

THE CHAIR AND ALL MEMBERS OF THE COUNCIL

Tuesday 11 October 2022

Dear Member

EXTRAORDINARY COUNCIL MEETING - WEDNESDAY 19TH OCTOBER, 2022

You are hereby summoned to attend an Extraordinary meeting of the Council of the Borough of Middlesbrough to be held on **Wednesday 19th October, 2022** at **7.00 pm** in the Council Chamber to transact the following business, namely:-

1. Apologies for Absence
2. Declarations of Interest
To receive any declarations of interest.
3. Middlesbrough Council culture and governance: CIPFA Report - September 2022 3 - 22
4. Corporate Governance Improvement Journey – CIPFA findings and next steps 23 - 30



Charlotte Benjamin,
Director of Legal and Governance Services

PLEASE NOTE THERE IS RESTRICTED
DISABLED ACCESS TO THE COUNCIL CHAMBER

Inspection of Papers – Documents referred to on this Summons may be downloaded from the Council's Website.

Should you have any queries in regard to the items on this agenda please contact Bernie Carr, Democratic Services on (Direct Line 01642 729714 or e-mail on: bernie_carr@middlesbrough.gov.uk).

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Middlesbrough Council culture and governance: Report September 2022

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1. Introduction

- 1.1. CIPFA was commissioned to undertake a review of culture and governance at Middlesbrough Council following a qualification to the Value for Money (VFM) judgement in the External Auditors' Report in July 2022.
- 1.2. This work is in the context of VFM qualifications in the External Auditors' Reports for the years ended 31 March 2020 and 31 March 2021, and longer standing issues in relation to culture and Member behaviour. In qualifying the VFM judgement, the Auditors stated that they would return in six months, by which time they would expect to see positive progress.
- 1.3. It was agreed that CIPFA would undertake a two-stage process to support the Council in making improvements:
 - 1.3.1. Phase 1: a programme of work to identify the issues relating to culture and governance and to work with Officers and Members to gain a common understanding and acceptance of those issues.
 - 1.3.2. Phase 2: to work with Members and Officers to develop a plan to address the issues identified in Phase 1 and to facilitate sustainable change within the Council's culture.
- 1.4. This report sets out our findings in Phase 1 and identifies, in broad terms, the issues that need to be addressed by the Council. We make recommendations for how the Council should proceed in section 7 of this report. The work undertaken by CIPFA is detailed in Appendix 1.

2. Executive summary

Background

- 2.1. The Council has historically been Labour controlled. In the 2019 election, this situation changed with the election of an Independent Mayor and a majority of Independents and Conservatives gaining control of the Council.
- 2.2. This brought about an unprecedented scale of political change for the Council, requiring a different response from the organisation. The organisational culture within the Council was largely administrative in nature, with a focus on process and performance management. The Council has struggled to adapt to the entrepreneurial style of the new administration.
- 2.3. The Council has also struggled to manage the impact of a large intake of new Members, many of whom had very little experience of local government. This has been exacerbated by the behaviour of some Members towards other Members and towards Officers.
- 2.4. The External Auditors' Report for the year ended 31 March 2021, highlighted issues in relation to the good governance of the Council and led to the Auditor's VFM judgement being qualified.
- 2.5. In response to the External Auditors' Report, CIPFA was asked to carry out a review of the governance and culture within the Council.
- 2.6. The full background to the issues discussed in this report is set out in section 4. A chronology of key events is set out in section 3.

Issues identified

- 2.7. The issues we have identified in our review fall under the following themes:
 - 2.7.1. Clash of cultures – there is a disconnect between the “administrative” style of the previous administration and the “entrepreneurial” style of the new administration. Instead of these coming together to form a new culture, positions have become entrenched over three years, leading to mistrust and dysfunction between Members and Officers.
 - 2.7.2. Covid – successive lockdowns have made it harder for positive relationships to be built and have contributed to miscommunication between Members and Members and Members and Officers.
 - 2.7.3. Roles and responsibilities – there is a lack of clarity around the roles and responsibilities of Members and Officers, which leads to blurring of boundaries, and some overreach.
 - 2.7.4. Communication – this is an issue within the Council. Language used is often adversarial, causing people to become defensive and more entrenched in their original position.

