

Middlesbrough Independent Improvement Advisory Board: First Update Report December 2023

PURPOSE

1. This is the first report of Middlesbrough's Independent Improvement Advisory Board (MIIAB). It provides an overview of the Board's work to-date, and perspective on Middlesbrough Council's progress on its improvement journey. The report will do so by covering:
 - 1.1. Background
 - 1.2. Activity between October – December 2023
 - 1.3. Progress
 - 1.3.1. Overview
 - 1.3.2. Cultural Transformation
 - 1.3.3. Financial Recovery and Resilience
 - 1.4. Looking Forward

BACKGROUND TO MIDDLESBROUGH'S INDEPENDENT IMPROVEMENT ADVISORY BOARD (MIIAB)

2. At the invitation of Middlesbrough Council, the Middlesbrough Independent Improvement Advisory Board (Board) was established in October 2023. It is a non-statutory Board which brings together independent expertise from across the sector. The Board was established to provide oversight, support and challenge to the Council's improvement and transformation journey. This would include a particular focus on helping the Council to ensure its compliance with the Council's Best Value Duty under the Local Government Act 1999, notably:
 - 2.1. Cultural and governance issues, including those identified through previous CIPFA review and progress towards implementing the actions arising from the Section 24 Statutory Recommendations of the External Auditor and any future external auditor reports.
 - 2.2. Financial sustainability, including a balanced medium-term financial strategy aligned to the Council's Corporate Plan.
3. The Terms of Reference and Membership of the Board can be found here: [Improvement Board ToR](#), with further detail on the background to the Council's improvement journey found here [Corporate Governance Improvement Plan](#).
4. As set out in its Terms of Reference, the MIIAB will provide a written report on its activity to Middlesbrough Council's Executive on a quarterly basis and Full Council meetings on a six monthly basis. This is the first of those reports.
5. Underpinning the Council's improvement journey is a formal 'Best Value Notice' issued by the Department for Levelling Up Housing and Communities (DLUHC) on 24 January 2023. Within the Notice, it is clear that a failure by the Council to demonstrate continuous improvement may be judged to contribute to Best Value failure and the Secretary of State will consider using his statutory powers as appropriate.

ACTIVITY TO DATE: OCTOBER – DECEMBER 2023

6. Since the Board was established, it has met three times between October and December 2023. Through these meetings the Board has engaged with key elected members and officers at Middlesbrough Council, including the: Mayor, Executive, Interim Chief Executive, Leadership Management Team (LMT), Head of Financial Planning and Support, Head of Governance, Policy and Information, Head of Strategy, Business and Customer, and Chair of Middlesbrough's Children's Executive Improvement Board (CEIB). In addition to the Formal Board meetings, engagement has included:
 - 6.1. The Board also meeting regularly (informally) to discuss and consider the progress the Council is making regarding it's improvement journey.
 - 6.2. Holding a meeting – and created an anonymised channel of communication - for all Middlesbrough elected members.
 - 6.3. Observing public council committees meetings online.
 - 6.4. Regular contact between the MIIAB Political Peer and Middlesbrough Mayor.
 - 6.5. Regular meetings between the MIIAB Chair and Middlesbrough's Interim Chief Executive.

- 6.6. Regular meetings between the MIIAB Governance Lead and Middlesbrough's Director of Legal and Governance Services.
 - 6.7. Regular meetings between the MIIAB Finance Lead and Middlesbrough's Interim Director of Finance.
 - 6.8. Offering support, including in relation to: mentoring for members of the Executive and LMT, transformation expertise, Childrens Services, Adults Services, and organisational re-design.
7. During this period, the Board recognises that a significant breadth of activity has been undertaken by Middlesbrough Council to progress its Cultural Transformation, Financial Recovery and Resilience workstreams, alongside day-to-day delivery. Given the critical point in the financial cycle, the Board has had a particularly strong focus on the Financial Recovery and Resilience workstream. The Board is grateful for the constructive and open way the Council at all levels has engaged openly with the Board across all aspects of its work to date.

