

<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	The Chief Executive, Director of Finance and Director of Legal and Governance Services
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<b>Submitted to:</b>	Council
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<b>Date:</b>	25 October 2023
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<b>Title:</b>	Corporate Governance Improvement Plan and Section 24 Action Plan progress report
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<b>Report for:</b>	Information
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<b>Status:</b>	Public
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<b>Strategic priority:</b>	All
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<b>Key decision:</b>	Not applicable
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<b>Why:</b>	Not applicable
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<b>Urgent:</b>	Not applicable
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<b>Why:</b>	Not applicable
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<b>Executive summary</b>	<p>This report sets out the key activities and progress since Phase Three of the Corporate Governance Improvement Plan was presented to Council on 18 September 2023, alongside presentation of 5 change controls to be noted by full Council.</p> <p>The report also provides an update on activity in response to the Section 24 recommendations made by the Council's External Auditors which were accepted at a meeting of full Council on 18 September 2023.</p>
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## **Purpose**

1. This report sets out the key activities and progress since Phase Three of the Corporate Governance Improvement Plan was presented to Council on 18 September 2023, alongside presentation of 5 minor change controls to be noted by full Council.
2. The report also provides an update on activity in response to the Section 24 recommendations made by the Council's External Auditors which were accepted at a meeting of full Council on 18 September 2023.

## **Background and relevant information**

3. On 18 September 2023, Council received a report that set out the activities of Phase Three of the Council's Corporate Governance Improvement Plan, alongside the governance arrangements to oversee delivery of this plan.
4. 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.

### **Corporate Governance Improvement Plan: progress status**

5. For the current reporting period, all workstreams are on target in terms of activity, as per timescales set out in the corporate Governance Improvement Plan, however this is a measure of activity only.

### **Measures of success**

6. The Council, in identifying the data sources to measure success, has set a baseline against which it will judge future performance. Future reporting will set out movement against those measures and the full list of success measures and current performance is appended to this report.

### **Key activities**

7. The following activities within the improvement plan have been delivered since the full Council 18 September 2023 report, in-line with planned timescales:

Theme	Workstream	Completed activities in this reporting period
Cultural Transformation	Development / implementation of a Member Development Strategy and Programme	A draft Member Development Strategy has been produced which members will be consulted on during October 2023.
Financial Recovery and Resilience	Improvements to financial governance, spending controls and monitoring through more effective financial management, across the organisation	Approval of revised Financial Procedure Rules and Contract Procedure Rules which were agreed by Council on 18 September 2023 as part of the report on a new Constitution for the Council.
		Review of all existing purchasing cards completed. Process in place for reducing the number of cards across the business and mandatory training developed for cardholders identified moving forward. Training for the initial cohort will be complete by November 2023 and then there will be a rolling programme of training aligned with the assignment of cards going forward.

**Changes to delivery dates**

- 8. Detailed delivery milestone plans have been developed to underpin the workstream activities within the improvement plan.
- 9. For this reporting period, 5 minor change controls are presented below to workstream activities for full Council to note. They reflect adjustments in prioritisation and chronology of activities and do not affect the overarching delivery timescales.

Theme	Key tasks / milestones	Original target date	Revised target date
Cultural Transformation	Develop a protocol which articulates an approach, to ensure improved continuity when recruiting to and retaining key statutory posts whilst adhering to key governance processes	31/11/2023	31/03/2024
Financial Recovery and Resilience	Balance sheet review	30/09/2024	31/12/2023
	Establish Directorate management overview arrangements to ensure future compliance rules on Purchase Cards	31/10/2023	31/11/2023
	Adopt and implement sensitivity analysis and scenario planning to inform required contingency and reserves, as part of budget development process	30/09/2024	28/02/2024
	Development of set of budget management tools for use by Chief Officers, Heads of Service and Budget Managers	31/03/2024	30/11/2023

**Independent Improvement Advisory Board**

- 10. The Board met formally for the first time on 2 October 2023. The key focus of that meeting was to review the history of the Council’s Corporate Governance Improvement journey. Key action points from that meeting have been recorded and key messages from that meeting were shared by the Chief Executive in his video to all Staff and Members.

**Section24: progress status**

- 11. Progress against the Section24 action plan agreed by full Council on 18 September 2023 will be reported to every meeting of Audit Committee. The first report was

submitted to that committee on 5 October 2023 and set out the oversight arrangements and reported on two completed actions in-line with their target dates:

Rec #	Milestone action	Supporting information
4	S4.04: Review and relaunch of use of Purchasing Cards, for essential users only and subject to mandatory training	Review of all existing purchasing cards completed. Process in place for reducing the number of cards across the business and mandatory training developed for cardholders identified moving forward. Training for the initial cohort will be complete by November 2023 and then there will be a rolling programme of training aligned with the assignment of cards going forward.
9	S9.02: Identify any remaining pre-2021 'open' exemptions	Completed. Some exemptions were identified as a result of this exercise, a full analysis of this will be reported to this Committee in December within the annual assurance report on Procurement activity.

**What decision(s) are being recommended?**

12. That Council notes the progress made and the adjustments to the delivery plan dates set out at paragraph 7.

**Rationale for the recommended decision(s)**

- 13. 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.
- 14. Member oversight will be a key step in both delivery of these actions and provision of assurance that they are having the intended impacts they were designed to do to address the governance weaknesses identified by the Council’s External Auditors.

