

NOTICE OF MEETING

MEETING	CABINET
DATE:	MONDAY 26 SEPTEMBER 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:	16 September 2011

AGENDA

	PAGE NO
1. Apologies for Absence	
2. Declarations of Interest	
3. Minutes of Cabinet Meeting 13 June 2011	1 - 12
STRATEGIC DECISIONS	
4. Response to Ofsted Report	13 - 38
5. Medium Term Financial Strategy 2012/13 to 2016/17*	39 - 66
MONITORING ITEMS	
6. Outcome of Petitions	67 - 68

Circulation
Cabinet Members
Scrutiny Committee Members
Directors, Heads of Service
Press

*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).*



There is an induction hearing loop system available in all meeting rooms. Some of the systems are infra-red operated, if you wish to use this system then please contact Alex Daynes on 01733 452447.

This page is intentionally left blank

Public Document Pack



MINUTES OF CABINET MEETING HELD 13 JUNE 2011

PRESENT

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

Cabinet Adviser: Councillor Goodwin.

1. APOLOGIES FOR ABSENCE

Cllr Lee.

2. DECLARATIONS OF INTEREST

Cllr Cereste declared a personal interest in item 10, Minerals and Waste: The Location and design of Waste Management Facilities Supplementary Planning Document, as this could affect his interest in the future.

3. MINUTES

The minutes of the meeting held 21 March 2011 were agreed and signed as an accurate record.

ITEMS FROM SCRUTINY COMMITTEES AND COMMISSIONS

4. REVIEW OF THE USE OF CONSULTANTS

Cabinet received a report from the Sustainable Growth Scrutiny Committee's review group on the cost and effectiveness of the Council's use of consultants including 33 recommendations on the future use of consultants by the Council to inform the development of budgets in future years.

Councillor North and Councillor Lane, members of the review group, attended the meeting, thanked officers for supporting their work and added that the report gave strong recommendations to Cabinet.

Councillor Seaton responded to the recommendations stating that it was essential to ensure consultants were used in the most efficient and cost effective way, that the report covered the use of consultants negatively, and did not mention the effectiveness and benefit of consultants used by the council. Positive aspects such as the sale of software, external awards and endorsements were also omitted from the report. Most of the recommendations would be approved but some resulted in duplications so would not be accepted as were covered elsewhere.

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

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 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.
4. 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 compile a central register of transferable professional skills available within the council which should be audited on a regular basis by the HR team.
6. 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.
7. 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.
8. For major projects (over £50k in value (original recommendation was £20k)):
 - 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
9. 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.
10. 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.
11. Where the council engages consultants under long term contracts there should be, only in appropriate circumstances, a requirement for managers to approach the consultant at fixed periods in the contract about filling a permanent role within the council.
12. 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.
13. All consultants engaged at managerial level should be required to update Verto as a condition of payment.
14. Managers should negotiate fixed-price or incentive-based contracts where possible.
15. 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.
16. 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.
17. 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.

18. 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.
19. 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.
20. 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.
21. 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.
22. The roll out of the HR Review should be expedited to ensure that all areas of the council have been assessed by Spring 2011.
23. 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.
24. 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.
25. The contract management system should be made available for scrutiny by members, or reviewed by way of regular reports to a scrutiny committee.
26. That the council investigates whether to move away from OGC Solutions as a method of contracting.
27. That the council conducts a cost benefit review analysis on whether details of sub-contracting arrangements should be included in all contracts.

Cabinet further **RESOLVED** to reject the recommendations that:

1. The council should amend contract regulations and financial regulations to set out criteria officers should consider before deciding to employ consultants and that this ought to include consideration of any internal skills within the council.
2. 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 and that 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.
3. Should the council produce a policy around the use of consultants (see recommendation 4 above) this should contain the criteria for engaging and monitoring consultants.
4. 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.
5. 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.
6. 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.

REASONS FOR THE DECISION

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

ALTERNATIVE OPTIONS CONSIDERED

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.

The majority of these proposals therefore assume that the use of consultants will continue but suggest improvements for monitoring of their use.

STRATEGIC DECISIONS

5. SAFER PETERBOROUGH PARTNERSHIP PLAN 2011-14

Cabinet received a report presenting the refreshed version of the Safer Peterborough Partnership Plan to approve prior to Full Council. 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 was acknowledged that far more can be achieved to make Peterborough a safer place if agencies work together rather than in isolation.

Councillor Walsh introduced the report advising that the plan provided new ways of tackling crime and disorder including addressing the causes of offending including new flexible approaches and closer working with other agencies for priorities.

Gary Goose, Community Safety Strategic Manager, further advised Cabinet on the details of the plan, including the three priorities of reducing crime; tackling antisocial behaviour and hate crime; and building stronger and more supportive communities.

Cabinet debated the issues in the plan including early intervention with young people and budget needs to ensure Police presence in schools can remain as a positive influence.

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

Endorse the new Safer Peterborough Partnership 3-year Plan (2011-2014) and recommend it to Full Council for approval.

REASONS FOR THE DECISION

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.

ALTERNATIVE OPTIONS CONSIDERED

The previous partnership plan ran from 2008 – 2011.

6. ENERGY SERVICES COMPANY (ESCO) AND OTHER ENERGY RELATED PROJECTS

Cabinet received a report following a referral from Councillor Seaton, Councillor S Dalton and the Executive Director – Strategic Resources recommending the establishment of an energy services company and the installation of solar photovoltaic tiles on the roof of the former Freeman's building.

Councilor S Dalton introduced the report advising that the recommendations provided Cabinet with an opportunity to boost the council's environmental credentials but also to generate an income stream in the process.

Cabinet discussed the report and the income it could see generated adding that the installation of solar photovoltaic panels to the former Freemans building could generate the energy needed to power 5000 homes with a potential income of £500,000 per annum for the council over the 25 year scheme.

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

1. 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;
2. 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;
3. 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; and
4. 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.

REASONS FOR THE DECISION

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.

The council wished 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.

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

ALTERNATIVE OPTIONS CONSIDERED

Alternatives to setting up an ESCO

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.

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.

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 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.

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

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.

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

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

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.

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.

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

7. LOCAL AUTHORITY MORTGAGE SCHEME

Cabinet received a report following consideration as to how the Council could support first time buyers and the local housing market, help deliver the Council's priority of delivering substantial and truly sustainable growth and sought Cabinet approval for the Council to participate in the Local Authority Mortgage Scheme.

Councillor Cereste introduced the report highlighting that only Lloyds Banking Group had entered the scheme so far and an initial £1m would be available with further potential funding available depending on the scheme's success.

Steve Pilsworth, Head of Corporate Services, provided further information advising that the scheme would not apply to new builds; interest would be paid from Lloyd's Banking Group's own investments; and there was a low level of risk attached to the initial outlay.

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

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; and
4. Delegate to the Chief Executive the authority to execute the deed indemnifying the Monitoring Officer on behalf of the authority.

REASONS FOR THE DECISION

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

ALTERNATIVE OPTIONS CONSIDERED

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

8. OPPORTUNITY PETERBOROUGH BUSINESS PLAN*

Cabinet received a report from Opportunity Peterborough to endorse its draft annual business plan. As sole funder it was important that the council was satisfied that the draft business plan would deliver the objectives agreed.

Councillor Cereste introduced the report adding that the Cabinet Member for Communications would work closely with Opportunity Peterborough to promote the city.

Cabinet **RESOLVED** to:

Endorse the 2011-12 business plan for Opportunity Peterborough.

REASONS

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.

ALTERNATIVE OPTIONS

Modifications to the plan can be suggested, which would be subject to discussion and agreement with other partners and therefore delay activities within it.

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. VILLAGE DESIGN SUPPLEMENTARY PLANNING DOCUMENT*

Cabinet received a report 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. Cabinet was requested to adopt the Design and Development in Selected Villages

Supplementary Planning Document (adoption version) (hereafter referred to simply as the 'SPD').

Councillor Hiller introduced the report advising Cabinet of its importance for future planning applications and enforcement.

Cabinet discussed the report highlighting the need for other villages that were not initially included to participate with Village Design plans or Neighbourhood Plans, with the latter also suitable to other areas in the Peterborough Authority that were not villages. It was noted that the SPD would only be used formally where planning permission was needed for proposed development, though it could also be used informally to help guide and influence any form of development.

Cabinet **RESOLVED** to:

Adopt the Design and Development in Selected Villages Supplementary Planning Document (SPD) to form part of the Peterborough Local Development Framework.

Cabinet further **RESOLVED** to:

Accept an amendment to both Castor and Ailsworth policies so that Policy Ail 14 (on page 14) and Cas 14 (on page 29) be amended so that they both read (amendment in italics):

“Large detached property will require particular attention and special care to ensure it fits into the character of the village, *including consideration of change on internal and external views of the site*”.

REASONS

Adoption of the SPD 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.

ALTERNATIVE OPTIONS CONSIDERED

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 VDS's 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.

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

Cabinet received a report following approval by Council of a consultation draft Supplementary Planning Document (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 was the overarching design policy, whereas the detailed design guidance was provided by this SPD. Cabinet was requested to approve The Location and Design of Waste Management Facilities SPD (adoption version) (hereafter referred to simply as the 'SPD') for adoption on 19 July 2011.

Councillor Hiller introduced the report and recommendations for Cabinet to resolve.

Cabinet **RESOLVED** to:

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 19 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.

REASONS

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 Development Management officers, committee members and developers alike. There are no overriding objections as to why the SPD should not be adopted.

ALTERNATIVE OPTIONS CONSIDERED

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.

11. PETERBOROUGH 'PRELIMINARY FLOOD RISK ASSESSMENT' (PFRA)

Cabinet received a report 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, seeking approval from Cabinet that the Peterborough PFRA meets the requirements of the Flood Risk Regulations 2009 and could therefore be submitted to the EA.

Councillor Hiller introduced the report advising Cabinet that the initiative to establish a flood risk assessment followed large flooding across the country in 2007.

Richard Kay, Group Manager Strategic Planning & Enabling, advised Cabinet that the assessment sought to identify areas of national significance rather than local risk

(which would be addressed at a later date) and it was agreed that the suggested recommendations from the Sustainable Growth Scrutiny Committee that considered the report on 7 June be included within the submission as below:

- a) In the report to Cabinet it is noted that the Committee is concerned about the potential future maintenance (revenue) costs which Peterborough City Council may be liable for as a result of the new Sustainable Urban Drainage Systems (SuDS) approval and adoption regulations (as part of the Flood and Water Management Act (FWMA) 2010), due to come into force from April 2012;
- b) That the future Local Flood Risk Management Strategy, once prepared, be considered by the Sustainable Growth Scrutiny Committee prior to its adoption;
- c) That the seventh paragraph of the Executive Summary be reworded to make it clearer; and
- d) That a number of typographical errors are corrected and clarifications added in particular to:
 - The Contents page – page numbering error to be removed and correct page numbers inserted;
 - Para 2.2.1 – add at the end of the first sentence the date at which the Peterborough Flood Risk Partnership first met;
 - Para 2.3.1 – delete “Environment Capital Scrutiny Committee” and replace with “Sustainable Growth Scrutiny Committee”.

Cabinet **RESOLVED** to:

Approve, for the purpose of meeting the requirements of the Flood Risk Regulations 2009, the Peterborough Preliminary Flood Risk Assessment.

REASONS

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.

ALTERNATIVE OPTIONS CONSIDERED

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.

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.

MONITORING ITEMS

12. BUDGET MONITORING – FINAL OUTTURN 2010-11

Cabinet received a report informing it of the final financial performance for revenue and capital at 31 March 2011. The report contained performance information on treasury management activities, the payment of creditors in services and collection performance for debtors, local taxation and benefits overpayments and would be submitted to Audit Committee on 27 June 2011 for approval.

Councillor Seaton introduced the report and recommendations for Cabinet to resolve.

Cabinet **RESOLVED** to:

1. Note the capital budget and the final outturn position on the Council's revenue budget of £475k underspent;
2. Note the performance against the prudential indicators;
3. Note the performance on treasury management activities, payment of creditors in services and collection performance for debtors, local taxation and benefit overpayments; and
4. Note the challenging financial position in future years 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.

REASONS

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

ALTERNATIVE OPTIONS CONSIDERED

None required at this stage.

13. OUTCOME OF PETITIONS

Cabinet considered a report recommending it notes the action taken in respect of petitions presented to full Council.

CABINET RESOLVED TO:

Note the action taken in respect of petitions presented to full Council.

REASONS

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.

ALTERNATIVE OPTIONS

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

11.55 a.m.

This page is intentionally left blank

CABINET	AGENDA ITEM No. 4
26 SEPTEMBER 2011	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Scott, Cabinet Member for Children's Services Councillor Holdich, Cabinet Member for Education, Skills and University	
Contact Officer(s):	Adrian Loades: Director of Children's Services	Tel: 01733 863606

OFSTED INSPECTION OF SAFEGUARDING

R E C O M M E N D A T I O N S	
FROM : Director of Children's Services	Deadline date : N/A
1. That Cabinet notes the findings of the Ofsted Inspection of Safeguarding carried out in August 2011 and agrees the planned improvement activity.	

