

NOTICE OF MEETING

MEETING	CABINET
DATE:	MONDAY 13 JUNE 2011
TIME:	10.00 am
VENUE:	BOURGES/VIERSEN ROOM - TOWN HALL
CONTACT:	Alex Daynes, Telephone: 01733 452447 e-mail address alexander.daynes@peterborough.gov.uk
Despatch date:	3 June 2011

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*Any agenda item highlighted in bold and marked with an * is a 'key decision' involving the Council making expenditure or savings of over £500,000 or having a significant effect on two or more wards in Peterborough. These items have been advertised previously on the Council's Forward Plan (except where the issue is urgent in accordance with Section 15 of the Council's Access to Information rules).*



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MINUTES OF CABINET MEETING HELD 21 MARCH 2011

PRESENT

Cabinet Members: Councillor Cereste (chair), Councillor S Dalton, Councillor Elsey, Councillor Hiller, Councillor Holdich, Councillor Lamb, Councillor Lee, Councillor Scott, Councillor Seaton and Councillor Walsh.

Cabinet Adviser: Councillor Benton.

1. APOLOGIES FOR ABSENCE

No apologies were received.

2. DECLARATIONS OF INTEREST

Councillor Cereste declared an interest in item 6 on the agenda, the Long Term Transport Strategy and Local Transport Plan, as he had initiated the Water Transport project.

3. MINUTES

The minutes of the meeting held 7 February 2011 were agreed and signed as an accurate record subject to the apologies from Councillor Lee and Councillor Scott being recorded.

ITEMS FROM SCRUTINY COMMITTEES AND COMMISSIONS

4. NEIGHBOURHOOD COUNCIL REVIEW – PART 2

Councillor Hiller introduced the report and asked that Councillor Burton (chairman of the review group) inform Cabinet of the report on the outcome of the second stage of a review of Neighbourhood Councils which had been undertaken by the Strong and Supportive Communities Scrutiny Task and Finish Group. Cabinet was asked to consider the conclusions and agree the recommendations of the second part of this review.

Councillor Burton explained that recommendation 7, concerning Police Panels, intended to enable Police Panels to be held on the same night as the Neighbourhood meeting, not to be integrated into the meetings.

During debate on the recommendations, Cabinet Members highlighted that no cost implications had been presented with the report so the recommendations could only be implemented if they were within the existing budget and also questioned whether 30 minutes would be enough time for the Police Panels to conduct their business; it was suggested that 45-50 minutes would be more appropriate for the Police Panels. Councillor Burton responded that it would be for officers to ascertain the costs for the proposals from the review group. The Executive Director of Operations confirmed that the costs involved in implementing any agreed recommendations would need to be calculated before progressing the work.

Cabinet further discussed the proposed change of name to Area Committees. Cabinet Members were keen to retain the term 'Neighbourhood' and therefore any change should be to 'Neighbourhood Committee'.

Cabinet **RESOLVED** to endorse the recommendations to:

1. Change the name of Neighbourhood Councils to Neighbourhood Committees.
2. Adopt the following as the vision statement for Neighbourhood Committees:

“Neighbourhood Committees will deliver improvements for the local area by identifying, overseeing, monitoring and driving actions to support all issues relevant to the area, including service delivery, service improvements, and area developments”

3. Amend the relevant Procedure Rules contained in the Constitution to reflect these recommendations, and to ensure that Neighbourhood Committees are supported by similar procedures that support other Council committees.
4. Replace the existing terms of reference for Neighbourhood Councils with the following:
 - (i) Neighbourhood Committees are established in Peterborough in accordance with the provisions set out in Local Government Act 2000

- (ii) Neighbourhood Committees will require the proactive support of all elected Councillors, officers, and partner organisations to ensure their full and positive success

Neighbourhood Committees should:

- (iii) Make decisions within the remit of their terms of reference and their formally delegated responsibilities, or make recommendations to the Executive as appropriate on issues which affect the area
 - (iv) Be the committee where members of the Neighbourhood Committee and members of the community can discuss issues of concern or interest, including those that are not the direct responsibility of the Council as well as those that are
 - (v) Set the standards for services to meet local needs which are outside the immediate responsibility or budget of the Neighbourhood Committee, and seek agreement for any changes from the Executive
 - (vi) Be the primary focus for public involvement and consultation within the area, working closely with other public, private and voluntary agencies, and advising and/or making recommendations that arise to the Executive as appropriate on issues which affect the area
 - (vii) Develop community action plans, and monitor their implementation, to ensure the promotion of economic, environmental, cultural and social wellbeing of the area, that service delivery improvements are made and that better outcomes are achieved
 - (viii) Carry out any non-Executive functions delegated by the council, and any Executive functions delegated by the Leader, in accordance with the Scheme of Delegations set out in Part 3 sections 1 and 3 of the Constitution
 - (ix) Be directly responsible for any delegated funding identified by the Council and invest that money in ways that support the priorities identified through the community planning process
5. That for the Municipal Year commencing May 2011, replace the existing Delegations to Neighbourhood Councils with those set out below. Keep this under review during that year, with a view to expanding the delegations from the start of the Municipal Year

commencing May 2012:

- (i) The Leader retains responsibility for functions delegated and may exercise those functions in person, regardless of further delegation. Further, the Neighbourhood Committees must act with due regard to all other Council policies and procedures
 - (ii) To promote the Council's role as a community leader in its area, giving a meaningful voice to the community and fostering good and productive working relationships with the Council's partner organisations, including Parish Councils, Police, Fire, Probation, criminal justice agencies, health and social care agencies, education agencies, young peoples' services, community associations, residents associations and voluntary sector agencies
 - (iii) To take a leading role in promoting the economic, environmental, cultural and social wellbeing of the area, and develop community action plans to achieve this that improve service delivery and achieve better outcomes
 - (iv) To set the standards for all former City Services operations now contracted to Enterprise to ensure effective delivery of all services, including making decisions on the maximum amount of any delegated budgets allowable within the terms of the contract to be deployed on local priorities (*to be confirmed subject to details of the contract*)
 - (v) To agree the annual programme of works contained within the Highways Capital Programme for 2012/13 onwards
 - (vi) To act as consultees on all major or significant Executive and Council proposals that affect the area, including those affecting both capital and revenue spend
 - (vii) To act as consultees in respect of Major Planning applications relevant to the area, and report views to the relevant Committee
 - (viii) To carry out any actions that the Executive authorises in addition to those set out above, until such time as that authorisation is revoked
6. Deliver the recommendations set out in the report from the sub-group of the Neighbourhood Council Task and Finish Group which has focussed on rural/parish issues, specifically:
- (i) create a new committee to replace the Rural North Neighbourhood Council, that comprises rural Ward Councillors and one co-opted representative from each of the 23 rural Parish Councils
 - (ii) appoint a rural Ward Councillor as the Chair of this committee
 - (iii) hold all meetings at a rural location within any of the 23 rural Parish Council areas
 - (iv) decisions relating to non-financial matters or those that are not formally delegated responsibilities will be debated by all members of the committee, with all members having a single vote each
 - (v) matters relating to financial or delegated responsibilities will be decided solely by elected City Councillors
7. Create a single, seamless approach to neighbourhood engagement by creating a structure which enables the following to be delivered in each Neighbourhood Committee area during the same session:

- Ward Forum: a ward-specific informal forum where ward councillors can engage with their constituents and discuss informal issues or issues which may require escalation to the Neighbourhood Committee. During these forums, key officer representation should also be available, including from the Neighbourhood Management team, Trading Standards, Community Safety, Police, and Enterprise
- Neighbourhood Panel: formally Police-led but now partner-wide meetings during which three local priorities are identified for resolution
- Neighbourhood Committee: re-launched former Neighbourhood Council meetings, focussing on more strategic or impactful issues affecting the area

For example, the Ward Forums may run from 6pm until 6.50pm, and the Neighbourhood Committee meeting may run from 7.00pm until 9.00pm with the first 30 minutes given over to the business of the Neighbourhood Panel.

8. Ensure the broader neighbourhood management framework is in place and is able to respond to the opportunities provided in the Localism Bill and other relevant emerging legislation. Further, ensure that monthly Neighbourhood Management Delivery Team meetings are in place for all Area Committee areas, that there is full commitment from all councillors, and that the role of community partnership organisations is firmly established.
9. Organise a minimum of two Neighbourhood Committee locality 'tours' per annum, during which *ALL* members of the Committee, the nominated CMT member, key PCC officers, key officers from partner organisations, key community leaders/representatives and the local media explore the area in more depth focussing on particular problems, hotspots and successes.

Cabinet **RESOLVED** to approve recommendations to:

10. Agree to the creation of a job description for the roles of Chair and Vice Chair of the Neighbourhood Committee that reflects the changes of emphasis and focus set out in these recommendations, and the role these posts will play in support of the broader neighbourhood management structure.
11. Agree to the creation of a lead officer role within the Neighbourhoods division to co-ordinate and facilitate the entire Neighbourhood Management meeting and engagement structure, including:
 - Developing, co-ordinating and monitoring delivery of action plans at Neighbourhood Committee, Neighbourhood Panel, Ward Forums, and locality tour levels, holding Members, officers and partners to account as necessary
 - Liaising with key PCC departments, notably Democratic Services and Communications, to ensure all required actions are delivered
 - Arranging agenda setting and planning meetings for Neighbourhood Committees in accordance with the Constitution
 - All logistical arrangements for Neighbourhood Committees, Neighbourhood Panels, Ward Forums, Neighbourhood Management Delivery Team meetings and any other related forums, including venues, refreshments, access, transport etc
 - Liaising with Council departments and partners regarding information to be made available at each meeting (e.g. literature or a staffed information stand)
 - Managing the agenda plan for each Neighbourhood Committee containing items for future discussion
 - Developing, managing and co-ordinating a full contacts database of residents, community groups, officers and partners to ensure maximum awareness of all relevant meetings and opportunities for engagement

12. Agree that alongside formal minutes from the Neighbourhood Committee, comprehensive action plans should be created from (i) every Ward Forum and (ii) every Neighbourhood Committee meeting, setting out clearly what actions have been agreed, and naming a lead officer (with the consent of the officer named) and a lead councillor jointly responsible for ensuring the action is achieved.
13. Agree to formalise the seating arrangements at Neighbourhood Committee meetings so that all Members sit at the front of the audience in a horseshoe arrangement, making it clear who has voting rights, how those rights are used, and who is not in attendance.
14. Agree to identify a different member of the Corporate Management Team to act as champion and advocate for each of the seven Neighbourhood Committees, and to ensure that the principles of Neighbourhood Committees are given the appropriate status amongst all officers.
15. Agree to develop a single media and communications strategy, supported by an action plan, which proactively promotes Neighbourhood Committees and Ward Forums and their achievements in a timely manner.
 - (a) To help achieve this assign an officer within the Communications team to have responsibility for coordinating publicity and marketing for Neighbourhood Committees and Ward Forums
 - (b) Produce a publicity 'pack' of template materials and formats that promote Neighbourhood Committees, including 'soft' formats (via the use of the web, social networking etc) and 'hard' formats (posters, leaflets etc)
16. Agree to be creative and flexible with the logistical arrangements for neighbourhood engagement activities set out in recommendation 7, providing they follow the Access to Information rules. For example, vary the start and end times of the meetings to ensure engagement with different residents, and ensure venues have enough space and capacity to cope with the requirements of both formal and informal forums during the same session
17. Agree that officers should explore transport initiatives as and where appropriate for each of the Neighbourhood Committee meetings to support attendance from residents
18. Agree that the recommendations, when agreed, form part of an overall implementation plan for Neighbourhood Councils alongside the recommendations that emerge from stage one of the review. This implementation plan should be overseen by the cross-party working group formed from the task and finish group, and become a standing item at all Strong and Supportive Communities Scrutiny Committee meetings, with regular updates also provided to Cabinet and Group Representatives
19. Agree to re-brand and have a major re-launch of Neighbourhood Councils as Neighbourhood Committees. This should include raising awareness to all councillors, PCC officers, external partners, and residents to actively promote their purpose including the vision set out in recommendation 2 along with the new delegations and terms of reference

Cabinet further **RESOLVED** to:

1. Not endorse the proposed change of name from Neighbourhood Councils to Area Committees;
2. Ensure that the above recommendations be implemented subject to sufficient resources being available to do so; and

3. Ensure that future reports from Scrutiny review groups making recommendations to Cabinet include any resource and cost implications of those recommendations.

REASONS FOR THE DECISION

This report came to Cabinet following a request from the Strong and Supportive Communities Scrutiny Committee to conduct a review of Neighbourhood Councils. The review had taken into account the learning and experience from the first year of operations, in order to produce the recommendations for their continued development.

ALTERNATIVE OPTIONS CONSIDERED

Option 1. Not to agree to the recommendations. The Committee did not recommend this as they considered it to be detrimental to the ongoing improvement and development of Neighbourhood Councils.

Option 2. Develop alternative recommendations. The Committee did not recommend this as they considered that the Task and Finish Group had conducted an in depth and objective review and therefore the recommendations put forward were considered to be the most effective way of improving the provision of Neighbourhood Councils.

STRATEGIC DECISIONS

5. PETERBOROUGH LOCAL INVESTMENT PLAN (LIP)*

Cabinet received a report following a change in approach to funding that had been adopted by the Housing and Communities Agency (HCA). The HCA now required local authorities to provide a document that focused on housing growth within the area with supporting evidence. Whilst this was a fluid document the HCA saw this as the key first step in securing funding for projects that provided housing growth.

Councillor Hiller introduced the report highlighting its two sections; current, evidence based situation; and future projects including HCA support and approval for the document.

Andrew Edwards, Head of Growth & Regeneration, advised Cabinet that Sustainable Growth Scrutiny Committee had recommended that any affordable housing must provide a certain percentage of 3-4 bedroom homes.

During debate, issues raised included the need to allocate sufficient land for prestigious homes which could be included in the next document to be submitted on this subject; development of an environmental business cluster and inclusion of environmental considerations in development documents; and the impact of the Greater Haddon development on existing residents.

Andrew Edwards advised Cabinet that the document was written to enable HCA funding and some of the specific issues, as highlighted above, could be found in other planning documents.

Cabinet **RESOLVED** to:

Adopt the Local Investment Plan developed in conjunction with the Homes and Communities Agency, in order that it can be used to help to attract inward investment into Peterborough, primarily for the purposes of encouraging residential regeneration.

REASONS FOR THE DECISION

Approval of the LIP would allow the Council, with its partners, to move forward and seek further funding to support the Growth of the City.

ALTERNATIVE OPTIONS CONSIDERED

The only other option was not to develop a LIP. If this were the action chosen then the Council would miss out on an opportunity to secure funding from the HCA to deliver Housing Growth. It should be noted that the HCA sees the LIP as the only avenue to secure funding in support of residential growth.

6. LONG TERM TRANSPORT STRATEGY AND LOCAL TRANSPORT PLAN (LTP)

Cabinet received a report following a Joint Meeting of the Environment Capital and Sustainable Growth Scrutiny Committees and Scrutiny Commission for Rural Communities as part of the democratic process leading to the adoption of the Peterborough Long Term Transport Strategy (2011-2026) and Local Transport Plan (2011-2016) at Full Council in April 2011.

Councillor Hiller introduced the report and advised Cabinet that a Local Transport Plan was produced every five years and this version included a fifteen year Long Term Strategy.

During debate issues raised by Cabinet Members included the need for a bus route in the Glinton and Northborough area, potential dependence on car travel for the Greater Haddon development resulting in possible gridlock situations, noise reduction surfaces on new roads and the need for improvement in road signs before any major new road schemes.

Mark Speed, Transport Planning Team Manager, advised Cabinet on specific points including that trigger points were still to be met in the Hampton development before further road infrastructure was installed, all new resurfacing would use noise reduction surfaces and a strategic sign review would take place over the next few years.

Cabinet considered the report and accompanying document and **RESOLVED** to:

Recommend to Council the adoption of the Peterborough Long Term Transport Strategy (2011-2026) and the Local Transport Plan (2011-2016).

REASONS FOR THE DECISION

The statutory requirement of this document requires that it is submitted to Full Council for adoption and therefore Cabinet was asked to support the submission of this document to Full Council for consideration and adoption in April 2011.

ALTERNATIVE OPTIONS CONSIDERED

The only other option considered was that the Council would not write and publish a LTP. This was rejected as the LTP is a statutory document and the Council is required to prepare and publish the plan.

11.05 a.m.

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CABINET	AGENDA ITEM No. 4
13 JUNE 2011	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton	
Contact Officer(s):	Kim Sawyer Statutory Scrutiny Officer Pauline Ford Scrutiny Officer	Tel. 452361

USE OF CONSULTANTS

R E C O M M E N D A T I O N S	
FROM: Sustainable Growth Scrutiny Committee	Deadline date : <i>None</i>
The Cabinet considers whether it accepts the 33 recommendations of the Sustainable Growth Scrutiny Committee set out in the minutes of their meeting of 23 March.	

1. ORIGIN OF REPORT

- 1.1 At a meeting of the Environment Capital Scrutiny Committee on 14 January 2010 it was agreed that the Sustainable Growth Scrutiny Committee should call for a report on the cost and effectiveness of the Council's use of consultants and to make recommendations on the future use of consultants by the Council to inform the development of budgets in future years.
- 1.2 On the 15 March 2010, the Cabinet Member for Resources delivered a report on the use of consultants to the Sustainable Growth Scrutiny Committee and following discussion of that report the Committee established a group to review the Council's use of consultants and report back on its findings and recommendations.
- 1.3 The report of the review group on the use of consultants was considered by the Sustainable Growth Scrutiny Committee on 23 March 2011 and it refers 33 recommendations to this Cabinet for consideration

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is for Cabinet to consider whether it can endorse the 33 recommendations as set out in the minutes of the Sustainable Growth Scrutiny Committee of 23 March 2011 (Appendix 2) arising out of the report of the scrutiny review group (Appendix 3).
- 2.2 This report is for Cabinet to consider in accordance with its delegated functions 3.2.1, to take responsibility for the delivery of executive functions and lead overall improvement programmes to deliver excellent services; and 3.2.9, to determine any changes of policy proposed by the Scrutiny Committees.

3. USE OF CONSULTANTS

- 3.1 The use of consultants is an issue which attracts attention as it raises issues about why the Council is not seeking to use skills from within its own employees to provide services, whether public funds are being used to best effect and how officers are monitoring the value of what the consultants produce.

- 3.2 The review group set out to understand why the Council uses consultants, to consider whether there were benefits gained from a previous review of consultants in 2006 and to understand whether the Council was achieving value for money by using consultants.
- 3.3 The findings and 31 recommendations of the review group are set out in the report at appendix 3, each recommendation following a summary of their investigations and the findings made.
- 3.4 These recommendations were endorsed by the Sustainable Growth Scrutiny Committee at their meeting on 23 March and a further 2 recommendations were added. In summary these two additional recommendations were to undertake further investigations into moving away from the use of framework agreements and for the Council to consider the impact of requiring all contractors to report on the details of any sub-contracting arrangements.
- 3.5 The recommendations fall broadly into two categories: those requiring process change and those requiring policy change.

Process changes

- 3.6 Many of the recommendations regarding process changes are already in progress within the Council. Recommendations to place all projects onto the Verto system which provides a review of all projects undertaken by the Council and giving members access to the system are already underway. Similarly changes to the process for engaging consultants has already been rolled out to staff.
- 3.7 Many of the changes recommended to systems and processes have already been recognised by officers as beneficial and have been implemented.
- 3.8 Details of the recommendations and a list of those which involve changes to process are set out in the summary of recommendations at Appendix 1.

Policy changes

- 3.8 These form the vast majority of the recommendations and impact more upon the delegated authority of the Cabinet and the formation of policy within the remit of the Cabinet.
- 3.9 Some of these policy recommendations, such as amending contract and financial regulations to allow preference to be given to internal skills (recommendation 5), or ensuring that where grant funding is used to pay for consultants this is more readily identified (recommendation 20), are not significant but still reflect a change in current policy. Others, such as whether to introduce a written policy which will effectively limit the circumstances under which consultants can be engaged, particularly those at a senior managerial level may be considered to have significantly greater impact (recommendations 7, 15, 18, 21, & 23).
- 3.10 The additional recommendations which arose out of the Scrutiny Committee meeting on the 23 March might be considered to have significant policy and/or cost impact if implemented and as such ask that the cabinet investigate these proposals further before implementing a change to policy.
- 3.11 Cabinet will identify that some of the policy recommendations arose from the decision some years ago to engage consultants to lead a large scale business transformation programme within the Council. In particular some recommendations relate specifically to the professional services partnership arrangements and the contractual arrangements that the Council has in place with Amtec. The two additional recommendations may also be seen to relate indirectly to this issue as Amtec was engaged under a framework agreement and has employed sub-contractors to fulfil the contract.. Given that the Cabinet's stated direction continues to be

towards growth, business engagement and service transformation it is likely that these recommendations may be the most significant for the Cabinet.

- 3.12 A summary of those recommendations which indicate a change to policy are set out at in the summary of recommendations at Appendix 1.

4. REASONS FOR RECOMMENDATIONS

- 4.1 The recommendations are intended to ensure the Council achieves best value in the instruction of consultants.

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1 The review group took the approach that it would consider why the Council needed to instruct consultants at all. It questioned every aspect of the decisions made by officers when engaging consultants. On the whole it concluded that the use of consultants was necessary and could in some cases be the most efficient and cost effective means of working.
- 5.2 The majority of these proposals therefore assume that the use of consultants will continue but suggest improvements for monitoring of their use.

6. IMPLICATIONS

- 6.1 Under the Council's Constitution the Scrutiny Committees have to power to appoint task and finish groups (referred to in this report as a review group) for the purpose of reviewing the operation of policy within the Council. Any report produced by the task and finish group can be referred to the cabinet with a recommendation to develop the policy of the council in accordance with the report.
- 6.2 The Cabinet are responsible for the delivery of service and set the policy regarding this. It is therefore for the cabinet to decide whether it wishes to implement the recommendations of the Scrutiny Committee.
- 6.3 There are no budget implications considered to arise out of these recommendations although consideration should be given to the cost of using officer time to implement these recommendations.
- 6.4 There are no equality matters arising out of these recommendations.

7. BACKGROUND DOCUMENTS

None other than those listed in the report at Appendix 2.

8. APPENDICES

Appendix 1 – Summary of Recommendations
Appendix 2 - Minutes of the Sustainable Growth Scrutiny Committee of 23 March 2011
Appendix 3 – Review of the Use of Consultants Report.

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Review of the Use of Consultants

Appendix 1

Recommendations for Cabinet from Sustainable Growth Scrutiny Committee meeting held on 23 March 2011

RECOMMENDATION	CABINET RESPONSE
That the Cabinet be recommended that:	
(i) All projects involving consultants should be recorded through Verto. This recommendation is subject to officers considering whether there should be a financial threshold to this requirement to ensure appropriate use of Verto.	
(ii) All members should be provided with access to Verto in order to improve transparency regarding consultancy spend. This will also assist to resolve any uncertainty which may exist around the commissioning of consultants.	
(iii) The Commercial and Procurement Unit (CPU) should provide an update report to the Scrutiny Committee in Autumn 2011 regarding (1) the progress made with Qlikview reporting and the outcome of discussions with Serco (2) financial data, by department, for Q4 2010-11 and Q1 2011-12 (3) whether the use of consultants is captured across the council through consistent use of Verto (4) the level of member enquiry of Verto (5) how the spend on consultants is being recorded and monitored, and (6) confirming that there is accurate recording of savings and losses against each individual consultant or consultancy project.	
(iv) A policy on the use of consultants ought to be written for the benefit of officers to ensure consistent application in the use of consultants across the council.	
(v) The council should amend contract regulations and financial regulations to set out criteria officers should consider before deciding to employ consultants. This ought to include consideration of any internal skills within the council.	

RECOMMENDATION	CABINET RESPONSE
<p>(vi) The council should compile a central register of transferable professional skills available within the council which should be audited on a regular basis by the HR team.</p>	
<p>(vii) The council should amend the Employment Committee terms of reference to include contractors and consultants whose accumulative remuneration rate over a project lifecycle would take them into the same salary grade as a head of service. Contractors and consultants at this level ought to be approved by Employment Committee before appointment whenever possible or reviewed at least at six monthly intervals to ensure that their continued engagement is appropriate.</p>	
<p>(viii) The council should review its further business transformation needs and assess whether the procurement of project and performance management skills will be required when the Professional Services Partnership (Amtec) contract next comes up for renewal.</p>	
<p>(ix) The Verto system have a reporting function which allows it to report on minor projects involving the use of consultants (under £20k in value) to the cabinet member for resources.</p>	
<p>(x) For major projects (over £20k in value)</p> <ul style="list-style-type: none"> a) the cabinet member for resources ought to be requested to add approval to the Verto system for projects involving the use of consultants; and b) representative bodies including the Joint Consultative Forum, CMT and the Audit Committee are able to request regular reports from Verto on the use of consultants 	

RECOMMENDATION	CABINET RESPONSE
(xi) Skills transfer is a written contractual requirement for appropriate professional skill contracts, particularly project and programme management, to enable officers to develop expertise which will directly benefit the council.	
(xii) A relevant scrutiny panel (or a suitably staffed sub-committee of one formed of members preferably with audit and/or accountancy experience) should take sample projects to put under review for test of business case and efficiency.	
(xiii) Where the council engage consultants under long term contracts there should be a requirement for managers to approach the consultant at fixed periods in the contract about filling a permanent role within the council.	
(xiv) There should be improved scrutiny of the PSP contract if it is renewed in 2012. The relevant scrutiny committee should be consulted prior to any decision being made to engage specific contractors.	
(xv) All consultants engaged at managerial level should be required to update Verto as a condition of payment.	
(xvi) Should the council produce a policy around the use of consultants (see recommendation iv), this should contain the criteria for engaging and monitoring consultants.	
(xvii) Managers should negotiate fixed-price or incentive-based contracts where possible.	
(xviii) The council should whenever possible seek to fill senior management posts with a permanent employee where it is beneficial for the council and consider all other available options, (e.g. internal employees acting up) before seeking to recruit a consultant to a managerial position.	

RECOMMENDATION	CABINET RESPONSE
(xix) A report should be made to the Scrutiny Committee surrounding the errors found in Qlikview and what measures have been put in place to prevent such errors in future.	
(xx) Where possible, the council should seek to quantify the level of grant funding which supports the use of consultants within the council. This may be possible through a reporting function within Verto.	
(xxi) Where appropriate HR should be involved in the recruitment process for consultants occupying managerial positions so that advice can be given on suitable candidates and in house expertise, skills or knowledge.	
(xxii) The CPU should be allowed access to the information gathered by HR around internal skills and knowledge so that internal skills might be accessed before reliance is placed upon consultants.	
(xxiii) Managers should submit a report to the chief executive upon the proposed appointment of any consultant in an interim managerial role explaining why a consultant is to be preferred over an internal candidate. This is to ensure that officers are mindful of succession planning.	
(xxiv) A further update on the progress of the creation of a centralised list of consultants should be produced and a report made to the appropriate scrutiny committee in Autumn 2011.	
(xxv) The roll out of the HR Review should be expedited to ensure that all areas of the council have been assessed by Spring 2011.	