- 2.7.5. Member training – all Members are offered training, but the take-up is inconsistent. Some Members complain about the quality of training and whether it meets their needs. Some Members do not demonstrate that they fully understand their role or that they have sufficient grasp of procedural issues.
- 2.7.6. Officer morale – the issues highlighted in this report are having a negative impact on staff morale. This needs to be addressed as it is beginning to have an impact on staff turnover and recruitment.
- 2.7.7. Resolution of outstanding FOIs and complaints – a large volume of FOI requests and complaints have been issued by Members. Officers report that this is higher than previously experienced and causes pressure on resource. The length of time taken to resolve these issues, adds to the mistrust between Members and Officers.
- 2.7.8. Focus on the past – some Members are focused on issues that occurred in the past, sometimes many years ago, which is a blocker to making progress in the future.
- 2.8. The Council faces significant issues in a difficult environment for local authorities. The leader of the Labour opposition has asked for government intervention in Middlesbrough. However, the Council has an opportunity to make improvements without intervention, provided that an acceptance of the issues, and a willingness to make positive changes, can be achieved.
- 2.9. The issues faced by the Council are set out in full in section 5 of this report.

Capacity for change

- 2.10. For any improvements to become embedded, there needs to be a critical mass of acceptance of the issues, and willingness to tackle them, among Members and Officers. Positions are entrenched and considerable effort is required to shift people's attitudes.
- 2.11. We have seen some positive indications that there is a willingness to create a new culture for the Council. The leadership shown by the Mayor and the Chief Executive in resolving the signing of the Annual Governance Statement and progressing the budget for 2023 has been encouraging.
- 2.12. Change will be difficult, and the real test will be whether behaviours are modified in the ways necessary to help the Council move forward. Therefore, the role of senior political leaders, and Senior Officers, will be crucial.
- 2.13. We consider the Council's capacity for change in more detail in section 6 of this report.

Recommendations

- 2.14. We recommend the following:
 - 2.14.1. The Mayor seeks the support of the full Council for the development, in conjunction with CIPFA, of an action plan with clear milestones, to address the issues highlighted in this report.
 - 2.14.2. Officers and Members are involved in the development of this plan and it includes deliverables and milestones on a timescale of 30, 60 and 90 days. Cross-party

working groups should be used as a way of involving Members in creating solutions.

2.14.3. The Mayor agrees a review process for the plan, which involves all parties.

3. Chronology

- 3.1. CIPFA believes that there have been several key events over a number of years that have contributed to the situation in which the Council finds itself. The cultural challenges facing the Council cannot be understood without this historic context.

2002	Mayor and Executive model first instituted in Middlesbrough One previous Independent and one previous Labour Mayor with a Labour majority in Council throughout
2013	Referendum on Mayoral system – agreed not to change
2015	External Auditors' Report subject to a qualified conclusion
2018	External Auditors' Report observed a growing level of tension between Senior Officers and Members
2019	Council election, Andy Preston, an Independent, elected as Mayor, Labour lost majority Mayor invited all Councillors to apply for positions on the Executive (Labour refused to participate)
2019	Ofsted report found children's services to be inadequate – improvement plan put in place
2020	External Auditors' Report qualified in relation to children's services delivery
2020	Covid lockdowns
2021	Resignation of some of the Executive
2021	Senior management restructure proposed – not approved by Council
2022	External Auditor's Report qualified in relation to the impact that strained relationships between Senior Officers and Members have on the Council's governance processes
2022	Chief Executive refused to sign the Annual Governance Statement – this has been resolved subsequently
2023	Whole Council election due in May.

4. Background

- 4.1. The Council was under Labour control since its inception in 1974 until the election in 2019. Consequently, there were very established working relationships between Members and Officers. There was a small group of Independent Members. Throughout this period, there had been some issues regarding Member behaviour, but these were generally managed within the normal processes of the Council.
- 4.2. In the 2019 election, this situation changed with the election of an Independent Mayor and a majority of Independents and Conservatives gaining control of the Council. Some of the newly elected Members had very limited experience of local government.
- 4.3. To begin with, Independent Members were not organised into groups. When they did form groups (Middlesbrough Independent Group and Middlesbrough Independent Councillors Association), they did not have formal political structures, which made it more difficult for the normal political processes in the Council to be followed.
- 4.4. In addition, the newly elected Mayor had a very different style to previous incumbents and his entrepreneurial approach to the role was a challenge to the way the Council was used to functioning. The Mayor and the Chief Executive's different ways of working, and views of what constitutes good governance, have led to a difficult relationship. This culminated in the Chief Executive being unwilling to sign the Annual Governance Statement, although progress has been made on this subsequently and it has now been signed.
- 4.5. The result of the 2019 election brought about an unprecedented scale of political change for the Council, requiring a different response from the organisation. The organisational culture within the Council was largely administrative in nature, with a focus on process and performance management. There are strengths to this way of working, but it meant that the Council struggled to adapt to the requirements of the new administration. At the same time, the new administration's way of working meant that processes were not always followed as they should have been, leading to some of the issues identified in the External Auditors' Report.
- 4.6. Following the election, a Member training programme was delivered. However, there remains an issue with Member and Officer understanding of the scope of their roles and the boundaries between them. Three years on, this has not been resolved.
- 4.7. In late 2019, an Ofsted inspection found that the Council's children's services were inadequate. In response, the government appointed a commissioner for children's services for a period of time and an improvement plan was put in place. The Council's handling of this situation added to the divide between Members and Officers because Members felt that they had not been aware of the difficulties and Officers had kept them in the dark. Responding to the improvements required has taken significant resource, which has placed pressure on the Council.
- 4.8. In March 2020, the UK entered the first Covid lockdown. Officers and Members initially worked well together to respond to the crisis. However, the need for virtual working and continued pressures have hampered the development of Member/Officer and Member/Member relationships. The Council has agreed a hybrid working model for Officers whose roles allow for it, but this is not universally supported by Members.