1. ORIGIN OF REPORT

This report is submitted to Cabinet following a referral from Corporate Management Team on 6th September and the publication of the report of the Ofsted inspection of safeguarding carried out in August 2011.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to provide Cabinet with details of the findings of the Ofsted Inspection of Safeguarding carried out in August 2011 and the agreed improvement activity.
- 2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.10, To determine responses to (and/or make recommendation to the Council, as appropriate) reports from the Monitoring Officer, external inspections and the Local Government Ombudsman.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO
---	-----------

4. The Ofsted Inspection

- 4.1 In March 2010, an inspection of the Council's arrangements for safeguarding and looked after children was carried out by Ofsted. The inspection determined that safeguarding arrangements were inadequate. A subsequent unannounced Ofsted inspection of safeguarding in February 2011 identified a number of areas for development. In August 2011, Ofsted undertook a follow up inspection of safeguarding arrangements to evaluate the progress made since previous inspections to ensure that children and young people are properly safeguarded.

- 4.2 The inspection process was a thorough one and involved the review of case files as well as discussions with children and young people, officers and elected members.
- 4.3 The Ofsted report that followed the inspection has been circulated with this report. Overall, Ofsted determined that safeguarding arrangements were inadequate and did not meet minimum requirements. Capacity for improvement was also assessed as inadequate, as were five of the seven judgement areas that contributed to the overall assessment. The inspectors found that insufficient improvement progress had been made since previous inspection visits and that the quality of assessment, management oversight and the response to risk was too variable. Inspectors also found that leadership and management arrangements, performance management and quality assurance were not sufficiently focused to sustain improvement.
- 4.4 The inspectors did note examples of good practice in relation to schools and partners, noted the improvement of the Peterborough Safeguarding Children Board and “the consistent and sustained commitment of elected members to strengthening safeguarding arrangements”.
- 4.5 The inspection findings are clearly serious and of significant concern. The inspection focused on the Council’s arrangements for dealing with contacts, referrals and assessments within children’s social care. This is the “front door” of the Council’s social care arrangements and it is imperative that these functions have the capacity and capability to identify and assess risk in order to ensure that children receive the support and protection that they require.
- 4.6 Post Inspection Arrangements:**
- 4.7 The inspection report sets out a number of areas of improvement identified by Ofsted for immediate to long term action. The inspection findings represent a major challenge to the Council and whilst activity will be focused on Children’s social care, there will be a need for all Council Directorates and partner agencies to support improvement.
- 4.8 Improvement support is being provided through a sector led improvement and support model. The model involves drawing support directly from other local authorities or commissioning support from individuals with considerable local authority experience. The model has the agreement and support of the Department for Education who have a keen interest in the Council making sustainable improvement in children’s social care.
- 4.9 The previous Executive Director of Children Services resigned following the Ofsted inspection and the Director of Children and Young People’s Services at Cambridgeshire County Council has been appointed to the post through the sector led support model for a three month period.
- 4.10 An improvement team to provide the necessary support to the Council has been assembled and tasks have been agreed. One of the principal outputs of the initial stage of improvement activity will be a diagnostic report to support the preparation of a long term improvement plan. The team will also support the implementation of immediate improvements to safeguarding arrangements. The improvement activity will cover the Council’s entire safeguarding arrangements rather than just the contact, referral and assessment arrangements that were inspected by Ofsted.
- 4.11 Key improvement activities include:
- Quality assurance reviews of cases subject to contact, referral and assessment arrangements over the last six months

- An operational review of contact and referral arrangements with a view to identify and implement immediate improvements
 - A review of performance management arrangements, including audit and quality assurance arrangements to identify improvements
 - A review of the arrangements for notification, referral and response to Domestic Violence
 - The appointment of an Associate for Safeguarding to add overall capacity for delivery of the Improvement Plan, to review the capacity of the social care workforce and develop a programme of support for practice improvement
 - A review of early intervention and prevention activity to support the development of a new long term prevention strategy
- 4.12 The approach to improvement will be flexible in order to follow up issues identified by the review activity. It is emphasised that the focus will be on improvement, it is not intended to repeat the Ofsted inspection in full or part. The inspection has informed the improvement activities that will be undertaken. Steps will be undertaken to ensure the involvement and engagement of the social care workforce within this work, as the improvement activities must be both deliverable and sustainable.

5. CONSULTATION

- 5.1 Partner agencies, parents and children will be involved fully in the improvement activity.

6. ANTICIPATED OUTCOMES

- 6.1 The improvement activity has been planned to secure the following outcomes:
- The implementation of robust arrangements for contact, referral and assessment in response to the immediate issues for action identified in the inspection report
 - Improvements in the capacity and capability of leadership and management arrangements
 - The development of a longer term improvement plan with a particular focus on developing the capacity required for sustainable improvement
- 6.2 The Ofsted inspection methodology will change from 1 April 2012. The current consultation on inspection arrangements envisages longer unannounced inspections with a focus on the inspection being on the child's "journey" from needing help to receiving help. This includes the review of preventative services and will focus on practice in children's social care. Under the arrangements being consulted on, the Council will receive a monitoring inspection to evaluate progress in addressing the areas for development identified in the report within the next year and a further full inspection within the next eighteen months. The improvement activity is intended to ensure that the Council receives a successful inspection outcome.

7. REASONS FOR RECOMMENDATIONS

- 7.1 A core element of the Council's arrangements for safeguarding children has been identified as being inadequate by Ofsted. This finding requires a response that will secure immediate improvement in the areas identified as failing and a longer term response to secure sustained improvement in the overall arrangements for safeguarding children in Peterborough. The findings of the Ofsted report and the themes identified through previous inspections necessitate the use of external capacity through the sector led model to support improvement activity.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The sector led approach is the primary means through which the Department for Education expects local authorities to be supported following adverse Ofsted inspections. It is unlikely that an alternative approach would receive support from the Department and would trigger more direct intervention. The scope of the improvement work reflects findings of the Ofsted inspection and an immediate analysis of the challenges facing the Council. The programme of work is sufficiently flexible to follow up additional issues as they are identified.

9. IMPLICATIONS

- 9.1 The sector led support is provided on the basis of a mix of charged for and free support. The cost can be met from within existing budgets. Resources are available to secure improvement in the immediate and longer term.

10. BACKGROUND DOCUMENTS

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

- Ofsted Inspection of Safeguarding: Peterborough 6th September 2011;
- Ofsted Unannounced Inspection of contact referral and assessment arrangements 3rd March 2011; and
- Ofsted Safeguarding and Looked after Children Inspection: Peterborough 21st May 2010.

Inspection of safeguarding

Peterborough

Inspection dates: 08 August 2011 to 12 August 2011
Reporting inspector: Martin Ayres HMI

Age group: All
Published: 6 September 2011

© Crown copyright 2011

Website: www.ofsted.gov.uk

This document may be reproduced in whole or in part for non-commercial purposes, provided that the information quoted is reproduced without adaptation and the source and date of publication are stated.

Further copies of this report are obtainable from the local authority or at www.ofsted.gov.uk

Contents

About this inspection	2
The inspection judgements and what they mean	3
Service information	3
Safeguarding services	5
Overall effectiveness	5
Capacity for improvement	6
Safeguarding outcomes for children and young people	8
Children and young people are safe and feel safe	8
Quality of provision	11
Ambition and prioritisation	14
Leadership and management	15
Performance management and quality assurance	17
Partnership working	18
Record of main findings	19

About this inspection

1. Peterborough received a safeguarding and looked after children inspection in March 2010 which found that the safeguarding arrangements were inadequate. In February 2011 an unannounced inspection of Peterborough Council's contact and referral arrangements found some areas of improvement from the earlier inspection although 10 areas for development were identified. The purpose of this follow up inspection of safeguarding is to evaluate the progress and contribution made by relevant services in the local area since the previous inspections towards ensuring that children and young people are properly safeguarded. The inspection team consisted of three of Her Majesty's Inspectors (HMI). The inspection was carried out under the Children Act 2004.
2. The evidence evaluated by inspectors included:
 - discussions with children and young people receiving services, front line staff and managers, senior officers including the Chief Executive of Peterborough Council, the Executive Director of Children's Services and the Chair of the Local Safeguarding Children Board, elected members and a range of community representatives
 - analysing and evaluating reports from a variety of sources including the Improvement Board minutes, performance data, information from the inspection of local settings such as schools and daycare provision, and the evaluations of serious case reviews undertaken by Ofsted in accordance with *'Working Together To Safeguard Children'*, 2006
 - a review of 40 case files for children and young people with a range of need. This provided a view of the quality of services provided as well as the quality of reporting, recording and decision making undertaken
 - the outcomes of the most recent annual unannounced inspection of local authority contact, referral and assessment services undertaken in February 2011
 - interviews and focus groups with front line professionals, managers and senior staff from NHS Peterborough and other relevant health partners.

The inspection judgements and what they mean

3. All inspection judgements are made using the following four point scale.

Outstanding (Grade 1)	A service that significantly exceeds minimum requirements
Good (Grade 2)	A service that exceeds minimum requirements
Adequate (Grade 3)	A service that only meets minimum requirements
Inadequate (Grade 4)	A service that does not meet minimum requirements

Service information

4. The demography of Peterborough is rapidly changing. There are 44,300 children and young people aged 0 – 19 years in the council area with 24% of this population living in poverty. There has been a particularly high influx of families from Eastern Europe but other cultures and ethnic groups are represented in the city. Within the current child population 99 different languages are spoken and 27% of school pupils have English as their second language. There are marked differences in the levels of deprivation and affluence in Peterborough with some wards represented in the highest quartile of deprivation and others in the top quartile for affluence.
5. Peterborough Safeguarding Children Board (PSCB) has been independently chaired for the last year and brings together the main organisations working with children, young people and families to deliver safeguarding services. The Children’s Trust operates with suitable representation from a wide range of agencies and organisations. This is currently being reviewed in light of anticipated changes to Trust arrangements.
6. Community based services are delivered by a number of social work teams. A contact service within Peterborough customer services has recently been formed and this is linked to referral and assessment teams and other longer term and service delivery teams. Children with disabilities are supported through a dedicated disability team and there is a range of additional family support services provided by the voluntary sector, extended services in schools and through children’s centres across the city. At the time of the inspection there were 161 children who were the

subjects of child protection plans and 321 who were being looked after by the local authority.

7. Commissioning and planning of health services are provided by NHS Peterborough. Acute hospital services are provided by Peterborough and Stamford Hospitals NHS Foundation Trust. Child and adolescent mental health services (CAMHS) are provided by Cambridge and Peterborough Foundation Trust. Targeted mental health in schools services are provided by Peterborough City Council. Other services such as alcohol and substance misuse services are commissioned from the voluntary and independent sector.

Safeguarding services

Overall effectiveness

Grade 4 (Inadequate)

8. The overall effectiveness of services in Peterborough to ensure that children and young people are safeguarded and protected is inadequate. There are areas of adequate, and in some instances better, practice across the partnership, including within education, health and the voluntary sector. Nonetheless, serious deficiencies in the social care fieldwork service result in too many children and young people being left without sufficient safeguards or adequate protection arrangements. Safeguarding awareness across the partnership is generally good and agencies are appropriately identifying children and young people who may be at risk of harm. Arrangements within schools for safeguarding are suitably robust and processes in health are also effective. However, in many of the cases seen by inspectors within children's social care there are significant concerns about the quality of practice and management oversight and some instances where children and young people have not been adequately protected.
9. The safeguarding inspection which was undertaken in March 2010, leading to a judgement that the overall effectiveness of safeguarding was inadequate, identified a number of key issues for immediate action and improvement. Many of these issues were also identified in the subsequent unannounced inspection of contact, referral and assessment arrangements in February 2011. These included variations in the quality and timeliness of assessments, poor management oversight and direction, irregular staff supervision and support and lack of responsiveness to risk in some cases. This inspection has identified a number of similar issues and trends which have not been fully confronted or resolved throughout the period the council has been subject to a Government Improvement Notice. In effect it is not possible to be assured that the current situation in children's social care services has sufficiently improved to ensure vulnerable children and young people are safe.
10. Leadership and management, including performance management and quality assurance, have not been sufficiently well focused to bring about sustained improvements and some aspects of performance have deteriorated in recent months. Staffing capacity is insufficient at the front line of service, in terms of staffing numbers and also skills and experience. This is compounded by insufficiently clear management accountability for safely driving forward work on individual cases. Progress has been made in establishing the PSCB which is now operating, under an independent chair, in an adequate manner.

