



Corporate Peer Challenge

Middlesbrough Council

19th to 22nd January 2016

Feedback Report – March 2016

1. Executive summary

'Middlesbrough is changing' communicates a fresh impetus for the town. There is much to celebrate in terms of growth, for example, numerous quality housing sites in development; a thriving town centre with the establishment of Teesside University and plans for Middlehaven are well underway.

Staff and elected members have pride in Middlesbrough and the regeneration projects: *"the 'boro' is turning a corner, we are willing it to succeed"*. Over £500m of investment in recent years is a good platform upon which to build. To capitalise on this investment opportunity, it would be helpful to develop a strategic master plan for the whole of the town in order to shape future investment and growth.

Middlesbrough 2020 is a clear vision and has wide engagement. Staff are empowered and there is a feeling that *'we (Middlesbrough) have moved on'*. There is strong management and the Mayor and Chief Executive have good working relationships with Executive Members and with each other. The council is self-aware and is able to accurately articulate its strengths and also those areas for development. The Tees Valley devolution proposal includes an emphasis on culture and it might help to include this in the Middlesbrough 2020 vision.

Streets are clean and there is little evidence of physical deprivation. The crime profile is positive and is testimony to the combined efforts of partners and in the resilience of communities.

Effective work has been undertaken with young people in terms of employability and reducing the numbers of NEETs. However, adult unemployment is high. A strategy for adult unemployment is in development and consideration should be given to accelerate this.

Integration of Health and Social Care has had some success with the partnership focusing on the oversight of the Better Care Fund (BCF); seven day access, a single point of contact and re-enablement. The BCF of £15m is low and in order to address the demand for adult health and social care in the future there should be greater consideration given towards an Integrated Care Organisation.

Partnership working has been improving, for example, the Community Safety Partnership has been revitalised by the council. In order to enhance partnership working it might be helpful to consider a forum for partners to explore public service reform in order to understand integrated place-based delivery.

The new management structure linked to outcomes has been well received by staff and is breaking down service 'silos'. There is emerging evidence of working across directorates through the nine outcomes, for example, school place planning and the offer for early help. Plans to separate children and adult services across two directorates will facilitate a greater focus on children's services and health and social care services. Interaction with prevention and health, which sits in a third directorate, will need to be carefully managed to ensure that cross working does not fragment.

The 'Middlesbrough Manager Programme' is well regarded, staff are engaged about the focus on outcomes and the opportunities for the Combined Authority in the Tees Valley is welcomed. There is a strong positive tradition of Tees Valley authorities working together, for example; trading standards, archives, highways and emergency planning.

Elected members and the workforce are committed to Middlesbrough. Managers are positive about innovation and change, but acknowledge that planning for change could be enhanced. The 'nine outcome' structure has been welcomed. Performance management is undertaken by using a 'balanced scorecard' based on nine outcome areas. This has been a positive development and is in its first year of operation. It is too early to say whether this is impacting on driving service improvement and informing decision making.

There is a clear early help and prevention strategy for children, however the prevention strategy for adults is in development and, when finalised, should help progress with developing an integrated care organisation.

The scale of change within the council will require strategic workforce development and currently the Strategic HR function is under-developed. It would be helpful to consider a strategic workforce strategy linked to the future needs of the organisation.

The council is rightly focused on project and programme management and the 'roll out' of software solutions to support the process. The IT strategy could be further developed to support change management and better co-ordination of project initiation is needed as managers are confused about the software solution capability. Careful thought should be given to elements of culture, values and behaviour in the approach to programme and project management alongside a natural emphasis on documentation, processes, policies and IT.

There are strengths in financial stewardship and a track record in delivering savings, but the council would benefit from a more strategic approach to medium term financial planning, aligned better to the 2020 vision, that is clearly understood across the Executive and senior management team. To deliver an effective change programme, it will be necessary to move towards a shared view of the financial situation. Elements of reporting need development; for example, quarterly integrated financial reporting for both capital and revenue. Internal audit could be used more appropriately to support organisational change and it would be helpful to establish a reserves strategy for future years. The capital programme and business rates could, for example, be used as an opportunity and driver of growth.

2. Key recommendations

Recommendation 1: Develop a strategic masterplan for the town that shapes your future investment and growth. This needs to be a medium to longer-term ambition and one that is developed and shared with key partners and stakeholders.