- 4.9. In May 2021, some members of the Executive resigned as a group, citing the Mayor's behaviour towards them as an issue. The Mayor was forced to appoint a new Executive. Some members of the new Executive were inexperienced in local government, which has led to a perception that the Executive is weak.
- 4.10. Since 2019, there has been a significant increase in the number and complexity of FOI requests and complaints from Members about Members and some Officers. This has created a drain on Officer resource. The time taken to address the issues is diverting staff away from other important pieces of work (for example, a review of the Constitution).
- 4.11. There have been several personal attacks made by Members against other Members and some Officers, both in the Chamber and on social media. There appears to be an unwillingness by some Members to accept the seriousness of this and accept the consequences of their actions.
- 4.12. The situation described above has had a negative impact on Officers and the wider Council. Officers report feeling bullied and intimidated, and embarrassed by Member behaviour on social media and within the Council Chamber.
- 4.13. The External Auditor has raised significant concerns about the state of governance within the Council and has stated that he will return within 6 months, and if he remains unsatisfied, he will consider exercising his further powers by making formal statutory recommendations.

5. Issues identified

Clash of cultures

- 5.1. There are two ways of working within the Council which have come into conflict: (i) a sound administrative, performance-monitoring approach, which tends to be process-driven; and (ii) a more entrepreneurial, output and outcome-driven approach. The clash of these two styles has challenged the Council's governance processes and made it difficult for people at the top of the organisation to demonstrate collective leadership.
- 5.2. After three years, we would have expected these two styles to have found an accommodation. However, perhaps because of the "background noise" of the political issues within the Council, and certain key relationships, positions have become entrenched, rather than accommodating different ways of doing things.
- 5.3. When new teams come together, the process by which they develop a new identity is described as "norming", "forming", "storming" and "performing". It is considered necessary to go through the first three stages to reach the performing stage. Middlesbrough appears to have become stuck in the storming stage in that both styles have become more defensive, making it difficult to work together effectively to deliver best outcomes.

Covid

- 5.4. One of the factors contributing to Middlesbrough becoming "stuck" is the impact of Covid. Notwithstanding the collective work that was done to respond to the crisis, the prolonged lockdowns and the need for virtual working have hindered the development of working relationships between the Executive and the Leadership Management Team (LMT) and have contributed to communication issues between Members and Officers.
- 5.5. We understand that Officer employment contracts have been amended so that hybrid working is available to many staff and that remote working continues to be a feature. While there may be some advantages to this, including costs savings, there has been a loss of informal conversation and the chance to build relationships face-to-face.

Roles and responsibilities

- 5.6. There appears to be a misunderstanding among Members and Officers about the boundaries of their roles and responsibilities in relation to each other. There is evidence of this at different levels within the organisation, from senior to operational levels.
- 5.7. The issue does not appear to arise due to a lack of clarity in the written materials available to Members and Officers, but from a, sometimes wilful, rejection of advice by some Members, and a lack of consistency in giving advice by some Officers.
- 5.8. The attitude of LMT could be described as paternalistic; there is a desire to solve problems for Members. This desire to "protect" Members can, and has been,

interpreted as gatekeeping, obfuscating, and thwarting the political will. We believe that this approach by some Officers is a remnant of how previous administrations have operated, but this does not fit with the current style. The fact that a number of these tensions are at Executive and LMT level has had an impact on increasing role confusion and levels of mistrust within the organisation.

- 5.9. There is evidence that some Members are focused almost exclusively on Ward-related issues, and do not consider their wider role as a representative of Middlesbrough. This leads to a narrow focus and an ambivalence towards working with other Members on broader issues.

