

Middlesbrough Council

Corporate Governance Improvement Plan (Phase 3)

SEPTEMBER 2023



Content

Foreword from the Mayor and Chief Executive	1
Introduction	2
Summary of the key deliverables against the plan for 2023/24 and 2024/25	5
Theme 1: Cultural transformation	11
Theme 2: Financial recovery and resilience	17
Improvement Plan governance	22
Delivery resourcing	25

Foreword

Since coming into our positions in March and May this year, our joint priority has been to address the culture and governance weaknesses that have been previously identified and accepted by the Council. In addition, the plan also reflects the importance of tackling the financial challenges that have risen in significance since the 2023/24 budget was set in February 2023. The Council is dealing with persistently high inflation and increased demand for services, particularly in Childrens and Adults Social Care. These costs are presenting significant challenges to the Council, while the cost-of-living crisis continues to adversely affect many of our residents and local businesses.

We recognise the seriousness of the culture, governance and financial challenges facing the Council that have been raised by our External Auditors and the Department of Levelling Up, Housing and Communities. We are fully committed to ensuring that the organisation's collective effort is fully focussed on addressing these weaknesses at pace, to ensure that we embed a more positive culture, alongside effective governance and financial management arrangements.

This will require the Council to be fully focussed on the issues within this plan and committed to its delivery. This is reflected in the profile of activity.

As leaders in this organisation, we are committed to continuing to model the changes we want to see embedded across the Council.

The size and scale of the challenge is significant, but by working together, with additional support from Government and our partners, we are confident that successful delivery of this plan will result in a fundamental change for the better. This will ensure we are a well governed Council, with all Members and officers focussed on what is best for the residents of our town and delivering the right services for them in a cost effective, efficient and financially sustainable manner.



Chris Cooke
Mayor of Middlesbrough



Clive Heaphy
Interim Chief Executive
Middlesbrough Council

Introduction

In July 2022 the Council commenced on a corporate governance improvement journey, setting out a series of steps that would be taken in response to a range of concerns identified by the Council's External Auditors, Ernst and Young (EY). Work commenced immediately to seek external expertise and advice to support the Council through this process, resulting in the production of an independent review of the Council's culture and governance by the Chartered Institute of Public Finance and Accountancy (CIPFA). This review was accepted by Council in October 2022 and used to develop Phase Two of the Corporate Governance Improvement Plan, overseen by a Board of officers and Members, with an independent Chair from the Local Government Association.

In January 2023, the of Department Levelling Up, Housing and Communities (DLUHC) issued a [Best Value Notice](#) to the Council, setting out clear expectations that the Council must deliver improvements at pace, with clear milestones and measures of success. It also set out a requirement to focus on improving relationships between officers and Members, as well as increasing engagement at a working level with DLUHC.

Whilst progress was made during this Phases One and Two of the Corporate Governance Improvement journey, disruption to progress against initial ambitions was experienced as a result of significant turnover within the senior leadership team, a change in political control in the Council's administration and a newly elected Mayor.

Early review and challenge of the Council's budgetary position within the first quarter of 2023/24 has identified significant financial pressures facing the organisation, which risk exhausting the Council's available revenue reserves within the current financial year, requiring prompt and corrective management action in order for the Council to contain expenditure within its available financial resources and further, to set a legally balanced budget for 2024/25. Failure to do so may result in the Council's Section 151 Officer issuing a Section 114 Notice to the Council.

The requirement to achieve financial recovery and resilience over the medium-term is critical to the Council's business continuity and its governance improvement journey. In order to achieve improved service outcomes for residents within an affordable and financially sustainable budget, the Council must redesign and transform its service delivery models to operate from a significantly lower cost base and have a firmer grip upon its financial management and control environment. This requirement is reflected within the statutory recommendations issued by the External Auditor on 21 August 2023.

As a result of the above, the Council has structured Phase Three of its Corporate Governance Improvement Plan around the two themes of:

- Cultural transformation
- Financial recovery and resilience.

Theme 1: Cultural transformation

Delivery of this plan will be dependent upon several factors, however changing the Council's culture is arguably the most significant challenge it faces. As such there will be significant focus on this theme within phase three of this improvement journey. Successful delivery of cultural transformation will have a significant impact on all the other elements within this plan and the Council Plan, currently in development, will also include a focus on delivery of a positive culture. Activities within this theme will include:

- Development and commencing delivery of a People and Cultural Transformation Strategy which will set out how the Council will harness and develop the skills and talents of its officers and Members within a positive, supportive culture that is focussed on:
 - Performance
 - effective engagement
 - adherence to expected standards and ways of working set out in the policies and procedures that comprise the Council's Corporate Governance Framework
 - inclusion and wellbeing.

This will set out clear expectations around behaviours, to ensure the Nolan Principles and the Council's Values are lived and reflected in day-to-day practice.

- Development and delivery of an enhanced Member Development Strategy that will build on the successes of the refreshed Member induction programme to ensure Members have the skills and knowledge to be able to fulfil their roles.
- Delivery of an improved Corporate Governance training programme for Members and Officers that supports collective learning and increased understanding of perspectives, as well as improving skills and knowledge around key corporate governance disciplines.
- Putting in place a plan to ensure stable and sustainable leadership within the officer structure of the organisation.
- Re-introduction of an appraisal process as part of the delivery of the People and Cultural Transformation Strategy to ensure improved focus on performance and accountability as part of steps to embed the expected behaviours required to ensure the Council operates effectively and in line with corporate governance good practice.
- Review the Council's approach to Member enquiries and engagement to ensure it reflects the learning from the corporate governance improvement journey to date.
- Underpin all the good work to be done above, with a supporting Communications and Engagement Plan.

