

## JOINT MEETING OF THE SCRUTINY COMMITTEES

TUESDAY 12 FEBRUARY 2019

6.00 PM

Council Chamber - Town Hall

### AGENDA

Page No

1. **Appointment of Chairman**
2. **Apologies for Absence**
3. **Declarations of Interest and Whipping Declarations**  

At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests or is a "pending notification " that has been disclosed to the Solicitor to the Council. Members must also declare if they are subject to their party group whip in relation to any items under consideration.
4. **Medium Term Financial Strategy 2019/20 to 2021/22 - Tranche Three** **3 - 12**
5. **Commercial Strategy 2018-2021** **13 - 28**
6. **Local Government Review of the Budget - Tranche 3** **29 - 38**
7. **Review of Subsidised Bus Services** **Report to Follow**



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### Committee Members:

Councillors: K Aitken, A Ali, S Barkham, S Bashir, R Bisby, R Brown, G Casey, A Dowson, A Ellis, M Farooq, D Fower, J A Fox, J R Fox, J Goodwin, C Harper, S Hemraj, M Jamil, D Jones, A Joseph, D King, S Lane, S Martin, D Over, B Rush, B Saltmarsh, N Sandford, L Serluca, A Shaheed, N Simons, J Stokes and S Warren

Substitutes: Councillors: A Iqbal, J Lillis, E Murphy, G Nawaz,

### Statutory Co-opted Members:

**Education Co-opted members** are Members of the Scrutiny Committee and can vote when education matters are discussed.

Peter Cantley, Peterborough Diocesan Board of Education

Flavio Vettese, (Deputy Director of Schools), Roman Catholic Church, Diocese of East Anglia  
Vacancy, Parent Governor Representative

Vacancy, Parent Governor Representative

Julie O'Connor, Roman Catholic Diocese of East Anglia (sub for Flavio Vettese)

Liz Youngman, Peterborough Diocesan Board of Education (sub for Peter Cantley)

### Non Statutory Co-opted members:

Alistair Kingsley, Independent Co-opted Member (Non-voting)

Rizwan Rahemtulla, Independent Co-opted Member (Non-voting)

Dr Steve Watson, Independent Co-opted Member (Non-voting)

Parish Councillor Susie Lucas, Independent Co-opted Member (Non-voting)

Parish Councillor Junaid Bhatti, Independent Co-opted Member (Non-voting)

Parish Councillor N Boyce, Independent Co-opted Member (Non-voting)

Parish Councillor James Hayes, Independent Co-opted Member (Non-voting)

Parish Councillor Keith Lievesley, Independent Co-opted Member (Non-voting)

Parish Councillor Richard Clarke, Independent Co-opted Member (Non-voting)

Parish Councillor Henry Clark, Independent Co-opted Member (Non-voting)

Parish Councillor Barry Warne, Substitute for Henry Clark, Independent Co-opted Member (Non-voting)

Further information about this meeting can be obtained from Paulina Ford on telephone 01733 452508 or by email – [paulina.ford@peterborough.gov.uk](mailto:paulina.ford@peterborough.gov.uk)

<b>JOINT MEETING OF SCRUTINY COMMITTEES</b>	AGENDA ITEM No. 4
<b>12 FEBRUARY 2019</b>	<b>PUBLIC REPORT</b>

Report of:	Peter Carpenter, Acting Director of Corporate Resource	
Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Peter Carpenter, Acting Director of Corporate Resources Kirsty Nutton, Head of Corporate Finance	Tel. 452520 Tel. 384590

**MEDIUM TERM FINANCIAL STRATEGY 2019/20 TO 2021/22-TRANCHE THREE**

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM: Cabinet Member for Resources</b>	<b>Deadline date:</b> Cabinet Meeting 25 February 2019
<p>It is recommended that the Joint Meeting of Scrutiny Committees considers the following updates within the <a href="#">Medium Term Financial Strategy 2019/20 to 20021/22- Tranche Three - Cabinet Report 4 February 2019</a> outlined in Appendix 1.</p> <ol style="list-style-type: none"> <li>1. The Tranche Three service proposals, outlined in Appendix H, within the attached MTFS report;</li> <li>2. The updated budget assumptions;</li> <li>3. The revised capital programme approach;</li> <li>4. The Robustness Statement, including the reserves position;</li> <li>5. Future strategic direction for the Council;</li> </ol> <p>Any recommendations made by the Joint Meeting of the Scrutiny Committees will be reported to Cabinet on 25 February 2019 for consideration.</p>	

**1. ORIGIN OF REPORT**

1.1 This report comes to Joint Meeting of Scrutiny Committees as part of the Council's formal budget process as set out within the constitution and as per legislative requirements to set a balanced and sustainable budget for 2019/20-2021/22.

**2. PURPOSE AND REASON FOR REPORT**

**2.1 Purpose**

At the Cabinet meeting on 4 February Cabinet formally initiated and proposed service proposals and updated assumptions to set a balanced and sustainable budget for the financial years 2019/20 to 2021/22. There is a legal requirement to set a balanced budget for 2019/20. The purpose of that report is to:

- Recommend that Cabinet approve the Tranche Three service proposals for consultation.
- Recommend that Cabinet approve the budget assumptions to update the Medium Term Financial Strategy (MTFS), to ensure estimates reflect the most up to date information available.
- Outline the financial challenges facing the council in setting a sustainable and balanced budget for MTFS 2019/20-2021/22.
- Outline the progress and development on the delivery of the shared services programme with Cambridgeshire County Council and other partners. The delivery of this programme will allow the council to work differently and more efficiently, which will unlock financial benefits to enable the council to continue to provide the services which are important to Peterborough residents.
- Outline the approach the Council is taking to close the budget gap over the three year

budget planning horizon to deliver a sustainable budget.

- Outline potential avenues the Council is considering pursuing to ensure future budget sustainability.

2.2 This report comes to the Joint Meeting of Scrutiny Committees as part of the council's formal budget setting process. Any recommendations made by the Joint Meeting of the Scrutiny Committees will be reported to Cabinet on 25 February for consideration

### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>YES</b>	If yes, date for Cabinet meeting	<b>4 February 2019</b>
Date for relevant Council meeting	<b>25 February 2019</b>	Date for submission to Government Dept. ( <i>Please specify which Government Dept.</i> )	<b>N/A</b>

### 4. Executive Summary

At Council held on 12 December 2018, Tranche Two of the 2019/20 MTFS was agreed, with deficits of £3.0m, £18.0m and £20.7m to be identified for 2019/20, 2020/21 and 2021/22 respectively. Tranche Three of the 2019/20 MTFS process has identified additional pressures and savings, reducing the budget deficit to a balanced position in 2019/20, with a deficit of £18.4m and £20.0m identified in 2020/21 and 2021/22. Table 1 summarises the current budget position over each Tranche.

**Table 1: Overall 2019/20 MTFS Position by Tranche**

	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Budget Gap as reported in MTFS 2018/19</b>	<b>12,712</b>	<b>19,317</b>	<b>16,926</b>
<b>Service Pressures and Investment</b>			
Tranche 1	1,692	4,562	5,463
Tranche 2	4,224	3,696	3,668
Tranche 3	5,173	5,592	5,641
<b>Service Pressures and Investment sub-total:</b>	<b>11,089</b>	<b>13,850</b>	<b>14,772</b>
<b>Budget Position before Savings and Additional income</b>	<b>23,801</b>	<b>33,167</b>	<b>31,698</b>
<b>Savings and Additional Income</b>			
Tranche 1	(4,177)	(3,841)	(61)
Tranche 2	(11,418)	(5,641)	(5,308)
Tranche 3	(5,122)	(5,276)	(6,273)
<b>Savings and Additional Income sub-total:</b>	<b>(20,717)</b>	<b>(14,758)</b>	<b>(11,642)</b>
<b>Use Of Reserves</b>	<b>(3,084)</b>		
<b>Final Budget Gap</b>	<b>0</b>	<b>18,409</b>	<b>20,056</b>
<b>Incremental Budget Gap</b>	<b>-</b>	<b>18,409</b>	<b>1,647</b>

Appendix B outlines an analysis of all budget changes included within Tranche One, Two and Three.