Communication

- 5.10. Communication is an issue within the Council. We were struck by the language used by Members and Officers, which was often adversarial and reflected closed positions.
- 5.11. Issues with communication contribute to the mistrust and suspicion between Members and Officers. Members and Officers can be quick to become defensive, and interviewees described scenarios where discussions have become confrontational.
- 5.12. A particular issue appears to be the “One Stop” system for logging Member enquiries. There is an inconsistent approach to its use and nobody with whom we discussed it was satisfied that the system is working. This leads to frustration on both sides and contributes to the myths surrounding Member and Officer behaviour.
- 5.13. Members feel that they do not have a space where they can meet and chat informally. We understand that refreshments after Council meetings were discontinued and that a lounge area is not used widely. We feel that this hinders the development of more congenial relationships.
- 5.14. There appears to be little scope for cross-party working on issues within the Council. This may be due to the lack of trust and combative nature of the political discourse. It may also be that no-one has asked Members to work together to resolve problems for the benefit of Middlesbrough’s Council Tax payers. We have seen evidence that cross-party working can be effective, for example, in children’s services and on the budget. It may be that this approach could also be applied to other areas in order to resolve some of the problems that are highlighted in this report.

Member training

- 5.15. In 2019, there was an influx of Members who did not have experience of local government. We would expect that these Members would be up to speed three years into their term, but this does not appear to be the case with all Members.
- 5.16. There is an acceptance that Member training is not achieving the desired outcomes. There are different reasons given for this, including that training is not engaging for all, or that some Members do not attend sessions as they are not compulsory. We understand that there is a limited budget for training.
- 5.17. Lack of training contributes to misunderstanding of roles and responsibilities and can be used as an excuse for poor Member behaviour. This creates issues for the wider Council in responding to this behaviour.

- 5.18. It is not clear whether all Members, for example, have a full understanding and acceptance of the Seven Principles of Public Life (Nolan Principles) as a guide to their behaviour, which is disturbing.

Officer morale

- 5.19. It is clear from discussions we have had with staff that the issues highlighted above have a negative impact on their morale and that this causes distress and affects their ability to perform their roles.
- 5.20. We have seen examples of Members using social media to criticise Council staff who have no right of reply. The Council has not always responded in a consistent way when Members have been sanctioned by the Standards Committee for breaches of the Member/Officer protocol and staff have been left feeling vulnerable as a consequence. The way that some of the wider governance and cultural issues have been reported in the local media has made some staff feel embarrassed by the Council. The impact of all of this is beginning to show in rates of staff turnover at a senior level.

Resolution of FOIs and complaints

- 5.21. A significant volume of FOI requests, complaints to Standards, and complaints about Officers, have been made by Members. We understand that the Council has had to employ additional staff to respond to and process FOI requests, and that there are outstanding complaints awaiting resolution. This has an impact on Legal and Democratic Services and their capacity to deal with other matters.
- 5.22. We have been told that FOI requests and complaints can take a long time to resolve, which causes frustration among Members and adds to the perception that Officers are blocking the political process.
- 5.23. Members have told us that the reason for the volume of FOI requests is because they feel that they cannot get information by any other means. Officers have told us that some Members “misuse” the FOI process because they do not accept the advice and answers they have already been given. This may be linked to the misunderstanding around roles and responsibilities highlighted above, but we have been told that, in some cases, this is wilful.
- 5.24. It is widely believed within the Council that Standards is “toothless” and there are few effective sanctions for Members outside a politically managed group process. Although the Independent Councillors are part of a formal political group, it is our understanding that these groups do not have the same structures and disciplinary processes that are in place for established political parties.

Focus on the past

- 5.25. We were struck by Member and Officer focus on issues that occurred in the past, sometimes many years ago. This reinforces established positions and makes it very difficult for some within the Council to move forward. Given the scale of the issues facing the Council, the inability to rise above the past is of concern and will hold the Council back from making progress and developing a new culture.

Conclusion

- 5.26. It is clear from what we have seen that the issues facing the Council are significant. They are having a negative impact on the culture of the Council and, as identified by the External Auditor, affecting the Council's ability to deliver good governance. In the context of what will be a very difficult 2023/24 budget settlement, and a cost-of-living crisis that is affecting the lives of the citizens of Middlesbrough, the issues identified in this report have the potential to increase the risk that the Council will not be able to deliver its priorities.
- 5.27. The Council has an opportunity to make considerable improvements, but not without acceptance that the issues contained in this report are real, serious and need resolution.

