

MIDDLESBROUGH COUNCIL	
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Report of:	Chief Executive
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Executive Member:	The Mayor and Executive Member for Adult Social Care and Public Health
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Submitted to:	Executive
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Date:	13 March 2024
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Title:	Transformation: Governance Arrangements
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Report for:	Decision
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Status:	Public
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Strategic Priority:	Delivering Best Value
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Key decision:	No
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Why:	Decision does not reach the threshold to be a key decision
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Subject to call in?:	Yes
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Why:	Non Urgent Report
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Proposed decision(s)
<p>That the Executive:</p> <ul style="list-style-type: none"> • Endorses the proposed governance arrangements for delivery and oversight of the Transformation Portfolio; • Notes that to ensure transparency of project resourcing costs within the transformation portfolio and its agreed project financial profiling, any decision to appoint project expense on an interim basis to ensure specialist input with a focus on return on investment, will be taken by the Chief Executive as Transformation Portfolio Senior Responsible Officer, in consultation with the Mayor; and • Approves the delegated decision-making powers relating to approval of proposed change controls to enable projects to be brought back within tolerances relating to time, scope, cost and benefit and as set out in the Programme and Project Management Framework (PPMF), except where this would be a key decision and Executive approval would be sought through the governance arrangements outlines in this report or via an additional Executive report where a more urgent decision is required.

Executive summary

This report sets out the governance arrangements to ensure effective oversight of the Transformation Portfolio, and delivery of its intended benefits:

- Transformation drivers
- Transformation Portfolio Management Office: purpose and structure
- Transformation Portfolio Management Office: governance
- Reporting and delegated decision-making

A further report detailing the programmes and projects comprising the Transformation Portfolio, resourcing requirements, level of investment and financial and non-financial benefits will be presented to a meeting of full Council on 28 March 2024.

Purpose

1. The intent of the report is to provide assurance to the Executive that the existing Programme and Project Management governance arrangements and those which are proposed specifically for oversight of the Transformation Portfolio and delivery of intended benefits are sufficient and robust.

Recommendations

2. That the Executive:
 - Endorses the proposed governance arrangements for delivery and oversight of the Transformation Portfolio;
 - Notes that to ensure transparency of project resourcing costs within the transformation portfolio and its agreed project financial profiling, any decision to appoint project expense on an interim basis to ensure specialist input with a focus on return on investment, will be taken by the Chief Executive as Transformation Portfolio Senior Responsible Officer, in consultation with the Mayor; and
 - Approves the delegated decision-making powers relating to approval of proposed change controls to enable projects to be brought back within tolerances relating to time, scope, cost and benefit and as set out in the Programme and Project Management Framework (PPMF), except where this would be a key decision and Executive approval would be sought through the governance arrangements outlines in this report or via an additional Executive report where a more urgent decision is required.

Rationale for the recommended decision(s)

3. To enable the Executive to endorse the Transformation Portfolio governance arrangements to ensure effective oversight its programmes and projects, delivery of its intended benefits and that the appropriate delegated decision-making authorities are in place to support good governance and progress at pace of the Transformation Portfolio.