RECOMMENDATION	CABINET RESPONSE
(xxvi) Progress with the PDR process should be closely monitored to ensure that managers do not take a cascade approach as was the case with the previous APD system. This system prevented front line staff from receiving timely feedback or the opportunity to identify development opportunities and act upon career aspirations.	
(xxvii) The HR Review agenda should be amended to enable the chief executive and directors to identify where consultants are fulfilling positions. This information should be used to create a succession plan for ensuring that this is the most appropriate solution, or if not, to identify who could be developed to fulfil that role in future.	
(xxviii) A skills audit should be completed through a series of workshops with top performers. Included in the audit should be details of the specific projects that staff have worked on, similar to a CV. That would help to identify those with the potential to be of 'consultant' level.	
(xxix) The contract management system should be made available for scrutiny by members, or reviewed by way of regular reports to a scrutiny committee.	
(xxx) If a manager is shown to be disproportionately using agency staff for longer than three months then a business case should be made and entered on Verto.	
(xxxi) The HR team should report to the Sustainable Growth Scrutiny Committee in late Summer 2011 on progress or completion in the area of succession planning. If this requirement can be fulfilled by moving towards liP "Silver" status the report should also contain an evaluation of whether it is financially feasible for the council to progress towards this.	

RECOMMENDATION	CABINET RESPONSE
(xxxii) That the council investigates whether to move away from OGC Solutions as a method of contracting.	
(xxxiii) That the council conducts a cost benefit review analysis on whether details of sub-contracting arrangements should be included in all contracts.	



**MINUTES OF A MEETING OF THE SUSTAINABLE GROWTH SCRUTINY COMMITTEE
HELD AT THE BOURGES/VIERSEN ROOM - TOWN HALL ON 23 MARCH 2011**

Present: Councillors M Dalton (Chairman), S Allen (Vice-Chairman),
N Arculus, D Day, S Lane and J Peach

Also Present: Councillor North – Members of Scrutiny Review Group
Councillor Sandford – Member of Scrutiny Review Group
Councillor Seaton – Cabinet Member for Resources
Councillor Fletcher

Officers Present: Kim Sawyer, Head of Legal
Louise Tyers, Scrutiny Manager

1. Apologies for Absence

There were no apologies for absence.

2. Declarations of Interest and Whipping Declarations

Councillor Arculus declared a personal interest in that the law firm he worked for was listed in Appendix 2 of the report.

3. Urgent Item

Following the last meeting of the Committee held on 16 March 2011, the Chairman agreed to consider the deferred minutes of the Joint Scrutiny Meeting which had been held on 6 January 2011 as an urgent item.

4. Minutes of the Joint Scrutiny Meeting held on 6 January 2011

The minutes of the Joint Scrutiny Meeting held on 6 January 2011 were approved as a correct record.

5. Review of the Use of Consultants

The report presented the final report from the Review of the Use of Consultants which had been prepared by Councillors North, Lane and Sandford.

At a meeting of the Environment Capital Scrutiny Committee on 14 January 2010, where the proposed council budget had been discussed, the subject of the use of consultants arose. It was agreed that the Sustainable Growth Scrutiny Committee be recommended to undertake an in-depth scrutiny review into the cost and effectiveness of the council's use of consultants and to make recommendations on the future use of consultants to inform the development of budgets in future years. At its meeting on the 18 January 2010, the Sustainable Growth Scrutiny Committee produced a list of questions which it asked to be answered.

On the 15 March 2010, the Cabinet Member for Resources delivered a report on the use of consultants to the Sustainable Growth Scrutiny Committee. Following this report and subsequent discussion, the Committee established a task and finish group to review the council's use of consultants and report back on its findings and recommendations. An

interim report on progress with the review was considered by the Committee at its meeting on 9 November 2010.

Councillors Lane, North and Sandford presented their report. A lot of work had been undertaken to produce the report and it was acknowledged that each of the review group started out with their own different personal views. It was hoped that all members of the Committee had read the report and the Group were happy to take any questions and answer any queries.

Questions and observations were made around the following areas:

- The report made reference to Verto and Qlikview, what were those systems? *Verto was the council's project management system which provided information on projects and how they were proceeding. Qlikview was a data management system.*
- Why did the council not already look to fill senior management posts with a permanent employee where it was beneficial? *This recommendation was about ensuring that before a consultant was engaged the skills of the existing staff were reviewed to see if there was anybody suitable to undertake the work. During the review it had become clear that there had been very little succession planning in the past but this was now improving. Where some vacancies were only short term it may still be better value to engage a consultant.*
- Councillor Seaton advised that he agreed with what had been said about the skill sets but it was difficult to pull across the skills of 2500 employees. When he considered a request to engage a consultant he always looked at the business case and took advice from Directors about any in-house skills which could be made available. Since the last review in 2006 the way the council worked had changed considerably, for example one Head of Service was now undertaking the roles of five people by taking on considerably more responsibility.
- It was believed that the Panel had not been convinced by the argument that it would be cheaper to employ a consultant rather than a permanent member of staff, was that the case? *We needed to take into account the longevity of the job, the skills of the person and mentoring of staff. The Executive Director of Strategic Resources had produced a make or buy model which showed that a consultant could be cheaper but the group had come to the view that the example shown had been an extreme model. On a like for like basis the group believed that it would still be cheaper to employ a permanent member of staff. It was important that succession planning was fully embedded in the council so we could 'grow our own'.*
- Councillor Seaton advised that the make or buy model had been accepted by our auditors as a middle of the road model.
- Did the group undertake any assessment of where consultants had provided value for money including transferring of skills? *The group had considered this and had been surprised that there appeared to be no contractual requirement for skills transfer. Some of the group did have concerns that some interims had been employed continuously over long periods and so a recommendation had been put forward that any interim appointments should be reviewed by the Employment Committee if they were for a long period. With regards to skills transfer the group had talked to a number of officers and asked them whether skills had been transferred and they stated that it did. It was accepted that in some cases it was impractical for skills transfer to happen, for example property valuation.*
- Did the assessment of a consultant already take place or was this done by the Verto system? *The group were initially unsure but the Verto system had an end of project review stage. The Business Transformation Programme had a large amount of projects under it and the group believed that the council did not have enough managers to manage those projects and therefore in some cases engaging consultants was the best option.*
- Councillor Seaton advised that the council's staff had not been skilled in project management and due to the big changes through the Business Transformation

Programme skilled project managers were needed. Consultants were brought in for a short time before the work became business as usual. Most of the consultants who had been brought in worked for short periods, however it was accepted that some interims had been engaged by the council for longer periods.

- The report mentioned that one of the advantages of using consultants was that it was easier to terminate their contract when necessary. During the recent budget setting process did we end any consultants' contracts rather than making permanent employees redundant? *Councillor Seaton recalled that one or two posts, including the Deputy Chief Executive had been ended. However we had also negotiated reductions in rates with some consultants.*
- Did the review group examine the governance processes in place for Amtec contract? *The review group had seen the tender documents and evaluation process.*
- Did the review group see the contract between V4 and the council? *No, there was no contract between V4 and the council, the contract is between Amtec and V4. Some members of the review group believed that that arrangement removed transparency in the process and believed that the public had a right to see the remuneration of people undertaking key roles in the council. That was why one of the recommendations was that the Sustainable Growth Scrutiny Committee should be involved at an earlier stage in the next procurement of the contract.*
- V4 were already being used by the council prior to the award of the contract to Amtec, had V4 been involved in arranging the contract with Amtec? *We did examine that and did not find any evidence of impropriety. The review group believed that Amtec had been chosen as they already had the right people, however other organisations had been asked to tender. It was believed that V4 were formed to be the delivery vehicle for Amtec.*
- Councillor Seaton asked for it to be made clear that V4 had not been involved in the Amtec contract and to suggest otherwise was misleading.
- One of the findings in the report said that in February 2009 there were 72 consultants working for the council but in January 2011 the figure was 80, did the review group have any view as to why that was? *Officers had reiterated to the review group that they were striving to reduce the number of consultants. However the Group had also been told that it was financially advantageous to use consultants, so some of the group believed that not everybody in the council was fully committed to reducing the numbers of consultants. The increase in numbers could be explained that in January 2011 the work on the Lot 3 procurement was coming to a conclusion.*
- The Head of Legal advised that it may be useful to explain in the report when it went to Cabinet what the governance processes were and also include the advice note the review group received on the award of the contact.
- Had any steps been taken into trying to bring consultants in-house onto council terms and conditions of employment? *The review group had been told that a number of consultants had been approached but had turned the offer down, however the group still believed that it was a useful exercise to undertake. This was why it was important to promote succession planning.*
- Why was a figure of £50,000 put forward as the value of contracts which should be referred to the Cabinet Member? *It tied in with the Contract Standing Orders*
- The number of consultancy firms used for contacts over £50,000 was lower than those worth under £50,000, was £50,000 to high? *It was about transparency, if a Cabinet Member Decision Notice was required to be made then it brought the decision making into the public domain and open to scrutiny.*
- Councillor Seaton advised that he had no issues about what the level of sign off should be.
- What was the review group's view on the progress made since the report in 2006? *There had been some significant process and the review group believed that this was in some part due to this review. The review had three parts to it – the concerns of Councillor Fletcher, early information gathering and the report. The Chief Executive, Head of Legal and Executive Director for Strategic Resources had all been very*

supportive and provided all of the information requested. Significant progress had been made but more work was needed to bring the costs of consultants down. Transparency was the key theme throughout the recommendations and all councillors should be able to see the progress made on projects.

- What was the inaccurate report with PSP invoices that the review group had found? *The review group had asked to see a sample of the invoices relating to the contract and compared them to the spreadsheet of costs but the total of the invoices did not match the spreadsheet.*
- The report stated that using OGC Solutions delivered 8% savings compared to using a traditional tender, had any modelling been done on this and who advised on the figure? *A member of the Strategic Resources team had stated the figure and the group had done its own research and tended to agree with the figure.*
- Some of the review group felt that if it was cheaper to use consultants why did not all councils employ their senior management on that basis? *Councillor Seaton advised that a number of local authorities had now changed the contractual basis on how they employed staff, for example only using one year contracts.*
- Some of the Committee had concerns about pre-tendering firms for work as only large firms could be pre-tendered and this meant that money left Peterborough's economy. *The review group had been told that the council could not automatically use Peterborough consultants as it would be against EU legislation. It was important that when the next contract was due a full review into the best way to procure it was carried out.*
- The Head of Legal clarified that EU rules governed procurement and we could not give an advantage to small to medium enterprises. If we wanted to attract them it would be dependent on how we worded the specification. The government had indicated that they would be looking to change the law on favouring small to medium enterprises.
- At the invitation of the Chairman, Councillor Fletcher addressed the Committee and he made the following comments:
 - At the Sustainable Growth Scrutiny Committee meeting early in 2010, a figure of £12m was reported on the use of consultants but the review has said it was £8m, where were these figures coming from?
 - In February 2010, he had tabled a number of questions to be answered but prior to a meeting of the Committee to discuss the answers, the Solicitor to the Council had cancelled that meeting following a threat from the solicitors to some of the consultants.
 - It was accepted that there were some short term engagements but there were some long term ones as well.
 - He acknowledged that a lot of work had been done but he still had certain concerns.
 - After the elections he would ensure that more work was undertaken.
- At the invitation of the Chairman, Mark Burn, Assistant Branch Secretary of UNISON addressed the Committee and made the following comments:
 - There was not a one size fits all solution.
 - There had been a big affect on staff with the number of consultants being engaged in some areas.
 - Some consultants provided good value for money.
 - Manor Drive Solutions would be a cost to the council when it was outsourced. How much would it cost be buy in the services?
 - He confirmed that consultants' contracts had been ended before permanent staff had been made redundant.
- Councillor North responded about the different figures being used for the cost of using consultants. In some cases Atkins had been classed as consultants but during the review the group had taken the view that they should not be classed as consultants. One of the outcomes of the review was to recommend a future definition of what was meant by consultancy.

- Some members of the Committee stated that they would expect to see details of the sub-contracting arrangements of any of our contractors. *The Head of Legal advised that we could insist on details of sub-contractors but we would be required to pay for it as it would be an additional requirement of the contract. Details of sub-contractor would be easy to obtain through Companies House and this could be looked at.*
- If we did not have details of sub-contractors how did we ensure that our policies were being complied with?
- Why had Councillor Fletcher not had the answers to his original questions? *The Head of Legal advised that she had joined the review late in the process and was not prepared to release the information until she was happy that she had the review group's consent to release the information and that the responses were within the law.*

The review group asked for their thanks to Kim Sawyer, Louise Tyers, Karen Whatley and Andy Cox for their support during the review to be recorded.

The Chairman thanked the review group for their work in compiling the report, Councillor Fletcher for proposing the review and to Councillor Seaton for supporting the review.

RECOMMENDATIONS

That the Cabinet be recommended that:

- (i) All projects involving consultants should be recorded through Verto. This recommendation is subject to officers considering whether there should be a financial threshold to this requirement to ensure appropriate use of Verto.
- (ii) All members should be provided with access to Verto in order to improve transparency regarding consultancy spend. This will also assist to resolve any uncertainty which may exist around the commissioning of consultants.
- (iii) The Commercial and Procurement Unit (CPU) should provide an update report to the Scrutiny Committee in Autumn 2011 regarding (1) the progress made with Qlikview reporting and the outcome of discussions with Serco (2) financial data, by department, for Q4 2010-11 and Q1 2011-12 (3) whether the use of consultants is captured across the council through consistent use of Verto (4) the level of member enquiry of Verto (5) how the spend on consultants is being recorded and monitored, and (6) confirming that there is accurate recording of savings and losses against each individual consultant or consultancy project.
- (iv) A policy on the use of consultants ought to be written for the benefit of officers to ensure consistent application in the use of consultants across the council.
- (v) The council should amend contract regulations and financial regulations to set out criteria officers should consider before deciding to employ consultants. This ought to include consideration of any internal skills within the council.
- (vi) The council should compile a central register of transferable professional skills available within the council which should be audited on a regular basis by the HR team.
- (vii) The council should amend the Employment Committee terms of reference to include contractors and consultants whose accumulative remuneration rate over a project lifecycle would take them into the same salary grade as a head of service. Contractors and consultants at this level ought to be approved by Employment Committee before appointment whenever possible or reviewed at least at six monthly intervals to ensure that their continued engagement is appropriate.
- (viii) The council should review its further business transformation needs and assess whether the procurement of project and performance management skills will be required when the Professional Services Partnership (Amtec) contract next comes up for renewal.

- (ix) The Verto system have a reporting function which allows it to report on minor projects involving the use of consultants (under £20k in value) to the cabinet member for resources.
- (x) For major projects (over £20k in value)
 - a) the cabinet member for resources ought to be requested to add approval to the Verto system for projects involving the use of consultants; and
 - b) representative bodies including the Joint Consultative Forum, CMT and the Audit Committee are able to request regular reports from Verto on the use of consultants
- (xi) Skills transfer is a written contractual requirement for appropriate professional skill contracts, particularly project and programme management, to enable officers to develop expertise which will directly benefit the council.
- (xii) A relevant scrutiny panel (or a suitably staffed sub-committee of one formed of members preferably with audit and/or accountancy experience) should take sample projects to put under review for test of business case and efficiency.
- (xiii) Where the council engage consultants under long term contracts there should be a requirement for managers to approach the consultant at fixed periods in the contract about filling a permanent role within the council.
- (xiv) There should be improved scrutiny of the PSP contract if it is renewed in 2012. The relevant scrutiny committee should be consulted prior to any decision being made to engage specific contractors.
- (xv) All consultants engaged at managerial level should be required to update Verto as a condition of payment.
- (xvi) Should the council produce a policy around the use of consultants (see recommendation iv), this should contain the criteria for engaging and monitoring consultants.
- (xvii) Managers should negotiate fixed-price or incentive-based contracts where possible.
- (xviii) The council should whenever possible seek to fill senior management posts with a permanent employee where it is beneficial for the council and consider all other available options, (e.g. internal employees acting up) before seeking to recruit a consultant to a managerial position.
- (xix) A report should be made to the Scrutiny Committee surrounding the errors found in Qlikview and what measures have been put in place to prevent such errors in future.
- (xx) Where possible, the council should seek to quantify the level of grant funding which supports the use of consultants within the council. This may be possible through a reporting function within Verto.
- (xxi) Where appropriate HR should be involved in the recruitment process for consultants occupying managerial positions so that advice can be given on suitable candidates and in house expertise, skills or knowledge.
- (xxii) The CPU should be allowed access to the information gathered by HR around internal skills and knowledge so that internal skills might be accessed before reliance is placed upon consultants.
- (xxiii) Managers should submit a report to the chief executive upon the proposed appointment of any consultant in an interim managerial role explaining why a consultant is to be preferred over an internal candidate. This is to ensure that officers are mindful of succession planning.
- (xxiv) A further update on the progress of the creation of a centralised list of consultants should be produced and a report made to the appropriate scrutiny committee in Autumn 2011.
- (xxv) The roll out of the HR Review should be expedited to ensure that all areas of the council have been assessed by Spring 2011.
- (xxvi) Progress with the PDR process should be closely monitored to ensure that managers do not take a cascade approach as was the case with the previous APD system. This system prevented front line staff from receiving timely feedback

or the opportunity to identify development opportunities and act upon career aspirations.

- (xxvii) The HR Review agenda should be amended to enable the chief executive and directors to identify where consultants are fulfilling positions. This information should be used to create a succession plan for ensuring that this is the most appropriate solution, or if not, to identify who could be developed to fulfil that role in future.
- (xxviii) A skills audit should be completed through a series of workshops with top performers. Included in the audit should be details of the specific projects that staff have worked on, similar to a CV. That would help to identify those with the potential to be of 'consultant' level.
- (xxix) The contract management system should be made available for scrutiny by members, or reviewed by way of regular reports to a scrutiny committee.
- (xxx) If a manager is shown to be disproportionately using agency staff for longer than three months then a business case should be made and entered on Verto.
- (xxxi) The HR team should report to the Sustainable Growth Scrutiny Committee in late Summer 2011 on progress or completion in the area of succession planning. If this requirement can be fulfilled by moving towards liP "Silver" status the report should also contain an evaluation of whether it is financially feasible for the council to progress towards this.
- (xxxii) That the council investigates whether to move away from OGC Solutions as a method of contracting.
- (xxxiii) That the council conducts a cost benefit review analysis on whether details of sub-contracting arrangements should be included in all contracts.

CHAIRMAN
7.00 - 9.18 pm

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USE OF CONSULTANTS

Report of the Sustainable Growth Scrutiny Committee

March 2011

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1. Introduction

In March 2010, the Sustainable Growth Scrutiny Committee requested a review into Peterborough City Council's use of consultants.

Regular engagement of consultants by the council raises many issues which this review sought to tackle:

- Why is there a need to employ consultants?
- Is there a substantial cost to the Council in employing consultants?
- Why are employees of the Council not asked to do the consultant's work?
- What checks and balances are in place to monitor the consultants?

Through this review elected members sought to determine answers to each of these questions.

Prior to this review, in 2006 the Best Value and Corporate Resources Policy Overview Committee undertook a review of the Council's use of consultants and agency staff. A monitoring report was produced for the committee in 2006 and analysis of the implementation of the recommendations made in 2006 are detailed later in this report. The review group also wanted to consider how successful that review had been and to ensure those earlier recommendations had been implemented.

A cross-party review group was established to undertake this work on behalf of the Sustainable Growth Scrutiny Committee.

The review group consisted of:



Cllr Stephen Lane
Independent



Cllr Nigel North
Conservative



Cllr Nick Sandford
Liberal Democrat

The review group would like to thank Karen Whatley, project manager, Kim Sawyer, head of legal services, Diane Baker, compliance and ethical standards manager and Louise Tyers, scrutiny manager for providing support to enable them to conduct this review.

2. Objectives of the review

2.1 Scope

- To examine the cost of consultants and whether that provides value for money
- To review the processes for engaging and monitoring the work of consultants
- To look at the relationship between consultants and staff of the council
- To examine the likely future use of consultants by the council

2.2 Terms of reference

- 2.2.1 Clearly define the terms consultant, consultancy, interim manager, and contractor
- 2.2.2 Ensure that measures are in place for departments to be able to keep track of consultancy spend
- 2.2.3 Examine how consultants are engaged
- 2.2.4 Examine the procurement process including the measures in place for deciding:
- What contracts are issued
 - How rates are decided
 - The rationale for how long companies and/or individuals are engaged
 - The cost and frequency of engagements
- 2.2.5 Examine a snapshot of:
- How many consultants are engaged at the present time
 - What are they working on
 - How long they have been working on a project for
 - What is the remuneration rate (daily/weekly/monthly/fixed price)
- 2.2.6 Scrutinise a selection of the major contracts awarded in the past two years
- 2.2.7 Examine the measures being implemented to reduce the reliance on consultants
- 2.2.8 Investigate and take a view on whether consultants should be engaged through the Employment Committee
- 2.2.9 Comprehensively evaluate the 2006 review's recommendations and report on the progress of their implementation
- 2.2.10 Gain answers to the questions posed in January 2010 by the then chairman of the Sustainable Growth Scrutiny Committee, Cllr Fletcher.

3. Approach, key witnesses and reporting timetable

3.1 Approach

The approach taken by the review group has been in three phases. Firstly a desk-top research phase enabled the group gather relevant publications, papers and documents, to establish a Terms of Reference and to then request the detailed information needed from Officers to conduct the review against the established methodology.

The review group had regard to the scrutiny reviews undertaken by other local authorities in relation to their own use of consultants, plus the report released in October 2010¹ regarding central government's use of consultants. The review group also considered guidance produced by:

- Management Consultancies Association's Model on the Value of Consulting; and
- I&DeA (now Local Government Improvement and Development) Members Guide on making savings through better procurement

The group's second phase was to interview council officers and other key people. The findings from these interviews are integrated into the later stages of this report.

3.2 Key witnesses

During Stage 2 of the Review officers from children's services, strategic resources, city services, Peterborough Delivery Partnership and the operations directorate were interviewed to assess:

- (i) The impact that consultants have had upon their service areas, at a programme, project and individual level in terms of benefit realisation, knowledge transfer and cost
- (ii) The measures in place for identifying staff potential as a route to reducing reliance on consultants.

The people interviewed during this stage were:

- Andrew Edwards, head of Peterborough Delivery Partnership
- Karen Harrington, head of business support (Manor Drive)
- John Harrison, executive director of strategic resources
- Richard Pearn, waste infrastructure programme manager (Business Transformation)
- Mark Sandhu, head of customer services
- Steve Ward, head of business support (city services)
- Mike Kealey, interim head of human resources
- Councillor Michael Fletcher
- Mark Burn, Unison assistant branch secretary

For Stage 3 of the review the Task and Finish Group identified a number of other key witnesses to be interviewed. Prior to the interviews taking place all interviewees were asked to provide written answers to a number of questions around the use of consultants, interim managers and skills transfer. Copies of the pre-interview questionnaires are attached at Appendix 7. Interviews were then conducted with the following:

¹ www.nao.org.uk/consultants-2010

Officers from Peterborough City Council:

- Gillian Beasley, chief executive
- Howard Bright, head of growth delivery
- Adrian Chapman, head of neighbourhood services
- Heather Darwin, Business Transformation manager
- Andrew Edwards, head of Peterborough Delivery Partnership
- John Harrison, executive director of strategic resources
- Jenny Line, sustainable development officer
- Matthew Rains, P2P manager
- Mark Sandhu, head of customer services
- Steve Ward, head of business support (city services)
- Colin Wilson, training and development manager

Cabinet Members:

- Councillor Marco Cereste, leader of Peterborough City Council
- Councillor David Seaton, cabinet member for resources
- Councillor Irene Walsh, cabinet member for community cohesion, safety and women's enterprise

Interims and consultants used by Peterborough City Council:

- Peter Beveridge and David Arthur, Stirling Maynard
- Anthony Davis, Headstuff
- Adam Jacobs, procurement project director
- Mike Kealey, interim head of human resources
- Ben Ticehurst, Peterborough Delivery Partnership
- Paul Tonks, head of Business Transformation
- Charles Trustram Eve, GVA Grimley
- Joan West, Business Transformation project manager

Other Interviews:

- Councillor Michael Fletcher

The following people provided written information to the Review Group but were not interviewed:

- Councillor Matthew Lee, deputy leader and cabinet member for culture, recreation and strategic commissioning
- Ramnit Bassi, Business Transformation manager
- Angela Nottingham, Business Transformation project manager

3.3 Reporting Timetable

The reporting timetable for the review will be:

MEETING	DATE
Sustainable Growth Scrutiny Committee	23 March 2011
Cabinet	June 2011
Council	July 2011

4. Process, findings and recommendations

4.1 Process

The Task and Finish Group met on the following dates:

- 15 June 2010
- 5 July 2010
- 17 August 2010
- 24 August 2010
- 28 September 2010
- 6 October 2010
- 2 December 2010
- 20 December 2010
- 18 February 2011
- 21 February 2011
- 1 March 2011
- 7 March 2011
- 15 March 2011

The group had originally intended to submit its full report to the Sustainable Growth Scrutiny Committee in September 2010. However, due to the depth of investigation, quantity of information to review and the complexities of the unfolding investigation; the group allowed itself more time to enable a thorough review of the council's use of consultants.

4.2 Findings and recommendations

ToR 1 - Clearly define the terms consultant, consultancy, interim manager, and contractor

The review group considered the Management Consultancies Association's (MCA) definition, as follows:

The MCA defines consulting as '...the creation of value for organisations through the application of knowledge, techniques, and assets to improve performance. This is achieved through the rendering of objective advice and/or the implementation of business solutions. Consultants are distinct from contractors, in that the latter fill permanent vacancies or temporary increases in operational workload. Contractors are therefore used as day-to-day operational resources to maintain departmental function, and are managed by client staff.'

The MCA sought by this definition to distinguish between short-term fixed period contracts for one-off projects where knowledge and techniques were to be made available in house. Consultancy work is therefore outside of the organisation's 'business as usual' and did not include additional staffing resources needed to deal with an increased volume of work. When engaging a consultant responsibility for the final outcome, or the ongoing service, would rest with the council.

The National Audit Office (NAO) defines consultants as 'external third parties, with expertise that is typically not available internally. Clients employ consultants for short projects, and usually specify an end point to their involvement in the project. Although a project manager from the consulting firm generally manages the consultant, responsibility for the final outcome of the project rests with the client. This means that consulting is distinct from outsourcing or staff substitution.'

Drawing from the MCA and the NAO definitions, the review group considered that consultants were typically defined as:

- Providing skills or expertise not available within the council
- Engaged under fixed term projects
- Working to identified outcomes
- Managed by council officers

However, under these definitions however persons who are employed to provide day to day operational resource were not defined as consultants.