In addition to these deficits, detailed work is also under way to deliver the Shared Services Savings targets of £4.5m in 2019/20 and a further £4.5m in 2020/21. Further detail on this transformation programme is outlined in section 5.10.

The move to a truly sustainable budget will require a reduction of the “One off” savings, as by nature, these are not repeatable. Within this Tranche of the budget process the Council is proposing to use £3.1m of reserves to balance the budget in 2019/20, this adds to the significant reduction in the balances of reserves. Over the period 2017/18 to 2019/20 the Council is expecting its balances on reserves to reduce by over 50% from £40.9m to £19.4m. Table 2 sets out the use of ‘one off’ savings included within the budget, and the in year unbudgeted use of one off measures, to a position in 2020/21, where the council is expecting to no longer rely on this funding option to support the budget.

**Table 2: Non repeatable One Off Savings**

Non Repeatable	Previous Year	Current Year	Years relating to this Medium Term Financial Strategy		
	2017/18 £000	2018/19 £000	Year 1 2019/20 £000	Year 2 2020/21 £000	Year 3 2021/22 £000
Capital Receipts	12,738	2,922	10,639	-	-
MRP Re-provision	-	3,700	-	-	-
Council Tax Surplus	173	1,188	201	-	-
Planned Use of Reserves	7,194	4,231	3,084	-	-
<b>Total</b>	<b>20,105</b>	<b>12,041</b>	<b>13,924</b>	-	-
In year Use of Reserves (as per November 2018 Budgetary Control Report)	-	3,900	-	-	-
In year increased Use of Capital Receipts	-	1,195	-	-	-
<b>Total</b>	<b>20,105</b>	<b>17,136</b>	<b>13,924</b>	-	-

As the council has used capital receipts from the sale of properties (assets) to support the budget for a number of years, the remaining value of assets is relatively low, especially with some of the higher value assets being sold in recent years. This now leaves the council with very little flexibility to use capital receipts in the future to support the budget, and also reduces the potential for the Council to generate property rental income.

The 2018/19 budgetary control position as at the end of November 2018, is forecasting an overspend of £3.9m, this has reduced from £6.5m reported in Tranche Two of the budget due to plans that have been put in place by senior management to manage and scrutinise expenditure throughout the Council, to mitigate the financial impact of the forecast overspend identified. This overspend is largely isolated in one area, children’s services, which was outlined in detail when reported at the Cabinet meeting on 23 July 2018, highlighting the full extent of the demand pressures, although there are a number of other key areas of overspend to be aware of. These are as follows:

- Demand within children’s services £4.5m;
- Demand within adults services £0.8m;
- Peterborough Serco Strategic Partnership -Transformation costs, Business Support and variable costs £2.0m;
- Amey contract extension £1.0m;
- Parking Services £0.5m;
- ICT £0.5m;
- Volumes within the Coroners service £0.2m.

These pressures are currently being mitigated in part by the one-off use of capital receipts. This is a result of the Council exceeding the level of receipts included within the budget, which for the current year is £2.9m, as highlighted in Table 2. The November 2018 position is outlined in detail within the Budgetary Control Report to this Cabinet (4 February 2019) meeting.

## 5.2 Tranche Three Budget Position 2019/20-2021/22

The following table sets out the demand and savings proposals in Tranche Three of the 2019/20 budget process. The major items included within these proposals are:

- Additional 1% Council Tax increase, taking the total increase to 2.99%
- Increased cost of financing the Capital Programme
- Additional Business Rates Income
- Increased income from Energy generated by the Energy from Waste (EfW) facility
- Cost of running Peterborough Ltd, the Local Authority Trading Company (LATco)

### 2019/20- 2021/22 Tranche Three Budget Position Summary

	2019/20 £000	2020/21 £000	2021/22 £000
<b>Budget Gap as reported in MTFs 2019/20 Tranche 2</b>	<b>3,034</b>	<b>18,093</b>	<b>20,688</b>
<b>MTFS 2019/20-2021/22 budget changes:</b>			
Pay and Pensions	269	269	269
Inflation and cost changes	605	677	646
Demographic and volumetric service demand	875	875	875
Grant and legislative changes	-	753	753
Efficiencies	(180)	(180)	(180)
Capital financing Changes	1,322	1,673	1,673
Service proposals (savings and additional income)	1,425	1,018	1,153
<b>Revised Budget Gap</b>	<b>7,350</b>	<b>23,178</b>	<b>25,877</b>
Funding changes	(4,265)	(4,769)	(5,821)
One-off resources (including capital receipts)	-	-	-
Use of reserves	(3,084)	-	-
<b>Final Budget Gap</b>	<b>-</b>	<b>18,409</b>	<b>20,056</b>
<b>Incremental Budget Gap</b>	<b>-</b>	<b>18,409</b>	<b>1,647</b>

The following appendices outline further details on the budget position and the proposals:

- Appendix A- 2019/20-2021/22 Tranche Three MTFs Detailed Budget Position (a), the Net and Gross budget position (b), Subjective analysis of the budget position (c).
- Appendix H- The Budget Consultation Document
- Appendix J- Equality Impact Assessments (where applicable)

The following table details all of the proposals included within Tranche Three, and the financial implications for the three years covering 2019/20- 2021/22.

### 2019/20- 2021/22 Tranche Three budget proposals

Proposal	2019/20 £000	2020/21 £000	2021/22 £000
<b>Capital financing Changes</b>	<b>1,322</b>	<b>1,673</b>	<b>1,673</b>
Axiom/Longhurst interest income reduction due to loan redemption	140	140	140
Capital Programme- Additional Cost of financing	1,182	1,533	1,533
<b>Demographic and volumetric service demand</b>	<b>875</b>	<b>875</b>	<b>875</b>
Pollution Control	120	120	120

Trees- Insurance Risk	250	250	250
Legal Child Protection Team Pressure	100	100	100
Materials Recycling Facility	300	300	300
Coroner Volume related pressure	105	105	105
<b>Efficiencies</b>	<b>(180)</b>	<b>(180)</b>	<b>(180)</b>
Repairs and Maintenance cost reduction (result of Community Asset Transfers)	(180)	(180)	(180)
<b>Grant and legislative changes</b>	<b>-</b>	<b>753</b>	<b>753</b>
Tackling Troubled Families (TTF) Grant	-	753	753
<b>Inflation and cost changes</b>	<b>605</b>	<b>677</b>	<b>646</b>
ICT	605	677	646
Pay and Pensions	269	269	269
Pay Scales- National Living Wage (EIA in Appendix J)	114	114	114
Across Back Office Efficiencies	155	155	155
<b>Service proposals (savings and additional income)</b>	<b>1,425</b>	<b>1,018</b>	<b>1,153</b>
St George's Hydrotherapy Pool- Vivacity Transfer	58	58	58
Peterborough Ltd (LATCo)	1,087	805	940
POSH Rental income budget (removal post sale)	380	380	380
Peterborough Highways Services Commercial Income Pressure	400	275	275
Energy From Waste Income	(500)	(500)	(500)
<b>Use of reserves</b>	<b>(3,084)</b>	<b>-</b>	<b>-</b>
Use of the Capacity Reserve to balance the Budget	(3,084)	-	-
<b>Funding changes</b>	<b>(4,265)</b>	<b>(4,769)</b>	<b>(5,821)</b>
Business Rates Forecast	(1,321)	(852)	(738)
Social care funding announced in the Autumn Budget £650m	(2,150)	(2,150)	(2,150)
Council Tax additional 1% and Tax Base Forecast	(770)	(1,594)	(2,705)
Council Tax Collection Fund Surplus (one-off)	(201)	-	-
New Homes Bonus	177	(173)	(228)
<b>Grand Total</b>	<b>(3,033)</b>	<b>316</b>	<b>(632)</b>

## 7. CONSULTATION

- 7.1 Cabinet have been working on the budget proposals and this has included meeting with the Cross-Party Budget Working Group to seek views on all budget proposals, including the opportunity to make alternative suggestions.

