

# LGA Corporate Peer Challenge

Middlesbrough Council

13 – 16 January 2025

Feedback report



**Corporate Peer Challenge**



# Contents

- 1. Introduction ..... 3
- 2. Executive summary..... 3
- 3. Recommendations ..... 3
- 4. Summary of peer challenge approach ..... 10
- 5. Feedback ..... 13
- 6. Next steps ..... 28

# 1. Introduction

Corporate Peer Challenge (CPC) is a highly valued improvement and assurance tool that is delivered by the sector for the sector. It involves a team of senior local government councillors and officers undertaking a comprehensive review of key finance, performance and governance information and then spending four days at Middlesbrough Council to provide robust, strategic, and credible challenge and support.

CPC forms a key part of the improvement and assurance framework for local government. It is underpinned by the principles of Sector-led Improvement (SLI) put in place by councils and the Local Government Association (LGA) to support continuous improvement and assurance across the sector. These state that local authorities are: Responsible for their own performance, Accountable locally not nationally and have a collective responsibility for the performance of the sector.

CPC assists councils in meeting part of their Best Value duty, with the UK Government expecting all local authorities to have a CPC at least every five years.

Peers remain at the heart of the peer challenge process and provide a 'practitioner perspective' and 'critical friend' challenge.

This report outlines the key findings of the peer team and the recommendations that the council are required to action.

# 2. Executive summary

Middlesbrough Council (Middlesbrough) is emerging from a difficult period, characterised by corporate governance, culture, and financial failures, and during which it has been subject to government intervention. Within this challenging context, the council pulling back from the financial precipice in 2024 is impressive, and its internal improvement programme has had a demonstrably positive impact.

The council is not, however, 'out of the woods', remaining fragile and vulnerable to crosswinds that could yet send it off-course. The challenges of recent years, and the focus its improvement journey has necessitated, has left Middlesbrough internally

focused with a need to build capacity, harness the potential of partners and communities, and fully engage all the organisation to address the challenges facing the town and all those that have stake in it. There is no short-term fix.

The recently formed permanent political and officer leadership team marks a critical milestone, bringing opportunities and risks. The mayor and new chief executive's commitment to Middlesbrough, and the positive relationship between them, are widely recognised and contributing to increasing optimism amongst councillors, staff and many external partners. Building on this momentum, and the council's good understanding of its strengths and areas for improvement, it will be important to address apprehensions that changes could destabilise improvement and it could regress as a consequence. Upholding the distinct, yet complementary, roles of the mayor and chief executive, and ensuring consistent messaging and appropriate boundaries between them, will be important.

Middlesbrough places strong emphasis on promoting good governance, with improvements to governance, councillor-officer relationships, and organisational culture central to securing removal of its Best Value Inspection Notice (BVIN). Its qualified 2023/24 Value for Money audit opinion, and some remaining instances of challenging councillor conduct, reflects there is further work to do. Strengthening internal audit arrangements and enabling more robust and impactful scrutiny would support continuous improvement and assurance - as will a continual focus on understanding roles and responsibilities between councillors and officers, and encouraging good councillor conduct. Greater meaningful engagement between political groups on strategic issues for the benefit of Middlesbrough will be important, building on recent positive steps - led by the mayor - to foster constructive cross-party working. Recent efforts to enhance support to councillors should be bolstered by improving support to enable the executive councillors to be even more actively engaged and empowered, refining the councillor gateway system, and optimising meeting times for councillors.

Middlesbrough has been on a financial improvement journey over the past two years, with marked improvements in financial planning and management - from requiring exceptional financial support (EFS) in 2024/25, to putting forward balanced budgets

for 2025/26 and 2026/27 that include growth and replenish reserves. From the perilous position the council was in, this has been an impressive turn-around. The commendable progress must not, however, be construed as Middlesbrough's financial issues being "resolved". The council's financial position remains precarious and its recovery fragile, with £31.1m savings required over 2024/25 - 2028/29, acutely low reserve levels, and a transformation programme yet to deliver transformational savings. This is compounded by uncertainty – like all councils - with a one-year financial settlement and planned government review of local government financing in 2025/26.

A relentless focus must remain on achieving financial sustainability over the medium-term. This will necessitate resetting the council's transformation programme, greater financial planning and management rigour and strong focus on economic development and growth. Middlesbrough should more regularly review its MTFP assumptions, report on savings delivery, strengthen political oversight and scrutiny of its financial position, and further embed financial accountability and mutual accountability across all organisational levels.

The future viability of the council rests on it successfully shifting from tactical savings to delivering transformational change linked to the MTFP. Establishing a senior transformation lead officer and relaunching its transformation priorities alongside the council plan and values will help drive the organisational change and buy-in required to deliver successful transformation. As will harnessing resident, community, business and partner insight within coproduction of Middlesbrough's transformation agenda. With acute capacity challenges in certain areas, reappraising organisational capacity to ensure services are adequately resourced to support transformation outcomes, and reviewing staff pay scales to support recruitment and retention, will also be vital to success. A strengthened approach to equality, diversity, and inclusion is needed within its workforce and democratic composition, in community engagement, and within policies and delivery.