Recommendation 2: Re-align the 2020 vision to incorporate the Mayoral aspirations around issues such as culture.

Recommendation 3: Develop a Medium Term Financial Strategy that is linked to the 2020 vision timescales, that plans for opportunities and risk scenarios and that is supported by effective in-year financial reporting.

Recommendation 4: Review member level council wide governance including Member Scrutiny and Audit Committee.

Recommendation 5: Consider a greater ambition for Health and Social Care integration, including developing a prevention strategy for Adults and a sustainable approach to early intervention for children and families

Recommendation 6: Consider a partnership forum to investigate and explore reform of public services.

Recommendation 7: Further develop a consistent council wide approach to project, programme and risk management mindful of the balance between people, skills and processes.

Recommendation 8: Develop a strategic HR function to incorporate development of a Workforce Strategy and an integrated Employment Strategy.

Recommendation 9: Develop and implement an IT strategy to support change management incorporating agile working, improved financial and management information and channel shift of customer interactions and transactions.

3. Summary of the peer challenge approach

The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected your requirements and the focus of the peer challenge. Peers were selected on the basis of their relevant experience and expertise and their participation was agreed with you. The peers who delivered the peer challenge at Middlesbrough Council were:

- Jim Taylor – City Director and Chief Executive, Salford City Council
- Ros Jones (Labour) – Elected Mayor, Doncaster Metropolitan Borough Council
- Jon Bell - Director of HR, Legal & Performance, Portsmouth City Council
- Joseph Holmes - Assistant Director Finance & Audit (S151 Officer), Slough Borough Council
- Peter Rentell – Programme Manager, Local Government Association (LGA)
- Joanne Straw – Adviser, LGA Productivity Team

Scope and focus

The peer team considered the following five questions which form the core components looked at by all Corporate Peer Challenges. These are the areas we believe are critical to councils' performance and improvement:

1. Understanding of the local place and priority setting: Does the council understand its local context and place and use that to inform a clear vision and set of priorities?
2. Leadership of Place: Does the council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?
3. Organisational leadership and governance: Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?
4. Financial planning and viability: Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
5. Capacity to deliver: Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?

Specifically the council requested the peer challenge team to review the following:

- Do the council's views on its known strengths and weaknesses accord with those of the peer team?
- Are the change strategy plans realistic and achievable?
- Does the council have a robust approach to enabling disciplines such as financial management, programme and project management, partnership working, performance management and risk management?

The peer challenge process

It is important to stress that this was not an inspection. Peer challenges are improvement-focussed and tailored to meet individual councils' needs. They are designed to complement and add value to a council's own performance and improvement focus. 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 for the peer challenge by reviewing a range of documents and information in order to ensure they were familiar with the Council and the challenges it is facing. The team then spent 4 days onsite at Middlesbrough Council during which they:

- Spoke to more than 110 people including a range of council staff together with councillors and external partners and stakeholders;
- Gathered information and views from more than 34 meetings, visits to key sites across the borough and additional research and reading; and
- Collectively spent more than 200 hours to determine their findings – the equivalent of one person spending more than five working weeks in Middlesbrough Council.

This report provides a summary of the peer team's findings. It builds on the initial feedback presentation provided by the peer team at the end of their on-site visit (19th to 22nd January 2016). In presenting feedback to you, they have done so as fellow local government officers and members, not professional consultants or inspectors. By its nature, the peer challenge is a snapshot in time. We appreciate that some of the feedback may be about things the Council is already addressing and progressing.

4. Findings and feedback

4.1 Understanding of the local place and priority setting: Does the council understand its local context and place and use that to inform a clear vision and set of priorities?

Staff and elected members have tremendous civic pride in Middlesbrough and in the regeneration projects delivered to date. There is much to celebrate in terms of growth, for example, numerous quality housing sites in development; a thriving town centre with the establishment of Teesside University and plans for Middlehaven well underway. Over £500m of investment in recent years is a good platform upon which to build underpinned by the 'Middlesbrough is Changing' brand to work with partners going forward to strengthen the local economy. To capitalise on this investment opportunity, it would be beneficial to develop a strategic master plan for the whole of the town in order to shape future investment and growth. This also provides an opportunity to consider use of innovative funding arrangements, for example Joint Ventures and Loans.

