

<p>1. We recommend that the Council ensures the recent progress with development of the next phase of the Corporate Governance Improvement Plan is progressed without further delay, and that appropriate prioritisation is given to actions which address the cultural and governance issues of the Council within the expanded scope of the revised Corporate Governance Improvement Plan.</p>			
<p>The Council recognises the seriousness of the culture and governance challenges facing it that have been raised by our external auditors and the Department of Levelling Up, Housing and Communities. It is fully committed to ensuring that the organisation's collective effort is fully focussed on addressing these weaknesses at pace, to ensure that we work at pace to embed a more positive culture, alongside effective governance arrangements.</p> <p>This will require the Council to be fully focussed on the issues within the Corporate Governance Improvement Plan and committed to its delivery. This is reflected in the profile of activity that is included in the Plan which is to be presented to Council on 18 September 2023.</p> <p>The proposed scope has been reduced to remove Social Care and Regeneration. The draft plan also clearly states that addressing the cultural and governance issues within the Council is the priority and the most significant challenge it faces.</p>			
Planned action(s)	Target date	Responsible officer	Status
Proposed plan developed with addressing Cultural and Governance issues the focus of the plan.	8/9/2023	Chief Executive	Complete
Presentation of Phase 3 of the Corporate Governance Improvement Plan – addressing all auditor recommendations at full Council, for approval / implementation.	18/09/2023	Chief Executive	Complete on 18/9
Appointment of the Independent Improvement Advisory Board membership.	22/09/2023	Chief Executive	On target
First meeting of the board to be held 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.	6/10/2023	Chief Executive	On target

<p>2. We recommend that the Council develop contingency and succession governance protocols to ensure that delivery of the Corporate Governance Improvement Plan is not further disrupted by any future changes in one or more of the Council's senior leadership positions.</p>			
<p>A workstream has been developed within the Corporate Governance Improvement Plan, under the cultural transformation theme to address this recommendation. The activity within that workstream includes a plan to reduce the number of posts in leadership positions that are occupied by interim staff. In addition, there is also a commitment to developing a protocol that articulates the formal arrangements that will be put in place for key statutory posts to ensure continuity within them arising from staff turnover or long periods of absence.</p>			
Planned action(s)	Target date	Responsible officer	Status
Complete recruitment process for all interim appointments in a Leadership Management Team position	30/03/24	Head of HR	On target
Completion of a senior Management Review including review of spans and layers within the organisation	30/09/24	Chief Executive	On target
Development of a Workforce Plan to reduce the need to use interim appointments in senior leadership positions within the Council	30/09/24	Organisational Development Manager	On target
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	30/11/24	Director of Legal and Governance Services	On target
<p>3. We recommend that the Council prioritises the conclusion of its review and updating of the Constitution, drawing upon examples of best practice, and ensuring that the refreshed Constitution is clear in its language and requirements. Training on the refreshed Constitution should be provided to all officers and members to ensure that changes are appropriately understood and implemented.</p>			
<p>The Council has engaged external expertise and capacity for the last 6 months in order to conduct a fundamental review of its Constitution. This has including ongoing engagement with Members and Officers to identify areas of concern and reflect feedback from the governance improvement journey to date.</p>			
<p>The draft Constitution and supporting Contract and Financial Procedure Rules documents were presented to the Constitution and Member Development Committee in August 2023. Corporate Affairs and Audit Committee have also been presented with the draft Contract and Financial Procedure Rules for comment. The Council has worked at pace to</p>			

