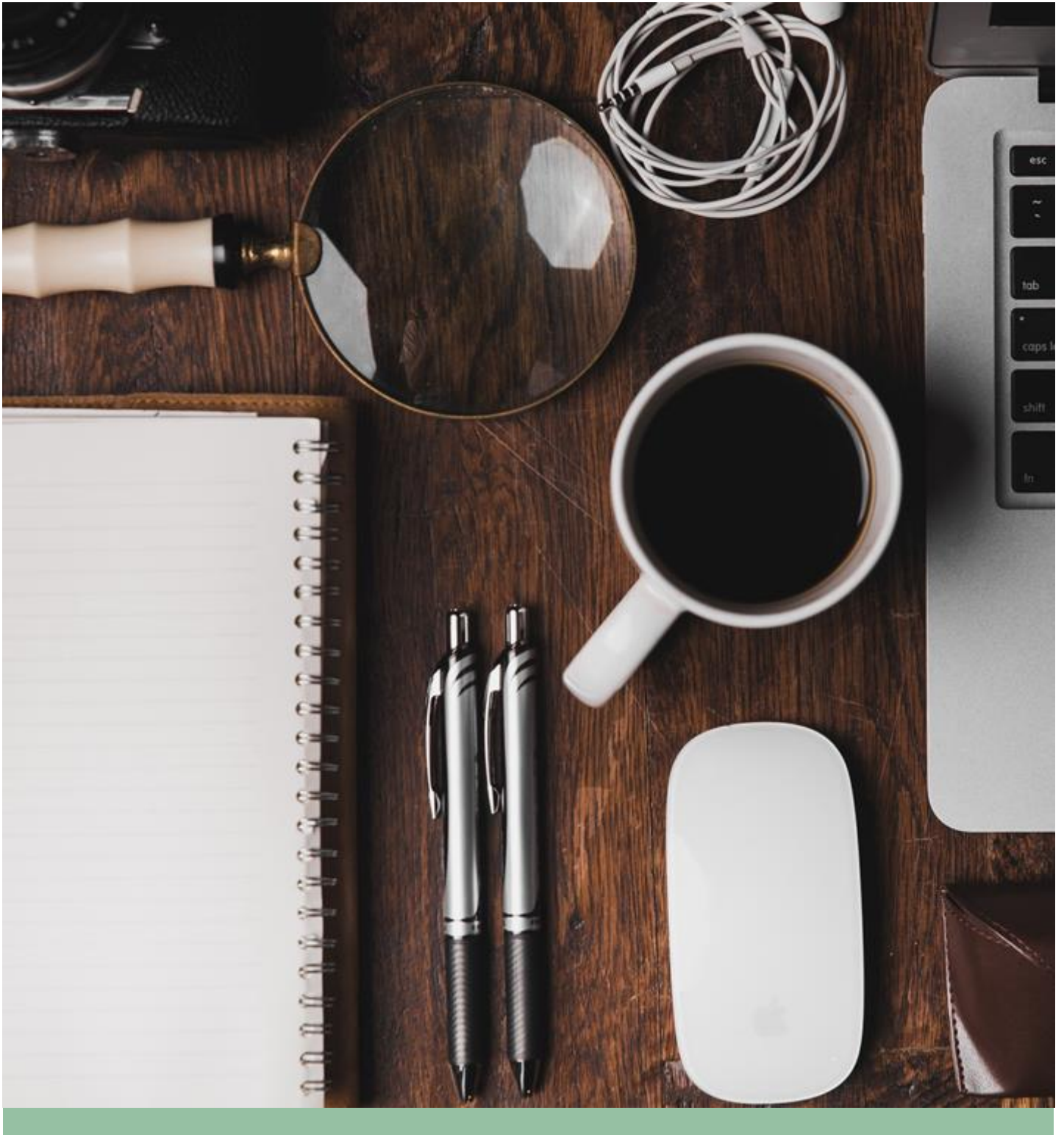
- 77 Effective processes should be developed to support the implementation of the Council's policy. For example, in the case of eyesore properties, we would have expected to see mechanisms for capturing information on sites of interest, criteria for determining the extent to which options would meet policy objectives, arrangements for ranking potential schemes and formalised decision-making processes.
- 78 Transparent arrangements should be put in place for discussion and decision making around significant development priorities. The roles of different groups should be clearly established. Where informal discussion groups may have significant influence on decision making (for example the two weekly regeneration catch up meetings) then arrangements should be put in place to formally consider or document decisions made. For example, through subsequent consideration by a relevant officer or meeting of councillors, in line with the Constitution.
- 79 Property acquisitions should be managed by the relevant professional service. Where discussions with property owners are held, these should be formally documented.
- 80 The Council should ensure that a full business case is drawn up in advance of progressing any property acquisition. Appropriate valuations should be undertaken and used to inform negotiations with the seller. Any premium to be paid over the market value of the property should be clearly explained and justified as part of the business case. Appropriate time should be allowed to progress significant property transactions.
- 81 The Council has made considerable efforts since the Best Value Notice was issued in January 2023 to improve organisational culture and to address many of the issues identified in this report. Cultural change however takes time. The Council should therefore continue to ensure that officers feel able to challenge arrangements around transactions such as the purchase of the Crown, within appropriate professional boundaries, and the need to ensure that reports requesting decisions on significant issues are transparent, present the full facts, and include a clear assessment of the relevant risks.