Middlesbrough sits at the heart of the Tees Valley, serving a population of 152,650 in a tightly bounded town that boasts significant local assets, but which has been impacted by post-industrial decline and austerity. It faces deep-rooted economic,

community, and environmental challenges. The question is understandably raised, and the council asks itself, whether it operates at sufficient scale to comprehensively address the extent of these challenges. Notwithstanding the scale of the challenge, Middlesbrough's renewed emphasis on poverty reduction is a powerful statement of its commitment to bring a distinctive community-centred approach to improve its residents' lives.

To achieve its transformation and place ambitions, Middlesbrough will need strong, ambitious, and long-term partnerships. It should redefine its strategic partnership approach and develop an inclusive, deliverable long-term vision for the town, based on co-design from the earliest opportunity with councillors, residents, communities, partners, and businesses. This will enable everyone to understand and contribute to delivering shared outcomes that are greater than the sum of their parts. In this context, it is particularly critical to improve relationships with the Tees Valley Combined Authority (TVCA), resolve the hiatus with the Middlesbrough Development Corporation (MDC), and strengthen relationships with other Tees Valley councils. Doing so can ensure the benefits from devolution, and opportunities for regeneration and growth, are fully realised for Middlesbrough and the wider Tees Valley, contributing to its financial sustainability.

Middlesbrough's next chapter will necessitate a shift from organisational recovery to delivery of improved outcomes for residents. The impetus for its improvement is no longer crisis recovery or external pressure, but for the people of Middlesbrough who deserve a council that aspires to be outstanding. It will need to maintain its continuous improvement momentum and benchmark against best practice, whilst building capacity and capability to deliver differently and with partners. Establishing a locally owned assurance and improvement approach will help do this and provide assurance to the council, its partners, and residents. The council's passionate and committed workforce – which has carried it through difficult times - can be the bedrock on which the future council is built.

## 3. Recommendations

There are several observations and suggestions within the main section of the report. The following are the peer team's key recommendations to the council:

**3.1 Develop in co-production with communities, residents, partners and businesses a long-term vision for the town that is inclusive, practical and deliverable.**

By looking outwards and harnessing untapped potential to deliver its vision, this will enable everyone to understand and contribute to delivering shared ambitions for the benefit of Middlesbrough and its communities.

**3.2 Redefine Middlesbrough's strategic approach to partnership working based on principles of timely and meaningful collaboration, co-design and with common purpose to inspire and build a team beyond the council that are galvanised to deliver for the town.**

This will strengthen delivery of Middlesbrough's place shaping ambitions, maximise use of collective resources, and help shift the focus from organisational recovery to delivery of improved outcomes for residents.

**3.3 Develop and seek to strengthen relationships with the Tees Valley Combined Authority and Tees Valley councils.**

This will maximise the potential for Middlesbrough and the wider Tees Valley to realise the benefits from being at the forefront of devolution and drive economic development and growth which will be critical to all the council's ambitions.

**3.4 Seek to resolve the hiatus with the Middlesbrough Mayoral Development Corporation to achieve a shared plan for the town.**

This will unlock its potential as a powerful mechanism for effectively delivering economic development and growth and integrating the resources and assets of the council and TVCA.

### **3.5 Develop and embed a comprehensive approach to strengthening equality, diversity, and inclusion, including:**

- a. In organisational development, the workforce and democratic representation;
- b. Within strategy, policy, and service delivery; and
- c. Community engagement, ensuring it looks at this agenda strategically for Middlesbrough as a whole, not only for the organisation and those elected or employed.

This will ensure EDI is at the heart of everything it does, that the council is representative of the communities it serves and delivers better decision-making by harnessing different perspectives.

### **3.6 Bring further rigour to financial planning and management to support savings delivery and financial resilience by:**

- a. Reviewing the MTFP assumptions and updating them on a quarterly basis, with clear plans for managing demand and delivering savings reported in monthly budget reports.
- b. Supporting Executive Members to own and shape the financial position, within their portfolio areas and collectively, working with senior officers to challenge, monitor and hold each other to account.
- c. Embedding understanding and ownership of the financial position with budget holders to ensure the on-going delivery of transformation, savings and efficiencies.
- d. Ensuring that scrutiny and audit oversight is effective, transparent and supports understanding - beyond the council - with key partners and the public.
- e. Reviewing pay scales to support recruitment and retention of key staff, linked to workforce and succession planning, with a focus on both bringing in external, as well as nurturing internal, talent.



**3.7 Reframe Middlesbrough’s approach to transformation, shifting from tactical savings during a crisis, to long term financial sustainability and continuous improvement to deliver better outcomes, by:**

- a. Undertaking a cross-council reset and relaunch of its transformation priorities, alongside the council plan and council values, underpinned by strong leadership, a robust communications and engagement plan, and organisational development strategy.
- b. Creating a senior transformation officer role to lead, consolidate and prioritise the current programme, identify new areas for transformation, track progress and delivery of desired outcomes, and drive the organisational change and buy-in required to deliver successful transformation.
- c. Reviewing capacity to deliver Middlesbrough’s transformation ambitions, including within corporate services and supporting data and analysis and performance management, to ensure that all relevant services are adequately resourced to support transformation outcomes.