Theme 2: Financial recovery and resilience

Achieving financial recovery and resilience relies upon the Council:

- Controlling 2023/24 expenditure within approved budget to protect its critically low reserves
- setting a balanced budget for 2024/25 and over the 3 year period of the MTFP to 2026/27 including a plan to replenish revenue reserves
- Improving financial governance, spending controls and monitoring by ensuring more effective financial management across the organisation

This will mean taking bold decisions including potentially stopping or reducing services, redesigning, and transforming service delivery models to improve the economy, efficiency and effectiveness of the Council's operations to deliver improved value for money and achieve financial sustainability in the medium to long term.

It is clear that the Council needs to establish a Transformation Programme in order to redesign its services to operate from a significantly lower cost base and to embed a continuous improvement approach over the longer term. Work is underway to develop the Transformation Programme as part of the 2024/25 Council Plan and Medium Term Financial Plan (MTFP) development process. Robust programme governance arrangements will be established and the capacity required to deliver will be secured in order to support the delivery of the Council Plan within a framework of more robust governance and cultural improvement.

The primary source of funding to deliver transformation in the context of the Council's depleted revenue reserves, will be through the Flexible Use of Capital Receipts in accordance with Government statutory guidance. This requires the Council to generate a pipeline of capital receipts from the sale of surplus assets in order to fund the investment in transformation.

KEY DELIVERABLES SUMMARY AGAINST THIS PLAN IN 2023/24 AND 2024/25**Theme 1 – Cultural Transformation**

Workstream	Deliverables	23/24 Timescales	24/25 Timescales	Owner
People and Cultural Transformation Strategy	Strategy agreed by Leadership Management Team	October 2023		Head of HR
	Present the Strategy to Constitution and Member Development Committee, alongside the Member Development Strategy	October 2023 (Special meeting)		Head of HR
	Commence delivery of the Strategy against the underpinning delivery plan	October 2023 onwards		Head of HR
	Provision of progress against delivery of the plan on a quarterly basis to Leadership Management Team	February 2024 and quarterly thereafter		Head of HR
	Completion of the first annual review to assess delivery and impact on measures of success and report to Leadership Management Team and Audit Committee		November 2024	Head of HR
Member Development Strategy	Develop the draft Strategy that transforms development	September 2023		Head of Legal (People)
	Consult Members and key stakeholders on the proposed approach	October 2023		Head of Legal (People)
	Formally present the Strategy	October 2023		Head of Legal (People)
	Launch delivery of the strategy	November 2023 onwards		Head of Legal (People)
	Review the strategy, seeking member views throughout delivery as well as during the review to assess impact	Feedback from each delivered session will be gathered to shape delivery, as well as completion a full review after 12 months		Head of Legal (People)
Corporate Governance Training Programme	Development of the training programme with input from specialist leads	October 2023		Organisational Development Manager
	Launch of the training programme	November 2023		Organisational Development Manager
	Launch of mandatory e-learning on the constitution, values and codes of conduct for all staff (these messages will continue to be delivered throughout the wider programme which will be a mix of face to face and remote learning. Key messages about values and behaviours will also be an underpinning aim of the People and Cultural Transformation Strategy).	November 2023		Director of Legal and Governance Services

Workstream	Deliverables	23/24 Timescales	24/25 Timescales	Owner
	Completion of initial round of delivery for all senior officers and all Members.	March 2024		Organisational Development Manager
	Completion of mandatory e-learning by 95% of all staff, alongside complementary briefings for those who do not use Council computers on a day-to-day basis.	March 2024		Organisational Development Manager
	Build in Corporate Governance training into the refreshed induction programme for officers which will be launched as part of the People and Cultural Transformation Strategy for new staff and staff moving to new leadership roles. The programme will be merged into the Member Development Strategy as business as usual activity as well to ensure that it continues to be delivered on a regular basis for both officers and Members.		April 2024	Organisational Development Manager
Stable and sustainable leadership	Complete recruitment process for all interim appointments in a Leadership Management Team position	March 2024		Head of HR
	Completion of a senior Management Review including review of spans and layers within the organisation		September 2024	Chief Executive
	Development of a Workforce Plan to address interim appointments at Head of Service and other key leadership positions within the Council		September 2024	Organisational Development Manager
	Develop a protocol that articulates the formal arrangements that will be put in place to ensure improved continuity across key statutory posts and protection of key governance processes	November 2023		Director of Legal and Governance Services
Improved focus on performance and accountability	Refresh the appraisal process forms and supporting guidance	October 2023		Organisational Development Manager
	Delivery of support sessions to managers to set out how to use the appraisal documentation	November 2023		Organisational Development Manager
	Launch of supporting e-learning modules for staff and Managers to explain the appraisal process and how to engage with it	November 2023		Organisational Development Manager
	Window for the appraisal process to commence opens	December 2023		All Managers
	95% of staff in work to have had an appraisal	March 2024		All Managers
Review the Council's approach to Member enquiries and engagement	Review output from session to develop template for service staff	September 2023		Head of Strategy, Business and Customer
	Implement short-term improvements with service areas	October 2023		Head of Strategy, Business and Customer