6. Capacity for change

- 6.1. For any improvements to be successful, there needs to be a critical mass of acceptance of the issues, and a willingness to tackle them, among Members and Officers. Positions are entrenched and a lot of work is required to shift people's attitudes.
- 6.2. The seriousness of the issues facing the Council should not be underestimated. We are aware that some within the Council believe that central government intervention would be a positive thing. Others believe that the issues facing the Council will be resolved by the forthcoming elections in May 2023. It would be a good use of resource if the Council could act in the best interests of residents.
- 6.3. We have seen some positive indications that there is a willingness to create a new culture within the Council. The leadership shown by the Mayor and the Chief Executive in resolving the signing of the Annual Governance Statement and progressing the budget for 2023 has been encouraging.
- 6.4. There was good participation in the interviews and attendance at the in-person workshops. There was general acceptance of the findings of our review and the need to do something about them. However, we are concerned that some Members and Officers will find any change very challenging.
- 6.5. Change will be difficult, and the real test will be whether behaviours are modified in the ways necessary to help the Council move forward. Therefore, the role of senior political leaders, and Senior Officers, will be crucial.

7. Recommendations

- 7.1. Our recommendation is that the Mayor seeks the support of the full Council for the development, in conjunction with CIPFA, of an action plan with clear milestones to address the issues highlighted in this report.
- 7.2. It is recommended that Officers and Members are involved in the development of this plan and that it includes deliverables and milestones on a timescale of 30, 60 and 90 days. Cross-party working groups should be used as a way of involving Members in creating solutions.
- 7.3. It is further recommended that the Mayor agrees a review process for the plan, which involves all parties.

Appendix 1

CIPFA began its review on 27 July, which has consisted of:

1. Review of relevant documentation
2. More than 40 interviews with Members and Officers (see Appendix 2 for list of interviewees)
3. Officer focus group with middle managers from various departments
4. Attendance at the Corporate Affairs and Audit Committee meeting on 22 July, at the Extraordinary Council meeting on 31 August, and viewed remotely the Council meeting on 7 September
5. Review of local press and relevant social media
6. Review of decision-making processes
7. Workshops for Members and Officers
8. Report to Council

Appendix 2

We interviewed the following people as part of our review:

Andy Preston	Mayor
Tony Parkinson	Chief Executive

Executive Members

Cllr Mieka Smiles	Deputy Mayor and Executive Member for Children's Services (Con)
Cllr Stephen Hill	Executive Member for Culture and Communities (MICA)
Cllr Barrie Cooper	Executive Member for Environment (MICA)
Cllr Stefan Walker	Executive Member for Finance and Governance (MIG)
Cllr Tony Grainge	Executive Member for Neighbourhood Safety (Ind)
Cllr Eric Polano	Executive Member for Regeneration (MICA)
Cllr Luke Mason	Executive Member for Young Adults and Democratic Engagement (Con)

Group Leaders

Cllr Matthew Storey	Labour
Cllr Michael Saunders	MICA (also Chair of Overview and Scrutiny Board)
Cllr Chris Hobson	MIG
Cllr David Coupe	Conservative (also Executive Member for Adult Health, Public Protection and Digital Inclusion)
Cllr Jon Rathmell	Independent

Committee Chairs

Cllr Tom Mawston	Chair of Standards Committee (MIG)
Cllr Brian Hubbard	Chair of Corporate Affairs and Audit Committee (MICA)
Cllr Jim Platt	Chair of Adult Social Care and Services Scrutiny Panel (MICA)
Cllr Dennis McCabe	Chair of Children and Young People's Learning Scrutiny Panel (MIG)
Cllr Dorothy Davison	Chair of Children and Young People's Social Care and Services Scrutiny Panel (MIG)

Cllr Joan McTigue Chair of Economic Development, Environment and Infrastructure Scrutiny Panel (Ind)

Other Councillors

Cllr Graham Wilson MICA
Cllr Denise Rooney Deputy Leader of Labour Group
Cllr Jeanette Walker Labour
Cllr Julia Rostron Labour
Cllr John Hobson Council Chairman

Officers

Charlotte Benjamin Director of Legal and Governance / Monitoring Officer
Ian Wright Outgoing Section 151 Officer
Helen Seechurn Incoming Section 151 Officer (interim)
Ann-Marie Johnstone Interim Head of Strategy, Information and Governance
Sylvia Reynolds Head of Democratic Services
Erik Scollay Director of Adult Social Care and Health Integration
Sue Butcher Executive Director of Children's Services
Richard Horniman Director of Regeneration
Rachel Farnham Director of Children's Care
Geoff Field Director of Environment
Rob Brown Director of Education and Partnerships
Mark Adams Director of Public Health
Nicola Finnegan Head of HR
Andrew Glover Head of Marketing and Communications
Gemma Cooper Strategic Delivery Manager
Michael Brearly
Bernie Carr
Stephanie Robson
Claire Walker
Leanne Hamer
Officers from FOI, Member Services, Data Protection

Political Assistants

Karen Whitmore	MICA
Dan Johnson	Labour

External Parties

Max Thomas and Phil Jeffrey	CEO and Assistant Director of Internal Assurance, Veritau (Internal Auditors)
Stephen Reid and Mark Rutter	Partner and Senior Manager, EY (External Auditors)