<p>also ensure briefings have been made available for all Members on the key changes, this has culminated in submission of the draft Constitution and supporting documents to the Council meeting on 18 September 2023.</p> <p>Upon adoption of the new Constitution, a planned training programme, covering Corporate Governance disciplines, will be rolled out. This will be a mix of remote, digital and face to face learning. The aim of the programme, led by the Council's Organisational Development team is to deliver effective training to officers and Members that will improve understanding of corporate governance disciplines, provide clarity on expectations around behaviours, outline expected accountabilities and responsibilities and set out the organisation's clear expectation that processes must be adhered to. Once delivered, it will be embedded within business-as-usual training and development for staff as part of the People and Cultural Transformation Strategy delivery. That training programme will include an interactive e-learning module that all staff will be required to complete, with alternative arrangements in place for those who do not access Council ICT systems on a regular basis.</p>			
Planned action(s)	Target date	Responsible officer	Status
Presentation of an updated / refreshed Constitution at full Council for consideration, approval, and implementation.	18/09/2023	Director of Legal and Governance Services	Complete on 18/9
Following approval of the refreshed Constitution, mandatory e-learning for all staff will be delivered that will provide an overview of the Constitution, the Council's values and supporting codes of conduct.	31/12/2023	Director of Legal and Governance Services	On target
Completion of delivery of the Corporate Governance training programme to all senior managers	31/3/2024	Director of Legal and Governance Services	On target
<p>4. We recommend that the Council builds upon the steps already taken to control its expenditure to identify specific deliverable savings over the short term (next 12 months) and protect its limited remaining reserves. Where appropriate, this may need to include the Council changing how it meets its statutory responsibilities and the extent to which it delivers services which are not required to discharge its statutory responsibilities.</p>			
<p>Robust budget management, monitoring and forecasting arrangements were introduced early in Quarter One (April – June 2023) 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.</p>			

<ul style="list-style-type: none"> ▪ 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: <ul style="list-style-type: none"> ○ 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. 			
Planned action(s)	Completion date	Responsible officer	Status
Monthly budget challenge sessions commenced.	30/05/23	Director of Finance (S151 Officer)	Complete
<p>Monthly budget challenge sessions will continue to establish deep-dive reviews of high-spending areas, alongside identifying opportunities to reduce expenditure and increase income to remain within budget.</p> <p>This includes review and challenge of levels of service provision for services that deliver both statutory and non-statutory responsibilities.</p>	31/3/2024	Director of Finance (S151 Officer)	On target

Spending controls will remain, until further notice. Management information on supplies and services, travel, and other expenses to be routinely provided to Chief Officers to enable monitoring of compliance, alongside feedback of any management actions undertaken.	31/03/2024	Chief Executive / Director of Finance (S151 Officer)	On target
Weekly LMT Vacancy Control Panel in place to review, challenge and approve business cases for essential vacancies in permanent establishment and only critical engagement of interim capacity. All vacancy applications will need to consider if they can be filled internally before going external to the market.	31/03/2024	Director of Finance (S151 Officer)	On target
Review and relaunch of use of Purchasing Cards, for essential users only and subject to mandatory training.	30/09/2023	Director of Finance (S151 Officer)	On target
Purchase Card activity to be reported to Chief Officers monthly.	31/10/2024	Director of Finance (S151 Officer)	On target
Chief Officers to establish management overview arrangements to ensure compliance with contract and financial procedure rules in respect of use of Purchase Cards.	31/10/2024	Chief Officers	On target
Review of income from fees and charges including in-year uplift for inflation.	28/02/2024	Director of Finance (S151 Officer)	On target
5. We recommend that the Council reviews its service delivery models to ensure that they are efficient, represent value for money and achieves the outcomes required for the resources invested. Where opportunities to improve service delivery models re identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.			
It is clear that the Council needs to establish a Transformation Programme in order to redesign its services to operate form 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 to fund the investment in transformation.			
Planned action(s)	Completion date	Responsible officer	Status
The Council's strategic planning and budget development process for setting a balanced budget for 2024/25 and over the period of the MTFP to 2026/27 is in progress and will address opportunities for: <ul style="list-style-type: none"> - Managing service demand - Service redesign - Service transformation - Reducing levels - Stopping services service 	28/02/2024	Chief Executive / Director of Finance (S151 Officer)	On target
The development of a first stage transformation programme that will run from 2024/25 through to 2026/27 will be the vehicle through which service delivery models will be reviewed, in order maintain or improve service outcomes from an affordable and sustainable cost base.	28/02/2024	Chief Executive	On target
Establishment of appropriate transformation governance framework and suitable capacity and capability to enable delivery of transformation programme	31/03/2024	Chief Executive	On target
Review of the Council's asset base to identify surplus assets for sale to generate capital receipts as the primary source of financing this, as an invest to save programme using Flexible Use of Capital Receipts Policy.	30/11/2023	Director of Regeneration and Culture	On target
6. We recommend that the Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, have emerged within the first half of both the 2022/2023 and 2023/2024 financial years and ensure future forecasting reflects lessons learnt.			
In common with many other local authorities, the Council faces significant financial challenges due to persistently high inflation, market forces and increased demand for its services in adult social care, children's social care, home to school transport and homelessness in the post Covid-19 period which have been extremely difficult to predict and are driving much of the financial pressure currently facing the Council. Nevertheless, there is scope for continuous improvement in the methodologies adopted for modelling demand and unit cost of these and other service areas. This will draw upon			