Pride in the town was expressed from all political groups. They all felt that some negative publicity didn't truly represent Middlesbrough, and what it has to offer. The Communications Review needs to also look at public engagement, as some expressed it was under-developed

e.g. full council and scrutiny are characterised by low/no public attendance and it might be helpful if the standing orders were revised to permit public questions from the gallery rather than questions written in advance and/or the decision of a respective Chair to allow questions from the public. The 'Love Middlesbrough' magazine is a welcome publication and the council may wish to consider that the Mayor introduces the magazine in the 'foreword'. There was a consensus that the council needed to promote the town in a positive light, and 'Love Middlesbrough' is only one medium of getting these messages out. The council might wish to look at using other methods, for example, business cards.

Streets are clean and there is little evidence of physical deprivation, despite a high incidence of social deprivation. The crime profile is positive and this is testimony to the combined efforts of partners and in the resilience of communities. There is also a developing positive engagement with secondary schools.

Some of the Mayor's pledges to the residents do not appear to have been incorporated in the priorities of the authority, or the 2020 vision, e.g. culture, but may be encompassed in generic titles. The team did not see where the Public Bank features in priorities, but are aware of contact and a meeting being arranged with South Yorkshire Credit Union. The team also felt that the cultural ambitions of the Tees Valley were not fully articulated in Middlesbrough's own vision.

The peer team saw concise identification of 9 key outcomes for the council all of which have a dedicated Assistant Director to take accountability for ensuring outcomes are achieved. There is also emerging evidence of working across directorates through the nine outcomes, for example, school place planning and the offer for early help.

Having established the priorities for the Council, it is important to set out the organisational development plan needed to align capacity and financial resources to their delivery. Staff are hungry for clarity about the future and their role(s) in it. The plan also needs to be the basis for influencing and informing the discussion with residents, partners and other key stakeholders about their expectations, respective roles and the contributions each can make to shaping and delivering the future outcomes and aims.

Partnership working has been improving over the past couple of years and there is a strong positive tradition of Tees Valley authorities working together, for example; trading standards, archives, highways and emergency planning. These mature relationships were seen as comparable to, or better than those in the Greater Manchester powerbase. Middlesbrough is the most well-known town in the Tees Valley, however, as one of the smaller authorities in the region, the council struggles at present to take the lead role in place shaping. The communications review, including the provision of dedicated marketing capacity is to be welcomed as a positive step towards addressing this lack of capacity. The council is encouraged to build on this through a consolidated marketing and destination strategy for the town and to explore Middlesbrough as a potential "attack brand" for the Tees Valley.

Integration of Health and Social Care has had some success with the partnership focusing on the oversight of the Better Care Fund (BCF); seven day access, a single point of contact and re-enablement. The BCF of £15m is low and in order to address the demand for adult health and social care in the future there should be greater consideration towards an Integrated Care Organisation with an injection of pace to achieve this.

4.2 Leadership of place: Does the Council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?

We found good and positive officer and member working relationships and evidence of effective leadership across the organisation despite austerity measures and significant reductions in staff numbers over recent years. In particular, the Elected Mayor is clearly demonstrating 'leadership of place' and, with the Chief Executive, is widely respected across the organisation and with external partners. The 2020 vision for the council is understood and positively welcomed across all levels of the organisation, partners and key stakeholders with initial focus on good educational outcomes, a thriving economy and a vibrant housing market.

The new senior management team structure, with matrix management, seems to be breaking down organisational silos. The council may wish to consider whether realignment of portfolios to mirror the matrix management arrangements would enhance knowledge throughout the executive. This may, however, be achieved by the regular weekly meetings of the executive. Staff are highly motivated and proud of their town, and appear to be willing to face the challenges which lie ahead. Overall focus groups felt there was a need for more clarity in 'what matters'. When asked if the council change strategy would deliver the transformation, it was felt that some of the assumptions are flawed as there has been limited consultation with partners.

Effective partnership working across all sectors, has enabled the council to drive significant improvements over recent years, and to position itself well in the current economic climate. Staff are highly motivated to deliver good quality services and there is a 'family feel' to the organisation, providing a very supportive environment during challenging times with a 'can do' attitude. In particular, the peer team were impressed with the effective work of the Middlesbrough Voluntary Development Agency (MDVA) which provides a good platform to move forward. However, the team believe that commissioning could be based more on co-production alongside partners to harness the skills and knowledge to provide best value.