Tranche Three will be the final tranche of the 2019/20 budget process. The Tranche Three budget proposals were published on 25 January 2019 and will be recommended by Cabinet for approval by Council on 6 March 2019. The timeline for the final budget tranche is outlined in the following table:

### 2019/20 Budget consultation timetable

	<b>Tranche Three</b>
Consultation start date	25/01/2019
Cabinet	04/02/2019

Budget Joint Scrutiny Committee	12/02/2019
Audit Committee (to approve revised Capital Programme and Prudential Indicators)	11/02/2019
Cabinet	25/02/2019
Consultation close date	04/03/2019
Council	06/03/2019

These proposals will be considered in terms of their impact on service provision to user. Proposals which require additional consultation will be allocated time frames appropriate to the level of consultation required. This will ensure stakeholder and resident's feedback is received and considered prior to the Council meeting.

## 7.2 Methods of Consultation

Hard copies of the budget consultation document (Appendix H) will be available in all libraries and Town Hall and Bayard Place receptions. The Council will also seek to raise awareness of the budget proposals via use of social media on Facebook and Twitter, and aim to make the presentation more visual and easier to understand via the use of information graphics.

The Council has published the budget consultation document on the website and on the internal intranet site 'insite' for residents and staff to view and provide responses via an online survey.

The stakeholder groups outlined in the following table have been contacted and offered a briefing on the budget position during the Tranche Three budget consultation period, to enable residents, partner organisations, businesses and other interested parties to feedback on budget proposals and Council priorities:

### Stakeholder groups and events

Forum/Group	Meeting Date	Presenter
Connect Group (Churches Together)	22/02/2019	Adrian Chapman and Gillian Beasley
Disability Forum	18/02/2019	Fiona McMillan
Peterborough Community Assistance Scheme (PCAS)	Virtual consultation	Ian Phillips
Discussion with Trade Unions Joint Consultative Forum (JCF)	30/01/2019	Peter Carpenter and Mandy Pullen
Youth Council	26/02/2019	Emma Riding
Parish Council	13/02/2019	Peter Carpenter
Joint Scrutiny of Budget meeting	12/02/2019	Peter Carpenter
Schools Forum	Virtual consultation	Jon Lewis
Peterborough Living Well Partnership	30/01/2019	Caroline Townsend
Health Care Executive	12/02/2019	Liz Robin and Wendi Ogle-Welbourn

## 8. ANTICIPATED OUTCOMES OR IMPACT

- 8.1 Following the release of Tranche Three of the 2019/20 budget proposals to address the financial gap, and outlining Peterborough's challenges and successes, Cabinet is seeking the opinions of all residents, partner organisations, businesses and other interested parties to understand which council services matter most. The Council must set a balanced budget for 2019/20 within the financial resources it will have next year and the feedback received will help inform Cabinet in



considering budget proposals.

Therefore approval will enable the Council to undertake consultation on its budget plans for 2019/20 and the MTFs covering the period 2019/20- 2021/22.

Cabinet will have a further opportunity to review feedback on the proposals and the MTFs on 4 February 2019, before making a final recommendation to Council on 6 March 2019.

## **9. REASON FOR THE RECOMMENDATION**

9.1 The Council must set a lawful and balanced budget. The approach outlined in this report work towards this requirement.

## **10. ALTERNATIVE OPTIONS CONSIDERED**

10.1 No alternative option has been considered as the Cabinet is responsible under the constitution for initiating budget proposals and the Council is statutorily obliged to set a lawful and balanced budget by 11 March annually.

## **11. IMPLICATIONS**

### **Elected Members**

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

11.2 Section 106 of the Local Government Finance Act 1992 applies whereby it is an offence for any Members with arrears of council tax which have been outstanding for two months or more to attend any meeting of the Council or its committees at which a decision affecting the budget is made, unless the Members concerned declare at the outset of the meeting they are in arrears and will not be voting on the decision for that reason.

### **Legal Implications**

11.3 In terms of the Council's executive arrangements, the adoption of the Council's Budget is a role shared between the Cabinet and the Council, whereby the Cabinet (Leader) is responsible for formulating the budget proposals and full Council is responsible for then approving (or not) those proposals and setting the budget and council tax requirement.

11.4 For the remainder of the year, the principal purpose of the Budget is to set the upper limits of what the executive (Leader, Cabinet or officer under delegated executive authority) may decide to spend the Council's resources on. The Council cannot through the budget overrule an executive decision as to how to spend money, but the Budget will require the Cabinet to exercise their responsibilities for decision making so as not to make a decision where they are 'minded to determine the matter contrary to, or not wholly in accordance with the authorities budget'. This means that a decision that leads to excess expenditure, a virement from one budget heading to another over the amount allowed by Council in the Budget Book or expenditure of unexpected new money outside the Budget is required to have approval of the Council before the Leader and the Cabinet can make that decision.

11.5 The principle of fairness applies to consultation on the budget proposals, both consultation required under s65 of the Local Government Finance Act 1992 and more generally as proposed here, which operates as a set of rules of law. These rules are that:

- Consultation must be at a time when proposals are still at a formative stage;
- The proposer must give sufficient reasons for any proposal to permit intelligent consideration and response;
- Adequate time must be given for consideration and response; and
- The product of consultation must be conscientiously taken into account in finalising any statutory proposals.

- 11.6 Added to which are two further principles that allow for variation in the form of consultation which are:
- The degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting; and
  - The demands of fairness are likely to be somewhat higher when an authority contemplates depriving someone of an existing benefit or advantage than when the claimant is a bare application for a future benefit.
- 11.7 It should be noted that the consultation to be undertaken as a result of this report is on the Budget proposals, and consequently the Cabinet's general approach to the savings requirements, and not on the various decisions to take whatever actions that may be implicit in the proposals and later adoption of that budget, each of which may or may not require their own consultation process.
- 11.8 By virtue of section 25, Local Government Act 2003, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance Officer (CFO), as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.

Where the CFO makes a judgement that the council is unable to set or achieve a balanced budget, or there is an imminent prospect of this they have a responsibility to issue a section 114 notice (s114) of the Local Government Act 1988.

Once an s114 notice has been served the council has 21 days to meet and consider the report. During the 21 days the council must not incur any new expenditure unless the CFO has specifically authorised the spend.

This suspension of spending will trigger external scrutiny from the council's auditors. However, failure to act when necessary could result in the council losing its financial independence with its powers potentially passed to commissioners appointed by government.

