



## Improvement Framework

To:	Audit & Governance Committee
Meeting Date:	24 March 2023
Public report:	Yes
Lead Member:	Mayor, Dr Nik Johnson
From:	Angela Probert, Interim Director of Transformation Programme
Key decision:	No
Forward Plan ref:	N/A
Recommendations:	<p>The Audit &amp; Governance Committee is recommended to:</p> <ul style="list-style-type: none"><li>a. Consider progress against the stated areas of improvement identified by the External Auditor in June 2022 and Best Value Notice received in January 2023.</li><li>b. Note the observations of the External Auditor in his letter to the Chief Executive in February 2023.</li><li>c. Note the resignation of the IIB Chair with immediate effect and the arrangements underway to find a replacement.</li></ul>
Voting arrangements:	A simple majority of all Members present and voting

### 1. Purpose

1.1 The purpose of the agenda item is to:

- a. provide the Audit and Governance Committee with an opportunity to review progress against the key areas of concern identified by the External Auditor in his letter dated

June 2022 and February 2023, and the Department for Levelling up, Housing and Communities (DLUHC) in its letter dated January 2023.

- b. assure itself (and the Board) that the improvement framework will satisfy DLUHC and the External Auditors concerns.
- c. assure itself (and the Board) that improvement is on track.

## **2. Background**

- 2.1 The External Auditor wrote to the Chair of Audit and Governance in June 2022 setting out areas of concern. In response to a letter from the Chief Executive in November 2022 a subsequent letter was sent to the Chief Executive in February 2023 setting out observations of progress against the stated areas of concern.
- 2.2 The Department for Levelling Up, Housing and Communities wrote to the Chief Executive in June 2022 advising of the precautionary approach they were taking on the transfer of funds to the CPCA including the pause of 2022/23 MCF and LEP core funding. A further letter was sent in January 2023 issuing a Best Value Notice ("Notice"). The 'Notice' is a formal notification that the Department has concerns regarding an authority and is a request that the authority engages with the Department to provide assurance of improvement.
- 2.3 The Interim Chief Executive set out clearly to Board in October 2022 the focus for improvement and the outcomes to be delivered over a three month period. A review has been undertaken on progress made to date and also on the ongoing, future focus for improvement to ensure it responds to and reflects the concerns set out in the Best Value Notice received in January 2023. This will be developed further with the Executive Team and shared with all key stakeholders over the coming weeks.
- 2.4 The Independent Improvement Board met for the first time in January 2023 for an induction day and following this have held follow up discussions with Members and Officers.

## **3. March 2023 - Audit and Governance Committee meeting**

- 3.1 The Audit & Governance Committee has an opportunity to review progress against the notices issued as set out in paragraphs 2.1 and 2.2 to:
  - assure itself (and the Board) that improvement framework will satisfy DLUHC and the External Auditors concerns
  - assure itself (and the Board) that improvement is on track.
- 3.2 The Audit & Governance Committee is also asked to note that in the External Auditors letter to the Chief Executive in February 2023 it reiterated the need to conclude current investigations and safeguard staff, and also ensure appropriate permanent senior leadership capacity is in place. The provisional conclusion stated:
  - *"We are assured that the key issues and the associated actions included within our letter have both been acknowledged by the Authority and work to address them has commenced through the formal approval of the Improvement Plan and increases in short-term senior leadership capacity.*
  - *The pace at which the Authority acted to get to this position should be recognised.*

- *It is clearly too early to conclude whether the Improvement Plan will bring about the level of change that is required, but it is clear that a number of the building blocks to get there have firmly been put in place.*
- *Moving from interim senior leadership to permanent senior leadership will be a key challenge in ensuring the Improvement Plan is delivered in full and recruitment actions are about to commence to this end.*
- *Appointing a permanent Chief Executive, who can take forward and build on the Improvement Plan is a key part of this challenge.”*

## 4. CPCA Improvement

- 4.1 The External Auditor raised several issues in highlighting a value for money risk in the form of significant weakness in the CPCAs governance arrangements in a letter to the Committee dated 1 June 2022. The Best Value Notice received in January 2023 also set out key areas of concern to be addressed. Those issues are set out below alongside details of the CPCAs progress in responding to each of them.