We evidenced a clear passion for the place and mutual respect between officers and members and between members of the different political parties. There is a desire to make scrutiny proactive as a forum for policy formation and consensus building. Health Scrutiny in particular is seen as very effective. There is also recognition of the need to change at most levels in the face of significant financial reductions and the radical re-design of the council. This provides a solid foundation with the right building blocks to deliver strategic change.

Staff, members and stakeholders believe leadership is much improved and partners feel there has been an improvement in the Council engaging with partners. It was thought that the strategic partnerships require further work, as it is still thought that the various strategic partnership groups are working in silos. The Community Safety Partnership was now driven by the Council and is re-energised with good relationships and neighbourhood working in place. In order to enhance partnership working it might be helpful to consider a forum for partners to explore public service reform in order to understand integrated place-based delivery.

The combined authority and devolution bid offers an opportunity to improve strategic investment in infrastructure within the Tees Valley, streamline decision making and further expand partnership working.

The Health and Wellbeing Board believe relationships are extremely good and that the Council is driving the Board, however, the peer team believe the Board needs to further develop

tangible impacts. The Clinical Commissioning Group has a targeted approach, however, outcomes are difficult to align due to separate leadership arrangements.

There is an evolving understanding that the Council needs to continue to expand its role to beyond that of service delivery. Enabling and influencing others, working more collaboratively and taking on a stronger and integrated commissioning role will need to become consistent features of how the Council operates. As an example partners do not feel effectively involved with the Change Programme and they do not consider it currently to be transformational.

This style of working will need a new form of debate and relationship with partners and the local community. The aim needs to be the co-creation of a longer term shared vision and ambition for the sustainability and economic viability of the town. The vision and the narratives supporting it will need to be compelling and inspiring. When progressing this, the Council should be confident about using its democratic mandate and the legitimacy this provides to proactively convene stakeholders and harness the capacity they can offer, particularly to push forward on addressing key priorities and challenges, such as investment, housing and growth.

The relationship with local communities will also need to develop further to support successful place leadership. It needs to go beyond statutory consultations and feature more engagement and participation. Given the diversity of local views and opinions, it is important for the Council to clearly communicate the case for change, drawing on evidence and analysis. The role of councillors in community engagement is vital as community representatives and even more importantly as strategic leaders and Council advocates. This is a key facet of every councillor's role in a unitary authority.

4.3 Organisational leadership and governance: Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?

There has been strong and visible leadership from the Mayor and Chief Executive creating a positive and tangible culture for change across the organisation. There are high levels of respect and a positive endorsement for both. Interviewees saw this partnership as signalling a new era for the Council, albeit one that is still evolving. It will be important to build on this positive sentiment to secure further understanding about, and buy-in to, the future direction of travel.

It will be vital for the Council to further develop its approach to service planning and performance management so these better support the delivery of the Corporate Plan. Aligning planning effectively will help ensure more sensible timing, sequencing and management of interdependencies. Having set out what the Council wants to deliver (the 9 outcomes), service plans will need to describe how the Council will deliver success by articulating how different parts of the organisation will contribute to each priority.

The new management structure, aligned to achievement of the 9 key outcomes, is well received by staff and partners and the Middlesbrough Manager Programme is understood across the organisation at all levels and is considered to be facilitating greater empowerment.

The council is self-aware and the peer team felt that the position statement prepared for the peer challenge, identifying strengths and areas of challenge and requiring further development, represented a fair reflection of where the Council is on its improvement journey. The council benefits from proactive and committed non-executive members, for example backbench 'champions for democracy' initiative. Overall training for councillors was widely

praised, and a key enabler of a highly effective scrutiny function. However the peer team heard of the need for more member training on finance and on the balanced scorecard.

Members and officers are mutually supportive. They work well together, often through ad-hoc one to one briefings and discussions. Although this has proven a successful approach so far, as the council continues to make necessary cuts, the capacity of officers to deliver such individual support will be limited.

Executive and scrutiny are not fully aligned to the 9 outcome structure. Moving towards this structure would streamline one to one briefings and provide more focus and clarity to the scrutiny work programme. Scrutiny does not appear to understand the balanced score card, and there may be other areas struggling to understand this. This may be an area that the council needs to provide further training. However, Health scrutiny is seen be particularly effective in holding partners to account, and there may be opportunities for other areas of scrutiny to learn from this approach.