## **Human Resources**

### **11.9 Redundancies**

There are no proposals for staffing reductions in Tranche Three. In previous tranches and years, the Council has reduced its staffing and now has very streamlined teams. To reduce staffing further at this stage would have an impact on the council's ability to carry out the savings highlighted for 2019/20.

### **National Living Wage**

As detailed in National Living Wage proposal, outlined within the Budget Consultation Document (Appendix H), the council is legally bound to adhere to new pay scales for employees on the NJC pay scales that will be coming into effect on 1 April 2019.

### **Closer working with Cambridgeshire County Council**

The Council is continuing to drive efficiencies and work closer with Cambridgeshire County Council to share, integrate and align back office services, where this makes sense.

## **Equality Impact Assessments**

- 11.10 All budget proposals published in Tranche Three of the budget process have been considered with regards to equalities issues and where appropriate equality impact assessments have been completed and available on the council's website. These have also been included within Appendix J - Equality Impact Assessments, of the MTFs report.

## **12. BACKGROUND DOCUMENTS**

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

12.1 Tranche One Cabinet Report- [Budget Book- Cabinet 16.07.2018](#)

Tranche Two Cabinet Report- [Budget Book Cabinet 15.10.2018](#)

## **13. APPENDICES**

13.1 Appendix 1- [Medium Term Financial Strategy 2019/20 to 20021/22- Tranche Three - Cabinet Report 4 February 2019](#)

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<b>JOINT MEETING OF SCRUTINY COMMITTEES</b>	AGENDA ITEM No. 5
<b>12 FEBRUARY 2019</b>	<b>PUBLIC REPORT</b>

Report of:	Amanda Askham – Director of Business Improvement and Development	
Cabinet Member(s) responsible:	Cllr David Seaton – Cabinet Member for Resources Cllr Howard Fuller – Cabinet Adviser	
Contact Officer(s):	Amanda Askham, Director of Business Improvement and Development Pete Carpenter, Acting Corporate Director of Resources	07919 166328 01733 452520

**COMMERCIAL STRATEGY 2018-2021**

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM:</b> Director of Business Improvement and Development	<b>Deadline date:</b> <i>n/a</i>
<p>It is recommended that the Joint Meeting of Scrutiny Committees:</p> <ol style="list-style-type: none"> <li>1. Review and comment on the draft Commercial Strategy 2018-21 attached at Appendix 1, and</li> <li>2. Endorse the Commercial Strategy 2018-21 for approval by Cabinet on 25 February 2019.</li> </ol>	

**1. ORIGIN OF REPORT**

1.1 This report is submitted to the Joint Meeting of Scrutiny Committees as part of the consultation process following a referral from Cabinet on 4 February 2019.

**2. PURPOSE AND REASON FOR REPORT**

2.1 The purpose of this report is to:

- To provide an overview of the proposed Commercial Strategy 2018-21.
- To seek the Committees endorsement of the Commercial Strategy 2018-21 attached at Appendix 1 for approval by Cabinet on 25 February 2019.

2.2 This report is for the Joint Meeting of the Scrutiny Committees to consider under its Terms of Reference No. 2.1 Section – Growth, Environment and Resources Scrutiny Committee, 4.9 – Strategic Financial Planning.

**3. TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	N/A
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**4. BACKGROUND AND KEY ISSUES**

4.1 The Council has a range of experience in generating income and using commercial opportunities in order to supplement other forms of income, such as that received from the Government, Council Tax collection and other grants. However, it is recognised that the situation now faced

by the Council requires a more fundamental shift in the way in which these activities are identified, coordinated, implemented and monitored.

- 4.2 Peterborough City Council has a robust approach to financial planning - with a rolling programme of budget monitoring and budget setting - that allows us to identify where savings and investment need to be made. Based on current plans, we estimate that the Council will need to make another £20 million of savings over the next three years - and we are proactively planning to meet the financial pressures in the years ahead. It has been identified that commercial opportunities and associated income generation provide significant scope for alleviating financial pressures and creating commercial returns which underpin the delivery of crucial frontline services.
- 4.3 The proposed Commercial Strategy signals an intention - driven by necessity - to enter a new phase of enterprise, investment and commercial growth. We will work with partners who share our ambition and values and we shall continue to put the best interests of Peterborough residents at the heart of everything we do.

## **5. CONSULTATION**

- 5.1 The Commercial Strategy, its themes and design principles have been developed in consultation with Members, lead officers and our partners over the last six months. The strategy builds on the breadth and depth of commercial experience and practice which already exists in the Council whilst also introducing new skills and experience. The Portfolio Holder, members of the Cabinet Policy Forum, the Corporate Management Team and the Council's Section 151 Officer are supportive of the Strategy.
- 5.2 In preparing the Strategy, officers have consulted with leading consultants and looked at case studies and local authority investment processes, structures and activity published by other Councils.
- 5.3 If approved, detailed work plans will be developed under each Commercial Theme in the strategy. As a way of initiating the delivery of this work, an Opportunity Appraisal Framework has been developed in consultation with Members and Officers in order to ensure a clear vision and consistency in the way future activity is managed.

## **6. ANTICIPATED OUTCOMES OR IMPACT**

- 6.1 The purpose of developing a strong commercial strategy is ensure that the Council makes the best use its assets, skills and position to generate significant levels of new income to support delivery of crucial front line services.

The 2018-21 Commercial Strategy articulates the three priority themes for this period, which are more fully described in the strategy document:

- **Contract management, market shaping and procurement**
- **Contribution and funding**
- **Acquisitions and Investment**

- 6.2 The Strategy also describes more detailed objectives and targets along with governance arrangements, control measures and performance indicators to manage the risks associated with developing a more ambitious commercial portfolio.

## **7. REASON FOR THE RECOMMENDATION**

- 7.1 A Commercial Strategy and work plan is needed to build on existing initiatives, increasing the pace of portfolio development to ensure that commercial income makes a significant contribution to the Council's budget.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 The Council has been exploring strategies for achieving a balanced budget and options which included a range of commercial targets have been modelled alongside efficiency savings and service reductions.
- 8.2 As part of the development of the Commercial Strategy, the working group consider a range of options including alternative delivery models, acquisition and investment, contracts and procurement and trading income. The resulting Strategy proposes a mixed portfolio of commercial activity with ambitious but deliverable targets.

## **9. IMPLICATIONS**

### **Financial Implications**

- 9.1 Current financial projections indicate that the Council will be required to make savings of at least £20 million from its revenue budget over the next three financial years. Like many local authorities the Council is keen to pursue commercial opportunities to generate financial returns to support the revenue budget. The Commercial Strategy will contribute positively towards the achievement of savings targets and enable continued delivery of and investment in crucial front line services whilst achieving a balanced budget.
- 9.2 Implementation of the Strategy is likely to give rise to the need for additional internal and external resource, dependent upon the extent, nature and specific timing of acquisition, development and asset management activities.
- 9.3 The requirement for additional external resources will be managed on a case by case basis in order that implementation of the strategy is not affected, including both the ability to deliver improvements to the existing portfolio and to make further investments.

### **Legal Implications**

- 9.4 The Legislative Framework within which the Council operates is a vital consideration for income generating activity and includes, but is not limited to:
- Sections 1, 12, 15 and 95 of the Local Government Act 2003;
  - Sections 111, 120, 123 of the Local Government Act 1972;
  - Sections 1 and 4 of the Localism Act 2011.
- 9.5 The Legal implications and relevant legislative frameworks for individual proposals will be managed on a case by case basis as part of Business Case development and in conjunction with the Council's Legal advisers.