Capacity for improvement

Grade 4 (Inadequate)

11. Capacity for improvement in Peterborough is inadequate. Given the number of unresolved issues identified in previous inspections, the Government Improvement Notice and lack of progress made against agreed priorities, it is not possible to see sustained improvement. Services are not generally of a high quality. Some aspects of service delivery have deteriorated, including timeliness of initial and core assessments. Although some plans have been put in place to strengthen services and there are examples where this has had a degree of impact, for example work allocation, many changes have been reactive to day to day crises. Senior managers in children's services have not implemented a coherent and systematic plan which is based on clear priorities and expectations in terms of staff capacity, accountabilities and competence. The recent contact service development is an example where a real opportunity existed for service improvement which has been hindered by the lack of effective pre-planning and preparation to ensure the service was established on a sound footing.
12. A performance monitoring framework and model for auditing are in place but these are insufficiently focused on service quality, impact and outcomes for vulnerable children and young people. The information provided to the improvement board has been insufficient in facilitating the close scrutiny of actual performance, particularly in respect of the effectiveness of contact, referral and assessment arrangements.
13. Staffing resources are not yet sufficient to deliver safe and reliable services and level of staff turnover is still creating actual and potential risk. Staff competency and skill is also highly variable and management action to deal with perceived deficiencies has been too slow. There is only minimal evidence that children and young people are contributing to their plans and some of the systems in place actually limit their effective involvement. The current recording system in use in children's social care, although being replaced, is not fit for purpose and it will be some time yet before the new system is fully functional with the capacity to provide reliable performance information.
14. Despite the concerns about capacity, elected members have demonstrated a consistent and sustained commitment to strengthen safeguarding arrangements in Peterborough, including the allocation of additional resources. There is assurance that this commitment will continue as the council and partners respond to the recommendations arising from this inspection.

Areas for improvement

15. In order to improve the quality of provision and services for safeguarding children and young people in Peterborough, the local authority and its partners should take the following action.

Immediately:

- Review staffing and management capacity within the contact service to ensure the service is able to respond to the range of contacts and referrals in an informed manner. The review should also evaluate the potential for closer working with the Police and health colleagues to increase the effectiveness of contact arrangements.
- Ensure that the work required in respect of risk assessment and report writing are completed before cases are presented to case conferences and that work with families is not delayed until the conference is held.
- Ensure that thresholds for service access are clearly understood across the partnership.
- Define the use of contacts and referrals by referring agencies, the standard of recording of contacts and referrals and the process for decision making in respect of each and the actions arising.
- Ensure that management accountabilities for decision making are explicitly defined so that actions in relation to contact, referral, assessment and care planning are clear and consistently implemented.
- Strengthen the use of the performance monitoring framework and audit tools to ensure that service quality, service impact and safeguarding outcomes are routinely evaluated and reported to the Improvement Board.
- Establish a monitoring framework for work flow between contact, referral and assessment teams and subsequent teams to ensure work transfer is timely and conducted in the interests of children and young people.

Within three months:

- Complete an evaluation of staffing capacity within the contact centre, referral and assessment and other teams to ensure staff working in these services are sufficiently experienced and have adequate support to respond to need and risk appropriately.
- Facilitate the engagement of users in case conferences through more user friendly conferencing arrangements.

- Monitor the frequency and quality of staff supervision and ensure that remedial action is taken where required.
- Monitor the quality of management decision making and ensure case decisions and plans are routinely recorded and fully supported by a clear management narrative.
- Develop specific joint training on risk identification and issues associated with the potential for significant harm.

Within six months:

- Complete a comprehensive and detailed audit of all cases that have been referred through the contact service and passed to referral and assessment and other teams or services in the past six months. As part of the audit also examine whether cases referred to children in need services are appropriately held within that service.
- Develop an overarching preventative strategy, including the use of the common assessment framework (CAF).
- Review the current arrangements for jointly managing domestic abuse cases to ensure notifications are sufficiently comprehensive, joint assessments of risk are robust and actions arising are appropriately implemented and monitored.
- Review capacity within the Family and Assessment Support Team (FAST), to ensure that the threshold for access to this service is safe and clear and that processes for reviewing the team's impact on outcomes are explicit.
- Strengthen processes for user complaints and representations to ensure these are dealt with in a timely fashion and that complaint trends are regularly reviewed and acted upon.
- Complete a review of arrangements for the notification and referral of domestic abuse to ensure improved consistency of response and quality of outcomes for children at risk of harm.

Safeguarding outcomes for children and young people

Children and young people are safe and feel safe

Grade 4 (Inadequate)

16. Safeguarding outcomes for children and young people are inadequate. Inspections of safeguarding arrangements, either unannounced or

announced, which occurred in August 2009, March 2010 and February 2011 all identified significant weaknesses in child protection and safeguarding services. Despite the provision of these findings and the active work of an Improvement Board there is insufficient evidence of sustained improvement in key aspects of practice, and in particular the performance of children's social care services. The safeguarding and child protection needs of children and young people in Peterborough who require social care intervention are not adequately identified and responded to in a timely way. Cases scrutinised by inspectors indicated considerable variation in the quality of practice and management oversight leaving some children and young people at risk of potential harm. In a significant proportion of these cases children and young people who were judged to be vulnerable did not have their safeguarding needs fully recognised or acted upon in a timely manner. Evidence from case file audits indicates that some assessments, even when completed, are not robust enough and do not sufficiently evaluate risk and protective factors. For example, in one case seen the assessment did not cover the safeguarding issues that had been identified from the referral that an adult had physically abused the young person. This was completely overlooked in both the assessment and in case management oversight. It is of concern that the quality assurance audit undertaken within children's social care judged this assessment to be good.

17. A lack of focus on risk and protective factors in initial and core assessments, with a significant number not completed within timescale, has inevitably resulted in some children and young people drifting in the system without explicit plans for their protection in place. For example, in one case seen by inspectors it has taken a year for a young person to be transferred into the children in need team to enable him to receive the appropriate services to meet his needs. The percentage of initial and core assessments completed within timescales has deteriorated following a period of progress in 2010. In June 2011 there were 153 open initial assessments with 114 out of timescale and 127 current core assessments with 57 out of timescale. In August 2011 there were 108 open initial assessments with 74 out of timescale and 137 core assessments with 42 out of timescale. Slippage in timescale is extensive and in some recent cases ranges from 40 to 106 days overdue. In some cases seen assessment templates were apparently being used as recording tools, with episodes remaining active for several months while assessments were ongoing, without an effective plan in place to meet the child's needs. Decisive action is not consistently being taken in respect of some children and young people who have been subject to child protection strategy discussions and where a decision has been taken for the case to go to an initial child protection case conference. In a few of these cases the conference was not convened and no core assessment was completed.
18. Until recently there has only been one permanent team manager in the referral and assessment service in post and this has adversely affected the

quality and extent of management oversight of social workers' caseloads, decision making and supervision. An agency team manager is now temporarily covering the post which remains vacant. Steps have been taken to reduce social workers' caseloads and these are now more manageable. However, the quality of practice remains too variable and managers are often stretched to provide the support needed, particularly for newly qualified social workers, in working with challenging and demanding cases. There have been marked fluctuations in fieldwork staff capacity with vacancy rates between 11% and 15% at various times during 2010-11 and in May 2011 they were at 14%. Caseloads are reducing towards the average target of 25 per social worker. In June 2011 six staff had caseloads above 25 with two staff having 30. During the last six months there have been occasions when there have been no team managers available in the referral and assessment team leading to a range of cover arrangements for staff support. FAST, which undertakes direct work with children and families and some 'safe and well' checks when required, has been significantly affected with the reduction of 11 resource worker posts. There is an acting team manager in post in this team and the service is also carrying two assistant manager vacancies which have not been filled for a significant period of time. The team is currently unable to absorb any new work and 35 families are awaiting an appropriate service. This is having a direct impact on the work of referral and assessment teams, as social workers now have to undertake some family support tasks in addition to their core assessment and protection duties. For example, in one case seen the work on an assessment to determine the viability of a child returning home to live, which would formerly have been allocated to a FAST worker, had taken over five months to complete with the child waiting in a foster placement throughout this period.

19. The current electronic recording system is not fit for purpose. It is not user friendly and is slow to respond with the result that social workers complete their work on separate templates. This can lead to different versions of key documents appearing on the electronic and paper versions of the file with the risk of children's needs being misrepresented, if the paper file is not available or consulted. A comprehensive commissioning exercise has been undertaken which included consultation with social workers and a replacement system is in the process of being implemented. However, it is unlikely that the replacement system will be fully embedded with capacity to provide good quality performance information for another year.
20. The role of the Local Authority Designated Officer is adequately understood and statutory guidelines in relation to complaints made against staff working with children and young people are satisfactorily carried out, with appropriate reporting mechanisms in place to the Local Safeguarding Children Board. Processes to ensure safe recruitment of staff are adequate. The council's existing recruitment practice is safe and is

continuously reviewed and updated. A recent internal audit of recruitment arrangements indicated that these were adequate.

21. Children and young people met during this inspection confirmed that they generally felt safe in the community. There is a strong corporate commitment to community cohesion and safety exemplified by recent proactive work to respond to the potential for riots witnessed elsewhere in the country. Action taken was comprehensive and young people worked well with the Police to communicate positive messages using social networking sites which clearly had an impact in maintaining calm and order in the city. A good anti-bullying strategy (Becoming Brave) promotes the use of mentors, buddies and the provision of support for children and young people who may be witnessing parental domestic violence at home. Satisfactory arrangements are in place to identify and monitor children missing from education and care and children educated at home. A robust missing from school protocol has been developed and is currently the subject of consultation within the partnership.
22. Safeguarding in schools has been judged mostly good and some outstanding by Ofsted inspections. All schools, including faith schools, have designated and trained safeguarding staff. There is good awareness of safeguarding within schools leading to appropriate contacts and referrals to social care services. The adoption service was inspected in March 2011 and was satisfactory overall with staying safe judged good. The fostering service was last inspected in 2008 and was judged overall as satisfactory with staying safe as satisfactory. One children's home has been judged as good and two as outstanding.

Quality of provision

Grade 4 (Inadequate)

23. The quality of provision is inadequate. Thresholds are defined within a vulnerability matrix to enable referring agencies to make consistent decisions about contacts and referrals to children's social care services. Although the matrix is conventional in design some confusion remains about its interpretation among some referring agencies and professionals regarding its use and specifically what constitutes a contact or referral. In July 2010 the Improvement Board considered the issue of contacts not being filtered out from referrals. However, this matter does not appear to have been fully resolved as it is reported in the Performance Management meeting a year later that there was a need for practitioners in the contact centre to receive additional training on thresholds as they were recording referrals on the system when they were in fact contacts. Additionally, some of the referring agencies raised the issue with inspectors about their ability to make appropriate referrals as opposed to contacts and the consistency of decision making in respect of referrals in the context of changing work and staffing pressures in children's social care. The lack of

clarity in respect of contacts and referrals also presents challenges in the way the level of referrals is being recorded and the current accuracy of referral data. An escalation policy and process was established in December 2010 which has provided some reassurance to referring agencies that cases can be quickly identified when there are perceived deficiencies in social care or other action. However, this process is not a replacement for sound risk assessment and decision making in the first instance.

24. The council has established an effective customer contact service to deal with incoming enquiries and contacts in respect of the range of council services. This service is well managed and ensures a timely response to members of the public. As part of this overall service children's services have recently located a team manager and other staff within the customer contact service to process incoming contacts and referrals to children's social care including safeguarding. However, the way the children's service component of this customer contact service has been established is not sufficiently safe or robust. When the decision was taken to locate children's social care staff within the broader customer services function there were known management and staffing capacity problems in children's social care which impacted on the implementation and subsequent effectiveness of the service. These difficulties persist and have not been fully resolved. Capacity issues remain within this service and there is a lack of clarity about accountabilities for decision making and how planning decisions and actions are agreed between this part of the service and referral and assessment service. Inspectors found several cases where referrals, signed off by the team manager, were not always followed up once the work was allocated to a social worker in the referral and assessment service. The quality of domestic abuse notifications from the Police is too variable and arrangements for dealing with high levels of domestic abuse cases have not been fully developed. Responses to domestic abuse cases have been too inconsistent and given the nature of some notifications a potential high risk remains.
25. There are some effective services in place for early intervention and prevention. For example a children's centre seen during the inspection provided a broad range of preventative services to families in a high quality physical resource. The council has good commissioning arrangements in place with a variety of voluntary organisations to provide family support at a number of children's centres. This works well and significantly enhances the outreach capacity of the centres to vulnerable families with younger children. For the older age group, targeted youth support services offer one to one sessions with designated staff, in addition to a range of support activities such as the summer activities scheme for children who are identified as requiring additional support. The CAF is being used but there is some concerning evidence to suggest that there is too great a reliance on this form of support when some cases should have been dealt with much earlier through child protection

processes. The PSCB has identified the inappropriate use of the CAF tool as a referral form to children's social care instead of its primary function in facilitating 'team around the child' approaches. This point was also identified through a recent audit of arrangements for identification of concern about unborn babies. There is positive feedback on the use of the CAF by midwives and some schools but there is low use by children's centres. Overall, there is too little firm evidence of the impact of CAF in improving outcomes for children, young people and their families. The purpose and position of the CAF within preventative services and the use of the range of services by agencies and professionals are insufficiently clear.