There are able members borne out by new members taking lead roles in presentations. The scrutiny role may be enhanced by visiting other authorities to ascertain how the scrutiny programme is devised. Currently scrutiny meet formally every third week in addition to 'topic' meetings, which seems excessive. Nevertheless, attendance is seen as good. It might be advisable to revisit the scrutiny function to focus on a number of topics as a 'task and finish' exercise.

The Audit Committee is a crucial part of governance, and consideration should be given to ensuring key governance and financial issues are reported and prioritised. For example, the qualification of last year's accounts and associated Value for Money conclusion should have been given a greater priority for the Audit Committee, as should the monitoring of internal audit recommendations.

Concerns were raised by Internal Audit that progress on the Governance Action Plan is too slow and that sign-off of some critical reports has been delayed.

The council has recognised the need to improve governance arrangements across a range of activities including performance, project/programme management and risk. There is an action plan to address these concerns and a stronger mandate from the top of the organisation. Officers leading the work are skilled and passionate about their subject areas and are injecting good ideas. The quality of the work they are producing is high.

There is a holistic approach to governance that is bringing together risk, projects and performance into the scorecard, though more progress is needed on this approach. The Middlesbrough Manager Programme aims to push greater accountability onto managers which is a positive step and has to date been well received. However, the work is highly dependent on the senior level mandate and support and this must be continued in order to maintain momentum.

The work is heavily focussed on process and policy, which feels a rather retrograde step reminiscent of previous performance/inspection regimes. This risks associated with this are:

- "Feeding the beast" – the on-going need to service the inherent bureaucracy will create strain as the council reduces its capacity;

- There is a risk that the associated work needed to change skills, capacity and culture could be neglected (we consider that acceleration is required regarding cultural and behavioural change);
- The processes risks becoming seen as centrally driven which may make it difficult to maintain the engagement of service areas;
- The IT systems necessary to support the new bureaucracy are not sufficiently developed and/or not fully functioning, especially Agresso

IT implementation of equipment, such as tablets being rolled out to members, should be done in a co-ordinated way, and the relevant training given to ensure best use is made of technology. The council may wish to look at something that facilitates members to digitally annotate agendas, to be able to see the benefits and reduce the amount of printing, e.g. Mod.gov. We suggest you consult with other Tees Valley authorities as it would be more effective if they were all using the same committee management system to facilitate easier administration of joint committees.

4.4 Financial planning and viability: Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?

In comparison to many other Councils, Middlesbrough has a strong underlying financial position. The Council has over £15m of General Fund reserves with other earmarked reserves in addition. The General Fund reserve has increased in the past two years as the Council has sought to reduce costs in light of overall funding reductions, with an underspend delivered in 2014-15 of £6m.

The Medium Term Financial Plan, and in year financial reporting, is aligned to the nine outcomes that the Council has identified. This is a strength that the Council can build upon going forward to further align all of its financial planning and budgeting to the nine outcomes and develop a more sophisticated approach to Outcomes Based Budgeting to help inform the Council's change programme.

The Council's financial governance and leadership has shown a strong focus on meeting the financial challenge, and the Council's work on the 'Middlesbrough Manager' programme aims to further change and then embed a culture of greater financial responsibility. The lack of understanding from across the Council of the overall Medium Term Financial Plan and the assumptions contained within it is preventing the leadership of the Council taking advantage of different financial opportunities. The council may wish to consider how political priorities influence reductions, particularly with the desire to grow different sectors. Moving forward, the Council needs to embed the Middlesbrough Manager programme and support this with a more enabling financial culture. We found a real desire to take advantage of new opportunities and this needs to align to where the Council's future income streams are; for example to exploit opportunities around business rates as well as to effectively manage risk around this income stream.

The financial planning at the Council has identified a number of savings for the current financial year and the next two (through to 2017-18). These plans have been clearly articulated in the majority of places, with the Council clear on where it does and does not need to consult. This provides the Council with a clear plan for the next twelve months. Contained within this plan are nearly £9m of savings in respect of children's and adult social care where the Council has recognised that it has high unit costs. The Council needs to clearly articulate how these savings will be delivered if they are to be successful in delivering these in the 2017-18 financial year.

