

Mr Gordon Mitchell  
Interim Chief Executive  
Cambridgeshire & Peterborough Combined Authority  
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8 February 2023

Ref:  
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Dear Gordon,

**Cambridgeshire & Peterborough Combined Authority – Authority response to our identification of a significant weakness in Value for Money arrangements**

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.

In our letter of 1 June 2022 to John Pye, Chair of the Audit & Governance Committee, we set out that we had identified a significant weakness in Cambridgeshire & Peterborough Combined Authority's (the Authority) governance arrangements<sup>1</sup>. We believed this weakness to be pervasive as it could lead to a significant impact on the quality or effectiveness of services or on its reputation and could expose the Authority to financial risk or loss.

In your role as Interim Chief Executive, you responded to our letter on the 23 November 2022, setting out the Authority's response to the matters that we raised in our letter. We are grateful for you taking the time to set out the response and how the Authority has dealt with the matters that we raised given their significance.

We have considered your letter and make the following provisional observations in relation to the matters that we raised, and the actions required having attended relevant meetings and having seen the associated documents linked to your letter.

We set out these observations against each of the actions that we set out in our original letter below.

**The action required by the Authority to address the significant governance weakness**

***“Addressing the significant employee related matters emanating from the whistleblowing notification and ensuring that all Authority employees are appropriately safeguarded is of paramount importance. The Authority also needs to be mindful of the impact that implementing these safeguarding actions has on the Senior Management employees taking those actions.”***

<sup>1</sup> Our letter of 1 June 2022 stated that: “Our concerns are as follows:

- 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.”

We have seen that four employee related matters have been formally concluded and a settlement agreement has been reached with each of the relevant individuals. Three of these agreements were formally approved by the Authority Board, with the fourth appropriately approved by the relevant officers in line with the Authority standing orders and financial regulations. We acknowledge that the Authority has included a provision within the 2021/22 financial statements in relation to these exit packages. The 2021/22 financial statements do remain subject to audit as at the date of this letter. We note that you do not expect any further claims against the Authority.

The Authority is still to conclude the Code of Conduct investigation. We note that there has been a review of the support to the Mayor and with the establishment of Chief Executive's Office function and the senior advisor to the Mayor left the employment of the Combined Authority in February 2022.

*“However, the Authority needs to urgently ensure that it has sufficient appropriate leadership capacity to be able to deliver its objectives and statutory responsibilities. In order to do so, we believe more formal intervention is required, and expeditious discussions with the Authority's sponsoring department to this end are time critical.”*

We have seen that the Authority has engaged in discussions with its relevant sponsoring department and embarked on a voluntary improvement journey. This includes a clear Improvement Plan, that has been unanimously agreed by the Authority Board in October and is supported by the implementation of an Independent Improvement Board, chaired by Lord Kerslake. The Improvement Board will oversee the implementation of the Improvement Plan and provide assurance to the Audit and Governance Committee and onward to the Authority Board. Its first meeting is scheduled for January 2023.

The Authority acted quickly in commencing with voluntary improvement, setting aside £750,000 from within the current year's budget to support increasing the leadership capacity. We acknowledge that you were appointed in July as Interim Chief Executive, and other key resource at Director level has been brought in on an interim basis to support the articulation of the Improvement Plan and oversee its short-term implementation. However, there remains the challenge of establishing a permanent senior officer management team, for the medium to longer term functioning of the Authority.

#### Provisional conclusion on the responses identified in your letter

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.

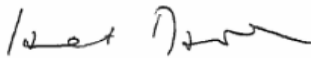
We note that the Independent Code of Conduct investigation is yet to conclude, and we will wish to review the content of that investigation report.

We do at present expect to report 'by exception' on the Authority's Value for Money arrangements within our 2021/22 audit report, based on the identification of the significant weaknesses set out in our letter of 1 June 2022. Our Value for Money Commentary, which is part of our Auditor's Annual Report and will be issued within 3 months from the date of our audit report, will reflect on the Authority's response to the significant weaknesses (set out in our 1 June 2022 letter), building on what we have set out within this letter, together with, any further progress that has been made through to the date of our Auditor's Annual Report.

On this basis, subject always to the freedom to exercise our professional judgement as auditor, we will, alongside our work on VFM arrangements, continue to review how the Authority responds to our concerns and the significant weaknesses set out in our letter, through the implementation of the Improvement Plan. This assessment will continue through into the 2022/23 financial year and the appropriate discharging of our audit responsibilities.

We have copied this letter to those set out below, to help equip them to discharge their own responsibilities, where applicable, and for them to be aware of our consideration of your response to our concerns at this early stage.

Yours sincerely,



Janet Dawson  
Partner  
For and on behalf of Ernst & Young LLP (Local Auditor)

cc John Pye - Independent Chair of Audit & Governance Committee  
Jon Alsop – Chief Finance Officer, Cambridgeshire & Peterborough Combined Authority  
Rowena Limb – Interim Director – Areas and Analysis | Cities and Local Growth Unit  
Kate Hallett - Assistant Director & Area Lead, Cities and Local Growth Unit: Government's Local Growth Team  
Max Soule - Deputy Director, Local Government Stewardship, Department for Levelling Up, Housing and Communities.