In the first stage of its review, the group were mindful that the council had employed, or were employing, several persons under the label of 'interim managers' through the Professional Services Partnership (PSP). Several of these officers appeared to be engaged in the day-to-day operational resource of the council but sat outside of the council's management structure. The review group considered these people to be consultants and wanted to explore during the second stage of interviews their particular involvement within the council.

The following definitions were therefore offered to all those interviewed during the second stage of the process:

Consultants

Consultants are external third parties, with expertise that is typically not available internally. Clients employ consultants for short-term projects, and usually specify an end-point to their involvement in a project.

Interims

Interims fill permanent vacancies or temporary increases in operational workload. Interims are therefore contractors used as day-to-day operational resources to maintain departmental function, and are managed by client staff.

Findings:

1.1 As a result of the interviews undertaken the review group considered that some of those persons employed by the council under the label of "interim manager" were in fact consultants who had in some cases been employed for longer than might have been expected under a consultancy contract i.e. non fixed term. Therefore, this group wanted to consider in relation to those longer term engagements whether those consultants continued to add value to the council's business and what controls might be necessary for the longer term engagement of consultants.

1.2 However, the group notes that the majority of the council spend, during a snapshot period, related to the more traditional definition of consultant i.e. fixed term single purpose contracts. The group therefore adopts the following definitions for the purpose of this review:

Consultants are external third parties with expertise, skills and knowledge that is typically not available internally. Consultants may include those filling managerial positions where the purpose of that role is to improve performance. Consultants are employed for fixed periods and provide identified outcomes contributing to the priorities of the council. Consultants are distinct from contractors who fill operational workload requirements within the scope of an existing role.

- 1.3 By this definition persons filling managerial roles may be either consultants or contractors depending upon whether they are engaged to work to an existing job description (contractors) or whether they are engaged to bring a new dimension to the role through the application of skills, knowledge or techniques not generally available (consultants). The purpose of engaging either consultant or contractor is intended to be for a fixed period although in the case of a consultant may not necessarily be short term.

It is important to note that the review group are recommending in this report that consultants who are engaged on longer terms should be subject to regular review by the Employment Committee.

ToR 2 - Ensure that measures are in place for departments to be able to keep track of consultancy spend

Following the 2006 review of the use of consultants, a new version of Oracle was implemented in July 2007 and the new 'Verto' project management system was implemented in September 2009. Both systems were implemented as control mechanisms for the council. The Oracle system can monitor internal purchasing processes and the Verto system monitors project management.

Verto was developed by the city council and TMI Systems, and is a hosted, web-based spreadsheet. The review group was given access and could easily interrogate random projects for detailed analysis.

The Oracle upgrade included a new categorisation method known as 'pro-class' which enables the council to more accurately reflect what was being spent on consultants.

The commercial and procurement unit (CPU) also implemented 'Supplierforce' in the third quarter of 2008. 'Supplierforce' is a hosted web-based supplier relationship management tool comprising of several modules, including; supplier information management; e-tendering functionality; contract repository and management modules and purchasing activity reporting. This enables the unit to control the commissioning of consultancy suppliers set up on the Oracle system. Both Supplierforce and Oracle can utilise the 'pro-class' classification codes.

Oracle has the ability to refer specific categories of purchasing to 'specialist buyers' who effectively act as a gateway for all purchases in that category. Specialist buyers were introduced for a variety of categories from July 2007 such as stationery, furniture and temporary and agency staff. The temporary and agency staff specialist buyers were introduced within HR in early 2008; however the CPU took over this responsibility from October 2008 and, before handing it over to the business support unit in December 2009, introduced specialist buyers to challenge purchasing under the consultancy category.

In April 2010 the CPU implemented a series of new 'smart forms' within the Oracle system which enable purchasing officers to appropriately categorise their order under 'Consultancy under contract' e.g. through the Professional Services Partnership (PSP), 'Adhoc Consultancy' or 'Interim Consultancy' i.e. interim managers. These 'smart forms' have been further updated and improved to allow easier data extraction. Detailed information, including the consultant's name, has also now become mandatory and has been captured since 1 December 2010.

At the time of this report the CPU were in discussion with the Oracle financial team about developing a standard report in Qlikview to assist with data capture. They were also liaising with Serco, the council's IT provider, on assisting with the development of reports and it is anticipated that a reporting function on the use of consultants may be made live from April 2011.

As a result of these changes, and in particular those arising from a result of this review, all consultants appointed to council projects, whether through the PSP or otherwise, are recorded and monitored through Verto.

The review group has also noted that in December 2010 the process for recruiting temporary staff and consultants changed.

The group has reviewed invoices, relevant contracts and has received training in order to be able to review information through the Verto project management system.

Findings:

- 2.1 The review group is pleased to note that this review has directly led to improvements in the way that the council records consultancy spending and monitors consultants' progress. A correlation can be drawn between this consultancy review, which commenced in Spring 2010, and the increase in activity and consequent progress around this issue. The group should like this progress to continue.
- 2.2 The monitoring of consultancy spending by departments has historically been problematic due to the nature of the system that receives the data input. Departments normally submit regular monthly Budgetary Control Reports (BCR), which enables the corporate management team (CMT) to monitor spending at aggregate level by department and service level against budget, but there is no specific monitoring of consultancy spending by the BCR. The review group was given to understand that officers were able to level out spending across budgets which the group believed may lead to misinterpretation of a consultant's performance as any losses or failure to achieve target savings by consultants may not be readily identified from aggregated budgets.
- 2.3 The review group considered that greater transparency around consultancy spend and performance could be achieved through consistent reporting on Verto. The Group noted that around 35 per cent of the council's spend on consultants was not recorded on Verto. However, the group was concerned that Verto should not become overly bureaucratic and officers need to consider whether reporting is required only following a minimum level of consultancy spend (e.g. £5K). The group considered that Verto should *not* be a tool for recording use of contractors (see paragraph 1.2 above for this definition) as employment issues are essentially a matter for the human resources team. The CPU team may therefore need to revise their terminology for the 'smart forms' to exclude contractors.

Recommendation 1:

All projects involving consultants should be recorded through Verto. This recommendation is subject to officers considering whether there should be a financial threshold to this requirement to ensure appropriate use of Verto.

Recommendation 2:

All members should be provided with access to Verto in order to improve transparency regarding consultancy spend. This will also assist to resolve any uncertainty which may exist around the commissioning of consultants.

Recommendation 3:

The CPU should provide an update report to the Scrutiny Committee in Autumn 2011 including:

- (1) the progress made with Qlikview reporting and the outcome of discussions with Serco
- (2) financial data, by department, for quarter four 2010/11 and quarter one 2011/12
- (3) whether the use of consultants is captured across the council through consistent use of Verto
- (4) the level of member enquiry of Verto
- (5) how the spend on consultants is being recorded and monitored
- (6) confirmation that there is accurate recording of savings and losses against each individual consultant or consultancy project.

Recommendation 4:

The Scrutiny Committee should consider whether, as a result of receiving the report, a policy on the use of consultants ought to be written for the benefit of officers to ensure consistent application in the use of consultants across the council.

ToR 3 - Examine how consultants are engaged

Decisions to engage a consultant are normally made by senior officers. The authorisation process for procuring consultants is determined by value through compliance with contract regulations and financial rules, however these rules are generally silent around any considerations to be given prior to engaging any consultant, including whether any skills or knowledge are available within the council.

Some years ago the council had decided to take a different approach to the use of consultants to provide project and performance management skills. The review group heard evidence that post 2002 the challenge which the council faced meant that the workforce had to acquire significant skills over a short period of time to improve the council's performance and have the capability to manage major projects

To complete the business transformation programme, the decision was taken to secure assistance through a single supplier of project and performance management skills to ensure consistent management of the programme across the council. The Professional Services Partnership (PSP) as it came to be known, has an underlying Cabinet Member Decision Notice that authorised the appointment of Amtec Consulting Group through an OGC Buying Solutions Framework. Services are however delivered through V4 Services Limited, a delivery partner to Amtec, which is essentially a sub-contractor to Amtec. The group noted that the appointment of consultants under the V4 Services contract is supported by a robust governance process which means that every individual assignment within that contract is authorised by the executive director of strategic resources via the approval of a business case. Officers also gave evidence that they are not under any obligation to use this particular contract if they consider they are able to obtain better value for money elsewhere.

The group considered that in deciding to award the contract to Amtec under the OGC Buying Solutions framework agreement and its delivery partner, V4 Services Ltd, a company that was leading the council's business transformation prior to the contract award, this led to the perception of there having been insufficient competition around delivery of these services. The group note however that in order to achieve a place within the framework, there has already been competition amongst the providers with only those already meeting the quality and value thresholds securing their position. Evidence was also heard that the use of a framework agreement can secure savings of up to 8 per cent of the

cost of the contract which is the equivalent cost of the contracting process and that it is accepted practice to seek a single supplier from a framework.

Another example of the use of consultants is the appointment of Tribal Education Ltd who were the specialist ICT and education consultants for the Building Schools for the Future programme. The appointment and subsequent authorisation was in accordance with contract regulations where the value exceeded £150k (the authorisation limit of the majority of heads of service) and the appropriate director made the approval of award through a 'Contract Award Report'.

Findings:

- 3.1 The group is satisfied that there is robust governance around the process for engaging consultants. Contract regulations and financial regulations set out clearly when senior officers can award contracts and when the Executive is involved in the award of the contract. However the criteria used by officers to make the decision to engage a consultant remains unclear to the group and there is concern that consultants are being used in the absence of any quality information regarding internal staff skills.
- 3.2 The Council has an Employment Committee which, while not a legislative requirement, is used locally for the appointment of officers at head of service and director level. The group has established that at present the Employment Committee is not used for the appointment of contractors filling temporary vacancies or consultants filling management positions when either of these is engaged at Head of Service or Director level.
- 3.3 The Professional Services Partnership has an underlying 2008 Cabinet Member Decision Notice and the group reviewed this in detail. Although the review group is satisfied about the process for appointing Amtec it considers that the contract has been in place for many years and would now benefit from further testing in the market. Some members of the group consider that because of the length of the contract the council may have developed too much of a reliance on this sole partner that one might question the strength of the value for money claim.
- 3.4 The review group was made aware of several awards which the council had received as a result of the approach it had taken to its business transformation programme through the Amtec contract and noted that this partnership continued to achieve success. The review group also heard from several officers about the positive benefits for council employees working alongside those consultants, however the group found that, in relation to the Amtec contract and those consultants employed in managerial positions within the council there needed to be
 - greater transparency around the rates paid to the consultancy firm engaged under the professional services partnership,
 - a better understanding of the specification and/or targets set for those individuals engaged, and
 - clear end dates or review dates for each consultant.

Recommendation 5

The council should amend contract regulations and financial regulations to set out criteria officers should consider before deciding to employ consultants. This ought to include consideration of any internal skills within the council.

Recommendation 6

The council should compile a central register of transferable professional skills available within the council which should be audited on a regular basis by the HR team.

Recommendation 7:

The council should amend the Employment Committee's terms of reference to include contractors and consultants whose accumulative remuneration rate over a project lifecycle would take them into the same salary grade as a head of service. Contractors and consultants at this level ought to be approved by Employment Committee before appointment whenever possible or reviewed at least at 6 monthly intervals to ensure that their continued engagement is appropriate.

Recommendation 8:

The council should review its further business transformation needs and assess whether the procurement of project and performance management skills will be required when the Professional Services Partnership (Amtec) contract next comes up for renewal

ToR 4 - Examine the procurement process including the measures in place for deciding:

- a) what contracts are issued**
- b) how rates are decided**
- c) the rationale for how long companies and/or individuals are engaged**
- d) the cost and frequency of engagements**

Projects requiring the expertise of consultants are usually identified through departmental business plans, or are initiated following changes in legislative requirements. Projects can also be initiated in response to a local issue. The Peterborough Procurement Cycle, Appendix 6, demonstrates the procurement route that would be followed subject to an approved business case having been developed. The procurement route is designed to achieve competition amongst suppliers ensuring that the council achieves value for money for the quality of service it purchases. Each contract has a specification and evaluation criteria are applied consistently to all bidders.

Business cases are developed by the business transformation team, and authorised by the executive director of strategic resources. The senior contracts & partnerships manager is responsible for order raising and invoices processing through strong governance. This process has the approval of the chief internal auditor.

Each business case is assessed as to the level of external consultancy required and the level of skill required to undertake the assignment by a project manager. It would also determine how long a consultant is to be employed for, with any subsequent change to that being authorised by a change request procedure. Normally CV's are submitted to the project manager for consideration and candidates are interviewed. Junior consultants are used where possible.

The Professional Services Partnership (PSP), which was used for 65 per cent of the consultancy spending in 2009/10, is directed by the OGC Buying Solutions Framework. This framework has an associated rate card which is used for guidance.

A supplier negotiation programme was introduced in 2010/11 as part of the council's Business Transformation programme to deliver in-year cashable savings. This programme

is fundamental in ensuring the sustainability of the Comprehensive Spending Review budget cuts and has resulted in some consultancy suppliers reducing their day rates by as much as 30 per cent.

Findings:

- 4.1 With 65 per cent of consultancy spend being made through the PSP, and with an OGC Buying Solutions Framework, the review group had concerns that reliance on the daily rate card may not produce value for money from consultants who had been engaged in long term management positions within the council. Work charged at a daily rate may not encourage consultants to work as efficiently as those charged at a fixed price. In that event robust performance management of consultants would be required by officers of the council. The group heard evidence that those consultants who reported through Verto were required to update the system monthly with performance information and that this was a requirement for payment of their invoice. The group considered that this practice should be consistently applied to all consultants within Verto. The group noted that of the £8.8M spent on consultants in 2009-10 only £1.3M was spent on interim managers, so that the majority of the budget was spent was on short term, single target projects.
- 4.2 The group heard from several individual council officers who had achieved positive career development as a result of working directly with consultants under the PSP contract, however the group also heard evidence that skills transfer is not a routine part of the specification when engaging consultants. Consistent reliance on consultants for skills is expensive and repeated use in such cases might suggest poor value for money. Skills transfer is therefore to be preferred.
- 4.3 The group also found that the use of consultants in some cases is never likely to require skills transfer. These include contracts where the knowledge required is so specialised or technical that it would not represent good value for money to develop in house skills. An example was given of contaminated land evaluation where the use of land valuation consultants is beneficial as the need for such expertise is rare and it would not be feasible for the Council to develop an officer in this area when the skills and knowledge would be called upon so infrequently. Other examples include architects and surveyors.
- 4.4 The Group found from interviews with officers that consultants are regularly used for business as usual work and were also concerned that some consultants change from post to post without any evidence of external recruitment having taken place for these roles. Whilst the Group heard evidence demonstrating the flexibility a consultant provided within the workforce, the Group would like to see greater member involvement in the process through the use of the Employment Committee to ensure that there is a robust options appraisal for each interim appointment at Head of Service level and above.
- 4.5 The group noted that there was no call-in of the PSP CMDN, however the introduction of this contract was a significant decision for the council. Subsequently many questions have arisen from its introduction and the group suggests that increased scrutiny should be implemented in time for the contract renewal in 2012.
- 4.6 The group would like to see that where there is continued long term use of consultants they should be approached about working in-house. This should particularly happen where consultants are used at managerial level. This would allow for better scrutiny and line management of project officers, the securing of the knowledge needed to deliver projects and better value for money/ reduced costs. There are also incentives for consultants through job security, job satisfaction and

while it may not be enticing for all consultants, the group can see clear benefits to be derived from a conversation around this issue.

Recommendation 9:

The group would recommend that the Verto system have a reporting function which allows it to report on minor projects involving the use of consultants (under £50k in value) to the cabinet member for resources.

Recommendation 10:

For major projects (over £50k in value)

- a) the cabinet member for resources ought to be requested to add approval to the Verto system for projects involving the use of consultants; and
- b) representative bodies including the Joint Consultative Forum, CMT and the Audit Committee are able to request regular reports from Verto on the use of consultants

Recommendation 11:

The group would recommend that skills transfer is a written contractual requirement for appropriate professional skill contracts, particularly project and programme management, to enable officers to develop expertise which will directly benefit the council.

Recommendation 12:

A relevant scrutiny panel (or a suitably staffed sub-committee of one formed of members preferably with audit and/or accountancy experience) should take sample projects to put under review for test of business case and efficiency.

Recommendation 13:

Where the council engage consultants under long term contracts there should be a requirement for managers to approach the consultant at fixed periods in the contract about filling a permanent role within the council.

Recommendation 14:

There should be improved scrutiny of the PSP contract if it is renewed in 2012. The group recommend that the relevant scrutiny committee should be consulted prior to any decision being made to engage specific contractors.

Recommendation 15:

All consultants engaged at managerial level should be required to update Verto as a condition of payment.

ToR 5 - Examine a snapshot of:

- a) how many consultants are engaged at the present time**
- b) what are they working on**
- c) how long they have been working on a project for**
- d) what is the remuneration rate (daily/weekly/monthly/fixed price)**

Information detailing the projects where consultants have been engaged has been included in the background documentation (Appendix 4).

Findings:

- 5.1 There has been an 11 per cent increase in the number of consultants working for the council. The group established from a 2009 Freedom of Information (FOI) request that on the 11 February 2009 there were 72 consultants working for Peterborough City Council. A snapshot of the second week in January 2011 revealed that there were a total of 80 consultants working for the council. Both of these figures include consultant interim managers of which in January 2011 there were seven.
- 5.2 There has been no significant change in the amount spent by the council on consultancy. Over the period 1 July 2007 to 30 June 2008 the cost of the 72 consultants and interim managers was £8.1m. Over the 2009/2010 financial year, the council paid £8.486m to consultancy suppliers, £1.3m of which was for the supply of consultants in managerial positions.
- 5.3 It was noted that a number of consultants had been working with the authority for several years, the majority of these being under the Amtec contract. These are often referred to as interim managers but are in fact consultants working in managerial positions. However, 29 of the 80 consultants working for the city council in January 2011 were sourced from outside of the Amtec contract. Four of the seven consultant interims were also non-PSP. Whilst this demonstrates that officers are using their discretion to appoint outside of the Amtec contract, this might lead to question whether the Amtec contract is continuing to provide the best value for money. It may also be indicative of successful skills transfer resulting in reduced reliance on the contract however without any external monitoring of skills transfer this is difficult to ascertain. Recommendations 6 & 8 deal with this finding
- 5.4 Officer interviews determined that at least one manager contracted a consultant for a time-limited project and on fixed-price terms (Lot 3 project). The group were not certain whether departments made sufficient use of incentive-based and fixed-price contracts and were not certain of how consultants were effectively monitored. The group welcomes the recent creation of 'Specialist Buyer' within the procurement process and looks forward to an improved process as a result.
- 5.5 The group consider that the appointment of a consultant in a managerial position should be time restricted. This would create the opportunity for a more robust evaluation of the options available to the Council for fulfilling key roles and ensure that appointments are transparent and open to challenge. There have been, and continue to be, consultants appointed directly to vacancies. There may be good reason for this – an example would be where previous open recruitment has failed, and the recruiting director is confident that no one possessing the required skills would come forward should another recruitment campaign be undertaken. In this instance an appropriately qualified candidate could be sought through the PSP framework. This is how the current head of HR came to be appointed. The group found that this consultant has now been in post since November 2008, with good

results, but that a recruitment exercise might now ensure that the council continues to obtain best value for money if compared with directly employing that person.

Recommendation 16:

Should the council produce a policy around the use of consultants (see recommendation 4), this should contain the criteria for engaging and monitoring consultants.

Recommendation 17:

Managers should negotiate fixed-price or incentive-based contracts where possible.

Recommendation 18:

The council should whenever possible seek to fill senior management posts with a permanent employee where it is beneficial for the council and consider all other available options, (e.g. internal employees acting up) before seeking to recruit a consultant to a managerial position

ToR 6 - Scrutinise a selection of the major contracts awarded in the past 2 years

The group reviewed documented details of the yearly cost of consultancy fees via spreadsheets and copy invoices of which a random selection was ordered by the group. The group discovered errors in the recording of invoices and while officer intervention has since rectified the accounting error, the reason for the error in the Qlikview generated report remains to be reported back to the Scrutiny Committee.

The group also requested Make vs. Buy examples of procurement. Its intention was to test comparisons between employing a senior consultant as an interim manager and a director in a permanent role. It received three hypothetical cases indicating the cheaper option was to employ a consultant. In addition, the group was given a sample comparison on Make vs. Buy for the procurement cost of projects that were assigned to the PSP instead of direct tender in the first year of the contract, from September 2008 to August 2009. Referring to these particular assignments there was an indication of savings being made by the use of the PSP.

The group also discovered that some of the cost of consultants had been met by grant funding for certain projects. Evidence was heard from one consultant (Headstuff) who had been primarily engaged to make bids for external grant funding that the council may not otherwise have been aware of or received. This grant funding had been of considerable financial benefit to the council.

Apart from schools and benefit grants, the total value of all external grants that the council receives will total around £18m next year.

Some of these grants are in turn used to support the spend on consultancy. Examples of this include the following:

- £200k received from Improvement East to support the work on green shoots and the LSP review
- £230k of LPSA reward grant used to support work with the Greater Peterborough Partnership
- Growth projects have been supported by Growth Area Fund, including public realm and the Southbank

- Support to Future Jobs Fund and Migration Impact Fund projects funded by these grants

The ability of the Council to apply for grant funding has led to the establishment of an external grants bidding team, which means that consultants will no longer be required to support such bids.

Findings:

- 6.1 The group were dismayed by its discovery of inaccurate accounting with PSP invoices but note that officers have given assurances that the relevant corrections have been made.
- 6.2 The group was not convinced with the veracity of the hypothetical Make vs. Buy comparisons. The model presented related to a comparison of cost between a permanent post and a consultant which demonstrated the worst case scenario (i.e. meeting a senior officers full pension liability in addition to usual annual salary and on costs) and suggested that it was more expensive to employ a permanent member of staff. The group was of the view that the worst case scenario was not a typical demonstration of cost and that without the pension costs the employment of a permanent member of staff was more cost advantageous.
- 6.3 The Make vs. Buy for the PSP outlined the advantage of a framework agreement and the group does not argue these points, nor the reported cost savings within. However the group noted that recording these as annualised savings means that savings from one year are carried forward into the next contributing to a cumulative total. Whilst the group agrees that this may be accepted practice it considers that the principle of annualised savings should be made clear when they are reported to members rather than simply presenting the cumulative total over the entire period of the contract.
- 6.4 The group also noted the considerable advantages in employing consultants who bring additional skills and knowledge not available in house, allow for flexibility within the workforce by permitting officers to terminate contracts swiftly for non performance and do not carry the risk of redundancy costs or unfair dismissal claims.

Recommendation 19:

A report should be made to the Scrutiny Committee surrounding the errors found in Qlikview and what measures have been put in place to prevent such errors in future.

Recommendation 20:

Where possible, the council should seek to quantify the level of grant funding which supports the use of consultants within the council. This may be possible through a reporting function within Verto.

Recommendation 21:

Where appropriate HR should be involved in the recruitment process for consultants occupying managerial positions so that advice can be given on suitable candidates and in house expertise, skills or knowledge.

ToR 7 - Examine the measures being implemented to reduce the reliance on consultants

Officer interviews have demonstrated that as a consequence of having consultants working alongside officers, consultants' expertise has in some cases passed on to staff and the organisation as a whole. Consultancy roles were said to have reduced over the past two years with internal roles having been created instead. Senior officers have confirmed that employees of the council now lead on the following projects:

- The transformation and improvement of our customer services
- Front to back office integration
- Central funding unit which looks to attract additional external funding for the council
- Project management and business analysts are all council employees after the transfer of expertise from former consultants
- The council's Manor Drive business support which has helped to reduce the council's reliance on employment agencies through running its own mini-employment agency that recruits staff to work across the council in administrative roles as and when they are needed.

The council has very carefully monitored the return on its investment in consultancy services. The overall return on investment on consultancy spend has continued to increase with savings doubling in the last financial year.

The overall transformation programme has been delivering savings since 2006. The cumulative repeatable savings (excluding one-off savings delivered in each year) achieved over this period are:

Year Cumulative Total savings

2007/2008	£5.779m
2008/2009	£12.987m
2009/2010	£21.649m
2010/2011	£27.735m
2011/2012	£29.158m (excluding 2011/12 savings target)

The cumulative savings figures shown above are all recurring savings. That means we do not now need to take additional cost to achieve them in future years so the return on investment improves significantly every year.

Specific examples of savings achieved by reducing consultancy spend are:

- The council no longer pays consultants to examine and improve the way it runs its day-to-day business and have instead created internal business process improvement posts saving £95,500
- Consultants no longer oversee the purchasing of buy in goods and services for the council saving £161,650
- By reducing the amount paid to consultants – the council has generally reduced day rates by between 5 per cent and 10 per cent saving £119,451

Evidence was given that the council had invested in a leadership management programme for tier 2 and 3 officers to encourage development of management skills and to encourage succession planning amongst officers. This is with the intention of providing a strong base of managerial skills amongst employed officers to reduce reliance on consultants within managerial positions.

Findings:

- 7.1 The group found that contrary to the perception held by officers there had not been a reduction in the number of consultancy roles in recent years. The cost of consultancy in 2009/10 was substantially more than that of 2006. The PSP contract introduced an increase of consultants and interims to support the Business Transformation and Manor Drive projects. Although this was in response to the need to provide transformation quickly and consistently across the council, the group considers that greater HR involvement in the process might have led to an evaluation of whether the business transformation team could have been aided by the use of in-house expertise.
- 7.2 The group welcomed the intention to reduce the use of consultants though HR initiatives like succession planning, although this is driven in some part by the necessity of budget pressures as well as initiatives such as Investors in People (IiP). The group are equally pleased with a move to drive down the consultancy day rates where possible and would like to positively encourage officers to consider awarding contracts for professional services on a fixed-price or incentive-based contract, as per the recommendations to Central Government in the NAO Report (see also recommendation 17)
- 7.3 It is noted by the group that the outsourcing of the Manor Drive project is likely to result in a reduced reliance on a number of the consultants currently engaged by the council. Many of the consultants currently engaged by the council are involved in a project to outsource some of the council's back office projects. The group understand that this outsourcing is likely to significantly reduce the reliance upon consultants.
- 7.4 The group were disappointed to discover that there was no catalogue of employee skills (despite the 2006 Consultants Review). Individual service managers have no means of sharing information they currently hold in relation to their employees. It is also pleasing to note that HR is rolling out a Performance and Development Review (PDR), which has the capability to highlight officers with high potential, especially tier 3 or head of service; and notes these as future candidates for the roles that consultants currently fulfil. The group would like to see a move towards this information being held centrally. Recommendation 6 within this report makes the proposal for a central register of transferable skills.
- 7.5 As well as capturing employee skills, the group have found that there is no vehicle for recording a consultant's skills. Verto tracks projects, but not the skills required to deliver a project. The group would like to see Verto recording if an employee had worked with and received knowledge transfer from a consultant.

Recommendation 22:

The CPU should be allowed access to the information gathered by HR around internal skills and knowledge so that internal skills might be accessed before reliance is placed upon consultants.