26. The quality and timeliness of initial and core assessments remains too variable. Some assessments are adequate and a few good but others contain minimal or no information. From the records seen by inspectors it was possible to confirm that children and young people were seen as part of some assessments but too frequently it was impossible to ascertain whether their views and feelings had been appropriately taken into account in their plans. A number of children and young people who should have had children in need plans had no such plans in place. Others, who were the subject of children in need plans, should have been safeguarded through child protection processes. Child protection core group meetings are not always regular and there is often a delay in minutes being typed and placed on the electronic recording system. Records demonstrate that case supervision has been infrequent and insufficiently rigorous. However, social workers report that they now receive more regular supervision during which work is examined and challenged, leading to some adjustments to plans where appropriate. However, staff and managers have acknowledged this is only a recent development.
27. Out of hours arrangements are satisfactory and commissioned through an emergency duty service provided by Cambridgeshire County Council. Strengths of the service include the availability of designated Peterborough foster carers so that where children are in need of care this can be provided immediately. Social workers from the service report good relationships and joint working with the Police. However, the service is working very remotely from Peterborough and is highly dependent on access to up to date and comprehensive electronic records when safeguarding issues are raised. The effectiveness of the service is considerably reduced because record keeping in children's social care is inadequate. There are too many gaps in case notes and a general absence of recording of key management decisions such as changes to original decisions taken by the manager in the contact centre in the ongoing processing of referrals. Although the practice of recording on only one child's electronic file ceased in April 2011 inspectors found some inconsistencies in current cases resulting in key information on siblings not being readily accessible out of hours.

28. There has been a marked improvement in the allocation of cases to social workers and there are currently no unallocated cases. All cases seen were allocated appropriately to a qualified social worker. Caseloads are high within the referral and assessment team and a reduction in the capacity of other services, such as FAST, to support social workers is leading to delays in the completion of work. In turn, this has a negative impact on the numbers of cases social workers are holding and the overall efficiency of teams. All child protection assessments are allocated immediately to suitably qualified staff although there is still a reliance on newly qualified staff to undertake complex tasks. The quality of assessments seen by inspectors was highly variable. Some assessments recorded on the system are insufficiently detailed and there are discrepancies in detail between paper and electronic files. Significant delays, in some cases of several months, were noted in the completion of assessments and provision of services while further information is being sought. Management decision making is not always clearly recorded although there is some recent evidence of improvement. Assessments do not always involve partner agencies and some have commented that they find it hard to get involved in work once referrals have been made. There is no formal process in place to undertake welfare checks on children and young people referred for an assessment. Inadequate and inaccurate assessments have resulted in re-referrals or in plans for children drifting, with the consequence that substantial resources have to be expended later on formal statutory intervention that might have been prevented had interventions been more timely and based on clearer assessments of need and risk.
29. Peterborough has a diverse population with 99 different languages spoken and 27% of school pupils with English as a second language. The council and partners have been responsive to the challenges of child poverty and diversity and ensured there is a range of resources in place to identify needs including translation and interpretation services together with specialist provision such as effective educational support for the Traveller community.

Ambition and prioritisation

Grade 4 (Inadequate)

30. Ambition and prioritisation is inadequate. Elected members demonstrate ambition and commitment to securing effective safeguarding services in the city. To this end they have provided additional resources to children's social care and have stated that further resources are available if required. However, the analysis of staffing and managerial capacity is insufficiently robust and elected members have not had the opportunity to fully understand or address this issue in a comprehensive manner. This is particularly the case with the current service pressures, changes in service organisation such as the introduction of a contact service, and the lack of analysis of the impact of preventative services in improving outcomes for vulnerable children and young people. The Improvement Board, chaired by the Chief Executive, has appropriately challenged aspects of

performance in children's social care but the information provided has been too limited to facilitate close scrutiny of actual performance, particularly in respect of the effectiveness of contact, referral and assessment arrangements. The issues identified through this inspection demonstrate that there are several factors which have reduced the effectiveness and pace of improvement to ensure that children and young people are adequately protected from the likelihood of harm.

31. Safeguarding policies and procedures are in place and there is good awareness of safeguarding across the partnership. PSCB is now operating at an adequate level and recently developed a good business plan. Information sharing protocols have been established but issues of information sharing and effective joint working at a case level remain a challenge. Vulnerable groups are identified within the city with evidence of some effective targeting to meet identified needs. A recent needs analysis is comprehensive and provides good quality data on local needs in the community. However, prioritisation of action has been inconsistent and in some instances too slow with too much reliance on aspects of preventative services without suitable measures in place to evaluate individual and collective impact and outcomes.
32. Senior managers in children's social care have developed a vision for services based on a model 'Making everyday count' but this has not yet been implemented. Some staff within children's social care did not have understanding of the ambition and vision being promoted by senior managers. Priority setting has been reactive to crises as opposed to finding ways to confront and resolve fundamental problems and sustain improvement over time. Accountabilities are not always clear or effective, particularly in the key area of the contact service, referral and assessment and assessment and care planning.

Leadership and management

Grade 4 (Inadequate)

33. Leadership and management are inadequate. Leadership within children's social care is not yet sufficiently secure to ensure that children and young people are adequately protected. Senior managers have not fully confronted or resolved significant issues identified through previous inspections and the pace of improvement has been too slow and in some aspects ineffective.
34. Some progress has been made in developing a suitably skilled and experienced workforce through the workforce plan but staff turnover within front line services has been high and the vacancy rate is currently 14%. Newly qualified social work staff are not consistently being given the level of supervision and direct management support they need to undertake challenging work because their line managers are too often over-stretched, have other cover responsibilities and do not have the capacity needed to monitor and track the quality of practice and outcomes

for vulnerable children and young people. These inconsistencies have been identified clearly through inspection and through audits undertaken within children's social care. They include inadequate management oversight and sign-off, inconsistent assessment quality and timeliness, case recording and responsiveness to changing needs and risks. Several cases examined in the course of the inspection exhibited features which strongly reflected earlier inspection findings. Action plans derived from serious case reviews have been developed but these have not had sufficient impact in changing practice in respect of risk identification and analysis, or the quality of management oversight and decision making and safe application of thresholds in response to concerns raised by referring agencies and professionals.

35. The lack of staff and management capacity in children's social care services is also reflected in the variable quality of work presented to case conferences. Some cases seen by inspectors were of a good standard but other cases were inadequate and not ready for presentation to a conference. This illustrates a lack of management oversight in allowing cases to go forward when basic elements of work have not been fully completed. In turn, this has placed a pressure on conference chairs to use conferences to undertake aspects of work that should have been completed earlier or to offer staff advice and guidance outside of their remit. Conference chairs undertake their duties and responsibilities with suitable rigour, but their capacity is stretched and roles and accountabilities in respect of decision making are too often unclear because of the pressure on first line managers. The absence of senior practitioners within the service places an additional burden on first line managers in supporting less experienced staff with their work, increasing assessment and care planning capacity and helping to monitor the quality and impact of services to support vulnerable children, young people and their families.
36. The complaints service is not fully embedded with significant reported delays in dealing with complaints. Until recently over 50% of complaints were not processed within 20 days. Although this has now reduced to 13% the rate remains too high. The issues identified through complaints and representations strongly reflect the lack of staff and management capacity to engage service users at appropriate stages in assessments and care planning and opportunities are being missed to imaginatively support users through conference processes. Child protection coordinators who chair case conferences have clear proposals to improve the position but this is not yet part of a coherent and over-arching strategy for effective user engagement which takes into account service demands and capacity. It is significant that the annual complaints report 2010-11 confirmed that delays and poor service were identified in several of the complaints that were escalated to Stage 2 although only one of the cases was fully upheld.

37. PSCB now operates at an adequate level. The business plan is good and provides impetus for the continued development and improvement of the board. Agency commitment to promoting safeguarding awareness across the city is also good and underpinned by a wide range of accessible inter-agency training and publicity material. Leadership and management of safeguarding within schools is good overall with some outstanding examples of effective practice. Safeguarding leadership and management within health provision is at least adequate and arrangements for the identification of children and young people who are at risk are established and consistently implemented. Cambridgeshire Police are appropriately engaged in PSCB and demonstrate good responsiveness to individual case issues and to strategic planning. The Police have identified opportunities for improved service integration with children's social care but to date these have not been actively pursued.

Performance management and quality assurance

Grade 4 (Inadequate)

38. Performance management and quality assurance are inadequate. A performance monitoring framework has been established which provides information to the Improvement Board and PSCB on key aspects of performance and in the form of quantitative data such as referral and assessment rates and timeliness. However, the provision of information on the quality of work, the impact of services on safeguarding outcomes has been too limited. The achievement of some performance targets set by the improvement process has been inconsistent particularly in respect of assessment processes and timescale. Information derived through the recording system is not fully reliable, particularly in respect of rates of contacts and referrals and timescales for work completion. The Improvement Board has appropriately challenged the degree of progress being made and from time to time sought additional information and clarification. However, the lack of focus on quality and outcomes has served to reduce the effectiveness of the improvement process and led to an unwarranted degree of over-optimism about actual performance in keeping vulnerable children and young people safe. Although this inspection has identified pockets of good practice this has been dependent on individuals as opposed to having in place a systematic process managing and developing performance at all levels and assuring quality within the contact service and assessment and planning teams. The contact service within customer services was established without a specific performance management and quality assurance framework to measure work flow, quality and decision making. This is a significant deficit.
39. A process and framework for auditing cases is now established. This has been supplemented by a thematic and multi-agency audit undertaken by PSCB in respect of unborn babies who may be at risk because of previous family concerns. Although audits have been completed which identified

many of the issues raised in the course of this inspection they have not consistently resulted in appropriate timely actions being taken. Additionally front line managers have not always had sufficient capacity to undertake auditing tasks. Audits undertaken by children's social care staff of the cases randomly selected by inspectors reported issues in most cases. These included inadequate initial and core assessments, lack of follow up of agreed actions and delays in assessments and service provision. However, it is of significant concern that in some instances auditors had recorded work as being good although aspects were clearly inadequate. In effect, qualitative management information is insufficiently developed and in some cases unreliable. Consequently it is not being used effectively to deliver continuous improvement and to sustain high quality safeguarding and child protection services.

Partnership working

Grade 3 (Adequate)

40. Partnership working is adequate. PSCB is now fulfilling its statutory function and providing adequate leadership. Attendance by partner agencies is good with evidence of commitment to improving safeguarding outcomes. The last serious case review undertaken in Peterborough was judged by Ofsted to be adequate. A serious case review has recently been commissioned and is due to be published in October 2011. Inspectors received a briefing on the key features of this case many of which appear to mirror key findings in this inspection. Arrangements for joint commissioning of services are effective with a good focus on safeguarding within provider and commissioned services. Partnership working at an individual case level is less consistent although there are some good examples of effective joint work in respect of 'team around the child', school responsiveness to concerns and some aspects of health provision. The Police commitment to partnership working is manifest and opportunities exist to integrate first response services although this option has not yet been actively pursued by children's services.

Record of main findings:

Safeguarding services	
Overall effectiveness	Inadequate
Capacity for improvement	Inadequate
Safeguarding outcomes for children and young people	
Children and young people are safe and feel safe	Inadequate
Quality of provision	Inadequate
Ambition and prioritisation	Inadequate
Leadership and management	Inadequate
Performance management and quality assurance	Inadequate
Partnership working	Adequate
Equality and diversity	Good

This page is intentionally left blank

CABINET	AGENDA ITEM No. 5
26 September 2011	PUBLIC REPORT

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

MEDIUM TERM FINANCIAL STRATEGY 2012/13 TO 2016/17

R E C O M M E N D A T I O N S	
FROM : Executive Director Strategic Resources	Deadline date : N/A
<p>That Cabinet:</p> <ol style="list-style-type: none"> 1. Note the position in the current financial year and approve the actions to manage in year budgetary pressures that will ensure that the Council delivers a balanced budget position. 2. Note the current consultations on retaining business rates and localisation of council tax benefit and the implications on the Council's future settlements and medium term financial strategy (MTFS). 3. Approve plans to consult with Scrutiny and Stakeholders on the medium term financial strategy. 4. Approve the approach that is proposed for the budget process incorporating the MTFS. 5. Approve to move the planning horizon for the MTFS to a ten year view. 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following approval by the Corporate Management Team.

2. PURPOSE AND REASON FOR REPORT

- 2.1 This report comes to Cabinet as part of the council's agreed process for integrated finance and business planning. It continues the multi-year approach to budgeting to help plan for the financial challenges ahead. The plan will be extended to cover a ten year period so that the key challenges around delivering our priority of growth can be adequately captured. The drivers continue to be meeting the council's priorities by creating a sustainable budget strategy whilst responding to changes arising from decisions made in the distribution of local government funding.
- 2.2 The council's agreed Annual Budget Framework requires Cabinet to consider the council's budget and financial strategy and to set provisional cash limits for the forthcoming year.

2.3 The purpose of this report is to:

- update Members on the likely financial situation of the council
- outline the approach to the budget process and budget consultation
- outline national issues which will need consideration within the medium term financial strategy for 2012/13 onwards, including funding consultations

2.4 This report is for Cabinet to consider under its Terms of Reference No. 3.2.1 which states 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 programme to deliver excellent services.

