

GROWTH, RESOURCES AND COMMUNITIES SCRUTINY COMMITTEE	AGENDA ITEM No.8
14 SEPTEMBER 2023	PUBLIC REPORT

Report of:	Matt Gladstone, Chief Executive
Cabinet Member(s) responsible:	Councillor Wayne Fitzgerald, Leader of the council
Contact Officer(s):	Ray Hooke, Head of the Delivery Unit

THIRD REPORT OF THE PETERBOROUGH CITY COUNCIL INDEPENDENT IMPROVEMENT AND ASSURANCE PANEL

RECOMMENDATIONS	
FROM: <i>Matt Gladstone – Chief Executive</i>	Deadline date: N/A
<p>It is recommended that Committee:</p> <ol style="list-style-type: none"> 1. Considers the third report of the Independent Improvement and Assurance Panel and agrees to the action to be taken as a result and progress being made with delivery of the Improvement Plan. 2. Respond with the action it wishes to take, including on the following issues: <ul style="list-style-type: none"> • Completing the audit and sign off of all outstanding annual accounts in this financial year, • Planning for the permanent recruitment to the S151 role, • Continuing to invest in the work of the Portfolio Boards, • Considering the approach to the disposal of assets, • Developing and approving a Commercial Strategy to strengthen the work of the Shareholder Committee and align with best practice, Completing an Asset Management Plan and a Corporate Landlord approach, • Considering replacement of the building compliance IT system, • Reconsidering the proposal to move to all out elections, • Facilitating handover between the outgoing and incoming Audit Committee chairs. 	

1. PURPOSE AND REASON FOR REPORT

1.1 The Council established the Peterborough City Council Independent Improvement and Assurance Panel (PCCIIAP) on 16 December 2021, and updated the terms of reference of the panel to report to the Council on a six monthly basis. This report provides the Panel's third six monthly review of the work of the Council against the previously agreed Improvement Plan and the recommendations of the independent reports commissioned by the Department of Levelling Up, Housing and Communities.

2. BACKGROUND AND KEY ISSUES

2.1 On the 30th June 2021, the DLUHC announced an external assurance review of the Council's financial position and its wider governance arrangements. Government decisions on further exceptional financial support, and on any statutory interventions that

might be necessary, would be informed by those reviews. The financial review was undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the governance review was undertaken by Andrew Flockhart. The governance review reported in September 2021, and CIPFA reported on the finance review in November 2021. Both reviews set out detailed findings, including conclusions, evidence and methodology used, and included recommendations for the future. Importantly, the governance review recommended non-statutory action. The Minister of State for Equalities and Levelling up Communities then wrote to the Council when the reports were published saying that, although she still had concerns, she agreed with the findings and that with the right support the Council should be able to respond to the challenges it faced.

2.2 The PCC IIAP operates in the context of the statutory intervention framework of powers given to the Secretary of State in the Local Government Act 1999. The independent panel is at the lowest level of external intervention, it does not take any decision making away from the Council. The threat of some level of statutory intervention remains if there is any faltering in implementation of the improvement plan recommendations. Council officers and members of the Panel continue to meet with DLUHC officials to discuss the City Councils progress.

3. INDEPENDENT IMPROVEMENT AND ASSURANCE PANEL

3.1 The purpose of the Panel as approved by Council is to:

- Provide external advice, challenge and expertise to Peterborough City Council in driving forward the development and delivery of their Improvement Plan;
- Provide assurance to the Secretary of State of Peterborough City Council's progress on delivery of their Improvement Plan;
- Provide six monthly reports to the Council on the progress of the delivery of the Improvement Plan.

3.2 The Improvement Plan approved at Council on 21st December 2021 is a critical document, as the Panel will be holding the Council to account on the delivery of this plan, and on the extent to which the plan is meeting the recommendations, actions and outcomes envisaged in the finance and governance review reports.

3.3 The Councils Improvement Plan has three Improvement Themes as follows: -

- “Theme 1: Financial Sustainability. The recovery and improvement of Peterborough relies on us setting a balanced budget in 2022/23, delivering on our savings and transformation plans, delivering sharper focus on collective and individual fiscal responsibility and accountability ensuring that we deliver on our priorities. This will mean taking bold decisions to turn off the things that are no longer “core/can’t afford” as we constantly challenge ourselves on how we spend every penny of the Council’s money.
- Theme 2: Service Reviews. The Council has initiated a series of service deep dives starting in Adult’s and Children’s Services and Housing, we will continue this programme of review into mid-2023. The reviews will generate options and recommendations for doing things differently. We will manage these reviews using an agile approach so that we can agree and deliver changes as new opportunities and alternative ways of working present themselves. The Council has to have the ability to make change happen more rapidly.
- Theme 3: Governance and Culture: This section describes how we will manage the Improvement Plan with the support of the Improvement Panel and associated partners. We will refresh our Corporate Strategy and key policies. We will adopt stronger fiscal delivery disciplines where personal accountability will be at the heart of our new ethos. We will change the organisation if we are clear on what has to change, by when and to what standard.”

The IIAP operates as a collective body, bringing all of the expertise of the Panel to the challenges facing the Council. Four of the panel members lead on individual areas that are intertwined across the three themes of the Improvement Plan. This report covers those four lead areas of Finance/ Transformation/ Assets, Contracts and Companies/ Governance and provides the Panels view on the progress in the last six months. The latest position on the Improvement plan is attached at Appendix A.