OVERVIEW

8. From what the Board has heard and seen, it is evident that there are dedicated, and hard-working elected members and officers focused on moving the Council forward on its improvement journey. With Phase Three of the Council's Corporate Governance Improvement Plan and Section 24 Action Plan agreed in September 2023, a significant amount of activity has occurred taking the Council in the right direction in terms of improvement. This has been against a backdrop of significant organisational changes, with the Council having had a new Mayor elected and having changed political control in May 2023. Since the Best Value Notice was issued there have also been senior personnel changes in the roles of Chief Executive, Finance Director, and Director of Childrens Services. This inevitably has meant a period of orientation and reset, but the Board have heard that it has also heralded better relationships, a clearer acknowledgement of the issues needing to be addressed, and fresh impetus and ideas so to do.
9. The positive steps taken, and progress made around governance, culture, and financial management are to be commended. Progress however is inevitably at an early stage, and therefore not yet embedded as tangible change.
10. There remains much still to do, particularly to tackle the scale of the financial challenge. Middlesbrough Council's financial position is critical. At the time of writing, the Council are consulting on a budget gap of £6.3m for 2024/25, with the risk of the Council issuing a Section 114 Notice¹ remaining a possible outcome. Addressing this - by delivering on the improvement plan actions, including a robust transformation programme - will be critical. As will effectively implementing new strategies to embed positive cultures and behaviour changes to ensure the Council's improvement journey is realised, sustainable and resilient.

CULTURAL TRANSFORMATION

11. The workstreams within Middlesbrough's 'Cultural Transformation' work programme are as follows:
- 11.1. Development and implementation of a People and Cultural Transformation Strategy
 - 11.2. Development and implementation of a Member Development Strategy and Programme
 - 11.3. Development and implementation of a corporate governance training programme

¹ Under Section 114(3) of the Local Government Finance Act 1988

- 11.4. Ensure stable and sustainable leadership for the organisation
 - 11.5. Development and implementation of an improved focus on employee performance and accountability
 - 11.6. Review the Council's approach to Member enquiries and engagement
 - 11.7. Develop and implement communications and engagement plan to support cultural transformation
12. The [Corporate Governance Improvement Plan and Section 24 Action](#) report published mid-November 2023 provides a detailed picture of Middlesbrough's progress against the plan.
13. The Board's reflections on the progress made to-date against this Cultural Transformation work programme, is summarised in paragraphs 14 – 17.
14. **Strategy implementation:** The development in recent months of key cultural change strategies, policies and training programmes should be commended. This has included agreement of a Member Development Strategy and Programme, corporate governance training programme and appraisal process for staff, as well as ongoing development of a People Strategy. These will be important vehicles through which to drive the cultural and behavioural change the Council wants to see. The existence of these statements of intent however do not, in themselves, directly lead to meaningful change. Alignment, implementation and embedding of these strategies will be critical to ensure these translate into tangible change in practice. With these various strategies at an understandably nascent stage in term of delivery, this will be something the Board will be keen to explore further in coming months. The Board will want the Council to be able demonstrate a clarity of purpose and activity that is visibly linked to long term aspirations and discussions that underpin and focus on the key priorities.
15. **Culture, relationships, and behaviours:** The Board has heard that relationships between elected members and officers have improved significantly since the issuing of the Best Value Notice in January 2023. We are aware that the Mayor, Executive and LMT have worked hard to establish positive relationships, behaviours and norms based on the Nolan Principles. Alongside this, positive steps have been made with a review and update on the Constitution, development of Member Development Strategy and Programme, and engagement with elected members and staff on Middlesbrough's organisational values. As with any organisation, cultural change takes time to embed and needs to be constantly reinforced and supported. The Board has heard that legacy issues around trust, behaviours and understanding role and responsibilities are still impacting across the Council. Whilst recognising the significant good work that has happened to date, further steps to establish positive relationships and norms in roles and responsibilities between senior elected members and officers will nevertheless be important. For example, undertaking a programme of top team development for the LMT and with the Executive could further collective understanding of respective roles and responsibilities. It could also help develop the resilience of relationships to support the Council through future challenges and difficult decisions. How the organisational values are 'lived and breathed' is something the Board will be keen to explore – and see evidence of - as the Council continues its improvement journey.
16. **Member enquiries and engagement:** Steps have been taken by the Council to engage elected members on the Corporate Governance Improvement Programme. This included a workshop to understand their needs from a revised Members' Enquiry process. The Board however heard mixed views as to how these efforts had been received, with frustrations expressed as to how elected Members' queries continued to be responded to. Resolving this as a priority will be important to ensure elected Members are best supported to carry out their roles, and in establishing expected behavioural norms within the wider workforce. Similarly, ensuring all elected Members can engage with the Council's improvement programme and understand their role within it, such as role modelling organisational values, will be important in embedding cultural change.