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MIDDLESBROUGH COUNCIL	
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Report of:	Mayor and Chief Executive
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Submitted to:	Council
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Date:	19 October 2022
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Title:	Corporate Governance Improvement Journey – CIPFA findings and next steps
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Report for:	Decision
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Status:	Public
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Strategic priority:	All
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Key decision:	Not applicable
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Why:	Not applicable
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Urgent:	Not applicable
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Why:	Not applicable
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Executive summary	
The purpose of this report is to summarise the findings of the independent diagnostic work completed on behalf of the Council by CIPFA and the proposed next steps	

Purpose

1. The purpose of this report is to summarise the findings of the independent diagnostic work completed on behalf of the Council by CIPFA and the proposed next steps.

Background and relevant information

2. During the course of 2020 and 2021 the Council's Corporate Affairs and Audit Committee received a range of reports that have highlighted areas of non-compliance with elements of the Council's Local Code of Corporate Governance relating to both elected members and officers. These reports stemmed from:
 - Lessons learned from governance challenges in other local authorities
 - Findings from an audit of the Boho X project and lessons to be learned from that to improve compliance with the Council's Programme and Project Management Framework.
3. In 2022 the committee then received the Council's External Auditor's view of its Value for Money arrangements, which was set out in EY's Audit Results report 2020/21 to committee on 22 July 2022.
4. This report outlined that significant weaknesses existed in the Council's arrangements in relation to Member and senior officer relationships and that this adversely impacted the Council's governance processes. The auditors also highlighted strained Member to Member relationships.
5. EY stated within their Value for Money judgement that they:

"...have observed evidence which leads us to conclude that the culture and governance arrangements at the Authority have not been operating as expected, and that this is undermining the effectiveness of the Council's governance framework.

During the year ended 31 March 2021, we identified multiple instances where significant decisions were taken by the Authority without following the Authority's established policies and procedures and contrary to the boundaries of the respective roles and responsibilities of officers and members. These include, but are not limited to:

- Significant changes to the design of the Authority's largest capital project, Boho X, occurring outside of the Authority's Programme and Project Management Framework;
 - Purchase of Covid-19 tests, which were not authorised for use in the United Kingdom, outside of the Authority's normal procurement processes; and
 - Engagement of an external individual to provide mayoral assistance activities which are required by The Local Authorities (Elected Mayor and Mayor's Assistant) (England) Regulations 2002 to be performed by an employee of the Authority".
6. EY made the following recommendation:

"We therefore recommend that the Council develop a comprehensive Improvement Plan to address the cultural and relationship issues which exist within the Council

as a matter of urgency. In our view it is the responsibility of all elected members and officers to work together to address these serious matters. This will require the involvement of external specialists as, in our view, the relationships within the Council have deteriorated to a point which the Council will not be able to remedy on its own.”

7. The External Auditors were clear within their statement that if the Council does not take immediate action and if insufficient progress is made within six months, then it will consider exercising further powers and making formal statutory recommendations that would require a formal response from the Council and the Secretary of State would be notified. This could eventually result in government intervention.
8. Several other councils are currently subject to formal government intervention which has involved Government appointed commissioners being inserted into a Local Authority. The way commissioners operate varies across those councils but all have had to pay the costs of the commissioners. Commissioners are on site for a number of years.
9. Depending upon the nature of the areas of concern, commissioners in those councils have assumed officer and / or Member roles and responsibilities in order to drive through decisions that ensure good governance practices are returned to. This has included removal of decision making powers from members around where to make spending cuts in order to balance budgets and appointment and removal of Senior Officers, reducing the ability that members have to take decisions in relation to their Council. For officers it has included dismissal of officers, transfer of officer powers to commissioners and intense scrutiny of compliance with good governance. In the case of Northamptonshire County Council, the result of central government was local government organisation and NCC ceased to exist, replaced with an alternative local government structure.
10. The Mayor and Chief Executive are both clear this this outcome is not in the best interests of the town and are committed to working proactively together to ensure decisions about the future of the town remain within the hand of democratically elected Members, rather than being assumed by government appointed commissioners who do not know the town.

The Council's response

11. The Chief Executive in his role as Head of Paid Service and the Section 151 officer delayed the finalisation of the 2020/21 Annual Governance Statement until it could be amended, in consultation with the Mayor, to fully articulate the scale of improvement required to improve Member to Member and Officer to Member relationships. This work has now been complete and all three have signed the amended document.
12. In addition, the Local Government Association has continued to work with senior officers and senior Members to identify, understand and address areas for improvement.
13. The Chief Executive and Mayor agreed that it was imperative that officers and members from across the Council work together, proactively, to address the issues identified in the various reports that have been considered by this Committee.