4. CURRENT PCC IIAP VIEW ON THE CITY COUNCIL IMPROVEMENT PLAN PROGRESS

4.1 Theme1: Financial Sustainability

4.1.1 IIAP Comments

The Council has continued to make improvements in both the way that it manages budgets and in how it makes financial decisions. The Panel has noted these improvements and would wish to see the changes fully embedded in the management of finances at all levels of the organisation. Senior finance staff meet regularly with the Finance panel lead outside the formal panel meetings and seek advice as required from panel members as needed.

PCC Response

As noted within the following sections, progress has been made in a number of areas including implementing the finance restructure, training for budget managers and members and starting enhancements to the finance system to improve automation and reporting. We continue to provide strong oversight of transformation, savings and the capital programme through officer lead boards. This programme remains 'live' and development will continue over the course of the next financial year, delivering in line with the IIAP's expectations.

4.1.2 Outturn 2022/2023

IIAP Comments

The Council has reported an outturn of £0.6million underspend on the 2022/23 revenue budget. This positive outcome has however been achieved by the utilisation of some £7.5 million of reserves. There are a number of areas where there were significant service overspends that will need to be brought into alignment with the budget in the current year to ensure that budgetary control is maintained. This will be an area of focus for the Panel in the current year.

The Capital budget showed a significant underspend of £60.1 million compared to budget, after a technical adjustment, of £103.2 million, the most significant area of underspending was in Place and Economy. Training has now been given to Capital budget holders which had not occurred for some significant time, and it is hoped that this will enable better programming and forecasting of capital budgets.

The outturn report also dealt with updated Treasury management issues. The Council has £75 million of short term debt due to be refinanced in the next 12 months, although some of this may not be externally funded due to the use of internal cash or capital receipts, the continuing rise in interest rates will add to pressures arising from inflation and will need to be carefully monitored.

PCC Response

The Council Final Outturn report for 2022/23 is a positive position and clearly demonstrates the hard work and determination of officers corporately. The outturn position is closely aligned to the forecast throughout the year, and the risks identified within the savings programme were addressed and the necessary savings were delivered, although some were delivered via alternative mitigations. As the IIAP notes there were pressures reported in areas such as Housing, Children's and Adults Social Care and delays with delivering the Culture and Leisure savings. These have continued to be a key focus for officers with plans being put in place to manage pressures, however, Children's services remain a particular challenge. A permanent Executive Director of Children's Services has been appointed and the service has almost been fully de-coupled from the shared arrangement with Cambridgeshire. The end of these shared services will ensure pressures at PCC are prioritised and will enable the development of a full transformation programme for the service.

Reserves of £7.5m were used during the year, £3.4m was utilised from the inflation reserve to mitigate the immediate impact of rising costs and the pay award, with a balance of £11.5m remaining on this reserve at the end of 2022/23. Other reserves used includes the planned use of grant income set aside to cover the cost of projects spanning multiple years and funding the cost of the improvement and transformation programme. Even with this use overall reserves balances had increased by £4.5m by the end of 2022/23.

Work continues around planning, managing and reporting upon the Capital programme. As already noted, mandatory training has been provided and all budget managers have signed a 'budget holder licence' which clearly outlines their role and responsibilities. Budget holders now have better understanding of the need to accurately profile expenditure against the budget to improve reporting and cashflow management, in addition to utilising the reporting capabilities of the Unit4 finance system. Work on the Capital Programme will continue as we start planning the Capital programme for 2024/25 onwards.

4.1.3 MTFS update. 2023/24- 2026/27.

IIAP Comments

The updated MTFS shows an increase in the budget gap for future years. The 2024/25 gap now stands at £5.1 million, rising to £10.5 million in 2026/27. This reflects both higher than anticipated inflation than the last iteration of the MTFS and some growth pressures. This will add to the savings pressures which were already at £14.776 million for the current year and reiterates the need for pace in the establishment and delivery of the transformation workstreams. At the time of this report, there has been no forecast received to date for 2023/24 but the end of June forecast should give a clearer picture as to how the Council is dealing with spending pressures in the current year.

Of the current years savings just over £5 million are regarded as being at some risk of non-delivery. This will need to be carefully monitored in year to ensure that alternative action is taken to deal with both any non-delivered saving and unforeseen spending pressure. The revised budget gap illustrates the need for continuing vigilance and for tight controls on expenditure.

Member oversight through the Financial Sustainability Working Group is an important part of this process and is seen by the Panel in the current political environment as a key meeting for dialogue with all Political parties in the Council on financial issues and wider strategic discussions.

PCC Response

The June 2023 Budgetary Control Report will be presented to Cabinet on 18 September, and it shows a forecast overspend of £5.1m. The main reason for this is an increase both in children's placements and the complexity of need. The report also identifies further risks around inflation and pay awards, which are being managed and mitigated.

As noted above, the MTFS Q1 update has set out revised financial assumptions, and the associated budget gaps for the next 3 years. The budget planning process has been launched over the summer period, with targets being set for directorates. Detailed savings and transformation plans, demand projections and inflationary assumptions are being developed for with a deadline in early September. These plans and assumptions will be reviewed and challenged in planned ECLT Budget Workshops, before proposals are refined and presented to Cabinet and the Financial Sustainability Working Group (FSWG) for consideration. This approach worked well last year, and improvements have been implemented following feedback from those involved.