Workstream	Deliverables	23/24 Timescales	24/25 Timescales	Owner
	Implement template examples within Environment around replies to Members	October 2023		Head of Strategy, Business and Customer
	Review effectiveness of improvements with Members	January 2024		Head of Strategy, Business and Customer
	Design of new system / processes	Mar 2024		Head of Strategy, Business and Customer
	Hold Member briefings		April 2024	Head of Strategy, Business and Customer
	Deliver staff and member training on the new system / processes		May 2024	Head of Strategy, Business and Customer
	Implement the new solution		July 2024	Head of Strategy, Business and Customer
Develop a supporting Communications and Engagement Plan	Provide an update for staff following the Council meeting of 18 September 2023 that introduces the Independent Improvement Advisory Board to staff and members	September 2023		Head of Marketing and Communications
	Produce Communications and Engagement Plan that focuses on updating residents, staff and members	October 2023		Head of Marketing and Communications
	Produce quarterly update on Corporate Governance Improvement Journey for staff and members	December 2023		Head of Marketing and Communications
	Amend this list to include further key deliverables from the Communications and Engagement Plan, once it has been developed	October 2023		Head of Marketing and Communications

Theme 2 – Financial Recovery and Resilience

Workstream	Deliverables	23/24 Timescales	24/25 Timescales	Owner
Controlling 2023/24 expenditure within approved budget	Chief Officers issued with Budget Accountability letters	Complete but ongoing for any incoming Chief Officer		Director of Finance
	Monthly budget challenge sessions held with Directors, focussed on overspending areas	Commenced from May 2023 and ongoing		Director of Finance
	Chief Officers to produce directorate Financial Recovery Plans to deliver within approved budget	Commenced July 2023 and ongoing		Chief Executive

Workstream	Deliverables	23/24 Timescales	24/25 Timescales	Owner
				Leadership Management Team (LMT)
	Section 151 Officer issued indefinite spending restrictions.	Commenced July 2023 and ongoing		Director of Finance LMT
	Vacancy Control Panels held weekly	Commenced July 2023 and held weekly		Director of Finance LMT
	Balance sheet review	September 2023		Director of Finance
Setting a balanced budget for 2024/25 to 2026/27	Council strategic planning and budget development process will develop opportunities for: - managing service demand - service redesign - service reduction - stopping services	November 2023		Chief Executive Director of Finance LMT
	Consultation from November to January 2024 on budget proposals to ensure a balanced budget is proposed, prior to finalisation of the budget to Council	January 2024		
	Transformational themes for service redesign and cost reduction. Cross cutting and service focused themes	August 2023 to February 2024		Chief Executive Director of Finance LMT
	'Quick Wins' savings initiatives deliverable in 24/25	August 2023 to February 2024		Chief Executive Director of Finance LMT
	Fees and Charges Review and Policy	January 2024		Director of Finance
	Debt Management Review	January 2024		Director of Finance
	Review of Capital Programme Priorities	November 2023		Director of Finance Director of Regeneration
	Asset Review and Rationalisation to generate pipeline of capital receipts for investment in transformation, debt reduction and capital programme	October 2023 and ongoing		Director of Regeneration
	Savings Programme Board tracking and RAG rating savings delivery and actions. Reporting to LMT monthly	April 2023 onwards and then monthly		Head of Strategy, Business & Customer LMT

Workstream	Deliverables	23/24 Timescales	24/25 Timescales	Owner
	Alternative plans developed for at risk savings within Financial Recovery plan and subject to change control through the Executive	In place and Ongoing as and when required		Head of Strategy Business & Customer LMT
Improving financial governance, spending controls and monitoring by ensuring more effective financial management across the organisation	Review and relaunch Purchase Card arrangements. Mandatory training for all Purchase Card users and authorisers.	September 2023		Director of Finance
	Establish directorate management overview arrangements to ensure compliance rules on Purchase Cards	October 2023 and ongoing		Director of Finance Chief Officers
	Revision and approval of Financial Procedure Rules (FPR) and Contract Procedure Rules (CPRs) by Council	18 September 2023		Director of Finance
	Deliver training in Financial Procedure Rules (FPR)	December 2023		Director of Finance
	Deliver training in Contract Procedure Rules (CPRs)	December 2023		Director of Finance
	Establish compliance and enforcement protocols to embed governance arrangements into operational practice	January 2024	April 2024 and ongoing	Director of Finance Monitoring Officer
	Develop and implement robust demand and cost modelling/ forecasting for high spend areas e.g. adults and children's social care, homelessness, home to school transport and waste disposal	March 2024		Director of Finance LMT
	Adopt sensitivity analysis and scenario planning during budget development to inform required contingency and reserves	September 2023		Head of Financial Planning and Support
	Monthly budget monitoring and forecasting to analyse cost and volume variances, drive proactive management intervention to address overspending and income shortfalls.		April 2024 and ongoing	Head of Financial Planning and Support Heads of Service
	Development of budget management tools for use by Chief Officers, Heads of Service and Budget Managers	November 2023 to March 2024		Director of Finance
	Delivery of training in budget management for Chief Officers, Heads of Service and Budget Managers as part of the Corporate Governance Training Programme	November 2023 onwards		Director of Finance
	Further development of the Finance Business Partnering model		September 2024	Head of Financial Planning and Support
	Development of more efficient accounting, financial recording to reporting within Business World	November 2023 onwards	April 2024	Head of Finance and Investment

Workstream	Deliverables	23/24 Timescales	24/25 Timescales	Owner
	2024/25 budget management hierarchies, profiles and coding structures established			Head of Financial Planning and Support

THEME 1: CULTURAL TRANSFORMATION

Development and delivery of a People and Cultural Transformation Strategy

It is the mission of the Mayor and Chief Executive to ensure that staff and Councillors, are proud to work for and represent Middlesbrough Council in delivering the best services for our residents, in an environment which is supportive, respectful and inclusive.

