



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Agenda Item No: 1.9

Engagement with Department for Levelling-Up, Housing and Communities

To:	Cambridgeshire and Peterborough Combined Authority Board
Meeting Date:	8 June 2022 (reconvened)
Public report:	Yes
Lead Member:	Mayor Dr Nik Johnson
From:	Paul Raynes, Acting Chief Executive
Key decision:	No
Forward Plan ref:	Not applicable
Recommendations:	<p>The Combined Authority Board is recommended to:</p> <ul style="list-style-type: none">a) Consider this update;b) Give initial consideration to the issues raised in the EY letter of 1 June; andc) Give guidance to officers for their further engagement with DLUHC.
Voting arrangements:	<p>A simple majority of all Members present and voting.</p> <p>To be carried, the vote must include the vote of the Mayor, or the Deputy Mayor when acting in place of the Mayor.</p>

1. Purpose

- 1.1 The Extraordinary Meeting of the Authority which began on 20 May and concluded on 8 June requested the acting Chief Executive and the S.73 officer, in collaboration with colleagues including constituent authority chief executives, to engage with DLUHC as recommended in the letter dated 1 June from EY, our external auditors, to the Chair of the Audit and Governance Committee.

2. Background

Auditors' letter

- 2.1 The Chair of the Audit and Governance Committee received a letter from EY, the Authority's external auditors, on 1 June which notified him of their judgement that a value for money risk exists in the form of significant weakness in Cambridgeshire & Peterborough Combined Authority's governance arrangements. A copy of the letter is at Appendix A.
- 2.2 This judgement, according to the letter, is based on the following reasons:
- "Investigations into key individuals in the Mayor's office following a whistleblower notification;
 - Increased number of employment related claims against the Authority;
 - Current vacancies in the Authority's senior management team, particularly at Chief Executive level, and the prospect that this could increase further from July 2022;
 - Weaknesses we have observed in how the extraordinary meeting of the Authority Board makes informed decisions; and
 - That the nature of the whistleblower allegations and initial findings of independent investigation reports raises significant questions on the culture, behaviour and integrity of key individuals in the Mayor's office"

and leads the auditors to a concern "that the Authority has insufficient capacity, capability and an inappropriate culture to support the effective governance and operation of the organisation and how it discharges its statutory services".

- 2.3 EY's letter identified actions for the Authority to take. It recommended that
- (i) ensuring the safeguarding of the Authority's staff was "of paramount importance";
 - (ii) the Authority urgently ensure that it has sufficient appropriate leadership capacity to be able to deliver its objectives and statutory responsibilities;
 - (iii) more formal intervention is required, and expeditious discussions with the Authority's sponsoring department to this end are time critical.

In line with the third point, EY also copied their letter to key officials at the Department for Levelling Up, Housing and Communities "to allow them to discharge their own responsibilities".

- 2.4 The Chair of the Committee forwarded this letter to the Mayor and other Combined Authority Board Members on 7 June. In that letter, he indicated that he would be postponing the next meeting of the Committee to allow initial engagement with DLUHC to take place, and recommended that the Mayor also postpone the Board's AGM due on 8 June, for the same reason. The Mayor agreed to postpone all but the formal business of the AGM.
- 2.5 On 8 June, the Board's AGM was preceded by a reconvened Extraordinary Meeting of the Board which had initially met on 20 May to consider the arrangements for the former chief executive's departure. The reconvened EGM resolved that the acting Chief Executive and the S.73 officer, together with colleagues including chief executives of constituent authorities, should engage with DLUHC to pursue the issues identified in the EY letter.

Engagement with DLUHC

- 2.6 Officers met DLUHC officials on 8 June and agreed an approach to taking that engagement forward. DLUHC officials drew officers' attention to the DLUHC guidance note of June 2020 *Addressing cultural and governance failings in local authorities: lessons from recent interventions* and requested an evidence paper reflecting the guidance. Evidence was submitted and an initial review discussion was held with DLUHC officials on 17 June. Further evidence has been submitted since. At the time of drafting this paper, a formal discussion at senior official level is still due to take place. This meeting will aim to sketch out a way forward. Officers will update on these conversations in person at the Board meeting.

The framework

- 2.7 DLUHC's guidance note sets out six *Indicators of poor culture and weak governance*. They are:
- a lack of effective political and/or corporate leadership, including an overreliance on interim statutory officers
 - a lack of corporate capacity, resulting in a lack of strategic vision and direction, and inadequate internal processes
 - poor and inappropriate councillor conduct
 - conflict and distrust among and between councillors and senior officers
 - the absence of effective scrutiny, transparency and public consultation, including inadequate protections for whistle-blowers
 - a lack of awareness and acceptance of the need for improvement; and insufficient capacity to achieve the change required.
- 2.8 The primary regulator of democratic local government is the ballot box. The Secretary of State has powers of intervention, however, under the Best Value legislation, where he has evidence which leads him to conclude that value for money is at risk. The letter from EY is one form of such evidence. There is a range of other possibilities for non-statutory intervention, either led by DLUHC itself, or from within the local government sector. The slides at Appendix B give a high-level summary of the range of intervention options, and set out the steps in the statutory process for intervention by the Secretary of State. Examples of other possible types of statutory and non-statutory intervention are set out in the DLUHC guidance paper referred to above. A link to that is in the Background Papers section below. More recent case studies which may be informative include that of Sandwell Council.
- 2.9 The Board received an officer paper at its Extraordinary Meeting of 20 May which proposed a locally-led Improvement Board under independent chairmanship; this predated the letter from EY which was sent following our auditor's attendance at that EGM. An extract from the Board paper is attached at Appendix C. The Board was unable to consider this outline proposal at the time and, rather than discuss it on 8 June, asked officers to take it into their conversations with DLUHC.