ToR 8 - Investigate and take a view on whether consultants should be engaged through the Employment Committee

The Employment Committee is conducted under the authority of the council's constitution. The group heard evidence that traditionally the appointment of consultant managers at senior level has not been approved by the Employment Committee.

Findings:

- 8.1 The group is concerned that use of consultant managers at senior level may result in officers missing out on opportunities for career progression. If interims are appointed without HR involvement, it may seem that a ceiling exists that denies opportunities to gain appointment as a head of service or director. The appointment process for directors and head of service demands these go before the Employment Committee for approval but such a process does not exist for Interims appointed to vacant positions within the authority.
- 8.2 The group heard evidence that interim managers (consultants and particularly contractors) may have to be appointed at short notice to fill unexpected vacancies within the council's structure. Any such appointment should not be held up by the need for prior approval by the Employment Committee but that in such events the Employment Committee should be involved in ratification of the appointment and consideration of the main objectives of the role. Recommendation 7 deals with this finding.

Recommendation 23:

Managers should submit a report to the chief executive upon the proposed appointment of any consultant in an interim managerial role explaining why a consultant is to be preferred over an internal candidate. This is to ensure that officers are mindful of succession planning.

ToR 9 - Comprehensively evaluate the 2006 review's recommendations and report on the progress of their implementation

2006 Review - Recommendation 1:

That a centralised list of consultants used by the council should be maintained.

Officer update:

A detailed explanation of the measures that have been implemented by the council has been included in the group's report under Term of Reference 2.

Review group findings:

- 9.1 The group has concluded that whilst progress has been made in the procurement process, as acknowledged in other areas of this report, there was still an absence of any centralised list of consultants; and it would appear that recent compliance has only been in response to this review.

Recommendation 24:

A further update on the progress of the creation of a centralised list of consultants should be produced and a report made to the appropriate scrutiny committee in Autumn 2011.

2006 Review - Recommendation 2:

That when there is a need to appoint someone for a time limited piece of work, the council's policy should be to look within existing staff first to see if anyone has the required skills.

Officer update:

This has been utilised in areas such as the business transformation programme where secondments have taken place to the central team. The general approach is to look at the skill-set in the team first and utilise in-house skills. Only after consideration of the use of our own staff is specialist consultancy considered. In addition, the business transformation team constantly looks for opportunities to reduce the number of consultants working on the business transformation programme.

Review group findings:

- 9.2.1 There is no evidence of this recommendation being actively considered, and performance in this area has been poor. The progress made does not instil confidence in sufficient compliance with this recommendation. The group noted that in the majority of cases where particular technical knowledge is required it will still be necessary to appoint a consultant but a centralised or departmental catalogue of staff skills would assist officers in making an informed decision on whether consultants are required.
- 9.2.2 In addition there is no vehicle for recording consultant's skills. While Verto tracks projects, it doesn't have the capability to record the core skills required to deliver a project at present. It is pleasing to note that the HR Review being piloted will identify officers with high potential, especially tier 3 or heads of service; and note these as future candidates. The group would like this tool to be made suitable for recording if an employee had worked with and received knowledge transfer from a consultant.
- 9.2.3 The group was disappointed to find that there was no HR involvement in the selection or appointment of individual consultants. As reported earlier, the reliance on consultants for skills is expensive and improving internal skill is to be preferred over repeated use of experts.
- 9.2.4 The group has noticed a number of interims that have been in post for more than one year. There has been an occasion when an interim had moved between different posts. Whilst the group has considered the justification for this, it would be preferable for there to be greater transparency around such appointments.

Recommendation 25:

The roll out of the HR Review should be expedited to ensure that all areas of the council have been assessed by Spring 2011.

Recommendation 26:

Progress with the PDR process should be closely monitored to ensure that managers do not take a cascade approach as was the case with the previous APD system. This system prevented front line staff from receiving timely feedback or the opportunity to identify development opportunities and act upon career aspirations.

Recommendation 27:

The HR Review agenda should be amended to enable the chief executive and directors to identify where consultants are fulfilling positions. This information should be used to create a succession plan for ensuring that this is the most appropriate solution, or if not, to identify who could be developed to fulfil that role in future.

Recommendation 28:

A skills audit should be completed through a series of workshops with "Top Performers". Included in the audit should be details of the specific projects that staff have worked on, similar to a CV. That would help to identify those with the potential to be of 'consultant' level.

2006 Review - Recommendation 3:

When the use of consultants is being considered a full assessment on the risks of not undertaking the work should be carried out.

Officer update:

The introduction of the Professional Services Partnership (PSP) as a means of appointing the majority of consultants has a governance process in which each project or assignment has an associated business case which has a risk assessment and together with milestones and deliverables and the proposed external resources required.

Review group findings:

- 9.3 The group believe that the use of Verto for all projects involving consultants will result in risk assessments being completed. Effective scrutiny of projects selected at random by members would also tighten up the process and ensure that the continued use of consultants is wholly justified. Members' interrogation of Verto may also assist.

2006 Review - Recommendation 4:

When a contract comes to an end, a full review of the work and a view on the value for money should be undertaken. These should be kept centrally so that there is a corporate record of the suitability of consultants.

Officer update:

These are kept by individual departments but are centralised as part of the Oracle implementation and construction of the new contract management system. The Contract Management System was implemented in September 2009 and the CPU is in the process of populating it with information. The PSP being one of the council's major contracts will be a priority. The CPU currently have an on-going programme of populating the Contract Management System, the Consultancy category is under review in this next financial year. With the introduction of the Consultancy Approval Form, and the Consultancy 'Smart Form' a central record linked with the Contract Management System will be kept.

Review group findings:

- 9.4 The corporate record of suitability of consultants has been considered as being piecemeal until the third quarter of 2010. The evidence of new CMS is welcome and once it is fully populated will be an asset.

Recommendation 29:

The Contract Management System should be made available for scrutiny by members, or reviewed by way of regular reports to a scrutiny committee.

2006 Review - Recommendation 5:

There should be a clear process and procedure in place for deciding whether or not to appoint a consultant and this should form part of the council's constitution. This should include levels of authorisation e.g. cabinet member, director, head of service, senior manager and when the tender process should be used for obtaining the services of a consultant. This will ensure that there is a clear audit trail for the whole appointment process;

2006 Review - Recommendation 6:

Each project should be assessed individually and a reasoned decision made as to whether or not to appoint a consultant. No additional pieces of work should be given to a consultant without this process having been gone through; and

2006 Review - Recommendation 7:

Full terms of reference for each appointment should be drawn up and approved by the relevant director or head of service.

Officer update:

Contract standing orders were reviewed and subsequently contract regulations replaced them in August 2007. Consultancy services are processed as other procurement activity is in that there is officer delegation according to value, with most purchases being assigned to a head of service or director for approval. In addition, since the specialist buyer role has been introduced on the Consultancy category, the CPU challenge whether there is compliance with both contract regulations and EU Directives. In addition a new form has been developed for justification of appointment of consultants where the value exceeds £5000. The governance process requires the approval of the executive director of strategic resources. The CPU Team do not process purchase orders for Consultancy requirements without an attached approved form.

Review group findings:

- 9.5 The group welcome the introduction of specialist buyers to challenge consultancy spending and acknowledge that once every project is on Verto with a clear business case in place this recommendation will have been satisfied. The group also look forward to increased HR involvement to help provide most of the future skills requirement in these areas, and the potential for staff career progression through the PDR.

2006 Review - Recommendation 8:

The relevant committee should monitor the work of the Programme Boards to ensure that the new project management processes are being implemented in all areas of the council's work.

Officer update:

The council's corporate management team (CMT) as a strategic improvement board deal with this as part of the overall performance management arrangements of the council. Each director and departmental management team are also responsible for the projects at a departmental level.

Review group findings:

- 9.8.1 The group were concerned about the delay in rolling out the new Verto project management system across all areas of the council's work. It became compulsory for all projects to be recorded on Verto from 1 December 2010 only after the group had made enquiries ensuring a consistent approach across all service areas. Projects not previously recorded on Verto, with a collective value of £3m, would therefore not have systematically been 'dealt with' by CMT.
- 9.8.2 Until Verto, managers and directors did not have a universal vehicle for recording and monitoring projects, so while they may have been responsible for the projects within their departments, they have not been sharing information on the use of consultants corporately. The focus of many projects has been on the outcome i.e. that it was delivered, rather than the value derived from the project, whether the product was useful, or what lessons were learnt. The council has the ability to be an even smarter customer and is beginning to take steps in the right direction across all service areas.

2006 Review - Recommendation 9:

Guidance on the use of agency and temporary staff, including the full implications of employing such staff, should be developed and provided to all managers.

Officer update:

The council's temporary agency "Manor Drive Solutions" provides information and advice, in conjunction with HR, to managers in relation to employment of temporary staff, which is also available through the MyBusiness Support page on Insite. 'Manor Drive Solutions' has reduced the reliance on external agency staff considerably in the secretarial and administration sector and is making progress in other areas such as project management.

Review group findings:

- 9.9 Manor Drive Solutions is an internal staff agency with a staff bank, at the time of interview, of 55 people. It had made £32k (internal) profit in the previous nine months. MDS acts in a specialist buyer role, and all council-wide temporary staff are requested through the staff bank. Savings have been made by the reduction in external agency fees and the council benefits from owning a flexible workforce that can move around, dependant on where the work is.

2006 Review - Recommendation 10:

That all managers are made aware of the proposed changes to the legislation regarding agency employees and that its impact should be considered before employing such staff, if the changes are introduced.

Officer update:

A policy has been in place for approximately a year and is placed on Insite. In addition, strategic resources business support has taken on the role of specialist buyer since December 2009 ensuring compliance with corporate contracts and policy.

2006 Review - Recommendation 11:

The use of agency staff for engagements longer than three months should be discouraged.

Officer update:

This is actively discouraged and is part of the corporate policy in place. Any manager employing agency staff longer than three months is advised to consider whether a fixed term contract is appropriate by MDS and referred to HR for further advice. MDS monitor the length of temporary staff through a bespoke database.

Recommendation 30:

If a manager is shown to be disproportionately using agency staff for longer than three months then a business case should be made and entered on Verto.

2006 Review - Recommendation 12:

That the monitoring of the use of agency staff should be centralised so that the number of agency staff employed by the council is known, along with how long they have been employed for and which departments use agency staff regularly.

Officer update:

The employment of agency staff has been centralised to strategic resources business support who monitor how long they have been employed for and which departments are using agency staff regularly, through the specialist buyer role.

2006 Review - Recommendation 13:

That HR progress their work on succession planning and recruitment quickly to enable the council to move forward as an employer of choice.

Officer update:

The council has developed a "Human Resources Review" process, which includes the identification of succession plans for key positions, high potential development planning and top performer resource utilisation. This is now being piloted across learning and skills in children's services. The pilot was due to take place before Christmas 2010.

In order to improve the council's attractiveness as an employer of choice, officers have achieved Investors in People "Bronze" status following an independent assessment in October 2010. This will be promoted in recruitment adverts which will display the IIP logo to enhance the council's attractiveness to job applicants.

The recently launched Performance and Development Review process which replaced the appraisal process captures information on employee career aspirations which in turn will support the HR Review, particularly in the area of succession planning.

Review group findings:

- 9.13.1 HR is progressing its work on succession planning. The HR Review has been piloted in children's services and it is anticipated that it will be rolled out across the council by Spring/Summer 2011.
- 9.13.2 The group would like to see the council work towards further achievement in the liP process and re-launch the Vision 2010 programme where resources permit. The Group would like to see this undertaken as a rolling programme every three years.
- 9.13.3 The group has noted that the level and pace of change introduced by the business transformation team has not always been welcomed by some officers and the group note that senior managers should learn to build skills in effectively handling change management.
- 9.13.4 The appointment process for directors and head of service demands that these candidates go before the Employment Committee for approval. This committee is a requirement of the council's constitution. At present there is no particular reason why the appointment of consultant or contractors at managerial levels is not referred to the committee.

Recommendation 31:

The HR team should report to the Sustainable Growth Scrutiny Committee in late summer 2011 on progress or completion in the area of succession planning. If this requirement can be fulfilled by moving towards liP "Silver" status the report should also contain an evaluation of whether it is financially feasible for the council to progress towards this.

ToR 10 - Gain answers to the questions posed in January 2009 by the then Chairman of the Sustainable Growth Scrutiny Committee, Cllr Fletcher.

The group has received and reviewed officer responses to the questions posed by Cllr Fletcher. These questions and responses accompany this report as Appendix 1.

Of note are the following questions and officer responses which the review group has commented on:

Question: Are the employees of the PSP sub-contracting company directors of that company?

Officer response:

The council does not keep such records of sub-contracting consultancy suppliers, only details of the primary suppliers are kept.

Review group findings:

- 10.1 The group's enquiries have determined that a number of consultants, previously contracted by the city council in the pre-Amtec period under limited company status, have continued in post but under contract with Amtec. Three of these named consultants are directors of V4 Services Ltd; and had directorships or shareholdings in pre-Amtec contracted companies. The current nature of other individual contracts with Amtec is unknown.

Question: Clarify the status of Amtec PLC in relation to V4 Ltd and method of remuneration.

Officer response:

V4 Services Ltd is the delivery partner to Amtec Consulting Group. The council are contracted to Amtec and not V4 Services Ltd and therefore do not hold or have access to details of remuneration between Amtec Consulting Group and V4 Services Ltd.

Review group findings:

- 10.2 It is acknowledged by the group that there is potential for numerous layers of sub-contracts within the PSP arrangement e.g. Amtec have contracted V4, and could contract with other consultancies. Although each layer may add a cost the final Amtec invoice to the council, it has to be based upon the agreed rate card. The cost to the council is therefore that put forward under the framework regardless of what subsequent agreements are made between Amtec and its delivery partners.

Question: Provide documented evidence by way of a copy invoice as proof of all monthly payments. Provide documented evidence of the actual yearly cost of all consultancy fees.

Officer response:

Copy invoices may be commercially sensitive and not for general release. This ensures that the council gets the best value for money especially where there has been direct negotiation with suppliers to reduce their standard rates. The review group has selected and quality assured a sample of the invoices paid in 2009/10. Details of this process are included in the group's final report.

Review group findings:

- 10.3 The group has received documented details of the yearly cost of consultancy fees via spreadsheet and copy invoices of a random selection that was ordered by the group.

Question: What action is being taken to reduce the reliance on consultants?

Officer response:

The council has sought to use the expertise of consultants to pass on their skills to the organisation as a whole. Consultancy roles have reduced significantly over the past two years and internal roles have been created instead. The following projects are now led by employees of the council:

- The transformation and improvement of our customer services
- Front to back office integration
- Central funding unit which looks to attract additional external funding for the council
- Our project management and business analysts are all council employees after the transfer of expertise from former consultants
- The council's Manor Drive business support which has helped to reduce the council's reliance on employment agencies through running its own mini-employment agency that recruits staff to work across the council in administrative roles as and when they are needed.

The council has very carefully monitored the return on its investment in consultancy services. The overall return on investment on consultancy spend has continued to increase with savings doubling in the last financial year.

Specific examples of savings achieved by reducing consultancy spend are:

- We no longer pay consultants to examine and improve the way we run our day-to-day business and have instead created internal business process improvement posts saving £95,500.
- We no longer have consultants overseeing how we buy in goods and services for the Council saving £161,650.
- We have reduced the amount we pay the consultants we do employ – we have generally reduced day rates by between 5 per cent and 10 per cent saving £119,451.

Review group findings:

10.4.1 Although the level of savings produced through the professional services partnership is to be welcomed, more could be done to identify and plug core skill gaps by using more cost-effective alternatives to consultants and interims. New systems recently suggested by HR must be implemented by spring 2011 to ensure better use of our own staff before consultants and interims are used. Where an interim is used for short periods (sickness, maternity etc) a suitable council employee should shadow them so that they would be able to cover the post if cover is required and as an aid to career progression.

10.4.2 The group disagrees that that there has been a significant reduction of consultancy roles, evidenced by this review.

5. Summary of Recommendations

No.	Recommendation
1.	All projects involving consultants should be recorded through Verto. This recommendation is subject to officers considering whether there should be a financial threshold to this requirement to ensure appropriate use of Verto.
2.	All members should be provided with access to Verto in order to improve transparency regarding consultancy spend. This will also assist to resolve any uncertainty which may exist around the commissioning of consultants.
3.	The CPU should provide an update report to the Scrutiny Committee in Autumn 2011 regarding (1) the progress made with Qlikview reporting and the outcome of discussions with Serco (2) financial data, by department, for Q4 2010-11 and Q1 2011-12 (3) whether the use of consultants is captured across the council through consistent use of Verto (4) the level of member enquiry of Verto (5) how the spend on consultants is being recorded and monitored, and (6) confirming that there is accurate recording of savings and losses against each individual consultant or consultancy project.
4.	The Scrutiny Committee should consider whether, as a result of receiving the report, a policy on the use of consultants ought to be written for the benefit of officers to ensure consistent application in the use of consultants across the council.
5.	The council should amend contract regulations and financial regulations to set out criteria officers should consider before deciding to employ consultants. This ought to include consideration of any internal skills within the council.
6.	The council should compile a central register of transferable professional skills available within the council which should be audited on a regular basis by the HR team.
7.	The council should amend the Employment Committee terms of reference to include contractors and consultants whose accumulative remuneration rate over a project lifecycle would take them into the same salary grade as a head of service. Contractors and consultants at this level ought to be approved by Employment Committee before appointment whenever possible or reviewed at least at six monthly intervals to ensure that their continued engagement is appropriate.
8.	The council should review its further business transformation needs and assess whether the procurement of project and performance management skills will be required when the Professional Services Partnership (Amtec) contract next comes up for renewal.
9.	The group would recommend that the Verto system have a reporting function which allows it to report on minor projects involving the use of consultants (under £50k in value) to the cabinet member for resources.
10.	<p>For major projects (over £50k in value)</p> <ul style="list-style-type: none"> a) the cabinet member for resources ought to be requested to add approval to the Verto system for projects involving the use of consultants; and b) representative bodies including the Joint Consultative Forum, CMT and the Audit Committee are able to request regular reports from Verto on the use of consultants

11.	The group would recommend that skills transfer is a written contractual requirement for appropriate professional skill contracts, particularly project and programme management, to enable officers to develop expertise which will directly benefit the council.
12.	A relevant scrutiny panel (or a suitably staffed sub-committee of one formed of members preferably with audit and/or accountancy experience) should take sample projects to put under review for test of business case and efficiency.
13.	Where the council engage consultants under long term contracts there should be a requirement for managers to approach the consultant at fixed periods in the contract about filling a permanent role within the council.
14.	There should be improved scrutiny of the PSP contract if it is renewed in 2012. The group recommend that the relevant scrutiny committee should be consulted prior to any decision being made to engage specific contractors.
15.	All consultants engaged at managerial level should be required to update Verto as a condition of payment.
16.	Should the council produce a policy around the use of consultants (see recommendation 4), this should contain the criteria for engaging and monitoring consultants.
17.	Managers should negotiate fixed-price or incentive-based contracts where possible.
18.	The council should whenever possible seek to fill senior management posts with a permanent employee where it is beneficial for the council and consider all other available options, (e.g. internal employees acting up) before seeking to recruit a consultant to a managerial position.
19.	A report should be made to the Scrutiny Committee surrounding the errors found in Qlikview and what measures have been put in place to prevent such errors in future.
20.	Where possible, the council should seek to quantify the level of grant funding which supports the use of consultants within the council. This may be possible through a reporting function within Verto.
21.	Where appropriate HR should be involved in the recruitment process for consultants occupying managerial positions so that advice can be given on suitable candidates and in house expertise, skills or knowledge.
22.	The CPU should be allowed access to the information gathered by HR around internal skills and knowledge so that internal skills might be accessed before reliance is placed upon consultants.
23.	Managers should submit a report to the chief executive upon the proposed appointment of any consultant in an interim managerial role explaining why a consultant is to be preferred over an internal candidate. This is to ensure that officers are mindful of succession planning.
24.	A further update on the progress of the creation of a centralised list of consultants should be produced and a report made to the appropriate scrutiny committee in Autumn 2011.
25.	The roll out of the HR Review should be expedited to ensure that all areas of the council have been assessed by Spring 2011.
26.	Progress with the PDR process should be closely monitored to ensure that managers do

	not take a cascade approach as was the case with the previous APD system. This system prevented front line staff from receiving timely feedback or the opportunity to identify development opportunities and act upon career aspirations.
27.	The HR Review agenda should be amended to enable the chief executive and directors to identify where consultants are fulfilling positions. This information should be used to create a succession plan for ensuring that this is the most appropriate solution, or if not, to identify who could be developed to fulfil that role in future.
28.	A skills audit should be completed through a series of workshops with top performers. Included in the audit should be details of the specific projects that staff have worked on, similar to a CV. That would help to identify those with the potential to be of 'consultant' level.
29.	The contract management system should be made available for scrutiny by members, or reviewed by way of regular reports to a scrutiny committee.
30.	If a manager is shown to be disproportionately using agency staff for longer than three months then a business case should be made and entered on Verto.
31.	The HR team should report to the Sustainable Growth Scrutiny Committee in late Summer 2011 on progress or completion in the area of succession planning. If this requirement can be fulfilled by moving towards liP "Silver" status the report should also contain an evaluation of whether it is financially feasible for the council to progress towards this.

6. Glossary of terms

APD	Appraisal for Performance and Development
BCR	Budgetary Control Report
CMDN	Cabinet Member Decision Notice
CMS	Contract Management System
CMT	Corporate Management Team
CPU	Commercial and Procurement Unit
FOI	Freedom of Information
HR	Human Resources
I&DeA	Improvement and Development Agency (now Local Government Improvement and Development)
ICT	Information and communication Technologies
liP	Investors in People
LPSA	Local Public Service Agreement
LSP	Local Strategic Partnership
MCA	Management Consultancies Association
MDS	Manor Drive Solutions
NAO	National Audit Office
OGC	Office of Government Commerce
P2P	Purchase to Pay
PDR	Performance and Development Review
PSP	Professional Services Partnership
ToR	Term of Reference
VfM	Value for Money

7. Appendices

- Appendix 1: Cllr Fletcher's questions and officer responses
- Appendix 2: Consultancy spend 2009/10
- Appendix 3: Consultancy spend 2009/10 by directorate
- Appendix 4: Consultant deployment
- Appendix 5: Spend by supplier and project
- Appendix 6: Peterborough Procurement Cycle
- Appendix 7: Pre-Interview questionnaires

CABINET	AGENDA ITEM No. 5
13 JUNE 2011	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Irene Walsh, Cabinet Member for Community Cohesion and Safety	
Contact Officer(s):	Adrian Chapman, Head of Neighbourhoods Gary Goose, Safer Peterborough Strategy Manager	Tel: 01733 863887 Tel: 07801 180312

SAFER PETERBOROUGH PARTNERSHIP 3 YEAR PLAN

R E C O M M E N D A T I O N S	
FROM : Executive Director Operations	Deadline date: 13 July 2011
1. That Cabinet endorse the new Safer Peterborough Partnership 3-year Plan (2011-2014) and recommend it to Full Council for approval.	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following Strong and Supportive Communities Scrutiny Committee held on 9th March 2011.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to present the refreshed version of the Safer Peterborough Partnership Plan to Cabinet seeking Cabinet approval prior to Full Council.
- 2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.3, to take a leading role in promoting the economic, environmental and social-wellbeing of the area.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	Yes	If Yes, date for relevant Cabinet Meeting	13 June 2011
Date for relevant Council meeting	13 July 2011	Date for submission to Government Dept	N/A

4. THE SAFER PETERBOROUGH PLAN 2011-2014

- 4.1 The Crime and Disorder Act 1998, revised by the Police and Justice Act 2006, requires that the Community Safety Partnership publishes an annual Partnership Plan. This report brings the draft plan for 2011-2014.
- 4.2 This plan has been agreed by the Community Safety Partnership (the Safer Peterborough Partnership) at its meeting of 23rd March 2011.

- 4.3 The Crime and Disorder Act 1998 requires that a Community Safety Partnership is formed by the bringing together of agencies who have a statutory responsibility for tackling crime and disorder in the local area. It is acknowledged that far more can be achieved to make Peterborough a safer place if agencies work together rather than in isolation.
- 4.4 The Crime and Disorder Act specifies the responsible authorities as:
Peterborough City Council,
Cambridgeshire Constabulary,
NHS Peterborough,
Cambridgeshire Fire Authority,
Cambridgeshire Police Authority and,
Cambridgeshire and Peterborough Probation Trust.
- 4.5 The partnership also invites other agencies who are able to contribute to the work to *co-operate* in Peterborough Cross Keys Homes (representing Registered Social Landlords in the city) is one of these organisations.
- 4.6 Other agencies, particularly from the voluntary and community sector are also *invited to participate* in the work of the Partnership. At present these organisations are Peterborough and Fenland MIND, Peterborough Racial Equality Council, HMP Peterborough and the Social Impact Bond. Other voluntary groups are represented across other partnership groups.
- 4.7 The Safer Peterborough Partnership is one of the partnerships that comprise the Greater Peterborough Partnership.
- 4.8 Section 17 of the Crime and Disorder Act 1998 places a legal duty upon the named responsible authorities to consider the community safety implications in all of their actions.
- 4.9 The priorities within the Partnership Plan are agreed following a Strategic Assessment which considers the performance in the previous twelve months and takes into account the concerns of the public.
- 4.10 The plan represents of a new way of tackling crime and disorder within our City.
- 4.11 It builds on the success of the last year in driving down rates of reported crime. It will demonstrate commitment to Peterborough's preventative agenda by clear linkage with the City's Sustainable Community Strategy whilst not losing the focus on tackling here and now issues of crime, disorder and community safety within our neighbourhoods.
- 4.12 This plan will demonstrate the direction of travel for making the City and its people safer.
- It will show our resolve in protecting those who are vulnerable within our communities.
 - It will be clear about our partnership's commitment to tackling the underlying causes of offending but will be equally clear that those who continue to offend or bring risk of harm to our City will be targeted with the full weight of the criminal justice system.
 - It will illustrate how we intend our approach to be sustainable and improve the lives of the people living, working and visiting our City.
- 4.13 This three year plan will need to be flexible, adaptable and responsive to the ever changing landscape of financial restraint, the drive for localism and greater community engagement, the introduction of the new Policing and Crime Commissioner, changes funding arrangements and partner organisations all undergoing individual and significant structural reviews.
- 4.14 This new approach, freed of considerable bureaucracy, aims to bring long-term sustainable reductions in crime and disorder and to lead in the creation of stronger, supportive and cohesive communities.

- 4.15 It is not possible within this document to provide all of the improvement targets that will accompany this plan as the national reporting requirements are not yet defined. Work is also continuing to finalise Peterborough's Single Delivery Plan, and this will also influence specific performance measures.
- 4.16 A summary document will be published to ensure that the public can clearly understand the priorities and improvement targets set.
- 4.17 The priorities set out in the Plan attached are:
- Reducing Crime
 - Tackling anti-social behaviour and hate crime
 - Building stronger and more supportive communities.
- 4.18 For each of the priority areas, improvement targets will be identified that we believe will reflect the work that we are going to be doing and allow both the partnership and the public to measure whether or not we have been successful.