Member engagement on the Council's financial position has been crucial to the improvements made so far. Throughout 2023/24 this will remain a key focus, with monthly FSWG meetings as well as three all member briefings aligned to key budget milestones. A number of workshops will be held with CLT and Cabinet, in addition to a dedicated alternative budget group to support opposition parties. The work of this group will feed into the FSWG discussions in due course.

4.1.4 Accounts

IIAP Comments

In common with many local authorities the Council has a backlog in getting its accounts audited. The Panel has noted that the audited 2020/21 accounts are due to be presented to the Audit Committee in July. Once this has been completed then the audit of the 2021/22 accounts can be undertaken. The 2022/23 accounts have not yet been completed, despite the statutory deadline being 31st May. This is due in part to resource issues which are being addressed. Ideally the Panel would wish to see all three sets of accounts audited and signed off during the current financial year. This will enable the Council to have assurance as to the accuracy of its underlying balance sheet and levels of reserves.

PCC Response

The 2020/21 accounts were presented to the Audit Committee in July, but due to internal issue within Ernest and Young (the Councils External Auditors), signing of the Accounts has been delayed and is expected to now take place in September 2023. It is still the plan to commence the audit of the 2021/22 accounts following this, and officers continue to chase EY for this work to commence.

The 2022/23 accounts should be published in September. The delay is purely due to resourcing and capacity within the technical team and reliance on interim staff. This position has been addressed through successful permanent recruitment and suitable handover between agency staff and the new recruits.

4.1.5 Training, Staffing and System development

IIAP Comments

A significant programme of financial management training has been undertaken and is programmed for the current year. This is both at Officer and Member level. The Panel

welcome this comprehensive approach to ensuring that good financial management practice is embedded into the Council. However, there will be a need to ensure that this is maintained for new staff and Members and that refresher training is available.

The recruitment on a permanent basis to senior posts in the finance function is welcomed and it is noted that further positions are being recruited to. However, as noted elsewhere in this report the position of the Section 151 Officer needs to be resolved.

The Panel note the intention to use more of the functionality of the Finance system and to integrate the HR and payroll modules which should assist system users and budget holders.

PCC Response

In addition to the comments noted by the IIAP, training has also been sought for the finance team with a number of the team signed up to complete the CIPFA Finance Business Partner Diploma (starting in August 23). Revenue budget training will be provided to all budget managers throughout September by external trainers, and going forward, on-going training will be provided in-house for new budget managers.

The finance restructure is now complete. The new structure comprises a mix of internal promotions and external appointments and three trainee roles, which will allow us to continue to 'grow our own'.

Further development of an integrated HR and Finance system is progressing well and is on target for completion by June 2024.

The permanent recruitment to the Executive Director of Corporate Services will be resolved shortly.

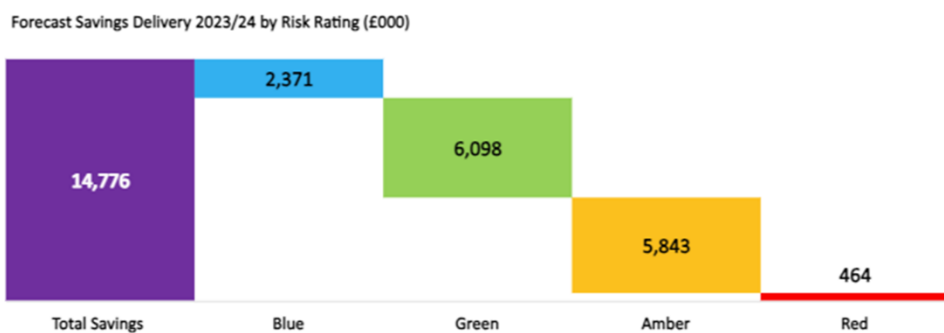
4.1.6 Savings Board

IIAP Comments

The savings board continues to be necessary to monitor the delivery of in year savings and to provide a level of challenge where delivery is either delayed or doubtful. This internal challenge needs to remain extremely robust as the non-delivery of savings throughout the 2023/2024 financial year will place in doubt the Council's ability to achieve its objective of being financially stable from 2024.

PCC Response

The savings board remains in place and it is used as a forum for challenge, scrutiny and support to corporate ownership across all directorates and to develop mitigations and solutions. This continues to be successful, with only £0.5m (3%) of the £14.8m savings programme being identified as a high-risk of being delivered:



4.1.7 Revenue Controls

IIAP Comments

The Council has maintained a high level of control on revenue expenditure, these controls will be required to be continued for the foreseeable future to enable non-essential spending to be identified (and further curtailed if necessary) and to enable a culture of budget responsibility to take root and grow within the Council.

PCC Response

Controls have remained in place, and in light of the forecast projected overspend of £5.1m the Council has strengthened some of these controls and will be putting new measures in place, this includes:

- Ongoing discussions with multiple government departments and partners about the high complexity of some of the children's social care cases and the financial impact of these.
- Tightening recruitment controls to permanent and agency appointments
- Reviewing the current use of agency
- Capital Programme- delaying or pausing schemes where they rely on Council funding.
- Escalation of the planned disposal programme, to generate capital receipts to repay debt and / or fund essential capital expenditure which is not funded from third party contributions.
- Ensuring we maximise all grant and funding opportunities, including the use of tools such as grant finder.
- Review all current reserves commitments.
- Clear staff communication about the financial position, including asking budget managers to reduce non-essential spend.
- Maximising investment income including training and the use of a wider range of low risk counterparties.
- Mid-year implementation of Sales, Fees and Charges increases (also on this Cabinet agenda)
- Review of procurement activity, including exemptions to the PO process and review the use of Purchasing Cards.

