

MIDDLESBROUGH COUNCIL	
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Report of:	Chief Executive, Director of Finance and Director of Legal and Governance Services
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Relevant 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:	24 July 2024
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Title:	Middlesbrough Independent Improvement Advisory Board: Third Update Report
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Report for:	Information
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Status:	Public
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Council Plan priority:	Delivering Best Value
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Key decision:	Not applicable
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Why:	Not applicable
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Subject to call in?	Not applicable
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Why:	Not applicable
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Proposed decision(s)	
That Executive notes the third report of the Middlesbrough Independent Improvement Advisory Board.	

Executive summary	
The Board's third report sets out the background to its appointment, a summary of activity to date, an overview of progress to date and views on the transition process towards business as usual good corporate governance.	

1. Purpose

1.1 To present the third progress report of the Middlesbrough Independent Improvement Advisory Board, which sets out the background to its appointment, a summary of activity to date, an overview of progress to date and views on the approach to transition towards business-as-usual, whilst demonstrating good corporate governance.

2 Recommendations

2.1 That the Executive notes the content of the third progress report of the Middlesbrough Independent Improvement Advisory Board.

3 Rationale for the recommended decision(s)

3.1 The Council must continue to respond effectively and at pace, to ensure effective delivery of the planned improvements as set out in both the Corporate Governance Improvement Plan and the Section 24 report, in order to address the concerns articulated regarding culture, governance and financial challenges.

3.2 This progress report of the Middlesbrough Independent Improvement Advisory Board provides an independent view of progress made to date, on the understanding that the expertise and advice provided will assist the Council in its improvement journey.

4 Background and relevant information

4.1 In September 2023, the Council appointed a discretionary Independent Improvement Advisory Board, comprised of the following members:

Name	Experience / speciality
Wallace Sampson OBE	Local authority CEO (Chair)
Ros Jones CBE	Unitary local authority Mayor / Leader
Suki Binjal	Unitary local authority Monitoring Officer
Chris Buss	London Borough and Unitary local authority Chief Finance Officer
Mark Edgell	LGA Regional Lead

4.2 Following a decision to extend the appointment of the Board extended on a non-statutory basis for a further six months until March 2025, the Finance lead Chris Buss, has offered his resignation due to capacity issues and other commitments already in place for that that extended period.

4.3 The Council acknowledges and thanks Chris Buss for his contributions and support on its journey to date. An alternative source of financial expertise support is currently being explored and expected to be appointed by the next Board meeting in August.

4.4 The Board’s role is to provide oversight, support and challenge to the Council’s improvement and transformation journey, with particular focus on ensuring

compliance with the Council's Best Value Duty under the Local Government Act 1999, notably:

- Cultural and governance issues, including those identified through previous Chartered Institute of Public Finance and Accountancy (CIPFA) any future, external auditor reports.
- Financial sustainability, including a balanced medium-term financial strategy aligned to the Council Plan.

4.5 On 30 January 2024, the Council's Best Value Notice was extended on a non-statutory basis by government for a further six months. The Notice states that during the next six months, government expects the Council to:

'Continue to work with the Independent Improvement Board established in Middlesbrough to support the Council to deliver the Council's locally led improvement strategies, organisational transformation and to monitor progress of the application of the improvement board recommendations and delivery of improvements against the serious concerns highlighted by the external auditor, published in July 2022, around governance arrangements, and cultural and governance issues further investigated in the CIPFA review published in September 2022.

Continue in your efforts to deliver against your agreed action plan, accepted at full Council on 30 November 2022, at pace and to meet the set milestones and success measures established.

Continue in your efforts to implement cultural change, particularly in relation to the relationships between officers and members, and that this will be an important continuing focus of the Independent Improvement Board.

Work with the Department as you deliver on your Best Value requirement to secure the financial recovery and return to financial sustainability through setting a balanced 3-year MTFP over the period to 2026/27.'

4.6 As well as the activity contained in the notice, the Board also oversees progress by the Council towards implementing the actions arising from the Section 24 Statutory Recommendations of the External Auditor, dated 21 August 2023 and presented to Council on the 18 September 2023.

4.7 The Council are in ongoing contact with the Ministry for Housing, Communities and Local Government to provide all required information to enable the department to complete its review of the Best Value Notice. This third progress report of the Middlesbrough Independent Improvement Advisory Board will also be a source of evidence for the department.

Middlesbrough Independent Improvement Advisory Board reports

4.8 The Board reports every six months to Members on its view of the Council's progress against its improvement plan and the Section 24 action. Appended to this report at Appendix 1, is the Board's third formal report for member consideration. The next planned report of the Board will be to Council in October 2024.