Background and relevant information

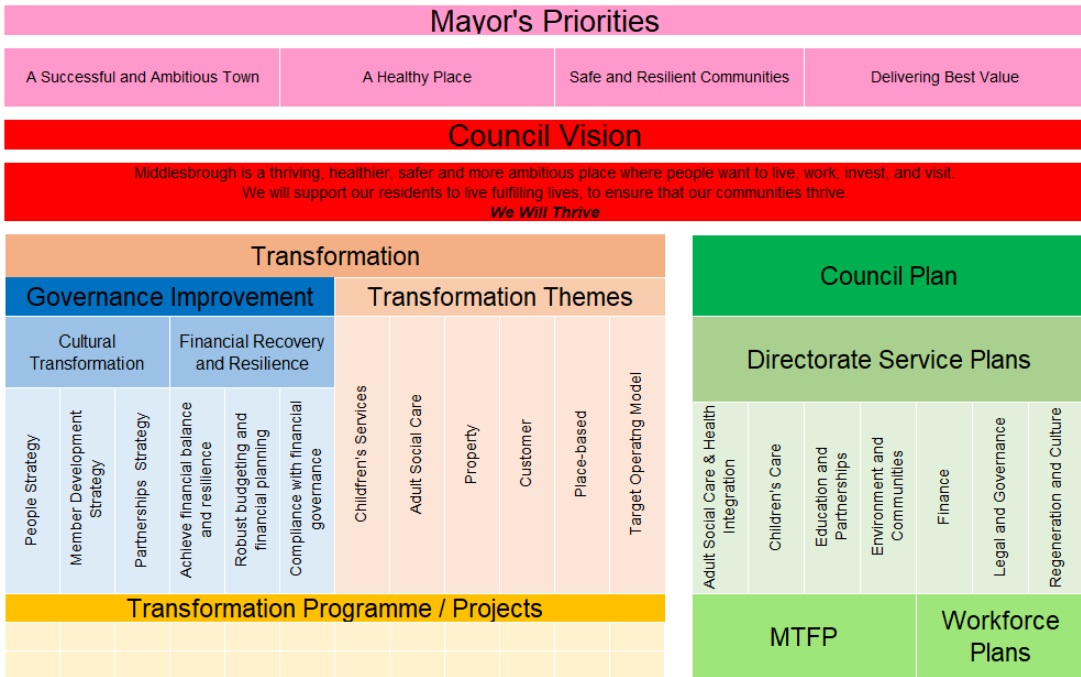
Corporate Governance Journey

4. The Council is currently mid-way through a corporate governance improvement journey, following the report and findings of the Council's external auditor, Ernst and Young LLP in July 2022 which reported significant areas of concerns in governance, including relations between members and officers.

5. Following communication of the findings of the external auditor, the Council brought in external support (CIPFA and the LGA) to support with the development of the corporate governance improvement plan, alongside undertaking a review of the organisation’s financial resilience.
6. Despite progress made, in January 2023, the Department of Levelling Up, Housing and Communities (DLUHC), issued a Best Value Notice. To respond effectively to the wider governance challenges facing the Council, the corporate governance improvement plan was refreshed in September 2023 around two specific themes: cultural transformation and financial resilience. Simultaneously, the external auditor escalated concerns via statutory recommendations, under Section 24 of the Local Audit and Accountability Act, which the Council responded to with an action plan of improvements, aligning with the Corporate Governance Improvement Plan intentions.
7. An Independent improvement Advisory Board was established to provide expertise, challenge, and advice against delivery of the revised governance improvement plan, with the first meeting taking place in September 2023. Progress against which (and including the Section 24 improvements), is reported at these monthly Boards, as well as each meeting of full Council and Audit Committee.
8. Whilst Government has since recognised progress made, however due to the seriousness and extent of the issues identified, the Best Value Notice has been extended for a further six months.
9. Within this timeframe, there is an expectation to demonstrate traction and progress on development and delivery of the corporate transformation portfolio.

Transformation drivers

10. Successful Council-wide transformation of the organisation is integral to delivering the Council Plan 2024-27, its Medium-Term Financial Plan, and removal of the Best Value Notice through development of new approaches to the design of service delivery, driving of improved controls and efficiencies, implementation of effective demand management measures as part of the wider governance improvement arrangements currently in play as illustrated below.



11. In recognising the evolving landscape, the Council is committed to adopting innovative approaches in the design and delivery of services, encompassing new strategies, partnerships and collaborative efforts with stakeholders.
12. As an authority in the midst of significant change and challenge, transformation is key to delivering services more effectively and making positive changes to improve our culture. This involves a continuous process of monitoring external factors, staying abreast of best practice and innovation, and being agile in responding to emerging challenges and opportunities. The Council sees transformation not as a one-time event but as an ongoing journey that aligns with the ever-changing landscape of public service and governance.