4.1.8 Capital Finance

Capital Programme and Debt

IIAP Comments

The Council has made great strides in bringing together a Capital Board to develop and oversee its capital proposals and to ensure an optimised funding strategy.

The Capital Board plays a vital role in developing capital plans, ensuring alignment with the Corporate Plan and MTFs, monitoring vital signs (including slippage) and allocating funding.

Slippage has proved to be a persistent issue for the Council with 2022/23 slippage against the approved programme being circa 60%. The Council needs to continue to work on its programme admission criteria, to include a gateway process, to ensure that all schemes

are capable of being delivered. Monitoring processes also need to address under-performance effectively.

The Council needs to consider the role of Members in this process – Member ownership of capital expenditure and resources is as critical as revenue – and Members need to ensure that capital spending is prioritised against political priorities and prioritisation criteria in order to target spending to best effect.

In terms of funding, borrowing remains the single largest source of funding. The cost of servicing debt is around 15% of net budget which is relatively high compared with similar authorities. The Council needs to consider what it can afford (every £ spend on servicing debt is a £ less spent on services) and develop a strategy accordingly.

Whilst the Council continues to be successful in attracting capital grants, it is further recommended that it considers its approach to disposals by extending its projections and monitoring over a three-year period. Realising further asset sales provides options both to reduce the overall debt to more normalised levels and create resources to fund significant transformation activity via the Government's 'Flexible use of Capital Receipts' dispensation.

PCC Response

Work on the Capital Programme remains a priority and work is progressing well to ensure better budget profiling and reporting. The historical trend of ca. 60% slippage continues into 2023/24, but work is being undertaken to address this level of Over-programming. The Capital Board provides robust challenge of in-year performance as well as of new bids, in line with the requirement to set a more realistic and deliverable Capital Programme for future years.

Improvements have been made to capital reporting within the BCR, providing officers and members with a comprehensive update of progress and projected slippage, including a meaningful narrative.

A review of all Treasury Management activity has been undertaken and a range of new tools have been added including a Money Market Fund Portal and an inter-authority trading platform. We continue to work closely with Link Treasury Services, our external treasury advisors, and we are currently testing the market for a new treasury management contract. The Council's Capital Strategy is to reduce borrowing and maximise third party contributions to fund the Capital Programme. New borrowing is only appropriate where there is a statutory / Health & Safety requirement or a robust business case to generate future revenue savings. All new bids are initially reviewed at the Capital Review Group, then presented for approval at the Capital Board. All bids are assessed against the Capital Strategy, Corporate Priorities and affordability.

The acceleration of the asset disposal programme continues. It is expected to generate £16m Capital receipts in the current financial year and similar projections for future years. These receipts will be used to repay debt and fund the capital programme in lieu of new borrowing.

The balance of the Transformation reserve stands at £20m and there are currently no plans to apply for Government's 'Flexible use of Capital Receipts' dispensation.

4.2 Theme Two: Service and External Reviews (Medium to Long Term Sustainability)

4.2.1 IIAP Comments

Peterborough colleagues recognise that the first actions in their transformation programme are drawing to a close and work is now on-going to discern a second stage plan that consciously connects the Council's transformation ambition with the MTF5 and wider City Strategy ambitions. Work is in hand to do this.

Meanwhile the Council has been steadily building its in-house transformation capacity alongside other corporate capabilities including performance and risk management. It will be important that momentum is not lost on this and that the case for investment is maintained. One of the benefits of building the in-house team is a reduction on the reliance on external consultants and higher paid interims, another is the growth in confidence among senior officer that has a beneficial effect on the whole workforce.

Over the coming months the Council is concentrating on developing the maturity of its programme governance. With a particular focus on ensuring a consistency of approach across the four key portfolios and their associated Boards. This is connected to the point about investment in the team. As the Council's confidence grows, it will become much more straight forward to make investment decisions for a sustainable future City Council, particularly where that investment is pivotal to the delivery of savings – but only if there is confidence that the savings will materialise. The higher the confidence, the easier it is to justify transformation investment as a matter of routine.

Taken together, the on-going focus on transformation capability alongside the development of the performance, data and risk teams are all positive developments.

A further development that may prove positive is the draft statutory guidance on the Best Value Duty that is currently open for consultation until mid-August. This guidance includes seven themes, including characteristics of a well-functioning local authority and indicators used to identify challenges that could indicate failure. At the most recent meeting with DLUHC officials the Council was asked to specifically respond to the consultation. The statutory guidance, once completed, could be a very useful framework to guide the Council post PCCIP arrangements. The themes are:

- Continuous Improvement
- Leadership
- Governance
- Culture
- Use of Resources
- Service Delivery
- Partnerships and Community Engagement

PCC Response

The Corporate Delivery Unit (CDU), providing In-house support and assurance across transformation, is growing, with a number of new appointments into the team. Four key Transformation Portfolios have been established, these oversee a range of service specific and cross-cutting Transformation programmes and projects. As these programmes and projects develop, specific capacity requirements are starting to become more visible and factored into programme business cases.