5. CONSULTATION

- 5.1 The development of this Plan has been informed through extensive consultation and engagement with officers, partners and members of the public throughout the previous year.

6. ANTICIPATED OUTCOMES

- Reductions in crime
- Reductions in anti-social behaviour
- Stronger and more supportive communities
- Increased confidence and satisfaction in the Community Safety Partnership

7. REASONS FOR RECOMMENDATIONS

- 7.1 The Crime and Disorder Act 1998, revised by the Police and Justice Act 2006, requires that the Community Safety Partnership publishes an annual Partnership Plan.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The previous partnership plan ran from 2008 – 2011.

9. IMPLICATIONS

- 9.2 There are no financial implications for this plan.
- 9.3 There is a statutory responsibility for the Safer Peterborough Partnership to produce this annual plan.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

Crime and Disorder Act 1996
Police and Justice Act 2006
Policing and Crime Act 2009

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CABINET	AGENDA ITEM No. 6
13 June 2011	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr Seaton – Cabinet Member for Resources Cllr S Dalton, Cabinet Member for Environment Capital
Contact Officer(s):	John Harrison, Executive Director – Strategic Resources Tel: 452398

PETERBOROUGH ENERGY SERVICES COMPANY (ESCO) & OTHER ENERGY RELATED PROJECTS

R E C O M M E N D A T I O N S	
FROM : Executive Director – Strategic Resources	Deadline date : not applicable
<p>1. To authorise the Executive Director – Strategic Resources to establish a limited company as an energy services company (ESCO) to be wholly owned by Peterborough City Council</p> <p>2. To authorise the Executive Director – Strategic Resources to approve the business case for the ESCO in consultation with the relevant cabinet portfolio holders before trading commences.</p> <p>3. To authorise the Executive Director – Strategic Resources to award the contract for design, supply, installation and maintenance of Solar Photovoltaic (PV) panels on the roof of the former Freemans building at Ivatt Way, Westwood, Peterborough, PE3 7PA.</p> <p>4. To authorise the Executive Director – Strategic Resources, in consultation with the relevant cabinet portfolio holders, to establish additional organisations such as limited companies, or limited liability partnerships, either wholly owned or in partnership with investors and other public and private sector organisations, as required, to pursue other energy related projects.</p>	

URGENCY – relating to recommendation 3 above

The contract decision is not included in the current forward plan because at the time the forward plan was published, the potential viability of this project had not been established.

The decision is urgent and cannot wait until the publication of the next forward plan because to do so would prejudice the Council's interest, in that the delay would mean that the contract could not be let in time for installation to commence prior to the anticipated reduction in Feed-In-Tariff from 1 August 2011. See paragraph 4.6.2.4 below for more detail.

The Monitoring Officer and the Chair of the Sustainable Growth Scrutiny Committee have been advised of the intention to invoke the urgency procedure.

1. ORIGIN OF REPORT

This report is submitted to Cabinet following a referral from Cllr Seaton and Cllr S Dalton, and the Executive Director – Strategic Resources.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to obtain Cabinet's approval for recommendations set out above.
- 2.2 This report is for Cabinet to consider under its Terms of Reference 3.2.1, to take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	No
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4. ESTABLISHING AN ENERGY SERVICES COMPANY (ESCO)

4.1 Background.

- 4.1.1 On 15 December 2008 Cabinet made a decision "Peterborough's Growth & Regeneration: Securing the Future".
- 4.1.2 That decision authorised the Deputy Chief Executive in consultation with the Leader, to establish special purpose vehicles (SPVs) if so required in partnership with investors and other public and private sector organisations to pursue functional or site specific growth & regeneration projects to achieve the delivery of executive functions in the Major Policy and Budget framework.
- 4.1.3 Although it is arguable that the previous decision authorises the actions now required, Cabinet is asked to reconsider this, given the time that has elapsed and the change of leader and cabinet members in the interim. Further, the previous decision related primarily to growth and regeneration projects, although it did make reference to energy related projects. However, the previous decision does firmly establish this council's willingness to adopt appropriate alternative forms of delivery vehicle.

4.2 What is an ESCO?

- 4.2.1 Energy Services Company (ESCO) is a broad term used to describe an independent agency that develops, installs, and finances projects designed to improve energy efficiency, usually featuring sustainable energy sources. ESCOs are becoming an increasingly important tool for local authorities to take a more active role in developing the UK's low carbon infrastructure.
- 4.2.2 An ESCO usually takes the form of a limited company, although other delivery vehicles are possible. It may be wholly owned by the public or private sector, or a joint venture. A greater degree of local authority ownership allows the authority to secure additional objectives such as the alleviation of fuel poverty, rather than pure profit.

4.3 Why establish an ESCO?

- 4.3.1 It is generally accepted that large, centralised energy generating stations waste a considerable amount of the energy they produce. By locating energy production close to where it is used, energy can be produced more efficiently, reducing the impact on the environment. Changes to regulations, concern about climate change, growing costs of

traditional energy, together with the opportunity to make money from low and zero-carbon energy are increasingly focussing attention onto decentralised energy.

- 4.3.2 Decentralised energy forms an important part of the government's localism agenda. For the first time, communities, local authorities and other public sector organisations are being actively encouraged to become energy producers as well as consumers. There are increasing opportunities to make money and put assets to more productive use, whilst at the same time meeting wider social and environmental objectives.
- 4.3.3 It is recommended that the council establishes an ESCO to pursue the provision of low and zero-carbon energy schemes. The intention is to produce and supply energy, of various types, but initially the main supply source would be through photovoltaic cells (PV), commonly known as solar energy. In the future the council will look at other sources, for example wind. The energy produced will be made available for use in the Peterborough area, both by domestic and business users. One key advantage of this is that it allows everyone to potentially have access to energy from renewable sources, including those for whom domestic solar panels are not an option, for example those who live in flats, or whose roofs are unsuitable. This is an important benefit that supports Peterborough's status as Environment Capital.

4.4 Carbon Challenge

- 4.4.1 The UK government has identified the local authority sector as key to delivering carbon reduction across the UK. In 2008 it passed The Climate Change Act, the world's first long-term legally binding framework to tackle climate change. The Local Authority Carbon Management Programme was designed, to assist councils in saving money on energy and putting it to good use in other areas. Peterborough City Council was selected to take part in this programme in 2009, and produced its Carbon Management Action Plan as a result. This was approved by Council on 14 April 2010 following recommendation from Cabinet on 29 March 2010.
- 4.4.2 The Carbon Management Action Plan formally commits the council to achieving a stretching, yet realistic target to reduce carbon emissions by 35% of 2008/9 levels by 2014 and formalises the Council's commitment to lead by example and create the UK's Environment Capital.
- 4.4.3 The plan sets out how the council intends to work towards these commitments, primarily actions relating to the council's properties, but also including work relating to street lights, and implementing the Travel Plan. The provision of sustainable energy will further enhance the council's ability to meet its targets for carbon reduction.

4.5 Feed-In Tariffs (FITs)

- 4.5.1 The Department of Energy and Climate Change (DECC) used powers in the Energy Act 2008 to introduce a system of feed-in-tariffs to incentivize small scale (less than 5MW), low carbon electricity generation.
- 4.5.2 The FITs scheme went live on 1 April 2010. Through the use of FITs DECC intended to encourage additional low carbon electricity generation, particularly by organisations, businesses, communities and individuals who were not traditionally engaged in the electricity market. This "clean energy cash-back" was to allow investment in small scale low carbon electricity, in return for a guaranteed payment both for the electricity generated and exported to the national electricity grid.
- 4.5.3 Unfortunately the FIT scheme, particularly for large scale solar PV (i.e. those sites over 50kW) is being reviewed under a fast track procedure, and new tariff bands for solar photovoltaic (PV) over 50 kW are to come into effect on 1 August 2011, through amendments to standard conditions in electricity supply licenses. DECC is expected to provide clarity on the new banding levels by 19 July 2011 for large scale PV and smaller scale schemes also. Although it is yet to be confirmed, it is widely anticipated that DECC will reduce the FIT to 8.5p/kWh for installations commissioned from 1 August 2011 between

250kW to 5MW. However, for installations above 50kW operational prior to 1 August 2011 the current higher FIT rate of 29.3p/kWh would continue to apply.

4.6 The ESCO's initial projects.

4.6.1 Photovoltaic Panels (PV) - "Solar Panels" on the roofs of the Town Hall and the Regional Pool.

4.6.1.1 In May 2011 the council entered into a contract with Prescient Power Ltd for the supply and installation of Solyndra Photovoltaic Systems to both the Town Hall and Regional Pool roofs, for the sum of £319,908.00. The feed in tariff is currently set at 32.3p/kWh (including the export tariff associated with the FIT). This price will rise with inflation and is fixed for a period of 25 years (the FIT rate for smaller installations such as this is not set to reduce on 1 August). The installation is to commence in June 2011 and be completed by the end of August 2011. The estimated annual return on the initial layout is £28,418.00. The installation will also reduce carbon emissions from both buildings by 35 tonnes resulting in further savings from the carbon tax (currently set at £12 per ton) of £420, resulting in an overall saving of £28,838.00 per annum. The new systems will not only generate electricity but also an income stream for PCC for the next 25 years.

4.6.1.2 The award of the contract was made by the Executive Director – Strategic Resources, within his delegations.

4.6.1.3 If the council retains responsibility for the PV installations on these two roofs, it will be able to use the energy generated, to lower its own energy costs. It will also be able to sell unused energy back to the national electricity grid at a minimum rate of 3p/kWh. This would produce an income from the feed-in-tariff explained in para 4.5 above, but the opportunities to fully exploit this opportunity would be limited, because to have the power to trade energy, by selling to other domestic and business users, the council must set up a limited company, as explained in para 9.2.4 below. If the council is unable to trade in surplus energy this means that a valuable potential income source is lost.

4.6.1.4 It is therefore recommended that the contract with Prescient Power Ltd for PV panels on the roofs the Town Hall and the Regional Pool, be transferred to the ESCO as soon as possible once it is established as a limited company. Any such transfer will be compliant with the regulations explained in para 8.1.3 below, relating to cross-subsidisation.

4.6.2 Photovoltaic Panels (PV) – "Solar Panels" on the roof of the former Freemans building.

4.6.2.1 The council is the owner of the freehold of the former Freemans building at Ivatt Way, Westwood, Peterborough, PE3 7PA. The majority of the building is leased to Tesam Ltd, and there are also 2 licenses to occupy smaller areas of the site with other individuals.

4.6.2.2 The council wishes to take advantage of the very large roof space on the Freemans building (in the region of 900 000 m²) to generate energy from PVs in the region of 4.6MW. It is recommended that the council enters into a design, supply, installation, and maintenance contract for PV panels at this location. The size of the available space means that this is likely to be a contract of a value in the region of £12m to £15m, including the value of the annual operation and maintenance costs (in the region of £50k per year).

4.6.2.3 The value of the contract requires that EU procurement rules are followed, and on 20 May 2011 the council issued an OJEU notice inviting tenders in respect of the contract. The council is using the accelerated time procedure on the basis that this will boost the local economy through rapid execution of the contract and allow the council to deliver the contract before the decrease in Feed-In-Tariffs.

- 4.6.2.4 It should be noted that the issue of the OJEU notice does not in any way “tie the cabinet’s hands” and the council may withdraw from the process at any stage up to the award of the contract, (which is expected to be at the end of June 2011) if cabinet decides not to accept the recommendations in this report. It was necessary to commence the procurement process prior to the cabinet meeting because of the very tight timescales involved prior to the expected decrease in the FITs. Assuming the contract is awarded by the end of June 2011 this allows the contractor until 31 July 2011 to complete as much of the installation as possible and obtain the accreditation for the completed installation at the higher rate FIT. This is a very tight, but achievable timescale. It was not possible to bring this matter before cabinet at an earlier stage, because the potential viability of this project has only very recently been determined.
- 4.6.2.5 The advice from the council’s planning team is that as the PV panels are hidden by the parapet of the roof then their installation does not constitute “development” under s.55 of the Town & Country Planning Act 1990, as they are additions that do not materially affect the appearance of the outside of the building. Planning permission is therefore not required, but in view of the size of the installation, to give comfort both to the council and the contractor, an application for a certificate of lawful development has been made. This will specify the precise use that is considered permissible without planning permission.
- 4.6.2.6 It is likely that substantial supplies of energy will be generated from this project, and traded in the Peterborough area with energy consumers.
- 4.6.2.7 The Freemans site is subject to a lease with Tesam Ltd, which ends in March 2020, subject to a tenant’s break clause after 5 years. The lease allows the installation of PV panels on the roof without requiring the tenant’s agreement. The council’s Site Allocation document submitted for consideration on 4 May 2011 to the Secretary of State for Communities and Local Government, identifies the former Freemans site for housing, for an indicative 460 dwellings. Housing development cannot proceed until the lease comes to an end, so at that stage there would need to be an assessment of whether it was more beneficial to free up the site for housing, or allow the PV panels to remain on the roof. The contract is being let with a suitable break clause to allow the PV panels contract to be terminated, and the housing option to proceed, if so required.

5. ANTICIPATED OUTCOMES

- 5.1 The anticipated outcome is that a limited company wholly owned by the council is established immediately, and that other projects are developed as the need arises.
- 5.2 It is worth noting that, in general terms, the public procurement obligations to which a local authority is subject will not be avoided by the creation of a wholly owned ESCO. In the majority of cases the ESCO will have to follow the same procurement rules as the council would, for the contracts which it lets.
- 5.3 It is anticipated that the contract with Prescient Power Ltd will be transferred to the ESCO, as will any contract entered into for the supply of PV panels at the former Freemans site.

6. REASONS FOR RECOMMENDATIONS.

- 6.1 The Council’s Medium Term Financial Strategy reflects the priorities of the Sustainable Community Strategy, to combine ambition for growth with the need to improve the quality of life for residents. The Medium Term Financial Plan Proposals approved by council in February 2011 contained a commitment to the Environment Capital agenda by pursuing new income streams from solar energy and wind farm developments, and also to deliver services at a neighbourhood level.
- 6.2 The council wishes to optimise commercial opportunities for production of energy supplies, particularly “green energy” in keeping with its status as Environment Capital. In addition it wishes to maximise potential benefits for communities. Setting up a limited company would enable the council to optimise both of these opportunities.

- 6.3 Installing PV panels at the former Freemans site will enable the council to maximise the production of green energy, and also obtain a valuable source of income.

7. CONSULTATION

Consultation with the relevant Cabinet members has taken place. No further consultation is anticipated or necessary at this stage.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 Alternatives to setting up an ESCO.

8.1.1 The council could retain the status quo and not pursue energy supply or other energy related products. This has been rejected as the council continues to pursue its Environment Capital agenda, and wishes to optimise both community based projects and its own income generation to mitigate the effects of the recession and budget cuts.

8.1.2 The council could operate some projects in house, but this option has been rejected because it would prevent the council from trading for a “commercial purpose”, for the reason set out in paragraph 9.2.4 below. The council would have no power to trade in supplies of energy to domestic and business users.

8.1.3 An ESCO could alternatively be established in partnership with another party, as a joint venture, with the council as either the majority or minority shareholder. If the council has less than 20% of the shareholding, the ESCO need not be subject to local authority constraints and duties. Although the council may still exert control if it the company is not wholly owned, this option has been rejected at this stage. EU procurement rules require procurement of the joint venture partner, and the procurement process would cause delays in setting up the company. As there is a tight deadline of 31 July 2011 for any installation to be operational, to ensure that the council obtains maximum Feed-In-Tariffs, an additional procurement process would severely jeopardise the ability to meet this target.

8.2 Alternatives to transferring the contract for PV panels on the roofs of the Town Hall and Regional Pool

8.2.1 The council may retain the contracts and not transfer them to the ESCO. This has been rejected because that would mean that although the council could obtain some income from the Feed-In-Tariff, it would lose the income opportunity available from trading energy supplies, by selling to domestic and business customers, which it may only do through a limited company.

8.2.2 A joint venture with another partner has been rejected for the reasons set out in para 8.1.3 above.

8.3 Alternatives to not entering into a contract for the supply of PV on the roof of the former Freemans building, and subsequently transferring it to the ESCO.

8.3.1 The council could decide not to pursue this project. If it did it would lose the opportunity to generate a large amount of renewable energy, which would make a significant addition to the council’s intention to lower its carbon emissions. Further, a potentially valuable source of income would be lost. The income is expected to be significant, and an important contribution to the council’s ability to offset some of the recent budget reductions, and protect its ability to continue provision of front-line services.

8.3.2 The council could enter into a contract for the supply of PV panels, but retain the contract with the council. This would allow it to benefit from the Feed-In-Tariff income, but not from the much greater income opportunities of trading in electricity supplies. As the anticipated energy to be generated from this contract is very substantial, potentially up to 4.6mW, the income lost would be significant, and this option has therefore been rejected.

8.3.3 A joint venture with another partner has been rejected for the reasons set out in para 8.1.3 above.

9. IMPLICATIONS

9.1 Financial

9.1.1 The costs of establishing the company will be minimal, and restricted to the costs of producing company documentation and registration at Companies House. A small “start up” fund in the region of up to £50 000 will be allocated to the company to cover these and other necessary ancillary costs. This will be funded from the capacity fund and is likely to be on a draw down basis so that costs are allocated only when they are incurred.

9.1.2 No specific staff costs will be incurred initially as all the work of the company will, in the first instance, be carried out by council staff, to whom no additional remuneration will be paid. Similarly, there will be no additional accommodation costs, as activities will be carried out from council properties.

9.1.3 However, a trading company may not be subsidised by the council, as this is considered to distort market competition and is prohibited under article 2(3) of The Local Government (Best Value Authorities) (Power to Trade) England Order 2009, which provides that the authority must recover the costs of any accommodation, goods, services, staff, or any other thing that it supplies to the company. Therefore any financial assistance, in cash or in kind, given by the local authority should be for a limited period, against the expectation of later profits. Any assistance should be provided under a formal agreement with the company, using a robust methodology for assessing the costs, and this will be drawn up after the company has been established. The agreement may provide for grants, loans or guarantees.

9.1.4 Interests in companies and other entities need to be encompassed in arrangements for financial reporting, particularly group accounts in the Statement of Accounts. The council will also need to be mindful of the requirements to report financial instruments & ensure adherence to capital finance regulations. In considering the impact of this expenditure on the Prudential Indicators, as contained in the council’s Treasury Management Strategy, this arrangement is not anticipated to go over and above the indicators set. The council will refresh the Treasury Management Strategy as part of the Medium Term Financial Plan to update all future indicator levels.

9.1.5 The following information is based on an initial assessment of the likely costs and income associated with the proposal for solar panels on the former Freemans building at Ivatt, Way, Westwood, and further validation is necessary before letting a contract.

9.1.6 At the optimum development level of 4.6MW delivered by 31st July 2011 it is estimated that the scheme could generate on average a net income (FIT income less costs of operating and financing capital expenditure) to the council of some £500,000 per annum over 25 years. The level of capital investment required may be up to £15 million.

9.1.7 Any level of scheme below the optimum may still be profitable, but it is difficult to predict what the level of profitability may be at this stage. If all factors remained constant then any level of delivery of the scheme that attracts maximum FIT rates may be profitable as typically the costs of investment and running costs are less than the income generated under the FIT.

9.1.8 However, as the scheme is under a fast track delivery timescale it is possible that not all of the panels will be accredited by 31st July 2011. This would mean that there may be a point, where as a function of the ability of the contractor to deliver on site, the cost of the scheme (both capital and revenue) and the necessary accreditation of the FIT to take place, the Council would not enter into a contract as the scheme would not be viable.

9.2 Legal

9.2.1 Local authorities are established and governed by statute, and can only act where they have a relevant statutory power. Powers must be exercised reasonably to avoid a legal challenge on the grounds that an action is “ultra vires”. This applies to the setting up of an ESCO.

9.2.2 A local authority has a number of statutory powers which establish its right to trade:

9.2.2.1 The Local Authorities Act (Goods & Services) Act 1970 gives powers to provide services to other public bodies;

9.2.2.2 The Local Government Act 2003, s.93 provides best value authorities with the power to charge for discretionary charges which it is under no statutory duty to provide (providing there is neither a similar power, nor a prohibition on charging, under other legislation);

9.2.2.3 The Local Government Act 2003, s.95 provides a power to trade for commercial purposes (providing there is no statutory duty to provide the services and no other statutory power to trade).

9.2.3 The power to trade commercially under s.95 is the most relevant, and is the power that will be relied upon to set up an ESCO.

9.2.4 There are a number of constraints on the s.95 power, the most significant of which is that to trade commercially, the council must establish a company to provide a level playing field to the private sector.

9.2.5 In addition, The Local Government Act 2000 s.2 (1) may be used in support of setting up an ESCO. This gives authorities a wide ranging “well-being” power which enables the authority to do anything which it considers likely to achieve the promotion or improvement of the economic, social or environmental well-being of their area. In using the power the authority must have regard to its Community Strategy.

9.2.6 The meaning of “anything” defines the boundaries of what can be done to deliver an ESCO. There is no definition in the Act but at s.2 (4), there is an illustrative list of actions which come within the meaning of “anything”. This list is not exhaustive, but enables a local authority to:

- incur expenditure
- give financial assistance to any person
- enter into arrangements or agreements with any person
- co-operate with, or facilitate or co-ordinate the activities of, any person
- exercise on behalf of any person any functions of that person, and
- provide staff, goods, services or accommodation to any person.

The power is wide enough to cover the setting up and participation in a company for well-being purposes, provided the power is exercised for proper purposes, and provided that when considering this report Cabinet gives full consideration to the well-being objectives likely to be achieved.

9.2.7 Well-being” as such is not defined by the 2000 Act. However, the well-being to be promoted or improved must be economic well-being, social well-being or environmental well-being, and it likely that the delivery of an ESCO will be capable of such classification.

9.2.8 Local authorities are not entitled to use the wellbeing power for the primary purpose of raising money, which is not, in itself, a purpose which falls within s.2 of the Act. This does not prevent receipt of any dividend payments received by the council as a shareholder participating in a company.

- 9.2.9 As a result of s. 95 of the Local Government Act 2003, activities under section 2 (1) of the 2000 Act, such as the provision of goods and services can now be traded, that is made available at a commercial rate in connection with a well-being purpose. An activity undertaken in connection with the exercise of the well-being function is to be regarded as something which local authorities are 'authorised to do for the purpose of carrying on any of their ordinary functions' (see s. 95 (1) (a) of the Act).
- 9.2.10 When considering the delivery of an ESCO, local authorities must have regard to the duty to seek Best Value, which is set out in section 3 of the Local Government Act 1999, as amended by s.137 of The Local Government and Public Involvement in Health Act 2007. The general duty is that an authority must secure continuous improvement in the delivery of its functions, having regard to a combination of economy, efficiency and effectiveness.
- 9.2.11 In deciding whether and how to exercise the s.95 trading power, authorities must still have regard to their own procedural rules, Wednesbury principles of reasonableness, proper purposes and fiduciary duty. A business case and risk analysis will be required, and this must be approved by the executive before trading starts, hence the recommendation that Cabinet delegates this approval to the relevant portfolio holders.
- 9.2.12 The Local Government (Miscellaneous Provisions) Act 1976 as amended, allows local authorities to:
- (a) produce heat or electricity or both;
 - (b) establish and operate such generating stations or other installations as the authority thinks fit;
 - (c) buy or otherwise acquire heat;
 - (d) use, sell, or otherwise dispose of heat produced or acquired or electricity produced by virtue of this section:
 - (e) without prejudice to the generality of the preceding paragraph, enter into and carry out agreements for the supply by the authority, to premises within or outside the authority's area, of such heat as is mentioned in the preceding paragraph and steam produced from air and water heated by such heat.
- 9.2.13 However, an important restriction was contained in s.11(3) of 1976 Act, which provided that local authorities may not sell energy which is produced otherwise than in association with heat. They could not sell surplus energy back to the national grid. As this prevented local authorities being full participants in the government's decentralised energy policy, the government made Regulations in exercise of the powers conferred by the Local Government (Miscellaneous Provisions) Act 1976.
- 9.2.14 On 18 August 2010 The Sale of Electricity by Local Authorities (England and Wales) Regulations 2010 (SI 2010/1910) came into force. This allows local councils to sell energy they produce from renewable energy sources back to the national electricity grid. "Renewable energy sources" includes energy from wind, solar, aerothermal, geothermal, hydrothermal and ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogases, so the power given by these Regulations is sufficient to cover a very wide range of options.
- 9.2.15 The activities of the ESCO as a trading company will fall within the scrutiny remit of the Sustainable Growth Scrutiny Committee, although the detail of the terms of the Committee's terms of reference in respect of the company are yet to be finalised.

9.3 Corporate Priorities: Environment Capital

Providing sustainable and renewable energy projects, either through an ESCO or other vehicle, is entirely in keeping with the council's environment capital objectives. Sustainable and renewable energy projects can do more than help meet targets for carbon reduction. They can also be used to generate revenue, fund community improvement, create employment, and address issues such as fuel poverty. By the local authority taking a pro-

active role, and initiating its own low-carbon energy projects, it can ensure maximum benefit to local communities.

9.4 Crime and Disorder / Community Safety & ICT

No implications.

9.5 Discrimination and Equality

No implications.

9.6 Human Resources

The limited company is not expected to employ staff at this stage, its work will be carried out by council staff. There will be neither a transfer of staff, nor any secondment. Instead council officers will provide services to the company under a formal agreement between the council and the company, identifying the services to be provided, and the charges to be made to the company in consideration for these services.

9.7 Property

No implications – the company will be operated from existing council buildings and no additional accommodation or office space within council buildings is required. The lease of the former Freemans building causes no restriction on these proposals.

9.8 Procurement

No procurement process is necessary for the council to set up a wholly owned company. Any subsequent procurement processes carried out by the company will be carried out in accordance with appropriate procurement legislation and regulations.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

Peterborough City Council Carbon Management Action Plan (Approved by Council on 14.04.10)

CABINET	AGENDA ITEM No. 7
13 June 2011	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr Cereste - Leader of the Council and Cabinet Member for Growth, Strategic Planning, Economic Development and Business Engagement Cllr Hiller - Cabinet Member for Housing, Neighbourhoods and Planning Cllr David Seaton – Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources Steven Pilsworth, Head of Corporate Services	Tel. 452398 Tel. 384564

LOCAL AUTHORITY MORTGAGE SCHEME

R E C O M M E N D A T I O N S	
FROM : Executive Director Strategic Resources	Deadline date : 13 July 2011
<p>Cabinet is recommended to:</p> <ol style="list-style-type: none"> 1. Approve participation in the Local Authority Mortgage Scheme (LAMS), initially in partnership with the Lloyds Banking Group, for £1m; 2. Approve plans to extend the scheme across other lenders as they enter the scheme, or with Lloyds, up to a total value of £10m; 3. Delegate to the three responsible Cabinet Members the authority to develop the local policy for scheme eligibility, and recommend it to Full Council for approval at the meeting of 13th July; 4. Delegate to the Chief Executive the authority to execute the deed indemnifying the Monitoring Officer on behalf of the authority. 	

