

MIDDLESBROUGH COUNCIL



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

Submitted to: Council

Date: 27 November 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

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 16 October 2024.

1. Purpose

1.1 This report sets out the key activities and progress since an update was last provided to Council, 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 change control outlined in the report at 6.1 to extend the date of CT1.09, *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*, from 30/11/2024 to 30/04/2025 to reflect the annual review should be complete 12 months after launch i.e. April 2025.

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 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 five%
IMPACT TREND – MIXED CHANGES	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 07/01/2024			
	% On-track	% Off-track	% Delivered	Overall % on track or delivered
Corporate Governance Improvement Plan	7% (7/95)	1% (1/95)	92% (86/95)	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 98% of activity in relation to the Section 24 delivery plan has been delivered, with one activity remaining which will be complete at this Council meeting if the nominee for the post of Chief Executive is approved and the appointment process for the Director of Finance and Transformation is completed as expected.

5.5 The remainder of this report sets out the detail of the delivery plan activity and an update on Measures of Success that are in place to assess the impact of activity.

6. Corporate Governance Improvement Plan: progress status and change controls

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 action in one workstream being off target. The action is outlined below:

- A milestone in relation to the *Monitoring of Appraisal completions - 95% of staff in work to have had an appraisal*. Detailed lists have been sent to Directorates highlighting areas of non-compliance that require immediate action to achieve the 95% target. No change request has been submitted for this milestone.
- A further milestone in relation to: *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*, is approaching its due date. A

change request has been submitted to extend the due date from 30/11/2024 to 30/04/2025. This should have been processed previously when a previous milestone for the launch of the strategy was amended – the change control merely reflects that the review will need to occur 12 months after launch.

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:
 - A definition change was made to an audit Measure of Success to reflect reporting language changes made by Internal Audit recently to move from reporting actions as priorities to ‘Critical, significant, moderate and opportunity’. Since last reporting, an audit with two critical actions has been completed, this is reflected in scoring.
 - The number of agency staff being used by the Council has reduced in both Business as Usual and transformation roles. This is mainly due to a reduction in agency workers within Children’s Services.
 - The number of complaints received by the Council and the % that are upheld have both reduced, demonstrating an improvement.
 - The % of appraisal processes completed has improved again but remains below target.

Key activities

6.5 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	Ensure stable and sustainable leadership for the organisation	Formal approval of Workforce Plan by Leadership Management Team Implementation of workforce plan

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. CT1.09, *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*, from 30/11/2024 to 30/04/2025 to reflect the annual review should be complete 12 months after launch i.e. April 2025.

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	Improved	No	C Benjamin	Cllr N Walker
Development / implementation of Member Development Strategy and Programme	Green	Green	No change	No	C Benjamin	Cllr N Walker
Development / implementation of a corporate governance training programme	Complete	Complete	Mixed	Yes	C Benjamin	Cllr N Walker
Ensure stable and sustainable leadership for the organisation	Green	Green	Improved	No	C Heaphy / C Benjamin	Mayor Cooke
Development / implementation of improved focus on employee performance and accountability	Red	Green	Improved	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	n/a	n/a	D Middleton	Cllr N Walker
Improvements to financial governance, spending controls and monitoring through more effective financial management	Green	Green	n/a	Complete	D Middleton	Cllr N Walker

8. Independent Improvement Advisory Board

8.1 The Board has not met formally since the last report to Council on 16 October. The Board will meet twice in December and the outcome of those meetings will be reported in due course.

9. Section 24: progress update

9.1 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.

9.2 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. If this meeting agrees the recommendations of the Chief Office Appointments Committee and the recruitment process of the Director of Finance and Transformation is completed as expected following recent interviews, all actions in this plan will then have been completed.

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	Improved	No
3. Conclusion of Constitution review and provision of officer / member training ensuring changes are understood and implemented.	Complete	Complete	Three out of five Complete, two worse	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	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.	Complete	Complete	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

Section 24: measures of success

9.3 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.