Programme governance arrangements continue to improve in line with the maturity of activity across Transformation. We are in the process of embedding an agreed and robust transformation governance framework which provides a consistent approach across reporting and decision making / approvals. As the CDU develops further, these

governance and reporting processes will continue to be enhanced across all transformation activity.

PCC has embraced the recent 'best value' guidance and have provided a response to DLUHC. In addition, we have started to utilise the guidance and had an initial 'Self-Assessment' session at a recent CLT meeting.

A framework has been developed to support ongoing self-assessment which highlights where there may be opportunities for further improvement action plans to be developed. This will be expanded upon and rolled out to both members and the Extended Corporate Leadership Team

4.2.2 **Companies**

IIAP Comments

Good progress has been made on resolving a range of issue with individual companies, but further work is needed to mature the Shareholder Committee to enable it to truly shape and oversee the Council's interests

The insourcing of the property-based work previously carried out by NPS was completed in January 2023 and work continues to integrate staff into the Council and to create a genuine client side strategic function with a 'Corporate Landlord' model (see below).

Within the Peterborough Investment Partnership (PIP), the sale of the Northminster SPV to Cross Keys housing has been completed as has the sale of the Pleasure Fair site to Medesham Homes. This leave the Fletton Quays SPV to be resolved although it is currently held up as a result of issues with a part of the site known as the 'Goods Sheds'. All Members have now stepped down from Board duties and have been replaced by officers. It remains the intention to dissolve the PIP once this work is completed.

Progress has been made with Medesham Homes and the Council's partnership with Cross Keys Housing and relations are now largely normalised. A consultant is assisting with the options for the future relationship to support the Council's housing ambitions.

Blue Sky (the energy trading company including solar panels) remains active and there are no plans to start trading from this company. The wind-up of this company needs to be accelerated.

Similarly, Empower CIC is now 3 months late in filing its accounts with a proposal by Companies House to forcibly strike off removed only on 11 July 2023 after PBC intervention. Peterborough CC believe that this company is in administration but there is no record of the Appointment of Voluntary Liquidators at Companies House. The Council is taking legal advice on this matter and as advised, has no elected members on the board.

Peterborough Ltd (trading as Aragon for Waste Collection, Building Cleaning etc and as Vivacity for Culture and Leisure) is active. The role of this company needs urgent clarification especially in relation to property matters, which still appears fragmented and lacking a 'single controlling mind'. The future strategic aims of the company need to be considered by the Shareholder Committee urgently, especially in relation to its role in property and the Council's museums and Leisure Centres.

Opportunity Peterborough remains active with the Council's Leader on the Board. Staff have been in-sourced under TUPE arrangement and now supply services under contract to Opportunity Peterborough thus reducing the risk of the venture. Future intentions for

this company are not immediately apparent and the Shareholder Committee should consider this company and its future urgently.

The Shareholder Committee is in its fledgling stage and is not yet exerting strategic influence or operational overview over the council's company interests as recommended by both CIPFA and Lawyers in Local Government. The maturing of this Committee should remain a priority given the ongoing size and complexity of the portfolio and the inevitable risks and issues arising from such a portfolio

The Council/ Shareholder Committee also needs to develop and approve a Commercial Strategy against which future ventures can be tested and a statement on the overall aims and objectives of its Local Authority Trading Company (LATCO) portfolio.

PCC Response

A Companies Working Group has been set up and is reviewing the Council's Officer and Member roles across all Companies with a view to improving and regularising governance, reporting and compliance going forward.

The Council has now appointed a representative to the Medesham Board and are working towards a 'business as usual' steady state to bring forward sites already identified for development.

The insourcing from NPS into a new in-house has been successfully implemented and the new team is settling in very well. A new Head of Compliance and FM has been appointed, and her role includes oversight of some of the P-Ltd activities. The new Head of Commercial and Procurement was an internal promotion, and the postholder will support the oversight of commercial activity once appropriate governance arrangements have been implemented.

Peterborough Ltd's latest Annual Report will be presented to Shareholder Cabinet Committee in September 2023, and work on the new 5-year Business Plan will be considered by the same Committee by March 2024. Leading up to then, a shareholder-led review of P-Ltd's activities, priorities, and outcomes will be undertaken, with the findings being used to shape the company's direction going forwards.

The JV partner to the Empower CIC, Empower Community Management, is controlled by the same directors as ECSP1 which is in administration. Empower CIC was formed to provide services to ECSP1, and once the administration process of that company has concluded, the Council will seek to exit the CIC arrangement. Advice will be taken on this process by the external lawyers who are working with the Council on the ECSP1 administration

Opportunity Peterborough is a partner in the Smart Manufacturing Alliance joint venture, and this arrangement will need to be reviewed before the future of the company itself can be determined. This review will report into the Shareholder Cabinet Committee in due course. Meanwhile, officers from Opportunity Peterborough that now form part of the Council's Growth and Regeneration team are developing a new economic development strategy which will help shape their focus going forwards.

4.2.3 Assets

IIAP Comments

The Council's approach towards managing its assets and making strategic decisions on their future has made progress in the last six months but still lacks an overall focus and is under-resourced at this time (although recruitments are now underway).

