

MIDDLESBROUGH COUNCIL

Report of:	Director of Legal and Governance Services
Submitted to:	Corporate Affairs and Audit Committee
Date:	15 August 2023
Title:	Internal Audit Investigation – Middlesbrough Development Company Governance review
Report for:	Information
Status:	Public
Strategic priority:	All
Key decision:	No
Why:	Not applicable
Urgent:	No
Why:	Not applicable

Executive summary

This report sets out the findings of a completed investigation that assessed the governance of the Middlesbrough Development Company.

The arrangements were assessed against recently issued best practice guidance on the governance structures that should be in place for partly and wholly owned Council Companies.

Actions taken to date and the planned actions within this covering report will ensure that the Council learns lessons from this review to ensure corporate governance is strengthened going forwards.

Purpose

1. The purpose of this report is to set out the findings of a recently finalised investigation by the Council's Internal Audit service, Veritau.

Background and relevant information

2. The purpose of the investigation was to review governance arrangements against best practice guidance that had been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA), following a number of high-profile failures of Council owned companies nationally.
3. During completion of the audit, an Executive decision was taken to endorse a proposal to close down the company and put in place alternative arrangements within the Council to manage or dispose of any assets.
4. A copy of the full final report is attached to this report at Appendix One. The report contains one recommendation in light of the Executive decision to close down the company. It states that the Council should ensure the findings of the report inform future decisions around the creation of Council owned companies and their governance arrangements.
5. The Council has now developed a policy and supporting minimum standard which sets out the requirements for any Council company. This was agreed by the Executive Member for Finance and Governance on 25 July 2023.
6. The Council has made a number of changes to the governance of the Middlesbrough Development Company that will be in place during the wind up procedure for the company. A separate report on this will be brought forward to Executive by the Director of Regeneration who is leading this process. This will set out the changes in detail, the actions taken to date and the planned actions that will be taken during the wind up period to ensure the Council is assured that value for money is being achieved and its financial risks are mitigated. This report will be presented to Executive in the Autumn.
7. In addition to the development company, there is one partly owned Council company in existence, Veritau (Tees Valley) which provides Internal Audit services to both Middlesbrough Council and Redcar and Cleveland Council. During 2023/24 a review of the governance arrangements for this company will be undertaken to ensure it complies with this policy. This will be conducted by the Section 151 Officer as the Leadership Management Team officer with responsibility for Internal Audit and tracked as an action within the Annual Governance Statement covering the 2022/23 period, for action in 2023/24.

What decision(s) are being recommended?

That the Corporate Affairs and Audit Committee:

- Notes the content of the internal audit review appended to this report
- Notes the action taken to date to address the concerns raised in that report
- Notes the further planned actions in relation to the governance of partly and wholly owned Council companies.

Rationale for the recommended decision(s)

8. The report and the actions associated with it will ensure lessons are learned in relation to this subject.

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

9. Not applicable.

Impact(s) of the recommended decision(s)

Legal

10. The report is for information only. There are no legal implications arising out of its recommendations that the content is noted.

Strategic priorities and risks

11. The report, actions taken to date, and planned actions will ensure the Council’s corporate governance arrangements in relation to partly and wholly owned companies are strengthened, positively impacting on the following strategic risk:

‘If the Council’s Corporate Governance arrangements are not fit for purpose and appropriate action is not taken to rectify this at pace, this could result in government formal intervention including removal of powers from officers and members and direction of council spend.’

Human Rights, Equality and Data Protection

12. Not applicable.

Financial

13. Not applicable.

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

Action	Responsible Officer	Deadline
Present a report to Executive that sets out how the revised governance of the company will align with the Council’s policy on the governance of companies and to also present the action plan for the winding up of the Middlesbrough Development Company to Executive	Director of Regeneration	30 September 2023
Complete a review of the governance arrangements of Veritau (Tees Valley) against the requirements of the Partly and Wholly Owned Council Companies policy	Section 151 Officer	30 March 2024

Appendices

1	Middlesbrough Development Company – Veritau Internal Audit report
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Background papers

Body	Report title	Date
Executive	Middlesbrough Development Company	24 January 2023
Executive Member for Finance and Governance	Wholly and Partly Owned Council Companies Policy and supporting Minimum Standard	25 July 2023

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