

MIDDLESBROUGH COUNCIL



Report of:	Chief Executive, Director of Finance and Director of Legal and Governance Services
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Relevant Executive Member	Mayor, Chris Cooke
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Submitted to:	Council
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Date:	15 January 2025
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Title:	Corporate Governance Improvement Plan and Section 24 Action Plan - progress 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:	No
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Why:	Not applicable
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Subject to call in?	No
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Why:	Not applicable
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Proposed decision(s)

That Council:

- **AGREES** that the Section 24 Action plan is formally closed.
- **AGREES** the change control outlined in the report at 6.1 to close CT5.07 in the Corporate Governance Improvement Plan, *Monitoring of Appraisal completions - 95% of staff in work to have had an appraisal.*
- **NOTES** the progress against the Corporate Governance Improvement Plan.
- **NOTES** the Corporate Peer Challenge which is currently underway and will inform the Council's future continuous improvement activity.

Executive summary

This report sets out the key activities, progress and impact of the Corporate Governance Improvement Plan.

It also sets out an update against the Section 24 recommendations made by the Council's External Auditors and a recommendation to close that plan following delivery of all actions and the outcome of the latest Value for Money judgement made by the Council's new External Auditors which contains no statutory recommendations.

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:

- **AGREES** that the Section 24 Action plan is formally closed.
- **AGREES** the change controls outlined in the report at 6.1 to close CT5.07 in the Corporate Governance Improvement Plan, *Monitoring of Appraisal completions - 95% of staff in work to have had an appraisal.*
- **NOTES** the progress against the Corporate Governance Improvement Plan
- **NOTES** the Corporate Peer Challenge which is currently underway and will inform the Council's future continuous improvement activity.

3 Rationale for the recommended decision(s)

3.1 The report demonstrates that the Council has responded effectively and at pace to deliver the improvements set out in both the Corporate Governance Improvement Plan and the Section 24 report.

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 set out that all activity in that plan is now complete, 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.

4.3 This report is being considered by Council on 15 January 2025. During this week the Council is taking part in an independent Corporate Peer Challenge, led by the Local

Government Association. The outcome of this process will be presented to Council in due course and inform future continuous improvement activity. It is expected that an update will be provided to Council at the March meeting.

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	5% (5/95)	0% (0/95)	95% (87/95)	100%
Section 24 Action plan	0% (0/47)	0% (0/47)	100% (47/47)	100% All activity now delivered

5.3 The above table shows that 100% of planned activity has either been delivered or is on-track for delivery in relation to the Corporate Governance Improvement Plan. 95% of this plan has now been delivered.

5.4 100% of activity in relation to the Section 24 delivery plan has been delivered.

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*. The action was timebound and the target was not fully met. However, the monitoring of appraisals will move into business as usual and appropriate measures will be one of the KPIs that is assessing the impact of the People Strategy reported quarterly to LMT. It is therefore proposed to close this action within the Corporate Governance Improvement Plan.

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. Six measures within cultural transformation improved and one worsened slightly. There was one change to the finance outcome measures which was an improvement. Changes include:

- Reduction in predicted overspend at the end of March 2024 reduced from £3.743m to £1.382m at the end of Quarter Two.
- Reduced number of senior interim officers
- Further reductions in complaints volumes and a further reduction in the % upheld.

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	Implementation and completion of recruitment plan / process for all interim appointments in a Leadership and Management position
Cultural Transformation	Development and implementation of an improved focus on employee performance and accountability	Quality assurance sample of objective setting and follow up guidance to Managers via HR BPs
Financial recovery and resilience	Improvements to financial governance, spending controls and monitoring through more effective financial management, across the organisation	Completion of three rounds of planned training which will now move forward as business as usual training and development on use of Business World.

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 to close CT5.07, *Monitoring of Appraisal completions - 95% of staff in work to have had an appraisal*. The action was timebound and the target was not fully met. However, the monitoring of appraisals will move into business as usual and appropriate measures will be one of the KPIs that is assessing the impact of the People Strategy reported quarterly to LMT.

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	Improved	No	C Benjamin	Cllr N Walker
Ensure stable and sustainable leadership for the organisation	Green	Green	Mixed	No	E Scollay / C Benjamin	Mayor Cooke
Development / implementation of improved focus on employee performance and accountability	Complete	Red	No change	Yes	E Scollay	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	E Scollay	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	A Humble	Cllr N Walker
Setting a balanced budget for 2024/25 to 2026/27	Complete	Complete	n/a	n/a	A Humble	Cllr N Walker

Improvements to financial governance, spending controls and monitoring through more effective financial management	Complete	Green	n/a	Complete	A Humble	Cllr N Walker
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8. Independent Improvement Advisory Board

8.1 The Board met twice in December. The first meeting was a single agenda item update on the preparation of the 2025/26 budget and delivery of actions to address the risk of overspend within the 2024/25 budget which is moving positively. The second meeting was the first with the Council’s new Chief Executive. This meeting focussed on the following items:

- An overview of the current position of the Transformation programmed development and timelines for next steps
- An overview of the current Transformation Programme content
- A further update on the 2025/26 budget development following the launch of consultation.