**3.8 Establish a locally owned assurance and improvement approach for Middlesbrough once the voluntary improvement Board steps down.**

This will help embed and sustain continuous improvement and support, providing oversight of the golden thread between the council’s vision, corporate plan, performance and delivery of outcomes. By doing so, it will provide the council, its partners, and residents with assurance that the improvement journey is continuing at pace.

**3.9 Review and strengthen Middlesbrough’s internal audit arrangements and provision.**

This will ensure they are fit for purpose and adequately support its continuous improvement and assurance journey, with internal audit a key tool when deployed strategically in the delivery of high-quality services, transformation and financial outcomes

### **3.10 Review and strengthen Middlesbrough's overview & scrutiny arrangements.**

This will ensure arrangements support robust and impactful scrutiny for the future, aligned with best practice.

### **3.11 Support councillors further in their roles through:**

- a. Providing the Executive with administrative support and training for their roles;
- b. Addressing issues with the councillor gateway system;
- c. Providing sufficient advanced notice for meetings, and at times that meet councillors' needs; and
- d. Promote and encourage good councillor conduct, including on digital platforms.

This will ensure councillors are more fully supported in their local leadership roles.

### **3.12 Continue to improve member and officer relationships with clear understanding of the respective roles, responsibilities and promoting good behaviours.**

This will continue to strengthen Middlesbrough's governance guardrails, promote conduct in line with the Nolan Principles, and avoid the risks which in the past have arisen from Middlesbrough's Mayoral model.

## **4. Summary of peer challenge approach**

### **4.1 The peer team**

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected the focus of the peer challenge and peers were selected by the LGA based on their relevant expertise. The peers were:

- Andrew Lewis, Chief Executive of Liverpool City Council
- Mayor Paul Dennett, Mayor of Salford and Deputy Mayor of Greater Manchester Combined Authority
- Cllr Anna Charles-Jones, Independent Ratepayers Group Leader, Stockport Metropolitan Borough Council
- Cecilie Booth, Executive Director of Corporate Services and S151 Officer at Peterborough City Council
- Helen Edwards, Director of Law, Governance, Audit (Monitoring Officer), West Midlands Combined Authority
- Hilary Hall, Corporate Director Community Wellbeing (DASS), Herefordshire Council
- Sarah Sprung, LGA Senior Regional Adviser
- Frances Marshall, LGA Senior Regional Adviser and Challenge Manager

#### 4.2 Scope and focus

The peer team considered the following five themes which form the core components of all Corporate Peer Challenges. These areas are critical to councils' performance and improvement.

1. **Local priorities and outcomes** - are the council's priorities clear and informed by the local context? Is the council delivering effectively on its priorities? Is there an organisational-wide approach to continuous improvement, with frequent monitoring, reporting on and updating of performance and improvement plans?
2. **Organisational and place leadership** - does the council provide effective local leadership? Are there good relationships with partner organisations and local communities?
3. **Governance and culture** - Are there clear and robust governance arrangements? Is there a culture of challenge and scrutiny?
4. **Financial planning and management** - Does the council have a grip on its current financial position? Does the council have a strategy and a plan to address

its financial challenges? What is the relative financial resilience of the council like?

5. **Capacity for improvement** - Is the organisation able to bring about the improvements it needs, including delivering on locally identified priorities? Does the council have the capacity to improve?

As part of the five core elements outlined above, every Corporate Peer Challenge includes a strong focus on financial sustainability, performance, governance, and assurance.

In addition to these themes, the council asked the peer team to provide feedback on its transition to permanent leadership.

#### **4.3 The peer challenge process**

Peer challenges are improvement focused; it is important to stress that this was not an inspection. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared by reviewing a range of documents and information in order to ensure they were familiar with the council and the challenges it is facing. This included a position statement prepared by the council in advance of the peer team's time on site. This provided a clear steer to the peer team on the local context at Middlesbrough Council and what the peer team should focus on. It also included a comprehensive LGA Finance briefing (prepared using public reports from the council's website) and a LGA performance report outlining benchmarking data for the council across a range of metrics. The latter was produced using the LGA's local area benchmarking tool called LG Inform.

The peer team then spent four days onsite at Middlesbrough Council, during which they:

- Gathered evidence, information, and views from more than 40 meetings, in addition to further research and reading.
- Spoke to more than 110 people including a range of council staff together with members and external stakeholders.

This report provides a summary of the peer team's findings. In presenting feedback, they have done so as fellow local government officers and members.

## 5. Feedback

### 5.1 Local priorities and outcomes

Located in the heart of the Tees Valley, Middlesbrough serves a diverse 152,650 strong population within 35 square miles, making it the North East's most densely populated area. The compact town has a mixed economy, including regional anchor institutions, a growing innovative digital sector and an expanding advanced manufacturing industry. It has been impacted by post-industrial decline and austerity. Ranked fifth in the indices of multiple deprivation, it faces stark social and economic challenges, with high levels of deprivation, child poverty and deeply embedded health inequalities.

