

MIDDLESBROUGH COUNCIL



Report of: Chief Executive, Director of Finance and Director of Legal and Governance Services

Submitted to: Audit Committee

Date: 3 October 2024

Title: Corporate Governance Improvement Plan and Section 24 Action Plan Progress Report

Report for: Information

Status: Public

Council Plan priority: Delivering Best Value

Key decision: Not applicable

Why: Not applicable

Subject to call in? Not applicable

Why: Not applicable

Proposed decision(s)

That the Committee notes the progress against the Corporate Governance Improvement Plan and Section 24 Action Plan.

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 Committee on 22 August 2024.

1. Purpose

1.1 This report sets out the key activities and progress since an update was last provided to committee, 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 the Committee notes the progress against the Corporate Governance Improvement Plan and Section 24 Action Plan.

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:	
BLUE - COMPLETE	Activity delivered in full
GREEN – ON TRACK	Delivery plan activities are on track and / or a or above standard
AMBER – OFF TRACK	Delivery plan activities are < 5% below standard
RED – OFF TRACK	Delivery plan activities are > 5% below standard
IMPACT - NO CHANGE	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
IMPACT MET – NO (AMBER)	Performance measures for this workstream are within 5% of the target
IMPACT MET – NO (RED)	Performance measures for this workstream are below target by more than 5%

IMPACT TREND – MIXED CHANGES	Of the range of performance measures that are against the workstream, some have improved, and others have worsened
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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 11/09/2024			
	% On-track	% Off-track	% Delivered	Overall % on track or delivered
Corporate Governance Improvement Plan	8% (8/95)	1% (1/95)	91% (85/95)	99%
Section 24 Action plan	2% (1/47)	0% (0/47)	98% (46/47)	100%

5.3 The above table shows that 99% of planned activity has either been delivered or is on-track for delivery in relation to the Corporate Governance Improvement Plan, with one planned activity across the ten workstreams measuring as off-track.

5.4 100% 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.

6. Corporate Governance Improvement Plan: progress status

6.1 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, with one being off target, which is outlined below:

- *A milestone in relation to the further development of the Finance Business Partnering model to ensure ownership and accountability of budget managers.* In order to ensure the model aligns with the findings of the two external reports from CIPFA and Grant Thornton, that have been undertaken in relation to financial management and financial standing, this milestone needs to be paused until both those reports are issued in order to ensure that the model addresses any findings within them.

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. 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 Work to seek updates on measures is undertaken on a monthly basis, data on measures of success has been refreshed and refined in recent months to ensure it tracks current impacts. Changes in performance in the measures of success since last reported include:

- An increase in the number of agency staff working for the Council. Drivers for the increase include increase in use within Children’s Services to provide emergency resource and residential worker cover. There has also been an increase in use of agency staff across a number of other departments where recruitment attempts have been unsuccessful.
- The number of complaints being received has reduced, however the % upheld continues to be high, reflecting that the majority of complaints relate to service delivery in Environment which is undergoing significant transformation in service delivery. We fully expect this to return to normal in the coming months as the new service settles in
- The measure tracking the % of key audit actions delivered in line with original timescales has been updated to track 2024/25 performance to give a better reflection of current compliance. 22 actions so far are due to be delivered in 2024.25. Of the 6 that have passed their deadlines for implementation, 100% were delivered in line with original timescales.

Key activities

6.5 The following activities within the Corporate Governance Improvement Plan have been delivered since progress was last reported to committee:

THEME	WORKSTREAM	COMPLETED ACTIVITIES WITHIN REPORTING PERIOD
Cultural Transformation	Development and implementation of a Member Development Strategy and Programme	Commence delivery / implementation of the Strategy against the underpinning delivery plan, feeding into corporate performance reporting cycle.
Cultural Transformation	Implementation (Completion) of a Senior Management Review including review of spans and layers within the organisation	Development of a Workforce Plan to address interim appointments at Head of Service and other key leadership positions within the Council. Formal approval of Workforce Plan by Leadership Management Team. Implementation of Workforce Plan
Financial Recovery and Resilience	Improvements to financial governance, spending controls and monitoring through more effective financial management, across the organisation	Implementation of demand and cost modelling forecast for high spend areas for MTFP development, using a combination of demographic data and trends combined with scenario planning and sensitivity analysis. Review effectiveness of demand and cost modelling forecast for high spend areas for MTFP development.
Section 24	Review of financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council’s annual budget, have emerged within the first half of both the 2022/2023 and 2023/2024 financial years and ensure future forecasting reflects lessons learnt.	Implementation of forecast demand models over the medium to long-term, using a combination of demographic data and trends combined with scenario planning and sensitivity analysis.