Transformation Portfolio Management Office: purpose and structure

13. The Portfolio Management Office (PMO) has responsibility for the strategic oversight of the Council's portfolio of programmes and projects that are managed within the corporate Programme and Project Management framework (PPMF), which is in place to provide a consistent approach to PPM governance and documentation.
14. Established in 2016, the PPMF is supported by an existing range of tools and templates, and already provides support and assurance for existing priority programmes and projects, though is significantly under-resourced to support transformation, as well as underpinning the achievement of the Council Plan 2024-27 priorities and aims.
15. The scope, scale and pace of change required over the course of the MTFP will require building upon these foundations, refining governance and delivery approaches, applying best practice programme and project management principles in a pragmatic and proportional manner, and ensuring the PMO has the capability and capacity to deliver effectively.
16. The Portfolio Management Office (PMO) will play a vital enabling role in the successful delivery of the Council's Transformation Portfolio, and existing priority business as usual programmes and projects, both directly linked to the achievement of a balanced budget over the next three years. It will do so by assuring, and supporting, the consistent application of sound programme and project management principles, applied practically and proportionally to ensure a balance of pace and control across the selection, design and delivery of priority initiatives.
17. The PMO will achieve this with a focus on four objectives:
 - **Portfolio Strategy: *Are we are doing the right things?*** Helps assure investment of resources to the programmes and projects that deliver the greatest contribution to strategic priorities.
 - **Portfolio Design: *Are we doing things the right way?*** Helps assure that programmes and projects are set up for success, with robust and realistic (whilst practical and proportional) plans, with clarity about what good looks like.
 - **Portfolio Delivery: *Are we doing things at the right time?*** Helps assure delivery of programmes and projects in-line with plans, by ensuring they are appropriately resourced, managed and controlled.
 - **Portfolio Value: *Are we getting the expected results?*** Helps assure programmes and projects to realise expected benefits, in accordance with required timescales.
18. The PMO will be the glue between the programmes within the portfolios, promoting best practice, providing challenge, and coordinating transformation efforts to assure delivery and maximise impact. The work of the PMO will deliver the following outcomes:
 - **Effective management of activity.** Enabled through effective prioritisation and delivery of initiatives, ensuring continued alignment to Council priorities. Strong focus on benefits realisation, oversight and coordination of interdependencies between programmes, ensuring evaluation of lessons learned and celebration / recognition of successes.

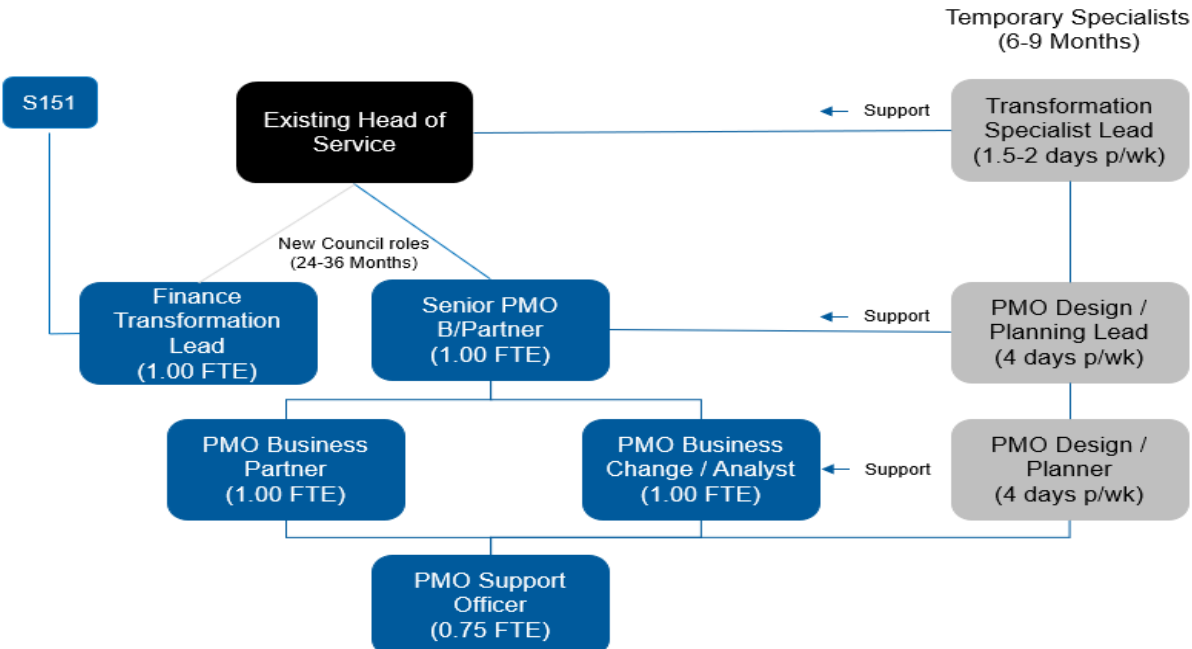
- **Evidence-based decision making.** Enabled by enhanced visibility and transparency through effective governance and tools, including a single view of the totality of portfolio activity - a single source of truth when it comes to progress across the programmes, and an aggregated view of risks and issues with accurate and timely status reporting.
- **Effective management of resources.** Enabled through a consistent approach to programme and project planning, a holistic view of programme and project resources across all initiatives, raising programme and project management capability through support and training, and coordination of access to additional temporary programme and project delivery resources.
- **Effective management of risk.** Enabled through consistency of approach to the identification and management of risk across all programmes within the portfolio, providing an aggregated view of key risks and a single view of total risk exposure across the Transformation Portfolio.
- **Enhanced change capability.** Enabled through provision of training and support to programme and project sponsors and managers, development and facilitation of a *Programme and Project Community of Practice* within the Council to share learning and experience, and access to external expertise to work collaboratively with the Council, sharing knowledge and developing skills.