The council's strong understanding of its local context is reflected in its commitment to confront the levels of social and economic deprivation to improve residents' lives. It is also evident in Middlesbrough's passionate staff and councillors, many of whom are long serving, with detailed knowledge of their communities and the challenges they face. This strength of allegiance to Middlesbrough is a powerful basis for driving improved outcomes. The council has been inspired by the community response to the social disorder experienced in the summer of 2024, and is determined to address the underlying causes. Middlesbrough's renewed emphasis on poverty reduction as a central focus for the council and its partners is a powerful statement of intent. The recent public health led 'poverty sprint' has created enthusiasm internally for its potential to drive change.

Middlesbrough has rich multicultural communities, with an increasingly diverse population, from 11.7 per cent of residents in 2011 being from an ethnic minority, to 17.6 per cent in 2021. The council recognises its changing demographics, and is renewing its emphasis on equality, diversity and inclusion (EDI). This can be seen internally through its people strategy, and externally with development of its support for communities with an emerging neighbourhood model and customer strategy. There is further to go to strengthen its approach to EDI - beyond compliance with its legal duty - across everything the council does. The peer team recommend Middlesbrough do more to promote greater representation within its workforce and locally elected representatives, as well as in supporting communities and in embedding equalities further into strategy, policy, and service delivery, so it becomes everyone's responsibility. It will be important to look at this agenda strategically for Middlesbrough as a whole, not just for the organisation and those elected or employed,

Middlesbrough's council plan, agreed in April 2024, provides an important strategic framework from which to drive its aspirations for place. It is frequently referenced within the council and is starting to inform its choices and priorities. Some services that are key to delivering the council's priorities, such as housing and asset management, are fragmented across directorates. Middlesbrough should consider consolidating certain functions to provide a single point of service provision and corporate oversight to help drive delivery.

The focus on internal improvements, driven by governance and financial challenges in recent years, has impeded long-term planning. Building on the council plan, Middlesbrough must now update and extend its long-term strategic policies and plans to ensure coherence, drive change, and shift focus from organisational recovery to delivering outcomes for residents. Developing a long-term vision for the town – which is co-designed with communities, businesses and partners - needs to be a critical element of this. (See organisational place leadership paragraph).

The council is proud of having successfully delivered significant internal performance improvement – from a low base - over the past two years. The withdrawal of the statutory Best Value Improvement Notice (BVIN) by government marks an important

milestone in this progress. The voluntary Middlesbrough independent improvement and advisory board (MIAB) has further validated the council's progress thus far. Middlesbrough's position statement provided to the peer team reflects a good understanding of the council's strengths and areas for improvement, recognising there is further to go, with continuous improvement required. As Middlesbrough moves away from 'recovery' into 'business as usual', it should look to benchmark itself not against its previous position, but against what 'good' looks like elsewhere.

The journey of improvement in Children's Services has also demonstrated steady progress, including moving out of government intervention. With a 'requires improvement' Ofsted judgement in March 2023, there remains a need for continuous focus and service improvement. The council is expecting the outcome of the Care Quality Commission's (CQC) assurance judgment for adult social care imminently. It will not be subject a Social Housing Regulator inspection due to its minimal stock holdings.

Middlesbrough has a performance management framework, with regular systematic reporting of performance against the council plan, as well as detailed reporting against its corporate improvement programme. It makes effective use of performance management data through Business Intelligence solutions such as power BI dashboards, Pentana system and ward profiles. Middlesbrough recognises the need to strengthen the robustness of its performance framework to track metrics wider than the corporate plan and do more to embed a performance culture across the organisation. It should also take steps to make better use of the rich data, analytics and intelligence the council hold, to drive decisions and service improvement.

To understand Middlesbrough's performance, the peer team considered the council's latest key performance reports, resident satisfaction data and [LGInform report](#) which benchmarks Middlesbrough's performance against the Chartered Institute of Public Finance and Accountancy's (CIPFA) nearest neighbours. The peer team was impressed by some council services which have been recognised as good practice. Examples included welfare rights and debt advice, the use of the household support fund, auto-enrolment for free school meals, public health interventions on food



quality, the 'mobile adapt and mend service', and the town's culture offer and ambitions. Conversely there are many areas where Middlesbrough's performance is below those of comparative authorities and service improvement is required. This includes waste performance including recycling rates, contamination and levels of residual waste; obesity levels; and meeting housing need.

The council has a clear commitment to rise to the challenge of climate change. Its green strategy action plan sets out ambitions to be net zero by 2029 for the council's operations, and for the town by 2039. This strategic intent is not, however, underpinned by well-developed credible plans that are communicated clearly across the organisation. Further work is required to ensure the council can deliver on its green ambitions, without which the timetable for delivery is likely to need review.

## 5.2 Organisational and place leadership

Middlesbrough has navigated significant organisational changes in recent years, including political and senior officer turnover, and interim appointments. In May 2023, the local elections returned a new mayor and saw the council change political control. Permanent appointments to the chief executive and director of finance and transformation roles have been in post since in late 2024.