### 4.1.1

Area of improvement	Governance and decision making
CPCA Progress:	<p>Major governance improvements for Board, thematic committees, other sub committees and Business Board being recommended to Board for approval on 22 March and there is a clear plan in place for implementation following approval. Changes to the CA Constitution are also being recommended for approval on 22 March to strengthen governance.</p> <p>14 new HR policies were approved by Employment Committee on 14 March and training for CA staff is scheduled over next few weeks.</p> <p>Board agreed values ‘CIVIL’ (collaboration, integrity, vision, innovation, leadership) for both Members and Officers in January 2023. Further work is underway to develop behaviours that reflect the agreed values that are reflected in approved HR policies and will be embedded across the CA.</p>

### 4.1.2

Area of improvement	Project plans and delivery
CPCA Progress:	<p>A Single Assurance Framework for projects is being developed along with new approaches to strategic and project based risk management. Wider training in project management standards, risk and assurance is scheduled to commence next month.</p> <p>In relation to specific concerns relating to a FE provider funded by CPCA to deliver Free Courses for Jobs:</p> <ul style="list-style-type: none"> <li>• CPCA and DfE colleagues met to discuss mutual concerns in relation to provider.</li> <li>• Final Audit report was issued on 2 February 2023.</li> <li>• CPCA have issued a ‘Breach notice’ to provider and all recruitment was paused with immediate effect.</li> </ul>

	<ul style="list-style-type: none"> <li>• CPCA have commissioned an investigation and 100% audit to provide assurance of funds.</li> </ul> <p>A review of due diligence procedures is underway regarding when contracting with new training providers.</p>
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#### 4.1.3

Area of improvement	<b>Procurement</b>
CPCA Progress:	A procurement review has been commissioned from PWC. There is an initiation call with PWC on 16 March and A&G will be updated on progress at the meeting on 24 March.

#### 4.1.4

Area of improvement	<b>Partnership working</b>
CPCA Progress:	<ul style="list-style-type: none"> <li>• The Improvement Plan has provided opportunities to develop trailblazer approaches and behaviours that demonstrate collaboration and partnership working. Examples would be: <ul style="list-style-type: none"> <li>○ The bid function strategic review has involved a series of cross authority workshops and identified many common themes across the constituent councils including a degree of agreement about what the scope and reach of a bid function should be to add value to the work of partner councils and also crucially help to promote the one voice to government from the CPCA area.</li> <li>○ Through the active involvement of the lead CEX officers from the constituent authorities work is underway to develop an inclusive set of assurance and performance management frameworks.</li> <li>○ In addition all Chief Executives of constituent councils play an active and collaborative role across all strands of improvement activity.</li> <li>○ A number of professional officer liaison groups have begun to meet around issues of common interest. The 'place' Directors have been meeting regularly, and liaison among MOs and CFOs has been developing.</li> </ul> </li> </ul>

#### 4.1.5

Area of Improvement	<b>Improvement plan progress</b>
CPCA Progress:	<p>A three month stocktake on progress after 3 months, against outcomes set out in the report to Board, October 2022 is to be presented to Board on 22 March.</p> <p>Key deliverables are set out in Appendix 1 and a link to the Board report is set out in paragraph 11.</p>

#### 4.1.6

Area of Improvement	<b>Independent Improvement Board engagement</b>
CPCA Progress:	<p>The Independent Improvement Board (IIB) held its induction day in January and following this IIB members have had on-going discussions with both Members and Officers to gain further insight.</p> <p>The bi-monthly IIB meetings have been scheduled for the next 12 months and key stakeholders have been invited. The first formal meeting of the IIB is to be held on 4 April 2023.</p> <p>Unfortunately, because of ill health, Lord Kerslake has needed to step down as Chair with immediate effect. All stakeholders have been advised and discussions are taking place with the LGA regarding potential replacements. In the meantime, Julie Spence, Deputy Chair, will take the lead. Our thoughts are with Lord Kerslake at this time.</p>

#### 4.1.7

Area of Improvement	<b>Conclusion of investigations and safeguarding of staff</b>
CPCA Progress:	<p>External investigators have been regularly contacted for updates and confirmation of when the investigation would be completed. The last correspondence sent to external investigator of 13 March 2023 . So far, some witnesses have been interviewed, some witnesses will require subsequent interviews. The decision has not been finalised.</p> <p>When the investigators submit their report there will be consideration by a panel of the Audit and Governance Committee. This is the equivalent of a Standards Committee in local authorities.</p> <p>Training has already been given to the Committee in anticipation of the need to fulfil that role.</p> <p>Values (CIVIL - Collaboration, Integrity, Vision, Innovation, Leadership) have been agreed and workshops arranged for April to develop the behaviour (positive and negative).</p> <p>HR policies have been agreed by Employment Committee in March.</p> <p>Second staff survey undertaken to test whether staff feel supported.</p> <p>Values have been used in the recruitment processes for Executive Director and Chief Executive processes.</p>