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COUNTER FRAUD PROGRESS REPORT

Date: 14 March 2024

Appendix 3





BACKGROUND

- 1 Fraud is a significant risk to the public sector. The government estimated that between £33.2 and £58.8 billion of public spending was lost to fraud in 2020/21¹. Financial loss due to fraud can reduce a council's ability to support public services and can cause reputational damage.
- 2 Veritau delivers a corporate fraud service to the Council which aims to prevent, detect and deter fraud and related criminality. The counter fraud team investigates allegations of fraud, plans and takes part in counter fraud campaigns (eg the National Fraud Initiative), undertakes fraud awareness activities with staff and the public, and maintains and updates the Council's counter fraud framework and associated policies.
- 3 This report updates the Audit Committee on counter fraud activity in 2023/24.



FRAUD MANAGEMENT

- 4 A key objective for the counter fraud team is to raise awareness of fraud with members of staff and the public. International Anti-Corruption Day was marked in December by providing information to employees about the risks of bribery and money laundering faced by the council.
- 5 Earlier exercises were delivered during International Fraud Awareness Week in November, Cyber Security Awareness Month in October, and World Whistleblowers' Day in June. In addition, service specific training has been provided to officers working in the benefits team.



MULTI-AGENCY WORK

- 6 The National Fraud Initiative (NFI) is a large-scale data matching exercise that involves all councils and other public sector bodies in the UK. The work of the NFI is overseen by the Public Sector Fraud Authority (PSFA) and the exercise runs every two years. The results of the 2022/23 data matching exercise (which identified 6,100 data matches) are currently being reviewed by the counter fraud team and other services across the council.

¹ [Tackling fraud and corruption against Government](#), National Audit Office

INVESTIGATIVE WORK

- 7 Between 1 April 2023 and 31 January 2024, the counter fraud team received 93 referrals of suspected fraud. These cover potential council tax fraud, council tax reduction fraud, internal fraud, blue badge fraud, and debt evasion issues. Referrals have been made by members of staff, the NFI, and the public. Thirty-one investigations have been completed this year and there are currently twenty cases under investigation. One person has been successfully prosecuted and four people have received formal warnings for fraud involving the council tax reduction scheme and council tax discounts.
- 8 Investigative work in 2023/24 has identified £55k of loss due to fraud and error. The counter fraud team supports the Council to recover losses identified as part of investigations. Counter fraud savings² are also tracked by monitoring repayments to the Council and calculating the value of stopping ongoing frauds. To date £39k of counter fraud savings have been identified.
- 9 The team is also supporting legal proceedings taken by the Council to recover £300k of outstanding business rates from a company with substantial commercial property holdings within Middlesbrough. The case is currently going through the court process.

² Counter fraud savings consist of money recovered during the course of the year (debts may have been calculated in previous years as well as the current financial year) and 12 months of savings where an ongoing fraud has been stopped through the work of the counter fraud team.

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