

Report of:	Mayor and Chief Executive
Submitted to:	Council
Date:	19 October 2022
Title:	Corporate Governance Improvement Journey – CIPFA findings and next steps
Report for:	Decision
Status:	Public
Strategic priority:	All
Key decision:	Not applicable
Why:	Not applicable
Urgent:	Not applicable
Why:	Not applicable

Executive summary

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Purpose

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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