14. In order to ensure that there is a broad consensus around the steps that need to be taken, the Chief Executive, in consultation with the Mayor, commissioned CIPFA to complete a short piece of work to engage with Members from across the political spectrum, officers and other stakeholders to identify:

- A consensus on the issues that exist
- Where there continue to be differing views on issues
- Make recommendations on how weaknesses in the Council's processes can be addressed
- Consider steps that could be taken to begin to address some of the underlying cultural issues which have existed for some time.

CIPFA findings

15. The CIPFA findings are set out in the detailed report that is also on this agenda. That report makes clear that there are a range of issues to be addressed around:

- clash of cultures
- the impact of Covid on member and officer and member to member relations
- clarity around roles and responsibilities
- communication
- member training
- officer morale
- complaints and information requests
- focus on the past.

Current position

16. The Mayor and Chief Executive fully accept all the findings from CIPFA and are both committed to delivering a series of improvement actions to strengthen the culture of the organisation and address the fundamental issues identified within this work.

17. Work has already commenced to start this process. Since July there has been ongoing improved engagement between Executive Members and the three statutory officers. This has resulted so far in the finalisation of the Annual Governance Statement 2020/21.

18. The wider Member and officer groups have also demonstrated an ongoing willingness to address these issues. There has been widespread, positive engagement with the work of CIPFA to date, as demonstrated by the volume of interviews it has been able to conduct in a short period of time.

19. At the extraordinary council meeting held in August to discuss the findings of the External Auditors, it was clear that all those who spoke in the debate were passionate about changing things in the Council to improve its culture. This a base from which further common ground can be developed to deliver a way forward.

Next steps

20. As outlined in the 2020/21 Annual Governance Statement that was recently finalised, the resulting response plan will identify high priority actions to be delivered within 100 days action plan to address identified issues and; to provide quality assurance in

respect of the impact of completed actions. The outcome of this work will inform a "Phase 2" action plan.

21. The following arrangements will be put in place to ensure proactive and appropriate management of the improvement agenda:

- An Improvement Board consisting of statutory officers, elected members and CIPFA that is politically balanced with an independent chair will have responsibility for agreeing, delivering and reporting an action plan to improve governance across the authority.
- An update on progress at each Council meeting and within monthly Chief Executive Staff Briefings.
- Officer support to drive the delivery of agreed actions.
- Adoption of the existing Project and Performance Management Frameworks for this process.

22. Board membership is proposed as follows:

- Mark Edgell, Local Government Association (Chair)
- Andy Preston, Mayor of Middlesbrough
- Cllr Stefan Walker, Executive Member for Finance and Governance and MIG Deputy Group Leader
- Cllr Matthew Storey – Labour group leader
- Cllr David Coupe - Conservative group leader
- Cllr Mick Saunders – MICA group leader
- Cllr Chris Hobson – MIG group leader
- Helen Seechurn, Director of Finance
- Charlotte Benjamin, Director of Legal and Governance Services
- Tony Parkinson, Chief Executive
- Ann-Marie Johnstone, Interim Head of Strategy, Information and Governance
- Richard Horniman, Director of Regeneration and Culture
- Gemma Cooper, Strategic Delivery Manager
- Helen Rowley, CIPFA lead.

23. The Board will meet to confirm its terms of reference in more detail at its first meeting and consider the draft response plan on either 1st or 2nd November 2022 (date currently being confirmed with invitees).

24. Members are invited to contact CIPFA, via their group leaders or the Mayor, with their suggested actions for the improvement plan which will collated into a draft plan for the first board meeting to consider when it meets at the beginning of November. To facilitate this, comments should be submitted by close of play **26 October 2022**. Board meetings will be held once a month to drive the pace of the improvement plan.

25. Wider groups of members and officers will be involved in task and finish sub-groups as the improvement plan develops to ensure wide engagement in the improvement journey. The sub-groups and their proposed memberships are set out below, where known. Group leaders have been asked to nominate their representatives to sit across the groups, aligning with political balance calculations, below based on the following place numbers:

- Labour group – nine places
- MICA – five places

- MIG – four places
- Independent – one place
- Conservative group – one place.