There is still no overarching Asset Management Plan around the 4 component elements of the operational, service and commercial portfolios and its rural estate and no real vision of a Corporate Landlord to be the 'controlling mind' over the Councils long and short term approach to its property. This needs to incorporate both facilities management and building compliance (e.g. testing for Legionella and Health & Safety).

There is good work happening with the limited resources currently available and it is pleasing to note the work in the following areas:

1. Maximising the utilisation (and minimising the costs) of its operational estate
2. Developing a locality-based approach to its service properties to provide more integrated services at lower costs
3. Reviewing staff levels to maximise returns on commercial properties (e.g. frequency of rent reviews).
4. Reviewing its rural farms estate and generating capital receipts
5. Resolving the clienting function in relation to FM provision through Peterborough Limited.
6. Recruitment of Service Heads

However, without the integrated Asset Management Plan and a Corporate Landlord approach, management cannot evidence that these individual streams are all pulling in the same direction to deliver a single outcome.

Finally, concerns have been raised about the adequacy of IT systems related to building compliance and consideration should be given to its replacement with a more modern system.

PCC Response

A Summary and Outline Asset Management Plan (AMP) was approved by members as part of the 2023/24 budget setting process (Appendix J), however, it is recognised that further work is needed to implement a more comprehensive AMP now the property service has been fully in-sourced. The Summary and Outline AMP sets out the work to be carried out over the course of 2023/24 to prepare a new AMP for the 2024-2029 period, and we are working with a range of contractors in the preparation of a new AMP to be implemented from April 2024. A copy of the Summary and Outline AMP is attached.

The resource issues are being tackled with three new Heads of Service, two of which are currently in place and the final one to be in post from 1st September. In addition, a Principal Compliance Manager joined in June 2023 and another Principal Surveyor will join the Estates team from 30th August. These newly appointed positions will help drive forward the Council's AMP and an improved strategic focus across the estate.

Since insourcing the Property team, they have undertaken a review of the Council's commercial property portfolio and have identified cost savings and additional income streams, as well as working on bringing a backlog of rent transactions (reviews and renewals) up to date.

Significant progress has been made on the disposals programme with a clear five-year plan in place. The programme includes generating capital receipts from the rural estate

and an updated rural strategy is underway, including options for Biodiversity Net Gain etc.

The Locality review is reaching the end of phase 1, with an excellent response to its current approach. Phase 2 aims to understand further rationalisation and improvement to the review. The review has already identified opportunities to reduce the number of operational properties and to deliver both revenue and capital savings by combining service delivery across fewer properties.

The asset team continues to improve relations across services to understand current property strategies and future requirements, to enable the integration of the Corporate Landlord model.

One of the new Heads of Service has direct responsibility for oversight of FM Services and will be working closely with Peterborough Ltd to review current delivery, SLA's and KPI's. Their initial focus will be on property compliance and budget control, but this role will address the concerns raised by the CPIFA report insofar that the Council will be taking a leading role in the Strategy and Commissioning of FM services as well as providing greater oversight of delivery.

The current IT system, Technology Forge, is under review. The collation and storage of data is recommended for improvement and the Council is in the process of investigating future database options that are best suited for its requirements.

4.3 Theme Three: Governance & Culture

4.3.1 IIAP Comments

The overall governance of the City Council is a matter of concern to the Secretary of State as detailed in his letter to the Leader of the Council in 2021. The Council accepted a series of recommendations which require change in its governance. The Council started to implement these last year.

The Panel's view is that the Council is making progress with these actions but several significant risks and issues remain to be tackled. The shift to mutual collaboration and joint engagement between the Leader and all Opposition Groups which was initiated in 2021 has been sustained. This is evidenced through the work of the FSWG and the way in which the annual budget for 2023/24 was prepared and then approved by Council in February this year. However, major challenges remain not least in the political dynamics within the Council, in the consolidation of the senior management team and in delivering change across the organisation.

The Panel will continue to seek assurance that the progress underway will continue and that all political groups are working to support efforts to tackle the key risks and issues facing the Council in the best interests of the whole community in Peterborough.

PCC Response

Continued collaboration of cross-party working at FSWG and Group Leaders meetings. All member briefings have been arranged in October to discuss the next phases of the improvement journey and related risks.

4.3.2 **No Overall Control**

IIAP Comments

The results of the May 2023 local elections led to an increase of two in the Conservative Group. This appeared to consolidate the Conservative leadership of the administration. However, this was followed swiftly by four members resigning membership of the Conservative Group and joining the Independent Group. Despite this, the Conservative led minority administration remains in place with 26 members in a Council of 60 members.

On the face of it the smaller size of the administration increases what was already a high degree of uncertainty about decision making in the Council chamber. The Panel has received assurances from the Leader of the Council and the Chief Executive that despite this situation the quality of decision making will not be affected and there will be a high degree of continuity in the Council's policies and plans.

Nonetheless, there is no guarantee that the administration's policies will be accepted by the Council, though the conduct of the recent Council meeting in May was reassuring in this regard. This is especially challenging when there are so many difficult issues to address in the years ahead.

In this context there is an even greater onus on all political Group Leaders, and indeed all Members, to work together in the best interests of the community. Acceptance of the shared responsibility to the local electorate for holding the authority together is vital. Continuity in this commitment by all Groups and all Members is very important for the sound governance of the Council.