The People and Cultural Transformation Strategy will set out how the Council will:

- harness the skills and talent of its staff and Members
- support staff and Members to further develop their skills and knowledge to support achievement of the Council's priorities and fully understand their contribution to those priorities
- ensure the expected good behaviours within the Nolan Principles and the Council's Values will be embedded within the organisation to ensure they are owned and lived by all staff and Members
- emphasise personal ownership of performance, accountability and responsibility
- ensure that staff and Member engagement will be undertaken to support development of a positive culture within the organisation.

Successful delivery of this strategy will increase the Council's ability to deliver against its priorities, by ensuring it's a key resource, its staff and Members, deliver their roles to their full capacity, in a way that aligns with the values and principles that underpin the organisation.

A key element of the strategy will be focussed on ensuring that staff and Members have clarity on those good behaviours that are expected, as well as poor behaviours which will not be supported by the organisation. This element will include adherence to expected standards and ways of working set out in the policies and procedures that comprise the Council's Corporate Governance Framework. Improved understanding and compliance with the policies and procedures that comprise the Corporate Governance Framework is critical to the successful delivery of cultural transformation of the Council. As such the detail around corporate governance training has been expanded on within this plan to provide additional detail on its delivery.

Development and delivery of an enhanced Member Development Strategy

While the Council has had in place training and support for Members, it was identified that this needed to be reshaped to ensure Members were better supported to develop the skills and experience they need to be as successful as possible in their roles. The refreshed Strategy will build training and development around the needs of Members, moving away from a one size, role-based approach to one that is built around the needs of members, is delivered in an interactive way and that tests whether learning has been successful to inform future approaches.

The Strategy will mirror much of the messaging within the People and Cultural Transformation Strategy and will include use of shared learning experiences alongside officers to build shared understanding of roles and responsibilities and increased understanding of needs, perspectives and required shared behaviours necessary for the Council to be positive and successful.

The strategy will include:

- Ensuring compliance with mandatory training on areas such as data protection and information security.

- Providing all key policy, procedural and legal information before Members are required to participate in decision making.
- Ensuring Members can perform any 'special responsibilities' relating to additional duties and roles they may undertake.
- Offering the opportunity to participate in continuous development through a variety of learning methods
- Creation of opportunities for Members to visit and experience Council services to support increased understanding of services and service delivery.

Delivery of an improved corporate governance training programme for Members and Officers

A Corporate Governance training programme for Member and officers is being developed which will bring officers and Members together to provide shared learning opportunities around corporate governance. The programme will be structured to deliver mandatory training to all on the Nolan principles, the Council's values, the codes of conduct in the new constitution and the key wider principles of the new Constitution.

It will then move into focused modules, with a mix of remote, digital and face to face delivery, that provide both members and senior officers with roles and responsibilities and expected behaviour around the following Corporate Governance themes:

- The role of scrutiny, decision making and report development
- Consultation, engagement, equality, diversity and inclusion
- Information Governance and GDPR
- Risk
- Programme and Project Management
- Finance and budget management
- Procurement and contract management
- HR and performance management.

This programme will complement the work of the People and Cultural Transformation Strategy and the Member Development Strategies to ensure that there is a consistent, coherent approach, based on effective training and development methods, that will ensure that both officers and Members have an improved understanding of their roles and responsibilities in relation to corporate governance and expected behaviours.

Stable and sustainable leadership is in place within the officer structure of the organisation.

Work to ensure the Council has a workforce with the skills and capabilities to be able to deliver its ambitions while operating in line with expected behaviours, standards, policies and procedures will be undermined if the Council cannot improve the stability of its senior leadership team.

Therefore, work will be undertaken alongside the above to reduce the number of posts in leadership positions that are occupied by interim staff. Once this initial work is complete, a longer-term piece of work will be undertaken, shaped by the outcome of the senior Management Review, to develop a longer-term workforce plan to address future use of interim appointments in leadership positions, to ensure there is a Council wide plan in place to maintain a stable structure comprised of permanent staff, except where there is a clear business case for an interim appointment for a limited time. Alongside this a protocol will be

developed to govern management of transitions in key statutory posts as well as arrangements for long term absences to protect the continuity of the Council's functions.

Improved focus on Performance and Accountability

While maintaining the supportive and welcoming culture which is in place, the Council will build on this to reintroduce an increased focus on performance delivery and accountability to ensure that all officers are focussed on delivery of activity against Council priorities, that good performance and behaviours in line with the values are rewarded, and areas of poorer performance and behaviours are identified and supported to improve. This will be critical to delivery of the culture change required to ensure the organisation is transformed.

The Council will re-introduce appraisals and supporting training and guidance. The Council Organisational Development function will support departments to identify and address training and development needs arising out of appraisals to ensure that agreed areas of need are addressed to ensure staff are supported to be successful in their roles.

Review the Council's approach to member enquiries and engagement

The CIPFA Middlesbrough Council Culture and Governance report, dated September 2022 references issues around communication across the Council, contributing towards mistrust and suspicion between members and Officers and references specifically the Member Enquiries process.

An under-developed front-end system, multiple and disconnected back-office systems and processes, have led to inconsistencies in Member Enquiries, dissatisfaction from users and frustration from both officers and members.

Several briefings have been held with Members in 2023, to understand how short-term improvements can be made, as well as seeking views on wants / needs of a new system and process, when reporting service and information requests following the move from our existing casework management system.

Feedback from Members was in the main, focused on the timeliness of responses, appropriateness / effectiveness of responses and premature closure of logged Member Enquiries.