1. ORIGIN OF REPORT

- 1.1. This report is submitted to Cabinet following consideration as to how the Council can support first time buyers and the local housing market, and help deliver the Council's priority of delivering substantial and truly sustainable growth

2. PURPOSE AND REASON FOR REPORT

- 2.1. The purpose of this report is to seek Cabinet approval for the Council to participate in the Local Authority Mortgage Scheme.
- 2.2. This report is for Cabinet to consider under its Terms of Reference No. 3.2.3, to take a leading role in promoting the economic, environmental and social well being of the area; and 3.2.5, to review and recommend to Council changes to the Council's constitution, protocols and procedure rules.

3. **TIMESCALE**

Is this a Major Policy Item/Statutory Plan?	NO
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4. **BACKGROUND**

- 4.1 The turmoil in the financial and banking market has had a severe impact on both the local economy and on local housing. House prices nationally have continued to fall over the last 12 months, and the outlook remains uncertain. The lack of buyers, together with the ongoing lack of mortgage availability means house prices are likely to continue to slide. Nationwide Building Society predicts house prices in 2011 to stay weak as a result of the uncertainty surrounding the economy and the Government's massive spending cuts.
- 4.2 There is still considerable concern about some areas of the housing market, particularly the low percentage of first time buyers. According to the Council of Mortgage Lenders (CML), mortgage lending fell by 13% in January compared with December – the lowest level for a year. The CML believes the housing market will remain subdued in 2011 due to uncertainty surrounding the economy and the ongoing mortgage rationing by lenders. The level of activity in the mortgage market is therefore expected to remain subdued.
- 4.3 Current constraints are a particular problem for first-time buyers, especially those unable to provide a substantial deposit. Many banks and building societies do not lend to those home buyers who cannot provide up a deposit of 20 to 25 per cent. The typical entry level price for two-bedroom property in Peterborough costs around £94k which would mean a deposit of around £24k is needed. With other costs on top of this, including stamp duty and other costs, this is effectively preventing most first time buyers from entering the property market.
- 4.4 The issue is adversely affecting the delivery of the Council's priority of delivering substantial and sustainable growth.

5. **LOCAL AUTHORITY MORTGAGE SCHEME**

- 5.1 Sector Treasury Management services (currently the Council's treasury advisers) have developed a national scheme, initially in conjunction with the Lloyds banking group, to allow Councils to provide support to first time buyers. The scheme is aimed at first time buyers, providing help for potential buyers who can afford mortgage payments - but not the initial deposit – to get on to the property ladder.
- 5.2 The scheme would operate as follows:
- The Council would specify the qualifying characteristics for those who should qualify for a mortgage under the scheme (see section 6 below). The Council would also specify whether there would be a maximum loan value, and the total level of support offered by the council;
 - Potential Buyers would approach the lender directly (initially Lloyds TSB) and the lender would deal with the Council. The Council will not know the identity of the individuals concerned, and have no role in approving individual mortgages;
 - The Bank will assess the buyer against its own credit criteria, as well as the Council's criteria;
 - If a potential buyer meets the strict credit criteria applied by the lender, and meets the criteria set out by the Local Authority to qualify for a mortgage under the scheme, the Local Authority will provide a top-up indemnity to the value of the difference between the typical Loan to Value (LTV) ratio of around 75% and a 95% LTV mortgage. The potential buyer will thereby obtain a 95% mortgage on similar terms as a 75% mortgage, but without the need to provide the substantial deposit usually required;

- The Council will deposit a sum with the bank equal to the total value of the overall indemnity offered;
 - The bank would lend all the money agreed under the mortgage to enable the purchase to be made;
 - The buyer would make repayments to the bank, and liaise with the bank on all issues relating to the mortgage; and
 - The indemnity provided by the Council will last for 5 years. After this time the sum deposited with the bank is returned to the Council with interest.
- 5.3 The indemnity would only be called upon, leading to a cost for the Council, if a loss is crystallised by the lender. This would require a default by the buyer, a repossession by the bank and then the property to be sold for less than the value of the mortgage. By way of example:
- Property valued at £100k, mortgaged at £95k (funded Local Authority indemnity £20k, Bank Mortgage £75k), was subsequently sold for £70k, the bank would request the full £20k indemnity from the Local Authority. In this case the value of the property would need to have fallen by 30% from the original valuation;
 - If the property was sold for £90k the bank would request £5k from the Council. In this case the value of the property would need to have fallen by 10% from the original valuation.
- 5.4 The Council will only face costs if both these situations arise – that there is default, and the subsequent resale value is less than the value of the mortgage. Such costs would be funded from the interest gained in depositing the indemnity funds with Lloyds. Information from the Council of Mortgage lenders indicates that the number of repossessions by first charge mortgage lenders in 2010 was 0.3% of all mortgages. Over the five year period, the following would need to happen for the costs to the council to exceed the interest income:
- Defaults to be ten times higher than the 2010 level indicated by CML; AND
 - Property prices to drop 10% from the level at the time the mortgage is approved
- 5.5 The scheme is currently being launched through Lloyds Banking Group, however it is anticipated that more mortgage lenders will be invited to join the partnership as it progresses. Sector has been in discussions with the FSA approved mortgage lenders in the UK to raise awareness of the scheme. The scheme will operate on a nationwide basis and there will be no restrictions on the type and number of banks who will be entitled to participate (providing they have the necessary authorisation to offer residential mortgages in the UK).
- 5.6 It is recommended that the Council initially provides £1m of indemnity to support the scheme with Lloyds. The scheme with Lloyds does not currently cover new build properties. It is further recommended that this is extended up to a maximum of £10m, following a review of the success of the initial £1m indemnity as follows:
- Extending the scheme to cover other lenders as they enter the scheme, providing additional choice locally. Sector are currently in discussion with a number of lenders about entering the scheme, including lending on new build properties;
 - Increasing the indemnity with Lloyds group if the first tranche of funding is exhausted.
- 5.7 Extending the indemnity to £10m does not alter the financial risk profile. Whilst the possible sums payable following default could increase, so does the interest income to cover this.
- 5.8 Sector Treasury Services will undertake an annual audit of the scheme to ensure both parties are fully compliant with the agreement. The Council will agree with Lloyds a monthly performance report, so that it is able to demonstrate clear links to strategic objectives and also review the performance of the scheme in relation to its investment.

6. LEGISLATIVE POWERS TO EFFECT THE SCHEME AND LOCAL ELIGIBILITY POLICY

- 6.1 Sector Treasury Services have sought Counsel's opinion on the legal basis for Councils to be able to support this scheme, along with the position regarding state aid. The Council has also sought advice from its own legal advisers that this is sound.
- 6.2 The Housing Act 1985 (as amended) provides the statutory framework for the scheme. The Act allows Local Authorities to "advance money to a person for the purpose of acquiring a house" (section 435 of the act). Section 442 of the act allows a local authority to grant an indemnity to a lender to enable the lender to give the potential buyer a mortgage.
- 6.3 In order to participate in the scheme on this basis, the Council will need to develop a local policy for scheme eligibility. It is recommended that authority is delegated to the three lead Members to develop this policy once the overall principle of participating has been approved. Possible elements for this policy to include are listed in appendix A. The Council will then need to incorporate the policy into the local housing strategy, which will need to be approved by Full Council as part of the Major Policy Framework. It is recommended that this is undertaken in time for consideration by Council at the meeting of July 13th. Once the policy is approved, and associated legal agreements with Lloyds completed, the scheme can be launched.
- 6.4 As well as Cabinet approval, the Council will need to provide the following as part of the agreements with the lenders:
- Letter from the monitoring officer (Solicitor to the Council) confirming that the Council can enter into the scheme. This will be provided given the independent confirmation received as outlined in para 6.1 above, in line with the delegated powers of the Solicitor to the Council set out in the Constitution as follows:

3.17.1 The Solicitor to the Council is authorised:

(l) to sign on behalf of the Council any deed or other document, which, in his/her professional judgement, is necessary or desirable to sign;

- Confirmation that the Council indemnifies the monitoring officer against this advice. Cabinet will need to delegate to the Chief Executive the authority to provide this indemnification, as set out in recommendation 4 above.

7. CONSULTATION

- 7.1 Proposals have been discussed across departments with an interest in housing and growth, at Corporate Management Team, and with the relevant Cabinet portfolio holders.

8. ANTICIPATED OUTCOMES

- 8.1 That Cabinet:
- Approves participation in the Local Authority Mortgage Scheme, initially in partnership with the Lloyds Banking Group, for £1m;
 - Approve plans to extend the scheme across other lenders as they enter the scheme, or with Lloyds, up to a total value of £10m;

- Delegate to the three responsible Cabinet Members the authority to develop the local policy for scheme eligibility, and recommend it to Full Council for approval at the meeting of July 13th;
- Delegates to the Chief Executive the authority to execute the deed indemnifying the Monitoring Officer on behalf of the authority.

9. REASONS FOR RECOMMENDATIONS

To allow the Council to participate in the Local Authority Mortgage Scheme, supporting first time buyers in Peterborough.

10. ALTERNATIVE OPTIONS CONSIDERED

- 10.1 The council could consider providing mortgage directly. The Council does not have the required level of expertise to do this, and would require FSA approval to do so.

11. IMPLICATIONS

Financial

- 11.1 Key financial issues are outlined in section 5 above. The initial advance of £1m will be classified as capital expenditure and will be provided from the surplus funds currently invested in the money markets. The £1m will need to be deposited with Lloyds for five years and will earn above market interest rates. Lloyds is currently a nationalised bank and depositing money for the proposed five year period is within the Council's approved Treasury Management Strategy. At the end of five years the money will be returned to the Council and be classified as a capital receipt.

Legal

- 11.2 The legal powers enabling the Council to participate in the scheme are covered in section 6 above.

12. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985).

None.

Possible content of local policy

The policy could include statements about:

- how the policy will contribute towards the fulfilment of the Local Authority's strategic aims, objectives and priorities;
- how the policy will contribute towards the fulfilment of the Local Authority's housing strategy and any other relevant corporate strategies;
- the key priorities which the policy will address and the reasons for selecting them;
- the amount of capital resources that will be committed to implementing the policy and how this is budgeted for;
- a description of the types of assistance available, what the assistance will be used for, and what key outcomes will be achieved by each form of assistance;
- the circumstances in which people will be eligible for assistance;
- the amounts of assistance that will be available to eligible people, and how these amounts will be determined;
- the types and amounts of preliminary or ancillary fees and charges associated with the provision of assistance that will be payable and in what circumstances;
- the process to be used to apply for assistance;
- how people can obtain access to the process of applying for assistance;
- details of conditions that will apply to the provision of assistance;
- how conditions will be enforced and in what circumstances they may be waived;
- advice that is available, including financial advice, to assist people wishing to enquire about, and apply for, assistance;
- the arrangements for complaints about the policy and its implementation;
- the arrangements for applications for assistance to be considered where these fall outside policy;
- key service standards that will apply to the provision of assistance;
- a policy implementation plan;
- national and local performance indicators that are relevant to the policy and the targets that the Local Authority has set itself to improve performance;
- how (or if) the Scheme will be promoted or publicised;
- what information will be provided in the promotion of the Scheme;
- what training is needed for Local Authority employees and other agencies involved in implementing the Scheme.

CABINET	AGENDA ITEM No. 8
13 JUNE 2011	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr Marco Cereste Leader of the Council	
Contact Officer(s):	Andrew Edwards, Head of Growth & Regeneration	452303

ENDORSEMENT OF THE 2011-12 OPPORTUNITY PETERBOROUGH BUSINESS PLAN

R E C O M M E N D A T I O N S	
FROM : Neil Darwin, Director of Economic Development, Opportunity Peterborough	Deadline date : n/a
<p>1. Cabinet endorses the 2011-12 business plan for Opportunity Peterborough.</p>	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following approval of the business plan by the Board of Opportunity Peterborough (OP).

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is for the Council, as the sole funder of Opportunity Peterborough, to endorse its draft annual business plan. As sole funder it is important that the Council is satisfied that the draft business plan will deliver the objectives agreed.
- 2.2 This report is for Cabinet to consider under its Terms of Reference No 3.2.3 'to take a leading role in promoting the economic, environmental and social well being of the area'.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	No
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4. ENDORSEMENT OF THE 2011-2012 OP BUSINESS PLAN

4.1 Introduction

Opportunity Peterborough restructured during 2010, in doing so the organisation has taken on a more focused role around economic development. The past year has also seen Peterborough City Council become sole funder of the organisation following the demise of the East of England Development Agency and a withdrawal of the Homes and Communities Agency following a change in their corporate priorities.

4.1.1 Over the last year, Opportunity Peterborough and the Council have been working together to re-establish a strong economic development approach which encourages private sector growth through the attraction of new businesses to the city and reinvestment from local companies.

4.1.2 The result of this work has been a very strong and positive response by the city's private sector – with over 650 companies signing up to the Bondholder Scheme. Inward Investment has progressed well, not least with a new range of facilities being attracted around Cathedral Square. All of which has been underpinned by a visible marketing campaign that has set to establish the city as a viable, cost effective location with fast links to London and with a good quality of life.

4.2 Opportunity Peterborough's Objectives

4.2.1 OP was refocused to deliver key economic development services in 2010. This was followed by a change in operational leadership within the company. The 2011/12 business plan sets out how the company will focus its activities during 2011/12 and builds upon the success achieved in 2010.

4.2.2 The objectives to deliver this are:

- Ensuring that Peterborough is visible to investors;
- Support local business ambitions;
- Create conditions to increase skills level across our communities;
- Increase our knowledge of the local economy and utilise intelligence effectively; and
- Support the Greater Cambridge Greater Peterborough Local Enterprise Partnership.

4.3 Priorities

4.3.1 The priorities for Opportunity Peterborough over the next twelve months have been developed with the current economic climate, and strategic objectives above in mind. There are a number of key priorities that have been set out in the business plan.

a) Ensuring that Peterborough is visible to investors

- Continue to build the Peterborough Bondholders scheme
- Encourage partners to own and promote the City's brand via eg. Web-links, corporate literature and in the media.
- Deliver visible marketing campaigns to attract prospective investors
- Support the delivery of the Cities environmental ambitions across the media
- Work with local businesses to reinforce their 'successes' within the media
- Use multimedia and social media to promote Peterborough effectively

b) Support local business ambitions

- Work with existing businesses to resolve 'growth blockages'
- Proactively attract new business – targeting on growth sectors and companies
- Work with potential investors to ensure that they commit to Peterborough

- Take forward the business engagement framework that will guide the range of agencies that interact with business

c) Create conditions to increase skills level across our communities

- Take forward the Peterborough Skills Vision; building a strong, visible programme of activity with business and the provider community
- OP to gain a firm understanding of the skills agenda; both current and future needs
- Champion 'skills' with local business to increase partners knowledge of future needs
- Work with providers to encourage targeted delivery that meets business demand
- Support partners in delivering improved access higher/further education

d) Increase our knowledge of the local economy and utilise intelligence effectively

- Use economic data to drive decision making
- Work with local businesses to ensure OP understands wider economic activity

e) Support the Greater Cambridge Greater Peterborough Local Enterprise Partnership

- Provide operational support to the LEP
- Ensure the LEP focuses on issues that support economic growth in Peterborough
- Broker new relationship that enable Peterborough to benefit from the LEP

4.3.2 The priorities identified above seek to encourage private sector growth and in essence are private sector facing. Thereby ensuring that OP offers local companies positive support and helps stimulate new activity. However this approach does not work in isolation. Peterborough's growth agenda needs several different delivery approaches. Including where OP will lend support where necessary, to other partners such as the Council in supporting physical growth delivery.

4.4 Financial Implications

4.4.1 The budget outline for Opportunity Peterborough is detailed in Section 6 of the main business plan (Appendix 1). Following the withdrawal of the regional partners OP now operates with Council making a contribution. The implications for the Council are a contribution to OP of £380k for 2011/12. As a result of these structural changes OP have addressed associated governance issues to ensure the Council has appropriate control of OP policy and decision-making.

4.5 Human Resources Implications

4.5.1 OP has a headcount of 8 staff following reductions during 2010/11. Seven of the staff are on OP contracts, the Director of Economic Development is on secondment from the Council. All costs staffing costs associated with the OP contracted staff are costed within the budget including any potential wind-up costs if the company were to cease operation.

5. CONSULTATION

- 5.1 Senior Council staff has been involved in drafting this year's business plan. The Council is represented on the Board of Opportunity Peterborough by the Leader and Deputy Leader of the Council and have been instrumental in the company's decision to approve the draft business plan.

6. ANTICIPATED OUTCOMES

- 6.1 The Business Plan – Annex 1 sets out in Section 5 the Outcomes that will be achieved during 2011/12 against each of the plan's Priorities

7. REASONS FOR RECOMMENDATIONS

- 7.1 It is required that the Council considers and agrees the draft business plan. The specific schemes for implementation will potentially evolve during the course of the plan period and it is therefore appropriate that funding is approved by the Council through its normal decision-making processes.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Modifications to the plan can be suggested, which would be subject to discussion and agreement with other partners and therefore delay activities within it.
- 8.2 The draft business plan could not be approved, which would significantly limit the operations of Opportunity Peterborough as the City's Economic Development Company.

9. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

Opportunity Peterborough Draft Business Plan 2010-2013.

CABINET	AGENDA ITEM No. 9
13 JUNE 2011	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Marco Cereste, Cabinet Member for Growth, Strategic Planning, Economic Development and Business Engagement	
Contact Officer(s):	Simon Machen - Head of Planning, Transport and Engineering Richard Kay – Group Manager – Strategic Planning and Enabling Jim Daley - Principal Built Environment Officer	Tel. 453475 Tel. 863795 Tel: 453522

DESIGN AND DEVELOPMENT IN SELECTED VILLAGES SUPPLEMENTARY PLANNING DOCUMENT (SPD) – ADOPTION VERSION

R E C O M M E N D A T I O N S	
FROM : Paul Phillipson, Executive Director Operations	Deadline date : June 2011
Cabinet is recommended to adopt the Design and Development in Selected Villages Supplementary Planning Document (SPD) to form part of the Peterborough Local Development Framework.	

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet following approval of the Council’s Local Development Scheme by the Secretary of State for Communities and Local Government, to supplement the overarching design policy contained within the Council’s Core Strategy and following approval by Cabinet of a consultation draft SPD on 13 December 2010.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to enable Cabinet to adopt the Design and Development in Selected Villages Supplementary Planning Document (adoption version) (hereafter referred to simply as the ‘SPD’).

2.2 The officer-recommended SPD is available at Appendix 1.

2.3 This report is for Cabinet to consider under its Terms of Reference No. 3.2.1, to take collective responsibility for the delivery of all strategic Executive functions within the Council’s Major Policy and Budget Framework and lead the Council’s overall improvement programmes to deliver excellent services.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	No
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4. The SPD

- 4.1 The SPD feeds off the other planning policy documents which make up the Local Development Framework (LDF) which in turn are based on the Peterborough Sustainable Community Strategy. The SPD sets out detailed 'development management' design related planning policies for selected rural villages, which will be used day-to-day by planning officers when considering the detailed aspects of planning proposals.
- 4.2 It is important to note that the SPD:
- **does not** set any strategic growth targets for villages (that is a task for the Core Strategy and the Site Allocations DPD); and
 - **does not** allocate new land for development (that is a task for the Site Allocations DPD).
- 4.3 There is no statutory obligation to prepare this document, but the SPD is seen as a very important planning policy tool to control and ensure high quality development in villages. Whilst, understandably, 'city' residents have generally had very little interest in it, there has been high interest from parishes and village communities.
- 4.4 The policies, if adopted by Cabinet, will become extremely important when determining planning applications. They give the Council the power and justification to either refuse or approve something, especially on detailed design matters (which can be very sensitive in local village communities).
- 4.5 This document is in its second, of two, stages of preparation. Informal consultation took place with parish councils during the late part of 2010, and that assisted in preparing a draft version as approved by Cabinet on 13 December 2010. The draft SPD was then formally consulted upon for 6 weeks in February / March 2011 and has subsequently been very slightly redrafted as a final version for adoption by Cabinet.
- 4.6 In summary, the SPD contains:
- An introduction / context etc;
 - A small set of generic policies, which apply to all the villages; and
 - An individual chapter for each of the villages, each around 4 pages long and containing: description/history of the village; recent studies and policy documents for that village; a specific 'policy' for that village; links to wider evidence base; and a map of the village.

5. CONSULTATION

- 5.1 Officers have undertaken informal consultation with the applicable parishes over the past few months, including attending parish council meetings and undertaking 'walk through' site visits. This helped shape the draft document, and generated significant 'buy in' from those parishes to the production of the SPD. Planning Committee, LDF Scrutiny Panel and the Rural Commission Scrutiny Panel also had the opportunity to comment on the draft version prior to the formal consultation stage.
- 5.2 During the formal consultation period in February – March 2011, we received a small number of representations, virtually all of a supportive nature. Whilst the first impression may be of surprise at the low level of representation, it should be emphasised that a great deal of work went in to the drafting of the document with the parish councils themselves i.e. the wording is largely the parish council's wording and therefore it would have been surprising to have subsequently received objections from them during the formal (and statutory) consultation period.
- 5.3 Of the small number of representations received, the main issue related to Glinton where the parish council, having read within the SPD what the other villages were proposing, requested a few additional policy lines for their Glinton policy. Following discussion with the

parish council, officers are happy to endorse these amendments and they have been incorporated within the final policy attached.

- 5.4 If approved today, the document will be adopted – there are no further planned consultation stages.

6 ANTICIPATED OUTCOMES

- 6.1 It is anticipated that Cabinet will adopt the SPD, and in doing so it will form part of the Peterborough Local development Framework (LDF).

7 REASONS FOR RECOMMENDATIONS

- 7.1 Cabinet is recommended to adopt the SPD because it will help deliver high quality development in villages and will give parishes a clear policy tool for them to use when commenting on future planning applications. There are no overriding objections as to why the SPD should not be adopted.

8 ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Whilst not a statutory requirement to produce the SPD, the alternative option of not producing this document was rejected because:

- Parishes have been left somewhat in limbo since the previous government amended the planning regulations (2004) which effectively ended, for planning purposes, the statutory basis which was previously applied to Village Design Statements or Parish Plans. This SPD directly takes its content from those prepared VDSs and Parish Plans, and, in effect, gives back the statutory weight they once had;
- There is considerable support for the production of the document, especially from the parish councils;
- The document will greatly assist planning officers and Members in determining planning applications, including enabling a consistent and transparent decision making process to be undertaken; and
- The document is entirely in line with the emerging national 'localism' and 'neighbourhood planning' approach.

9 IMPLICATIONS

- 9.1 **Legal Implications** - The Council must follow due Regulations in preparing the SPD. If the SPD is adopted by Cabinet, the Council has a legal duty to determine planning applications in accordance with the policies contained within the SPD.

- 9.2 **Financial Implications** – None, other than small costs which have already been incurred associated with arranging and conducting the public consultation and, assuming it is approved, the subsequent printing of the adoption version of the document, which is budgeted for.

- 9.3 **Other Implications** – As with all planning policy documents, there are social, economic and environmental implications with this SPD because it will directly influence how development will be built in village areas.

10 BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- None

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CABINET	AGENDA ITEM No. 10
13 JUNE 2011	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr Marco Cereste – Cabinet Member for Growth, Strategic Planning, Economic Development and Business Engagement	
Contact Officer(s):	Simon Machen - Head of Planning, Transport and Engineering	Tel. 453475
	Richard Kay – Group Manager – Strategic Policy and Enabling	Tel. 863795
	Steve Winstanley – Team Leader - Minerals and Waste Policy	Tel: 863773

**LOCAL DEVELOPMENT FRAMEWORK:
CAMBRIDGESHIRE & PETERBOROUGH MINERALS AND WASTE PLAN – THE LOCATION AND DESIGN OF WASTE MANAGEMENT FACILITIES SUPPLEMENTARY PLANNING DOCUMENT (ADOPTION VERSION)**

R E C O M M E N D A T I O N S	
FROM : Paul Phillipson, Executive Director Operations	Deadline date : June 2011
<p>Cabinet is recommended to:</p> <ol style="list-style-type: none"> 1. Approve, for adoption on 19 July 2011, The Location and Design of Waste Management Facilities Supplementary Planning Document (SPD). The adoption of the SPD is also being considered concurrently by Members of Cambridgeshire County Council for adoption on 19th July 2011; and 2. Agree that the Head of Planning, Transport and Engineering approves any minor and inconsequential amendments to the SPD that may arise from the equivalent passage of the SPD through Cambridgeshire County Council's adoption process. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet following approval by Council of a consultation draft SPD on 2 December 2009 and the subsequent approval by Council on 13 April 2011 of the Cambridgeshire and Peterborough Minerals and Waste Core Strategy. The Minerals and Waste Core Strategy Policy CS24 is the overarching design policy, whereas the detailed design guidance is provided by this SPD.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to enable Cabinet to approve The Location and Design of Waste Management Facilities SPD (adoption version) (hereafter referred to simply as the 'SPD') for adoption on 19th July 2011.

2.2 The SPD (adoption version) is available at Appendix A.

2.3 This report is for Cabinet to consider under its Terms of Reference No. 3.2.1, to take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services.

3. **TIMESCALE**

Is this a Major Policy Item/Statutory Plan?	No
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4. **PETERBOROUGH LOCAL DEVELOPMENT FRAMEWORK: THE LOCATION AND DESIGN OF WASTE MANAGEMENT FACILITIES (CONSULTATION DRAFT VERSION)**

Introduction

4.1 The SPD provides additional guidance to that set out in Policy CS24 “Design of Sustainable Minerals and Waste Management Facilities” as found within the Minerals and Waste Core Strategy, which itself has already been agreed for adoption on 19 July 2011.

4.2 The existing ‘The Location and Design of Major Waste Management Facilities SPD’ (adopted April 2006) will be superseded by this new SPD.

Purpose

4.3 Waste management facilities in the past have been regarded as being of low quality and poorly designed, often detracting from the area around them. It is now recognised that in order to achieve the necessary step change in the delivery of sustainable waste management, a corresponding change in the standards of design of facilities is required.

4.4 Design is not simply how a building or facility looks There are opportunities through design for waste facilities to achieve greater integration or assimilation with surrounding uses; minimising the visual impact of development; and maximising sustainability through use of sustainable materials, sustainable drainage and energy efficiency proposals. The purpose of this SPD is to provide guidance on the matters which need to be addressed including:

- siting / layout;
- built form;
- local distinctiveness and integration;
- landscape and boundary treatments;
- access, parking and circulation;
- lighting;
- noise, dust and odour mitigation measures;
- energy efficiency, addressing such matters as landform, layout, building orientation, massing and landscaping to minimise energy consumption
- water conservation measures;
- sustainable construction, including waste management audits; and
- co-location with other facilities.