### **Equalities Implications**

- 9.6 Commercial income will underpin the strategic priorities of the Council's Corporate Strategy 2019-2021 which focuses on reducing inequality and designing services with citizens - mandating inclusion of a diverse range of views and voices.

## **10. BACKGROUND DOCUMENTS**

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

- 10.1 None

## **11. APPENDICES**

- 11.1 Appendix 1 - Draft Commercial Strategy 2018-2021

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# Commercial Strategy 2018 - 2021

Version 2 – January 2019

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# Contents

Welcome to the Council's Commercial Strategy which outlines our **commercial strategic aims**, how we will achieve them and how we will know that we have been successful.

The audience for this strategy is primarily the Council – its Members, its staff and its partners. Our commitment and aspirations for the next three years will be communicated to the public through a variety of channels and conversations so they know what to expect from us and can hold us to account.

## Strategy

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# Introduction

The current financial conditions faced by every Local Authority are very challenging. The funding for our services comes from Government grants and funding raised by the Council through collection of Council Tax and commercial activity. Since 2010, successive governments have reduced funding for Local Government in England as part of their efforts to reduce the fiscal deficit and there has been a move away from central government grants towards a greater reliance on locally sourced taxation such as Council Tax and Business Rates.

The sector has done well to manage substantial funding reductions since 2010, but many Local Authorities are now nearing a cliff edge, with growing overspends and reducing reserves. Based on our current levels of service and the expected national and local demand trajectory, Peterborough City Council will need to make another £20m of savings over the next three years and we are proactively planning to meet the financial pressures in the years ahead.

As part of our 2018 -2021 Corporate Strategy the Council has recognised the need to become more commercially focused, developing strength and depth in our activity and creating commercial returns which underpin the delivery of crucial frontline services.

This Commercial Strategy aligns closely with other key strategies including the Medium Term Financial Strategy, Transformation, Demand Management, Energy and IT & Digital and Asset strategies and incorporates our Acquisition and Investment Strategy, our Fees and Charges Policy and our Procurement framework.

**Through this strategy, the Council is signaling an intention - driven by necessity - to enter a new phase of enterprise, investment and commercial growth. We will work with partners who share our ambition and values and we shall continue to put the best interests of Peterborough residents at the heart of everything we do.**

## Strategic Priorities 2019-2021

Pride in our communities and environment.

First rate futures for our children, young people - and quality support for our adults and elderly.

Better jobs, good homes and better opportunities for all.

# Commercial Vision

Our commercial vision is...

**To develop a range of commercial activity which delivers financial and social return by becoming a Council which uses its assets, skills and position to generate significant levels of new income to support delivery of crucial front line services.**

Our ability to deliver this vision will depend on a number of internal and external factors including: how well we use our powers and delegations; strength of our MTFs; the amount of physical, intellectual and brand assets which can be exploited; political appetite to accept new risk and our capacity to implement change and maximise opportunities.

In this strategy, commercialism includes:

- making a profit - from trading and investments;
- maximising value for money from contractual relationships;
- making robust decisions on a consistent basis with evidence and a sound business case;
- thinking about the return on investment for every pound we spend;
- considering the whole life cost of policy decisions, including market impact;
- collaborating with the market and with partners to develop alternative models for greater return;
- considering new and innovative ways of generating income; and
- maximising use of revenue and assets.

We shall adopt a commercial approach which allows everybody to share their ideas and for these to be evaluated swiftly using a robust methodology. We want our workforce, our partners and our communities to feel valued and involved in our new enterprising and commercial approach and our staff will receive appropriate skills development and training.

We accept that the Council may need to take more risk than in recent times in order to achieve its ambitions and commercial success. Governance, management and performance of new commercial enterprises, partnerships and contracts will continue to be robust to ensure that the Council adheres to its statutory responsibilities and that public money continues to be appropriately used and accounted for.

# Commercial Themes

This strategy applies whenever we spend money with external suppliers, enter into or manage our commercial arrangements, generate income or make a commercial decision. Whilst the Commercial Services team will lead on delivery, they will work in partnership with all service teams across the organisation and externally with partners and customers. The 2018-21 Commercial Strategy prioritises three themes for this period:

Commercial Themes		
Contract management, market shaping and procurement	Contribution and funding	Acquisitions and Investment
<ul style="list-style-type: none"> <li>◆ Short term focus on contract re-negotiations, joint commissioning and contract management.</li> <li>◆ Entrepreneurial approach to procurement – working with the market to create different solutions.</li> <li>◆ Improved contract negotiation and management with a professionally specified and negotiated contract <u>every</u> time.</li> <li>◆ Extended joint commissioning arrangements across all services.</li> <li>◆ Increase benefits realisation from payment terms and conditions.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Develop a clear view of baseline position of all commercial activities.</li> <li>◆ Ensure that income from fees and charges is optimised.</li> <li>◆ Model options for alternative delivery – e.g. spin outs, joint ventures, mutuals - and ensure maximum return from existing initiatives.</li> <li>◆ Develop an external income stream from sponsorship, business investors and philanthropists.</li> <li>◆ Determine the profit and loss of current activities and define full cost recovery for all commercial services.</li> <li>◆ Maximise return from all our assets.</li> </ul>	<p>All investment decisions should focus on achieving <u>at least</u> one of:</p> <ul style="list-style-type: none"> <li>◆ Increase number and type revenue generation/ invest to earn investments – for example investment in land and property development, rental property, renewables, schemes that grow Council's business rates income, or proposals to enable existing revenue streams to be maintained longer into the future.</li> <li>◆ Invest to save - for example, proposals to introduce new technologies which reduce demand and spend on Council services.</li> <li>◆ Invest for social value - for example, proposals that will bring collective benefit to a community.</li> </ul>

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# Commercial Objectives and KPIs

## Objectives

The Council's Corporate Strategy identifies a number of key objectives that are directly linked to commercial activity;

- An overarching increase in return from commercial activity to support delivery of crucial front line services.
- A wider range of investments, providing a portfolio approach to risk and reward.
- Additional, sustainable income streams from external funding.
- A reduction in spend across contracted activity.
- An embedded commercial culture across the organisation.
- A reduction in net budget for traded or semi traded services.
- An increased return from energy schemes

## Measures of success (KPIs)

These objectives will be measured in a number of ways, for example;

- (£) Additional income generated to support front line services.
- (%) reduction in the net budget of a service by reducing variable cost of a service.
- (No.) of procurement exercises completed using new framework.
- (%) increase in contribution to fixed costs and overheads (%) and contribution to staff costs (%).
- Increase in commercial activity in services demonstrated by the level of additional income contributing to fixed costs, staff and overheads (%).
- (No.) of staff reporting more confidence in commercial decision making
- % increase in the number of partnerships with private and public sector bodies for commercial benefit.

## (Indicative) Targets

Work streams and associated KPIs for each of these commercial objectives and for priority themes are being developed. Once completed and risk-assessed, return will be built into budgets for 2019 - 2021. In the meantime the following aspirational targets have been proposed and will be further refined during the early part of 2019:

- To invest in schemes and projects which can deliver £15m to £20m of new revenue income over a period of five to ten years
- To deliver a minimum of £5m of new revenue income by the 31st March 2020.
- To deliver £4m of capital receipts by 31st March 2020.
- To deliver commercial skills development to 33% of Council staff by the end of 2019, rising year on year by 33% to 100% by end of financial year 2021.
- To make a 2% saving across the contracts annually for the lifetime of the strategy.

# Appendices

# Business Case Methodology

To ensure that commercial return is optimised and that public money is appropriately used, it is crucial that decision making is robust and consistent and is always based on a sound business case. The methodology which will be used to develop business cases for all commercial proposals will be taken from HM Treasury guidance on how to appraise and evaluate policies, projects and programmes – known as ‘The Green Book’.