The peer team heard overwhelmingly that the organisational leadership and council's improvement trajectory has positively changed over the past year. The visible role of the mayor in this is widely acknowledged. The outgoing interim chief executive and interim director of finance also played vital roles at a critical time, initiating the measures necessary to steer the council through a potentially "catastrophic" financial position. The council is now at an important milestone with the establishment of a new permanent officer leadership team. This inevitably brings opportunities and risks that will need to be managed.

The permanent chief executive appointment has been welcomed by the workforce and councillors generally, creating significant good-will from staff and those partners familiar with his health and care leadership. His commitment to Middlesbrough is widely recognised, and introduction of a weekly vlog valued. The newly constituted



senior officer management team (LMT) are working increasingly collegiately, and there is a good relationship between the chief executive, monitoring officer, and section 151 officer; sometimes referred to as the 'golden triangle'. This new 'golden triangle' has started to meet regularly to discuss issues around governance, finance, and risk. There are nevertheless anxieties from some, particularly outside the council, that recent changes in officer leadership could destabilise the council's improvement journey.

As a mayoral authority, the mayor's personal leadership style matters critically to the council's success. The peer team heard consistently that Middlesbrough's mayor brings authentic and community-focused leadership, informed by a deep understanding of Middlesbrough and its communities. As the council shifts away from short-term recovery in the next phase of its improvement, it will be important for the mayor to translate his approach to drive strategic delivery of a long-term collectively owned vision for the borough.

There is a positive relationship between the mayor and chief executive which is widely recognised. They are perceived – both internally and externally - as engaging, proactive, and their strong pride in place is embodied across the council. Middlesbrough should capitalise on this positivity to build momentum. The relationship between the mayor and chief executive is critical to providing a resilient basis for the council going forward. They should continuously work to align their messaging and demonstrate shared commitment, while each developing their respective, distinctive and complementary contribution to the council and the borough.

On an operational and project basis, there are examples of good collaboration providing shared leadership and outcomes. Notable examples include joint working with Middlesbrough Football Club, shared NHS operations tackling health and social care pressures whilst enhancing efficiency, and the voluntary, community and social enterprise sector's (VCSE) integration into the council's emergency response structures following the summer unrest. The council, however, recognises that this enabling partnership approach is not consistent, nor fully replicated at a strategic level.

Strong, ambitious, long-term partnerships will be needed to achieve Middlesbrough's aspirations to increase economic growth, tackle poverty and support long-term financial sustainability. The external perception of the council by partners is, however, mixed, with many expressing frustrations at the council's partnership approach. There is a strong desire from across the business, VCSE and public sectors, for improved, coordinated, collegiate and strategic engagement at a much earlier stage. Priority should be given to Middlesbrough's planned 'relationship reset' with partners. The peer team endorsed this, recommending it be based on the principles of timely, meaningful collaboration, co-design, and common purpose.

The development of a purposeful long-term vision for Middlesbrough will be an important tool in reinvigorating strategic partnership working. The peer team recommended developing this in co-production with communities, partners and businesses to enable everyone to understand and contribute to its delivery, whilst maximising resources to achieve shared ambitions. It will also help shift the focus from organisational recovery to the delivery of outcomes for residents. It is important that this vision is practical and deliverable, to address the cynicism created by undelivered ambitions of the past.

Ensuring this work is supported by a strategic and proactive communications approach, aligned to the corporate plan, will be needed to ensure success. Doing so will demonstrate - both internally and with partners and residents - how the council is delivering with and for them.

Middlesbrough's position as a member of the Tees Valley Combined Authority (TVCA) is a significant strength, enabling it to benefit from devolution and creating opportunities for regeneration and growth. It will be central to delivering Middlesbrough's economic growth aspirations, which in turn are important for its financial sustainability. Governance challenges and political differences across the TVCA and Middlesbrough have made it challenging to realise this shared ambition and collective responsibility to Tees Valley. The peer team emphasised the importance of strengthening relationships with the TVCA - and its constituent councils - to maximise the potential for Middlesbrough and the wider Tees Valley and be at the forefront of devolution.

In principle, the mayoral development corporation (MDC) for Middlesbrough town centre presents an important opportunity to deliver an ambitious shared agenda for the town. However, this prospect is yet to be realised, with Middlesbrough insufficiently included in critical decisions about its establishment and operations. The current situation risks continuing an unhelpful hiatus. Without mutually agreeing a way forward, the MDC will continue to complicate rather than enhance the prospects of radical improvements to the town centre. This needs to be addressed as a matter of urgency by all partners, involving compromises on each side. The peer team recommended doing so to unlock its potential as a powerful mechanism for integrating the council and TVCA's resources and assets, and potentially from central government or through greater devolution, to achieve a shared plan and common purpose for the town. This will necessitate agreement to respective roles within the MDC. It would also be aided by drawing on parallel arrangements in Hartlepool, and the lessons learned from the governance of Teesworks.