4.5 The guidance is being prepared as a SPD, which means that it will be a material consideration which must be taken into account when determining planning applications. The process of preparing the SPD is governed by planning regulations. This first stage was the preparation of a draft document followed by public consultation. This consultation took place in February - March 2010, alongside the Proposed Submission consultation on the Minerals and Waste Core Strategy. Consulting at the same time enabled people to see how the documents relate.

5. **CONSULTATION**

5.1 During the public consultation on the SPD the Council received responses from 16 individuals / organisations which raised around 136 representations. These representations have been considered, and together with a suggested response, have been collated into a Statement of Consultation. This includes suggested amendments to the SPD which have been put forward in response to the comments received.

- 5.2 The main issues raised cover the following:
- the need to update and expand the section on Other Relevant Documents and include reference to local guidance which may be available from the District / City Councils;
 - the need to re-structure the section on Other Relevant Documents so it is clearer;
 - the need to add key principles, notably 'energy efficiency', in the section on Sustainable Construction;
 - the need to update the SPD to reflect the adoption version of the Minerals and Waste Core Strategy; and
 - the need to include additional advice on assimilating waste management development in areas which are open, and where additional planting may not be appropriate.
- 5.3 Officers welcome these suggestions, and have incorporated revised wording in the SPD to meet all the points.
- 5.4 If approved by Cabinet, the document will be adopted on 19 July 2011, subject to the exception highlighted in para 5.5 below.
- 5.5 The adoption of the SPD is being considered concurrently by Members of Cambridgeshire County Council. It is possible therefore that Cambridgeshire County Council request changes to be made to the SPD prior to adoption. Given this, it is recommended that Cabinet delegate to the portfolio holder for Growth to approve any such amendments to the SPD, should such circumstances arise prior to the SPD being considered for adoption on 19 July 2011, unless the changes are of such significance which would warrant re-consideration by Cabinet.

6 ANTICIPATED OUTCOMES

- 6.1 It is anticipated that Cabinet will adopt the SPD, and in doing so it will form part of the Local Development Framework (LDF).

7 REASONS FOR RECOMMENDATIONS

- 7.1 Cabinet is recommended to adopt the SPD because it will help deliver high quality waste management facilities development in both urban and rural locations, providing guidance to both Development Management officers, committee members and developers alike. There are no overriding objections as to why the SPD should not be adopted.

8 ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Whilst not a statutory requirement to produce the SPD, the alternative option of not producing this document was rejected because:
- There has been support for the production of the document, across Cambridgeshire and Peterborough in recognition of the planned growth in waste management facilities required to support the 'growth agenda';
 - The document will greatly assist planning officers and Members in determining planning applications to bring about improved design and quality of waste management facilities in Peterborough, and thereby encourage better waste management practice and outcomes; and
 - The document is entirely in line with the Government guidance on Planning for Sustainable Waste Management (PPS10) and the Council agreed Minerals and Waste Core Strategy.

9 IMPLICATIONS

- 9.1 **Legal Implications** - The Council must follow due Regulations in preparing the SPD. If the SPD is adopted by Cabinet, the Council has a legal duty to determine planning applications in accordance with the policies contained within the SPD.
- 9.2 **Financial Implications** – None, other than small costs associated with arranging and conducting the public consultation and, assuming it is approved, the subsequent printing of the adoption version of the document, all of which are budgeted for.
- 9.3 **Other Implications** – As with all planning policy documents, there are social, economic and environmental implications with this SPD because it will directly influence how development will be built.

10 **BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- None.

A COPY OF

**THE LOCATION AND DESIGN OF
WASTE MANAGEMENT FACILITIES**

SUPPLEMENTARY PLANNING DOCUMENT

IS ATTACHED

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CABINET	AGENDA ITEM No. 11
13 June 2011	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Hiller, Cabinet Member for Housing, Neighbourhoods and Planning	
Contact Officer(s):	Simon Machen – Head of Planning, Transportation and Engineering Richard Kay – Group Manager – Strategic Planning and Enabling Julia Chatterton – Sustainable Infrastructure Officer – Growth & Regeneration	Tel. 01733 453475 01733 863795 01733 452620

PETERBOROUGH ‘PRELIMINARY FLOOD RISK ASSESSMENT’ (PFRA)

R E C O M M E N D A T I O N S	
FROM : Paul Phillipson, Executive Director Operations	Deadline date : June 2011
Cabinet is requested to approve, for the purpose of meeting the requirements of the Flood Risk Regulations 2009, the Peterborough Preliminary Flood Risk Assessment.	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following a Department for Environment, Food and Rural Affairs (Defra) / Environment Agency (EA) requirement to submit a Preliminary Flood Risk Assessment (PFRA) to the EA by 22 June 2011.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this agenda report is to seek approval from Cabinet that the Peterborough PFRA meets the requirements of the Flood Risk Regulations 2009 and can therefore be submitted to the EA.
- 2.3 This report is for Cabinet to consider under its Terms of Reference No. 3.2.2, to promote the Council’s role as community leader, giving a ‘voice’ to the community in its external relations at local, regional and international level, and fostering good working relationships with the Council’s partner organisations, Parish Councils, and the relevant authorities for Police, Fire, Probation and Magistrates’ Courts Services.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO
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4. PETERBOROUGH PFRA

Introduction

- 4.1 The UK government has issued the Flood Risk Regulations (2009) in order to implement the European Floods Directive. The aim of the Directive is to provide a consistent approach to managing flood risk across Europe.
- 4.2 To meet the requirements of that Directive (and associated Regulations), plus to tackle other national water and flood related issues, the UK government has also enacted the Flood and Water Management Act (FWM Act) (2010).

- 4.3 The FWM Act makes Peterborough City Council a 'Lead Local Flood Authority' (LLFA). As a LLFA, a considerable number of new statutory duties have been placed on the council in relation to flood issues (risk assessment, prevention, monitoring, managing etc).
- 4.4 One such duty is the requirement to undertake a Preliminary Flood Risk Assessment (PFRA), and submit a report of the findings of that Assessment to the Environment Agency (EA) by 22 June 2011. This agenda report presents the PFRA for approval prior to it being finalised and submitted to the EA.
- 4.5 The PFRA is the first step in a 6 year cycle of reporting about local flood risk. There are two further stages to be completed within each cycle; flood hazard and flood risk mapping by June 2013 and a flood management plan by June 2015. The completion of the latter two stages is understood to be dependent on whether or not an area of significant flood risk, known as a 'Flood Risk Area', is identified in Peterborough.

Content of the PFRA

- 4.6 A PFRA assesses local sources of flood risk, primarily from surface runoff, groundwater and ordinary watercourses. The PFRA is a high level screening exercise which involves collecting information on past (historic) and future (potential) floods, assembling it into a preliminary assessment report, and using it to identify if a Flood Risk Area should be identified in Peterborough. A Flood Risk Area is one where the risk of flooding is significant from a national perspective.
- 4.7 The PFRA must be based on existing and available information and should bring together information from national and local sources including the Flood Map for Surface Water, Catchment Flood Management Plans and Strategic Flood Risk Assessments. Information from the PFRA process will also feed into other assessments including future other local strategies required under the Act. It should be noted that the PFRA process and requirements are European requirements and are not the only (or necessarily the most appropriate) mechanism for managing local flood risk, or the main route for funding. In many cases a separate local strategy (to be prepared in the future) is likely to be a more appropriate and quicker route to manage risk in an area. Nevertheless, the PFRA is a statutory duty so it must be undertaken.
- 4.8 LLFAs need to submit their PFRA report to the EA by 22 June 2011. The report comprises a document, including specific information on 'significant' floods (past and future) and, if a Flood Risk Area (FRA) has been identified, a digital map outlining the FRA. The EA has a role to review, collate and publish the outputs nationally, and thereafter submit a report to the European Commission.

Key Issues

- 4.9 A PFRA is a mix of **facts** (i.e. where have floods taken place; where do the EA predict surface water floods will occur in the future) and **policy** (i.e. at what scale of flood will PCC recognise it being classified as 'locally significant' or not).
- 4.10 In terms of facts, these could potentially have sensitive implications. Where past surface water floods have occurred will largely be uncontroversial as they will generally (though not necessarily entirely) be known about in the community that was affected. However, the 'facts' as to the future flood risk predicted by the EA flood models will be sensitive, as these are not common knowledge. It should be noted that the EA have carried out a national assessment to identify broad areas that may be at risk, taking broad account of drainage and typical storms which may cause surface water flooding. Local variation is not accounted for and the method used does not enable identification of risk down to an individual property scale.
- 4.11 To put this in some kind of perspective, the EA several years ago published on the internet various maps which relate to potential future flood risk from rivers. The new information associated with PFRAs is very similar, except this time it relates to surface water flooding (such as what areas may flood if, for example, a very heavy downpour of rain occurred over a prolonged period). The new information, therefore, should be regarded as building

upon existing flood risk data already released by the EA. By gaining a better understanding of the type of risk that Peterborough faces from surface water flooding risk, an effective Local Flood Risk Management Strategy can be put in place. This will ensure that resources are focussed, and communities are aware so that we can plan and mitigate against the risks together.

- 4.12 The PFRA also contains elements which could be regarded as 'policy'. This is especially the case in terms of setting thresholds as to when, in Peterborough, we will regard a flood as having 'locally significant harmful consequences'. The thresholds are set out purely for the purposes of this PFRA, and it should be noted that this concept will be considered and consulted on further through the Local Flood Risk Management Strategy. For the PFRA these thresholds were recommended following agreement at the Peterborough Flood Risk Partnership (PFRP) meeting which was held on the 16 May 2011.

5. CONSULTATION

- 5.1 The PFRA has been prepared by the council in conjunction with the partners on the PFRP. The PFRP includes the EA, Anglian Water and several Internal Drainage Boards. Further details on this partnership are found within the PFRA directly. The PFRP recommended approval of the PFRA on 16 May 2011.
- 5.2 The PFRA is due to be considered by the Sustainable Growth Scrutiny Committee on 7th June, and an oral update of issues raised at that meeting will be given to Cabinet.
- 5.3 The PFRA is only required to include readily available data, and due to the sensitive nature of the information and the very tight timescale imposed on the council by the EA, public consultation has not been undertaken. It is recognised, however, that resident contribution is invaluable to really understanding local risk and how best to manage it. It is therefore intended that much wider consultation will take place as part of the production of the subsequent Local Flood Risk Management Strategy. This document will set out the council's approach to flood risk management.

6 ANTICIPATED OUTCOMES

- 6.2 It is anticipated that Cabinet will approve the attached document and endorse its submission to the EA prior to the 22 June 2011 deadline.

7 REASONS FOR RECOMMENDATIONS

- 7.1 It is a legal requirement under the FWMA for Peterborough to submit a PFRA, so not preparing one is not an option and could lead to a challenge if not supplied.

8 ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The contents of the PFRA are largely driven by EA requirements as to what we must report. As such, alternative information is also not an option.
- 8.2 The only area of scope for a significant alternative approach would be in relation to the thresholds for what the council would regard as 'significant floods' in the future. However, following consultation with partners, we believe the thresholds recommended are appropriate to the circumstances we face in Peterborough.

9 IMPLICATIONS

- 9.1 **Financial:** Preparation of the PFRA has minimal costs, and can be met within existing budgets. The contents of the PFRA do not commit the council to additional resources. However, Members should note that the wider, linked responsibilities which now fall upon the council as a result of the FWM Act 2010 will have financial implications on the council and, where existing budgets do not cover such expenditure, these will be reported accordingly.

9.2 **Legal Implications:** The PFRA must be prepared in accordance with the Flood Risk Regulations and EA guidelines, which we have done. Once submitted to the EA, all of the PFRAs will be collated and the required information submitted to meet the requirements of the European Flood Directive. The PFRA will also form one of a collection of new strategies and programmes for the council which will ensure the council complies with the wider requirements of the FWM Act 2010.

9.3 **Environmental:** Researching potential floods, communicating the outcome of that research and taking action to mitigate the risks are all important matters which will help ensure we protect and manage our environment, for the benefit of humans and wildlife.

10 BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- Preliminary Flood Risk Assessment (PFRA) – Final Guidance, Environment Agency, Dec 2010 - <http://publications.environment-agency.gov.uk/pdf/GEHO1210BTGH-e-e.pdf>

CABINET	AGENDA ITEM No. 12
13 JUNE 2011	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton – Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources Steven Pilsworth, Head of Corporate Services	Tel. 452398 Tel. 384564

BUDGET MONITORING REPORT FINAL OUTTURN 2010/11

R E C O M M E N D A T I O N S	
FROM : Executive Director Strategic Resources	Deadline date : N/A
<ol style="list-style-type: none"> 1. That the final outturn position on the Council's revenue budget of £475k underspent, and the capital budget is noted. 2. That the performance against the prudential indicators be noted. 3. That the performance on treasury management activities, payment of creditors in services and collection performance for debtors, local taxation and benefit overpayments be noted. 4. That the challenging financial position in future years be noted alongside the need for early planning for meeting the financial deficits indicated in later years of the MTFs including the impact to the use of reserves. 	

1. ORIGIN OF REPORT

- 1.1. This report is submitted to Cabinet on 13 June as a monitoring item and will then be submitted to Audit Committee on 27 June for approval.

2. PURPOSE AND REASON FOR REPORT

- 2.1. The purpose of this report is to inform Cabinet of the final financial performance for revenue and capital at 31 March 2011.
- 2.2. This report also contains performance information on treasury management activities, the payment of creditors in services and collection performance for debtors, local taxation and benefit overpayments.
- 2.3. This report is for Cabinet to consider under its Terms of Reference No. 3.2.7, to be responsible for the Council's overall budget and determine action required to ensure that the overall budget remains within the total cash limit.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	
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4. FINAL OUTTURN 2010/11

4.1. Corporate Overview

- 4.1.1. Full Council approved the budget for 2010/11 in February 2010 in the context of the financial downturn and anticipated uncertainty surrounding local government financing following the general election in May 2010. The Council took a positive approach to investment and savings in order that the Council would be able to deliver a balanced budget whilst continuing to invest in high quality services to underpin the growth of the City. The Council remains well placed to manage the finances available to it over the long term and continue to provide investment in those services that need it. Specifically, the predicted budget surpluses planned until 2014/15, allow the Council a longer lead time to implement changes to service provision in consultation with stakeholders over the following three years, smoothing the impact of reduced local government grant funding for delivering services going forward.
- 4.1.2. The new Coalition Government announced the first cuts in May 2010 which would impact on local government funding. For the Council the impact of these reductions were £2.4m reduction in revenue grants and £2.3m in capital. It was also indicated that grants would be reduced significantly further in future years. Further pressures were also emerging at this time with demand led budgets such as social care and looked after children.
- 4.1.3. The Council were proactive and responded promptly to successfully manage the impact of these financial challenges in 2010/11 and has taken the following necessary prompt actions which contributed to the favourable final outturn position:
- i. Delivery of departmental savings plans;
 - ii. Bringing forward savings proposals from future years;
 - iii. Use of reserves to smooth impact including a review of reserves;
 - iv. Review of the capital programme including a value for money review on borrowing versus using revenue financing and use of a Government capitalisation direction, allowing the Council to treat statutory redundancy costs as capital expenditure rather than revenue;
 - v. A voluntary redundancy programme was introduced; and
 - vi. The outsourcing of City Services was brought forward to enable savings at an earlier date.
- 4.1.4. The financial position of the Council going forward in future years is set to be extremely challenging which has been recognised with budget deficits within the current MTFs from 2014/15 onwards. However, the Council remains committed to its strategy in delivering service efficiencies and improvements using a proactive approach to managing Council finances and through the continued delivery of a longer term financial plan covering a rolling five year cycle.

4.2. Financial Report - Revenue

- 4.2.1 The Council's overall revenue position is £475k under spent, against a budget of £161,952k, an improvement of £486k since the adopted outturn of £11k overspend was reported to Cabinet. This is in part due to the robust mechanisms introduced early in the financial year including the reduction of non-priority spend or delaying projects and initiatives with no detriment to the MTFs and implementing savings proposals at earlier opportunities. Alongside these actions, departments were able to deliver their action plans successfully.
- 4.2.2 The Council has needed to take urgent action to keep within budget in 2010-11, mainly due to the reduction in grant being announced in year. This successful action does not provide additional benefit for 2011-12 and beyond above the budget agreed in February for the following reasons:
- Some savings are one-off, having been used to meet the specific challenges of the 2010-11 financial year
 - Where savings are permanent, they have already been included in the MTFs approved by Council, but have been delivered early to maximise the saving gained.

4.2.3 In accordance with financial guidance, the Council has set aside specific reserves to meet commitments and current issues to mitigate risk exposure to the Council financially during next financial year.

4.2.4 The under spend is summarised in the table below at departmental level. A further breakdown is included in Appendix A.

Final Revenue Outturn Position 2010/11

Adopted Outturn £(k)	Department	Annual Budget £(k)	Final Outturn £(k)	Outturn Variance £(k)
-528	Chief Executive	10,189	8,784	-1,405
-40	Childrens Services	38,654	38,873	219
162	City Services	13,776	13,600	-176
-432	Operations	27,848	27,305	-543
-744	Strategic Resources	32,667	31,664	-1,003
0	Adult Social Care	40,582	40,582	0
1,593	Corporate Items	-1,764	669	2,433
11	General Fund Total	161,952	161,477	-475
	Transfer to Capacity Building Reserve			475
803	Contribution to General Fund Balance			2,242
3,758	General Fund Balance Brought Forward			3,758
4,561	General Fund Balance Carried Forward			6,000
0	Dedicated School Grant Total	117,291	116,794	-497

4.2.5 The main changes since adopted outturn was published:

- i. Departments implementing local action plans such as vacancy management, freezing non business critical spend and delaying projects or initiatives in the short term with no consequences on service delivery;
- ii. Through the implementation of the voluntary redundancy process the Council benefited from reduced salary costs in the current financial year which have contributed to the achievement of departmental balances;
- iii. Corporate solutions identified and actioned;
- iv. Impact of a reduced capital programme requiring less borrowing.

4.2.6 Chief Executive Department – The increased under spend can be mainly attributed to further curtailing of expenditure across all services as well as savings from a reduction in staffing costs, some of which left through the voluntary redundancy programme. Savings in communications costs have begun to take effect in advance of the significant budget reduction planned from April. Additionally, some costs in Delivery have been met by further funding from partners, reducing the net cost to the Council.

4.2.7 Children’s Services – Since the adopted outturn was published, the numbers of children that require adoption placements has increased. In response to this a reserve has been set aside to assist with this pressure going forward next year. If the reserve was not in place Children’s Services would have achieved a favourable outturn position following the successful implementation of their action plan.

4.2.8 City Services – The favourable movement in City Services since the adopted outturn is mainly attributable to a reduction in waste disposal costs as well as realisation of savings from the outsourcing to Enterprise at an earlier date than originally planned.

- 4.2.9 Operations Department – The outturn position has improved following further reduction in expenditure through continued actions by services in response to the action plan as well as an improvement in income streams during the latter part of the year.
- 4.2.10 Strategic Resources – The favourable movement has been contributed to by various actions including a reduction in spend across services, implementing corporate solutions to offset pressures. The amount of borrowing required to support the capital programme was also lower than expected, leading to lower costs of borrowing.
- 4.2.11 The Dedicated Schools Grant shows an under spend of £113k of general expenditure as well as an under spend of Exceptional Circumstances Grant of £384k against a budget of £117,291k. Schools Forum is responsible for decisions related to the Dedicated Schools Grant and Exceptional Circumstances Grant. This has been included for information purposes only. In accordance with accounting guidance, both under spends have been carried forward to next financial year.
- 4.2.12 Departments have requested to carry forward balances of unused reserves as well as requesting new reserves in order to meet known commitments in 2011/12. The outturn position also includes a contribution to capacity reserves to allow for other pressures in 2011/12 where estimates have been provided but were not known at the time of setting the budget.

4.3 Financial Report – Reserves

- 4.3.1 In setting the 2010/11 budget, the level of Council balances was considered sufficient in meeting the MTFS recognising the requirement to review the balances to ensure delivery of the Council's priorities. As part of setting the MTFS 2011/12 consideration was given to a five year review of the budget and in the context of uncertainty of future funding arrangements beyond 2012/13. Subsequently the following table has been updated to reflect the current position going forward over the next five years and includes the predicted budget surplus forecast over the following financial years which is planned to be drawn down fully by 2014/15. These balances are subject to approval by the Audit Committee on 27 June 2011.
- 4.3.2 The overall level of balances assumes that the under spend of £475k reported within revenue outturn position is transferred to the capacity building reserve. Although the current reported position is healthier than that reported earlier in the year and within the MTFS, it is anticipated to diminish over the next five years due to some balances being specific to costs that will be incurred over the next five years and in drawing down predicted budget surpluses as disclosed in the MTFS.

Council Reserves	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	Estimated Balance at 31.03.11 £000	Estimated Balance at 31.03.12 £000	Estimated Balance at 31.03.13 £000	Estimated Balance at 31.03.14 £000	Estimated Balance at 31.03.15 £000	Estimated Balance at 31.03.16 £000
Departmental Reserves Total	3,300	960	883	868	853	838
Commercial Property Portfolio Reserves	3,342	1,933	1,122	436	0	0
Carbon Reduction Reserve	375	0	0	0	0	0
Icelandic Reserve	0	0	0	0	0	0
Provision of Grants Reserve	250	0	0	0	0	0
Parish Council Burial Ground Reserve	37	39	39	39	39	39
Insurance Reserve	3,007	2,663	2,563	2,463	2,363	2,263
Capacity Building Reserve*	6,143	4,667	4,849	5,197	5,485	5,536
Schools Capital Expenditure Reserve	584	584	584	584	584	584
Corporate Reserves Total	9,772	7,953	8,035	8,283	8,471	8,422
General Fund Working Balance	6,000	7,685	10,878	9,907	6,000	6,000
Total Reserves	23,038	18,531	20,918	19,494	15,324	15,260

*Capacity Building Reserve includes the revenue under spend.

4.4 Financial Report - Capital

- 4.4.1 At the beginning of the financial year, the capital programme was £133.1m, the result of the agreed capital programme for 2010/11 of £106.3m and slippage from the previous financial year of £26.8m.
- 4.4.2 Throughout 2010/11 the capital programme was refreshed and then subjected to extensive review following the announcements made in the emergency budget on reduced grant funding to finance the capital programme and uncertainty for funding the programme in future years.
- 4.4.3 As a result capital projects were deferred and decisions made in the context of setting a robust capital programme thereby reducing the capital programme by £57.8m in total since the beginning of the financial year. Significant projects that contributed to this included school projects, Affordable Housing, Waste project and South Bank Bridges.
- 4.4.4 The capital programme is financed through borrowing, capital receipts, grants and contributions. Given that the capital programme has reduced through slippage and deferral of projects this has reduced the amount of borrowing originally anticipated since setting the MTFS and had a favourable impact on revenue expenditure in 2010/11. Where schemes are to continue in future years, it should be noted that borrowing would still be required and therefore the revenue requirement should be considered as part of refreshing the current MTFS.
- 4.4.5 The funding of the 2010/11 capital programme assumed £13.3m of capital receipts to fund the capital programme. Actual capital receipts received are £4.6m.

Overall position of the Capital Programme 2010/11 as at Outturn

Capital Programme by Directorate:	Budget MTFS 2010 to 2014 £000	2010/11 Budget inc. slippage from 2009/10 £000	Revised Budget at Feb. 11 £000	Outturn £000
Adult Social Care	921	921	404	317
Chief Executives	12,520	15,179	11,786	4,635
Children's Services	41,219	52,507	25,636	22,407
City Services	2,229	3,613	2,774	719
Operations	29,103	36,274	22,481	21,492
Strategic Resources	21,259	25,517	12,887	10,073
Contingency	-927	-927	-658	0
Total Expenditure	106,324	133,084	75,310	59,643
Financed by:				
Grants & Contributions	48,431	60,345	41,547	32,456
Capital Receipts	13,382	13,382	4,533	3,259
Right To Buy Receipts	712	712	712	714
Borrowing	43,799	58,645	28,518	23,214
Total Resources - required	106,324	133,084	75,310	59,643

4.5 Financial Report – Treasury Management Activity for 2010/11

- 4.5.1 The Treasury Management Strategy was updated during the year as part of the Medium Term Financial Strategy and sets out the strategy for borrowing and investing for the next financial year and prudential indicators for the next five years. The main objectives of the Strategy are to reduce the revenue cost of the Council's debt in the medium term, to seek to reschedule debt at the

optimum time and to invest cash balances with dependable institutions in accordance with the Council's lending list.

4.5.2 In summary, the following actions were taken during 2010/11:

- i. Investments were placed in accordance with the restricted lending list implemented in October 2008 following the economic crisis. The current lending list ensures investments are secure and liquid but interest returns are low due to the limitation of institutions used and the level of the bank base rate which has remained at 0.50% since March 2009.
- ii. Investments were placed to cover cash flow deficits and also for short periods in anticipation of an extension of the lending list to include all of the UK institutions included in the Treasury Strategy.
- iii. As borrowing rates continued to be higher than investment rates in 2010/11, cash balances were used to finance the capital programme instead of borrowing. This policy has meant no additional costs have been incurred through borrowing in advance of need.

4.5.3 The 2010/11 treasury management activities are summarised as follows:

	Strategy	Action
1.	Consider repayment of external loans or avoid new borrowings when it is in the best financial interest to do so.	As investment returns remained below the cost of borrowing during the financial year, cash balances were used to finance the capital programme and no new borrowing was required
2.	Invest with credit worthy organisations to limit exposure against loss.	The Council has continued with the restricted lending list implemented in October 2008. Currently the Council only lends to the UK Government, Local Authorities and the Council's own bank, Barclays, despite the Treasury Management Strategy allowing investment in a wider range of organisations. This has resulted in a lower rate of interest being paid on cash surpluses, and this will need to be reviewed to maximise interest receipts, whilst maintaining the security of the investment
3.	To achieve the optimum investment return commensurate with security, liquidity requirements (access to funds), debt management alternatives (avoidance of borrowings, premature repayments etc), if these would generate savings in the medium term.	Cash balances have been used to finance capital expenditure to minimise counterparty risk and as an alternative to diminishing investment returns. The Council's investments have yielded 0.42% which is just below the benchmark of 0.43%.
4.	Consider rescheduling of fixed or variable rate loans to maximise interest rate savings and minimise the impact on Council budgets.	Consideration has been made to rescheduling debt however there have been no suitable opportunities to do this. The difference between the repayment rate and the rate of a new loan has not resulted in a net discount to the Council and no savings were to be made. The PWLB raised their interest rates by 1% in October 2010 following the Comprehensive Spending Review. The rise in rates has not only made short and long term borrowing more expensive but has limited further the opportunities for debt rescheduling.
5.	Exploit long-term funding opportunities at interest rate levels that are below short-term rates forecast / anticipated over the foreseeable future.	Borrowing has been avoided by running down the cash balances while borrowing costs remain higher than investment return.

4.5.4 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow money in the long term for capital purposes. In accordance with the 2009 Statement of Recommended Practice this now includes the liability for the Private Finance Initiative (PFI) agreement and the 2010 Code of Practice has revised the way the Council accounts for some leases which now impacts on the CFR.