Improvement action already under way

- 2.10 Under the previous chief executive, a number of improvement actions aimed at better supporting the Board's decision-making and the effectiveness of CPCA overall have been set in train. These include:

- launching the “Even Better” transformation programme;
- introducing a Performance and Risk Committee to improve risk management and reporting, and add further discipline to project management gateways and performance reporting;
- supporting the Board in a series of awayday discussions as a result of which the Board adopted a Purpose Statement highlighting its role in giving collective leadership to the area.

2.11 More recently, the Board on 8 June provisionally adopted a Member-Officer protocol to improve working practices. Short-term solutions have also been put in place to ensure there is capacity in key senior officer roles, including statutory officer roles, following a review by the acting Chief Executive and other Executive Team members. A new formal Combined Authority chief executives’ group has been established by the acting Chief Executive; this will be integrally involved in the Authority’s meeting cycle and the preparation of advice to the Board.

Reconvening the Board meeting

2.12 The Chair of the Audit and Governance Committee recommended a two-week delay to the substantive Board meeting to allow engagement with DLUHC to take place. Officers understand that the Chair of Audit and Governance believes that reconvening the Board meeting now is in line with his recommendation, but that it is a matter for the Board to judge whether or not the deferral has put it in a position for the CA Board to be able to have an initial, informed debate on the EY findings at this point. Officers understand that DLUHC officials likewise consider it a matter for the Board to decide whether and when to meet.

Next steps

- 2.13 The evidence provided to DLUHC to date identifies a consensus among CA officers, constituent authority chief executives, and the Mayor and his statutory deputy that there is a need for external intervention to support the Combined Authority in addressing the value for money risk around governance which the EY letter has identified.
- 2.14 To date, the Board has not taken a collective view on the need for intervention or support, nor on what form any intervention or support, if there were to be any, ought to take.
- 2.15 Absent a specific request from the Combined Authority Board for support, we can expect that the Secretary of State and his officials may take a view on the need or otherwise for intervention on the basis of the evidence they have available. To improve the evidence, a first step could be to commission an independent review, which might potentially take the form of a Best Value Inspection under the relevant legislation. Equally, the Authority might seek to commission its own independent review with DLUHC/LGA support.
- 2.16 The Board may wish to engage with the Audit and Governance and Overview and Scrutiny Committees in forming a developed view on its preferred way forward. The Audit and Governance Committee will be meeting on 30 June and may have recommendations to make to the Board following that meeting.
- 2.17 The Board may also wish to discuss internal action the Authority should be taking, without waiting for external intervention, to address the issues raised in the EY letter.

Significant Implications

3. Financial Implications

- 3.1 None at this point. The EY letter highlights a significant risk that there is the potential for further employment related risks against the Authority, which pose a significant financial risk.

4. Legal Implications

- 4.1 The NAO Code of Audit Practice (the 2020 Code) sets out how auditors are expected to approach and report their work on Value for Money (VFM) arrangements, which applies to audits from 2020/21 financial statements onwards.
- 4.2 Section 24 of the Local Audit and Accountability Act 2014 refers to Schedule 7, paragraph 2(1) of The Act under which the auditor can make written recommendations to the Authority: "A local auditor of the accounts of a relevant authority may make a written recommendation to the authority relating to the authority or an entity connected with it, so that the recommendation can be considered under this Schedule."

Schedule 7, paragraph 5(6) sets out how the Authority must decide on the recommendations: "At that meeting the relevant authority must decide —

- a) whether the report requires the authority to take any action or whether the recommendation is to be accepted, and
- b) (b) what, if any, action to take in response to the report or recommendation."

5. Public Health Implications

- 5.1 The EY letter makes clear that failure to safeguard staff has an implication for their health and wellbeing.

6. Environmental and Climate Change Implications

- 6.1 Neutral.

7. Other Significant Implications

- 7.1 None not identified above.

8. Appendices

- 8.1 Appendix A - EY letter of 1 June to John Pye
- 8.2 Appendix B - Improvement and Intervention summary slide pack
- 8.3 Appendix C – Extract from 20 May EGM Board paper

9. Background Papers

- 9.1 [Addressing cultural and governance failings in local authorities: lessons from recent interventions - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/674412/Addressing_cultural_and_governance_failings_in_local_authorities_lessons_from_recent_interventions.pdf)