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

15. Not applicable.

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

**Legal**

16. 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.

**Strategic priorities and risks**

- 17. 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, Equality and Data Protection***

18. Not applicable.

## ***Financial***

19. Not applicable.

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

Not applicable.

## **Appendices**

<b>Appendix no.</b>	<b>Appendix title</b>
1	Corporate Governance Improvement Plan: measures of success

## **Background papers**

<b>Reporting body</b>	<b>Report title</b>	<b>Date</b>
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
Corporate Affairs and Audit Committee	Commencing a corporate governance improvement journey	22 Jul 2022
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

**Contact:**

Ann-Marie Johnstone, Head of Governance, Policy and Information

Gemma Cooper, Head of Strategy, Business and Customer

### Appendix 1: Corporate Governance Improvement Plan: measures of success

	Outcome	Measure of Success	Frequency of data refresh	Source	Current performance data	Current performance period	Previous performance data	Previous performance period
Cultural Transformation	Improved understanding of corporate governance policies and process and improved adherence to them	Reduce the number of audits that have limited or no assurance	Every 2 months	Internal audit progress reports to Audit	1 out of 8 complete audits	October 2023 report	n/a	
		Improve the percentage of priority One and Priority Two actions from Internal Audits that are delivered within original timescales	Quarterly	internal audit	20% of P1 actions and 10% of P2 actions were			
		Reduce / Upheld whistleblowing reports on non-compliance with corporate governance processes.	Annual	Internal Audit	0 in 2022/23			
	Improved relationships between officers and members	Staff and Member surveys to assess health of relationships and direction of travel	Ad hoc	Staff surveys	26.6% of staff think relationships are	August 2023 Survey	n/a	
	Improved retention of staff	Staff turnover rates – number of leavers	Quarterly	HR	6.60%	Quarter 1 2023/24		
	Improved staff satisfaction	1-10 Score of how valued staff feel as an employee of the Council	Ad hoc	Staff surveys	5.9	August 2023 Survey	6.22	November 2022
	Reduced need to use agency staff	Number of agency staff working for Middlesbrough Council – total	Monthly	Procurement	126	October 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	Monthly	Procurement	8	October 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	Monthly	Monthly compliance report to LMT	211	September 2023		
		Percentage of complaints upheld by the Central Team	Monthly	Monthly compliance report to LMT	50%	September 2023		
	Members have a Member development programme that meets their needs and is well used	Percentage of members completing all mandatory training	Annual	Member training data	100%	October 2023	100%	October 2022
		Percentage of Members attending wider skills	Annual	Member training data	98%	October 2023	Data not available	October 2022
		Member satisfaction with the Member development programme	Annual	Member training data	87.5% (based on 21 responses out of 24)	October 2023	71% (based on 5 responses out of 7)	October 2022
	Performance is effectively managed within the organisation	Completion of appraisal process	Annual	HR Organisational Development	n/a	n/a	n/a	n/a
	Improved Member behaviour	Number of member on member complaints received	Quarterly	Legal Services	3 complaints received (member on member)	Q2 2023/24	1 complaint received (member on member)	Q2 2022/23
	Residents are increasingly satisfied with the way the Council is ran and with the Council overall	Questions within the 2023 Resident survey currently underway	TBD	Data and Analytics				
	Residents increasingly agree that the Council acts on their concerns	Questions within the 2023 Resident survey currently underway	TBD	Data and Analytics				

	Outcome	Measure of Success	Frequency of data refresh	Source	Current performance data:	Current performance period:	Previous performance data:	Previous performance period:
Financial Recovery and Resilience	Expenditure for 2023/24 is completed within the approved 2023/24 budget	Actual expenditure and Forecast revenue outturn within the approved budget	Quarterly report to Executive	Finance quarterly report to Executive	£11.563m (9.2%) forecast overspend	Q1 2023/24	£2.755m (2.3%) overspend	Q4 2022/23
	Set a balanced budget for 2024/25 and adhered to during 2024/25	2024/25 revenue budget is balanced and maintained during 2024/25	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	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	Annually	Finance quarterly report to Executive	£12.04m	31/03/2023	n/a	N/A
		Maintain usable revenue reserves at a minimum of £4m at 31/3/24.	Annually	Finance quarterly report to Executive	£3.959m	01/04/2023	n/a	N/A
	Establish Medium Term Plan to rebuild GF Balance and revenue reserves	Section 151 Officer assessment of adequacy of reserves	February 2024	Section 25 Report to Council	n/a sufficient resources in place - judgement of	Feb 2023 report to Council	n/a	n/a
	Financial Procedure Rules and Contract Procedure Rules training delivered	LMT, WLMT, all Budget Holders and all staff involved in Purchase to Pay trained by 31 December 2023	Monthly (from December 2023)	E-Learning training data reporting dashboard	N/A	N/A	N/A	N/A
	corporate finance training programme established	Quarterly programme of finance training established	Quarterly	E-Learning training data reporting dashboard	N/A	N/A	N/A	N/A
	Budget management and purchase to pay dashboards developed to improve management information and	Budget management dashboard available to all budget holders from Business World through Power BI reporting tools by 30 November 2023. P2P Dashboards	n/a one off measure	Finance dashboard	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	n/a one off measure	HR Organisational Development	N/A	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.	Subjective measure	Head of Finance and Investment / Financial	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.	Service review completed	Head of Financial Planning	N/A	N/A	N/A	N/A