4.5.5 Further information on the Council's capital financing arrangements can be found in the Prudential Indicators performance found in Appendix B. The Prudential Indicators were revised during August 2010 to reflect the impact of the PFI adjustments and were taken to Audit Committee on 6 September 2010. All performance is within the limits.

4.5.6 In 2010/11 the CFR was:

	£000
Opening Capital Financing Requirement 1 April 2010	216,050
New Capital Expenditure Financed by Borrowing	23,214
Minimum Revenue Provision for Debt Repayment	(6,276)
Minimum Revenue Provision for PFI	(1,399)
Minimum Revenue Provision for Leases	(1,078)
Closing Capital Financing Requirement 31 March 2011	230,511

4.6 Financial Report – Performance Monitoring

4.6.1 An outline of performance against key indicators can be seen at Appendix C.

5 CONSULTATION

5.1 Detailed reports have been discussed in Departmental Management Teams.

6 ANTICIPATED OUTCOMES

6.1 To note the outturn position for the Council.

6.2 To note the performance figures and prudential indicators for the Council.

6.3 To note the actions that has been taken during 2010/11 and into the Medium Term Financial Strategy.

7 REASONS FOR RECOMMENDATIONS

7.1 This monitoring report for 2010/11 financial year is part of the process for producing the Statement of Accounts.

8 ALTERNATIVE OPTIONS CONSIDERED

8.1 None required at this stage.

9 IMPLICATIONS

9.1 This report does not have any implications effecting legal, human rights act or human resource issues.

10 BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985).

Detailed monthly budgetary control reports prepared in Departments.

Appendix A

Previous Variance £k	Department	Budget £k	Current Forecast Outturn £k	Variance to Date £k
	CHIEF EXECUTIVE'S DEPARTMENT			
0	Chief Execs Department	435	395	-40
-474	Legal & Democratic Services	4,227	3,466	-761
0	Chief Executive Dept & Business Support	1,074	1,029	-45
102	Delivery	2,140	1,970	-170
-127	Communications	1,043	736	-307
-29	Human Resources	1,270	1,188	-82
-528	CHIEF EXECUTIVE DEPARTMENT TOTAL	10,189	8,784	-1,405
	DIRECTOR OF CHILDREN'S SERVICES			
13	Resources, Commissioning and Performance	6,157	5,980	-177
-523	Learning & Skills	10,808	10,483	-325
150	Children's Community Health	2,111	2,257	146
320	Safeguarding Families and Communities	19,578	20,153	575
-40	CHILDREN'S SERVICE TOTAL	38,654	38,873	219
	DIRECTOR OF CITY SERVICES			
149	Building & Technical	-197	85	282
-250	Street Scene & Facilities	1,078	1,282	204
-450	Property, Design and Maintenance	-360	-979	-619
185	Other Trading Activities and Business Support	1,259	1,501	242
528	Maintenance General Fund	11,996	11,711	-285
162	CITY SERVICES TOTAL	13,776	13,600	-176
	DIRECTOR OF OPERATIONS SERVICES			
35	Business Support	427	494	67
331	Commercial Operations	1,993	2,435	442
0	Cultural Services	5,294	5,277	-17
-119	Directors Office	485	393	-92
-23	Environment Capital	542	431	-111
-496	Planning, Environment, Transport & Engineering	8,603	7,899	-704
-160	Neighbourhoods	10,504	10,376	-128
-432	OPERATIONS SERVICES TOTAL	27,848	27,305	-543
	DIRECTOR OF STRATEGIC RESOURCES			
0	Director's Office	338	338	0
-9	Business Support	2,086	2,042	-44
-916	Corporate Services	21,626	21,237	-389
0	Internal Audit	378	375	-3
-32	Insurance	100	80	-20
0	Shared Transactional Services	726	394	-332
20	Customer Services	900	880	-20
145	Strategic Property	456	454	-2
278	ICT	2,120	2,388	268
-35	Procurement	559	396	-163
-379	Business Transformation	2,973	2,515	-458
61	Waste Management	-19	69	88
0	Service Improvement (moved from CE)	390	281	-109
123	Westcombe Engineering (moved from CE)	34	215	181
-744	STRATEGIC RESOURCES TOTAL	32,667	31,664	-1,003
	CORPORATE ITEMS			
2,433	Impact of £1.165bn Government Cuts	-1,764	669	2,433
-840	Corporate Pressures/Solutions	0	0	0
1,593	CORPORATE ITEMS TOTAL	-1,764	669	2,433
0	ADULT SOCIAL CARE TOTAL	40,582	40,582	0
11	GENERAL FUND TOTAL	161,952	161,477	-475
0	DEDICATED SCHOOL GRANT TOTAL	117,291	116,794	-497

Treasury Management Strategy – Prudential indicators – 2010/11

The Prudential Code for Capital Finance in Local Authorities provides a framework for local authority capital finance to ensure that:

- (a) capital expenditure plans are affordable,
- (b) all external borrowing and other long term liabilities are within prudent and sustainable levels;
- (c) treasury management decisions are taken in accordance with professional good practice.

In taking decisions in relation to the above points, the local authority is accountable by providing a clear and transparent framework.

The Code requires the Council to set a range of Prudential Indicators for the next five financial years. During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Annual Treasury Management Strategy. The actual outturn for the Prudential Indicators for the financial year 2010/11 are detailed below.

The 2009 Statement of Recommended Practice (SoRP) introduced a new accounting policy based on International Financial Reporting Standards (IFRS) with regards to how Private Finance Initiative (PFI) arrangements are accounted for. The new accounting policy results in PFI related assets being brought on to the Council's Balance Sheet. This involves three of the Council's secondary schools, which in turn impacts on the Council's capital financing.

The 2010 Code of Practice has changed the way operating and financing leases are accounted for and some of them now impact on the capital financing in the same way as PFI.

The IFRS adjustment has no impact on the total expenditure of the Council, it instead changes the way this expenditure is accounted for and shown in the Council's accounts, which in turn impacts on Prudential Indicators.

The 2010/11 Prudential Indicators were revised in August 2010 to reflect the impact of the PFI adjustments and were taken to Audit Committee on 6th September 2010.

The 2010/11 Prudential Indicators below show the Council's performance for the financial year against them and the indicators have been revised to include the changes to leases. All performance is within the limits.

1. Indicator One: Adoption of the CIPFA Code of Treasury Management in the Public Services

The Council adopted the CIPFA Code of Treasury Management in the Public Services in 2002, and the revised code in 2009. Treasury Management Practices (TMP's) have been established with advice from Sector Treasury Services and applied to the Council's treasury management activities.

2. Indicator Two: Estimates and actual Capital Expenditure 2010/11

	2010-11 Indicator	2010-11 Actual
Capital Expenditure	£106.3m	£59.6m

This indicator is the actual capital expenditure for the financial year based on the Capital Programme for that period.

3. Indicator Three: Estimates of actual capital financing requirements and net borrowing

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow money in the long term for capital purposes. It is calculated from various capital balances in the Council's Balance Sheet.

	2010-11 Indicator £m	PFI £m	Finance Leases £m	2010-11 Revised Indicator £m	2010-11 Actual £m
CFR	216.2	41.4	4.6	262.2	230.5

4. Indicator Four: Affordability (1) Estimate of actual ratio of financing costs to net revenue stream

The Council must estimate the proportion of the revenue budget, which is taken up in financing capital expenditure i.e. the net interest cost and to make provision to repay debt.

	2010/11 Indicator %	PFI %	Finance Leases %	2010/11 Revised Indicator %	2010-11 Actual %
Financing costs to revenue stream	5.3	0.8	0.5	6.6	4.5

5. Indicator Five: Affordability (2) Estimate of the incremental impact of capital investment decisions on the Council Tax

This indicator is intended to show the impact of the Council's decisions about capital investment on the level of Council Tax required to support those decisions over the medium term.

The calculation of this indicator has been done on the basis of the amount of the capital programme that was financed from borrowing. The calculation is based on the interest assumption for borrowing that was included in the capital financing budget. The revenue costs are divided by the estimated Council Tax base for the year:

	2010-11 Indicator £	PFI £	Finance Leases £	2010/11 Revised Indicator £	2010-11 Actual £
Incremental impact on Council Tax	(27.97)	-	-	(27.97)	(44.43)

The overall impact of the PFI arrangement and the finance leases for this Prudential Indicator is zero. This is because the change in accounting treatment has no additional impact on the Council's revenue expenditure.

6. Indicators Six: External Debt Prudential Indicators

The Authorised Limit represents the maximum amount the Council may borrow at any point in time in the year. It is set at a level the Council considers is "prudent".

The indicator takes account of the capital financing requirement estimated at the start of each year, plus the expected net borrowing requirement for the year. This makes allowance for the possibility that the optimum time to do all borrowing may be early in the year.

The limits also incorporated margins to allow for exceptional short-term movements in the Council's cash flow, bids from service departments to finance efficiencies, changes to the timing of capital payments and fluctuations in the realisation of capital receipts.

	2010-11 Indicator £m	PFI £m	Finance Leases £m	2010/11 Revised Indicator £m	2010-11 Actual £m
Authorised Limit for external debt -					
borrowing	311.9			311.9	134.5
other long term liabilities	4.0	41.4	4.6	50.0	46.0
Total	315.9			361.9	180.5
Operational Boundary for external debt-					
borrowing	226.2			226.2	134.5
other long term liabilities	3.0	41.4	4.6	49.0	46.0
Total	229.2			275.2	180.5

It is ultra vires to exceed the Authorised Limit so this should be set to avoid circumstances in which the Council would need to borrow more money than this limit. However, the Council can revise the limit during the course of the year.

“Other long term liabilities” include items that would appear on the balance sheet of the Council under that heading. For example, the capital cost of finance leases would be included and the PFI agreement.

The Operational Boundary is a measure of the day to day likely borrowing for the Council, whereas the Authorised Limit is a maximum limit. The code recognises that circumstances might arise when the boundary might be exceeded temporarily, but if this continues for a lengthy period then it ought to be investigated.

The following indicators take into consideration the capital programme over the life of the MTF5 and the ability to phase the borrowing over this period. The indicators provide flexibility for the Council to take advantage favourable interest rates in advance of the timing of the actual capital expenditure.

7. Indicator Seven: Variable interest rate exposure

This indicator places an upper limit on the total amount of net borrowing (borrowing less investment) which is at variable rates subject to interest rate movements. The intention is to keep the variable rate borrowing below 25% of the total gross borrowing (CFR).

The limit is expressed as the value of total borrowing less investments

	2010/11	2010-11
	Indicator	Actual
	£m	£m
Upper limit for variable rate exposure	54	0

8. Indicator Eight: Fixed Interest rate exposures

This indicator places an upper limit on the total amount of net borrowing which is at fixed rates secured against future interest rate movements. The upper limit allows flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It also reflects a position where the great majority of borrowing is at fixed rate which provides budget certainty with 100% of borrowing being at fixed rate. The upper limit for fixed interest rate exposure was set to allow for flexibility in applying a proportion of the investment portfolio to finance new capital expenditure. It

also reflected a position where the great majority of borrowing was at fixed rates to provide budget certainty.

	2010/11	2010-11
	Indicator	Actual
Upper limit for fixed rate exposure	£m	£m
Borrowing	311.9	134.5
Investments		-18.2
Total	311.9	116.3

9. Indicator Nine: Prudential limits for the maturity structure of borrowing

The prudential limits have been set with regard to the maturity structure of the Council's borrowing, and reflected the relatively beneficial long term rates that were expected to be available over the next few years. The limits were as follows:

Period	Upper Limit Estimate	Lower Limit Estimate	Actual Borrowing
Under 12 months	30%	0%	14%
1 - 2 years	30%	0%	0%
2 - 5 years	80%	0%	0%
5 - 10 years	80%	0%	1%
over 10 years	100%	10%	85%

10. Indicator Ten: Total Investments for periods longer than 364 days

Authorities are able to invest for longer than 364 days; this can be advantageous if higher rates are available. However it would be unwise to lend a disproportionate amount of cash for too long a period particularly as the Council must maintain sufficient working capital for its operational needs.

The Executive Director - Strategic Resources has therefore sought the advice of Sector Treasury Services Ltd, the Council's treasury advisors, who recommended that, given the structure of the Council's balance sheet and its day to day cash needs, it would be reasonable to maintain the limit for investments with life spans in excess of 1 year to £25 million. Consequently it is proposed to keep the limit for investments that may be deposited for more than 1 year at £25 million for 2011/12 and later years.

The Council currently has no investments of more than 364 days.

Annual Investment Strategy

The Council's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy Statement, outlines the Council's investment priorities as follows:

- Security of Capital
- Liquidity

The Council will also aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with Barclay's (the Council's current banking provider), the Debt Management Office and Local Authorities.

As at 31st March 2011 the Council's external investments totalled £18.2m and have yielded interest at an average rate of 0.43% in the financial year to date. The average investment balance has risen from £27m in April 2010 to £42m in October 2010. The balance at March 2011 is £22m (Table 1). The performance of the investments is just below the target benchmark 7 day rate of 0.42% (Table 2).

Borrowing

It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". Council's approved Prudential Indicators (affordability limits) are outlined in the approved TMSS.

The Council's external debt as at 31st March is £134.5m with an average fixed rate of 4.56% (Table 3). The actual total external debt is measured against the Council's authorised limit for borrowing of £315.9m, which must not be exceeded.

Table 1: Average Interest Rate

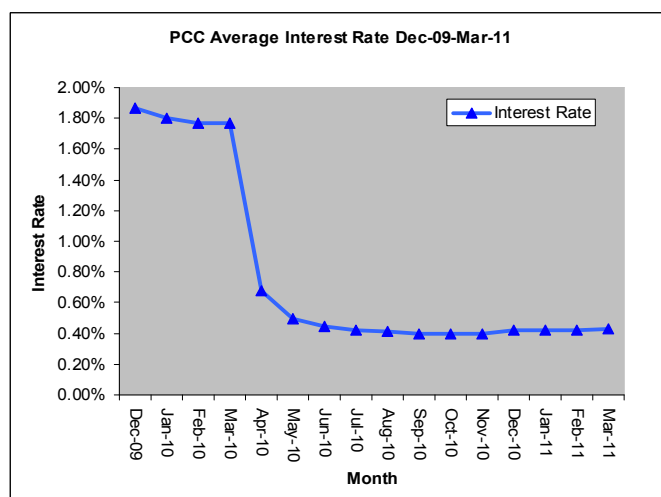
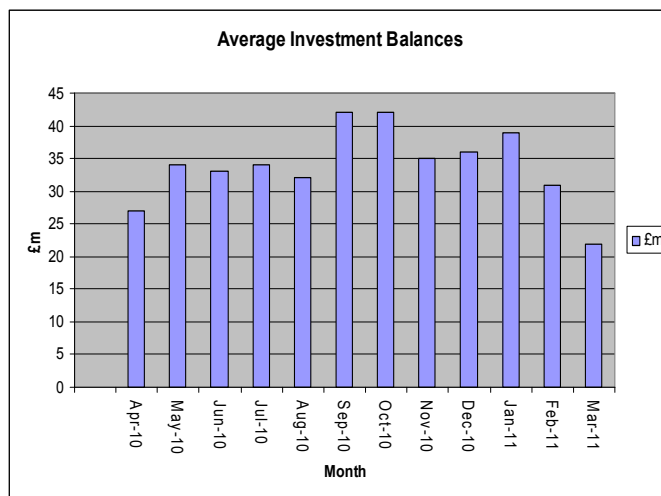


Table 2: PCC Average Investment Balance

Table 3: Debt Portfolio

Debt Portfolio		
	Principal	Interest per annum
	£m	£m
PWLB	117,006	5,341
Market Loans	17,500	793
TOTAL	134,506	6,134

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Prompt Payment (Invoices paid within 30 Days)

The prompt payment of invoices for March 2011 is 96.94% against a target of 95.50%. The current performance is shown in comparison to the cumulative performance for 2009/10 in table 4.

Sundry Debt Performance

The current outstanding sundry debt in excess of 6 months is shown in table 5 as at 31 March 2011. Debt aged 1-60 days old has increased in comparison to last month by £2m which is not unusual for the end of the financial year, as departments finalise the raising of income for the year prior to 31 March 2011. Aged debt of 61-180 days old has reduced by £488k but aged debt over 366 days old continues to grow with this area holding large levels of debt outstanding for the PCT and Section 106 agreements. The authorities' top 20 debts total £5m and are mainly a mix of Section 106 and third party partners.

- The amount of debt written off for 2010/11 to date is £134k.

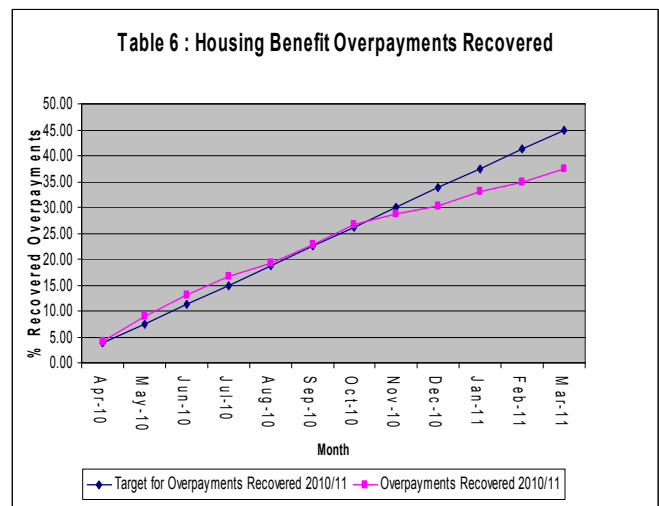
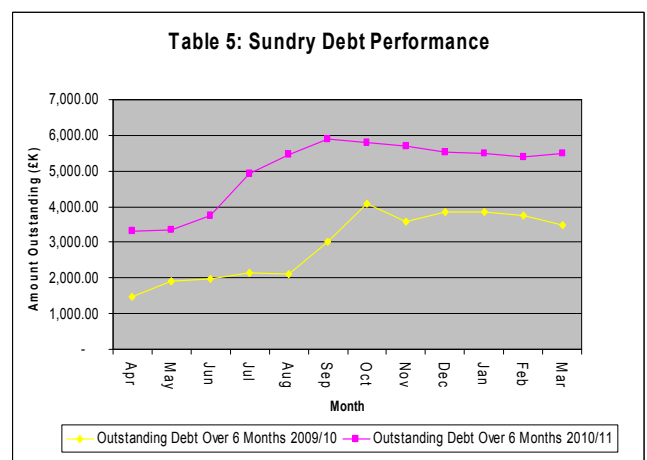
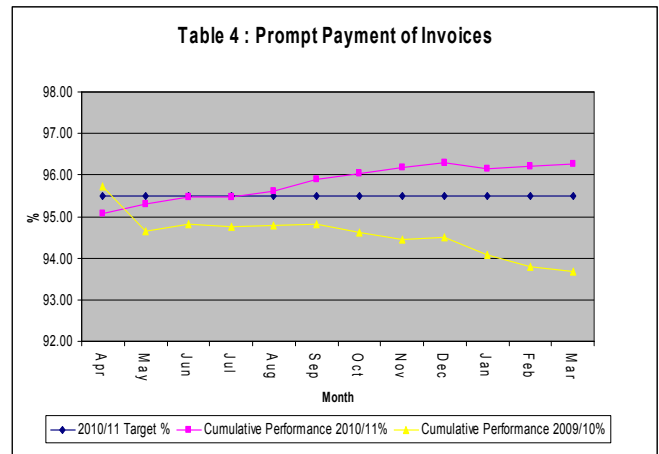
Housing Benefit Overpayments

Table 6 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2010/11.

Housing benefit overpayment collection for the end of March was 37.31% against the target of 45%.

The collection target of 45% for the current year was an ambitious target. Although below target, the collection rate is 1.16% above that achieved for the same period in the last financial year.

More proactive recovery work is ongoing. The first batches of cases under the new debt recovery contract have been forwarded to the bailiff/debt collectors during January and there has been some collections received from these.



Council Tax and Business Rates Collection

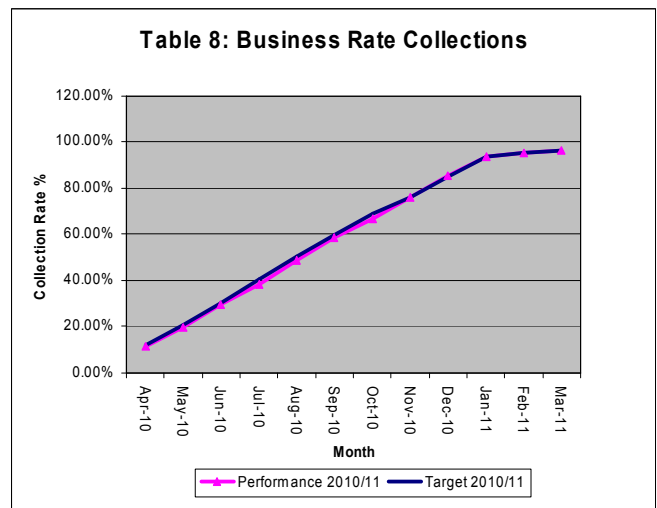
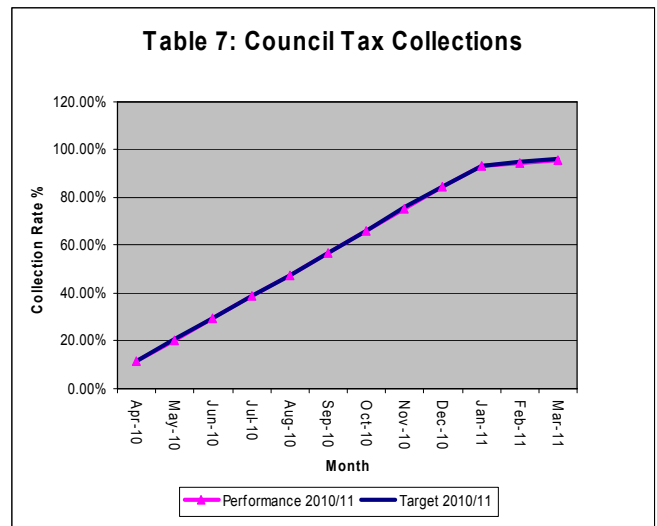
The following tables 7 and 8 show the performance for collection of Council Tax and Business Rates for the period to date.

Council Tax

Council Tax collection at 31 March 2011 was 95.76% which is 0.74% below target and 0.34% below the collection rate achieved at the same time in the last financial year. The outstanding liability at the end of March was £2.63m. £2.1m of this is in active recovery with payment arrangements covering £352k whilst £1m is with external bailiffs for collection.

Business Rates

The collection rate for Non Domestic Rates as of 31 March 2011 was 96.31% which is 0.19% below target, but 1.22% above the collection achieved for the same period in the last financial year. The total outstanding liability at the end of March was £3.12m of which £1.5m is in active recovery following the granting of a liability order. A further £1.6m debt is currently at the reminder/final notice stage and will progress to summons in the next 2 months if not paid. There is £830k debt with the bailiffs for collection.



CABINET	AGENDA ITEM No. 13
13 JUNE 2011	PUBLIC REPORT

Contact Officer:	Alex Daynes, Senior Governance Officer, Democratic Services	Tel. 01733 452447
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UPDATE - PETITIONS

RECOMMENDATIONS	
FROM : Directors	
1. That Cabinet notes the action taken in respect of petitions presented to full Council.	

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet following the presentation of petitions to full Council.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to update Cabinet on the progress being made in response to petitions in accordance with Standing Order 13 of the Council's Rules of Procedure.

2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.1 – 'to take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvements programmes to deliver excellent services'.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO
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4. OUTCOME OF PETITIONS

4.1 Petition regarding the enclosure of the Spinney Walk public open space by the LEA run Longthorpe Primary School

This petition was presented to full Council on 23 February by Councillor Arculus. The Council's Group Manager Development Management responded on 1 March 2011 stating that the proposal to fence off part of the shared open space / school playing field formed part of a planning application that also sought to build new classrooms at the school. Given the level of public interest in the fencing off of the shared open space / school playing field, the decision was made to remove this from the proposals. If a new application is made for the fencing off element, then this would be publicised and residents and Ward Councillors would be notified and would be able to comment on the proposal.

4.2 Petition regarding the provision of a wide 20mph zone in Park Ward:

This petition was presented to full Council on 23 February by Councillor Lowndes. The Council's Head of Planning, Transport and Engineering Services responded on 25 May stating that it was not appropriate for main distributor roads such as Broadway and Eastfield

Road to have a 20mph limit and on-street parking in many residential streets meant it was likely that vehicle speeds were already low. The cost of introducing a 20mph limit was not justified as the safety benefits were questionable although Inspector Glazebrook was supportive of the introduction. Safety measures had already been installed around Princes Street to alleviate some of the recurring vehicle conflicts.

4.3 **Petition regarding the provision of an African Community Centre in Peterborough**

This petition was presented to full Council on 23 February 2011 by Mr Nyahsa Banhire. The Council's Head of Neighbourhoods responded on 15 April stating that unfortunately, due to restricted resources, it would not be possible to support the development of a new centre at this time. However, facilities could be shared within other community centres (a list was provided) and the John Mansfield Centre Project, which is intended to provide a base for a wide variety of community and cultural activities, was scheduled to be completed in 2012 and this could be of interest to the petitioner in his ambition.

4.4 **Petition opposing the 15.5 hour cuts to the opening times at Bretton Library**

This petition was presented to full Council on 23 February 2011 by Mr Stuart Martin. The Council's Executive Director of Strategic Resources responded on 24 May stating that the proposed opening hours for Bretton Library had been reviewed and the library would continue to open 6 days a week but would now be open for 37 hours rather than the original proposal of being open for 29 hours.

4.5 **Petition regarding the condition of pavements around Glenton Gardens**

This petition was presented to full Council on 13 April 2011 by Councillor Todd. The Council's Highway Maintenance Team Manager responded on 19 April 2011 advising that repair works had already been undertaken and a further inspection had also taken place which highlighted additional areas for repair and improvement works with an 18 hour works time to achieve this. The Officer further advised that Glenton Street had been put forward for consideration to be included on a future major footway resurfacing programme. However the earliest that this could occur would be during the 2012/13 year as the current year's programme was set; of course the location would have to go through an assessment process that allowed officers to prioritise the large number of sites put forward for major works.

5. REASONS FOR RECOMMENDATIONS

- 5.1 Standing Orders require that Council receive a report about the action taken on petitions. As the petitions presented in this report have been dealt with by Cabinet Members or officers it is appropriate that the action taken is reported to Cabinet, prior to it being included within the Executive's report to full Council.

6. ALTERNATIVE OPTIONS CONSIDERED

- 6.1 Any alternative options would require an amendment to the Council's Constitution to remove the requirement to report to Council.

7. LEGAL IMPLICATIONS

- 7.1 There are no legal implications.

8. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- 8.1 Petitions presented to full Council and responses from officers.