### **5.3 Governance and culture**

Strengthening governance is a key priority for Middlesbrough, the importance of which is understood by the political and officer leadership. Middlesbrough, and the mayor personally, recognises that, while the directly elected mayoral model has been part of its governance for 22 years, it has at times over that period been associated with tensions which have been damaging to its governance and reputation. Responding to this recognised risk, the external auditor's statutory recommendations, and BVIN, the council has undertaken significant work in recent years through its corporate governance improvement programme and the introduction of governance "guardrails." These have included, though not limited to, reviewing the constitution, training for councillors and officers, strengthening decision-making processes, reestablishing values and behaviours, and a joint leadership development programme between LMT and the executive. The current mayor is clear that these measures are designed to be sustained irrespective of the holder of his office. They are therefore intended to future-proof good governance, learn lessons from past experiences, and mitigate future risks. The positive impact of these efforts is becoming evident and is reflected in Middlesbrough's annual governance statement

which provides a robust view of its governance arrangements and relevant risks. While progress has been made, there is still work to do in strengthening and reinforcing governance, culture, and compliance.

This can be seen with the external auditor's 2023/24 Value for Money assessment issuing a qualified opinion and identifying weaknesses in financial sustainability, governance and improving economy, efficiency, and effectiveness. A qualified opinion across all three elements of the audit assessment is not common and signals significant concerns. The external auditors did, however, also recognise the council's positive direction of travel, acknowledging progress across all three areas of identified weakness. Addressing these should continue to be a priority in Middlesbrough's continuous improvement. The good relationship emerging between Middlesbrough and its new external auditors provides a solid base from which to do so.

Internal audit is a critical element of Middlesbrough's financial and governance recovery process, providing assurance through its independent appraisal of internal controls. It was not clear to the peer team if Middlesbrough's current internal audit provision is adequate for a council recovering from financial distress and governance challenges. The peer team recommended Middlesbrough should review and strengthen its internal audit arrangements and provision to ensure they are fit for purpose and adequately support – and provide assurance on - its continuous improvement journey. Establishing a locally owned assurance and improvement approach for Middlesbrough post MIIAB will also be important to sustain continuous improvement. (See Organisation and Place Leadership paragraph).

The peer team heard that Middlesbrough's audit committee provides robust challenge and is regarded as effective. Committee members are given support, including recent finance training that has been well received. The council has been seeking to recruit up to two co-opted independent persons to the committee's membership. The peer team would encourage Middlesbrough to deliver on this intention. This approach is in accordance with CIPFA guidance, reflects good practice, and will strengthen the audit committee further.

Middlesbrough's overview and scrutiny approach has undergone significant change

in the past 12 months, following a review to enhance its effectiveness. The peer team heard widespread frustrations about the efficacy of the new arrangements, and the degree to which they enable effective and robust scrutiny. The planned review of the new arrangements in May 2025 will be important to strengthen the scrutiny function, ensure it is strategic, adds value and makes best use of resources. The peer team recommended the review consider if the current arrangements are sufficient to provide effective scrutiny of key service areas - such as finance, adults and children's - and other wider placed based responsibilities.

The peer team heard that councillor-officer relationships have improved significantly in recent times. Most relationships were described as respectful, with councillors and officers able to be open, honest and constructively challenge each other. This view was widely shared within the council, with a sense that improved working relationships were having a positive impact on organisational culture and delivery. Staff survey results go some way to support this, with 82 per cent of staff indicating a positive or neutral stance on there being improved councillor and officer relationships, however the response rate was not high.

Improvements in councillor conduct can also be seen with a significant reduction in the number of code of conduct complaints, from 59 in 2023, to 21 in 2024. Whilst reduced, the number of complaints remains significant, with several examples of councillor conduct not being within the spirit of the Nolan Principles. This is particularly related to the conduct of a minority of councillors on social media, including intemperate and inappropriate comments exchanged between councillors, which only serves to reduce the reputation of the democratic process overall. The peer team recommends that Middlesbrough continues its efforts to promote good councillor behaviours and improve councillor and officer relationships, with clear understandings of the respective roles, responsibilities and operational and strategic boundaries. It is positive that insight from complaint data is being utilised to understand areas for training and support.

Some councillors reported issues with reports for committees not being as “accessible” as they would like. Some reported that they needed printed copies of reports, due to disability-related needs, and this was difficult as they were provided

only with black and white printers at home, and the courier service for delivery of papers printed at the office was not always reliable. Issues were also reported with the way in which reports were written, an example shown was where a dark blue colour had been used to “highlight” black text, making it very difficult to read.

Concerted efforts to enhance support to councillors has been made as part of Middlesbrough’s cultural change programme. This has included establishment of a member development strategy to support continuous development, a refreshed member development programme, and a new induction programme. The new induction has received positive feedback, whilst views on the member development programme was more mixed. To further enhance support to councillors to fulfil their roles to best effect, the peer team recommended that Middlesbrough:

- provide support to portfolio holders in their Executive roles with administrative support and training so they can be further engaged and empowered around financial management, corporate plan delivery and the performance of their services;
- provide sufficient advanced notice for meetings, and hold them at times that meet councillors needs; and
- support transitioning to digital solutions and change, taking account of reasonable adjustments for disability-related reasons that may be necessary for a small number of individuals.