3. **TIMESCALE**

Is this a Major Policy Item/Statutory Plan?	Yes	If Yes, date for relevant Cabinet Meeting	26 September 2011
Date for relevant Council Meeting	22 February 2012	Date for submission to Government department	14 March 2012

4. **BUDGET 2011/12 AND CURRENT POSITION**

Revenue

4.1 When Full Council approved the MTFs 2011 in February 2011 it was on the basis that 2011/12 would have a surplus budget to offset against future deficit budgets from 2013/14. Since the setting of this budget, there are a number of financial risks that the Council are currently monitoring:

- Children's Services – The recent OFSTED report in Children's Services concluded that the children safeguarding services were inadequate and needed to improve immediately. The Council are currently developing the improvement plan in response to the report. These costs of delivering this improvement plan will be met from the council's capacity building reserve. It should be noted that there remain pressures from increasing numbers of looked after children and their associated costs. The expectation is that these costs will be met locally but these may not be sustainable. Consideration on the impact to future year budgets will be given during the budget setting process
- Adult Social Care – Adult Social Care is delivered for the Council in partnership with the PCT. The PCT are currently indicating that there are pressures due to additional demand for services from clients who have a statutory entitlement to services, and that savings plans are at risk. As a result, this budgetary control report incorporates this risk into the forecast, ensuring that the Council takes a prudent approach to its in-year financial management. The Council is currently considering options to see how these pressures can be managed, and how savings might be achieved
- Outsourcing of Manor Drive, the back office functions of the council's Strategic Resources department – Bids were received in September 2011 and these are currently being assessed against savings targets within the current budget.

The Council has been proactive in reducing the impact of these pressures whilst departments are expected to manage pressures locally. The Council is also forecasting an underspend in its capital financing budget (held within Strategic Resources), and is utilising its risk management contingency. As a result, current forecasts suggest that the surplus of £2.9m within the current MTFs approved by council has increased to £3.0m, providing an improvement of £100k over the forecast MTFs position.

- 4.2 The following table provides a summary view of the revenue forecast for 2011/12. A detailed breakdown by departments can be seen at appendix A:

Department	Current Forecast Outturn Variance £k
Surplus Carry forward as per MTFP 2011	-2,918
Chief Executive	-234
Legal and Democratic Services	-128
Children Services	0
Operations	-180
Strategic Resources	-1,033
Corporate Items	142
Adult Social Care	2,350
TOTAL	-2,001
Corporate Contingency	-1,000
REVISED TOTAL – surplus (-) / deficit (+)	-3,001

Capital

- 4.3 The overall position of the capital programme is outlined in Appendix B. The revised Capital Programme for 2011/12 at the end of August is £105.7m. This has been amended since the Capital Programme was agreed in the Medium Term Financial Strategy (MTFS) at £108.8m due to slippage from the previous year and a refresh of the current position. Actual spend to date remains low at £18.3m, at this early stage in the financial year the services are predicting total capital spend of £105.7m. It should be noted that various management actions are being put in place to ensure that the capital programme is adjusted to reflect the achievable delivery of capital projects, and this is likely to result in further slippage in the future.
- 4.4 The capital programme is partly funded by the receipts generated through the disposal of capital assets. There are risks that not all assets expected to be disposed of during 2011/12 will happen in line with the current budget strategy. Any resulting financial impact will be assessed in conjunction with the overall capital programme and revised accordingly.

5. LOCAL GOVERNMENT RESOURCE REVIEW AND CURRENT CONSULTATIONS

- 5.1 In March 2011 it was announced that a review of local government resources would be carried out to consider the way in which local authorities are funded, with a view to giving local authorities greater financial autonomy and strengthening the incentives to support growth in the private sector and regeneration of local economies.
- 5.2 Last month, Government commenced this review with a consultation on local government financing arrangements from 2013/14 and more recently a consultation on localising support on council tax benefit. These consultations seek a significant overhaul to local government funding arrangements which the council will not be immune to, but could also offer improved financial benefits if council strategy is aligned to maximise opportunities

around growth. However, it is critical that the council's response ensures that the design of the new system properly incentivises growth, and enables such monies to be retained locally. The Council's Executive Director Strategic Resources is on the national Council Tax Benefit steering group and is leading a regional response for the East of England. We are also working with the regional LGA on possible areas of commonality for the East of England. Notwithstanding this work, the Council will submit its own response to both consultations.

- 5.3 Members and opposition group leaders are encouraged to provide comments in respect of both consultations to the Cabinet Member for Resources, who will submit the Council's response in line with his delegated powers.

Consultation – Business Rates

- 5.4 Currently, business rates are collected by billing authorities nationally and paid into a central government pool. The majority of the pooled business rates is then redistributed to councils based on population. As part of the local government resource review, government are considering the approach to funding local authorities from 2013/14 onwards. The local retention of business rates is intended to incentivise growth locally by enabling councils to retain a proportion of growth in business rate income. As Peterborough is committed to its growth agenda in line with the Sustainable Community Strategy, the council could benefit financially. However, the proposed scheme is complex and considers that individual local authority's should not benefit disproportionately in future business rate income collection. The outcome of the final design of the scheme will determine how much financial benefit the council will retain through growth. For information purposes, appendix C at the end of this report provides an overview of the business rates consultation and implications for the council. A summary of key issues can be seen below:

- In 2010-11, PCC collected and paid £79.5m to the pool, whilst receiving £67.2m from the pool. This means a net contribution from local businesses to the national pool and other local authorities of £12.3m.
- Rather than redistributing business rates from a central government pool, it is proposed that councils can retain a proportion of business rates locally and if growth locally is achieved, the council will be able to retain a proportion of the growth in business rate income, thus incentivising growth locally over the longer term.
- The main issues affecting Peterborough are
 - Current levels of business rate income collected within Peterborough exceed the amount of formula grant (baseline funding) the council receives, therefore requiring Peterborough to make a payment to government in the form of a tariff
 - Any growth in future business rate income cannot be disproportionate to baseline funding otherwise it may be subject to a levy i.e Peterborough's business growth could reach a level where we lose a greater proportion of this business rate income
 - Volatility, particularly in year losses (e.g. closure of businesses) in business rate income each year will need to be addressed through budget planning or use of reserves, only significant fluctuations will be managed through a central pool held by government
 - The council is committed to Peterborough being the home of environment capital in the UK. Renewable energy is within scope of the business rates retention scheme, but benefits may not fully be realised if a levy scheme were imposed in this area.

Consultation – Council Tax Benefit Reform

- 5.5 Central government has committed to a 10% reduction in council tax benefit as part of the current Spending Review and resultant benefit reforms. The localisation of council tax benefit is intended to be cost neutral nationally and providing that the council is able to implement a scheme locally that achieves the intended 10% benefit reduction imposed, there will be no financial implications for the council. If this is not achievable, the council

could have a resulting pressure of up to £1.2m. An overview of the consultation and implications to the council can be found at appendix D. Key issues to be noted are as follows:

- Council Tax Benefit (CTB) is currently a national benefit with policy and rules set by Government, with 100% of the cost being reimbursed
- Localisation of CTB will be implemented with a 10% reduction in CTB grant – 2011/12 grant anticipated to be £12.3m (hence a 10% reduction being £1.2m)
- Council's will be required to determine eligibility criteria for recipients of CTB
- Government to protect certain vulnerable groups e.g. Pensioners
- As vulnerable CTB recipients will be protected, the required 10% saving will disproportionately impact remaining working age groups
- Risks will be transferred to the council which will impact on costs, e.g. variable demand of scheme, administration, system capabilities, fraud detection, collection performance

6. OVERVIEW AND FUTURE BUDGET PROSPECTS

6.1 At its meeting in February 2011, the council approved the five year budget for the years 2011 – 2016. In setting this budget, the council recognised that the MTFs suggested a balanced budget until and including 2013/14. From 2014/15 onwards the council is forecasting a deficit bottom line position as seen in the below table. The council recognises that early action is required to mitigate significant service reductions in later years, whilst taking into account changes in local government funding anticipated from 2013/14.

	2011/12 £k	2012/13 £k	2013/14 £k	2014/15 £k	2015/16 £k	2016/17 £k
Budget Bottom line	2,918	1,723	-971	-11,677	-15,767	-16,153
Cumulative Position	2,918	4,641	3,670	-8,006	-23,773	-39,926

6.2 Expenditure estimates will be refreshed in line with assumptions outlined in section 8 below. Our funding estimates will be significantly affected by the proposals in section 5, but also by the issues outlined below:

6.2.1 Spending Review - Although the spending review has been announced at national levels for four years up to and including the financial year 2014/15, the latter two years have not been announced at individual local authority level. There remains speculation over the potential impact on formula grant for latter years, particularly given the changes by central government contained within this report. It will remain challenging in setting a budget plan given the issues mentioned in this report and the uncertainty around funding in the next spending review.

6.2.2 Census 2011 – The census results could favour the council and demonstrate that the population within Peterborough is higher than the statistics used to calculate the council's funding of the formula grant. The first results from Census 2011 are expected to be released during 2012 with further detail released in the following year. It should be noted that if changes are made to the way business rates funding is allocated then changes to population will not underpin the amount of funding given.

6.2.3 The budget plans will maintain our commitment to delivering the Sustainable Communities Strategy, including:

- Improving educational attainment and skills for our children and young people. A key part of this vision is bringing established universities to deliver courses to students in Peterborough in a multi-versity approach. It will enable people to study a wider choice of higher education courses without having to leave the city;

- Safeguarding children and vulnerable adults;
- Growth, regeneration and economic development of the city to bring new investment and jobs;
- Environment Capital agenda including pursuing new income streams from solar energy and wind farm developments;
- Delivering services at a neighbourhood level; and
- Supporting Peterborough's Culture Trust, Vivacity, to continue to deliver arts and culture in the city.

6.2.4 The council aims to maintain its commitment to meeting these priorities and ensuring community needs are met longer term whilst undertaking the necessary role of tackling the challenges it faces. To do so it will be focussing on the following key areas:

- I. Renewable energy – reduce the impact of climate change through the use of sustainable energy sources and investment in energy efficiency and renewable generation;
- II. Income generation - includes review of specific income streams as well as identifying opportunities for generating additional income into the council;
- III. Inflation – includes detailed review of inflation including benchmarking with other local authorities as well as measuring against latest forecasts for Consumer Price Index (CPI) and Retail Price Index (RPI), particularly with regards to energy costs

7. BUDGET SETTING APPROACH

7.1 The council continues to adopt an integrated approach to service and financial planning and will incorporate where appropriate changes to national policies and local priorities to ensure that the council remains strategically well placed to support local business and communities. The council will continue to be an integral partner with other public bodies within the area in which it operates.

7.2 It is anticipated that the process will have two distinct stages (with discussions regarding the impact on priorities, performance and business plans underpinning all stages):

- I. Departments will finalise developing options that will contribute towards reducing the deficit budgets in future years. Cabinet has specific delegated responsibility under the part 3, section 3 of the constitution to ensure the council spends within its available resources:

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.

- II. It is anticipated that these proposals will be considered by Cabinet no later than Cabinet meeting of 12 December 2011. The budget will then be consulted upon to seek views from the public, businesses, Members, partners, unions, staff and other stakeholders prior to the budget being approved in February 2012, ensuring that decisions made reflect these community views.

8. SETTING OF PROVISIONAL REVENUE CASH LIMITS AND CONTROL TOTALS

8.1 Cabinet is required to consider the overall cash limits for the council each year, in line with the constitution. Local authorities have only received an indicative settlement for 2012/13. However, Government have stated that they '*do not expect to change the provisional allocations except under entirely exceptional circumstances*'. Although this provides some reassurance for 2012/13 there remains uncertainty in future years. It is difficult to predict with any assurance the council's overall cash limit and control totals beyond this.

8.2 An update of items included in the medium term financial plan for 2011 is being finalised to take account of any changes that have since materialised. Key assumptions are as follows:

Key Assumptions:

1. Government committed to reducing Local Government Funding by 28% in real terms (24% cash terms) during the SR 2010. Currently, the forecast for future year's grant reduction is in line with forecasts as indicated by government until 2014/15, and then frozen after this. There is currently no impact from the Dedicated Schools Grant (DSG) included in budget proposals. Changes to grants currently under review will be modelled and included as appropriate.
2. Pay inflation has been assumed at 0.0% for 2012/13, with 1.0% increase 2013/14 and 1.5% increase 2014/15, 2015/16 and 2.5% increase up to and including 2021/22.
 General inflation has been included at 2% per annum although subject to change through further detailed review e.g. for energy
 Fees and charges has been included at 2.5% per annum although subject to change through further detailed review.
3. Based on the previous 10 year's data on dwelling stock (this includes Hampton development) and current three year forecast provided by Strategic Planning and comparing against the Council Tax Base data, 1.0% growth per annum has been assumed for the next 10 years. A further discussion is continuing with Strategic Planning in regards to current housing trajectory.
4. Interest rates used are based on the latest information available from our treasury advisors. The table below shows the interest rates received on deposits and payable on borrowing for the next ten years.