#### 4.1.8

Area of Improvement	<b>Capacity and confidence</b>
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CPCA Progress:	<p>The leadership and departmental structure was agreed by Board in October 2022 and recruitment processes for the permanent roles began in November and December.</p> <p>Executive Director recruitment has been completed and the new appointees commenced at the end of February.</p> <p>A permanent appointment to Assistant Director Finance role has also been made.</p> <p>A recruitment process for the role of Chief Executive commenced in the new year and is the final stage of the process taking place week commencing 20 March.</p> <p>The staff structures for the Chief Executives policy and executive office are in place and recruitment substantially completed. This includes provision of support for the Mayor.</p> <p>Staff surveys took place in September 2022 and again in January 2023. The key observations by staff and changes over the three-month period are set out below:</p> <ul style="list-style-type: none"> <li>• Overall improvements and progress since the last survey in September; but not exclusively.</li> <li>• Staff feel more confident in the direction of the CA but want to see planned improvements being fully embedded.</li> <li>• Mixed response on feeling valued by the organisation and that people's opinions count; some teams feeling more connected than others.</li> <li>• Most staff feel the CA is not yet effective and efficient as it could be.</li> <li>• Despite this, there are more positive feelings about working for the CA and an overall sense of optimism about the future.</li> </ul> <p>The new Executive Directors and Head of Policy are currently testing confidence in the CA and perception of progress over the last three months with external stakeholders and will be reported back in due course.</p>
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- 4.2 The Committee is asked to consider the progress made by the CPCA to the issues identified above and provide opinion as to whether the Committee is assured that the External Auditors significant concerns are being appropriately addressed.
- 4.3 The broader improvement activity commissioned by the Chief Executive and approved by the CA Board in October 2022 continues to deliver the outcomes identified. A three month update of the progress made against outcomes identified is to be reported to the CA Board on 22 March. Set out in Appendix 1 is progress against agreed outcomes.
- 4.4 Good progress has been made against identified and committed improvements, but there is still more to do and therefore the future focus for improvement will take account of:

1. Any outstanding key areas of concern set out in the External Auditor's letters received in June 2022 and February 2023, and the Best Value Notice received in January 2023 against the following key themes:
  - a) Addressing weaknesses in governance and decision making
  - b) Addressing weaknesses in project plans and delivery
  - c) Resolution of concerns related to procurement activity
  - d) Embedding partnership working
  - e) Improvement progress against plan
  - f) Engagement with the Independent Improvement Board and its recommendations
  - g) Conclusion of investigations and safeguarding staff
  - h) Leadership capacity and confidence
2. Outstanding areas of improvement in the plan agreed by the CA Board in October not fully delivered and therefore warrant a continued corporate overview and resources to deliver the outcomes set out in October 2022.
- 4.5 Where specific identified activity has been delivered e.g. the development of a strategy or plan, the implementation and embedding will be built with directorate business plans and objectives.
- 4.6 Meetings will be held with DLUHC on a quarterly basis to report progress against the key areas of concern identified in the Best Value Notice.

## **5. Independent Improvement Board (IIB)**

- 5.1 The Independent Improvement Board held its Induction day in January.
- 5.2 The focus for activity by the IIB so far has been to hold further discussions with both Members and Officers.
- 5.3 The bi-monthly IIB meetings have been scheduled for the next 12 months and key stakeholders have been invited. Updates on improvement activity against the agreed plan will be reported to the IIB for their consideration and assessment of progress.
- 5.4 Unfortunately, because of ill health, Lord Kerslake has needed to step down as Chair with immediate effect. All stakeholders have been advised and discussions are taking place with the LGA regarding potential replacements. In the meantime, Julie Spence, Deputy Chair, will take the lead. Our thoughts are with Lord Kerslake at this time.
- 5.5 Cllr Elise Wilson, Leader of the Labour Group, Stockport MBC will now arrange to meet with the Chairs of Audit and Governance and Overview and Scrutiny Committees.

## **6. Financial Implications**

- 6.1 At the Combined Authority Board in July £750,000 was approved to support the scope, development and delivery of work relating to improvement activity.

## **7. Legal Implications**

- 7.1 There is a legal requirement to have a fully functioning Audit and Governance Committee within the CA framework.
- 6.2 The Committee is a key component of the CPCA's corporate governance framework. It provides an independent and high-level focus on the audit assurance and reporting arrangements that underpin good governance and financial standards.
- 6.3 The committee reviews and assesses the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions.

## **8. Public Health implications**

- 8.1 No Public Health implications are directly identified within this report at this stage.

## **9. Environmental and Climate Change Implications**

- 9.1 No Environmental and Climate Change implications are identified within this report at this stage.

## **10. Other Significant Implications**

- 10.1 The External Auditor and DLUHC have set out clearly the expected focus for improvement. It is important that the CA can demonstrate its commitment to improve and also the progress it is making on this journey so more formal interventions are not put in place; the unfreezing of future funding is dependent on this.

## **11. Appendices**

- 11.1 Appendix 1 – Update on Improvement outcomes agreed by CA Board in October 2022 to be delivered over the first 3 months of improvement activity

## **12. Background Papers**

- [External Auditor letter June 2022](#)
- [Chief Executive letter to External Auditor November 2022](#)
- [Best Value Notice January 2023](#)
- [External Auditor letter February 2023](#)
- [CA Board Improvement Update – March 2023](#)
- [CA Board Improvement Update – March 2023 – Appendix 1](#)
- [CA Board Improvement Update – March 2023 – Appendix 2](#)