17. **Stable and sustainable leadership:** An important action within the Corporate Governance Improvement Plan is to ensure that arrangements are put in place for stable and sustainable leadership of the organisation. Notwithstanding the interim nature of some key leadership positions, the Board recognises the stabilising influence that these senior appointments have brought to the organisation. This has brought benefits in terms of leadership and direction, and if carefully managed will enable the Council to have an orderly transition to more permanent arrangements in the future.

FINANCIAL RECOVERY AND RESILIENCE

18. The workstreams within the 'Financial Recovery and Resilience' work programme are as follows:

- 18.1. Controlling 2023/24 expenditure to within approved budgets
- 18.2. Commenced development of organisational wide Transformation Programme
- 18.3. Setting a balanced budget for 2024/25 to 2026/27
- 18.4. Improvements to financial governance, spending controls and monitoring through more effective financial management, across the organisation

19. The [2024/25 Budget and Medium Term Financial Plan \(MTFP\) Update 2024/25 to 2026/27](#) report published mid-December 2023 provides a detail picture of Middlesbrough's financial position.

20. The Board's reflections on the progress made to-date against this Financial Recovery and Resilience work programme, is summarised in paragraphs 21 – 25.

21. **Budget and Medium Term Financial Plan (MTFP):** It is evident to the Board that the Council acknowledges the scale of the financial challenge and is undoubtedly working hard to improve the budgetary position. Meaningful progress has been made in reducing the 2023/24 budget gap, which at Month 7 end of October stood at £7.4m. This will need to be met from reserves which will be replenished either in part or in full by the release of an over provision for bad debt in respect of Council tax collection. This is a one-off scenario. Whilst the Council will benefit from this, it is important the Council makes explicitly clear that this cannot be repeated. For Middlesbrough Council to become financially sustainable, it is imperative that all Departments, identify and deliver on savings going forward. With critically low levels of reserves - estimated in the MTFP to be at £7.4m at the end of March 2024 or 5.5% of net revenue budget - the Board would encourage the Council to continue to have a relentless focus on identifying and delivering financial savings within the 2023/24 financial year to close the budget gap and support financial resilience in future years. It should also continue to apply strict financial controls on expenditure and maximising income collection as a matter of course.

22. The overall financial position of the Council is critical and the risk of the Council issuing a Section 114 Notice² as set out in the MTFP remains a possible outcome, unless the budget can be balanced in 2024/25 without either recourse to reserves which are at a critical level or exceptional financial support from DLUHC. The Council are consulting on a budget gap of £6.3m for 2024/25, rising to £8.2 million by the end of 2026/27. The recent draft local Government Finance settlement has provided a marginal increase in financial resources of £0.8m.³ However, if the Council is

² Under Section 114(3) of the Local Government Finance Act 1988

³ Provisional financial analysis subject to finalisation by end of January 2024.

unable to close the budget gap and seeks and secures exceptional financial support from DLUHC, this sum would be needed to pay the costs of any borrowing related to that support. Urgency in bringing forward quantified savings and transformation proposals for 2024/25 is therefore imperative. The Board continue to impress upon Middlesbrough the need for further urgency in doing so. The development of – and delivery against – a Council-wide Transformation Programme will be critical to setting a balanced budget for 2024/25 to 2026/27.