As a result, a session with service staff with Members in attendance, was held in September 2023 to revisit expectations around processing and responding to Member Enquiries and to understand from elected Members how we can best support them in their work with our residents, and as a result how we can improve Member / officer relations.

Feedback from this session has enabled development and provision of basic tools and guidelines to support the Member Enquiry process for service staff as well as articulating wants / needs for a future approach to Member Enquiries.

The effectiveness of these short-term improvements will be reviewed in early 2024, alongside the design of the new Member Enquiry process and system, which will see targeted member and officer engagement as well as in-depth training, in advance of the new system implementation in summer 2024.

Effectiveness of the new systems will be measured in a member and staff satisfaction survey in early 2025.

Develop a supporting Communications and Engagement Plan

Staff and members will need to be fully aware of both the corporate governance improvement journey and the key changes that are required across the Council. This will support work to ensure that correct behaviours and compliance with Council policies and procedures are effectively embedded.

Effective and ongoing communications and engagement will be a key factor in this journey. Not only pushing out key messages, but also building engagement to assess the impact of actions and determine whether they are effective.

This will include internal and external engagement, covering all key stakeholders including Councillors, officers, members of the public and key partners to ensure they are engaged on the changes that are being made.

Effective and successful communications will result in improved views of the Council, both internally and externally.

Measures of Success for the theme

Objective	Measure(s) of Success	Source	Current performance
Improved understanding of corporate governance policies and process and improved adherence to them	Reduce the number of audits that have limited or no assurance	Internal audit reports	3 limited assurance reports issued in 2022/23
	Improve the percentage of priority One and Priority Two actions from Internal Audits that are delivered within original timescales	Monthly Corporate Performance reports to LMT	To be confirmed
	Reduce / Upheld whistleblowing reports on non-compliance with corporate governance processes.	Whistleblowing register	0 (2022/23)
Improved relationships between officers and members	Staff and Member surveys to assess health of relationships and direction of travel	Staff and Member Improvement Journey surveys	58.6% of Members and 26.6% of staff who answered the survey thought relationships between members and officers were positive (Aug 2023 survey) 55% Members felt relationships had improved in the last three months compared to 27% of staff. 60% of staff felt they had remained the same.

Objective	Measure(s) of Success	Source	Current performance
Improved retention of staff	Staff turnover rates – number of leavers	Annual Equality and Inclusion report	562 (2022/23)
Improved staff satisfaction	1-10 Score of how valued staff feel as an employee of the Council	Staff and Member Improvement Journey surveys	5.9 (August 2023)
Reduced need to use agency staff	Number of agency staff working for Middlesbrough Council – total	Internal list of agency staff	84 (5 September 2023)
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	Workforce data reports	8 (Sept 2023)
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	Annual Complaints report	1275 (2022/23)
	Percentage of complaints upheld	Annual Complaints report	50.5% (2022/23)
Members have a Member development programme that meets their needs and is well used	Percentage of members completing all mandatory training	First annual review of the new Member Development Strategy	To be baselined once the new strategy is launched. Target is 100%
	Percentage of Members attending wider skills	First annual review of the new Member Development Strategy	To be baselined once the new strategy is launched. Target is 60%
	Member satisfaction with the Member development programme	First annual review of the new Member Development Strategy	To be baselined once the new strategy is launched. Target is 70%
Performance is effectively managed within the organisation	Completion of appraisal process	HR data	To be baselined, target is 95% by March 2024
Improved Member behaviour	Number of member on member complaints received	Standards committee data	3 in 2022 6 from April to August 2023
Residents are increasingly satisfied with the way the Council is ran and with the Council overall	Questions within the 2023 Resident survey currently underway	Resident Survey	To be baselined by the 2023 Resident Survey
Residents increasingly agree that the Council acts on their concerns	Questions within the 2023 Resident survey currently underway	Resident Survey	To be baselined by the 2023 Resident Survey

Key Risks for the theme

The Key Risks for the theme are:

- If the Council fails to ensure that its governance processes are both fit for purpose and adhered to consistently, then there is a risk that unlawful decisions could be taken and/or that its External Auditor will deem that formal intervention in the governance of the Council is required in order to ensure Value for Money is achieved.

- If the Council does not improve staff satisfaction and Member officer relationships there is a risk that there will continue to be a level of staff turnover that undermines the Council's ability to maintain consistent, stable leadership, increases difficulties in recruitment to key posts and ultimately leads to poorer outcomes for its town's residents
- If the Council does not effectively upskill its staff to be able to deliver services that meet needs within reduced cost envelopes then poorer services will be delivered to the town's residents at an unsustainable cost level
- If the Council does not communicate effectively with the town's residents, then satisfaction with services will lower and resident complaints will increase as the Council is not meeting the needs of residents.
- If members and officers fail to engage with activity within this worksteam, the Council will fail to deliver the change it has identified as being required. This will result in continued adverse relationships, use of behaviours that are not in line with the Council's values, and ultimately, poorer outcomes for the town's residents.

They will be mitigated by:

- Identification and deployment of additional resources required to successfully deliver activity within this theme.
- Visible leadership from the Mayor, senior Councillors and senior Officers, that demonstrates commitment to delivering cultural transformation.
- Effective, ongoing and consistent communications that support delivery of activity within both themes.