19. Day to day responsibilities of the Transformation PMO will be cover portfolio, programme and project:

- **Standards.** Set and uphold programme and project standards, ensuring consistent application of principles, in a proportional and pragmatic manner.
- **Governance and Assurance.** Set and uphold governance standards across the programme and projects, managing and facilitate portfolio level governance. Tracking portfolio status and standardising the way programme information is compiled, providing independent assurance.
- **Reporting.** Report at progress and performance at Portfolio, Programme and Project level against the corporate governance framework and performance management arrangements, engaging with officers and members, alike.
- **Coordination.** Based on a total view of programmes and their deliverables, milestones, resources, risks, issues, assumptions and interdependencies.
- **Strategic alignment.** Support for portfolio design, programme and project selection, and continually review the portfolio to ensure activity remains aligned to strategic priorities.

20. In order for the Transformation PMO to be a success, a clear Executive-endorsed mandate is crucial, alongside consistent application of the PPMF across the portfolio and unfettered access to programme and project information through governance reporting arrangements and through regular engagement with Programme Sponsors / Managers, etc.

21. Over a likely period of the next 6 months+, the PMO is going to have to balance more than when in a steady state and to that end, the following structure is proposed for the Transformation PMO:



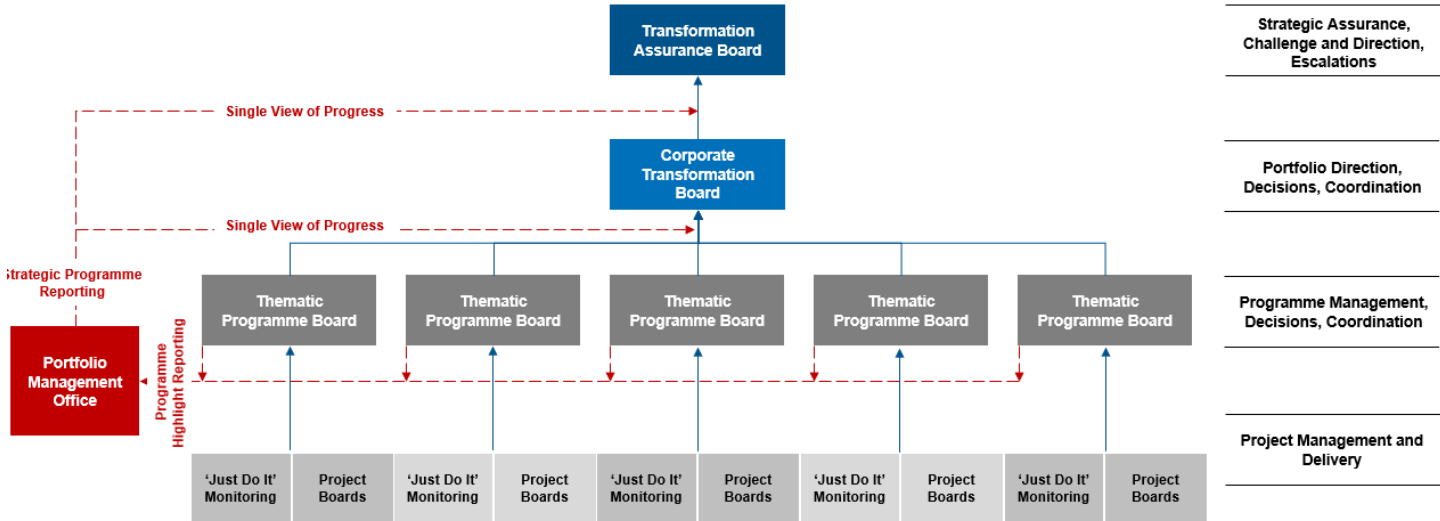
- 22. The Transformation Portfolio will be predicated on the assumption that existing priority business as usual projects are delivered to time and budget. Success over the next three years is contingent on the successful delivery of the existing and new programme and projects.
- 23. To ensure the existing priority projects continue without disruption, it is proposed that the PMO Manager continues to focus on oversight, assurance and support of the existing Operational Portfolio, and that additional capacity is created dedicated to the Council’s emerging Transformation Portfolio:



- 24. Once new transformation capability and capacity is implemented and embedded, a review of the PMO structure would be appropriate in consideration of the Council’s longer-term requirements.

Transformation Portfolio: Governance

- 25. Proposed governance will not deviate from the existing arrangements outlines in the PPMF, made up of the following layers:



- 26. All programmes and projects within the Transformation Portfolio will be governed through a clear and integrated board structure that will approve the initiation and continuation of project activity via gateway controls, including routes for escalation and change control(s) where required.
- 27. The Transformation Assurance Board will be Chaired by the Mayor, and will provide political accountability, ownership, and oversight to ensure the portfolio, programmes and projects have the political and organisational support to be successfully delivered and that they align with key political and operational priorities. The Transformation Assurance Board is ultimately

accountable to the Executive, the body with mandate over the Transformation Portfolio. The detail of which is illustrated in Appendix 1.

- 28. The Leadership Team will sit as the Corporate Transformation Board, chaired by the Chief Executive as the Transformational Portfolio Sponsor / Senior Responsible Officer and the key leadership figure in driving the portfolio forward, responsible for ensuring that a portfolio meets its objectives and delivers the projected benefits. As Chair of the Corporate Transformation Board, the Transformational Portfolio Sponsor / Senior Responsible Officer supports and holds Thematic Programme Sponsors to account and is accountable to the Executive and leads the interface with the Transformation Assurance Board. The detail of which is illustrated in Appendix 2.
- 29. The Corporate Transformation Board is supported by the Thematic Programme Boards, chaired the relevant Programme Sponsor; a representative of LMT and provide guidance and challenge to the Programme Manager and projects. They are accountable for the overall success of their respective programme, defining what success looks like, and ensuring the successful delivery of projects and benefits within the programme. Accountable to the Transformation Portfolio SRO (the Chief Executive), programme progress will be reported to the Corporate Transformation Board. The detail of which is illustrated in Appendix 3.
- 30. Localised project boards will be stood up, as appropriate.
- 31. The structure ensures that projects and programmes are scrutinised in a uniform way with exceptions escalated to senior responsible officers to ensure action is taken to bring the portfolio, programmes and projects back on-track.

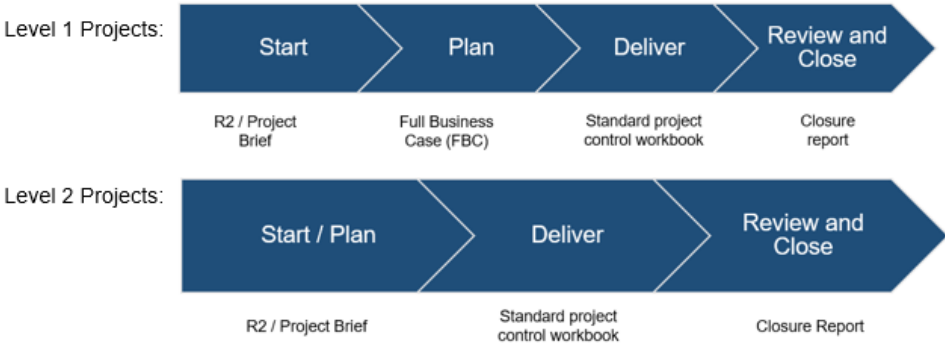
Delegated decision-making and reporting

- 32. Scheduling of the governance reporting framework will align with existing monthly corporate performance reporting cycle, for consistency:

Week 1	Programme Managers to complete and submit highlight report to PMO
Week 2	Thematic Programme Board meetings
Week 3	Corporate Transformation and Transformation Assurance Board preparation
Week 4	Corporate Transformation Board Transformation Assurance Board
Quarterly	<p>Executive: Quarterly corporate performance reports will see an expanded remit, to ensure coverage of performance against transformation planned activities, by exception.</p> <p>Overview and Scrutiny Board: Quarterly corporate performance reports will provide overview of performance against transformation planned activities by exception, to invite challenge.</p>

- 33. To ensure programmes and projects receive the support and direction they require to succeed and progress; the project will be categorised as either Full Framework (Level 1) or Project on a Page / POAP (Level 2) depending on the complexity and risk involved.
- 34. There are 4 stages that a project must pass through to reach completion. To progress between stages, the relevant gateway approval document must be completed and approved by the relevant approval route and Senior Responsible Officer (SRO). It is the responsibility of the

Programme and Project Sponsors and Programme / Project Managers to ensure compliance with the PPMF.



- 35. Any change to time, cost, scope or benefit throughout the life span of the project must be captured in a change control form which will then need approval from the Project Sponsor.
- 36. To ensure transparency of interim project resourcing costs within the transformation portfolio and its agreed project financial profiling, it is proposed that any decision to appoint interim project resources, will be taken by the Chief Executive as Transformation Portfolio Senior Responsible Officer, requiring full compliance with the Council’s constitution and contract and financial procedure rules.
- 37. To ensure transparency of project resourcing costs within the transformation portfolio and its agreed project financial profiling, any decision to appoint project expense on an interim basis to ensure specialist input with a focus on return on investment, will be taken by the Chief Executive as Transformation Portfolio Senior Responsible Officer, in consultation with the Mayor.
- 38. It is also proposed that the delegated decision-making powers relating to approval of proposed change controls to enable projects to be brought back within tolerances relating to time, scope, cost and benefit, as set out in the Programme and Project Management Framework (PPMF), except where this would be a key decision and Executive approval would be sought through the governance arrangements outlines in this report or via an additional Executive report where a more urgent decision is required.
- 39. Some projects may require Executive approval in addition; however, they must first have a fully justified and approved Business Case that supports the Executive report to be considered.

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

- 40. It is imperative that the Council effectively articulates the governing arrangements to ensure achievement of the intended financial and non-financial benefits of the Transformation Portfolio.

Impact(s) of the recommended decision(s)

Financial (including procurement and Social Value)

- 41. The Council’s approach to transformation is one of the key drivers of the Council Plan 2024-27 and delivering the Medium-Term Financial Plan (MTFP) to deliver the Council’s financial recovery and secure financial resilience over the period of the MTFP.
- 42. Robust governance arrangements in the form of an enhanced Transformation PMO is critical to ensure full alignment between the Council’s ambitions and its spending plans. In outlining an achievable programme of work that delivers performance improvement within reduced

resources, the approach to transformation governance will support the Council in delivering value for money in the medium-term.

43. The resource requirements that are necessary to deliver the Transformation PMO function and each of the Transformation Programme themes, together with the planned benefits of the Programme will be considered for approval by Council on 27 March 2024 together with the Flexible Use of Capital Receipts Strategy (FUOCR) that will provide the funding plan for the Programme for 2024/25. The FUOCR Strategy requires approval by Council and is required under the DLUHC regulations to demonstrate compliance with eligibility of expenditure. DLUHC require oversight of the Council’s plans. Further information will be provided in the FUOCR strategy to be considered by full Council on 27 March 2024.

Legal

44. Implementation of the transformation governance arrangements will enable the Council to deliver planned transformation within the resources available to it, and continue to meet its various statutory duties, including the overarching Duty of Best Value.

Risk

45. The thematic programmes within the Transformation Portfolio will be cross-referenced against the Council’s Strategic Risk Register, following a review against the recently approved Council Plan 2024-27, to reduce the risk of impacting negatively on the Council’s ability to achieve the ambitions set out in the Council Plan and Transformation Portfolio and a positive impact on the risk against failure to achieve a balanced budget.

Human Rights, Public Sector Equality Duty and Community Cohesion

46. Not applicable.

Climate Change / Environmental

47. Not applicable.

Children and Young People Cared for by the Authority and Care Leavers

48. Not applicable.

Data Protection / GDPR

49. There are no concerns that the proposed governance arrangements could impact adversely on data protection or GDPR.

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

Action	Responsible Officer	Deadline
Following approvals, a detailed report on the Transformation Portfolio, Programmes, Projects, Benefits, Resource and other investments will be brought to full Council for approval.	Head of Strategy, Business and Customer	27 March 2024

Appendices

1	Transformation Assurance Board objectives
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2	Corporate Transformation Board objectives
3	Thematic Programme and Project Board objectives

Background papers

Body	Report title	Date
Executive	Council Plan 2024-27	28 Feb 2024

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