Investment has also been made in co-designing a ‘councillor gateway’ case work management approach. The peer team heard widespread concerns from councillors about its functionality, inability to track progress on casework, useability on mobile devices, and desire for further training support. Addressing this will be important to ensure the gateway meets councillors’ needs, and so the system is utilised and not circumvented.

Incremental steps have been taken to foster constructive cross-party working. Examples include holding political group leader meetings, cross-party working groups, and the sharing of vice-chair and the appeals committee chair roles across political groups. Whilst these steps are positive, distrust between councillors can at



times distract from moving the council forward. More should be done to develop relationships and communications between political groups on strategic issues for the benefit of the town. This will help drive better outcomes for residents, as well as support continuous governance improvement.

#### **5.4 Financial planning and management**

Middlesbrough has been on an impressive financial improvement journey, with its financial position improved significantly since March 2024. From requiring exceptional financial support (EFS) in 2024/25 with £13.4m approved, to only £4.7m now expected to be required, and balanced budgets being recommended to full council for 2025/26 and 2026/27. Middlesbrough is understandably proud that its 2025/26 budget includes headroom for investment in priority areas, a transformation contingency reserve, and growth in reserves to support financial resilience and delivery of outcomes. This is a remarkable financial turnaround in such a short space of time, particularly with Middlesbrough beginning the process of building back reserves at the same time as delivering savings.

This positive progress must not, however, be construed as Middlesbrough's financial challenges being "resolved". The council's overall financial position remains precarious, with £31.1m savings required over 2024/25 - 2028/29 to address the gap in its medium-term financial plan (MTFP). This fragility is exemplified by Middlesbrough's low reserves level compared with sector benchmarks. It is further compounded by uncertainty – like all councils - with a one-year financial settlement and planned government review of local government financing in 2025/26.

Middlesbrough's improved financial position has been achieved in large part due to revised bad debt provision and through concerted efforts to improve – from a low base – financial ownership and rigour across the council. Greater budget ownership at a senior level has made a significant difference to organisational financial grip, and it is imperative this is maintained. The peer team came across some examples where staff and councillors had an overly optimistic view of the financial challenges, believing that the issues were now completely resolved. The council will need to

guard against complacency over Middlesbrough's transformation journey, to avoid losing momentum towards long-term financial sustainability, or reducing the commitment to deliver on the necessary hard decisions which remain to be taken. The peer team recommended that there is significant work remaining to embed this shared understanding and collective ownership. To achieve this, financial systems could be better utilised to enable self-service for budget holders. This would support greater ownership and accountability for budget holders which would in turn strengthen on-going delivery of transformation, savings and efficiencies.

Similarly, improving scrutiny and audit committees' oversight will enable more effective monitoring of the council's financial position, strengthen transparency, and promote wider comprehension among key partners and the public. Supporting the Executive further to own and shape the overall financial position, with regular budget monitoring, will also be important. The Executive working with senior officers, and collectively, to challenge, monitor and hold each other to account as an Executive, as well as individual portfolio holders will help strengthen corporate grip.

At the point of the peer challenge, Middlesbrough was reporting limited in-year service pressures, and was confident in delivering its £5m savings target, within the 2024/25 financial year. At a time when service demand is an extreme financial pressure for many councils, this effective management is noteworthy. However, with only £0.8m of the £5m savings target delivered by quarter two, peers questioned if delivery of savings in full by year end remained realistic. The peer team recommended Middlesbrough review its MTFP assumptions on a quarterly basis to ensure they are robust and not overly optimistic. This should be accompanied by monthly budget update reports to the Executive which include clear plans for managing demand and delivering savings. This will further strengthen financial grip, oversight and risk mitigation.

The council is at an early stage on its transformation journey. A transformation programme has been developed - supported by governance and programme management disciplines - to deliver Middlesbrough's ambitions for achieving financial sustainability over the medium-term and improving outcomes. The future viability of the council rests on this programme delivering. To date, outcomes have



predominantly been service improvements and efficiencies, with genuine transformation benefits yet to flow through. The peer team welcomed Middlesbrough's planned refinements to distinguish management of savings from key transformation projects, which would be a necessary step in strengthening transformation delivery. Identifying transformation outcomes at the outset, and resulting savings being captured in the MTFP, will also be important to do so.

A reset of the council's approach to transformation is vital to shift away from tactical savings during a crisis, to long term financial sustainability and continuous improvement to deliver better outcomes. This is a stated priority of the new chief executive. To do so, the peer team recommended Middlesbrough undertake a cross-council reset and relaunch of its transformation priorities, alongside the council plan and council values. It will be imperative this is underpinned by strong leadership, a robust communications and engagement plan, and organisational development strategy to ensure that staff, councillors and partners are bought into this journey.

The peer team also recommended creating dedicated transformation leadership expertise at senior officer level – separate to the director of finance and transformation position - to ensure transformation is championed, collectively owned, delivered, and not derailed by potentially conflicting directorate objectives. This role will be needed to lead, consolidate and prioritise the current programme, identify new areas for transformation, and track progress and delivery of desired outcomes.