THEME 2: FINANCIAL RESILIENCE AND RECOVERY

As set out in the Section 151 Officer's Section 25 report to Council in setting the budget on 27 February 2023, the Council's financial position is fragile due to its critically low level of revenue reserves, and it is essential that strict financial control is exercised during 2023/24 in order to protect the level of reserves. It is a legal requirement to set a balanced budget for 2024/25 and to return the Council to a financially sustainable position by achieving financial balance over the period of the Medium-Term Financial Plan (MTFP) to 2026/27. It is essential that reserves are rebuilt over this period in order to strengthen the financial resilience of the Council and secure its financial future.

Controlling 2023/24 expenditure within approved budget

Robust budget management, monitoring and forecasting arrangements were introduced early in Quarter One in order to establish a firmer grip upon budgetary control and forecasting, including development of insight into cost and income drivers that can be better controlled and influenced through managing operations.

- Chief Officers have committed to Budget Accountability letters which demonstrate their leadership and commitment to deliver services in a financially sustainable way.
- Monthly budget challenge sessions chaired by the s151 Officer for each Directorate in order to focus upon areas of overspending and identify opportunities for delivering savings, income and efficiency opportunities.
- The Chief Executive holds Chief Officers to account for their financial performance through monthly LMT budget review meetings.
- Quarterly budget challenge sessions are chaired by the Executive Member for Finance & Governance for each Directorate attended by relevant Chief Officers and Executive Members enabling a collaborative approach and ownership of financial management issues by the Mayor and the Executive.
- Indefinite spending restrictions issued by the s151 Officer with effect from 1 July 2023 including:
 - vacancy control measures applicable to all permanent recruitment, engagement of agency and interim staff
 - increased monitoring of expenditure on travel and other expenses to ensure essential spend
 - establish monitoring and action to drive compliance with contract procedure rules including focus upon off-contract expenditure and compliant use of purchasing cards
- Development of improved budget monitoring tools and tracking of expenditure rates for review and challenge by Chief Officers.
- Chief Officers to develop Directorate Financial Recovery Plans to reduce the forecast overspend and deliver services within the approved 2023/24 budget. Actions to include review of service levels and revise operations, reduce, stop activities and some service provision, deliver efficiency, increase income generation.

Setting a balanced budget for 2024/25 to 2026/27

The development of the draft Council Plan, MTFP and 2024/25 budget will take place over the period from now through to formal consideration and approval by the Executive in November 2023 to commence the formal budget consultation period. This will run through to

9 January 2024, during which time consultation will be undertaken with the public, local business, staff and Scrutiny panels.

The provisional Local Government Finance Settlement will be announced by Government during mid-late December when it will be possible to update and confirm the funding assumptions made in the MTFP refresh produced in August.

The Mayor and Executive will consider the feedback from the consultation exercise and updated funding position before finalising the proposed budget at its meeting on 14 February 2024 and presenting to Council for consideration and approval on 28 February 2024.

The budget development process aims to identify a range of budget proposals including options for:

- Service transformation (doing different things, delivering different outcomes at lower cost)
- Service redesign (doing things differently, more efficiently)
- Service reduction (doing less)
- Service cessation (stopping things)
- Income generation.

The approach will seek to stop annual 'salami slicing' approach to balancing the budget that has been adopted in recent years. We will develop a robust plan that will achieve financial balance in 2024/25 and over the medium term to 2026/27 through review and challenge of current service delivery models and pursue modernisation and transformation of services. We will achieve this through a combination of:

- adopting a thematic approach to achieve cross organisational consistency and integration of operations, a customer focused approach to redesign, enabled by technology and automation to modernise operations and improve service outcomes from a lower cost base.
- Prioritising proposals that will deliver the required savings within 12 months through service redesign, service reduction, stopping some services and activities and income generation initiatives to set a legally balanced budget for 2024/25
- establishing programmes for service redesign and transformation which may require substantial investment in capacity, capability, system and process redesign and technology in order to deliver the required change. These may require longer lead in times for implementation in order to deliver the change and required cost reduction over the medium to long term.

Improving financial governance, spending controls and monitoring by ensuring more effective financial management across the organisation

It is necessary to embed responsibility and accountability for financial governance, financial management and control into the business-as-usual operations of the organisation. Strong and effective financial management underpins the success of any organisation.

The finance service offer is traditional and dedicates substantial resource to financial reporting and technical accounting with manually intensive working practices. Chief Officers and budget holders are highly dependent upon finance to provide and interpret financial information.

Measures will be put in place to improve arrangements over the period to the end of 2024/25. We will aim to deliver accurate, complete and timely financial information to the

organisation to more effectively support robust strategic and operational decision making and secure improved value for money.

- Revision of Contract Procedure Rules, Financial Procedure Rules and delivery of mandatory training to Chief Officers, Heads of Service and budget holders
- Provision of training in budget management and launch of budget management tools
- streamline and simplify the chart of accounts and reflect management structures to align budget and management responsibilities to assist in more streamlined and automated financial reporting.
- develop budget management tools and training to enable budget holders to become more self sufficient in managing their budgets
- review and improve underlying financial processes and procedures for purchase to pay, service to cash and record to reporting to establish Business World finance system as one version of the financial truth and eliminate the need for manual intervention and rework by accountancy to produce internal and external financial reports
- develop the finance business partnering offer to add value through interpretation of data, professional advice and constructive challenge in supporting strategic and operational decision making.