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

10.1 Not applicable.

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

Topic	Impact
Financial (including procurement and Social Value)	There are no financial implications arising from this report.
Legal	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	<p>It the Council fails to respond effectively to the improvement plan, this will have a negative impact on the following strategic risks:</p> <ul style="list-style-type: none"> • 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	Not applicable.
Climate Change / Environmental	Not applicable.
Children and Young People Cared for by the Authority and Care Leavers	Not applicable.
Data Protection	Not applicable.

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

11.8 Not applicable.

Appendices

1	Corporate Governance Improvement Plan: measures of success
2	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 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
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
Audit Committee	Best Value Notice – Status Update	22 August 2024
Audit Committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	3 October 2024

Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	16 October 2024
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Appendix 1 Corporate Governance Improvement Plan: measures of success

	Outcome	Measure of Success	Current performance	Previous performance	Target	Status against target	Frequency of data refresh	Current performance data	Current performance period	Previous performance data	Previous performance period
Cultural Transformation	Improved understanding of corporate governance policies and process and improved adherence to them	Reduce the number of audits that have limited or no assurance in 2024/25	Worse	No change	0	Below target	every 2 months	1 in 2024/25	April 2024 - March 2025	n/a	2 out of 16 up to 2024
		Improve the percentage of priority One and Priority Two actions from Internal Audits that are delivered within original timescales	Worse	Improved	80% or higher	Near target	Quarterly	89%	Oct-24	100%	Mar-24
	Improved relationships between officers and members	Staff and Member surveys to assess health of relationships	No change	Improved	50% of staff and 80% of councillors or higher	Below target	Ad hoc	38.65%	May-24	35.60%	August 2023 Survey
	Improved retention of staff	Staff turnover rates – Number of leavers	No change	Improved	5%	Above target	Quarterly	2.85%	Q1 2024-25	3.40%	Q4 2023/24
	Improved staff satisfaction	1-10 Score of how valued staff feel as an employee of the Council	No change	No change	6.2 or higher	Below target	Ad hoc	5.98	May-24	5.9	August 2023 Survey
	Reduced need to use agency staff	Number of agency staff working for Middlesbrough Council – Total	Improved	Worse	75	Below target	Monthly	203	Oct-24	241	Sep-24
		Number of agency staff working for Middlesbrough Council – Transformation	Improved	No change	No target set	No target set	Monthly	8	Oct-24	10	Sep-24
	Improved ability to recruit to key roles.	Number of roles at Head of Service and above that are vacant / occupied by Agency or interim staff	No change	Worse	3	Below target	Monthly	6	Oct-24	6	Sep-24
	Improved outcomes for our community by ensuring that staff have the skills needed to deliver excellent services and that the behaviours increase trust in the Council	Number of complaints – total	Improved	Improved	Less than 150	Above target	Monthly	93	Oct-24	104	Sep-24
		% of complaints upheld or partially upheld by the central team	Improved	Improved	Less than 40%	Below target	Monthly	63%	Oct-24	78%	Sep-24
	Members have a Member development programme that meets their needs and is well used	Percentage of members completing all mandatory training	Complete	n/a baseline	100%	Above target	Annual	94.5%	Oct-24	100%	Oct-23
		Percentage of Members attending wider skills	Complete	n/a baseline	95%	Above target	Annual	76.1%	Oct-24	98%	Oct-23
		Member satisfaction with the Member development programme	n/a baseline	n/a baseline	90%	Below target	Annual	87.5% this is based on 21 responses out of 24	Oct-23	71% this is based on 5 responses out of 7	Oct-22
	Performance is effectively managed within the organisation	Completion of appraisal process	Improved	Improved	95%	Below target	Annual	86%	Oct-24	85%	Sep-24
	Improved Member behaviour	Number of member on member complaints received	No change	no change	2 or fewer per quarter	Below target	Quarterly	4	Q1 2024-25	0	Q4 2023/24
	Residents are increasingly satisfied with the way the Council is ran and with the Council overall	Questions within the 2023 Resident survey currently underway	No change	n/a baseline	61% (NE average 21/22)	Below target	TBD	40%	Nov-23	64%	Previous survey was in 2017
Residents increasingly agree that the Council acts on their concerns	Questions within the 2023 Resident survey currently underway	No change	Not previously asked	55% (NE average 21/22)	Below target	TBD	43%	Nov-23	n/a	Not previously asked	