## **5.5 Capacity for improvement**

Middlesbrough has a passionate, loyal workforce, committed to the residents they serve. They have carried the council through difficult times. The peer team heard from staff that the council has a supportive organisational culture, and there is a growing optimism about the future. This will stand Middlesbrough in good stead for dealing with current and future challenges, with staff being the bedrock on which the future council can be built.

To do so effectively it will be important to enable greater cross-organisational working to unlock productivity and collaboration benefits. The peer team heard consistently

that silo working is impacting on efficiency, customer service and outcomes for the council, its communities, and partners. The transformation programme, people strategy and planned partnership strategy must be used to address this.

Middlesbrough's people strategy – approved in April 2024 – sets out its aspirations to provide an inclusive environment that allows its workforce to flourish and is representative of Middlesbrough's communities. There are well established staff networks for protected characteristics and shared interests, with staff given time off to attend them. These enable staff to influence the direction of travel and are beginning to inform policy development, such as around HR policies for example. There is however further to go to support EDI in the workforce. This is reflected in the fact with an increasingly diverse population, it is more important than ever to ensure the workforce is representative of the communities it serves. Currently there are equality gaps, such as lack of diversity at senior management level. Addressing this will be important to drive more inclusive and impactful decision-making and service delivery by harnessing different perspectives. (See local priorities and outcomes paragraph.)

The council's people strategy recognises the importance of its people in achieving its aspirations for sustainable culture change and delivering differently. With an ageing workforce, recruitment and retention are core planks within this, as workforce stability and capacity are critical to delivering Middlesbrough's priorities. Apprenticeships and professional development opportunities are valued by staff and contributing to workforce retention.

Recruitment, however, is a challenge, with higher levels of pay and competition from other authorities being contributory factors. This is particularly acute for certain roles – such as finance, legal and social care professionals – with skill and capacity gaps posing a significant organisational risk. The peer team recommended urgently undertaking a review of the competitiveness of recruitment in these key areas – benchmarked against other councils, and in partnership rather than competition with other Tees Valley councils - to support recruitment and retention of key roles. This should be linked to workforce and succession planning to mitigate risks and focus on both bringing in external, as well as nurturing internal, talent.

The council has a strong commitment to transformation, with three main cross cutting

transformation priorities – customers, neighbourhoods and digital. Staff involved in developing these priorities are enthusiastic and passionate about the difference it will make to Middlesbrough. They recognise that delivering ‘genuine transformation’ will be critical to achieving financial and outcome benefits. There is appetite from some staff for Middlesbrough to be bolder in its transformation approach, with concerns that parts of the organisation feel that transformation has been ‘completed’. It will be critical to reset Middlesbrough’s transformation approach, with dedicated senior officer expertise to drive the organisational change and buy-in required to deliver successful transformation. (See financial planning and management paragraph).

The peer team heard concerns that services may not be adequately resourced to properly support organisational change and transformation. This included key services that are enablers to transformation, such as finance, human resources, ICT and internal audit. Addressing this will be vital to ensure the transformation programme delivers the savings and outcomes required to achieve financial sustainability. The peer team recommended Middlesbrough review its organisational capacity - including corporate services and supporting data and analysis - to ensure relevant services are adequately resourced to support transformation outcomes.

Many partners the peer team spoke with recognise the financial and capacity challenges the council faces. Middlesbrough should do more to leverage in place-based resources through earlier, more strategic collaboration and co-production with partners. Doing so can help drive sustained transformation and better outcomes for the council and its communities.

As Middlesbrough embarks on its next chapter post MIIAB, the impetus for its improvement is no longer crisis recovery or external pressure, but for the people of Middlesbrough who deserve a council that aspires to be outstanding. To do so, the peer team recommended establishing a system of assurance and improvement for Middlesbrough which is locally owned and understood. This will provide the council, partners and residents with assurance and support to embed and sustain continuous improvement and address apprehensions the council could regress. To succeed, it will need to maintain its continuous improvement momentum and benchmark against best practice, whilst building capacity and capability to deliver.

## 6. Next steps

It is recognised that senior political and managerial leadership will want to consider, discuss and reflect on these findings. The LGA will continue to provide on-going support to the council. Following publication of CPC report you need to produce and publish an Action Plan within 5 months of the time on site. As part of the CPC, the council are also required to have a progress review and publish the findings from this within twelve months of the CPC. The LGA will also publish the progress review report on their website.

The progress review will provide space for a council's senior leadership to report to peers on the progress made against each of the CPC's recommendations, discuss early impact or learning and receive feedback on the implementation of the CPC action plan. The progress review will usually be delivered on-site over one day.

The date for the progress review at Middlesbrough Council will be before 16 January 2026.

In the meantime, Mark Edgell, Principal Adviser for North East, Yorkshire and Humber and East Midlands is the main contact between your authority and the Local Government Association. As outlined above, Mark Edgell is available to discuss any further support the council requires. [Mark.Edgell@local.gov.uk](mailto:Mark.Edgell@local.gov.uk).