Measures of Success for the theme

Objective	Measure(s) of Success	Source	Current performance
Expenditure for 2023/24 is completed within the approved 2023/24 budget	Actual expenditure and Forecast revenue outturn within the approved budget	Quarterly Budget monitoring report	£11.5m overspend at Q1
Set a balanced budget for 2024/25 and adhered to during 2024/25	2024/25 revenue budget is balanced and maintained during 2024/25	February 2024 Budget Setting & MTFP Report to Council and monthly and quarterly budget monitoring processes	Estimated budget gap at 2024/25 £14.2m
Set a sustainable Medium Term Financial Plan in place for the period 2024/5 to 2026/27	Balanced MTFP to 2026/27	February 2024 Budget Setting & MTFP report to Council	Estimated budget gap at 2026/27 £24.522m
Maintain General Fund balance and usable revenue reserves at 31/3/23 levels	Maintain GF balance at £12m at 31/3/24. Maintain usable revenue reserves at a minimum of £4m at 31/3/24.	February 2024 Budget Setting & MTFP report to Council	Forecast £3.266m at Q1 Forecast £1.171m at Q1
Establish Medium Term Plan to rebuild GF Balance and revenue reserves	Section 151 Officer assessment of adequacy of reserves	S25 Report to Council February 2024	Reserves assessed as critically low
Financial Procedure Rules and Contract Procedure Rules training delivered	LMT, WLMT, all Budget Holders and all staff involved in Purchase to Pay	Training log	Not applicable

Objective	Measure(s) of Success	Source	Current performance
	(P2P) trained by 31 December 2023		
Ongoing corporate finance training programme established	Quarterly programme of finance training established	Training logs	Ad hoc on demand training
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	Monthly budget management cycle	Reliance upon spreadsheet reporting
Budget management training rolled out to budget holders	All Chief Officers, Heads of Service and Budget Holders Training delivered December 23 to March 24	Training logs	Ad hoc on demand training
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	Management service review	n/a not measured
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	Time analysis	n/a Not measured

Key Risks for the theme

The key risks for this theme are:

- If 2023/24 expenditure is not controlled to deliver within the approved budget, there is a risk that revenue reserves will be exhausted which require the Director of Finance as s151 Officer to issue a s114 Notice to the Council.
- If it is not possible to set a balanced budget for 2024/25 as required by law, it will be necessary for the Director of Finance as s151 Officer to issue a s114 Notice to the Council
- The consequences of issuing a s114 notice are significant and will result in the cessation of all but the minimum level of service to deliver statutory responsibilities and the requirement to establish a Council wide financial recovery plan. This would be likely to result in an escalation of intervention into the operation of the Council's management and administration.

- The s151 Officer is unable to assure Council of the robustness of budget estimates and/or the adequacy of reserves for 2024/25 and over the period of the MTFP

These risks will be mitigated by:

- Financial management and control becoming embedded as a priority for the LMT and Executive working collaboratively to address the financial challenges faced by the Council
- Delivering improved management information and training to secure compliance and ownership and accountability for financial management arrangements
- Additional temporary professional accountancy support to enable delivery of the improvement in financial management arrangements.

IMPROVEMENT PLAN GOVERNANCE

All parts of the Council's system of governance will and must play a role in the governance around delivery of this plan if the ambitions within it are to be achieved, enabling the Council to demonstrate that its provision is based on a sound financial footing, its governance explicitly demonstrates how Value for Money will be ensured, and its service delivery aligns with the needs of residents.

This will require a shared commitment by all Members in Full Council, strong and decisive leadership by Executive, constructive and well-informed Scrutiny, and inquisitive and challenging Audit. All the right parts of the machinery of governance exist - they need to work together better to help the Council get through this very tough period.

This section sets out the key roles and responsibilities of the different Member, officer and external bodies that will be required to support the Council's improvement journey.

Executive

This body is responsible for receiving reports on progress every quarter from the Independent Improvement Advisory Board and taken decisions to ensure the objectives set out in this plan are achieved.

Full Council

This body will receive a report on progress every quarter from the Independent Improvement Advisory Board and there will be a standing item on progress for Council meetings.

It may also receive ad hoc reports from the Independent Improvement Advisory Board, if that Board deems it necessary to raise an issue during the period.

Audit Committee

The Committee will effectively scrutinise the Council's management of its governance and financial challenges, seek assurance that appropriate governance is in place to adhere to the Council's Local Code of Corporate Governance.

Overview and Scrutiny Board and supporting Panels

The Council has an Overview and Scrutiny Board in place, supported by five panels that cover Adult Social Care and Services, Children and Young People, Environment, Health and Regeneration.

Scrutiny will play an important role, providing checks and balances to ensure Council plans for transformative change are robust and challenge where they should be strengthened. Relevant bodies may receive reports and / or requests for scrutiny from the Independent Improvement Advisory Board on an ad hoc basis.

Scrutiny will also be fully engaged as part of the development of budget and transformation proposals.

Independent Improvement Advisory Board

This non-statutory advisory board is established jointly by Middlesbrough Council and the Local Government Association.

The aims and objectives of the Board are to provide oversight, support and challenge to Middlesbrough’s improvement and transformation journey working with established and proven sector leaders.

It will particularly focus on the need for the Council to ensure it complies with its Best Value Duty under the Local Government Act 1999, notably:

- Cultural and governance issues, including those identified through previous CIPFA and previous, and any future, external auditor reports.
- Financial sustainability – including a balanced medium term financial strategy aligned to the Council’s Corporate Plan.