One of the risks of this No Overall Control situation is that there can be a loss of focus on, and drive to deliver, a vision for the City. It can be easy to become more concerned about short term and very local, ward issues to the detriment of the long-term success of the City. This can also have the effect of putting more responsibility on the shoulders of officers to hold the vision and to navigate the direction of policy between the priorities of the different political groups. At a time when the membership of the senior management team is in transition, there is a risk that senior management efforts can be made less effective in their core roles.

PCC Response

Members have shown that they can work collaboratively in setting a balance budget and cross-party agreement at the Budget Council meeting in February 2023. Members continue to work together at FSWG meetings to ensure that the improvements and visions support the city and the people that live and work there.

Members also agreed at the Annual Council meeting for all chairs of committees to be held by opposition members, this process is working exceptional well.

Group Leaders meetings continue monthly with hot topics and updates at each meeting.

The Leader has expressed on many occasions in the Chamber, that is door is always open and that members can arrange to discuss any matters or new approaches that members may be thinking of.

More recently a series of improvement planning and risk sessions have been arranged in September for all members to understand the next phases of the improvement journey.

4.3.3 Electoral Arrangements

IIAP Comments

The Council made a clear decision last year to retain the current electoral arrangements and not to move to all out elections. In the context of the recent changes in the membership of the political groups following the local elections and the risks highlighted in the previous section of this report, the Panel asks the Council to consider again the proposal to move to all out elections. The Panel suggests that this is considered initially by the Group Leaders before a further proposal is considered by the Council.

PCC Response

A brief discussion has happened with Group Leaders in relation to the move to 'all out' elections. A further detailed discussion is due in September with Group Leaders, with a move to reporting back to Council in due course.

4.3.4 Audit Committee

IIAP Comments

The Panel has monitored the work of the Audit Committee and can see the progress with its work on behalf of the Council over the last 18 months. It is clear that the appointment of an independent chair has added value to the work the committee carries out for the Council. A fresh pair of eyes and an independent view has led to the reshaping of the Committee's agendas and reports with a much greater focus on the strategic risks and issues facing the Council. There is a new and welcome emphasis on the risks that lie ahead as well as reviewing performance in key areas. In doing this the Committee has brought to light evidence which has exposed important issues. For example, the examination of procurement processes has strengthened controls and made a difference to the value for money that can be delivered.

Whilst there have been positive steps made by the Committee, it is clear that this is only the start and much more needs to be done to ensure the Committee is fulfilling its potential and working to best effect for the Council. For example, developing the approach to risk assessment and management.

The Panel is aware that the independent chair is standing down from his position and a new chair will be recruited. It is recommended that arrangements are made for the outgoing chair of the Committee to brief the new chair when appointed. Facilitating the transfer of knowledge and insights will help sustain the progress made in recent months.

PCC Response

The Audit Chair recruitment process has commenced again, due to the lack of suitable candidates in the first round.

The deadline for applications is 25 August and this has been advertised via Linked In and our Facebook page. This has been shared around the media channels by many officers and members, and some potential candidates have been identified. Shortlisting and interviews will commence in September.

Currently the vice chair and the current independent member are covering the meetings.

4.3.5 Management Structures and Systems

IIAP Comments

The Chief Executive has made progress in managing the transition to a senior management team that is dedicated 100% to Peterborough. The decoupling, by mutual consent, of most senior management positions from Cambridgeshire is complete. The work to achieve this transition successfully was considerable. Work in hand was delivered successfully, e.g. managing the relationship with Ofsted and preparing a balanced budget, whilst recruiting new Directors.

All Peterborough's Directors have been appointed now. Most recently the Directors of Adult Social Care and Children's Services have taken up their posts. The interim Director of Children's Services has left the Council and the interim DAS has returned to their substantive post.

Having said this, the Panel is aware that the Director of Finance is working to a contract which ends in early 2024. This issue needs to be addressed as a priority in order to maintain leadership capacity and to achieve continuity in the Section 151 role.

Now that the senior management capacity is in place, at least for the time being, the priority is to develop the capability of the new team so that it becomes high performing quickly. A clear direction of travel and a high degree of team work enabling all to perform at the best of their abilities will be vital.

In working in a collaborative style pursuing shared goals, offering mutual support and demonstrating openness the senior team will send a powerful message to everyone in the organisation. The behaviour of team members, when they are together and when they are working in their own spheres of influence, should reflect the core values adopted recently by the Council. In saying this, the Panel is aware that there is a persistent culture amongst lower tier officers of secrecy and focusing on the short term to the exclusion of long-term planning. This needs to be tackled with a shared commitment by all members of the senior team, taking advantage of the positive impact on the workforce of having a dedicated Peterborough leadership team.

On a different point, there has been progress in strengthening the governance around the Council's arms-length companies. This is providing clearer lines of accountability and control as well as greater transparency. However, the Council/Shareholder Committee also needs to develop and approve a Commercial Strategy against which future ventures can be tested. In addition, the statement of the overall aims and objectives of its Local Authority Trading Company (LATCO) portfolio and overall governance of the companies portfolio is yet to fully align with CIPFA/Lawyers in Local Government best practice.

PCC Response

Peterborough is in a much stronger position now with a permanent corporate leadership team in place focused solely on the city.