Board views

4.9 The Board and the Council continue to be focussed on the following themes as we progress on the improvement journey:

- Delivering cultural change
- Ensuring financial strength
- Maintaining a strong focus and pace on transformation
- Planning for the transition to business-as-usual continuous improvement and good governance, post-improvement journey.

4.10 The Board recognises the significant amount of activity the council has undertaken around governance, culture and financial management since it last reported to Members in its Council report in March 2024. Its report sets out its views in detail on the current position in relation to each of the above themes. It is the Board's view that:

- 'there has been a significant improvement in fostering more positive relationships, behaviours, and organisational culture in the last 12 months. Examples of these efforts have included, though are not limited to: conducting survey with councillors and staff; establishment of thematic cross party working groups for councillors to increase cross party working and engagement; regular briefings for councillors; direct and regular engagement of the Mayor with council staff; and increased focus on staff recognition. These, along with other measures, are impacting positively on perceptions of councillor and officer relationships, which can be seen through anecdotal evidence, as well as in survey results.'
- 'There is greater visibility of leadership and improved relationships both internally and externally. There is evidence of a much stronger political will to change the Council. The recent decision to open a number of Deputy Chair positions on Committee appointments to opposition groups is a positive example of this, and there is appetite for further steps in this direction.'
- 'The 'guard rails' the Council is putting in place to develop and embed positive cultural change are positive'.

4.11 This is a very welcome assessment of the Council's progress in transforming its culture.

4.12 The Board is also assessing the Council's response to the financial challenges it has faced. Both the Board and the Council's Leadership Team and Executive recognise the scale of this challenge. The Board's report contains key messages around this including:

- 'The Board recognises the Council's significant efforts in reducing the overspend pressures within the 2023/24 budget. With a £11.5 million overspend at quarter

one, this was successfully reduced to £3.6 million by quarter four¹. This reflects the impact of expenditure control measures and fast-tracking delivery of savings proposals and would have been lower if predicted capital receipts had been realised which would have enabled the Council to fund approved transformation costs from this resource. It will be important to build on this practice as the Council seeks to strengthen financial controls further. The Council also had a significant under achievement in its capital expenditure for the year. The inability to adequately programme manage this expenditure has an impact on the Council's ability to accurately predict future costs. The Council should consider ways of improving the financial and programme management of this key area.'

- 'one-off use of reserves, together with a request for exceptional financial support from the Government, provides time for Middlesbrough to develop its Transformation Programme to deliver further savings and achieve financial sustainability in the long term. It is imperative the Council delivers on this.' The Board is urging a relentless focus on the 24/25 budget '.
- '2024/25 Budget and Medium Term Financial Strategy (MTFS): Since the last Board report there has been a significant amount of activity on measures designed to ensure the 2024/25 budget and savings within the MTFS are deliverable. The 2024/25 budget includes £13.9 million of savings/income generation, rising to £21 million by 2026/27. Generally, delivery is in the early stages, linked to the corporate transformation programme which became mobilised around the start of the financial year. With the fundamental link between transformation and savings, the Council needs to have clear controls in place to ensure delivery is on time. It is clear from the early transformation work that there will be challenges to ensure delivery during the 2024/25 financial year. It is particularly critical that the Council focuses on delivering transformation projects in Adults and Childrens Services in order to deliver savings. The Board would encourage the Council to develop alternative options to balance the budget in the event that some proposals are either delayed or do not materialise.'

Next steps

4.13 This third report recommends that the Council continues its positive progress and pace, taking the required steps to ensure it considers the following, as part of its approach:

- Maintain a strong focus on embedding, driving and measuring outcomes to demonstrate lasting impact
- Ensure the transformation programme delivers the required savings
- Deliver a smooth leadership transition in recruitment of Chief Executive and Section 151 Officer posts
- Deliver a communications plan that staff will fully understand, which clearly articulates the vision and values of the organisation.

4.14 The Council welcomes this ongoing support and the positive nature of the Board's report.

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

5.1 Not applicable.

6. Impact(s) of the recommended decision(s)

Financial (including procurement and Social Value)

6.1 There are no direct financial implications arising from this report.

Legal

6.2 There are no direct legal implications as a result of this report.

Risk

6.3 If the Council fails to respond effectively to the issues identified in the Corporate Governance Improvement Plan and the Section 24 delivery 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

6.4 Not applicable.

Climate Change / Environmental

6.5 Not applicable.

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

6.6 Not applicable.

Data Protection / GDPR

6.7 Not applicable.

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

6.8 Not applicable.

Appendices

1	Middlesbrough Independent Improvement Advisory Board: Third Update Report
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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
Executive	First Quarterly Report of the Middlesbrough Independent Improvement Advisory Board	17 January 2024

Audit Committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	1 Feb 2024
Audit Committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	14 March 2024
Council	Middlesbrough Independent Improvement Advisory Board: Third Report	27 March 2024

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