8.2 Key messages from the Board were around the need to increase clarity of thinking around transformation at pace and ensure we retain the necessary capacity to drive transformation.

9. Section 24: progress update

9.1 The table below sets out that all activity within the Section 24 report has now been completed.

9.2 All actions within the section 24 action plan have been delivered. This report recommends that following an updated Value for Money assessment from the Council’s incoming auditors that included no statutory recommendations, that this action plan is formally closed.

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.	Complete	Green	Complete	Complete
3. Conclusion of Constitution review and provision of officer / member training ensuring changes are understood and implemented.	Complete	Complete	Complete	Complete

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	Complete	Complete
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 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 are still relevant to be tracked they have been embedded within business as usual processes.

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 completion of delivery of activity to respond to the recommendations of the Council’s former External Auditors under Section 24 of the Local Audit and Accountability Act 2014.
Risk	<p>It the Council failed to respond effectively to the improvement plan, this would 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	The content of this report is not directly relevant to these areas of impact, however continued implementation of good governance will ensure that the Council's wider decision making processes have due regard to these topics.
Climate Change / Environmental	
Children and Young People Cared for by the Authority and Care Leavers	
Data Protection	

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
Audit Committee	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	12 December 2024
Council	Corporate Governance Improvement Plan and Section 24 Action Plan progress report	27 November 2024

Contact:

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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	No change	Worse	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	Improved	Worse	80% or higher	Above target	Quarterly	100%	Nov-24	89%	Oct-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	Worse	Improved	75	Below target	Monthly	217	Nov-24	203	Oct-24
		Number of agency staff working for Middlesbrough Council – Transformation	No change	Improved	No target set	No target set	Monthly	8	Nov-24	8	Oct-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	Improved	No change	3	At target	Monthly	3	Nov-24	6	Oct-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	74	Nov-24	93	Oct-24
		% of complaints upheld or partially upheld by the central team	Improved	Improved	Less than 40%	Below target	Monthly	57%	Nov-24	63%	Oct-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	Complete	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	87%	Nov-24	86%	Oct-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	Frequency of data refresh	Current performance data:	Current performance period:	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	Monthly			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	Quarterly	100%	Feb-24	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 one off measure	n/a	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 one off measure	n/a due from April 2024 onwards	n/a	n/a	n/a
	2024/25 net expenditure is delivered within the approved budget	Forecast outturn is within the agreed budget	Improved	No change	Compliant / within budget	Below target	Quarterly	£1.362m	Q2	£3.742m	Q1
	The Council's financial position is sustainable	Maintain GF balance in line with approved reserves policy - 7.5% of the net revenue budget which would be £11.1m at 31/3/25	No change	n/a	£11.1m	On target	Annually	£11.1m	Oct-24	£11.1m	Q1
	The Council's financial position is sustainable	Maintain unrestricted usable revenue reserves at a minimum of £8m at 31/3/25	No change	n/a	£8m	Below target	Annually	£6.57m	Oct-24	£6.57m	Q1
	2025/6 budget is set and balanced	Balanced Budget for 2025/6 set	n/a	n/a	Balanced budget set	n/a	Annually	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	Annually	n/a	n/a	n/a	n/a

Appendix 3 Measures of success – Section 24 Report

Recommendation	Measure of Success	Also in CGIP	Current performance	Target	Status against target	Frequency of data refresh	Source:	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	Monthly	Corporate Governance Improvement Plan	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	Y	Improved	3	At target	Monthly	Procurement - Claire Walker	3	Nov-24	6	Oct-24
2	Number of Transformation roles that are vacant / occupied by Agency or interim staff	Y	No change	No target set	No target set - baseline	Monthly	Procurement - Claire Walker	8	Nov-24	8	Oct-24
3	Reduce the number of audits that have limited or no assurance in 2024/25	Y	Worse	0	At target	Quarterly	Internal audit progress reports to Audit Committee	1 in 2024/25	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	Y	Worse	80% or higher	Near target	Annual	Internal Audit	100%	Nov-24	89%	Oct-24
3	Percentage of members completing all mandatory training	Y	Complete	100%	Complete	Annual	Member training data	94.5%	Oct-24	100%	Oct-23
3	Percentage of Members attending wider skills	Y	Complete	95%	Above target	Annual	Member training data	76.1%	Oct-24	98%	Oct-23
3	Member satisfaction with the Member development programme	Y	Complete	90%	Below target	Annual	Member training data	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	Quarterly once live		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	Quarterly once live		90% once launched	n/a		
6	Maintain expenditure in line with agreed budgets in 2024/5	Y	Improved	Compliant / within budget	Below target	Quarterly		£1.362m	Q2	£3.742m	Q1
6	Maintain GF balance at £11.1m at 31/3/25	Y	No change	11.1m	At target	Quarterly		£11.1m	Oct-24	£11.1m	Q1
6	Maintain usable revenue reserves at a minimum of £8m at 31/3/25.	Y	No change	Between 8m and 10m	Below target	Quarterly		£6.57m	Oct-24	£6.57m	Q1