	Outcome	Measure of Success	Current Performance	Previous Performance	Target	Status Against Target	Current performance data:	Previous performance data:	Previous performance period:
Financial Recovery and Resilience	Financial Procedure Rules and Contract Procedure Rules training delivered	LMT, WLMT, all Budget Holders trained by 31 December 2023	Complete	Improved	95% or higher	Complete		89.08%	Jul-24
	Corporate finance training programme established	Quarterly programme of finance training established	Complete	n/a baseline	One training session delivered per quarter	Complete	100%	n/a	n/a
	Budget management and purchase to pay dashboards developed to improve management information and compliance	Budget management dashboard available to all budget holders from Business World through Power BI reporting tools by 30 November 2023. P2P Dashboards available by 31 March 2024	Complete	n/a	Dashboard in place	Complete	n/a	n/a	n/a
	Budget management training rolled out to budget holders	All Chief Officers, Heads of Service and Budget Holders Training delivered December 23 to March 24	Complete	n/a	95% or higher	n/a at this stage	n/a due from April 2024 onwards	n/a	n/a
	2024/25 net expenditure is delivered within the approved budget	Forecast outturn is within the agreed budget	No change	n/a	Compliant / within budget	Below target	£3.742m	n/a	n/a
	The Council's financial position is sustainable	Maintain GF balance ain line with approved reserves policy - 7.5% of the net revenue busget which would be £11.1m at 31/3/25		n/a	£11.1m	On target	£11.1m	£11.1m	Apr-24
	The Council's financial position is sustainable	Maintain unrestricted usable revenue reserves at a minimum of £8m at 31/3/25		n/a	£8m	Below target	£6.57m	£8m	Apr-24
	2025/6 budget is set and balanced	Balanced Budget for 2025/6 set	n/a	n/a	Balanced budget set	n/a	n/a	n/a	n/a
	Set a sustainable Medium Term Financial Plan in place for the period 2025/6 to 2028/9	Balanced MTFP to 2028/9	n/a	n/a	Balanced MTFP set	n/a	n/a	n/a	n/a

Appendix 3 Measures of success – Section 24 Report

Recommendation	Measure of Success	Current performance	Target	Status against target	Current performance data:	Current performance period:	Previous performance data:	Previous performance period:
1	Delivery of the Corporate Governance Improvement Plan activity	Above target	n/a	Above target	9 out of 10 workstreams activity on target or complete	Nov-24	10 out of 10	Oct-24
2	Number of roles at Head of Service and above that are vacant / occupied by Agency or interim staff	No change	3	Below target	6	Oct-24	6	Sep-24
2	Number of Transformation roles that are vacant / occupied by Agency or interim staff	Improved	No target set	No target set - baseline	8	Oct-24	10	Sep-24
3	Reduce the number of audits that have limited or no assurance in 2024/25	Worse	0	At target	1	April 2024 - March 2025	2 out of 16 complete audits 2022 to 2024	2022-24
3	Improve the percentage of priority One and Priority Two actions from Internal Audits that are delivered within original timescales	Near target	80% or higher	near target	89%	Oct-24	100%	Jun-24
3	Percentage of members completing all mandatory training	Complete	100%	Complete	94.5%	Oct-24	100%	Oct-23
3	Percentage of Members attending wider skills	Complete	95%	Above target	76.1%	Oct-24	98%	Oct-23
3	Member satisfaction with the Member development programme	Complete	90%	Below target	87.5% this is based on 21 responses out of 24	Oct-23	71% this is based on 5 responses out of 7	Oct-22
5	90% of projects within the programme, once launched are on track		n/a	n/a at this stage	90% once launched	n/a		
5	90% of benefits from projects realised in line with benefits realisation trackers		n/a	n/a at this stage	90% once launched	n/a		
6	Maintain expenditure in line with agreed budgets in 2024/5	No change	Compliant / within budget	Below target	£3.742m	Q1	n/a	n/a
6	Maintain GF balance at £11.1m at 31/3/25	No change	11.1m	At target	£11.1m	Q1	£11.1m	Apr-24
6	Maintain usable revenue reserves at a minimum of £8m at 31/3/25.	No change	Between 8m and 10m	Below target	£6.57m	Q1	£8m	Apr-24