Group	Councillor Membership where nominations received	Officer Membership
Roles and Responsibilities	Cllr Ron Arundale (MIG)	<ul style="list-style-type: none"> • Director of Regeneration • Director of Environment and Community Services • Head of Democratic Services • Head of Commissioning and Procurement • Head of Early Help
Training and Development	Cllr Dennis McCabe (MIG)	<ul style="list-style-type: none"> • Director of Education and Partnerships • Interim Head of Culture • Head of Resident and Business Support • Organisational Development Manager • Community learning and employability manager
Constitution	Cllr John Hobson (MIG)	<ul style="list-style-type: none"> • Executive Director of Adult Social Care and Public Health • Head of Legal Services (People) • Head of Legal Services (Places) • Head of Democratic Services • Head of Public Protection
Culture and communications	Cllr Dorothy Davison (MIG)	<ul style="list-style-type: none"> • Director of Public Health • Head of Human Resources • Head of Marketing and Communications • Head of Economic Growth • Interim Head of Culture

26. The Improvement Plan agreed by the Board and reported back to Council in November 2022 for noting.

27. The approach outlined above will ensure that the response to the challenges identified by CIPFA and the Council's External Auditors is Member-led and provides elected members the opportunity to contribute.

28. As outlined in the 2020/21 Annual Governance Statement that was recently signed, the resulting Improvement Plan and associated governance will identify high priority actions to be delivered within a 100 days action plan to address identified issues and; provide quality assurance in respect of the impact of completed actions.

29. This way forward has been discussed with all the political group leaders.

30. A key component in ensuring delivery of change has a real impact will be to ensure the Council has increased capacity in critical areas. Work to date has identified that ongoing support from CIPFA will be required to support development of the improvement plan and lead on certain workstreams within it where their experience and relationships built to date will be invaluable. An officer delegated decision on this will be taken by the Chief Executive, in consultation with the Mayor and published on the Council's website following the agreement of this report by Council.

What decision(s) are being recommended?

31. That Council:

- Thank CIPFA for their report and accept all findings set out within it.
- Agree the creation of the Improvement Board and its proposed membership as set out in the body of this report at paragraph 22.
- Agree the creation of the Improvement Board sub-groups and their proposed membership, as set out in the body of this report at paragraph 25.
- Endorses the further commissioning of CIPFA to support work to develop a detailed response plan.
- Agree that the developed plan will be reported to Council for noting in November 2022.

Rationale for the recommended decision(s)

32. The planned approach will ensure an inclusive approach to development of a response to the issues identified in the CIPFA diagnostic work while ensuring that the Council takes timely action to address corporate governance weaknesses within its arrangements.

Other potential decision(s) and why these have not been recommended

33. The Council could choose not to accept the evidence-based findings of the CIPFA report – this is not recommended. Currently the Council is voluntarily taking steps to address the serious governance challenges that have been identified within the CIPFA report, the recently agreed Annual Governance Statement 2020/21 and the Value for Money Judgement of the External Auditor.

34. Failure to address these issues could result in statutory recommendations being made by the Council's External Auditors. EY, the Council's Auditors have stated that this is something they will consider doing if insufficient progress is made in tackling the issues it identified within its 2020/21 Value for Money judgement.

35. If this were to occur, the Council would be required to prepare an action plan and present that report to full Council for approval. There would then be increased scrutiny from the Council's External Auditor to monitor progress against delivery. At this stage if there was insufficient progress this could result in a Public Interest report.

36. There is also a risk that if the Council's External Auditor deemed that the Council was incapable of addressing the governance challenges identified, then it could also recommend to the Secretary of State that government intervention was required.

Impact(s) of the recommended decision(s)

Legal

37. There are no direct legal implications as a result of this report. However, lack of action to address the issues raised by CIPFA will further weaken the Council's ability to resolve the issues and improve its corporate governance leading to the legal implications highlighted through-out this report.

Strategic priorities and risks

38. Agreement of this report and next steps will have a positive impact on the strategic risk of 'failure to achieve good governance'.

Human Rights, Equality and Data Protection

39. Not applicable.

Financial

40. There is a financial cost that will be confirmed in a decision will be published by the Chief Executive and the formal process for procurement of this service will be followed upon agreement of this report to commission further support from CIPFA by this meeting. It is estimated that the cost of this work will be a further £58,500 plus VAT and expenses.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
Establish the Improvement Board	Chief Executive and Mayor	November 2022
Response plan reported to Council for noting	Improvement Board	November 2022

Background papers

Body	Report title	Date
Corporate Affairs and Audit Committee	Lessons Learnt – Best Value Inspection of Liverpool City Council	5 August 2021
Corporate Affairs and Audit Committee	Boho X – draft findings from internal audit and proposed management response	6 April 2022
Corporate Affairs and Audit Committee	Statement of Accounts 2020/21;	22 July 2022
Corporate Affairs and Audit Committee	Lessons learned – Best Value and external assurance within other councils.	22 July 2022
Corporate Affairs and Audit Committee	Commencing a corporate governance improvement journey	22 July 2022

Contact: Mayor, Andy Preston and Chief Executive, Tony Parkinson