23. **Transformation Programme:** The Council has recently commenced development of intensive transformation and service redesign activity with the assistance of Inner Circle Consulting. This is to develop an overarching Transformation Programme linked to the MTFP, with business cases for financial savings to be brought forward at pace for delivery. This is something the Board is keen to understand progress on as it develops. Ensuring the robustness of the business cases coming forward as part of the Programme – and mitigating risks of optimism bias – will be critical to ensure the savings identified are realistic and deliverable. This will be important in order to avoid adding further budgetary pressure to future years.
24. **Childrens and Adults Services:** Being the largest elements of the Council's budget at 60% of gross expenditure and 87% of net expenditure Childrens and Adult Services will be important planks within the Transformation Programme and delivery of savings needs to be demonstrated. There is evidence that both services are spending more than those in comparable councils. Transformation within Childrens Services will be of relevance to the Department for Education (DfE) mandated Middlesbrough's Children's Executive Improvement Board. Both Boards have committed to work jointly to ensure they remain on the same page in terms of achieving transformational savings as well as strengthening practice. Ensuring this alignment and clarity on how the transformation agenda relating to Children's Services will work across the two Boards is something MIIAB will be focused on in future months.
25. **Vision:** The MIIAB have been encouraging Middlesbrough Council to prioritise establishing at pace a clear vision for Middlesbrough as a place and organisation. Having a vision which sets out the Council's ambitions that can link together – and drive – the transformation, cultural and financial change Middlesbrough is seeking to achieve. This clear vision will also help take councillors, staff, and communities on the journey with the Council. Whilst a vision for Middlesbrough is articulated in the recently published Council Plan, the Council may wish to revisit it in parallel with the development of the Transformation Programme aims and objectives. This should be progressed as a matter of urgency.

Looking Forward

26. The Board are encouraged by and recognise the aforementioned green shoots which – alongside the comprehensive Improvement Plan – provide a platform from which to drive forward. The Board would encourage Middlesbrough Council not to take its foot off the gas in terms of pace and focus, and to consider the points raised by the Board, particularly in relation to the following:
- 26.1. **Focus on Financial Savings:** Having a relentless focus and pace in identifying and delivering financial savings and eliminating over expenditure within the 2023/24 financial year, and to support financial resilience in future financial years. Aligned to clear messaging that to become financially sustainable, it will be imperative that all Departments, contain costs within approved budgets and identify and deliver on savings.
- 26.2. **Transformation Programme:** Ensure the robustness of business cases coming forward as part of the Transformation Programme to ensure they are deliverable. Recognising the ratio of the Adults and Childrens Services budgets combined in relation to the overall Council revenue budget, and practice and spend in comparable councils. The Council should ensure that these two departmental areas are an integral part of the

Transformation Programme and future aspirations for financial sustainability.

- 26.3. **Vision:** Establish at pace a clear vision for Middlesbrough as a place and organisation. This is essential to driving cultural and transformational change activity and will help take councillors, staff, and communities on the journey with the Council.
- 26.4. **Culture, relationships, and behaviours:** Further efforts to build on good progress made in establishing positive relationships and norms in roles and responsibilities between elected members and officers and develop resilience into relationships.
- 26.5. **Engagement:** Ensure all elected members can engage with the Council's improvement programme, understand their role within it, and are supported with a revised approach to Members' Enquiry as soon as possible.
- 26.6. **Implementation:** Focus on aligning and implementing the key cultural change strategies and processes to ensure these translate into meaningful change in practice and the organisation can speak with 'one voice'.