Recent appointments around children and adults are providing fresh leadership and challenge together with an extended leadership team for the city. The permanent recruitment to the Executive Director of Corporate Services will be resolved shortly.

A new leadership and development programme for all managers and leaders is in development and currently being procured. It has been really positive to see the Council engaged for the first time in the national graduate scheme with three graduates starting in 2023.

The Council continues to improve staff engagement and staff conversations are held in person on a regular basis on key topics plus the LGA have been commissioned to undertake a staff survey in autumn. The values and behaviours have been well received across the organisation and further work is planned to embed these in our day to day work with staff and members.

4.3.6 **Resourcing Change**

IIAP Comments

The Chief Executive has made progress in establishing the capacity necessary to drive the transformation that is necessary to secure the long-term future of the Council and the quality of services it delivers to the community in Peterborough. The Portfolio Boards are in place and working hard to develop business cases and to deliver them when approved. Roles and responsibilities are defined clearly. Officers are in place to do the work that is necessary. However, as indicated earlier in this report it is important to maintain the investment of resources into this agenda to maximise the future benefits.

PCC Response

We acknowledged the panel's views. Our transformation governance model ensures that once we are satisfied that each emerging business case relating to improvement/transformation is robust and convincingly demonstrates Value for Money set against the Delivery of Future Savings, Efficiencies and/or Improved Outcomes, we can provide assurance that appropriate investments in transformation will be made.

We are conscious that finding the money needed to invest in the Council's transformation initiatives and support the organisation's efforts to restructure services around our four main goals while maintaining budgetary stability is challenging.

It's not an easy undertaking, but we understand that it's necessary to make this effort in order to quickly and effectively bring about meaningful and sustainable change.

4.3.7 **LGA Training and Support for Members**

IIAP Comments

The LGA has been providing additional support to Peterborough City Council (PCC) since it established an Improvement Panel in December 2021. In June 2022 all group leaders at PCC were allocated a member peer to support them personally to help the Council drive forward the development and delivery of their Improvement Plan. The peer support has involved numerous one to one sessions, emergentics profiling, feedback to the Improvement Panel and some face-to-face group sessions with all peers, group leaders and officers. It is universally acknowledged that there has been a change in member behaviour. Peers have really helped with the step change to get members in a no overall control authority all working respectfully and with residents at their heart. It is also recognised that peer support contributed to a very smoothly run annual general council meeting.

Following the elections in May 2023, the Panel met with peers, group leaders and the LGA to take stock of the results and agree what support was required for the next

period. Peer mentor and mentee relationships were reset and group leaders have reaffirmed the support, knowledge and skills they require along with the frequency of touching base. The level of support required varies across the different group leaders but is still valued and drawn on regularly in most cases. The LGA conference in July provided an opportunity for many of the group leaders and peers to meet in person. In addition, the LGA and PCC CEX are looking to facilitate a cross party session in the coming months. The peer support programme will be reviewed at the end of the year to establish its impact and whether it needs to continue.

The LGA has also contributed ten days of consultancy for the Centre for Governance and Scrutiny (CfGS) to undertake a governance review. The diagnostic stage has been completed and a findings report is to follow. In addition, PCC has instructed the LGA to run an employee survey which will enable national benchmarking.

PCC Response

The Council will carefully consider the report with recommendations from the governance review and decisions will then be made on recommendations to take forward and next steps.

4.4 IIAP Conclusion

The Panel concludes that a huge amount has been achieved in the last six months, through the hard work and dedication of Members and Officers alike. The devil is in the detail as always, and there are still a number of challenges facing the City Council to complete the Peterborough specific strategic and governance framework that had been lacking previously and to continue to manage a difficult financial climate.

Despite the scale of the challenges the City Council is demonstrating that it has ambition and commitment, and as a result is attracting good talent to join the workforce and is re-energising officers who have worked for the Council for a long time.

This penultimate report of the PCIP recognises what has been achieved and serves as a reminder of the next stage of the journey to a sustainable future. The next six months will be critical in proving whether the new foundations are solid enough to weather the continuing financial challenges along with demonstrating what the portfolio boards can achieve for a genuine improvement in the lives and prospects of the communities of Peterborough.

PCC Response

We will continue to deliver our ambitions for the improvement journey and we continue to welcome the support of the PCIP.

4.5 CONSULTATION

4.5.1 The consultation strategy was approved by Council on 16 December 2021.

5 IMPLICATIONS

Financial Implications

5.1 There is no change to the estimated financial implications presented to Council in December 2021.

Legal Implications

- 5.2 Legal advice will need to be sought as appropriate in respect of the proposals which the report is recommending that Cabinet considers.

Equalities Implications

- 5.3 No change to previously reported.

Carbon Impact Assessment

- 5.4 A standalone Carbon Impact Assessment will be undertaken for any change that may arise as a result of this process in line with the Council's normal processes.

Communications and Engagement

- 5.5 No change to previously reported.

6 BACKGROUND DOCUMENTS

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

- 6.1 [Council report 'Financial Improvement Planning' 16 December 2021](#)

- 6.2 ['Governance Review: Peterborough City Council' Andrew Flockhart report 2021](#)

- 6.3 Peterborough City Council Improvement Plan
[5. Appendix 1 - Improvement Plan and Corporate strategy V5.pdf \(peterborough.gov.uk\)](#)

7. APPENDICES

- 7.1 There are none.

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