demographic data, service and market intelligence in order to develop improved forecasting techniques that will support future budget setting, monitoring and forecasting.			
Planned action(s)	Target date	Responsible officer	
Develop and implement more robust demand and cost modelling and forecasting, in relation to demand-led, high-spending service areas such as Adults and Children's Social Care, homelessness, home to school transport and waste disposal. Models will use key cost and income drivers to enable cost and activity modelling and variance analysis.	31/03/2024	Director of Finance (S151 Officer) / Chief Officers	On target
Implementation of forecast demand models over the medium to long-term, using a combination of demographic data and trends combined with scenario planning and sensitivity analysis.	30/09/2024	Head of Financial Planning and Support / Heads of Service	On target
Implementation of monthly budget monitoring and forecasting to analyse cost and volume variances, driving proactive management intervention in services to address areas of overspend and income shortfalls.	30/04/2024	Head of Financial Planning and Support / Heads of Service	On target
Adopt sensitivity analysis and scenario planning during budget development to inform level of required contingency and reserves, transferring to business-as-usual business process.	28/02/2024	Head of Financial Planning and Support	On target
7. We recommend that the Council conclude its review of its Financial and Contract Procedure rules to ensure that they reflect the needs of the Council and the expectations of members and implement the revised rules without delay. This should include being explicit on how contract modifications should be assessed and managed, as the Financial and Contract Procedure rules do not currently address contract extensions.			
The Council has engaged external expertise to support the fundamental review of the Financial and Contract Procedure rules which has been delivered over the summer with the revised rules being presented for consideration at Council on 18 September 2023.			
Planned action(s)	Target date	Responsible officer	Status
Revised Financial and Contract Procedure rules drafted and presented to Audit Committee.	15/08/2023	Director of Finance (S151 Officer)	Complete

Revised Financial and Contract Procedure rules drafted and presented to Constitution Committee.	16/08/2023	Director of Finance (S151 Officer)	Complete
Revised Financial and Contract Procedure Rules approved at full Council.	18/09/2023	Director of Finance (S151 Officer) / Monitoring Officer	Complete on 18/9
8. We recommend that, once the Financial and Contract Procedure rules are finalised, training is provided to all officers who are involved in contracting, procurement or financial decision making to ensure that the Financial and Contract Procedure rules are understood and adhered to.			
The Council is committed to embedding 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. Following Council approval of the rules, training and development sessions will be delivered to ensure Chief Officers, Heads of Service and budget holders understand their roles and responsibilities in relation to financial and contract governance and that there is clarity provided around expected behaviours and the consequences of failure to adhere to policies and procedure rules. Delivery of the training will be monitored through the Corporate Governance Improvement Plan and regular updates provided to Members and External Audit on its overall delivery.			
Planned action(s)	Target Date	Responsible officer	Status
All Council staff to undertake mandatory e-learning procurement training.	31/10/2023	Director of Finance (S151 Officer)	On target
All budget managers and staff involved in purchase to pay activities, to undertake mandatory face-to-face training.	31/03/2024	Director of Finance (S151 Officer)	On target
Chief Officers, Heads of Service, all budget managers, and Finance Directorate, to undertake mandatory face to face training on Financial and Contract Procedure rules.	31/12/2023	Director of Finance (S151 Officer)	On target
Delivery of training in budget management for Chief Officers, Heads of Service and Budget Managers as part of the Corporate Governance Training Programme	31/03/2024	Director of Finance (S151 Officer)	On target
Develop budget management and purchase to pay dashboards to drive compliance through improved management information.	31/03/2024	Director of Finance (S151 Officer) / Monitoring Officer	On target