**Business cases will always reflect financial value AND social value** and will be built on *Five Case Model Methodology* which is applicable to programmes and projects and comprises of five key areas:

**The Strategic Case:** makes the case for change and demonstrates how the project will deliver against strategic priorities.

**The Economic Case:** shows that the project will deliver best public value (financial and social) to society.

**The Commercial Case:** demonstrates that the preferred option will result in a well-structured deal between the Council and its providers.

**The Financial Case:** demonstrates the affordability and funding of the preferred option, including the support of stakeholders and customers.

**The Management Case:** details robust arrangements for the delivery, monitoring and evaluation of the project.

Business cases will developed through VERTO, the Council’s programme and project management IT system which will guide managers through these areas. Further, detailed information is available at:

<https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>



# Commercial Assets

The Council has a number of assets which can be classified as:

Land and buildings	Using our physical assets to generate income, capital receipts and reduce costs.
Place shaping role	Using our strategic role in society to shape and create the market for growth and enterprise.
Workforce	Using the knowledge and skills of our workforce to create commercial value
Infrastructure	Using and developing infrastructure assets such as digital platforms and IT highways for commercial gain.
Business intelligence	Using our vast amount of business and service data intelligently to create new commercial opportunities and better service delivery models which will generate new income for the Council.
Partnerships	Using and selecting the most appropriate private, public and third sector partner to deliver the schemes and projects that derive the maximum level of income for the Council and value for customers, residents and communities.
Customer intelligence	Using the various channels that the Council has to communicate with the public and use the customer information and contacts we have to help design and develop new commercial opportunities
Market Strength	Use our economic, infrastructure and asset strength to influence how the supply chain and infrastructure providers operate and partner with the Council to derive commercial benefits and new income streams.
Liquid assets	Access to cash, cheap borrowing and liquid assets to enable investment.
Brand	Use of brand value to promote our trading and commercial activities and those which we can partner with others to receive a financial return.

# Statutory Guidance

In February 2018, MHCLG published updated statutory guidance on Local Government Investments and statutory guidance on Minimum Revenue Provision after issuing a consultation and response.

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

The guidance sets out the requirement to prepare an investment strategy at least once a year which must be approved by Full Council. We can decide how the information is presented, and it can form part of another document such as the capital strategy or the treasury management strategy, but it must disclose the contribution that investments make “towards the service delivery objectives and / or place making role of the local authority” and must describe how commercial decision are governed.

The commentary published alongside the guidance specifies indicators for the investment strategy, including measuring gross debt as a percentage of net service expenditure and commercial income as a percentage of net service expenditure and we are required to set limits for these indicators in both Councils.

A key part of the guidance states that councils may not “borrow in advance of need” to profit from the investment of the sums borrowed and Local Authorities in England are also directed to have regard to the Statutory Investment Guidance the informal commentary to which cautions local authorities against:

- becoming dependent on commercial income;
- taking out too much debt relative to net service expenditure; and
- taking on debt to finance commercial investments.

**Issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018:**

## **Borrowing in advance of need**

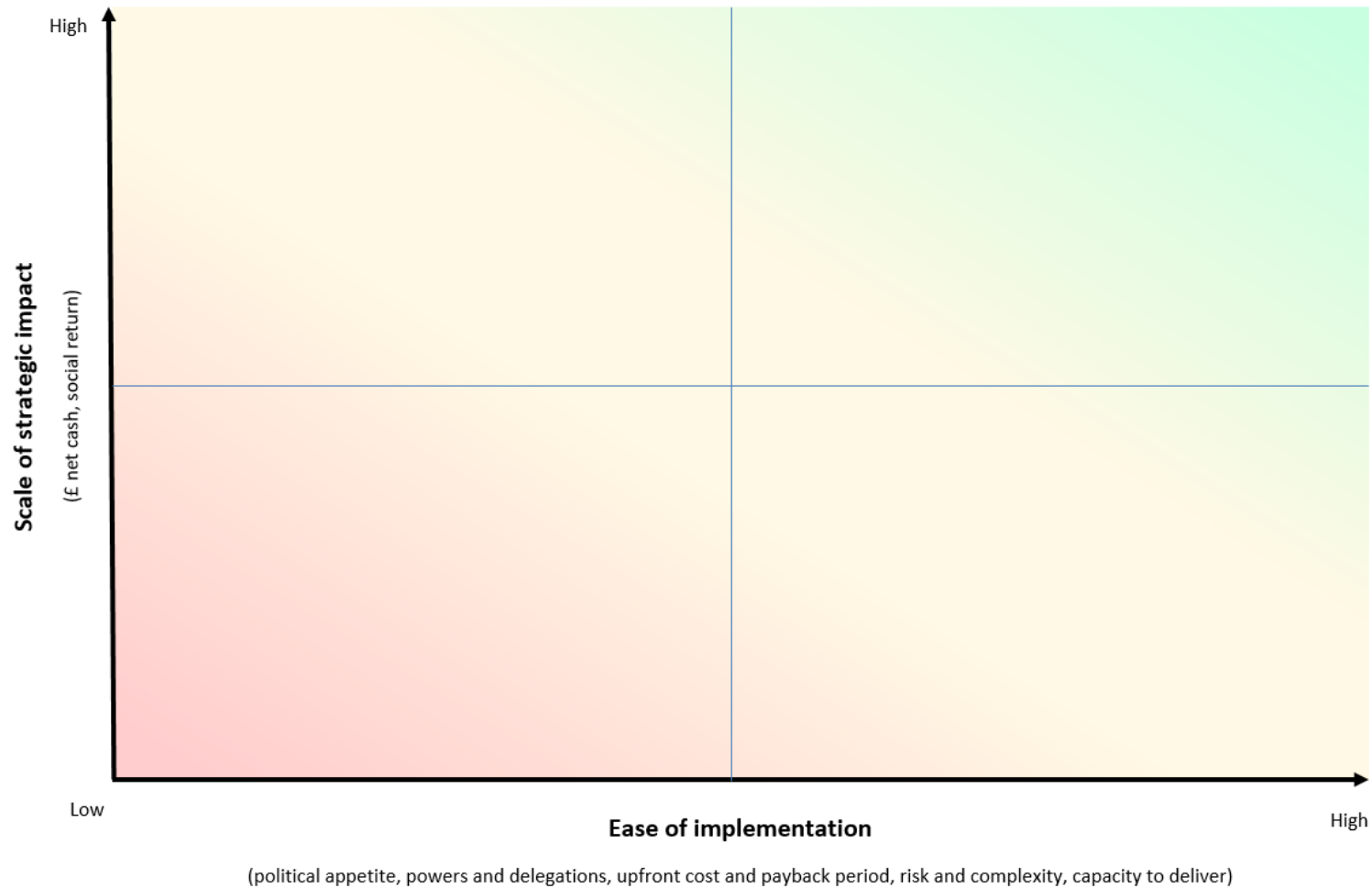
**“Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.”**

**Where a local authority chooses to disregard the Prudential Code the Strategy should explain:**

- **Why the local authority has decided to disregard; and**
- **The policies in investing the money borrowed, including management of the risks.**

# Opportunity Appraisal Framework

*To be developed on approval of commercial objectives*



This Commercial Strategy, its themes and enablers have been developed in consultation with Members, lead officers and our partners. The strategy is intended to foster engagement in the commercial culture and builds on good practice and approaches we have been testing and refining over the last two years.