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 onwards
Borrowing Rates (50 years)	5.01%	5.15%	5.40%	5.50%	5.50%	5.50%	5.50%
Interest Rates	0.56%	0.75%	1.75%	2.94%	3.94%	4.87%	5.06%

8.3 The figures will be updated accordingly during the budget setting process, before final approval by council in setting the budget in February.

8.4 The budgets that departments prepare in line will contain only inflation. Any additional adjustment for service changes, statutory activity changes (including new and changing grant streams), savings and other resource realignment will be considered corporately.

9. CAPITAL PROCESS

9.1 The planning process will include a review of the current capital programme and the calculation of the capital requirement in each year of the plan. This will include an assessment of likely levels of resources including capital receipts and asset disposals.

9.2 The capital programme needs to consider new programme options without compromising the external funding opportunities available and the council's ability to deliver strategic priorities.

9.3 The Asset Management Plan will also be refreshed to ensure that the council continues to make the most effective use of its assets

10. CONSIDERATION OF RISK

10.1 Key risks have been considered and will continue to be monitored throughout the budget setting process and next financial year. Key risks identified include:

- The impact of the uncertainty of local government funding levels in future years has been mitigated as much as possible during current SR 2010 and future forecasts are in line with the trajectory as indicated by government. Growth modelling will need to be done for future years at a more detailed level and integrated with planning assumptions to ensure funding levels meet resource needs.
- Resource implications on spending and saving proposals are considered in terms of the council's overall priorities, finances and human resource implications. Detailed budget analysis and human resource analysis has been undertaken for each budget area to support any decision made in preparation for consultation.
- The achievement of a balanced budget is reliant on a challenging savings programme and organisational capacity to deal with speed of change. There is a risk that both savings already extracted from budgets and the new savings programme will not be achieved. Specific provision has been made in the budget to support the costs of change needed to provide capacity to deliver these savings and progress is being monitored via the monthly budget monitoring process.
- Growth within Peterborough in future years could be compromised if the Council has insufficient budget resources to meet these priorities. This will be reviewed and addressed through a challenging process during the budget setting period.
- Inflation and fees and charges. These areas are undergoing a robust review to ensure that the expenditure and income applied to the council's budget is still appropriate given the change in service provision over the previous few years and outsourcing / partnership arrangements in progress.
- The council provides services in a number of areas where the need for support lies outside the council's direct control, for example in children's and adult social care. Whilst specific provision has been included in budget plans for estimates of increased demand, the need for such services remains difficult to predict, and support must be provided where needed.
- Capital financing estimates are developed using latest forecasts of interest rates for MTFP (which allow for a level of increase). If interest rates increase beyond forecast levels then a review of the capital programme and debt portfolio will be required.

11. ANTICIPATED OUTCOMES

11.1 Following approval by Cabinet, Departments will develop budget proposals for consideration at the next stage of the budget setting process.

12. REASONS FOR RECOMMENDATIONS

12.1 The Constitution requires Cabinet to outline its approach to developing the MTFP. This process helps to ensure that the Council achieves a balanced budget, aligned to corporate priorities.

13. IMPLICATIONS

13.1 Elected Members

Members must have regard to the advice of the Section 151 Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.

13.2 Legal Implications

These are considered within the main body of the report.

13.3 Human Resource Implications

These are considered as part of setting the budget in accordance with HR policies and procedures.

14. BACKGROUND DOCUMENTS

Links to Consultations:

Business Rates Retention consultation

<http://www.communities.gov.uk/documents/localgovernment/pdf/1947200.pdf>

Localising Support for Council Tax in England

<http://www.communities.gov.uk/documents/localgovernment/pdf/19510253.pdf>

Appendix A Budget Monitoring Report

	Budget	Current Forecast	Variance
	£k	Outturn £k	£k
CHIEF EXECUTIVE'S DEPARTMENT			
Chief Execs Department	379	346	-33
Legal & Democratic Services	3,799	3,671	-128
Chief Executive Dept & Business Support	731	653	-78
Delivery	2,234	2,234	0
Communications	582	582	0
Human Resources	1,374	1,251	-123
CHIEF EXECUTIVE DEPARTMENT TOTAL	9,099	8,737	-362
DIRECTOR OF CHILDREN'S SERVICES			
Education & Resources	2,239	883	-1,356
Childrens Community Health	2,771	2,722	-49
Safeguarding Family & Communities	23,277	24,682	1,405
CHILDREN'S SERVICE TOTAL	28,287	28,287	0
DIRECTOR OF OPERATIONS SERVICES			
Business Support	419	503	84
Commercial Operations	3,239	3,619	380
Cultural Services	4,379	4,379	0
Directors Office	424	-402	-826
Environment Capital	713	717	4
Neighbourhoods	6,727	6,995	268
Planning, Environment, Transport & Engineering	9,206	9,116	-90
OPERATIONS SERVICES TOTAL	25,107	24,927	-180
DIRECTOR OF STRATEGIC RESOURCES			
Director's Office	189	191	2
Business Support	2,843	2,843	0
Corporate Services	19,436	18,284	-1,152
Internal Audit	342	318	-24
Insurance	25	25	0
Shared Transactional Services	245	170	-75
Customer Services	1,189	1,230	41
Strategic Property	-854	-609	245
ICT	3,146	3,146	0
Procurement	564	564	0
Business Transformation	2,028	2,004	-24
Waste & Operational Service Management	12,435	12,435	0
Service Improvement	416	370	-46
Westcombe Engineering	2	2	0
STRATEGIC RESOURCES TOTAL	42,006	40,973	-1,033
CORPORATE ITEMS			
Corporate Pressures/Solutions	0	142	142
CORPORATE ITEMS TOTAL	0	142	142
ADULT SOCIAL CARE TOTAL	39,850	42,200	2,350
GENERAL FUND TOTAL	144,349	145,266	917
Corporate Contingency	0	-1,000	-1,000
Surplus Carry forward as per MTFP 2011	0	-2,918	-2,918
GENERAL FUND TOTAL	144,349	141,348	-3,001
DEDICATED SCHOOL GRANT TOTAL	130,449	130,449	0

Appendix B – Capital Programme Summary

Overall position of the Capital Programme 2011/12 as at 31 August 2011

Capital Programme by Directorate:	MTFS 2011 to 2015 £000	Budget as at 01 April 11	Budget as at 31 Aug 2011 £000	Profiled Budget £000	Actual Expenditure £000	Total Budget Spent %	Anticipated Outturn** £000	Outturn (under) / overspend £000	% of anticipated variance %
Adult Social Care	3,965	4,189	4,188	3,621	-21	-1%	4,188	0	0%
Chief Executives	12,115	19,519	9,632	4,578	1,412	15%	9,632	0	0%
Children's Services	52,824	56,277	55,478	2,199	10,415	19%	55,478	0	0%
Operations	19,048	20,457	17,277	9,245	3,870	22%	17,277	0	0%
Strategic Resources (Includes previous City Services codes)	20,854	23,303	19,093	6,931	2,608	14%	19,093	0	0%
Total Expenditure	108,806	123,745	105,668	26,574	18,284	17%	105,668	0	0%
Financed by:									
Grants & Contributions	45,407	53,733	49,220		17,724	36%	49,220	0	0%
Capital Receipts	18,277	18,277	10,308		0	0%	10,308	0	0%
Right To Buy Receipts	757	757	757		0	0%	757	0	0%
Supported Borrowing	0	0	0		0	0%	0	0	0%
Borrowing	44,365	50,978	45,383		560	1%	45,383	0	0%
Total Resources - required	108,806	123,745	105,668		18,284	17%	105,668	0	0%

Appendix C - Business Rates Retention Scheme

1. Background

- 1.1 The government's Local Growth white paper stated that business rates retention would be considered as part of a Local Government Resource Review, following on from the coalition's Programme for Government to "*provide incentives for local authorities to deliver sustainable development, including for new homes and businesses*". As such, the Department for Communities and Local Government have launched a consultation "Local Government Resource Review – Proposals for Business rates Retention".
- 1.2 The main overview of the consultation was launched on 18 July 2011 and government invites responses before the consultation closes 24 October 2011. The consultation is supported by eight technical papers released during August. The consultation seeks views on enabling local authorities to retain a significant proportion of the business rates generated in their area and will provide a strong financial incentive for them to promote local economic growth from the financial year 2013/14. As part of the consultation, government have reaffirmed their principles in changing the way the current local government funding system works. The consultation questions are included at the end of this paper.

2. Principles of the Business Rates Retention Scheme

- 2.1 The government's principles underpinning a business rates retention scheme are
 - i. To build into the local government finance system **an incentive for local authorities** to promote local growth over the long term;
 - ii. **To reduce local authorities' dependency** upon central government, by producing as many self sufficient authorities as possible;
 - iii. To maintain a degree of redistribution of resources to ensure that authorities with high need and low tax bases are still **able to meet the needs** of their areas: and
 - iv. **Protection for businesses** and specifically, no increases in local-imposed taxation without the agreement of local businesses.
- 2.2 The principles outlined are expected to realign local resources against local needs to engage local communities and incentivise growth and reform locally. The consultation proposals have considered the following core components:
 - i. Ensure a fair starting point for all local authorities;
 - ii. Deliver a strong growth incentive where all authorities can benefit from increases in their business growth and from hosting renewable energy projects;
 - iii. Include a check on disproportionate benefits;
 - iv. Ensure sufficient stability in the system; and
 - v. Include an ability to reset in the future to ensure levels of need are met.
- 2.3 The core components are considered further within the supporting technical papers. In addition to the components, the main consultation seek views on interactions on existing policies and commitments (e.g. New Homes Bonus)

and in supporting local economic growth through new instruments such as Tax Incremental Financing.

- 2.4 It is also clear within the consultation that the current control totals for local government funding during the current spending review (SR 2010) will be used as the government reaffirms their intention to deal with the national deficit as set out in SR 2010. Furthermore, government anticipate that business rates will exceed current SR 2010 control totals and the technical papers have suggested options on how this element will be tackled whilst ensuring that a fair and equitable approach to future local government funding is ensured.

3. Technical Papers

- 3.1 The broad principles of the business rate retention scheme outlined earlier and the core components are discussed further within the supporting technical papers, particularly as the scheme is intended to become operational during the current spending review set in a climate of tackling the national deficit. All of the technical papers are applicable to the council and are summarised below alongside the potential implications for the council. Consultation questions can be seen in appendix c(i).

Technical Paper 1 – Establishing the baseline

- 3.2 *This paper considers how each local authority's baseline funding (equivalent to the formula grant) should be set for a fixed period of time from 2014/15 onwards. Once the baseline funding is set, the funding will be set for several years until there is a trigger to revisit the principles and parameters of the business rate retention scheme. There are two options, the first would be to continue to use the existing government formulaic methodology or the second is to apportion based on the level of spending reduction for local government during the spending review.*
- 3.3 *The other baseline to be set will be the national forecast business rates for 2014/15 which will be consulted upon during autumn 2012. In government establishing the national forecast business rates baseline, certain adjustments will need to be made to ensure that government policies such as the new homes bonus can be funded appropriately, an adjustment to remove police funding from the scheme and potentially the removal of fire authority funding. In addition, as government expect forecast business rates to exceed local authority funding levels in future, there will be some retention of business rates centrally 'set aside' to ensure that the business rates remaining operate within the spending review expenditure (formula grant) for the purposes of the scheme.*

What does this mean for the council?
The council's formula grant (baseline funding) is unlikely to change for 2014/15 or recognise the funding for population changes. Once this baseline has been set, the council's baseline funding for future years will not change until the scheme is reviewed. However, the council's baseline funding for 2014/15 may be impacted on decisions taken around forecasting the national business rates baseline. Therefore the baseline is fundamental in understanding how the scheme may operate for the council.

The council is subject to claw back of formula grant during 2011/12 and 2012/13 and is aware that central government funding will be reduced further for the remainder of the spending review. The formulaic approach uses population as a driver and could be updated to reflect the census 2011 data. However, under this approach and awareness of overall government grant reduction, i.e. the overall pot of money nationally will not change, any redistribution of formula grant across local authorities is likely to see the council subject to more claw back of funding and not benefit financially. The current MTFS formula grant projections are consistent with the second option of apportioning funding in accordance with the spending review.

The national baseline business rates will translate down into an individual authority baseline, which once set will remain in place until any reset of the scheme. If government projections on forecast methodology and adjustments such as the new homes bonus are incorrect, this could impact on the setting of the council's individual business rates baseline. There is no further information published on what the government intend to use the amount set aside for and how much this could be. Furthermore, the future funding of academies is still unresolved. Since the spending review, formula grant has been subject to post spending review adjustments to remove additional funding required nationally for the new homes bonus and academies, this could suggest in the case of the new homes bonus that original growth forecasts for housing growth nationally were under estimated.

The next spending review has not been covered within the business rate retention scheme other than to suggest that police and fire funding longer term will need to be reviewed. It is assumed that the council tax freeze grant will end after the current spending review.