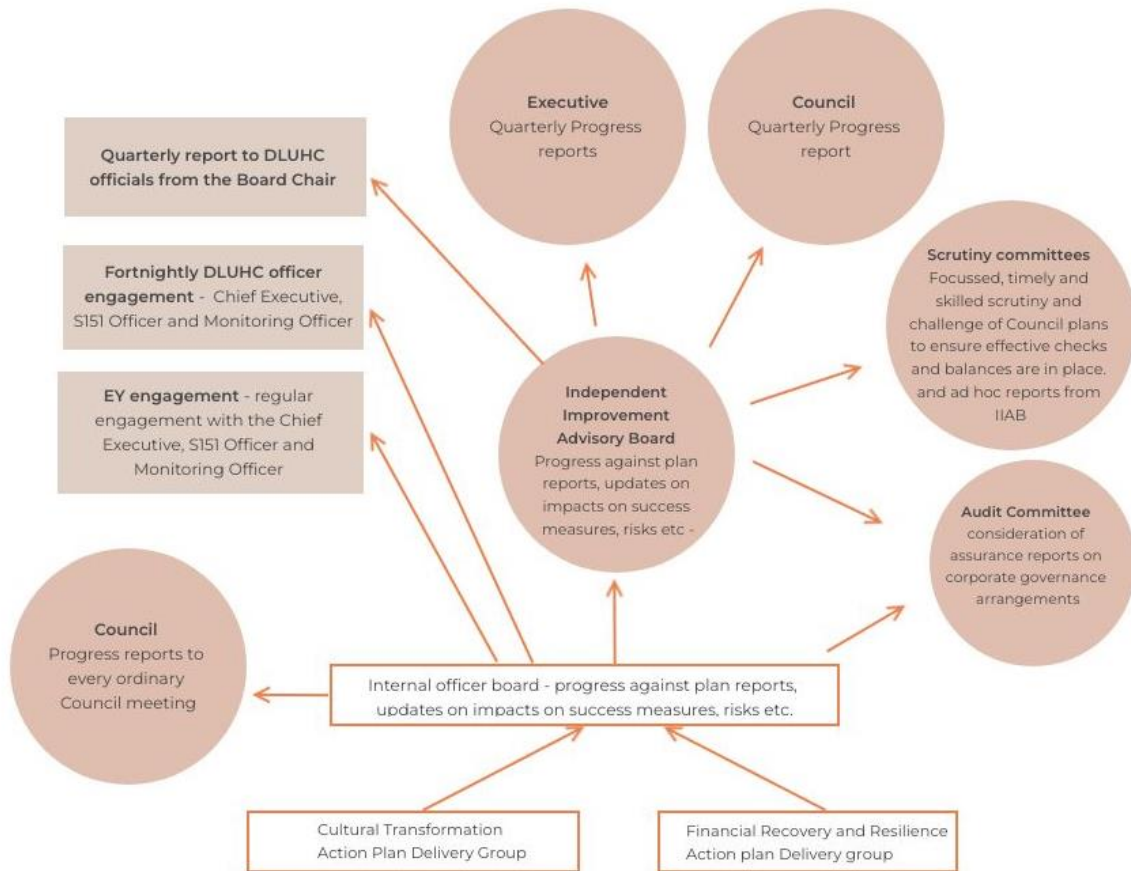
The Board will be comprised of individuals with the following expertise, names will be publicised following the completion of the appointment process:

Experience / speciality
Local authority CEO (Chair)
Unitary local authority Mayor / Leader
Unitary local authority Monitoring Officer
London authority and Unitary local authority Chief Finance Officer
LGA Regional Lead

Senior Officers

The Chief Executive, Monitoring Officer and Section 151 Officer will attend the Board as requested and provide the Board with updates on delivery of this Corporate Governance Improvement Plan. They will also continue to engage with government, through regular meetings with officials from the Department of Levelling Up, Housing and Communities. Regular engagement will also continue with the Council’s External Auditors, who are currently Ernst and Young (EY).

The diagram below sets out how these bodies will work together to deliver the shared vision for the Council.



RESOURCING DELIVERY OF THIS PLAN

Skills and capacity

The skills requirement falls into two groups, firstly the skills that are needed immediately to ensure the plan can be met, most significantly within the first six to twelve months, ensuring that financial stability is achieved. Secondly the skills for the slightly longer term to ensure the future is sustainable.

In July 2023, Executive approved proposals to draw down funding from the Corporate Contingencies Budget in order to fund additional resources to deliver some of the activity described in this plan that is already in train.

The scale and breadth of the work now needed to deliver the Improvement Plan is significant and will require a review of capacity, skills and delivery options, some of which will be addressed in the review of the organisation's structure planned within the cultural transformation theme. Going forward work will be led by the Chief Executive to develop a plan for a Transformation Programme, with appropriate resourcing to deliver service and corporate transformation, alongside delivery of this Corporate Governance Improvement Plan.

This will also be supported by the work to prioritise outcomes and activity within the forthcoming Council Plan.

Where workstreams have identified that strategies will be developed to deliver activity, consideration of resources needed to support delivery of those strategies will also be developed and articulated in supporting reports to ensure the organisation not only adopts the relevant strategy, but also agrees the provision of the necessary resources to deliver that strategy successfully. The Council will be seeking funding from the Local Government Association and other stakeholders to minimise the financial burden on the Council where it is possible to do so.

Oversight of plan delivery

The Council's Head of Strategy, Business and Support will track delivery of activity within this plan, to provide regular reports to Leadership Management Team on progress against planned activity, actions off target and updated insight on impact, using the measures of success identified within this plan. This information will be presented to all Members at each ordinary meeting of full Council to ensure visibility and transparency around delivery is maintained.

The Independent Improvement Advisory Board will meet formally once a month and will also gather informally once a month. The intention is that the Board's first meeting will be to consider its terms of reference and its preferred working arrangements. The outcome of this will determine the reporting requirements of the Board on delivery of the Plan.