The Council needs to align its medium term financial plan horizon to that of the 2020 Vision. At present, there are no proposals in place to identify a balanced budget for 2018-19 and 2019-20 and by financial planning being over such a short time frame the Council increases its risk of not delivering the outcomes it wants as articulated in the vision. The Council should also ensure that the medium term financial plan is understood and 'owned' by the entire leadership management team. A better understanding of the longer term financial planning horizon should help better shape the future savings proposals and allow for more internal challenge to the Council's financial future. As an example, the Audit Committee needs to be able to prioritise key areas of financial scrutiny which might require additional training, particularly since the Chair signs off the accounts.

We found a lack of understanding around the Council's in-year financial position. With only two formal in-year financial reports on revenue, and one on capital, the organisation is constrained in its ability to effectively manage and react to financial challenges and opportunities that occur. The current year forecasts show an underspend of £1.7m though this has been achieved with the use of one-off reserves which does not provide for an entirely transparent presentation of the underlying financial position for the Council.

The lack of integration between revenue and capital reports does not assist management or the political leadership in understanding the financial position. The focus of capital monitoring should be enhanced to show more information on progress against the schemes within the capital programme and so allow for more challenge around financial and operational progress against delivering schemes. Presenting the full capital programme to members at the time of budget setting would also assist in this. By improving the capital monitoring governance, as recommended by external audit, as well as establishing a clear process for capital bids, will help the Council exploit opportunities and deliver some of its core objectives.

There are real opportunities for the Council to utilise a more innovative and growth focussed approach to its financial planning. The Council has started to use these opportunities, for example by providing a financial loan to a hotel to locate to the borough. These should improve the Council's overall investment returns, which at 0.4% appear comparatively low; a review of the Council's risk appetite as well as greater control over the capital programme to allow for longer term investments, could enable higher returns to the Council. Officers from across the Council were keen to exploit these opportunities further. By establishing a clear investment strategy and asset management strategy, that is aligned to protecting and growing the Council's business rate and Council Tax base and supported by the effective use of flexibilities within business rates policies, the Council will have a much stronger base on which to explore new opportunities that will help sustain the Council's financial future.

The peer team came up with a number of suggestions specifically with regard to financial planning and viability which are as follows:

- Identify actions to deliver major savings programmes in 17/18 and for 2018-20
- Establish a clear reserves policy for future years
- Move to quarterly integrated revenue and capital monitoring
- Need clear and integrated governance reporting to LMT and members
- Clear Capital business case process – Gateway reviews
- Inward investment policy supported by Business Rates flexibility
- Utilise good commissioning practice to embed VfM for in-house services
- Move to an Outcomes Based budgeting to deliver the vision
- Use internal audit to support organisational change

4.5 Capacity to deliver: Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?

Staff are noticeably passionate and committed to delivering their best for Middlesbrough through a strong 'public service ethos'. That came across very strongly during our time in Middlesbrough and this is a real asset for the Council. We were also struck by the positive pragmatism, adaptability and flexibility of officers, and their willingness to take on new responsibilities and roles.

To support the continuation of this agile deployment of staff, the Council has recognised the growing importance of staff development. This needs to continue and be enhanced to support the further development of new management skills that will be required in the future, including programme management, commissioning and contract management. However, the council needs to ensure the correct balance between developing staff and implementing new systems and processes.

As previously mentioned there is an encouraging financial position and the council has a rich and diverse asset base. A significant asset for Middlesbrough is both the community and 'The Place'. There is rich diversity within the community coupled with enviable physical assets which can all assist in informing the growth agenda as well as contributing to the transformation agenda. The future use of existing assets is a political and community issue to be determined, particularly how these buildings can be maintained and best utilised in future; this might include community ownership and/or income generation schemes.

There is an emerging commercialisation strategy, however, the intent within the strategy document now needs to be converted from awareness into tangible actions.

The capacity of the organisation is currently constrained by several factors. Some have been referenced already, but all will need to be addressed if the Council is to maximise its efficiency and effectiveness, and support the 'one council' culture moving forward. These include:

Strategic HR:

Like all councils, Middlesbrough will face increasing change and challenge over the coming years, and its workforce will need to change as a result. In particular, in terms of:

- Productivity
- Flexibility
- New skills - commercial skills, new delivery models, technology etc.
- Succession planning and talent management

The council does not currently have a developed workforce strategy, or strategic HR function, to advance this agenda. Such a strategy should reflect the council's vision and outcomes over the medium to longer term, describe the workforce that will be necessary to meet the future needs of the council, and identify the actions that will be necessary to create that workforce. Such actions should relate to recruitment & retention policies, pay & reward structure, learning & development, organisational design, employer brand and culture change.

