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PETERBOROUGH CITY COUNCIL SUMMONS TO A MEETING

You are invited to attend a meeting of the Peterborough City Council, which will be held in the Engine Shed, Sand Martin House, Peterborough on

THURSDAY 16 DECEMBER 2021 at 6.00 pm

AGENDA

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A handwritten signature in blue ink that reads "Gillian Beasley".

Chief Executive

8 December 2021
Town Hall
Bridge Street
Peterborough

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EXTRAORDINARY COUNCIL	AGENDA ITEM No. 3
16 DECEMBER 2021	PUBLIC REPORT

Report of:	Pete Carpenter, Corporate Director Resources	
Cabinet Member(s) responsible:	Cllr Andy Coles Cabinet Member for Finance Cllr Peter Hiller Cabinet Member for Strategic Planning and Commercial Strategy and Investments	
Contact Officer(s):	Pete Carpenter Corporate Director Resources	Tel. 01733 - 452520

CAPITAL PROGRAMME MORATORIUM

RECOMMENDATIONS	
FROM: Corporate Director Resources	Deadline date: N/A
<p>It is recommended that Council:</p> <ol style="list-style-type: none"> 1. Approve a temporary Capital Programme Moratorium and revised Capital Programme for 2021/22 as set out in this paper. 	

1. PURPOSE AND REASON FOR REPORT

- 1.1 The purpose of this report is to gain Council's approval to enact a temporary Capital Programme moratorium in order to help reset the Council's finances, pending the presentation of a revised capital programme to Council in March 2022.
- 1.2 Changes to the Capital Programme, unless for S114 purposes, require approval by the full Council for implementation.

2. BACKGROUND AND KEY ISSUES

- 2.1 The Council is facing a huge financial challenge. The Improvement Plan sets-out how we propose to respond to that challenge and will be considered by Council on 16 December.

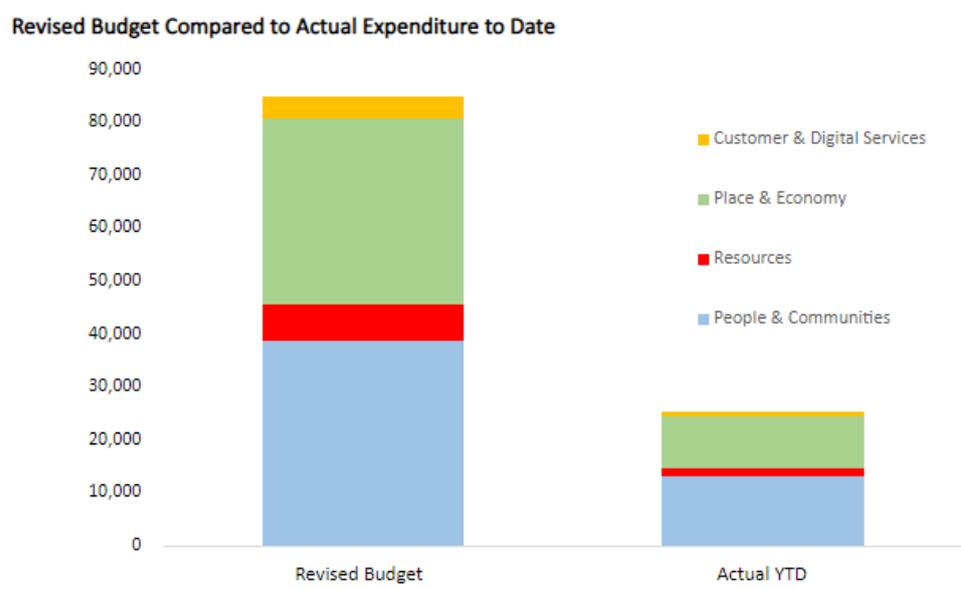
A number of immediate actions are needed to reduce in-year spending on both revenue and capital budgets. This report details where we propose to reduce or postpone expenditure on capital projects in the current year.

In asking Members to approve these changes to in-year capital spend, it is important that it does not result in a salami-slice approach to the programme. Therefore, although we are asking for these projects to be temporarily postponed, a full review of the three-year capital programme is being undertaken ahead of the 2022/23 budget approval process. In carrying-out that review, including scrutinising commitments and spend to date on projects and considering where match funding is in place, it is possible that some of the projects listed in this report will be included in the revised capital programme, while others may have to be cancelled. As part of the Council resetting its finances, it will undoubtedly need to have a much smaller capital programme over

the next three years than has previously been envisaged. It is vital therefore that what resources we can afford are allocated to those projects that provide most benefit for the people of the City.

2.2 The October 2021/22 Capital Monitoring position was presented to Cabinet on the 29th November. That showed an in-year forecast expenditure as £95.8m, which includes £10.9m for Invest to Save (I2S) Schemes (Column headed 'Revised Budget' in the table below). The original investment as per the Medium Term Financial Plan (MTFS) approved in March 2021 was £146.8m. The movement between the MTFS position and the £164.9m as at 1st April 2021 was a result of slippages mainly due to delays completing projects from 2020/21, so significant re-phasing of projects is already forecast.

Directorate	MTFS Budget £000	1st April Budget £000	Revised Budget £000	Actual YTD £000	Total Spend Against Budget %
People & Communities	46,129	50,981	38,752	13,153	33.9%
Resources	38,112	37,306	7,010	1,513	21.6%
Place & Economy	46,644	59,089	35,077	9,813	28.0%
Customer & Digital Services	2,500	4,028	4,012	1,029	25.6%
TOTAL	133,384	151,403	84,852	25,507	30.1%
Grants & Third Party Contributions	67,763	71,669	50,189	17,767	35.4%
Capital Receipts repayment of loans				0	0.0%
Borrowing	65,621	79,734	34,664	7,740	22.3%
TOTAL	133,384	151,403	84,852	25,507	30.1%
Invest to Save	13,500	13,540	10,909	4,497	5.3%



2.3 The proposals in this report will bring in additional reductions of the in-year position compared to the table above. These are summarised in the following table, along with the resulting reductions in funding. Appendix A sets out the detailed schemes.

Reduction In Spend	2021/22 Budget £000	Borrowing £000	Grants & Third party contributions £000
People & Communities	1,054	1,054	0
Resources	2,859	2,859	0
Place & Economy	2,137	1,900	237
Customer & Digital Services	1,310	1,310	0
Invest to Save	2,075	2,075	0
Total	9,435	9,198	237

3. CONSULTATION

- 3.1 This revised programme has been circulated to Directors and Capital Programme leads. They have fed back comments to come to this reduced programme. Discussions will be taking place with our affected partners.

4. IMPLICATIONS

Financial Implications

- 4.1 Overall, Council funded expenditure has been reduced and this will result in a small reduction of capital financing charges in the current year (interest), estimated at approximately £45k. This is on top of the previously forecast underspend on this budget of £2.7m. Although this seems a modest additional saving, it should be remembered that this reduced expenditure would have occurred in the final quarter of the current year and therefore there is a minimal impact in the current year.

Legal Implications

- 4.2 Changes to the Capital Programme, unless for S114 purposes, require approval by the full Council for implementation.

Equalities Implications

- 4.3 Equality impact assessments for the amendments made within this report will be considered as part of the implementation of this decision. Where it is concluded that there is an impact then the appropriate governance in relation to those schemes will be taken.

Carbon Impact Assessment

- 4.5 Carbon impact assessments were completed as part of the original Medium Term Financial Strategy. Our early assessment of the recommendations in this report are that there is no adverse position to report.

5. BACKGROUND DOCUMENTS

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

- 5.1 [2022/23 MTF5 Phase 1 Report – October 2021](#)
[Budgetary Control Report - October 2021 – Cabinet 29 November 2021](#)

6. APPENDICES

- 6.1 Appendix A – Detailed Reductions to Schemes
Appendix B – Revised Capital Programme

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Appendix A – Detailed Reductions to Schemes

	2021/22 Saving £000	Corporate Resources £000	Third party funding £000
Aids And Adaptations	(332)	(332)	0
Capital Maintenance on Schools	(236)	(236)	0
Off Street Car Parks - Structural Works and Resurfacing	(100)	(100)	0
Replacement Cctv Cameras	19	19	0
Mobiles Purchase/Lease	(60)	(60)	0
Hampton Leys (Gardens)	(3)	(3)	0
PFI Condition Works	(245)	(245)	0
Repair Assistance (Care and Repair)	50	50	0
Chestnuts Community Centre	10	10	0
Key Theatre Catering Provision	(35)	(35)	0
Future Primary MTFS	(122)	(122)	0
TOTAL for People & Communities	(1,054)	(1,054)	0
Leisure Trust Property	(301)	(301)	0
Cost Of Disposals	(260)	(260)	0
Fletton Quays Fit Out	(36)	(36)	0
North Westgate Development	(1,160)	(1,160)	0
North Town Hall Works	(151)	(151)	0
Housing Joint Venture	(950)	(950)	0
TOTAL for Resources	(2,859)	(2,859)	0
Waste Management Strategy - ALMO	(34)	0	(34)
Play Areas Improvement Programme	(267)	(267)	0
Replacement Of Highway Gullies	(1)	(1)	0
Crescent Bridge Refurbishment	(50)	(35)	(15)
More Cycling – PCN	10	0	0
Strategic Network Review	(119)	(119)	0
A47/A15 Lincoln Road Junction 18 Improvements	(253)	(253)	0
Westwood Footbridge Pier Top Concrete Refurb	(3)	(3)	0
Westgate Public Realm	(18)	(18)	0
CAN Do - Assets	(197)	(197)	0
A605 Whittlesey Access Phase 2 – Stanground Access	(655)	(435)	(220)
Norwood Lane Improvements	(27)	(27)	0
Street Signage	(50)	(50)	0
Homeless 50 Project	(40)	(40)	0
Peterborough Integrated Renewables Infrastructure (PIRI)	(98)	(98)	0
Fletton Quays Access Road	(34)	(24)	0
Peterborough Builds Back Better/Cafe Culture project	(183)	(183)	0
TF - Lincoln Road	(100)	(100)	0
NSAP Bid - 88 Lincoln Road	(50)	(50)	0
The Dell re-landscaping project	18	0	18
Hampton Court re-landscaping project	14	0	14
TOTAL for Place & Economy	(2,137)	(1,900)	(237)
ICT Projects - Scheduled agile hardware replacement (Chromebooks, laptops and docking stations etc)	(964)	(964)	0

	2021/22 Saving £000	Corporate Resources £000	Third party funding £000
ICT Projects - MobilePhones - replacement project for iphone 5s and 6	(58)	(58)	0
ICT Projects - LAN / WAN Refresh (not SMH)	(300)	(300)	0
ICT Projects - Data Lake	(20)	(20)	0
Website Project	32	32	0
TOTAL for Customer & Digital Services	(1,310)	(1,310)	0
MTFS - Provision of Housing	(2,000)	(2,000)	0
Vulnerable People Property 1	(75)	(75)	0
TOTAL for Invest to Save	(2,075)	(2,075)	0
TOTAL	(9,435)	(9,198)	(237)

Appendix B – Revised Capital Programme

	2021/22 Revised Budget £000	Corporate Resources £000	Third party funding £000
Aids And Adaptations	473	123	350
Transformation	134	74	60
Capital Maintenance on Schools	947	0	947
Replacement Cctv Cameras	41	0	41
Staffing Costs (0.5% Of Capital)	190	190	0
Mobiles Purchase/Lease	300	300	0
Heltwate Special School	658	0	658
Schools Direct Spend	379	0	379
Hampton Leys	131	0	131
PFI Condition Works	373	128	245
Disabled Facilities Grant	2,152	0	2,152
Disabled Facilities Grant (Former Council Houses)	175	0	175
Repair Assistance (Care and Repair)	600	600	0
Manor Drive Secondary Academy	14,526	0	14,526
Manor Drive Primary Academy	6,326	0	6,326
Clare Lodge-Phase 6	6	6	0
Oakdale Primary 1 FE Expansion	23	0	23
Marshfields Expansion	389	389	0
Belsize Comm Centre	13	0	13
Eye Primary Expansion	8	8	0
Barnack Primary School Capital Works	174	0	174
Additional Capital Funding-schools	23	0	23
Chestnuts Community Centre	20	0	20
St John Henry Newman Catholic School	8,213	0	8,213
Key Theatre Catering Provision	15	15	0
Clare Lodge - Phase 8	1,406	0	1,406
TOTAL for People & Communities	37,695	1,833	35,862
Strategic Property Portfolio	1,824	1,824	0
Leisure Trust Property	200	200	0
London Road Retro Fit	948	948	0
Cost Of Disposals	40	40	0
Capital School Reserve	400	400	0
Crematorium Relining	88	88	0
Werrington Car Park	-177	0	-177
South Town Hall Works	106	106	0
North Westgate Development	300	300	0
North Town Hall Works	85	85	0
Central Town Hall Works	47	47	0
Mausoleum Building Costs	232	232	0
Community Leadership Fund (CLF)	60	0	60
TOTAL for Resources	4,153	4,270	-117
Wheelie Bins	160	160	0
MTFS Footway Slab Replacement Programme	315	260	55
Play Areas Improvement Programme	79	0	79
Replacement Of Highway Gullies	59	59	0
Roads And Bridges - Lighting	580	325	255
APV Baker Footbridge	950	450	500
Surface Treatments	1,271	610	661
Subway Improvements	15	0	15

	2021/22 Revised Budget £000	Corporate Resources £000	Third party funding £000
Nene Bridge Bearings	1,578	1,578	0
Crescent Bridge Refurbishment	45	0	45
Bus Station Cap Enhancements	39	0	39
Signalised Crossing scheme	176	0	176
Congestion Hotspot Treatment	75	0	75
City Centre Accessibility Improvements	33	0	33
Innovative Travel	189	0	189
More Cycling – PCN	245	0	245
Cycle Parking	15	0	15
Dropped Kerb Programme	157	0	157
Primary Public Trans-Pptc	200	0	200
Safer Journeys To School	29	0	29
Rights Of Way - Rowip	30	0	30
Small Walking Infrastructure Schemes	73	0	73
Local Safety Scheme	213	0	213
Mobility Improvements	22	0	22
Refurbishment of Traffic Signal Sites nearing end of life	134	134	0
Strategic Network Review	10	10	0
A47/A15 Lincoln Road Junction 18 Improvements	432	432	0
Bourges Boulevard phase 2	9	0	9
Westwood Footbridge Pier Top Concrete Refurb	82	0	82
Nene Thorpe Half joint durability improvement	40	0	40
Business Grants	10	0	10
A605 Oundle Road improvement scheme (between Lynch Wood and Alwalton) NPIF	49	49	0
Parkways Five Year Maintenance programme	1,676	1,676	0
A1260 Nene Parkway Junction 15 improvements	2,060	0	2,060
Eastern Industries Access Phase 1 - Parnwell Way	327	0	327
A605 Whittlesey Access Phase 2 – Stanground Access	822	822	0
Resurface Footways per LTP Programme	110	0	110
Safety Fence Inspections/Work	76	0	76
Paston Riding Deck Replacement	3	0	3
Culvert Lining Programme - Phase 1	37	0	37
Bridge Strengthening Package (Waterworks, Orton Culvert, Gunthorpe Road)	19	0	19
Street Signage	42	42	0
A1260 Nene Parkway Improvement Jn 32 to Jn 3 (Fletton Parkway)	252	0	252
Electric Taxi Infrastructure	2	0	2
Housing Estates Small Kerb Replacement	100	0	100
Carriageway Retexturing	55	0	55
A16 Norwood Dualling	607	0	607
Peterborough University Access	226	0	226
Localised Resurfacing	830	830	0
New Street Furniture	50	50	0
Extreme Weather Network Improvements	500	500	0
Street Lighting Cables and Feeder Pillar Upgrade	500	500	0
Safety Fencing Network	2,057	1,836	221
Allotments & Neighbourhood Parks (Phase 1)	31	0	31
Peterborough Integrated Renewables Infrastructure (PIRI)	244	0	244
Retaining Wall Remedials	69	0	69
Westwood Retaining Wall	40	0	40
Green Wheel Improvements	477	0	477
Towns Fund - Stanley Recreation Ground	256	0	256

	2021/22 Revised Budget £000	Corporate Resources £000	Third party funding £000
Towns Fund - Other larger park improvements	140	0	140
Towns Fund - Other smaller park improvements	453	0	453
Towns Fund - Refurbishment of toilet block & sluice room along the river	32	0	32
Pothole and Challenge fund	1,975	0	1,975
Fletton Quays Access Road	150	76	74
Peterborough Builds Back Better/Cafe Culture project	677	0	677
Towns Fund - The Vine	1,300	0	1,300
Towns Fund - Lincoln Road	100	100	0
Aragon DS Fleet Renewal	8,140	8,140	0
NSAP Bid - 88 Lincoln Road	50	50	0
Emergency Active Travel (Grant)	376	0	376
Frank Perkins Parkway Waterproofing to Structures	400	0	400
Fletton Quays Parapet	164	0	164
A14 Cambridge to Huntingdon Improvement Scheme	120	0	120
The Dell re-landscaping project	18	0	18
Hampton Court re-landscaping project	14	0	14
Dodson House Surfacing and Drainage Improvements	170	0	170
TOTAL for Place & Economy	33,061	18,689	14,372
Adult Social Care Systems	206	206	0
Children's Social Care Systems	50	50	0
Educations Systems	575	575	0
ICT Projects - Northgate ResourceLink upgrade	60	60	0
ICT Projects - EDRMS Enhancements	69	69	0
ICT Projects - Shared Services	29	29	0
ICT Projects - E-Signatures	10	10	0
ICT Projects - M365 Rollout (Capital costs, Serco, CTS and Microsoft)	45	45	0
ICT Projects - FOI replacement	20	20	0
ICT Projects - Scheduled agile hardware replacement (Chromebooks, laptops and docking stations etc)	300	295	5
ICT Projects - Civica Community CX stage 1 (Regulatory Services)	150	150	0
ICT Projects - IKEN	15	15	0
ICT Projects - Spectrum Replacement	100	100	0
ICT Projects - Cyber Security	150	150	0
ICT Projects - Disaster Recovery	51	51	0
ICT Projects - Storage Area Network Refresh (or move to Azure)	20	20	0
ICT Projects - Academy move to the cloud	250	250	0
ICT Projects - Business critical projects	205	205	0
ICT Projects - Service Desk	60	60	0
ICT Projects - Server end of life	120	120	0
ICT Projects - Power BI reporting solution	20	20	0
ICT Projects - Project online	40	40	0
ICT Projects - Highways system replacement	10	10	0
ICT Projects - Capita Upgrade - Youth Support Services	50	50	0
ICT Projects - Sharepoint	40	40	0
ICT Projects - Waste Projects	25	25	0
Website Project	32	32	0
TOTAL for Customer & Digital Services	2,702	2,697	5
Vulnerable People Property 1	5	5	0
Westcombe Machinery	34	34	0
Hilton Hotel - Fletton Quays	8,795	8,795	0
TOTAL for Invest to Save	8,834	8,834	0
TOTAL CAPITAL PROGRAMME	86,445	36,323	50,122

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EXTRAORDINARY COUNCIL	AGENDA ITEM No. 4
THURSDAY 16TH DECEMBER 2020	PUBLIC REPORT

Report of:	Gillian Beasley, Chief Executive and Corporate Management Team	
Cabinet Member(s) responsible:	Councillor Wayne Fitzgerald, Leader of the Council	
Contact Officer(s):	Gillian Beasley, Chief Executive	Tel. 452302

FINANCIAL IMPROVEMENT PLANNING

RECOMMENDATIONS	
FROM: Chief Executive	Deadline date: N/A
<p>It is recommended that Council:</p> <ol style="list-style-type: none"> 1. Approve the Terms of Reference of the Peterborough City Council Independent Improvement and Assurance Panel as set out at Appendix 2 of this report and, in doing so make the following appointments to the Panel as follows: <ol style="list-style-type: none"> (a) Eleanor Kelly – Independent Chair (b) Chris Buss – Internal External Member (Finance) (c) Andrew Flockhart – Independent External Member (Governance) (d) Chris Naylor – Independent External Member (Services) (e) Clive Heaphy – Independent External Member (Assets, Contracts & Companies) (f) Rachel Litherland – Independent External Member (LGA) 2. Approve the remuneration to the Panel as set out in paragraph 3.3 of this report. 3. Approve the Improvement Plan as set out in Appendix 3 to this report. 4. Approve the draft Corporate Strategy set out at Appendix 4 of this report for public consultation in accordance with paragraph 5.3 of this report. 5. Approve: <ol style="list-style-type: none"> i. The delegation of authority to the Chief Executive, Director of Law and Governance & Monitoring Officer and the Corporate Director of Resources & S151 Officer, to take all necessary actions in conjunction with CIPFA to carry out a recruitment and selection process for three external independent members of the Audit Committee, subject to ratification of the appointments for a fixed term of 4 years by Full Council on 26th January 2022; and ii. The honorarium payment for the two independent members to be set at £1500 per annum and the honorarium payment for the independent chair at £3000, plus travelling and subsistence expenses. 6. Approve the delegation of authority to the Director of Law and Governance and Monitoring Officer to make all necessary changes to the Council's Constitution to: <ol style="list-style-type: none"> i. Incorporate the terms of reference for the Improvement and Assurance Panel; 	

- ii. Outline the route for recommendations from the Improvement and Assurance Panel through Cabinet, Growth, Environment and Resources Scrutiny and Full Council; and
 - iii. Incorporate the roles and responsibilities of the independent members of Audit Committee, including the role of chairing the committee.
7. Note the work set out at 7.4 that has commenced alongside CIPFA on assessing and delivering member training on financial scrutiny for Audit and Scrutiny Committees.
 8. Note the proposal at 8.2 for Full Council to consider a report before the end of July 2022 on commencing an evaluation on moving to “all out” elections every four years.

1. PURPOSE AND REASON FOR REPORT

- 1.1 The purpose of this report is to secure Council’s agreement to a series of actions which respond to recommendations made in two independent reports on the Council’s finances and governance from Andrew Flockhart, Chartered Institute of Public Finance and Accountancy (CIPFA), commissioned by the Department of Levelling Up, Housing and Communities. Those reports are attached at Appendix 1 of this report and the Ministerial Response to the Review. The Minister of State for Equalities and Levelling Up, Housing and Communities wrote to Council Leader Councillor Wayne Fitzgerald following publication of these reports, setting out their expectations of the Council and a copy of the letter is also attached at Appendix 1.

2. BACKGROUND

- 2.1 Peterborough City Council is one of the councils that requested Exceptional Financial Support (EFS) from Government during 2020. A condition of this support was that the Department for Levelling Up, Housing and Communities (DLUHC) and the Chartered Institute of Public Finance and Accountancy (CIPFA) would undertake reviews of the Council’s governance and finances during the summer of 2021. The DLUHC commissioned reports on finance and governance matters were published in early November 2021.
- 2.2 The Council has acted swiftly to respond to the findings and recommendations of these reports and this report sets out, in the paragraphs below, these actions and what is now required to be put in place to ensure a comprehensive and effective response to both reports. The actions are as follows:
 - (a) Appointing an Independent Improvement and Assurance Panel.
 - (b) Approving an Improvement Plan
 - (c) Approving a new draft Corporate Strategy for public consultation
 - (d) Commencing the process for appointing an Independent Chair, Independent Members to the Audit Committee.

3. INDEPENDENT IMPROVEMENT AND ASSURANCE PANEL

- 3.1 In Andrew Flockhart’s report it was recommended that such a Panel be set up to support the Council’s improvement work. This recommendation has been acted on and attached at Appendix 2 are the draft Terms of Reference for the Panel and its proposed membership. As well as the biographies of each proposed Panel Member.
- 3.2 The purpose of the Panel is to
 - Provide external advice, challenge and expertise to Peterborough City Council in driving forward the development and delivery of their Improvement Plan;
 - Provide assurance to the Secretary of State of Peterborough City Council’s progress on delivery of their Improvement Plan;
 - Provide four monthly reports to the Council on the progress of the delivery of the Improvement Plan.

- 3.3 The Council will be responsible for the remuneration of the Panel. The Secretary of State for Levelling Up, Housing and Communities has recently reviewed the rates that the Department sets for Chairs of Improvement and Assurance Panels and Panel Members which are as follows:-
- Chair of Panel - £900 per day
 - Panel Member - £800 per day

As a result, it is proposed to pay the Chair and Panel Members £900 and £800 per day respectively.

- 3.4 A Shadow Meeting of the Panel was held on 3rd December and a discussion took place as to the number of days per month each panel member would need to devote to the respective roles so that an indicative budget can be produced. On the basis of those discussions proposed budget for the operation of the Panel is £333,200 for the first year.

4. IMPROVEMENT PLAN

- 4.1 The Improvement Plan at Appendix 3 of this report is a critical document, and it has been formulated with significant input from:

- Cabinet Policy Forum
- Financial Sustainability Working Group
- Colleagues from CIPFA
- An authorship group of key officers from the Council

It has also had input from the proposed members of the council's Independent Improvement and Assurance Panel at a shadow meeting of the Panel on 3rd December 2021. The Plan sets out the challenges ahead to work effectively and at pace. It is a living document with the two-year plan split into six-month planning windows with the immediate six-months being set out in detail, whilst maintaining a view of the longer-term planning horizon. Through this approach, it drives the Council to take urgent and decisive action on its current financial and improvement challenges and, at the same time, allows the Council to look at the medium and longer term to develop new target operating models for its services, moving it away from the initial silo-based approach.

- 4.2 The Plan has three Improvement Themes as follows: -

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

delivery disciplines where personal accountability will be at the heart of our new ethos. We will change the organisation if we are clear on what has to change, by when and to what standard.

5. CORPORATE STRATEGY

- 5.1 The Council needs to refresh its Corporate Strategy for the period 2022-25. This work is being developed in two parts. Part one is a two-year Improvement Plan, starting immediately, with a focus on reaching financial sustainability. Part two will be developed during the first half of 2022 and will set the longer-term ambition and vision for the Council and City. A copy of Part one of the Plan is attached as Appendix 4.
- 5.2 Part one of the plan will focus on the objective to create financial sustainability by the financial year 2023/24 and the delivery of core/statutory services to meet the needs of our citizens.
- 5.3 Council is asked to approve the draft strategy for public consultation and for subsequent approval through the Council's constitutional framework with final approval at the Council meeting on 2nd March 2022.

6. AUDIT COMMITTEE APPOINTMENTS

- 6.1 The Council needs to strengthen the membership and leadership of the Audit Committee in order to properly respond to the recommendation of the DHLUC Local Government Finance Review that consideration be given to appointing a Chair and external independent members:

“The membership of the Council’s Audit Committee should be strengthened by the appointment of external independent members to improve its expertise and independence”.

This is in line with recommended best practice for Audit Committees. CIPFA’s guidance on Audit Committees: “Audit Committees: Practical Guidance for Local Authorities and Police (2018)” states:

“Good practice shows that co-option of independent members is beneficial to the audit committee” as “The injection of an external view can often bring a new approach to committee discussions”.

The guidance also states:

“CIPFA endorses the approach of mandating the inclusion of a lay or independent member and recommends that those authorities, for whom it is not a requirement, actively explore the appointment of an independent member to the committee.”

- 6.2 Authorities that have chosen to recruit independent members have done so for a number of reasons:
 - to bring additional knowledge and expertise to the committee
 - to reinforce the political neutrality and independence of the committee
 - to maintain continuity of committee membership where membership is affected by the electoral cycle.

There are some potential risks to the use of independent members which should also be borne in mind:

- over-reliance on the independent members by other committee members can lead to a lack of engagement across the full committee
- lack of organisational knowledge or ‘context’ among the independent members when considering risk registers or audit reports

- effort is required from both independent members and officers/staff to establish an effective working relationship and establish appropriate protocols for briefings and access to information.

An appropriate level of support and induction will need to be provided to independent audit committee members along with identification of appropriate meetings, briefings or other opportunities that independent members could attend to help develop better understanding of the Council and its processes.

- 6.3 The current membership of Audit Committee is seven, politically proportionate and agreed at Annual Council each year, and is presently chaired by a member of the majority party. Section 13 of the Local Government and Housing Act 1989 relates to the voting rights of non-elected committee members and provides that independent co-opted members will not be able to vote on matters for decision. Drawing on best practice, the Council is recommended to appoint an Independent Chair of this committee and two further independent members of the committee for an initial fixed term of four years through the procedure below ending May 2026, with provision for extension.
- 6.4 The draft person specification & job description of the independent members is attached as Appendix 5 setting out the requirement for relevant knowledge and expertise. The vacancies will be publicly advertised seeking candidates who have had previous experience or knowledge of audit functions. Candidates will need to be able to demonstrate their political independence and suitability in order to provide robust challenge to the Council's financial management. Appropriate enquiries will be made as part of the recruitment process to ensure that any applicants satisfy the requirements, and continuation of compliance will be monitored during the term of appointment. While operating as a member of the audit committee, the independent members will follow the same code of conduct as elected members and a register of interests will be maintained. The primary considerations when considering applications will be maximising the committee's knowledge base and skills, being able to demonstrate objectivity and independence, and having a membership that will work together.
- 6.5 Subject to Council's approval, the roles will be advertised immediately after the 16th December with a view to interviewing in the second/third week of January 2022. The induction process will then commence immediately, subject to ratification of the appointment at Full Council on the 26th January 2022. CIPFA will be supporting the Council on the recruitment process.
- 6.6 The constitutional requirements for membership of the Audit Committee will need to be altered to allow for independent members to sit on the Committee and for the Committee to be chaired by an Independent person. It is therefore proposed that the new Committee make-up will be:
- 1 x Independent co-opted Chair
 - 2 x Independent co-opted members
 - 3 x Conservative Members
 - 3 x Labour Members
 - 1 x Liberal Democrat Member

This allows for the membership of the committee to continue to reflect the current political proportionality of committees of the Council.

- 6.7 It is proposed to offer the independent members an annual honorarium of £1500 for the two ordinary members and £3000 for the chair. This is considered to be in line with similar positions elsewhere and in recognition of the level of work anticipated.
- 6.8 A report recommending the appointment of the new independent members of the Audit Committee, along with revised terms of reference for the Committee incorporating their role, will go to Full Council on 26th January 2022.

7. TRAINING AND DEVELOPMENT OF MEMBERS

- 7.1 The Governance external assurance review report asked the Council to commission and support a development/support programme for councillors, particularly the new Leader and Cabinet, the Chairs of the Scrutiny Committees, and the Audit Committee and for the leaders of all the political groups of the Council.
- 7.2 The governance assurance report found that the Council's Audit Committee was not currently scrutinising the council's financial challenges with sufficient urgency or focus and not paying sufficient attention to the strategic risks and issues facing the Council or the Council's MTFS processes. CIPFA have been provided with details of the training that was provided in-house by the S151 officer and his team and the Internal Auditor for the Audit Committee after the May elections in 2021. The Committee have also all received the CIPFA handbook "Audit committees - Practical Guidance for Local Authorities and Police (2018 Edition)".
- 7.3 The report also found that the checks and balances that should be offered by the Council's Scrutiny role were not strong enough and did not focus enough on the strategic dimensions of our challenges, in particular the MTFS and annual budget plans. There needed to be a stronger willingness to challenge the assumptions and information presented to them. Scrutiny members did receive induction training on Scrutiny Essentials and Questioning Skills delivered remotely by the Centre for Governance and Public Scrutiny on 2nd June. As an immediate measure in advance of the Joint Scrutiny of the Budget Committee meeting on the 17 November 2021 all scrutiny members were asked to complete online Finance Scrutiny training from the Centre for Governance and Scrutiny before attending the meeting. They were also sent two CIPFA and LGA guidance documents on finance scrutiny to read.
- 7.4 The Council is committed to ensuring all members have the knowledge and skills needed to effectively scrutinise and challenge the Council's financial decisions, governance and procedures. Work has commenced with CIPFA to conduct a skills analysis assessment of both the Audit and Scrutiny Committees in order to deliver a targeted and appropriate two-year training and development programme, focusing on financial scrutiny and governance, where the weaknesses have been identified. CIPFA has been asked to consider how best to strengthen the skills and approaches of members and are considering this against the training that has already been delivered. All members, not just those on Audit and Scrutiny committees, will be invited to attend training and development events to increase their knowledge and skills.
- 7.5 There are also some changes necessary to the Council's Constitution, shown at Appendix 6, which incorporate the role of the Improvement and Assurance Panel in the Council's governance structures, including the requirement to report to Full Council every six months and the need for Cabinet to formally respond to any recommendations from the panel. The Growth, Environment and Resources Scrutiny Committee will review the Cabinet's actions in this regard and must report on progress directly to Full Council every six months. The recommendations also highlighted the need for the Council to ensure that Audit Committee's annual report to Full Council is properly considered with discussion on any concerns raised and a robust response given.

8. ELECTIONS

- 8.1 The Governance Assurance report recommended that the Council formally consider a report on moving to all out elections every four years instead of electing by thirds by March 2023, via an evaluation process. The Council is also required to discuss the outcome of the evaluation with DLUHC. The report recommended this change in order to bring stability to our decision-making and encourage the development of more strategic long-term solutions. The timetable set out the Governance Assurance report states that the formal evaluation of the option of a four-year electoral cycle should be initiated by July 2022 and Full Council should consider a report outlining the results of the evaluation process by March 2023. Any such decision would require a two-thirds majority of members voting in favour.
- 8.2 A separate report is therefore due to come back to Full Council in 2022 asking it to consider the recommendation to commence an evaluation process on the proposal to change from elections by thirds to all-out elections every four years.

9. COMMUNICATIONS AND ENGAGEMENT

9.1 Through this report and its recommendations, the Council is approving significant key documents. These documents are partly, by their very nature, technical in detail but it is vital that the Council's staff, partners and residents in particular understand the challenges ahead for the Council and therefore are able to actively engage with the improvement work. The Council also wants active feedback and challenge on this work and therefore is developing a communication and engagement plan with the following characteristics: -

- Key plans which are distilled into plain English and presented as 'plan on a page' documents
- Regular updates on the progress of plans – in particular where these have been affected by staff or residents' own actions or support.
- Development of innovative ways to seek feedback and challenge on these plans and which demonstrate how it has and will continue to respond to the feedback.
- Specific dedicated channels for involvement and engagement with key groups of Peterborough residents or staff who may have different information and engagement needs.
- Focused primarily on achieving outcomes – not on service or council structures.

9.2 The Plan will be presented to the Independent Improvement Panel for its input and will be agreed at the meeting of Council on 27th January 2022.

10. CONSULTATION

10.1 The Corporate Strategy is identified as requiring consultation under the Council's Constitution. In addition, the report identified the consultation that has taken place in relation to the development of the Improvement Plan.

11. FINANCIAL IMPLICATIONS

11.1 The estimated financial implications of the recommendations made in this report are outlined within the following table:

Activity	£000
Audit Committee Panel Independent Chair and Members (4 years)	24
Independent Improvement and Assurance Panel (1 year)	333
CIPFA Forensic Service Review (improvement plan)	180
CIPFA Improvement Plan support and member training	230
Total	767

These will be finalised and incorporated within the Phase Two 2022/23 Medium Term Financial Plan, which will be presented to Cabinet on 31 January 2022, for approval at Council on 2 March 2022.

12. BACKGROUND DOCUMENTS

None

13. APPENDICIES

Appendix 1 – Independent Reports

Appendix 2 – PCC Independent Improvement and Assurance Panel Terms of Reference

Appendix 3 – Improvement Plan

Appendix 4 – Corporate Strategy Part One

Appendix 5 – Independent Members of Audit Committee – Job Description and Person Specification

Appendix 6 – Independent Improvement and Assurance Panel Report Flowchart

CIPFA

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Department for Levelling Up, Housing and Communities

Local Government Finance Review – PETERBOROUGH CITY COUNCIL

November 2021

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1 Executive Summary

1.1 General introduction about the review

Peterborough City Council requested Exceptional Financial Support from the Department for Levelling Up, Housing and Communities (DLUHC) for 2020/21 and 2021/22, in addition to that received in 2019/20, to help it balance its budget by raising capital borrowing to support its revenue expenditure. DLUHC commissioned CIPFA to undertake an independent and detailed financial assurance review of the Council.

The financial challenges facing the Council are significant and urgent. The financial difficulty that led to these requests has been apparent for some time but although the Council has made savings these have not been at the level to meet the scale of the challenge and the Council has continued to increase its net service spend and spend on capital projects. As a result, the Council has used one off receipts to balance the budget including reducing reserves.

None of the political parties has overall control of the Council and the political uncertainty is exacerbated by holding elections in thirds, which means that the main parties are always focussed on the next election. The Council has ambitious plans, including support for the new University and a programme of housebuilding and other growth-based activities which will not in the short-term address the immediate financial challenges that the Council faces. However, following the May 2021 elections a new administration has been formed apparently with a new determination and willingness to resolve the financial situation by taking difficult decisions.

Officers consider that the Exceptional Financial Support will enable the Council to balance its budgets for 2022/23 and that from thereon, its programme of savings including transformational activity; demand management for social care and a reduced capital programme, will provide financial resilience.

The Council's Medium Term Financial Strategy (MTFS) relies on several factors:

- Use of current Covid-19 reserves of £10.5 million for 2021/22.
- Capitalisation directives of £5.5 million for 2021/22 (Revenue support of £3.2 million and £2.3 million to provide the resources to manage currently undefined transformational activity) and £19.2 million for 2022/23 (Revenue support of £18.0 million and £1.2 million to continue the transformational activity).
- Achieving savings, some of which are not fully costed and detailed and against a backdrop of under-achievement of savings planned in previous years.
- A reduced capital programme that still contains growth items (e. g. £8.5 million on ICT projects and £8.57 million on provision of Housing).

Of most concern is the inclusion of amounts for an increase in Council Tax above the statutory level for which there is no agreement. The Council also has limited reserves to support them through the MTFS period and at the end of 2019/20 had the lowest ratio of reserves to service expenditure of any of the Council's Near Neighbours. In summary there is a significant risk that the Council will not be able to balance its budget over the period of the MTFS.

The major part of the additional financial support the council expects to request is required to bridge the budget gap in 2022/23 and there is at this time, a high risk that the budget gap for the year will widen further, and the Council will not have the reserves to meet that. That is why the Council has requested the capitalisation directive. Before that is agreed we think the Council should look to minimise the requirement by generating its own resources. The Council does have some substantial non service delivery assets. These are the Rural Estate, the Town Hall and a Retail/industrial/Office portfolio. Our estimate is this would generate a significant Capital Receipt, that should be applied to balance the budget in 2022/23 before any

Exceptional Financial Support is agreed and provide an enhancement of reserves going forward.

This is a critical juncture for the Council, and we consider financial stability through the Council's own resources must be the only focus for the new administration for the next twelve months supported by the new Chief Executive who should be recruited with this as their primary objective. To assist in this focus, we consider it appropriate that the Council recognises that the £19.2 million capitalisation directive should only be agreed once the Council has exhausted all alternative actions to provide a balanced budget for 2022/23.

Once that is achieved the Council does, with a focussed approach to savings and the management of demand, the assistance of the transformational funding; reduced capital spending and the enhancement to reserves from a release of its remaining non service delivery assets, have the potential to be sustainable in the short to medium term.

We recommend that the Council should:

- Determine on a disposal of assets programme designed to generate a capital receipt within the 2022/23 financial year that avoids the need for a further capitalisation directive and makes a significant contribution to the Council's reserves.
- Fully detail the business case for the Transformational Capitalisation including reviewing the intentions for the earmarked reserves before any further support is agreed and as part of this the Council needs to engage an independent body to provide robust challenge and focus on the development of that plan.
- Undertake a comprehensive review of the Children's service in relation to:
 - The approach to demand management
 - Linked to the above, comprehensive modelling of future demand pressures and costs (or a full review of the detail provided for the MTFS)
 - Forensic review of expenditure
- Undertake Service reviews of Housing, Planning and Development and Central Services where there is over average spending and Adult Care services to establish the extent of the demand pressures.

A. Financial Management

The Council has an extended range of commercial partnerships for service delivery and achievement of objectives. We do not think that there is adequate focus of a single corporate shareholder. We think that the Council's Audit Committee should be strengthened and given greater independence and expertise.

We recommend that the Council should:

- The Council should continue its expenditure controls.
- Undertake a review of the Council's external commercial relationships and in particular a review of the need for and future role of a corporate shareholder.
- The membership of the Council's Audit Committee should be strengthened by the appointment of external independent members to improve its expertise and independence.

B. Assets and Commercial Interests

Whilst the Council has taken steps to reduce the Capital programme in order to reduce the revenue consequences, we think the current borrowing requirement is unsustainable and the

programme still contains unaffordable growth. We also consider the Council has assets that can be realised in order to contribute to balancing the budget before any exceptional financial support is provided.

We recommend that the Council should:

- Immediately halt spend any capital spend funded by borrowing for which there is no legal commitment and there should be a detailed review process of all schemes.
- Verify valuation of assets individually, including rural estate, and carry out detailed options and market appraisal of all assets to establish asset disposal list.
- Investigate difference in valuation data of £118m and develop consolidated list of assets with property details, current valuations and income to enable a disposals strategy to be developed.
- Complete valuations on the 2023/24 disposal list so the receipts planned can be established.
- Sign no new Farm Business Tenancies, so that agricultural land can be sold free of tenancies where possible.
- Make no further capital investment in farms such as new grain stores.
- Assess current values of retail assets and options for income potential and/or alternative uses.
- Investigate the commercial basis for Peterborough Investment Partnership (PIP) to establish the value of assets held by the joint venture, future capital requirements and options for realising value for the Council.
- The housing joint ventures of Meacham Homes and Medesham Homes should be reviewed to understand the potential for realising capital receipts.
- Implement agile working policy to reduce office space required at Town Hall and Sand Martin House by 30%.

2 Purpose of this report

CIPFA were asked by the DLUHC, to undertake independent and detailed financial assurance reviews of up to nine Local Authorities, reporting back to the Department with findings and recommendations for actions that the Local Authorities need to take to improve management of their finances.

The aims of these reviews are:

- To provide an assessment of the Local Authorities' financial management and management of risk, deliverability of savings plans, and efficiency in delivering services.
- To provide assurance that the Local Authorities that received Exceptional Financial Support from the Department in the financial year 2020/21 have taken appropriate steps to improve their financial sustainability.
- To provide assurance that the Local Authorities that received an in-principle agreement for Exceptional Financial Support from the Department in the financial year 2021/22 have taken appropriate steps to improve their financial sustainability.
- To provide support to these Local Authorities in the form of recommendations and performance requirements to ensure they achieve this objective.

Each review will be structured around the following main areas:

- A detailed assessment of the Local Authority's financial position and financial management and recommendations for actions that the local authorities need to undertake to strengthen their position.
- An assessment of each Local Authority's financial pressure and ability to manage pressures outside additional borrowing, including the development of a deliverable plan for asset sales as means to raise capital receipts and reduce risk (working in conjunction with the Local Authority).
- Taking into consideration the above, a judgement on each Local Authority's in principle capitalisation requirement in 2021/22 delivered through the Exceptional Financial Support (EFS) process.

The information gathered as part of the review is to be used to provide an action plan with appropriate recommendations in relation to:

- Ensuring the long-term sustainability of the Local Authority's finances with a view to be attached as conditions to any financial support provided, including improvement targets where appropriate.
- The Local Authority's ability to manage financial pressures outside additional borrowing, including the development of a proposed plan for asset disposal as a means to raise capital receipts to manage exceptional pressure and/or reduce risk where appropriate. To be considered over a reasonable timescale consistent with value for money and consideration of existing local plans.
- As assessment as to the level of EFS needed for each Local Authority, noting the in-principle decision for support in 2021/22 already indicated to each Local Authority.

2.1 Methods used to gather data

CIPFA undertook a review of the publicly available material on the Council's financial background and were supplied with material related to the Council's current and future financial position. We utilised statistical and financial information provided by the National Audit Office (NAO) and from our own data sources.

This was supported by interviews with senior members, officers and other staff to gain insights into the financial position of the Council and future intentions for the Council's finances. There was also a discussion with the Council's external auditors and the Council's strategic property advisers and the support services provider.

2.2 Any scope restrictions

CIPFA were not restricted in their enquiries. This report is based on information we received up until the 16th September 2021.

3 Background

3.1 The structure of the Council and how it operates

Peterborough City Council became a unitary authority in 1998, having previously been part of Cambridgeshire County Council. It is the most northern sub-division of Cambridgeshire.

The council is made up of 60 councillors, one-third of whom are normally elected each year, with no elections in the fourth year.

The council uses a leader and cabinet model of decision making. The Council is currently in No Overall Control with a minority Conservative administration most recently formed in May 2021 with a new Leader and Portfolio holders. The political composition is: 29 Conservative, 17 Labour, 8 Liberal Democrats, 3 Werrington First Independents, 3 Green. The next elections are in May 2022.

The Council's vision is "To create together a Peterborough residents are proud to live, work and grow up in and where services deliver what local people need and give value for money". The Council says this strategy signals a strong commitment to communities and the environment. The Council has three priority outcomes: pride in our communities, our places and our environment; first rate futures for our children and young people, quality support for our adults and elderly and better jobs, good homes and improved opportunities for all.

Management of the Council, which employs 1,178 staff, is based on a joint management arrangement with Cambridgeshire County Council (CCC), led by the Chief Executive, there are seven executive posts (including the Director of Resources) who together comprise the Management Team. The Director of Resources (Section 151 Officer) is however an exclusive post to the Council.

The Council shares the majority of CMT roles with CCC and the sharing of resources has expanded throughout the organisation with 200 shared roles. During 2020/21 the Council paid £14m to CCC and received £5.9m from CCC.

The Council has a plethora of arrangements for service delivery and pursuing its aims and objectives. Greater detail is outlined later in the report but in summary:

- Serco provide support functions
- Milestone is the highways contractor
- City Culture Peterborough Ltd operates the Museum & Art Gallery, the Key Theatre, Libraries & Archives, and Flag Fen Archaeology Park
- Cambridgeshire and Peterborough Combined Authority perform the functions of the Local Enterprise Partnership and levy the Council for the cost of delivering transport functions
- Opportunity Peterborough Limited is a wholly owned subsidiary for regeneration
- Peterborough Investment Partnership LLP is a limited liability partnership to secure regeneration of key city centre sites with capital market investors
- NPS Peterborough Ltd is a Joint Venture to undertake the property services of the Council
- Medesham Homes LLP is a limited liability partnership to deliver affordable rented housing and housing solutions for vulnerable groups
- Peterborough HE Property Company Ltd is an associated company set up to act as a developer of a new university campus
- Peterborough Limited is a wholly owned subsidiary of the Council, trading under the name of Aragon Direct Services to deliver waste and environmental services and did use the Vivacity branding to deliver Leisure Services
- Blue Sky Peterborough Limited is a dormant wholly owned subsidiary and exists to "deliver renewable energy solutions and energy efficiency for Peterborough City Council"
- Empower Peterborough Community Interest Company is 50:50 controlled by the Council and Empower Community Management LLP and was to deliver solar panel on residential

properties and it acts as an agent to ECS Peterborough 1 LLP with the responsibility of marketing a solar panel programme.

The Council operates extensive shared services with four other Councils.

The Council's strategic framework has the following elements: A Corporate Strategy; ambitious performance measures; an MTFs; a set of partnership agreements and action plans; a transformation programme and a Strategic Performance Management and Improvement Framework.

3.2 Key statistical landscape

The population was estimated at 202,259, a 13% increase since 2009, with projected population forecast to reach 214,847 by 2025. The area of the Council is 343.38 sq km.

According to the 2011 Census, 82.5% of Peterborough's residents categorised themselves as white, 2.8% of mixed ethnic groups, 11.7% Asian, 2.3% black and 0.8% other. Peterborough is home to one of the largest concentrations of Italian immigrants in the UK. Within the Councils area there are more than 100 languages spoken and more than a third of children speak English as their second language.

The Peterborough constituency is ranked 84th out of 533 constituencies for deprivation in 2019: 103rd for income deprivation, 134th for employment deprivation, 27th for education, skills and training deprivation, 132nd for health deprivation and disability, 55th for crime, 89th for barriers to housing and services, 297th for living environment deprivation, 108th for income deprivation affecting children and 125th for income deprivation affecting older people.

Designated a New Town in 1967, Peterborough Development Corporation was formed in partnership with the city and county councils to house London's overspill population in new townships sited around the existing urban area. There were to be four townships, but the last of these was never built, but a fourth, called Hampton, is now taking shape south of the city.

Peterborough's population grew by 45.4% between 1971 and 1991. New service-sector companies were attracted to the city, ending the dominance of the manufacturing industry as employers. An urban regeneration company named Opportunity Peterborough, was set up by the Office of the Deputy Prime Minister in 2005 to oversee Peterborough's future development. Between 2006 and 2012 a £1 billion redevelopment of the city centre and surrounding areas was planned. The master plan provided guidelines on the physical shaping of the city centre over the next 15–20 years. Proposals are still progressing.

With the city expanding, in July 2005 the council adopted a new statutory development plan. Its aim was to accommodate an additional 22,000 homes, 18,000 jobs and over 40,000 people living in Peterborough by 2020.

The Council is supporting the city's economic success with a 'Regeneration and Growth Strategy', which outlines investment of £600m across eight key development sites. This includes schemes covering North Westgate, Northminster and the University, which will provide accessibility to higher education and ensure the attainment of skills. As one of its priority outcomes the Council committed to the development of a University in the city and in 2020 planning permission was granted for a new university, ARU Peterborough, which will be an employment focused university run by Anglia Ruskin University with four faculties: Business, Innovation and Entrepreneurship; Creative and Digital Arts and Sciences; Agriculture, Environment and Sustainability; Health and Education. The new university is expected to take its first cohort of approximately 2,000 students by 2022, rising to 12,500 by 2028.

Cambridgeshire and Peterborough Clinical Commissioning Group is the main commissioner of health services in the city. It is one of the largest CCGs in England with a budget of £1.3 billion. The Council has four Section 75 (S75) agreements with health partners. Three of the agreements, Better Care Fund, Learning Disability Services and Integrated Community Equipment Services are with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG). The fourth agreement, for Mental Health Services, is with Cambridgeshire and Peterborough NHS Foundation Trust (CPFT).

3.3 Past performance

Revenue

The balance of the Council's financing has changed in recent years. Direct central Government support has declined from 2010/11 to 2020/21 from £135 million to £39 million, whilst Business Rates support has increased from nil to reach £47 million in 2019/20. Locally generated sales, fees and charges have only increased from £26.6 million to £32.2 million over the same period. In 2019/20, the Council increased its commercial income to £8.9 million compared to only £2.5 million in 2010/11.

The financial problems of the Council became significantly noticeable around 4 years ago. In March 2017, the Council's MTFs said the expected budget gaps were: 2017/8 - £18.80 million; 2018/9 - £26.99 million; 2019/20 - £34.34 million; 2020/1 - £37.29 million; 2021/2 - £38.06 million. In December 2017 the prediction was that £35.2 million of savings was needed over the next 3 years. The Council was successful in achieving the targeted £17.6 million in the next financial year, but only £6.8 million of £14.6 million in 2018/19 and £15.9 million of £21.0 million in 2020/21.

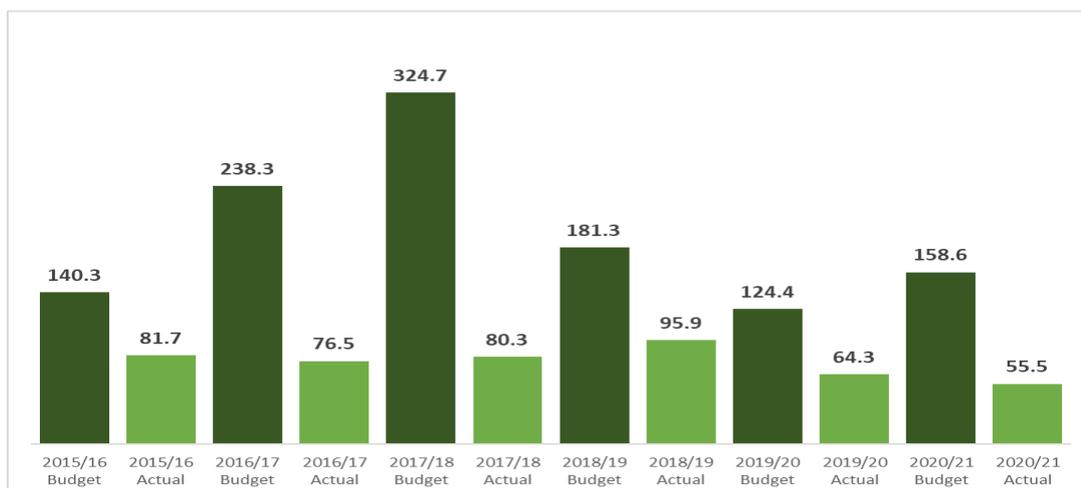
As a result, it has had to balance its budget through capital receipts, sale of assets and use of reserves (2017/18: £20.1 million; 2018/19: £17.4 million; 2019/20 (ignoring the capitalisation directive): £14.1 million; 2020/21: £16.8 million).

Despite the expected budget gaps and the savings made, the Council has forecast increasing expenditure on its services for a number of years, exacerbating the difficulty in funding the planned expenditure:

PETERBOROUGH CITY COUNCIL - NET SERVICE COSTS - MTFs PREDICTIONS							
Date of prediction	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£000s						
Mar-17	145771	157086	157900	168329	169291		
Nov-17	142315	158039	164322	173630			
Jul-18		147455	157596	166499			
Oct-18			156152	167551	173174		
Feb-19		149448	166096	172044			
Feb-20				168381	174247	178139	
Nov-20				163743	175820	179513	181733
Feb-21					190111	194481	199220

Capital

The Council has previously had an extensive budget for capital spend but has struggled to deliver the programme as planned:



Since this profile was reported in February 2021, the Council has now taken action to make a controlled reduction in the future capital programme but is still planning spend of £146.9 million in 2021/22; £88.1 million in 2022/23 and £35.3 million in 2023/24.

2018/19 Financial Year

According to the Statement of Accounts, the Council's net revenue expenditure was £146.492 million against a budget of £151.819 million, but they added £8.501 million into reserves and as a result, final revenue outturn was a £3.17 million overspend. With a financing adjustment the Council was overspent by £2.1 million that was covered by a contribution from reserves.

The overspend was primarily a result of an overspend on the children's placement budget within the People and Communities directorate. Underspends in the Resources directorate, largely as a result of reduced capital financing costs, investment income and efficiencies off set the full impact of the overspend in People and Communities. That overspend was covered by a transfer from the Capacity Building Reserve.

Capital budgets for 2018/19 were £158.7m. Following slippage of budgets where schemes were delayed in the prior year, the revised budget rose to £181.3 million. The final revised outturn was £95.855 million of which £48.760 million was funded by borrowing.

2019/20 Financial Year

According to the Statement of Accounts, the Council's net revenue expenditure was £155.451 million against a budget of £158.944 million with £4.767 million put into reserves and as a result, final revenue outturn was a £1.274 million overspend. In addition, there was a shortfall of £2.821 million in asset sales and £1.631 million in CCG payments (covered by credit notes) and with other adjustments the Council overspent by £5.468 million. By utilising a Capitalisation directive of £5.564 million, they underspent by £0.96 million which was transferred to the Capacity Building Reserve.

Capital budgets as agreed for the 2019/20 were £78.134 million with Invest to Save budgets of £35.99 million. Following slippage of budgets where schemes were delayed in the prior year, the overall budget rose to £87.63 million plus £36.7 million for Invest to Save schemes. The final outturn was £64.3 million (none for Invest to Save schemes) of which £28.259 million was funded by borrowing.

2020/21 Financial Year

The draft Statement of Accounts shows the Council's net revenue expenditure was £159.654 million against a budget of £156.737 million. But they added £2.528 million into reserves and as a result, net revenue outturn was a £5.445 million overspend.

Looking in more detail at the individual Directorates outturns for 2020/21 shows:

- A £9.4 million overspend in People & Communities (£4.053 million in Adults – Commissioning - due to delayed savings (£1.515 million); an uplift in carers costs and care package costs for the pandemic (£1.864 million) and increased costs but settlement of CCG debts (£1.199 million). £2.072 million in Communities – Community safety – due to loss of income (Parking Charges, parking, and environmental enforcement - £2.236 million;) £1.818 million in Communities – Think Communities – due almost entirely to the loss of leisure services income.)
- A £1.032 million overspend in Place & Economy due mainly to a £1.638 million overspend from accommodating vulnerable people in temporary accommodation during the pandemic.
- Collectively the other Directorates provided a £1.418 million overspend. The most notable feature of this was a £1.149 million pressure caused by the inability to make savings in Business support due to the need to retain and increase temporary staff for the pandemic.

Of the £24.680 million of support the Council received for Covid-19 costs (including Local Tax Income Guarantee), they were able to add £14.783 million to reserves for meeting Covid-19 related expenditure in 2021/22.

Following those movements, the Council transferred £3.975 million to the Capacity Building Reserve.

The Council's capital budget was £95.55 million with Invest to Save (I2S) Schemes of £50.8 million. The revised budget was £112.989 million with I2S schemes of £45.6 million. The expected outturn is £53.73 million (plus I2S of £3.02 million) of which £24.28 million is funded by borrowing.

Comparison with Near Neighbours

The Council believes that services are provided at low unit costs. The Council obtains data from LG Futures and in the most recent benchmarking report it was demonstrated that the Council's unit costs, in comparison to other authorities across England, were 11.4% lower than average, and ranked 92nd highest out of 123 comparable authorities (98th of 119 councils based on 2020/21 figures).

Between 2015/16 and 2019/20 the Council has reduced total service expenditure from £1440 per head to £1349 per head¹. This spend is below the level of the nearest neighbours. The Council believes services are now at dangerously low levels due to successive 'salami cuts' and in some cases, services have reached what they regard as statutory minimum.

This is not completely borne out by the comparisons of 2019/20 RO Return spend in individual services (Table 1). Children's services expenditure is above average while Housing services and Planning and development services are in the highest quartile, while Central Services are the second highest of all the comparator Councils. Other services are below average or in the lowest quartile.

¹ CIPFA: RO returns

TABLE 1 - COMPARISON OF SERVICE COSTS PER HEAD 2019/20			
Service area	Peterborough cost 2019/20	Comparison average 2019/20	Cost overage*
Education	£572.62	£621.46	
Highways & Transport	£13.12	£31.28	
Children's Social Care	£224.23	£214.58	£1,973,425
Adults Social Care	£254.61	£503.08	
Public Health	£54.56	£64.91	
Housing	£44.58	£27.52	£3,488,770
Cultural & Related Services	£28.85	£37.39	
Environmental & Regulatory Services	£60.15	£68.98	£1,807,780
Planning & Development Services	£28.69	£17.21	£2,347,660
Central Services	£62.93	£26.00	£7,552,185
Source: CIPFA based on RO returns			£17,169,820
*Population of 204,500 (City Council estimate at mid 2019)			

The financial position

4.1 Introduction

This section will provide an assessment of the Council's financial pressures and their ability to manage pressures outside the use of additional borrowing, including the development of a proposed plan for asset disposal over a reasonable timescale to raise capital receipts, where appropriate.

4.2 Projected budget position for the next few years

Background

At the end of 2019/20, by comparison with its Near Neighbour Councils, the Council was below average for the resilience of its reserves with the lowest ratio of reserves to service expenditure of any of the Council's Near Neighbours.

At the end of the 2020/21 financial year the Council was able to add £3.975 million to its Capacity Building reserves, despite overspending on its services, due primarily to the receipt of Covid-19 support.

At the start of the 2021/22 financial year the Council had reserves of £66 million (of which £6 million was general reserves; £20 million usable reserves; £35 million Covid-19 related reserves (£20.2m of Business Rates (NNDR) Section 31 grants and £15.1m funding committed to meet future expected costs as a result of Covid-19) and £4 million ring fenced reserves). Within the usable reserves was a provision of £5.379 million for Departmental Reserves which have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use. Also £15.036 million which is the balance of the sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council. We have not been able to review these provisions in detail, but we consider that before the exceptional financial support for transformation is provided these sums are reviewed to identify whether they can provide the resources needed for transformation.

The Council has seen slightly better Council Tax collection rates than targeted (at its last update) but Business Rates collection is 2.03% (at last update) behind target. The Council carried over significant Business rate debt from 2020/21 but recent focused action has reduced this.

The predicted revenue gap for 2020/21 is £20 million (which has been reduced to £13.7 million due to savings; delayed demand; extended support). This final position is uncertain because at the present moment the Council is reporting an overspend of £0.2 million and although there has been provision made in the budget for not all anticipated savings being made, currently the savings achievement is reported as falling short by £2.9 million.

In addition, it has been suggested that there will be increased demand for Adults' and Children's Social care which is currently unquantifiable, and not yet visible, but has been partially anticipated by recent additions of £2 million to the base budget for 2020/21; 2021/22 and 2023/24 though currently the overspend is predicted to be £4 million.

The intention is to use £10.5 million from the Covid reserves (a fund to meet the continuing pressures of lost income and extra demands resulting from the pandemic) meaning the shortfall on the year will be £3.2 million. This would form part of the request to DLUHC for capitalisation support.

The Council is expecting that at the year end reserves would amount to £33 million (as part of the reserves at the start of the year relates to Business Rates relief and other specific reserves are drawn down for spending). The Council would also wish to seek a further capitalisation directive of £2.3 million in order to fund transformation resources - Project Management; Business Analysis; Process improvement - to create the capacity for further improvement.

Future Years - Revenue

For 2022/23, assuming that the Council gains its capitalisation directive of £3.2 million for 2021/22, the budget gap is £26.8 million. The Council is formulating a plan to mitigate that: Expected funding changes would deliver £3.2 million; Service Reductions (in development) would deliver £6.821 million; Budget risks and pressures of £1.26 million have been identified. If these proposals came to fruition, the Council would seek a capitalisation directive of a minimum of £18 million. In addition, £1.2 million would be requested to fund transformation capacity to develop and deliver the savings plans needed to close the 2022/23 budget gap. However, that requirement could be mitigated by: Transformational and 'Challenge' savings (Mostly uncosted and undetailed and unlikely to be delivered without the transformation resources) that would deliver a minimum of £1 million.

The Council also anticipates receipts from a replacement for New Homes Bonus that could generate additional funding and a successful outcome of a Pensions test case.

However, there are other potential pressures that will impact on the budget when set. The MTFs includes an assumption that general Council Tax will increase by 2.99% each year (1% higher than the statutory limit). There has been no confirmation of a further ASC Precept for 2022/23 and if this is confirmed, the first 1%, is already incorporated within the MTFs. If there is no ASC Precept or additional general Council Tax increase, there will be a budgetary pressure of £0.890 million.

There are some general risks that are as yet unquantified – changes in borrowing rates and a Pay award – but there are some risks specific to the Council: recently the CMT were advised of the risk from accumulated absences, election costs and the possible consequences from a review of shared services. Also, specific risks from consideration of the possible set up of a Housing Revenue Account where costs (£0.5 million - £0.6 million) likely to be incurred in setting up, are not budgeted, or funded through savings.

The Council commissioned The Adolescent and Children's Trust Peterborough (TACT) to be responsible for permanency services for 10 years from April 2017. In October 2019, TACT served notice of their intention to end the contract with Peterborough City Council to deliver their permanency service. There is some risk to the Council of a final settlement of costs.

In respect of Empower there is a risk following Cabinet approval to the recommendation to transfer the assets of ECSP1 to the Council's direct control. There is a risk this will not be orderly and efficient and Empower may try to frustrate the process and once the assets have transferred to the Council their management will need to be undertaken by a specialist company and the contract managed properly.

The CMT have also been alerted to young person placement costs where Derby House (previously the Manor) was planned to be converted to accommodate and care for placements of this nature and provided a solution as a 'transforming care case' but the CCG did not agree with this plan.

Finally, leisure and culture where since the services transferred back to the Council the contract fee has increased to over £2.5m against £791k which is not sustainable.

To offset some of these pressures, the Council has a number of proposals for financial arrangements that would improve the Council's financial position.

Overall, we consider there is high risk that the exceptional financial support requested of £18 million is likely to be insufficient to balance the budget.

For 2023/24, on the assumption that the Council gains a further capitalisation directive, the Council is predicting it will have a sustainable budget with a budget gap of between £3-£4m. The Council would be able to bridge that gap through the delivery of further savings through transformation but additionally the Council is also relying on the uplift in Council Tax for which there is no agreement in place. We think that any shortfalls in that year's budget should be covered by the disposal of assets.

This detail has been summarised in Table 2 below. This has been RAG rated to indicate our view of the nature of the funding stream being available to the Council, where there is a blank, that is because we do not have definitive figures of the likely cost or yield.

TABLE 2 - FORECAST BUDGET POSITION			
	2021/22	2022/23	2023/24
Reserves at start of the Year	£66m	£33m	£15m@
Revenue Gap	£13.7m	£30m*	£3/4m
Current Expected Under/Overspend	£0.2m		
Expected Funding Changes		£3.2m	
New Savings		£6.82	£2/3m**
Savings in train in 2021/22			£1m
Underachievement of Savings	£2.9m		
Budget Pressures	£4m	£1.26m	
Use of Reserves	£10.5m		
Provision in anticipation of Council Tax enhancement		£0.89m	
Borrowing Rate risk			
Pay Award risk			
Accumulated absences			
Review of shared services			
Set up of Housing Revenue Account		£0.5m -£0.6m	
Empower Operational issues			
Young Persons Placements			
Leisure direct Management costs		£1.7m	
Anticipated Revenue Gap	£2.3m	£18m	
Required Capitalisation Directive	£3.2m	£18m	
Desired transformation Capitalisation Directive	£2.3m	£1.2m	
Potential Transformational & 'Challenge' savings		£1m#	
NHB Replacement/Pension 'Test Case'			
Reserves at end of year	£33m	£15m@	£15m@
Dispensation on Council Tax			
Other Financial arrangements			
*£26.8m if capitalisation directive is granted for 2021/22: # Minimum expected: @Without capitalisation directive: **Not identified			

Our review of this table confirms that there is a high risk that the Council cannot balance its budget for 2022/23 without an injection of resources either from use of its remaining reserves, sale of assets or from a capitalisation directive.

If the Council ends that year with a balanced budget, we think that there is still a significant risk that the financial position is not sustainable unless the sale of assets has increased the Council's reserves significantly or the Council has succeeded in reducing its base revenue spending to below the current level through transformational activity.

Future Years – Capital

For 2020/21 the original programme contained spend of £156.3 million. In February 2021 the expected 2020/21 spend was £83.9 million but the actual outturn was £53.73 million as a result of the in-depth review of the capital programme by the Capital Review Group (CRG) and Corporate Management Team (CMT) undertaken throughout 2020/21 to ensure that the capital programme is both affordable and appropriate and to realise revenue savings to address the forecast overspend reported.

A number of projects across all directorates have been reprofiled to reflect the spending over future years and other projects removed following the scrutiny process linking to the development of the 2021/22 MTFS. This has reprofiled the programme against that agreed by the Cabinet in February 2021 as follows:

Year	2021/22	2022/23	2023/24
	£ million	£ million	£ million
February 2021 Approval	£146.9	£88.1	£35.3
June 2021 Expectation	£119.8	£121.8	£54.9

This reprofiling however would see total spend increase albeit in the latter two years of the MTFS.

Capitalisation Request

At this stage the Council's MTFS is predicated on a balanced budget for 2023/24 through receiving Capitalisation directives of:

- £2.3 million for Business Transformation for 2021/22.
- £3.2 million to balance the 2021/22 budget
- £18 million for 2022/23 in order to provide for a balanced budget.
- £1.2 million for Business Transformation for 2022/23.

In our view, as we explain in this report, we think that, without the Council achieving in full its savings proposals and making other transformational changes, there is a high risk that the requirement may be much higher for 2022/23 and we consider that the Council needs to take additional actions including reviewing whether existing earmarked reserves can be used rather than the transformational support sought.

4.3 Financial resilience

In Section 4.2 we explored the Council's financial position for the current and two following financial years.

Our conclusion is that the Council needs an injection of resources in the next two years in order to become sustainable and further resources to bolster reserves. These resources could come from further reductions in service expenditure; transformation and efficiencies; reductions in capital expenditure; release of assets or further external support. At this stage the Council is relying on the last of these means. First, however we look at demand pressures on the Council.

Demand Pressures

Overall, the Council expects the population to continue to grow thus increasing demand, but the areas where the Council spends most per head are Children's services and Adult social care. Accordingly, we looked in some detail at those areas.

The Council expects:

- Increasing demand for early help and child protection services.
- Increase in child protection plans by 37%, as latent demand starts to become visible. In turn there is a risk that we will see an increase in the numbers in care as a result of this.
- Cost of care is rising as a result of the following
 - Impact of C-19 on provider costs, e.g. additional staffing for cover and social distancing measures, PPE and cleaning.
 - Increasing numbers of children and young people in Tier 4 inpatient provision liable for section 117 (Mental Health Act) after care support on discharge, requiring complex levels of support from providers.
 - Increasing complexity of children becoming looked after, which can mean an increase in the risk of a placement breakdown and increasing placement costs as a consequence.
 - More teenage children entering care, lack of suitable foster placements across the board, but specifically in-house.
 - Substantial increase in the numbers of children being referred for residential services provision.
 - During the pandemic there has been a reduction in Unaccompanied Asylum-Seeking Young people entering care, the Council is well below its quota so anticipate greater numbers in the coming months as borders open/channel crossings.
 - Education Health Care Plans (EHCP) continue to increase, and we will see a significant increase in the number of EHCPs based on current trends.

We noted that the current MTFs anticipates an extra £2 million per year for Children's Placements for 2022/23 and 2023/24.

For Adult Social Care, the pressures include:

- Higher numbers of mental health act assessments and referrals to brokerage, whilst hospital referrals have been reduced. Whilst there has been a reduction in safeguarding enquiries, the Council believes this is likely to be due to hidden need which may present as a latent demand.
- Increased numbers of contacts from sources other than the hospitals, adult early help referrals.
- Higher activity of need and more complex packages of care.
- Permanent admissions to residential care settings for over 65-year olds in the last 6 months of 2020/21 were 30% higher than the same period in 2019/20. Whilst overall spend on residential care did not increase in line with this last year, the high rates of C-19 deaths are likely to have masked this.
- Demand for support for younger adults, those aged 18-64, has increased in the last year. Contacts for new clients were up by 8%, with numbers transitioning from children's service more than doubling. This resulted in a net increase of this age group receiving long term services within the year of 2.1%.
- Increased pressures on independent sector providers, leading to increased costs of care.

We have not been able to review the implications of these pressures in any detail and therefore we have recommended them for more detailed study.

Reductions in Service Expenditure

In the section above we noted that the Council was incurring service expenditure in a number of services higher than the average. Bringing service expenditure in those areas down to the average would save the council £17.2 million per year (based on 2019/20 comparisons). We accept that based on the budgets for 2020/21 (RA return average), overall, the Council has reduced service expenditure by the equivalent of 5% or £67.67 per head. On this basis, the extra cost against the average is £13.8 million.

In the past two years the Council has purchased analysis from LG Futures and the 2019/20 data identifies that the Council is below average in all areas except for planning services. In the 2020/21 analysis it identifies that there are some areas, where the Council's costs are exceeding the average.

We undertook some limited reviews at some of the reasons for the over average cost we identified. In the case of Children's services, we noted that whilst the number of Looked After Children is lower than statistical neighbours, the expenditure on placements, particularly residential, is significantly higher than its statistical neighbours in 2019/20 (£1415 to £1249); this may, in part, be due to the more complex needs of those in care.

From their benchmarking, the Council considers that the Children's Social Care Services change in unit cost was largely due to a review on the data/client category they report within this data population, which meant a specific type of service user/need was picked up within a different return. The LG Futures data was also received during the middle of the pandemic response, and the Council was already seeing significant changes in actual expenditure, impacting Planning income, Children's social care demand and costs in addition to a rise in housing demand as a result of the supporting rough sleepers guidance issued by the government.

Overall, the Council does not consider there are significant savings to be made other than those in train or which might be achieved through, as yet undefined, transformation. In our view this is an unsustainable position and we consider the Council needs to undertake further, more fundamental reviews in these service areas to establish why their costs are higher and we have made appropriate recommendations.

Transformation/Efficiencies

We have considered the Council's ability to deliver further savings and/or transform its services. The Council has a track record of not fully delivering savings (In February 2020 it reported that it had reintroduced into the MTFs for 2020/21, £4 million in savings that it had failed to achieve in the previous years). The external auditors have commented that the scale of the current budget gap poses a significant challenge for the Council to deliver an achievable savings programme. The LGA Peer review said that *'Everyone needs to be focused on the financial challenges – All councillors not just the administration, officers and partners – you need to develop a shared purpose'* and *'One year at a time' budgeting and reliance on one-off solutions to balance the budget should stop.'* Also, that *'The whole organisation should have a renewed focus on the savings plans and should look to go further – take some tough decisions, undertake strategic transformation and continue departmental reductions.'*

The Council now has a process whereby savings are monitored by a Rapid Implementation Team (RIT), then at Corporate Management Team, progress against savings plans is incorporated into the forecast outturn and is updated regularly. Progress against the actions required to deliver savings are monitored through the RIT with saving owners held to account and escalations reported where necessary through to Executive CMT and Budget CMT. For

2021/22 there are 120 active savings proposals. Currently, the savings achievement is reported as falling short by £2.9m (£14.5 million 'green' rated of £17.4 million).

The Council has Business Transformational resources provided through its strategic support services partner and are very limited. The Council wishes to increase them and are requesting a capitalisation provision to allow them to do this. We think the business case for this needs to be fully detailed including the use of the reserve of sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council before any further support is agreed and as part of this, we think the Council needs to engage an independent body to provide robust challenge and focus on the development of that plan.

Reductions in Capital Expenditure

Although the Council has reduced its capital programme, it is still substantial. In previous years the Council has not spent to the level of its budget. And although the programme is reduced, there must be uncertainty at the capacity of the Council to deliver this programme. In June 2021, the Budget monitoring indicated that the programme totalled £130.054 million with a borrowing requirement of £75.36 million. At that stage only £9.342 million had been spent on the schemes in the programme and only £2.62 million had been borrowed.

Reducing the programme further is likely to reduce the borrowing and financing costs and therefore in our view the Council should halt those schemes that are not legally committed forthwith and that there be a process of detailed review to validate which schemes, that require borrowing, can be funded within the Council's current funding envelope against criteria that prioritises statutory requirements and reduction in revenue costs.

Reserves

We noted above that the Council compared to its Near Neighbours has the lowest ratio of reserves compared to service expenditure. In our view useable reserves is too low to provide the resilience the Council needs in the medium term. In our view that must be addressed by a release of assets.

Release of Assets

The Council currently holds 1821 property assets. Though we have some uncertainties about the valuation status of the total assets, the valuation at 1st January 2020 was £304 million. The Council has been disposing of some assets through its partnership with NPS and in the last 5 years, it was stated the Council has sold £35m of assets to mitigate the financial pressures they have faced. This current financial year £2.4 million of asset sales are expected. The current profile of disposals is for £2.8 million in 2022/23 and 2023/24.

In our view the Council needs to be more ambitious with its disposal programme in order to provide an influx of resources. The detail of our proposals are covered in Section 6 of this report but Table 3 overviews our proposals.

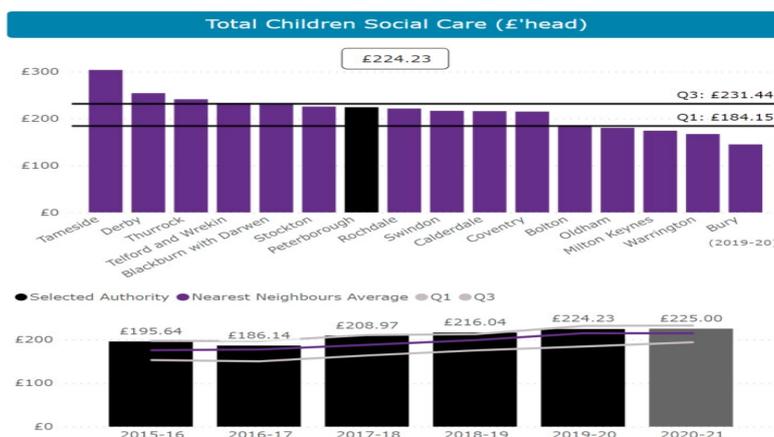
TABLE 3 - SUGGESTED DISPOSAL OF ASSETS							
Asset	Priority	Ease of Disposal	Capital Receipt (£m)	Revenue Impact (£m)	Timing <3 yrs	Timing 4 – 5 yrs	Comments
Town Hall	1	1	12.2	-0.58	12.2		Estimated value based on valuation and refurb cost
Rural Estate	1	1	21	-0.4	21		3,000 acres
Rural Estate	1	1	0.5+		0.5+		Sale of 3 houses and 1.5 acre yard
Retail/Indus/ Office Invest't	1	2	14.7	-1.4	9.8	4.9	Phased sale
Peterborough Investment Partners	1	TBC	TBC				Review commercial basis of PIP and any value potential
Meacham Homes JV	1	TBC	TBC				No details available
Medesham Homes	1	2	TBC	TBC			Commercial basis to be verified. Assets of £15m, although book loan is £15m
FM Savings/ Sub let income	1	2		0.6			Reduced use of Sand Martin House by PCC, sublet part
TOTALS			48.4	-1.78	43.5	4.9	
Priorities: 1 – high: 2 – medium: 3 – low							
Ease of Disposal: 1 – no constraints: 2 – some constraints eg title, use: 3 significant constraints – planning, CPO's							

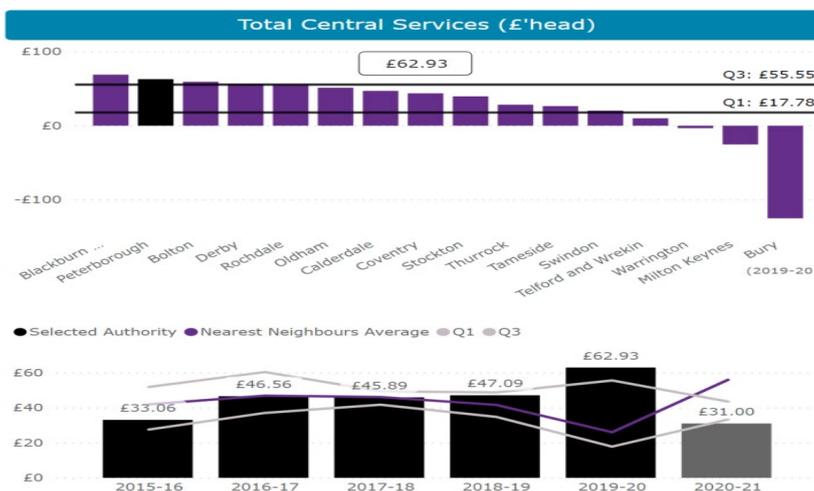
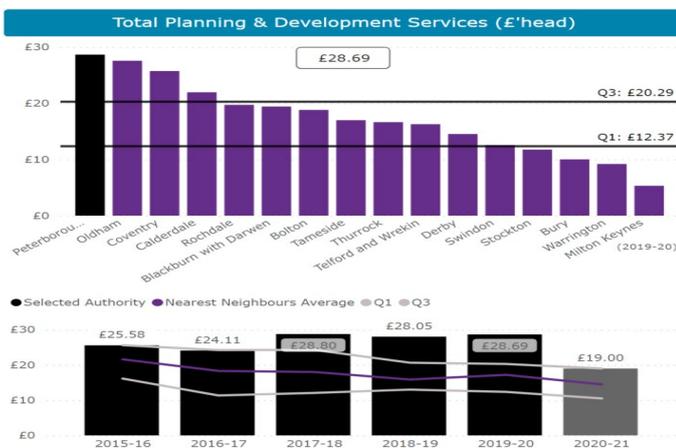
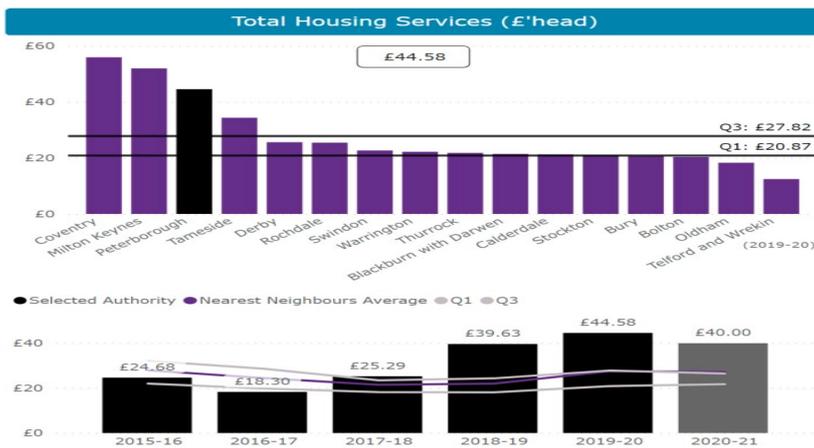
This table indicates that the Council does have assets that could be used to provide the resources to support the revenue budget in the MTFS period while the Council is reducing its base revenue expenditure. A sale of no service delivery assets to generate, we estimate, £43.5 million would avoid the need for the capitalisation directive requested for 2022/23 and bolster the Councils reserves. We recognise that the enhanced sale of assets will have an impact on revenue generated for the Council from those assets but we believe provides the bridging finance to allow the Council to achieve sustainability.

4.4 Efficiency of service delivery

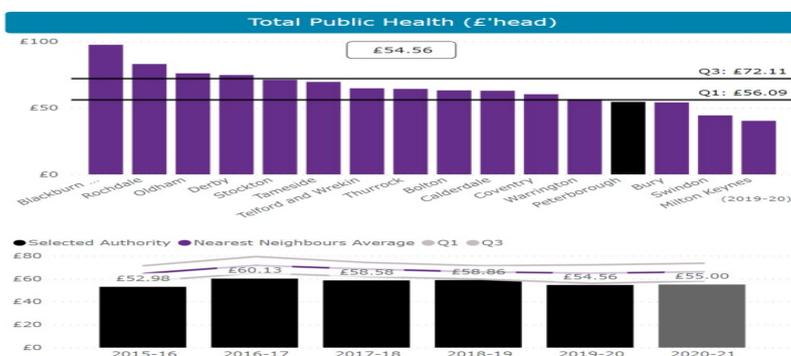
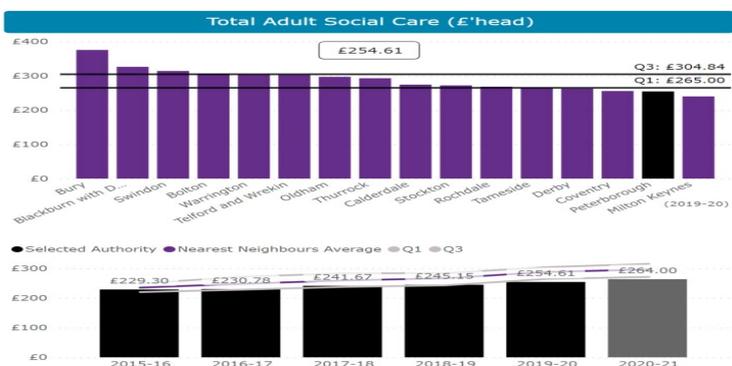
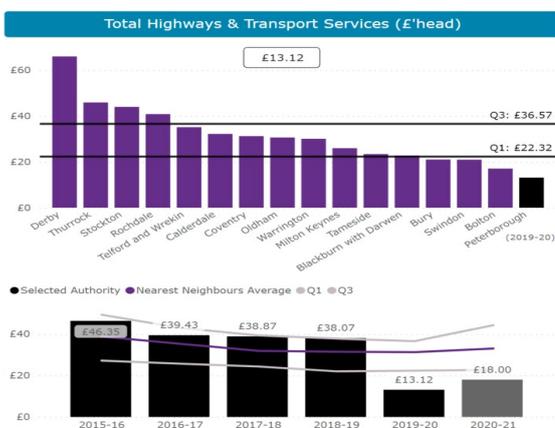
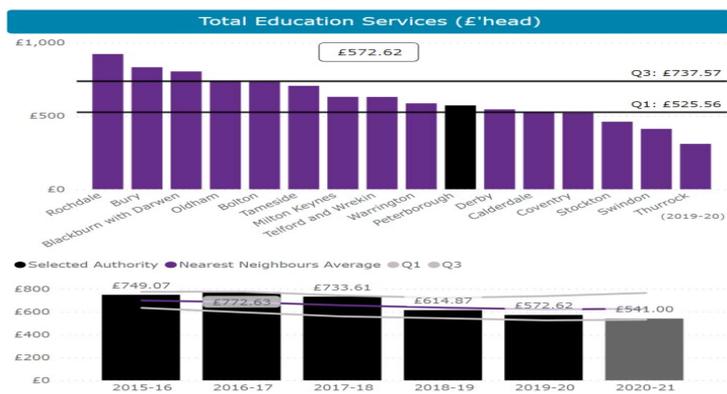
Earlier in this report we gave an overview of the Council’s comparative service costs per head of population, and indicated, based on the RO returns for 2019/20, those areas where cost was above the average of Near Neighbours. In this section we detail the comparisons.

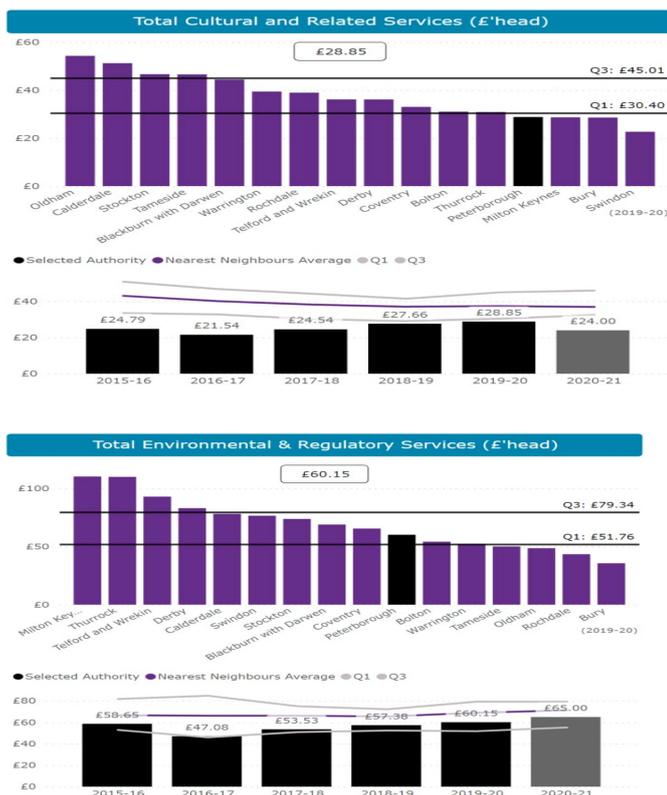
Those services where costs exceed the average:





Those services where costs are below average;





Earlier we pointed out that overall, per head of population, there had been a 5% reduction in the Council's expenditure as reported between 2019/20 RO returns and the 2020/21 RA returns. This changes the position of comparison for only one service, Central Services which is now under average.

We accept that if the Council reduces its service costs further in 2021/22 as planned through savings, then these comparisons may be out of date. However, it can be expected that other Councils are likely to have reduced expenditure and therefore the need for reviewing those services that are over average expenditure is, in our view, still relevant.

4.5 Key recommendations – financial position

Recommendation number	Recommendation description	Proposed owner	Timescale
1	The Council should determine on a disposal of assets programme designed to generate a capital receipt within the 2022/23 financial year that avoids the need for a further capitalisation directive and makes a significant contribution to the Council's reserves.	The Council's Cabinet	Within six months
2	The business case for the Transformational Capitalisation needs to be fully detailed including reviewing	The Council's Cabinet	Within 6 months

	<i>the intentions for the earmarked reserves before any further support is agreed and as part of this the Council needs to engage an independent body to provide robust challenge and focus on the development of that plan.</i>		
3	<p><i>The Children's service should receive a comprehensive review in relation to:</i></p> <ul style="list-style-type: none"> • <i>The approach to demand management</i> • <i>Linked to the above comprehensive modelling of future demand pressures and costs (or a full review of the detail provided for the MTFS)</i> • <i>Forensic review of expenditure</i> 	<i>The Chief Executive</i>	<i>Within 6 months</i>
4	<i>There should be Service reviews of Housing, Planning and Development and Central Services where there is over average spending and Adult services to establish the extent of the demand pressures.</i>	<i>The Chief Executive</i>	<i>Within 6 months</i>

5. Authority's approach to financial management

5.1 Introduction

The Council only has a three year Medium Term Financial Strategy. This is formulated in two phases; the first sets out the financial envelope ready for public consultation and the second phase focuses the Council on the decisions that need to be taken. At the Executive level the prospective for the 2022/23 budget is currently being highlighted and the implications assessed. A risk based approach to major corporate finance issues is detailed.

The Council has developed a process of managing its budget that involves regular reporting through a visual dashboard from the Director of Resources to a Budget CMT (a special CMT that focuses on the progress of the Budget) and then reports to the Cabinet.

Budget holders are involved in the generation of the reports and Finance representatives attend Departmental Management Teams. Savings plans are generated at a Directorate level and monitored through a Rapid Implementation Team.

Aware of the increasingly difficult financial position, the Corporate Management Team (CMT) approved and implemented the following expenditure controls during the summer of 2019. These are still in operation in order to control and ensure that all expenditure is only made for essential purposes. These controls include: A panel to review all recruitment and agency requests; Business case requirement for all expenditure in excess of £10k; Service based Heads of Finance providing additional scrutiny and challenge of the business cases in excess of £10k with regular review from the Chief Finance Officer; Enhanced controls for general expenditure, with all expenditure over £1k requiring Chief Finance Officer approval and Implementation of the review of the effectiveness and operation of financial and human resource controls across the organisation. We consider these as sensible arrangements and would want to see them continued.

In November 2020, the External Auditor commented *'It was also found that the Council had comprehensive governance processes established for developing, monitoring and reporting against saving proposals. Evidence was provided that these processes are regularly conducted and receive the appropriate level of political and strategic oversight.'* And *'We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.'*

Our work has enabled us to conclude that the material presented to management on financial matters is of good quality and Service Managers consider they get good positive engagement in financial matters. We did however hear of disparity of the breadth and depth of information that service managers receive from the finance function and that of Cambridgeshire, the latter being larger and more able to provide greater analysis.

The finance function does support the Council in developing medium to longer term financial strategies and plans and structurally the finance function is appropriately represented at all the relevant decision making bodies.

The Council has a mixed economy of arrangements for management of its services and its commercial assets. In terms of direct service delivery:

- City Culture Peterborough Ltd was established to bring together the cultural services provided by Peterborough Museum & Art Gallery, the Key Theatre, Libraries & Archives, and Flag Fen Archaeology Park. The Council is the sole trustee for the charity Peterborough Museum and Art Gallery. The charity is responsible for the provision and maintenance of a Museum and Art Gallery for the City of Peterborough and neighbourhood.

- Cambridgeshire and Peterborough Combined Authority (CPCA) took on the functions of the Local Enterprise Partnership. The CPCA is the Local Transport Authority and levy the Council for the cost of delivering transport functions.
- The Council provides Legal services to Rutland County Council and Fenland District Council; Regulatory services to Rutland County Council; Planning policy services to Fenland District Council, North Kesteven District Council and East Cambridgeshire District Council; Neighbourhood planning service to North Kesteven District Council and East Cambridgeshire District Council; CCTV services to Fenland District Council from January 2020 The Council also has the joint school broadband regional consortia E2BN with other East of England Authorities.
- Vivacity was an independent, not-for-profit organisation with charitable status which managed many of Peterborough's culture and leisure facilities on behalf of the Council through a Funding and Management Agreement (FMA). This was ended by Vivacity as a result of the pandemic.

The Council has arms-length arrangements to promote aspects of its priorities:

- Opportunity Peterborough Limited is a wholly owned subsidiary to “assist, promote, encourage, develop and secure the regeneration in the social, physical, economic environment of the area of Peterborough”. The Council made a funding contribution to the company of £140k in 2020/21.
- Peterborough Investment Partnership LLP is a limited liability partnership, and the members are the Council and Peterborough Partnership PCC Ltd. The Partnership is 50:50 controlled and exists to secure regeneration of key city centre sites with capital market investors. The net assets of the Partnership at 31 March 2021 are £1.3m and made a net profit in year of £98k.

The Council has a Commercial strategy 2018-2021 the vision of which 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.’ The Council has created a number of commercial ventures.

- NPS Peterborough Ltd is 50:50 Joint Venture controlled by the Council and NPS Property Consultants Ltd, with NPS Property Consultants Ltd holding 8 A shares and the Council holding 2 B shares. It was set up as an in-house company into which the property services of the Council were transferred. The work transferred included estate management, arrangement of asset acquisition, disposals and rent collection for the Council. The net assets of the company are £546k and it made a 2020/1 profit of £163k. During the year the Council spent £2.2m on services with the company and received £255k for services.
- Medesham Homes LLP is a limited liability partnership, and the members are CKH Developments Limited, Medesham Limited (Jointly owned by CKH Developments Limited and the Council) and the Council. The partnership is controlled 50:50 by CKH Developments Limited and the Council. The objective is to deliver affordable rented housing, and to investigate further opportunities for starter homes, shared equity, market sale, private rented, student accommodation and housing solutions for vulnerable groups. The net assets of the partnership are £483k (2020/1) and it made a profit of £323k. During 2020/21 the Council made a capital grant of £400k to Medesham Homes LLP for the provision of homes for affordable rent and received £16k for services, (2019/20 received £420k for the purchase of property).

- Peterborough HE Property Company Ltd is an associated company of Peterborough City Council. The company (which has a board of four directors, of which the Council has one representative director) is set up to act as a developer of a new university campus and once completed will lease the completed property to ARU Peterborough. The net assets of the company are £26.4m at 31 March 2021 and it made a net loss in the year of £314k.
- Peterborough Limited is a wholly owned subsidiary of the Council, trading under the name of Aragon Direct Services to deliver waste and environmental services and Peterborough Ltd, using the Vivacity branding to deliver Leisure Services (see above). The company is a Local Authority Trading Company (LATCo) and has been set up as a Teckal company. Its financial results are incorporated in the Council's group accounts.
- Blue Sky Peterborough Limited is a dormant wholly owned subsidiary and exists to "deliver renewable energy solutions and energy efficiency for Peterborough City Council". The company is limited by shares, and the share capital of the company is £1. As at 31 March 2021 there have been no transactions through the company.
- Empower Peterborough Community Interest Company is 50:50 controlled by the Council and Empower Community Management LLP and was incorporated as part of the strategic partnership to deliver solar panel on residential properties and it acts as an agent to ECS Peterborough 1 LLP with the responsibility of marketing a solar panel programme. A percentage of the money generated is shared equally between a Local Community Fund and the Council. The net assets of the company are estimated at £9k (2020/21) and it made an estimated loss in year of £2k. Empower defaulted on its loan in March 2021 and the Council is to bring the operation in-house.

The Council established a Cabinet Shareholder Committee in 2017 to oversee these companies and other bodies. This is good practice. We did however note that reports are presented to that Committee by several officers, presumably representing the use of best technical support. In our experience this can dilute focus on the needs of the Council as a single shareholder and we suggest the Council considers whether single officer holding the role of corporate shareholder would improve focus. We think this should also include a similar role for oversight of shared services.

5.2 Adequacy of existing financial management practices

From interviews we have conducted we understand that the problems of the Council's finances became apparent 4 years ago when there was a review of the underlying detail and the MTFS of March 2017 did highlight the scale of the problem. For the 2019/20 budget savings targets were established but only achieved 40% of the required savings.

Grant Thornton were engaged to undertake a thorough budget review exercise in April 2019 and they identified £30m of potential savings. Some of their proposals are being worked on but have been delayed by the consequences of the pandemic.

The Council's External Auditors have grown increasingly concerned at the financial position of the Council. They had issued a qualified opinion for VfM for 2019/20 and although the Council have been open and transparent, they believe there are material uncertainties of their ability to deliver giving an ongoing risk to service provision.

They said in November 2020 'Our modelling suggests that Peterborough City Council's forecasts within the current financial year and over the Medium-Term Financial Strategy are in-line with our base-case economic scenario. It is however noted that the financial challenge the authority is facing is forecast to be considerably more severe, should the economic crisis vary in either depth or length..... The Council's ability to deal with these challenges is significantly hindered by their reserve position, which is insufficient in dealing with the forecast financial challenge beyond the current financial year. Peterborough City Council's financial

resilience is therefore a significant risk to the authority's ability to provide value for money from public resources, as the financial uncertainty they face over the medium-term makes it difficult for the authority to make meaningful and sustainable decisions that provide value for money.'

In our view, it is clear that the Council has failed to take sufficiently timely and extensive action to resolve the Council's financial difficulties. We recognise that the Council is in a position of no overall control but we note the considerable difficulty the Council had in setting a budget for 2020/21. And we think that particularly after the External Auditor's opinion of November 2020, the Council's Cabinet should have been focused on taking action. Since then, a new administration was formed in May 2021 and our interviews lead us to the view that the new Cabinet and Leader are determined to deal with the issue but we were concerned that since the new administration was elected in May, we have had no evidence that any overarching 'crisis management' mechanisms have been put in place at Cabinet level. Further we are concerned that the Council's CMT is expending time and effort on consideration of opposition budget motions proposed and agreed by Full Council on 3 March, including detailed business cases and CMT challenge, that are not likely to be affordable. Pursuing these, risks diversion of the Council in tackling the current financial crisis.

The Council has an Audit Committee that meets quarterly. We were concerned at the lack of rigorous enquiry displayed by the Committee. It is clear that no attempts were made to challenge the developing issue over a sustained period and that the Committee was willing to agree to the Statement of Accounts and the detail of the financial position developing as presented without seeking explanation as to comprehensive corrective action and monitoring its achievement. The Audit Committee is advised by officers and the external auditors, but it has no independent members from outside the Council. We are concerned that this lack of external membership may have contributed to a lack of challenge. We think this should be rectified.

5.3 Approach to transformation and savings

We understand the LGA Peer Review team feel the *'current financial plans do not address the significant budget gap and the Peer Team urgently encourage PCC to reframe your narrative – there is more you can and should do to deliver council-wide transformation and cost efficiencies'*. We agree, the Council should consider the actions it needs to undertake to resolve the financial crisis as its primary focus.

Our work suggests that the Chief Executive provides good leadership of the Executive Team but we are aware that with her retirement there may be a hiatus in progressing the savings plan. We know that the Council has budgeted for a new post that is solely for the Council (not shared with Cambridgeshire) and we believe this would give the Council greater leadership capacity.

We are concerned (as are the Council) that they do not have the capacity to drive fundamental transformation to improve its overall financial position. The Council uses its strategic support services partner, Serco to deliver support for this and these resources have been reduced. The Council is hoping to use a further capitalisation directive to achieve additional resources to develop capacity.

In our work we tested with the Council whether they had any plans for savings for 2022/23. Table 4 lists the readiness status of the proposals.

Opportunity	2022/23	2023/24	Notes
	£m	£m	
Remaining £8m GT Lean Review Savings	-2.4	-2.4	
Additional Items - Savings	2	-1.4	
NNDR Growth	-1	-0.5	
Reduced Specification Grounds, Street Maintenance, etc	0	0	Possible >£500k
Reduction in Serco Contract Costs	0	0	Possible >£330k
Reduced Agency Spending	0	0	
Use of Apprenticeship Scheme in different way	0	0	
Reduction in Staff Terms and Conditions	0	0	
Movement of Staff into PL to Pensions Fund Savings	0	0	
Transformation of Foster Placements	0	0	
Reduction of Capital Programme – effect on Debt Costs	-2.2	-2	
Commercial Property Sales	0	-7	
Empower – Way Forward	0	0	(See Note)

At this stage we did not get sufficient clarity of the outcomes from the use of the transformation capitalisation requested to be able to judge the level of savings that might be possible. We did note that having taken direct control of Empower there is the possibility of using the resource generated to sell to private consumers allowing spare capacity to be sold onto the Grid but details are not available and we do not expect this to be producing income in the short term.

5.4 Recommendations – financial management

This section will set out the key recommendations to improve the authority's financial arrangements:

Recommendation number	Recommendation description	Proposed owner	Timescale
5	<i>The Council should continue its expenditure controls.</i>	<i>The Chief Executive</i>	<i>Immediate</i>
6	<i>There should be a review of the Council's external commercial relationships and in particular a review of the need for and future role of a Corporate shareholder.</i>	<i>The Chief Executive</i>	<i>Within 6 months</i>
7	<i>The membership of the Council's Audit Committee should be strengthened by the appointment of external independent members to improve its expertise and independence.</i>	<i>The Council's Cabinet</i>	<i>Within 3 months.</i>

6. Council assets and other commercial interests

6.1 Review of the council's current asset position

The Council currently holds 1821 property assets. Though we have some uncertainties about the valuation status of the total assets, the valuation at 1st January 2020 was £304 million. The Council has been disposing of some assets through its partnership with NPS and has disposed of around £34 million in assets since 2016/17. The current profile of disposals is for £3.3 million by 2023/24.

In the last 5 years, it was stated the Council has sold £35m of assets to mitigate the financial pressures they have faced, this includes Peterborough United Football Ground (£6m). This current financial year £2.4 million of asset sales are expected including a further £230k from the football club, minor disposals of £300k and a residential cottage next to a school site for £250k. £2.6 million is targeted for 2021/22 and £0.2 million in 2023/24.

The Council uses the Technology Forge system for managing their property and have outsourced their property management function to NPS. A Strategic Asset Management plan was published in 2018, although this does not appear to have been updated as yet.

The Town Hall site is already let out to the NHS and DWP and there are good meeting facilities. The North and South sides of the building have been renovated at a cost of £7.5m from 2018. The Town Hall therefore offers potential for sale as a commercial investment and includes some retail units.

The rural estate is extensive and covers some 3,000 acres of grade 2 and 3 land which is largely tenanted. A restructuring of the rural estate has been underway over the last few years with the aim of reducing the number of holdings to 7 as existing tenancies become expired. The strategy was 6 holdings being of 400 acres and 1 of 500 acres for a new entrant to farming. Lettings on Farm Business Tenancies (FBT) of up to 15 years has been the strategy. We have not been able to establish how far this strategy has been implemented and we would recommend no new FBT's are signed.

The agricultural holdings could be sold as tenanted investments or preferably untenanted land where this is possible to maximise value. There is a strong market for both and we would expect institutional as well as private interest. The estate returns £400k per annum which is a yield of 1.9% on the value of £21m. It should also be noted that further capital investment would be required in grain stores which are planned. Even at 400 acres, it could be argued these are not the most optimum size of arable unit bearing in mind the capital requirements for equipment and machinery and the reducing subsidies available, therefore we would question the future viability of these size of units.

The Council own several retail premises and industrial units which pre COVID were valued at £18m with a 10% return. Retail investment values have fallen as have returns and an expert assessment should be made of the value and likely future returns. We have included these on the disposal list to allow the market to recover and time for analysis to occur. An assessment should be done of any regeneration opportunities.

Peterborough Investment Partnership (PIP) is a 50:50 joint venture with IAGH3 who use their expertise to gain planning permission and development partners to regenerate run down areas. The Council provide redundant land to be developed by the partnership. It was stated there were no current assets in PIP. Previously, Fletton Quays has been redeveloped under this partnership with the Council moving their council offices to Sand Martin House. As part of the Fletton Quays scheme there is 150k sq ft of offices, a hotel, (160 bed), 400 residential units and retail units, visitor centre, distillery and car parking. A further scheme is planned for the Northminster area. The commercial basis for PIP should be investigated to establish any

value held by the joint venture, future capital requirements and options for realising value for the Council.

We understand there is a joint venture with Meacham Homes to provide affordable housing for vulnerable people, however, we have had no clarification on this entity or if it holds any assets. This should also be reviewed to understand any potential for realising capital receipts.

There is a housing 50:50 joint venture between Cross Keys Homes and the Council called Medesham Homes. It has completed developments of 29 units at Midland Road (£3.9m investment); 30 at Belle Vue (£4.9m); 35 at Castle Acre (£6.2m) and 45 are being constructed at Bretton Court (£6m). It was stated they have a liability of £15m noted as deferred income from Government Grants which is a covenant the Council have placed on the RTB receipts the Council have passed over to them. The net value has been shown as only £483k.

A full summary of our proposals for assets is set out in Table 3 of this report (page 21).

We have included for a reduction in occupation of Sand Martin House, due to efficiencies that are being gained by Councils adopting agile and home working policies. This would enable 21,000 sq. ft to be made available to let out and bring in income, as well as reduction in FM and energy spend.

6.2 Capital programme

The Council does have an up-to-date Capital Strategy. This was agreed by Cabinet in February 2021. The specific aims of this strategy are to ensure:

- Physical assets and related resources are efficiently and effectively used to support the Council's priorities. These inputs when reviewed against the outputs from asset investment schemes will demonstrate value for money.
- Issues related to property and other assets are fully reflected in the Council's planning, for example, ensuring adequate funds for maintenance are available.
- Stakeholders can understand the Council's Asset Investment decisions and the management of its asset investment projects.
- Adequate provision is made for delivering corporate priorities and demonstrated through effective resource allocation.
- Invest to save projects are encouraged.
- The Council works within the Prudential Code framework and demonstrates robust and linked asset investment and treasury management.
- Asset management plans are reviewed to identify surplus assets which can move through a disposal process to generate new Asset Investment and/or revenue resources; (see AMP).
- Asset investment spending plans are affordable, financially prudent, sustainable and integrated with the MTFS.
- Support for our partners by maximising the potential for joint working and match funding, where this secures better outcomes than could be achieved in isolation.

Our assessment is this represents an appropriate strategy for the Council. However, we have already commented extensively on the Council's current capital programme, the recent reductions but the current size of the programme which we think is still unsustainable and requires review.

The Cabinet also approved a borrowing strategy in February 2021. The proposed strategy for 2021/22 financial year is:

- To consider the rescheduling (early redemption and replacement) of loans to maximise interest rate savings and possible redemption discounts.
- Significant risk of a sharp fall in long- and short-term rates may arise. In this case long-term borrowings will be postponed, and potential rescheduling from fixed rate funding into short-term borrowing will be considered.
- Significant risk of a much sharper rise in long and short-term rates than currently forecast may arise. This may arise due to a greater than expected increase in world economic activity or a sudden increase in inflation risks. In this case the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
- To maintain an appropriate balance between PWLB, Local Authority and other market debt in the debt portfolio and a balance in the maturity profile of debt.
- To give full consideration to other debt instruments e.g., Local Authority Bonds as an alternative to PWLB borrowing. Due regard will be given to money laundering regulations. The Council is monitoring the development of the scheme and may participate if this proves beneficial.

Our assessment is this represents an appropriate strategy for the Council.

The Cabinet also approved the Council's policy on MRP in February 2021. The policy reflects a different proposal for different types of borrowing.

- For unsupported borrowing: Asset Life, annuity method – MRP will be based on the prevailing PWLB interest rate for a loan with a term equivalent to the estimated life of the project. If capital receipts have been used to repay borrowing for the year then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by the amounts which have instead been repaid from capital receipts. The level of capital receipts to be applied to redeem borrowing will be determined annually by the Chief Finance Officer (S151), taking into account forecasts for future expenditure, the generation of further receipts and alternative uses which may provide better value for money for the Council's financial strategy. The same process will apply for S106, POIS and CIL receipts
- For other finance leases: The MRP requirement would be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability.
- For Secured loans to third parties repaid in bullet form: No MRP will be charged each year as reliance can be placed on the capital receipt that will be generated when the loan is repaid or, in the event of a default, the realisation of the security.
- Secured loans to third parties repaid over the life of the loan: MRP will be charged each year equal to the Annual Base Repayment Amounts profiled in the legal agreement.

Our assessment is this represents an appropriate policy for the Council.

The budget proposal for Capital spend as at February 2021 for the next 3 financial years is as follows:

Capital Expenditure	2019/20 Actual £m	2021/22 Est £m	2022/23 Est £m	2023/24 Est £m
Customer & Digital Services	3	2.5	3	3
People & Communities	21	46.1	13.1	16.5
Place & Economy	18.1	46.6	53.3	13.8
Resources	16.6	18.2	12.1	2
Capitalisation Directive	5.6	20	-	-
Invest to Save	-	13.5	6.6	-
Total	64.3	146.9	88.1	35.3
Financed by:				
Capital receipts (repayment of capital loans)	-	1.1	15.5	1.2
Capital grants & contributions	36.2	67.8	62	20.6
Net financing requirement	28.1	78	10.6	13.5
Total	64.3	146.9	88.1	35.3
IFRS16 Transition adjustment	-	-	22	-

This demonstrates a reducing programme of service related expenditure as of the proposals, £20 million in 2021/22 relates to the capitalisation directive and £22.0 million in 2022/23 relates to IFRS16 Transition (estimated). Of greater importance is how the programme is funded. Compared to 2020/21 the financing requirement is reduced significantly in the remainder of the MTFS period.

We have reviewed the proposals and whilst we acknowledge the significant reductions in the capital spending proposed following the work of the Council's CMT, we note the programme still contains some significant items: Infrastructure maintenance - £6.10 million in 2020/21; £5.08 million in 2022/23 and £4.58 million in 2023/24 and Strategic Property portfolio capital maintenance and minor works - £2.25 million in 2021/22; £1.7 million in 2022/3 and £1.69 million in 2023/24. Also, ICT Projects - £2.5 million in 2021/22; £3 million in 2022/23 and 2023/24;

Most noticeable is the proposed spend of £2.0 million in 2021/22 and £6.57 million in 2022/23 on provision of Housing.

We note that since the February approval the programme has been reprofiled, but in our view the Council needs to re-evaluate the programme immediately in order to minimise the amount of expenditure that has to be financed and in our view the Council should halt spend on those schemes that are not legally committed forthwith and that there be a process of detailed review to validate which schemes, that require borrowing, can be funded within the Councils current funding envelope against a criteria that prioritises scheme that are needed to meet statutory requirements or reduce the revenue costs of the Council.

6.3 Recommendations – assets and commercial interests

This section will set out the key recommendations to improve the authority's financial arrangements:

Recommendation number	Recommendation description	Proposed owner	Timescale
8	<i>The Council should immediately halt any capital spend funded by borrowing for which there is no legal commitment and there should be a detailed review process of all schemes.</i>	The Council's Cabinet	Immediate
9	<i>Verify valuation of assets individually, including rural estate, and carry out detailed options and market appraisal of all assets to establish asset disposal list</i>	Director of Resources	Within 1 month

10	<i>Investigate difference in valuation data of £118m and develop consolidated list of assets with property details, current valuations and income to enable a disposals strategy to be developed.</i>	<i>Director of Resources</i>	<i>Within 1 month</i>
11	<i>Complete valuations on the 2023/24 disposal list so the receipts planned can be established.</i>	<i>Director of Resources</i>	<i>Within 1 month</i>
12	<i>No new Farm Business Tenancies are signed, so that agricultural land can be sold free of tenancies where possible.</i>	<i>Director of Resources</i>	<i>Immediate</i>
13	<i>No further capital investment in farms such as new grain stores.</i>	<i>Director of Resources</i>	<i>Immediate</i>
14	<i>Assess current values of retail assets and options for income potential and/or alternative uses.</i>	<i>Director of Resources</i>	<i>Within 2 months</i>
15	<i>The commercial basis for PIP should be investigated to establish the value of assets held by the joint venture, future capital requirements and options for realising value for the Council.</i>	<i>Director of Resources</i>	<i>Within 1 month</i>
16	<i>The housing joint ventures of Meacham Homes and Medesham Homes should be reviewed to understand the potential for realising capital receipts.</i>	<i>Director of Resources</i>	<i>Within 3 months</i>
17	<i>Implement agile working policy to reduce office space required at Town Hall and Sand Martin House by 30%.</i>	<i>Director of Resources</i>	<i>Within 3 months</i>

7. Roadmap for improvement

Appendix 2 sets out a roadmap for improvement with suggested timelines. These are outline timelines and will need refinement to recognise both their significance in contributing to development of the Council and also the likely resource impact.

While it may be possible to review some of the timelines, depending on capacity, there is concern that this will add to the financial risk and scale of the financial challenge. It will certainly increase the risk that the Council may require further financial support next year.

The roadmap highlights that there is a lot that the Council needs to do quickly if it is to make real progress in addressing the financial challenges that it faces. This will require considerable focus from both Members and council officers.

More importantly it will require members across all political parties to engage effectively with officers on the tough choices that they will need to make over the coming year to show leadership to address the considerable financial challenges that their council faces.

Appendix 1 – Summary of recommendations

	Recommendation description	Proposed owner	Timescale
	Financial Position		
1	The Council should determine on a disposal of assets programme designed to generate a capital receipt within the 2022/23 financial year that avoids the need for a further capitalisation directive and makes a significant contribution to the Council's reserves.	The Council's Cabinet	Within six months
2	The business case for the Transformational Capitalisation needs to be fully detailed including reviewing the intentions for the earmarked reserves before any further support is agreed and as part of this the Council needs to engage an independent body to provide robust challenge and focus on the development of that plan.	The Council's Cabinet	Within 12 months
3	The Children's service should receive a comprehensive review in relation to: <ul style="list-style-type: none"> • The approach to demand management • Linked to the above comprehensive modelling of future demand pressures and costs (or a full review of the detail provided for the MTFs) • Forensic review of expenditure 	The Chief Executive	Within 6 months
4	There should be Service reviews of Housing, Planning and Development and Central Services where there is over average spending and Adult services to establish the extent of the demand pressures.	The Chief Executive	Within 6 months
	Financial Management		
5	The Council should continue its expenditure controls.	The Chief Executive	Immediate
6	There should be a review of the Councils external commercial relationships and in particular a review of the need for and future role of a Corporate shareholder.	The Chief Executive	Within 6 months
7	The membership of the Council's Audit Committee should be strengthened by the appointment of external independent members to improve its expertise and independence.	The Council's Cabinet	Within 6 months.
	Assets and Commercial Interests		
8	The Council should immediately halt spend any capital spend funded by borrowing for which there is no legal commitment and there should be a detailed review process of all schemes.	The Council's Cabinet	Immediate

9	Verify valuation of assets individually, including rural estate, and carry out detailed options and market appraisal of all assets to establish asset disposal list.	Director of Resources	Within 1 month
10	Investigate difference in valuation data of £118m and develop consolidated list of assets with property details, current valuations and income to enable a disposals strategy to be developed.	Director of Resources	Within 1 month
11	Complete valuations on the 2023/24 disposal list so the receipts planned can be established.	Director of Resources	Within 1 month
12	No new Farm Business Tenancies are signed, so that agricultural land can be sold free of tenancies where possible.	Director of Resources	Immediate
13	No further capital investment in farms such as new grain stores.	Director of Resources	Immediate
14	Assess current values of retail assets and options for income potential and/or alternative uses.	Director of Resources	Within 2 months
15	The commercial basis for PIP should be investigated to establish the value of assets held by the joint venture, future capital requirements and options for realising value for the Council.	Director of Resources	Within 1 month
16	The housing joint ventures of Meacham Homes and Medesham Homes should be reviewed to understand the potential for realising capital receipts.	Director of Resources	Within 1 month
17	Implement agile working policy to reduce office space required at Town Hall and Sand Martin House by 30%.	Director of Resources	Within 1 month

Appendix 2- Detailed improvement roadmap

The roadmap below shows an indicative timeline between now (requiring immediate action) and December 2022.

Roadmap		Owner	Immediate	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Dec-21	Aug-22
Description										
Financial Position										
1	The Council should determine on a disposal of assets programme designed to generate a capital receipt within the 2022/23 financial year that avoids the need for a further capitalisation directive and makes a significant contribution to the Councils reserves.	Cabinet								
2	The business case for the Transformational Capitalisation needs to be fully detailed including reviewing the intentions for the earmarked reserves before any further support is agreed and as part of this the Council needs to engage an independent body to provide robust challenge and focus on the development of that plan.	Cabinet								
3	The Children's service should receive a comprehensive review in relation to: a) The approach to demand management b) Linked to the above comprehensive modelling of future demand pressures and costs (or a full review of the detail provided for the MTFS) c) Forensic review of expenditure	CE								
4	There should be Service reviews of Housing, Planning and Development and Central Services where there is over average spending and Adult services to establish the extent of the demand pressures.	CE								
Financial Management										
5	The Council should continue its expenditure controls.	CE								
6	There should be a review of the Councils external commercial relationships and in particular a review of the need for and future role of a Corporate shareholder.									
7	The membership of the Council's Audit Committee should be strengthened by the appointment of external independent members to improve its expertise and independence.	Cabinet								
Assets and Commercial Interests										
8	The Council should immediately halt spend any capital spend funded by borrowing for which there is no legal commitment and there should be a detailed review process of all schemes.	Cabinet								
9	Verify valuation of assets individually, including rural estate, and carry out detailed options and market appraisal of all assets to establish asset disposal list.	Dir of Res								
10	Investigate difference in valuation data of £118m and develop consolidated list of assets with property details, current valuations and income to enable a disposals strategy to be developed.	Dir of Res								
11	Complete valuations on the 2023/24 disposal list so the receipts planned can be established.	Dir of Res								
12	No new Farm Business Tenancies are signed, so that agricultural land can be sold free of tenancies where possible.	Dir of Res								
13	No further capital investment in farms such as new grain stores. Assess current values of retail assets and options for income potential and/or alternative uses.	Dir of Res								
14	Assess current values of retail assets and options for income potential and/or alternative uses.	Dir of Res								
15	The commercial basis for PIP should be investigated to establish the value of assets held by the joint venture, future capital requirements and options for realising value for the Council.	Dir of Res								
16	The housing joint ventures of Meacham Homes and Medesham Homes should be reviewed to understand the potential for realising capital receipts.	Dir of Res								
17	Implement agile working policy to reduce office space required at Town Hall and Sand Martin House by 30%, achieve sub let income and FM and energy cost savings.	Dir of Res								

Appendix 3 – List of those interviewed

Adrian Chapman	Neighbourhoods
Alex Gee	NPS
Amanda Askham	Director – Improvement and Development
Carole Coe	Finance Department
Charlotte Black	ASC
Cllr Andy Coles	Cabinet Member for Finance
Cllr David Over	Chair of Audit Committee
Cllr Peter Hiller	Cabinet Member for Planning and Commercial Strategy
Cllr Shaz Nawaz	Leader of the Labour group
Cllr Wayne Fitzgerald	Leader of the Council
Fiona Chapman	Finance Department
Fiona Leverton	Finance Department
Fiona McMillan	Director of Law and Governance (Monitoring Officer)
Gillian Beasley	Chief Executive
Kirsty Nutton	Finance Department
Lou Williams	Head of Children’s Services
Neil Harris	EY – External Audit
Nick Hutchins	Finance Department
Oliver Hayward	AD Commissioning
Pete Carpenter	Chief Finance Officer (s151)
Steve Cox	Executive Director – Place and Economy
Steve Crabtree	Head of Internal Audit
Wendi Ogle-Welbourn	Executive Director – People and Communities

Appendix 4 – List of documents

Key document, data, and information

The list below comprises documents, data and information we will require as part of the Capitalisation Review. We recognise that each organisation may have alternate titles or that some data areas are combined. It may also become apparent during the review that may be required.

Key Finance documents:

- Initial bid for Capitalisation, and any supporting papers
- The Revenue Budget Report 2021/22
- The Capital Programme 2021/22
- The Section 25 Statement for 2021/22
- Reserves Strategy
- Budget Strategy
- Capital Strategy
- Treasury Management Strategy
- Prudential indicators for 2020-21 and for 2021-22
- Out-turn Report 2018/19, 2019/20 and 2020/21
- Capital Out-turn Report 2018/19, 2019/20 and 2020/21
- Savings planned and delivered by Directorate for 2018/19, 2019/20 and 2020/21
- Financial statements for the Council and any companies owned/part-owned by the Council for 2018/19, 2019/20 and 2020/21
- Latest monitoring reports for 2021-22
- The Medium-Term Financial Plan
- Relevant reports to the Audit Committee
- Pension Fund report for 2018/19, 2019/20 and 2020/21
- Financial Regulations
- Finance Team Structure Chart - showing staff in post, interims and vacancies
- Business Plan for Finance

Other key documents:

- Council organisational chart – showing key staff in post, interims and vacancies
- Corporate Plan for 2018-19, 2019-20, 2020-21 and current
- Council Risk Register (showing position at end of 2018-19, 2019-20, 2020-21 and current)
- Annual Governance Statement for 2018-19, 2019-20, and 2020-21
- Report of External Auditors to Audit Committee

Annual Report of Internal Auditors

Log of IA recommendations and actions

Asset register, including any assessment of assets that may be surplus

Book value of assets, including valuation strategy

MRP calculations

Schedule of asset rental/income streams and how they contribute to budgets.

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EXTERNAL ASSURANCE REVIEW – GOVERNANCE ELEMENT**PETERBOROUGH CITY COUNCIL**

September 2021

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Andrew Flockhart, Lead Reviewer

1 Introduction

- 1.1 In accordance with the terms of reference set out in your letter of appointment dated 30 June 2021, I have carried out a review of governance at Peterborough City Council. I have done this in cooperation with CIPFA who have led on the financial part of the review. We have shared our findings and recommendations with each other. I have reviewed a wide range of documents and interviewed almost 30 Members and officers at the Council. This report sets out my findings and recommendations.

2 Peterborough's response to the review

- 2.1 It is clear that Peterborough City Council has had severe difficulties over several years in planning and managing its finances. Its governance and assurance mechanisms have struggled to cope with the challenges. In 2020/21 the Council were granted a Capitalisation Direction from the government to fund transformational expenditure to generate ongoing savings that would enable the setting of a balanced budget. Despite this the Council has struggled to plan and manage its finances effectively. It has failed so far to balance its budget in 2021/22 and to produce financial plans which can be relied on. A further request for Exceptional Financial Support (EFS) has been made to the government by the Council.
- 2.2 I received very good co-operation from the Council in carrying out this review. I held almost 30 meetings with senior officers and elected Members at the Council. In all instances I met with a high degree of openness and honesty. It is clear the Council accepts the difficulty of its position and there is strong commitment from everyone I met to resolve the issues.
- 2.3 There are widespread views amongst senior Members and officers that the Council is struggling with the legacy of decisions made in the past and that it has not grasped the financial issues effectively. There is a clear understanding that the Council now finds itself in a very serious financial position and a realisation that the Council needs to think anew about the challenge ahead.
- 2.4 I have also listened to the outcomes from the LGA Corporate Peer Review carried out in July 2021. These are, in many ways, complementary to my findings and recommendations.

3 Overall Findings and Recommendations

- 3.1 **I can give you assurance** the Peterborough City Council recognises the severity of its financial position. All leading Members and officers accept responsibility for balancing the budget and are working hard to meet the challenge.
- 3.2 The effort to retrieve the situation is underway and is clearly a priority for the authority. However, there is insufficient clarity about the financial standing of the authority and the absence of a robust strategy and plan of action to close

the funding gap in the current and future years. Consequently, **I cannot give full assurance** that the task will be achieved. There are, however, reasons for optimism. The new Leader and Cabinet are setting a new tone and direction for the authority with appreciable energy. They are bringing new, valuable skills and experience to the role. Furthermore, with the decision to end the shared chief executive arrangement with the County Council and to appoint a CEO solely for Peterborough there are opportunities to increase the managerial leadership capacity.

- 3.3 The report produced by CIPFA following its review comments on the request by Peterborough City Council for a Capitalisation Directive and so I make no comment on this matter here.
- 3.4 I have developed the following recommendations as well as short to medium milestones that the Council should be expected to meet which are in Appendix 2.
- 3.5 Peterborough City Council is recommended to:
- i) Review and approve more clearly defined priorities in the Council's corporate strategy by December 2021. In doing so the Council should provide a framework for making choices, some of which may be hard, and which provides greater clarity about the allocation of resources and the search for savings.
 - ii) Review and confirm a revised MTFS by December 2021 including a revised narrative which confirms the Council's commitment to resolve the issues. Key assumptions made in the current MTFS need to be reviewed and altered. The Council should seek external assurance about the assumptions made in the revised MTFS.
 - iii) Produce a single, detailed improvement plan covering a period of at least two years by December 2021. This should consolidate the wide range of efforts that are underway and being planned. All Members and officers should work together to deliver this plan. The Cabinet should review the plan regularly.
 - iv) Review and enhance the resources provided to support the delivery of the improvement plan (in the form of business analysts and programme and project managers) by October 2021.
 - v) Appoint an Independent Improvement and Assurance Panel of specialist non-executive advisers who should remain in place for at least two years to advise on and provide a regular, six monthly, commentary for the Council on progress with the improvement plan. The panel will provide expertise and continuity during the period of transition to financial sustainability and whilst there is flux in the make-up of the senior management team. It would also mitigate the risks associated with a potential change in political control during this time. The panel should include advisers with expertise in Finance as well as Adults and Children's Services.
 - vi) Enable the Panel's six-monthly reports to be published and presented to the Full Council. The Council's Cabinet should respond to the reports and write to the Secretary of State with details of the progress

- being made and planned. One or more of the Council's Scrutiny Committees should review the Cabinet's actions in this respect and report on this to the Full Council every six months.
- vii) Commission and support a development/support programme by December 2021 for councillors particularly for the new Leader and Cabinet, for the Chairs of the Scrutiny Committees and the Audit Committee, and for the Leaders of all political groups on the Council.
 - viii) The Joint Scrutiny Committee should review the revised MTFs and the budget for 2022/23 prior to them being presented to the Cabinet and Council this coming autumn and winter, and every year subsequently.
 - ix) Strengthen the leadership of the Audit Committee by December 2021 and pay much more attention to its annual report to Council through a considered discussion about its concerns. The Council's response to the Committee's reports should be clear and robust.
 - x) The Council's new Chief Executive should review the senior management structure by March 2022, including the shared arrangements, with a view to strengthening leadership capacity.
 - xi) Consider formally by March 2023, through an evaluation process, the option of moving to "all out elections" on a four-year cycle as an alternative to the current system of election by thirds with the exception of the fourth year. The Council should discuss the outcome of the evaluation with DLUHC.

4 Background

- 4.1 In recent years Peterborough City Council has struggled to plan and manage its finances effectively. Up to 2018 there was an emphasis on one off, non-repeatable savings whilst transformation was being planned. In early 2019 a more fundamental approach was initiated with the support of Grant Thornton. This reported in early 2020 with wide ranging proposals for change. However, their implementation was interrupted by the Covid-19 pandemic. In 2020/21 the Council were granted a Capitalisation Direction from the government to fund transformational expenditure to generate ongoing savings that would enable the setting of a balanced budget. Despite this the Council has struggled to plan and manage its finances effectively. A further request for Exceptional Financial Support (EFS) has been made by the Council.
- 4.2 The financial problems being faced now by Peterborough City Council are acknowledged by its leading Members and officers. There was a view held by some Members and officers that the Council was being treated unfairly by the overall financial settlement. However, the prevalence of this view has diminished. