

<b>Report of:</b>	Chief Executive, Director of Finance and Director of Legal and Governance Services
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<b>Relevant Executive Member:</b>	The Mayor, Chris Cooke
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<b>Submitted to:</b>	Council
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<b>Date:</b>	17 July 2024
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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>	Decision
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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>Subject to call in?</b>	Not applicable
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<b>Why:</b>	Not applicable
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**Proposed decision(s)**

That Council notes the progress against the Corporate Governance Improvement Plan and Section 24 Action Plan and agrees the proposed changes to milestones and activity in relation to the Section 24 Action Plan as outlined at paragraphs 6.7 to 6.10.

That the departing Middlesbrough Independent Improvement Advisory Board Financial Lead, Chris Buss, is thanked for his support, advice and guidance on the Council's improvement journey to date.

## **Executive summary**

This report sets out the key activities, progress and impact of the Corporate Governance Improvement Plan and activity in response to the Section 24 recommendations made by the Council's External Auditors, since last reported to Council on 27 March 2024..

### **1. Purpose**

1.1 This report sets out the key activities and progress since an update was last provided to Council on 27 March 2024, in response to the Section 24 recommendations made by the Council's External Auditors and the Council's Corporate Governance Improvement Plan.

### **2 Recommendations**

2.1 That Council notes the progress against the Corporate Governance Improvement Plan and Section 24 Action Plan and agrees the proposed changes to milestones and activity in relation to the Section 24 Action Plan as outlined at paragraphs 6.7 to 6.10.

2.2 That the departing Middlesbrough Independent Improvement Advisory Board Financial Lead, Chris Buss, is thanked for his support, advice and guidance on the Council's improvement journey to date.

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

3.1 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.

3.2 Member oversight is crucial in delivery of these actions and also provision of assurance that intended impacts to address the governance weaknesses identified by the Council's External Auditors are being realised.

### **4 Background and relevant information**

4.1 On 18 September 2023, Council received a report that set out the activities of Phase Three of the proposed Corporate Governance Improvement Plan, alongside the associated governance arrangements providing oversight of delivery. It also received a report from the Council's External Auditors which made statutory recommendations in relation to the Council's governance. This report provides an update on delivery against the action plan that was put in place in response to that report, as well as an update on delivery against the Corporate Governance Improvement Plan.

4.2 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.

## 5. Performance management methodology

5.1 The Council's and Programme and Project Management policy set out the methodology used to assess and report on progress against delivery, which is applied across the Corporate Governance Improvement and Section 24 delivery plans.

KEY:	
<b>BLUE - COMPLETE</b>	Activity delivered in full
<b>GREEN – ON TRACK</b>	Delivery plan activities are on track and / or a or above standard
<b>AMBER – OFF TRACK</b>	Delivery plan activities are < 5% below standard
<b>RED – OFF TRACK</b>	Delivery plan activities are > 5% below standard
<b>IMPACT - NO CHANGE</b>	The measures of success used to assess impact, refresh on differing time periods. Some are annual, others are more frequent. If it says no change, either the data has stayed the same or is not due to be refreshed
<b>IMPACT MET – NO (AMBER)</b>	Performance measures for this workstream are within 5% of the target
<b>IMPACT MET – NO (RED)</b>	Performance measures for this workstream are below target by more than 5%
<b>IMPACT TREND – MIXED CHANGES</b>	Of the range of performance measures that are against the workstream, some have improved, and others have worsened

5.2 Overall performance in relation to delivery of activity across the two improvement plans is as follows (excluding activity not yet planned to start and not due to be delivered yet):

Activity	STATUS AT 18/06/2024			
	% On-track	% Off-track	% Delivered	Overall % on track or delivered
Corporate Governance Improvement Plan	18% (17/95)	4% (4/95)	78% (74/95)	96%
Section 24 Action plan	7% (3/47)	4% (2/47)	89% (42/47)	96%

5.3 The above table shows that 96% of planned activity has either been delivered or is on-track for delivery in relation to the Corporate Governance Improvement Plan, with three planned activities across the 10 workstreams measuring as off-track.

5.4 96% of activity in relation to the Section 24 delivery plan is on-track or has been delivered, with one activity showing as off-track.

5.5 The remainder of this report sets out the detail of the delivery plan activity, alongside supporting measures of success that are in place to assess the impact of activity.

## 6. Corporate Governance Improvement Plan: progress status

6.1 For the current reporting period, seven of the workstreams are on target in terms of activity, as per timescales set out in the corporate Governance Improvement

Plan, with three being off target currently in the Cultural Transformation plan, which are outlined below:

- *Development and delivery of an enhanced Member Development Strategy* – one milestone relating to undertaking a first annual review of the strategy is off-track as a date change for the first annual review was not made when the strategy first went live in November 2023. There is a change control proposed to undertake the first annual review by December 2024.
- *Development and implementation of an improved focus on employee performance and accountability* – a milestone relating to the target of 95% (75% of staff have had an appraisal to date) of all staff to have had an appraisal by end of March is off-track due to a large number of staff appraisals within the Waste Management service delayed as a result of the rollout of new garden waste charging and fortnightly residual waste collections. This delay has further impacted upon a subsequent milestone relating to undertaking sample quality assurance of appraisal objectives setting. Two change controls have been proposed to extend the end dates of both as detailed in section 6.10. Additional activity is currently being undertaken to communicate to all managers to ensure appraisals take place and are recorded on the People Manager system.
- *Improving financial governance, spending controls and monitoring, by ensuring effective financial management across the organisation* – a milestone in relation to the development of a more efficient accounting, financial recording to reporting within Business World application is off track and a further milestone in relation to the implementation of compliance and enforcement protocols to embed governance arrangements into operational practice is also off-track. A change control to extend the due date on both has been proposed as detailed in section 6.10.

### **Measures of success**

- 6.2 The Council, in identifying the data sources to measure success, has set a baseline against which it will judge ongoing performance. Frequencies in updating these measures vary and are detailed in Appendix 1. Some measures are ad hoc, some annual, while others are refreshed on a quarterly or monthly basis.
- 6.3 The Council continues to review its delivery plans and measures of success to ensure it is taking the right actions and is focussed on assessing the impact of its activity.
- 6.4 Since last reported to Council, the following amendments have been proposed to the Measures of Success that assess the impact of the Council's Corporate Governance improvement activity:
- 6.5 Summary of proposed new Measures of Success:

Measure	Rationale
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Forecast outturn is within the agreed budget	The previous measure tracked the 23/4 budget. This proposed new measure will track this year's budget and future years
Maintain General Fund balance in line with approved reserves policy - 7.5% of the net revenue budget which would be £11.1m at 31/3/25	Reflects the position as set out in the Reserves policy
Maintain unrestricted usable revenue reserves at a minimum of £8m at 31/3/25	Reflects the position as set out in the Reserves policy
Balanced Budget for 2025/6 set	The previous measure tracked the 24/25 budget setting process.
Balanced Medium Term Financial Plan to 2028/9	The previous measure tracked delivery of the MTFP to 2026/27
Achievement of 3 star or higher rating for financial governance against the CIPFA criteria	This will be external validation of the Council's financial governance health and will demonstrate the impact of activity on improved financial governance. This replaces two previous financial governance related measures with a Measure that can be externally validated.

## Key activities

6.6 The following activities within the governance improvement plan have been delivered since progress was last reported to Council:

THEME	WORKSTREAM	COMPLETED ACTIVITIES WITHIN REPORTING PERIOD
Cultural Transformation	Development and implementation of a People Strategy	<p>Delivery ongoing of the Strategy against the underpinning delivery plan, feeding into corporate performance reporting cycle is ongoing.</p> <p>Insights Leadership workshops have been delivered to LMT, Executive and one combined session; to raise awareness of preferences, styles and increase relationship building.</p> <p>Workshop has been delivered to all Managers in the Council to explore the Corporate Plan and how it links into the daily work of staff and aligns to the People Strategy.</p>
	Development and implementation of a corporate governance training programme	All activities have now been completed.
	Ensure stable and sustainable leadership for the organisation	A recruitment plan / process has been developed for all interim appointments in a Leadership and Management position.
	Review the Council's approach to Member enquiries and engagement	The new Members enquiries system is now live, and all activities have now been completed.
	Develop and implement communications and engagement plan to support cultural transformation	Regular CGIP newsletter communications to all staff ongoing.

Financial Recovery and Resilience	Setting a balanced budget for 2024/25 to 2026/27	All activities have now been completed.
	Improvements to financial governance, spending controls and monitoring through more effective financial management, across the organisation	<p>Delivery of training in budget management for Chief Officers, Heads of Service and Budget Managers as part of the Corporate Governance Training Programme has been undertaken.</p> <p>Establishment of 2024/25 budget management hierarchies, profiles and coding structures for more effective / robust budget management purposes has been completed.</p> <p>Delivery of training in Financial Procedure Rules (FPR) and Contract Procedure Rules (CPRs) has been completed.</p>

### Changes to delivery dates

- 6.7 Detailed delivery milestone plans have been developed to underpin all workstream activities within the improvement plan.
- 6.8 Where slippage occurs to individual milestones but the overarching end date for the workstream activity is not impacted, no escalation or change control will be required and it can be assumed that any required mitigated will be put in play at an operational level.
- 6.9 Where there is impact on achieving the intended measure of success or overarching end date of workstream activity, a change control will be proposed for noting and transparency.
- 6.10 The change controls since last reported to Council are described below and summarised in the following table:
- *Cultural Transformation:*
    - CT2.06: one milestone relating to undertaking a first annual review of the strategy is off-track as a date change for the first annual review was not made when the strategy first went live in November 2023. There is a change control proposed to undertake the first annual review by December 2024.
    - CT5.07: Monitoring of Appraisal completions - 95% (75% of staff have had an appraisal to date) of staff in work to have had an appraisal - Change control to 30/09/2024 to reflect the delay in the completion of staff appraisals within the Waste Management service.
    - CT5.08: Quality assurance sample of objective setting and follow up guidance to Managers via HR BPs – Change control to 31/10/2024 following the completion of CT5.07 milestone.
    - CT7.07: Consider results of May 2024 staff survey to assess how engaged staff feel in communications relating to corporate governance improvement is

slightly off track due to the staff survey end date being extended. Change control to 31/07/2024.

- FRR3.11: Development of more efficient accounting, financial recording to reporting, within Business World application – Training on Business World still to take place, some training has taken place, however system users are requesting further training and taking on board initial findings of CIPFA. Change control to 31/12/2024.
- FRR3.15: Establish and implement compliance and enforcement protocols to embed governance arrangements into operational practice – further strengthening of performance management and disciplinary processes regarding non-compliance have delayed completion. Change control to 31/07/2024.

Theme	Key tasks / milestones	Original target date	Revised target date
Cultural Transformation	CT2.06: Undertake first annual review of strategy, assessing delivery and impact on measures of success, reporting findings to Leadership Management Team, Audit Committee and full Council	31/10/2023	31/12/2024
	CT5.07: Monitoring of Appraisal completions - 95% of staff in work to have had an appraisal	31/03/2024	30/09/2024
	CT5.08: Quality assurance sample of objective setting and follow up guidance to Managers via HR BPs	31/07/2024	31/10/2024
	CT7.07: Consider results of May 2024 staff survey to assess how engaged staff feel in communications relating to corporate governance improvement	31/06/2024	31/07/2024
	FRR3.11: Development of more efficient accounting, financial recording to reporting, within Business World application	30/06/2024	31/12/2024
	FRR3.15: Establish and implement compliance and enforcement protocols to embed governance arrangements into operational practice	31/03/2024	31/07/2024

## Summary of progress against plan and measures of success

6.11 The following tables set out a summary position against planned activity and progress against the measures of success that have been agreed to track the long-term impact of this plan. This table reflects the current status – as per the above change controls that have been considered by LMT and IIAB.

CULTURAL TRANSFORMATION	ACTIVITY TRACKING		OUTCOME IMPACT		LMT LEAD	EXEC MEMBER
	CURRENT STATUS	PREV. STATUS	IMPACT TREND	IMPACT TARGET MET?		
Development / implementation of People and Cultural Transformation Strategy	Green	Green	Mixed change	No	C Benjamin	Cllr N Walker
Development / implementation of Member Development Strategy and Programme	Amber	Green	No change	No	C Benjamin	Cllr N Walker

Development / implementation of a corporate governance training programme	Complete	Complete	No change	Yes	C Benjamin	Cllr N Walker
Ensure stable and sustainable leadership for the organisation	Green	Green	Mixed change	No	C Heaphy / C Benjamin	Mayor Cooke
Development / implementation of improved focus on employee performance and accountability	Amber	Green	No change	Yes	C Heaphy	Cllr N Walker
Review Council's approach to Member enquiries and engagement	Complete	Green	No change	No change	C Benjamin	Cllr N Walker
Develop / implement communications and engagement plan to support cultural transformation	Green	Green	No change	No	C Heaphy	Mayor Cooke

FINANCIAL RECOVERY AND RESILIENCE	ACTIVITY TRACKING		OUTCOME IMPACT		LMT LEAD	EXEC MEMBER
	CURRENT STATUS	PREV. STATUS	IMPACT TREND	IMPACT TARGET MET?		
Controlling 2023/24 expenditure to within approved budgets	Complete	Complete	Improved	No	D Middleton	Cllr N Walker
Setting a balanced budget for 2024/25 to 2026/27	Complete	Complete	No change	No	D Middleton	Cllr N Walker
Improvements to financial governance, spending controls and monitoring through more effective financial management	Red	Green	No change	Mixed	D Middleton	Cllr N Walker

## 7. Independent Improvement Advisory Board

7.1 Since its work was last reported to Council on 27 March 2024, the Improvement Board as met on 16 April and 23 May and will meet on 10 July, after this report has been published.

7.2 In its April and May meetings the Board has considered reports and presentations on the following:

- Progress within the transformation programme. The Board is reviewing the programme on a theme by theme basis. Members of the Board have also observed a number of the transformation programme meetings that take place as part of steps to seek assurance around the governance of the transformation programme
- the 23/24 and 24/25 budget



- an overview of the Council’s improvement journey to date that set out what success will look like by each improvement theme within the Best Value Notice, has been achieved so far and what is next
- a standing update on progress against the improvement plan and Section 24 report.

7.3 During that time the Board has also met with:

- the Chair of the Children’s Improvement Board to review common areas of interest
- the Chairs of Audit, Scrutiny and Member Development committees
- a range of external partners.

7.4 In mid-July the Board will issue its third progress report for the Council’s consideration. In line with agreed reporting for this, the report will be considered by Executive on 24 July 2024.

7.5 Action points arising from formal Improvement Board meetings, excluding admin related tasks, e.g., facilitation of meetings, are set out at Appendix 3, alongside a summary of information requested by the Board.

7.6 In April 2024 Board members were asked if they would be able to extend their support for the Council’s improvement journey past the original planned end date of October 2024. Unfortunately this was not possible for the Finance lead on the board due to other commitments, therefore the Council are actively seeking replacement support from a finance specialist. The Chief Executive and Mayor would like to place their thanks to Chris Buss, the Finance lead, on record.

## 8. Section 24: progress update

8.1 The table below sets out the current status of activity in response to the Section 24 recommendations, along with a summary of the impact these activities are having on the longer-term measures of success that have been set in order to enable the Council to be able to assess whether the activities are having the intended impact.

8.2 Since the last report a further two actions have been completed and the measure of success for another has been achieved:

S24 ACTIONS	ACTIVITY TRACKING		OUTCOME IMPACT	
	CURRENT STATUS	PREV. STATUS	IMPACT TREND	IMPACT TARGET MET?
1. Progression of next phase of Corporate Governance Improvement Plan, prioritising actions to address cultural and governance issues.	Complete	Complete	Complete	Complete

2. Development of contingency and succession governance protocols to mitigate potential impact of any future changes in senior leadership.	Green	Green	No change	Yes
3. Conclusion of Constitution review and provision of officer / member training ensuring changes are understood and implemented.	Complete	Complete	No change	No
4. Identification of deliverable short-term savings, protecting limited remaining reserves, considering statutory responsibilities and delivery of services.	Complete	Complete	N/A	Baseline set for 24/24
5. Review service delivery models to ensure that they are efficient, represent value for money and achieves the outcomes required.	Complete	Complete	N/A	N/A
6. Review of financial forecasting processes to understand emergence of significant financial pressures, in both 22/23 and 23/24.	Green	Green	No change	Mixed
7. Conclusion of Financial and Contract Procedure rules review to ensure they are fit for purpose.	Complete	Complete	Complete	Complete
8. Provision of training on Financial and Contract Procedure rules to all officers involved in contracting, procurement or financial decisions.	Red	Red	N/A	N/A
9. Completion of contract review to ensure compliance with Public Contracts Regulations 2015.	Complete	Complete	Complete	Complete
10. Review oversight arrangements for Middlesbrough Development Company to assure value for money.	Complete	Complete	Complete	Complete
11. Develop action plan for the demise of Middlesbrough Development Company setting out benefit realisation.	Complete	Complete	Complete	Complete

\*No baseline set

8.4 Across all S24 workstreams, one is reporting activity which is off target:

- **Recommendation 8, Financial and Contract Procedure rules:**
  - **S8.07:** Establish compliance and enforcement protocols to embed the governance arrangements into operational practice is slightly delayed due to further strengthening of performance management and disciplinary processes regarding non-compliance. Change control to 31/07/2024.
  - **S8.08:** Develop and deliver improved training and tools for all users of the Council's corporate finance system to facilitate compliance has been delayed due to training on Business World still to take place. Some training has taken place; however system users are requesting further training following initial findings of CIPFA review

### Section 24: key activities

8.5 89% of all planned activities within the Section 24 Action plan have now been delivered. Progress against the Section 24 action plan agreed since last presented to Council is set out below:

REC	ACTIVITY
S5.01	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 to consider opportunities for managing service demand, service redesign and transformation, reduced levels and stopping services
S6.03	Development of a first stage transformation programme (2024/25 to 2026/27) to review service delivery models to maintain / improve service outcomes from an affordable and sustainable cost base.
S8.02	All budget managers and staff involved in purchase to pay activities, to undertake mandatory face-to-face training.
S8.03	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.
S8.04	Develop budget management and purchase to pay dashboards to drive compliance through improved management information.
S8.05	Delivery of training in budget management for Chief Officers, Heads of Service and Budget Managers as part of the Corporate Governance Training Programme.
S8.06	Deliver mandatory training in budget management tools for Chief Officers, Heads of Service and Budget Managers
S11.01	Provision of a closure report on Middlesbrough Development Company to Executive

## Changes to delivery dates

8.6 Since last reported to Council, 5 minor change controls are presented below to workstream activities for full Council to note. They reflect adjustments in prioritisation and chronology of activities:

Key tasks / milestones	Original target date	Revised target date
S8.07: Establish compliance and enforcement protocols to embed the governance arrangements into operational practice	Original start date 01/01/2024	Revised completion date 31/07/2024
S8.08: Develop and deliver improved training and tools for all users of the Council's corporate finance system to facilitate compliance.	Original start date 28/02/2024	Revised completion date 31/12/2024

## Section 24: measures of success

8.7 There are currently 22 measures of success in place to assess the impact of activity within the Section 24 action plan:

- seven are now complete
- six are on or above target

- three are below target
- Measures of Success relating to the 23/24 budget position have now been removed and replaced with 2024/25 measures of success
- Five cannot yet be measured.

## **9. Other potential alternative(s) and why these have not been recommended**

9.1 Not applicable.

## **10. Impact(s) of the recommended decision(s)**

### ***Financial (including procurement and Social Value)***

10.1 Not applicable.

### ***Legal***

10.2 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.

### ***Risk***

10.3 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, Public Sector Equality Duty and Community Cohesion***

10.4 Not applicable.

### ***Climate Change / Environmental***

10.5 Not applicable.

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

10.6 Not applicable.

### ***Data Protection / GDPR***

10.7 Not applicable.

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

10.8 Not applicable.

## Appendices

1	Corporate Governance Improvement Plan: measures of success
2	Section 24 Plan: Measures of success
3	Key activities update from the Board

## Background papers

Reporting body	Report title	Date
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
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	25 Oct 2023
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	29 Nov 2023
Audit committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	14 December 2023
Audit Committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	1 February 2024
Audit Committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	14 March 2024
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	27 March 2024

Council	Second Progress report of the Middlesbrough Independent Improvement Advisory Board	27 March 2024
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