Some good progress has been made, e.g. Middlesbrough Manager programme, new appraisal process and competencies. Although the detail was not examined during the challenge process, they appear to have been well-received. However, they do not appear to be linked to a longer term workforce strategy, and the fact that they had to be developed by external providers (at considerable cost) reflects the lack of internal capacity in this area. There

is a risk that some of the ICT programmes will impede the Council's ability to deliver this programme.

Staff praised the availability of training and development opportunities. However, whilst it is positive that the council has been able to maintain its investment in training, there was no evidence that this was linked to a longer term strategic approach.

Performance Management:

The balanced scorecard is a sophisticated and well-developed tool, which has generally been well-received by those interviewed during the peer challenge. The alignment to the 9 outcomes is generally positive and clear.

There is some inconsistent engagement with the process. Some of those interviewed spoke of "playing the game" in terms of presenting a positive view of performance. Others expressed a concern about a lack of challenge within the process, and a tendency to only measure what was easily measurable, rather than the true added value of services. There was also concern that the process overlapped with existing performance frameworks, especially in the more highly-regulated areas of the council's business.

It is acknowledged that the scorecard is in a trial year, and will require further time to embed and improve. All of the above concerns are to be expected with a relatively new and council-wide process. It will be important for the concerns to be addressed as the process evolves in order to maintain its credibility.

The longer-term challenge is to ensure that the council maintains a focus on *performance improvement*, and not just performance reporting. The scorecards are just a part of this equation, along with cultural change, improved accountability and capacity building.

Project & Programme Management:

The appointment of a new programme manager is a positive step, and has brought fresh ideas, insight and impetus to the subject. There is a real opportunity to build on the foundations being put in place to enable the Council to deliver its ambitious programmes and especially the change management and capital programme.

Good progress has been made to improve project and programme management, including developing an interim process, which is starting to embed, bringing together different streams of project work, notably the change programme, capital programme and those projects in the social care arena. There is a collaboration with the local college to deliver project management training and there are future plans to invest in a more comprehensive project management solution - "Project in a Box".

However, much of this work is still at a relatively early stage and requires further development and embedding. Particular issues to address are the need to define exactly what a "project" and a "programme" are, as this is currently proving a distraction and the project management arrangements need to be proportionate to the size and scope of projects. Different levels of process/controls should be considered depending on the size and scope of projects and there

is a need for better understanding of 'benefits realisation' (payback on projects) and 'lessons learnt' on projects e.g. IT projects to better support organisational change to ensure continuous improvement.

Greater emphasis should be placed on the role, training and accountability of project sponsors/directors. They should have ultimate accountability for the delivery of projects, including the sourcing of appropriately skilled project managers and creation of effective project boards. Currently inter-dependencies between projects and programmes are not well understood or managed and this needs immediate attention.

Training of project managers is important, but needs to be linked to appropriate development paths - moving from small and straightforward projects to larger and more complex ones. Project managers also need to be given time and capacity to manage projects rather than being expected to do it alongside a full time "day job". If project managers are skilled, experienced and have sufficient capacity, the need for central control and process should be minimised.

The council is considering creating a central pool or cadre of skilled project managers that can be deployed onto projects as required. This is a positive step, but should not dilute the accountability of project sponsors/directors to deliver projects (see above).

Risk Management:

A protocol and recording process are in place, and progress is being made to link risk management to performance scorecards. Historically the council has been risk averse but there is now a discernible appetite to take more risks in a controlled manner to drive things forward.

Risk management is being embedded in the project management process but currently there is no link between risk management and insurance. This could result in the council being either over or under insured, and also means that the learning from analysing insurance claims is not fed back into the risk management process.

As with performance management, the challenge for the council is to ensure that risk *recording* is not confused with risk management. This will require risk management to be owned across the organisation, in particular by those with responsibility for decisions, resources and projects.

ICT should be an enabler, but most cited it as a barrier to working more innovatively and productively and a number felt it was 2-3 years behind where they needed to be. We have already referred to weaknesses of the systems supporting financial management e.g. Agresso. There are several examples where ICT could be used more appropriately to support and enable modern, effective and productive service delivery such as in planning and licensing. More generally the council could use ICT as a means to enable channel shift of customer interactions and transactions.