Potential other adjustments that could be made to the baseline if not from the set aside could be the formation of the public health grant.

Technical Paper 2 – Measuring Business Rates

- 3.4 *The forecast national business rates will be estimated through to 2014/15 using actual data if available or estimates on the latest information published by the Office for Budget Responsibility. The data considers rateable values multiplied by the non-domestic multiplier uplifted for the Retail Price Index inflation.*
- 3.5 *In establishing individual local authority business rate baselines, there are two options being consulted upon. The first would be a 'spot assessment' approach based on authority's business rates income on a particular day, or the second option would be to use an average of business rates income over the previous two or three years. In the latter, it is suggested to use 2010/11 and 2011/12 business rate income data. After calculating the business rate income, certain allowable deductions will be made on mandatory and discretionary relief. Transitional relief is excluded from setting the baseline business rates.*
- 3.6 *The individual authority baseline will then be expressed as a proportion of the aggregate national business rate baseline to determine how much each authority will be required to contribute towards the adjustments and set aside as part of the overall scheme. This in turn will then be used to determine the tariff or top up for each authority.*

What does this mean for the council?

The spot assessment approach is likely to use the NNDR 1 return which estimates business rate income in advance of the financial year including the estimated value or mandatory and discretionary allowances. The average approach considers the average of the previous two financial year's actual data (NNDR 3) and is reflective of what has happened. On reviewing the council's data, allowable deductions between forecast data and actual data has reduced the business rate yield significantly. For 2010/11, the NNDR 1 forecast an overall contribution to the pool of £87.2m whereas the actual pool contribution was £79.5m. Adjusting these figures to remove the transitional relief impact and losses in collection as these items are outside of the scheme, the figures would be £86.4m and £79.0m respectively.

The changes are the result of the economic conditions and changes to the rateable value listings which are not in the control of the authority. To reduce potential volatility implications on establishing base line data, the council would recommend setting the baseline using an average approach.

The aggregate rateable value (RV) of properties within Peterborough will change as a result of appeals and updates to the list undertaken by the Valuation Office. In calculating the business rate, the rateable values are multiplied by a 'multiplier' uplifted annually for inflation. Both RPI and changes to rateable values are outside of the control of the council and can therefore impact the business rate income. The aggregate RV for Peterborough on the 2011/12 NNDR 1 return was £228.8m, whereas the average RV for 2010/11 and 2011/12 were £228.5m. The current RV (13 September) is £226.3m, however this is likely to increase due to some pending assessments such as the new hospital with the result of the RV listing updating to @ £228m.

The top 20 businesses for the council are predominantly major retail outlets or government establishments with the exception of one manufacturing business. The business rates income equates to @ 16% of gross business rates yield ranging from between £0.4m - £1.6m business rate income per business. The main risks to business rate income collection for the council would be from manufacturing businesses if the economic conditions result in another recession or smaller independent retail outlets. In addition, the council would not want to see businesses within Peterborough contract and would need to actively promote growth to ensure that the implementation of business rates retention is financially viable. There will also be a challenge for Peterborough in achieving growth in excess of RPI, particularly if RPI remains high, in comparison to the formula grant which will see real terms grant reduction.

Technical Paper 3 – Dealing with non-billing authorities

- 3.7 *The consultation covers billing authorities and major precepting authorities including police and fire that are in receipt of formula grant. Parishes are excluded. Police funding during the current spending review will be outside of the scope of the retention scheme and will therefore see their funding removed as an adjustment in setting the national forecast business rate baseline. Fire authority funding could be treated in the same way as police funding, however, government's preferred approach is to bring fire authorities*

into the scope of the scheme. Police and fire authority funding would be reviewed as part of the next spending review.

What does this mean for the council?

The principles of current government policies such as the New Homes Bonus and proposed business rates retention scheme are to encourage local authorities to incentivise growth. As the council is a unitary authority and responsible for ensuring growth within Peterborough, it is not immediately clear from the consultation as to why the fire authority would benefit from a share of business rates retention as the fire authority does not currently benefit from the New Homes Bonus scheme. Furthermore, government are intending to continue to fund police and fire authorities in accordance with spending review grant reductions which is significantly less in cash terms to local authority funding grant reductions. However, if the fire authority were to be included within the scope of the business rate retention scheme, if the collection fund were to be a basis of apportionment, the fire authority would receive 4%.

So for example, if an office were to be built with the equivalent Rateable Value of Bayard Place of £665k with a current business rate income of £288k in 2011/12, and assuming that the council were to retain 100% of the business rate income with no levy applied, the fire authority would benefit by 4% (£12k) and the council would retain £276k.

Technical Paper 4 – Business Rates Administration

- 3.8 *Under the current system, billing authorities would pay over to a centralised government business rate pool the collection of business rates. In turn this would then be returned to local authorities as part of the redistributed rates element of the formula grant. The financial risk to the collection of business rate income was managed through the pool. The business rates retention scheme will enable local authorities to retain an element of business rates rather than paying the income into a pool but will expose the council to greater financial risk. This will require some amendments to the governance arrangements of money flows between local authority's and central government and some minor changes to reconciliation processes.*

What does this mean for the council?

Under the proposed business rate retention scheme the council will need to manage the risk of business rate income collection including in year fluctuations such as appeals, repayments, interest payments, businesses moving and liquidation. Although the cash flows will be similar to the current administration of the scheme, there maybe an in year financial risk to the council on cash flows if significant changes to business rate income occur during the year depending on the data that government use to set payments at the beginning of the financial year.

The council will need to review the level of working balance (currently £6m) is manage risks as the government are proposing to disallow the adjustment for losses in collection (bad debts) that arise, e.g. liquidation. For 2010/11, the adjustment was £618k and estimated to be £960k for 2011/12.

Technical Paper 5 – Tariff, top up and levy options

- 3.9 *Under the current system, the formula grant is made up with two parts, the revenue support grant and redistributed business rates. The formula grant payable to every local authority is determined by a complicated formula based on population, tax base projections and datasets to ensure that the formula is equitably apportioned across all local authorities according to service needs. In moving to a business rates retention system and to ensure that local authorities start off with a fair starting point in terms of baseline funding, baseline funding will be the equivalent of business rate income. If a local authority business rate baseline is greater than baseline funding, the local authority will be a ‘tariff’ authority in that it will pay over the difference to central government. If baseline funding is less than the business rate baseline, the local authority will be a ‘top up’ authority whereby the authority will receive funding from central government.*
- 3.10 *Tariffs and Top ups will remain in place until any reset of the business rate retention scheme. However, the consultation seeks views on whether tariffs and tops ups should be annually increased to take into account the retail price increase in line with the nationally set business rates multiplier.*
- 3.11 *In addition to tariffs and top ups, the consultation considers levy options to ensure that local authorities do not disproportionately benefit from growth in business rates exceeding baseline funding ‘levy’. A levy would then be applied.*
- 3.12 *The levy could be calculated a variety of ways such as:*
- *Flat rate – an authority contributes x pence of every £ of growth*
 - *Banded levy – Groups similar authority’s together. Each group then has assigned x pence of every £ of growth*
 - *Proportional levy – This approach considers % growth in business rates against the retained income expressed as a ratio*
 - *Varying the Proportional levy – Each authority could have a ratio applied that is unique to the authority’s % growth against their retained income*
- 3.13 *As part of the levy calculation growth associated with Enterprise Zones and some new renewable energy projects is excluded.*

What does this mean for the council?
<p>The council will be a tariff council, whereby it will contribute a payment to government. However, if RPI were to be applied to the tariff annually, the council’s business rate income would need to exceed RPI to benefit from growth in business rate income. RPI forecasts are currently @3.5% per annum with actual RPI in September 2011 being 4.5%.</p> <p>Using 2011/12 the business rates income of £87.0m after removing transitional relief and losses in collection, 3.5% growth would equate to £3m. If this was set as a benchmark to achieve super growth, to achieve £3m additional rates income the council would need the equivalent of:</p>

2 supermarkets the size of Tesco's extra; or
2-3 warehouse distribution centres the size of Ikea, Debenhams's or Amazon;
or
10.5 office accommodation the size of Bayard Place

However, in achieving £3m in additional business rates, this would be the equivalent of 3.8% in additional formula grant in 2011/12 using the current formula grant of £78.7m. Taking the simplistic assumption of government principles that baseline funding and business rates should not be disproportionate within a local authority, a view could be taken that 3.8% increase in formula grant is disproportionate to the monetary gain that would result. Therefore in 'simple terms', the council could have a levy imposed up to the difference of £200k that would not be retained. In reality, the proposed scheme is complex and considers several components which cannot be taken in isolation to determine any levy imposed.

The example assumes that no RPI is applied to the tariff that the council would be subject to. If a tariff was set in the example, the tariff could be approximately £8.3m. A 3.5% RPI uplift would therefore be £290k.

Technical Paper 6 – Volatility

3.14 *The current business rates system operates through a centralised pool with government bearing the risk on volatility in rates collection in any one year that may arise from changes in circumstance, for example, reductions to a group of rateable values for properties or closure of a large business. The proposed business rates retention scheme moves the financial risk into individual local authority control and could therefore create significant fluctuations in business rate income. The consultation considers three approaches:*

- *To isolate the specific events giving rise to that volatility and provide authorities with compensation to those events;*
- *To adopt an application based approach, under which authorities would have to apply for support from the levy pot; or*
- *To put in place a safety net that provided local authorities with support should rates income fall below a predetermined level. This is the government's preferred approach.*

What does this mean for the council?

The council is not immune to volatility in business rate income with the top 10 businesses accounting for 11% in business rate income. If any of these businesses went into liquidation or remained empty for a period, this would create a pressure.

For example, if a business occupying a large warehouse (equivalent to Ikea or Debenhams's distribution centres) that subsequently moved out and the property remained empty, a full year impact of loss of business rate income would be in excess of £1m. However, empty property relief would enable the council to recover six months of the business rate income. For commercial properties which include retail and office, empty property relief would be three months. However, in terms of volatility of overall business rate income of

£87.0m in 2011/12, this is relatively small (1.1%). It is therefore questionable at whether the council would benefit from a safety net payment dependent on the threshold set for reduced business rates.

The council's working balance threshold is set at £6m deemed to provide sufficient coverage for unexpected one off events and is reviewed as part of setting the medium term financial strategy. This will require review as part of setting the MTFs and once the final design of the business rate retention scheme is confirmed.

Technical Paper 7 – Revaluation and Transition

- 3.15 *This paper considers the impact of revaluation undertaken every five years by the Valuation Office in property rateable values. To ensure that volatility through revaluation is not affecting the business rates retention scheme, government propose to adjust the tariff and top up's for each local authority to reflect the revaluation.*
- 3.16 *Transitional relief is applied following a revaluation of property rateable values to ensure that businesses do not suffer significant change in their business rates, with change being phased in over a period of five years. Government are proposing two options:*
- *Ignore transitional relief completely, allowing local authority's to manage the volatility locally; or*
 - *Take transitional relief outside of the rates retention scheme and deal with it separately.*

What does this mean for the council?

Essentially the revaluation and compensating adjustment to tariff and top up arrangements should have an immaterial impact for each local authority's finances providing that government make the correct assumptions. The risk to the assumptions will be around the adjustments such as the new homes bonus being accurately taken into account.

The council agree with the proposal to treat transitional relief outside of the scope of the scheme to reduce the impact of volatility of the operation of the scheme and that the council has no leverage in the transitional relief scheme set by government. This should continue to be dealt with separately.

Technical Paper 8 – Renewable Energy

- 3.17 *This paper considers that local communities should benefit from renewable projects locally and should therefore retain the revenues from additional business rate income that maybe generated. Government are seeking views on the following:*
- *The types of renewable energy that would be covered by the proposals*

- *What is meant by a “new renewable energy project”*
- *How different scenarios of renewable energy projects would be dealt with*
- *Who would be responsible for determining whether a project was covered by the scheme and, therefore, not taken into account in the setting of any levy; and*
- *How the business rates from a renewable energy project might be split between different authorities in two tier areas*

What does this mean for the council?
A major priority for the council is to become the environment capital in the UK and is actively pursuing energy efficiency as part of its priority. The council expect to benefit locally and be able to keep financial gain from business rates to ensure that this priority is met and the local community benefits and would therefore not expect to be dis-incentivised through any levy that maybe imposed. Potentially, the council will not be able to retain all business rates from the proposed Energy from Waste facility.

4. Other Considerations

- 4.1 The main consultation paper also considers interactions with existing policies and commitments, for example the New Homes Bonus and supporting the local economic system of business rates through new investment, for example Tax Incremental Financing.

5. Conclusion

- 5.1 The principles and components of the scheme suggest that the scheme implemented should incentivise growth locally and improve local democracy whilst ensuring that the future of local government financing continues to meet the resource needs of local residents and businesses with no detriment to the council tax payer. In working through the consultation, the council will need to make certain assumptions on how this scheme may operate by modelling scenarios through an interactive calculator and interpretation of the technical papers.
- 5.2 The consultation questions are included in appendix c(i).