Summary of progress against plan

6.6 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. There is one change control and update to be considered within a Council report this month. If it is agreed, the last financial workstream will move from green to complete, with:

- 16 out of the 17 activities within it having been completed (one was cancelled), and
- The remaining action is recommended to be paused by Council - development of the Business Partnering model within Finance until it can be assessed against a report awaited from Grant Thornton on the Council’s Financial management and financial standing.

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	No	C Benjamin	Cllr N Walker
Development / implementation of Member Development Strategy and Programme	Green	Green	Data not updated	No	C Benjamin	Cllr N Walker
Development / implementation of a corporate governance training programme	Complete	Complete	Improved	Yes	C Benjamin	Cllr N Walker
Ensure stable and sustainable leadership for the organisation	Green	Green	Worse	No	C Heaphy / C Benjamin	Mayor Cooke
Development / implementation of improved focus on employee performance and accountability	Green	Green	Data not updated	Yes	C Heaphy	Cllr N Walker
Review Council's approach to Member enquiries and engagement	Complete	Complete	n/a	n/a	C Benjamin	Cllr N Walker
Develop / implement communications and engagement plan to support cultural transformation	Green	Green	Data not updated	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	n/a	No	D Middleton	Cllr N Walker

Setting a balanced budget for 2024/25 to 2026/27	Complete	Complete	Data not updated	No	D Middleton	Cllr N Walker
Improvements to financial governance, spending controls and monitoring through more effective financial management	Green	Red	Data not updated	Yes	D Middleton	Cllr N Walker

7. Independent Improvement Advisory Board

7.1 Since its work was last reported the Board met on 19 August 2024. That meeting considered the following:

- Update from the Mayor and Chief Executive
- Updates on delivery of the Member Development and People Strategies
- An update on development of a Partnerships Working Strategy
- Discussion on the development of a Target Operating model
- Progress within the transformation programme. The Board is reviewing the programme on a theme-by-theme basis. The Board have 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 2024/25 budget
- a standing update on progress against the improvement plan and Section 24 report.

7.2 Action points arising from formal Improvement Board meetings, excluding admin related tasks, e.g., facilitation of meetings, are set out at Appendix 1, alongside a summary of information requested by the Board.

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 There is now only one action left within the section 24 action plan to be delivered which is to complete recruitment to the Chief Executive and Section 151 officer posts by March 2025.

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	Above target	Above target
2. Development of contingency and succession governance protocols to mitigate potential impact of any future changes in senior leadership.	Green	Green	Data not updated	No
3. Conclusion of Constitution review and provision of officer / member training ensuring changes are understood and implemented.	Complete	Complete	4 out of 5 above target	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 23/24
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.	Complete	Complete	No Change	Below target
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.	Complete	Red	Complete	Complete
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

Section 24: key activities

8.4 98% of all planned activities within the Section 24 Action plan have now been delivered. There is no new activity to highlight in this report since it was last considered in August.

Section 24: measures of success

8.5 Work to seek updates on measures is undertaken on a monthly basis. Many of the measures have been marked as complete or updated to reflect the completion of the 2023/24 financial year. Where measures of success remain active and have been updated, all are either at baseline, target or have not been updated.

8.6 The measure tracking the % of key audit actions delivered in line with original timescales has been updated to track 2024/25 performance to give a better reflection of current compliance. 22 P2 recommendations are due to be delivered in 2024/25, of the 6 due to be delivered as at reporting, 100% of actions have been delivered in line with original timescales. The impact measures for recommendation 6 reflect the impact of the predicted budget pressures identified within the Quarter One Finance outturn report.

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

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	14 March 2024

	Section 24 Action Plan progress report	
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
Audit Committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	25 July 2024
Audit Committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	22 August 2024
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	11 Sept 2024

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