The council has recently introduced an on-line portal to reduce the demand for assessments by enabling prospective clients to self-assess. The council has also begun to roll-out an e-learning solution which will increase access to training for all staff and improve the council's understanding of its workforce needs.

5. Next steps

Immediate next steps

We appreciate you will want to reflect on these findings and suggestions with your senior managerial and political leadership in order to determine how the Council wishes to take things forward.

As part of the peer challenge process, there is an offer of further activity to support this. The LGA is well placed to provide additional support, advice and guidance on a number of the areas for development and improvement and we would be happy to discuss this. Mark Edgell, Principal Adviser is the main contact between your authority and the Local Government Association (LGA). His contact details are: mark.edgell@local.gov.uk Tel. No: 07747 636910.

In the meantime we are keen to continue the relationship we have formed with you and colleagues through the peer challenge. We will endeavour to provide additional information and signposting about the issues we have raised in this report to help inform your ongoing consideration. Signposting is included in Appendix 1 to this letter and peers on the team have already forwarded documentation from their own authorities as a comparison e.g. MTFs, Workforce Strategy.

Follow up visit

The LGA peer challenge process includes a follow up visit. The purpose of the visit is to help the Council assess the impact of the peer challenge and the progress it has made against the areas of improvement and development identified by the peer team. It is a lighter-touch version of the original visit and does not necessarily involve all members of the original peer team. The timing of the visit is determined by the Council. Our expectation is that it will occur within the next 12-18 months.

Appendix 1 – LGA Signposting Links

Available LGA support:

Economic Growth Adviser programme - £7000 grant funding and access to the LGA's pool of local growth advisers to provide between 12-14 day's support to a project designed by the council focused on the implementation of local growth priorities.

<http://www.local.gov.uk/economic-growth-advisor>

Productivity Expert programme - £6000 grant funding and access to the LGA's pool of productivity experts to provide 10 days support to any project that will lead to ambitious efficiency savings or significant income generation.

http://www.local.gov.uk/web/guest/productivity/-/journal_content/56/10180/3510632/ARTICLE

For more information on the above programme contact Joanne Straw at

joanne.straw@local.gov.uk

Care and Health Improvement Programme efficiency project:

The LGA have launched an efficiency project that aims to help develop innovative, efficient and sustainable approaches in care and health services. This project, which will run to March 2017, will help councils develop their approaches to improving efficiency in care and health, creating experience and learning that the rest of the sector can draw on. The project focuses on areas identified by the sector as posing a systematic challenge that have the potential to yield efficiency savings, whilst not duplicating other support programmes already in place. These are: commissioning and market shaping; integration; and managing demand for care and health services.

Councils are now being invited to bid to participate in the efficiency project, further details can be found at www.local.gov.uk/chip. The deadline for bids is the **Friday 26th February 2016**. For further information please contact Amanda Whittaker-Brown, Programme Manager at Amanda.Whittaker-Brown@local.gov.uk

LGA signposting:

Middlesbrough may also want to use digital as an enabler for some of the recommendations we have made. Although there aren't any open opportunities to bid for funding, the council may be interested in some of the lessons learnt from other councils:

http://www.local.gov.uk/web/guest/productivity/-/journal_content/56/10180/6357119/ARTICLE

Commissioning Academy for Elected Members is a fully subsidised and highly popular two day residential course supporting councillors to explore ways to improve the commissioning activity of their councils through political leadership. New dates will be announced in the near future: http://www.local.gov.uk/productivity/-/journal_content/56/10180/3865378?_56_INSTANCE_0000_templateId=ARTICLE

Health and social care integration is a significant area of opportunity for Middlesbrough. Amanda Whittaker-Brown is leading on a piece of work in this area. The interim findings on savings potential and best practice are available via: http://www.local.gov.uk/productivity/-/journal_content/56/10180/3371097?_56_INSTANCE_0000_templateId=ARTICLE. The final report will be published in due course.

The National Social Care Category Strategy and its supporting resources may also be of interest: <http://www.local.gov.uk/web/lg-procurement/health-and-social-care>

This is all support available through the LGA's Productivity team and there will be more opportunities through the Leadership team and Centre for Public Scrutiny.