We hope the ambition and themes are inclusive and engaging and this strategy encourages leaders, employees, partners, stakeholders and customers across Peterborough to participate in the important work of public service.

We welcome any feedback, offers of collaboration or ideas for improvement to [Business.Improvement@Peterborough.gov.uk](mailto:Business.Improvement@Peterborough.gov.uk) Thank you.

<b>JOINT MEETING OF SCRUTINY COMMITTEES</b>	AGENDA ITEM No. 6
<b>12 FEBRUARY 2019</b>	<b>PUBLIC REPORT</b>

Report of:	Acting Corporate Director of Resources	
Cabinet Member(s) responsible:	Cabinet Member for Resources	
Contact Officer(s):	Peter Carpenter - Acting Corporate Director of Resources	Tel. 01733 452520

### LOCAL GOVERNMENT REVIEW OF THE BUDGET - TRANCHE 3

R E C O M M E N D A T I O N S	
<b>FROM:</b> Acting Corporate Director of Resources	<b>Deadline date:</b> N/A
<p>It is recommended that the Joint Scrutiny Committee for the Budget:</p> <ol style="list-style-type: none"> <li>Note the work undertaken by Officers with the Local Government Association (LGA) to scrutinise Tranche 3 of the budget</li> <li>Note the recommendations from the LGA review, which is included in summary format within the Medium Term Financial Strategy (MTFS) Tranche 3 Document submitted to Cabinet on the 4th February 2019.</li> </ol>	

#### 1. ORIGIN OF REPORT

- 1.1 This report originated from a request by the Leader for a short external review of the budget process being followed and savings options being considered (e.g. a request from the Committee, or a Cabinet Member).

#### 2. PURPOSE AND REASON FOR REPORT

- 2.1 This report is being presented as a form of external validation for the approach the Council is taking for its 2019/20 to 2021/22 Medium Term Financial Strategy (MTFS).

- 2.2 This report is for Joint Meeting of Scrutiny Committees to consider under the Terms of Reference 3.2 (a):

*Help the Council and the Executive to develop its budget and policy framework and service Budgets;*

- 2.3 This report gives an external view of the approach that the Council is taking to deliver the 2019/20 budget and close the budget gaps in 2020/21 and 2021/22. As such, it underpins funding assumptions made for the present and future budgets which themselves link to all Corporate Priorities.

#### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	N/A
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#### **4. BACKGROUND AND KEY ISSUES**

- 4.1 The LGA was asked to support a Star Chamber process to challenge the thinking of the departments and identify further opportunities for efficiencies and savings.
- 4.2 As part of the Tranche 3 2019/20 MTFS process, Peterborough City Council had trialled a 'core cost model' approach to its budget. This is essentially a zero-based approach to the budget which intends to identify the irreducible core cost to the council of delivering its statutory duties and in the process identifying savings which can be made by discontinuing 'non-core' elements.
- 4.3 Alan Finch visited Peterborough on 19th December 2018 and met with officers from the Regeneration & Growth, People & Communities (Children's) and Resources Directorates. His colleague Joy Hollister visited on 18th December to speak to senior officers in the People & Communities (Adults) division.
- 4.4 The accompanying report (Appendix A) sets out:
- a. The findings of the work with Peterborough;
  - b. Insights where the Council might look for further savings and efficiencies;
  - c. A review of the core cost model and how it could be taken forward in future iterations.
- 4.5 The MTFS Tranche 3 Document picks up the key themes of the report in the "Strategy" Section.

Both LGA Reviewers were complimentary on the direction that PCC were taking but emphasised the need more pace of delivery. The main points highlighted were:

- Thinking through what PCC are delivering and why. What are the risks of not doing things;
- Agreement of the importance of prevention in reducing costs;
- Clarity of shared services work and culture differences with CCC;
- If really going to minimum core approach, PCC must compare services to lower quartile spenders across all service areas;
- Moving more to digital solutions;
- Benefiting more from the growth that is experienced in Peterborough;
- Having more joined up approaches (planning and housing as an example);
- In Adults moving delivery to an Asset Based Social Work Basis;
- Taking back the commissioning of services from the CCG;
- Looking at CPFT costs;
- Possible different delivery model for Public Health;
- Being tougher on contract rates for people in care - must move down to PCC rates.

#### **5. CONSULTATION**

- 5.1 This report is for information and context. Any work leading from this report will need to go through the agreed Council MTFS process.

#### **6. ANTICIPATED OUTCOMES OR IMPACT**

- 6.1 This report is to inform Members on the direction of travel of the MTFS process by external validation against what other Councils are delivering.

#### **7. REASON FOR THE RECOMMENDATION**

- 7.1 To provide the Joint Scrutiny Committee with an external validation and context to the Medium Term Financial Strategy (MTFS) Tranche 3 process.

#### **8. ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 Not applicable

## **9. IMPLICATIONS**

### **Financial Implications**

- 9.1 There are no financial implications to this report, however options within this report will be worked up into options for future MTFS programmes.

### **Legal Implications**

- 9.2 Not Applicable - this is an informational report.

### **Equalities Implications**

- 9.3 Not Applicable - this is an informational report.

### **Rural Implications**

- 9.4 Not Applicable - this is an informational report.

## **10. BACKGROUND DOCUMENTS**

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

- 10.1 Current MTFS Tranche Three Documentation - Cabinet 4th February 2019

## **11. APPENDICES**

- 11.1 Appendix A - LGA Report

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## NOTE FOR PETERBOROUGH CITY COUNCIL

### SUPPORT TO STAR CHAMBER PROCESS – DECEMBER 2019

1. The LGA was asked to support a Star Chamber process to challenge the thinking of the departments and identify further opportunities for efficiencies and savings.
2. As part of the Tranche 3 2019/20 MTFS process, Peterborough City Council had trialled a 'core cost model' approach to its budget. This is essentially a zero-based approach to the budget which intends to identify the irreducible core cost to the council of delivering its statutory duties and in the process identifying savings which can be made by discontinuing 'non-core' elements.
3. Alan Finch visited Peterborough on 19<sup>th</sup> December 2019 and met with colleagues from the Regeneration & Growth, People & Communities (Children's) and Resources Directorates. His colleague Joy Hollister visited on 18<sup>th</sup> December to speak to senior leaders in the People & Communities (Adults) division
4. "Core cost model" approaches often require more than one iteration. Peterborough's first iteration through the process has initially identifying £1.9m towards a savings target of £20m. This report sets out:
  - a. Findings of the work with Peterborough;
  - b. Insights where the Council might look for further savings and efficiencies;
  - c. A review of the core cost model and how it could be taken forward in future iterations.
5. The LGA reviewers would like to thank everyone in Peterborough for their welcome and for sharing their thoughts openly and in a spirit of collaboration. Although this note inevitably focused on issues for Peterborough to address, it is clear that the Council has a great deal going for it. Those councils that have so far found themselves in a poor financial position are those that have been unable to have the necessary internal conversations to arrive at deliverable solutions and make decisions about them. To all external appearances, Peterborough does not have that problem.

#### Findings from the work with Peterborough

6. It was evident from discussions held that different parts of the council had adopted different approaches to the problem. The short notes below reflect these discussions. The 'insights' section that follows reflects the individual conversations but suggests areas that the whole council might follow up.
7. The Growth and Regeneration Directorate has looked at its budget and analysed its expenditure in terms of four blocks of services
  1. Statutory/ controllable
  2. Non statutory/. Income led
  3. Statutory controllable
  4. Non statutory/ controllable

Guidance was provided by Legal on the split between statutory and non-statutory

The Non statutory/ controllable element provided initially £2m+ in savings. Following discussions with Members this reduced to £900k. This included adding back elements that Members felt unable to proceed with, which included gritting of roads.

The Department has heavily commercialised and is justly proud of its track record in developing trading opportunities.

8. Joy Hollister's discussion with the Adults Social Care team identified asset based social work as a key and a priority to be developed. This will take culture change and need organisational wide input, moving the mindset away solely from the challenges of service delivery. There was also a discussion on costs shunting from health which is very apparent and the need to robustly challenge this.

Statutory minimum service delivery levels in adults is not easy to define. Apart from day care and mental health, which were both identified as areas for further review, the Council may already not be far off minimum. The key is therefore not necessarily what Peterborough does but how it does it. Take prevention for example, this is still a non-statutory day care offer but as a way of meeting a statutory need this could also be badged as prevention. The question therefore is what alternatives might there be that are more cost effective.

9. The Children's services division of the People & Communities Directorate felt it had done as much as it can to reduce costs on the operational side. The Directorate is led by a management team which is shared with Cambridgeshire CC and is part of a developing partnership arrangement with the County.

The Adults Social Care meeting had identified the benefits of a community assets based model for delivery, which has the potential to achieve more through the effective use of all the skills, knowledge and assets available within communities and individuals – as well as the public, private and voluntary sectors. This is also applicable to Children's Social Care. What was now needed is a model for managing demand and a 'Wigan Deal' style conversation with the public.

Social Care is an area where prevention has a particular role to play and Peterborough has a family safeguarding approach which is aimed at keeping children out of care. This approach is better developed in Peterborough than it is in Cambridgeshire.

Peterborough's Children's team is proud of its internal expertise and feels that in working more closely with Cambridgeshire, Peterborough brings the benefit of its expertise and its family safeguarding approach and Cambridgeshire brings the benefit of enabling greater resilience in the smaller authority.

In discussing housing supply a disconnect was identified between planning strategy and service requirements which needs to be linked together.

10. In relation to the Resources Directorate a discussion on a 'core offer' with those responsible for back office services is naturally a different kind of conversation. Little of what the department does is mandated by law, but it supports all the rest of the Councils activities.

Peterborough's budget is predicated on £9m of back office savings, the bulk of which are intended to be delivered as a result of a shared services offer with Cambridgeshire CC. There is some urgency required in the discussions with Cambridgeshire to determine the

scope and approach to delivery of the future back office model. This is complicated by the fact that Cambridgeshire is already part of LGSS, a shared services joint committee arrangement with Northamptonshire CC and Milton Keynes and that Peterborough's back office services are delivered through Serco.

### Insights

11. Peterborough needs a further iteration of its core model approach (see the final section), using the lessons learned from the first iteration but built around a more robust corporate approach. Existing models in use may be helpful to allow the council get its head around the issue that some activities can be non-statutory but nevertheless add value. The key to the "core cost model" approach is that:
  - The costs of statutory services are not fixed but can often be managed downwards by adopting more efficient working methods or reviewing the way statutory outcomes are delivered;
  - Services and activities that are non-statutory require a business case to justify their inclusion in the budget or a clear decision by members that this is a political priority.
12. Non-statutory and controllable budgets should not be seen as the only source of savings and the distinction drawn between controllable and non-controllable spend needs to be further challenged. It may be better therefore to think more in terms of degrees of controllability. Where services are demand led and therefore harder to control there are still things that can be done in terms of managing demand and driving down unit operating costs.
13. It is understood that steps are being taken to extend the zero based approach into capital. This is vital as there was some indication that parts of the organisation do not fully understand the financial implications of the capital programme.
14. Peterborough has benchmarked itself against its statistical nearest neighbours and more widely, but there has been a tendency for the council to satisfy itself that it is spending below average. If the council is serious about a core offer, then it needs to be comparing itself with lowest quartile spenders across all services and seeking out other councils that are performing well at significantly lower levels of spend.
15. Income generation is now a vital element of any council's budget. Peterborough is ahead of the field in terms of developing commercial income generating opportunities. Where commercial income is being generated, the council needs continuously to monitor to ensure that income covers direct cost and where necessary makes a contribution to overheads. Some commercial models provide potential financial benefits by allowing flexibilities or access to markets not otherwise available to local authorities. However the action of adopting a commercial model in itself does not necessarily deliver such benefits.
16. It's not fair to reach any conclusion on the strength of a short acquaintance, but Peterborough is widely cited as a growth area which has been among the most economically vibrant places in the country, but appears not to have benefited, or to be benefiting, substantially from the financial opportunities this should bring. These include:
  - The opportunity to grow the tax base of both local taxes;
  - The opportunity to benefit from inward investment, including the generation and delivery of developer contributions;

- Where the costs of growth can be confined to marginal cost, the opportunity to spread overheads over a larger client base.

Whilst growth does bring challenges as well as opportunities, it was interesting to hear views expressed that Peterborough is a relatively deprived place with low property values. This is at odds with the popular view of the city as a thriving place in a sub-region that has enjoyed significant economic growth.

17. In terms of service redesign, and in reframing the relationship with citizens, one of the main opportunities lies around the use of digital technology. Evidently, many public services are people centred and are difficult to automate, but others are capable of being delivered more efficiently. There is the requirement for the council to ensure it updates its digital strategy, which should sets out among other things the way it intends to reduce the unit costs of customer interacting with residents.
18. Although it was not discussed on the day, many councils are making use of data analytics now to pinpoint issues as they arise and focus resources in a more targeted way. Peterborough should investigate this.
19. As far as the back-office is concerned, clarity will need to be reached quickly with Cambridgeshire as to the future direction of travel for back-office. This is a complex issues but it seems clear that this will involve a strategic partnership with Cambridgeshire. In the Star Chamber we found ourselves in a discussion about the strategic options facing Cambridgeshire. It is important for Peterborough to recognise and understand the issues facing its strategic partner, but ultimately Peterborough will need to act in its own interests and its members will need to be advised accordingly.
20. Overall there was a sense that Directorates need to be more joined up in their objectives or in their approach to budgets. The specific example that came out was the very clear synergies that exist between planning and housing, where it is important for each to be sighted and sharing both objectives and data. A comprehensive Corporate Plan would move this forward, while this is not the only thing that will help join up departments, it is hard to see how synergies can be realised fully without one.

#### Taking the Core Cost model forward

21. As Peterborough recognises, in practice it is very hard for a council to reduce its activities to its core statutory duties. Among the reasons for this are:
  - In practice the costs of the statutory core are hard to identify because statutory duties are often only vaguely defined and are open to interpretation. A 'core offer' therefore introduces greater risk that services may be found to be legally non-compliant;
  - A pure statutory model potentially removes all preventive activity which is an approach not consistent with providing best value (itself a statutory duty);
  - Many of the non-statutory activities that councils undertake are among the most valued and popular local services or the most important to the prosperity and quality of life in the area;
  - A local authority is the emergency planning authority for its area and needs to be resilient enough to respond to all reasonably foreseeable emergency events. A council reduced to its core offer may not be that resilient.

22. The strength of a 'core costs' approach is that it requires officers and members to think through the purpose of the services they deliver – are these things that we must do, that it is prudent for us to do or that we choose to do? And what are the risks and implications of not doing them? The essence of a 'core costs' budgeting approach is therefore to allow this conversation and to present elected members with sufficient information to allow them to make judgements.
23. The approach adopted by another Council in this regard may be a helpful one for Peterborough to consider for the next iteration of its process. It is set out in the diagram below.



I trust these notes are helpful to the Council. I am of course happy to discuss them further as the Council desires.

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