Appendix C(i) – Consultation Questions

Component 1 – Setting the baseline

- Q1. What do you think that the government should consider in setting baseline?
- Q2. Do you agree with the proposal to use 2012-13 formula grant as the basis for constructing the baseline? If so, which two options at paragraphs 3.13 and 3.14 do you prefer and why?

Component 2 – Setting tariffs and top ups

- Q3. Do you agree with this proposed component of tariff and top up amounts as a way of re-balancing the system in year one?
- Q4. Which option for setting the fixed tariff and top up amounts do you prefer and why?

Component 3 – The incentive effect

- Q5. Do you agree that the incentive effect would work as described?

Component 4 – A levy recouping a share of disproportionate benefit?

- Q6. Do you agree with our proposal for a levy on disproportionate benefit, and why?
- Q7. Which option for calculating the levy do you prefer and why?
- Q8. What preference do you have for the size of the levy?
- Q9. Do you agree with this approach to deliver the Renewable Energy commitment?
- Q10. Do you agree that the levy pot should fund a safety net to protect local authorities? i) whose funding falls by more than a fixed percentage compared with the previous year (protection from large year to year changes) or ii) whose funding falls by more than a fixed percentage below their baseline position (the rates income floor)?
- Q11. What should the balance between offering strong protections and strongly incentivising growth?
- Q12. Which of the options for using any additional levy proceeds, above those required to fund the safety net, are you attracted to and why?
- Q13. Are there any other ways you think we should consider using the levy proceeds?

Component 5 – Adjusting for revaluation

- Q14. Do you agree with the proposal to readjust the tariff and top up of each authority at each revaluation to maintain the incentive to promote physical growth and manage volatility in budgets?
- Q15. Do you agree with this overall approach to managing transitional relief?

Component 6 – Resetting the system

- Q16. Do you agree that the system should include the capacity to reset tariff and top up level for changing levels of service need over time?
- Q17. Should the timings of resets be fixed or subject to government decision?

- Q18. If fixed, what timescale do you think is appropriate?
- Q19. What are the advantages and disadvantages of both partial and full resets? Which do you prefer?
- Q20. Do you agree that we should retain flexibility on whether a rest involves a new basis for assessing need?

Component 7 – Pooling

- Q21. Do you agree that pooling should be subject to the three criteria listed in 3.50 and why?
- Q22. What assurances on workability and governance should be required?
- Q23. How should pooling in two tier areas be managed? Should districts be permitted to form pools outside their county area subject to the consent of the county or should there be a fourth criterion stating that there should always be alignment?
- Q24. Should there be further incentives for groups of authorities forming pools and, if so, what would form the most effective incentive?
- Q25. Do you agree with these approaches to non-billing authorities?

Chapter 4 – Interactions with existing policies and commitments

- Q26. Do you agree this overall approach to funding the New Homes Bonus within the rates retention system?
- Q27. What do you think the mechanism for refunding surplus funding to local government should be?
- Q28. Do you agree that the current system of business rates reliefs should be maintained?

Chapter 5 – Supporting local economic system of business rates through new investment

- Q29. Which approach to Tax Incremental Financing do you prefer and why?
- Q30. Which approach do you consider will enable local authorities and developers to take maximum advantage of Tax Increment Financing?
- Q31. Would the risks to revenues from the levy and reset option 1 limit the appetite for authorities to scrutinise growth revenues?
- Q32. Do you agree that pooling could mitigate the risk?
- Q33. Do you agree that central government would need to limit the numbers of projects in option 2? How best might this work in practice?

Appendix D - Council Tax Benefit

1. Background

- 1.1. At the Spending Review 2010 the Government announced that it would localise support for council tax from 2013/14, reducing expenditure by 10%.
- 1.2. The localisation of support for council tax is taking place within a wider programme of welfare reform which is aimed at helping move people back into work. However, there are certain low-income groups, particular pensioners, whom the Government intends to protect as they would be unable to increase their income.
- 1.3. Council Tax Benefit (CTB) is currently a national benefit with policy and rules set by central Government, but administered by local authorities. It is an income related social security benefit which may be claimed by eligible individual who is liable to pay council tax.
- 1.4. On 2 August 2011 the 'Localising support for council tax in England: Consultation' was published, with the closing date for responses 14 October 2011.

2. Why Localise Support for Council Tax?

- 2.1. The consultation paper outlines five key reasons for localising CTB:
 - Give local authorities a greater stake in the economic future of their local area, and so supporting the Government's wider agenda to enable stronger, balanced economic growth across the country.
 - Provide local authorities with the opportunity to reform the system of support for working age claimants.
 - Reinforce local control over council tax.
 - Give local authorities a significant degree of control over how a 10 per cent reduction in expenditure on the current council tax benefit bill is achieved, allowing councils to balance local priorities and their own financial circumstances.
 - Give local authorities a financial stake in the provision of support for council tax. This reform will create stronger incentives for councils to get people back into work.

3. Peterborough

- 3.1. For 2011/12 it is estimated that £12.3m of Council Tax Benefit (CTB) will be paid to residents of Peterborough. This Benefit is currently 100% funded via a grant from Department of Work and Pensions (DWP).
- 3.2. Using 2011/12 as baseline data, the following scenario assesses the impact of a 10% saving on Council benefit for 2012/13, which equates to 0.89% saving against the Council's overall budget requirement.

RSG 2012/13 £000	NNDR 2012/13 £000	CTAX 2012/13 £000	Budget Req. £000	CTB 2012/13 £000	CTB 10% £000	% of Budget Req.
18,577	60,102	63,269	141,948	12,652	1,265	0.89%

- 3.3. Using this scenario, the amount of CTB available for the Council to support local residents is £11.4m.
- 3.4. As at 1 September 2011 the number of CTB recipients is 17,240, of which approximately 39.8% are elderly. As the Government intends to protect the elderly (and potentially other vulnerable groups), the maximum amount available for the Council to have discretion over which residents it will support, and which includes the 10% saving, £6.4m.

Est. CTB 2012/13 £000	Other Est. Working £000	10% Saving £000	Est. CTB Inc. 10% Saving £000	Protected Est. Elderly £000	Total Est. CTB £000
12,652	7,620	(1,265)	6,354	5,032	11,386

4. Issues identified from consultation

- 4.1. As pensioners and potentially other vulnerable groups will be protected, the 10% of CTB saving will not affect all CTB recipients equally, with working age claimants most likely to be adversely affected, leading to equality impact assessment implications.
- 4.2. The consultation papers emphasises the need for local CTB criteria to compliment the Universal Credit scheme, and avoid disincentives for recipients moving into work. However, given 3.1 above, the 10% saving is likely to most affect working age claimants, and potentially reduces local decisions on CTB.
- 4.3. It is proposed that CTB funding will come as an unringfenced special grant, which will be cash limited. The Council will be required to set eligibility criteria for CTB recipients, and if demand is greater than forecast, any pressures will need to be met by the Council's general fund.
- 4.4. Each Local Authority will have discretion as to how it sets the eligibility criteria for CTB, potentially leading to a post code lottery for this benefit, and differing policies in neighbouring areas.
- 4.5. As CTB will be reduced it is anticipated that collection of Council tax will become more problematic, leading to increased costs of collection, and amounts written off as uncollected.
- 4.6. Currently there are synergies from the Council administrating both Housing Benefits and CTB. However, it is expected that Housing Benefit will be incorporated with the Universal Credit. It is therefore anticipated that the cost of administering CTB will increase as less efficiency will be derived from the processing.
- 4.7. Link to 4.6 above, there will be a phased introduction of Universal Credit, with new applications for Housing Benefit being administered by Department for Work & Pensions (DWP) from October 2013. The Council will be required continue to administer existing applications until 2017, which will occur simultaneously with the new CTB approach, duplicating processing and system costs.
- 4.8. Localising CTB will also mean that fraud investigations are localised, increasing the Council's cost in this area.
- 4.9. A revised CTB system will require updates to systems, however if each Council locally determines their own CTB, the systems will require bespoke elements, increasing the support costs of such systems.

Appendix D(i) – Consultation Questions (Section 5 onwards)

Section 5 – Principals of the Scheme

5a: Given the Government's firm commitment to protect pensioners, is maintaining the current system of criteria and allowances the best way to deliver this guarantee of support?

5b: What is the best way of balancing the protection of vulnerable groups with the need for local authority flexibility?

Section 6 – Establishing Local Schemes

6a: What, if any additional data and expertises will local authorities require to be able to forecast demand and take-up?

6b: What forms of external scrutiny, other than public consultation, might be desirable?

6c: Should there be any minimum requirements for consultation, for example, minimum time periods?

6d: Do you agree that councils should be able to change schemes from year to year? What if any restrictions, should be placed on their freedom to do this?

6e: How can the Government ensure that work incentives are supported, and in particular, that low earning households do not face high participation tax rates?

Section 7 – Joint Working

7a: Should billing authorities have default responsibility for defining and administering the schemes?

7b: What safeguards are needed to protect the interests of major precepting authorities in the design of the scheme, on the basis that they will be a key partner in managing financial risk?

7c: Should local precepting authorities (such as parish councils) be consulted as part of the preparation of the scheme? Should this extend to neighbouring authorities?

7d: Should it be possible for an authority (for example, a single billing authority, county council in a two-tier area) be responsible for the scheme in an area for which it is not a billing authority?

7e: Are there circumstances where Government should require an authority other than the billing authority to lead on either developing or administering a scheme?

Section 8 – Managing Risk

8a: Should billing authorities normally share risks with major precepting authorities?

8b: Should other forms of risk sharing (for example between district councils) be possible?

8c: What administrative changes are required to enable risk sharing is used appropriately?

8d: What safeguards do you think are necessary to ensure that risk sharing is used appropriately?

Section 9 – Administering Local Schemes

9a: In what aspects of administration would it be desirable for a consistent approach to be taken across all schemes?

9b: How should this consistency be achieved? Is it desirable to set this out in Regulations?

9c: How should local authorities be encouraged to use these approaches (run-ons, advance claims, retaining information stubs) to provide certainty for claimants?

9d: Are there any other aspects of administration which could provide greater certainty for claimants?

9e: How should local authorities be encouraged to incorporate these features into the design of their schemes?

9f: Do you agree that local authorities should continue to be free to offer discretionary support for council tax, beyond the terms of the formal scheme?

9g: What, if any, circumstances merit transitional protection following changes to local schemes?

9h: Should arrangements for appeals be integrated with the new arrangements for council tax appeals?

9i: What administrative changes could be made to the current system if council tax support for pensioners to improve the way support is delivered (noting that factors determining the calculation of the award will be prescribed by central Government)?

Section 10 – Data Sharing

10a: What would be the minimum (core) information necessary to administer a local council tax benefit scheme?

10b: Why would a local authority need any information beyond this “core”, and what would that be?

10c: Other than the Department for Work and Pensions, what possible sources of information are there that local authorities could use to establish claimants’ circumstances?

Would you prefer to use raw data or data that has been interpreted in some way?

10d: If the information were to be used to place the applicants into categories, how many categories should there be and what would be the defining characteristics of each?

10e: How would potentially fraudulent claims be investigated if local authorities did not have access to the raw data?

10f: What powers would local authorities need in order to be able to investigate suspected fraud in council tax support?

10g: In what ways could the Single Fraud Initiative Service support the work of local authorities in investigating fraud?

10h: If local authorities investigate possible fraudulent claims for council tax support, to what information, in what form would they need access?

10i: What penalties should be imposed for fraudulent claims, should they apply nationally, and should they relate to the penalties imposed for benefit fraud?

10j: Should all attempts by an individual to commit fraud be taken into account in the imposition of penalties?

Section 11 – Funding

11a: Apart from the allocation of central government funding, should additional constraints be placed on the funding councils can devote to their schemes?

11b: Should the schemes be run unchanged over several years or be adjusted annually to reflect changes in need?

Section 12 – Administrative Costs

12a: What can be done to help local authorities minimise administration costs?

12b: How could joint working be encouraged or incentivised?

Section 13 – Transitional & Implementation Issues

13a: Do you agree that a one-off introduction is preferable? If not, how would you move to a new localised system while managing the funding reduction?

13b: What information would local authorities need to retain about current recipients / applicants of council tax benefit in order to determine their entitlement to council tax support?

13c: What can Government do to help local authorities in the transition?

13d: If new or amended IT systems are needed what steps could Government take to shorten the period for design and procurement?

13e: Should applications, if submitted prior 1 April 2012, be treated as if submitted under the new system?

13f: How should rights accrued under the previous system be treated?

This page is intentionally left blank

CABINET	AGENDA ITEM No. 6
26 SEPTEMBER 2011	PUBLIC REPORT

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

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
---	-----------

4. OUTCOME OF PETITIONS

4.1 Petition regarding a request for residents' parking on Fletton Avenue

This petition was presented to full Council on 13 July by Councillor Lee. The Council's Network Team Manager responded on 27 July 2011 stating that initial consultation had been undertaken with residents and a favourable response from many residents had been received along with some objections. Once further investigation into resolving the objections has been undertaken, those residents that responded to the consultation would be contacted outlining how the matter would progress.

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.