Deliver mandatory training in budget management tools for Chief Officers, Heads of Service and Budget Managers	31/03/2024	Director of Finance (S151 Officer) / Monitoring Officer	On target
Develop and deliver improved training and tools for all users of the Council's corporate finance system to facilitate compliance.	30/06/2024	Director of Finance (S151 Officer)	On target
Establish compliance and enforcement protocols to embed the governance arrangements into operational practice.	31/03/2024	Director of Finance (S151 Officer) / Monitoring Officer	On target
9. 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 Contracts Regulations 2015. If further non-compliance is identified, the Council should evaluate whether any further remedial action is necessary.			
Work has already started to review contract exemptions awarded to review compliance with the Public Contract Regulations 2015 and to ensure compliance with approved procurement processes going forward. The results of this review will be reported to Audit Committee in due course.			
Planned action(s)	Completion date	Responsible officer	Status
Identify all exemptions approved, since 2021.	06/09/2023	Head of Strategic Commissioning and Procurement	Complete
Cross-reference exemptions with contract register to determine position, regarding each award.	01/11/2023	Head of Strategic Commissioning and Procurement	On target
Identify any remaining pre-2021 'open' exemptions.	27/09/2023	Head of Strategic Commissioning and Procurement	On target
Cross-reference exemptions with contract register and determine position, regarding each award.	08/11/2023	Head of Strategic Commissioning and Procurement	On target

Submit initial progress report to Audit Committee.	14/12/2023	Head of Strategic Commissioning and Procurement	On target
Identify and resolve any outstanding compliance requirements.	13/02/2024	Head of Strategic Commissioning and Procurement	On target
Submit final report to Audit Committee.	14/03/2024	Head of Strategic Commissioning and Procurement	On target
Establish a bi-annual reporting schedule of approved exemptions and extensions to Audit Committee	01/04/2024	Head of Strategic Commissioning and Procurement	On target
10. We recommend that the council review its oversight arrangements for Middlesbrough Development Company for the period up to the demise of the entity, so that it can satisfy itself that Middlesbrough Development Company is delivering value for money with the resources provided to it during this period.			Status
<p>A review has been completed of the governance and oversight arrangements for the Middlesbrough Development Company. The review has completed an assessment of the company against the recently adopted Council policy that provides a policy framework against which it can assess the governance arrangement of Partly and Wholly Owned Council Companies. All company activities have now ceased as part of delivery of the action plan to close the company down.</p> <p>The outcome of the review was presented to Executive on 6 September 2023. There is a commitment within the Executive report to either provide quarterly reports on progress and continued compliance with the action plan and governance arrangements of the company, or provide a report to confirm closure, which is expected to be complete before the first quarterly report would be due.</p>			Complete
Provision of a closure report or the first quarterly monitoring report if closure of the company has not been closed before the first quarter has passed since the Executive report.	31/12/2023	Director of Regeneration	On target

<p>11. We recommend that the Council develop an action plan for the demise of Middlesbrough Development Company which sets out how the Council will realise the value which has been created through the resources provided to Middlesbrough Development Company by the Council.</p>	<p>Status</p>		
<p>The report to Executive on 6 September 2023 also included an action plan which has been in place and developed since the Executive decision in January 2023. Completion of the outcome of a full reconciliation of the Company's accounts and assets will be set out within the final report that will be considered by Executive once closure is complete.</p>	<p>Complete</p>		
<p>Provision of a closure report on the company to Executive</p>	<p>31/12/2023</p>	<p>Director of Regeneration</p>	<p>On target</p>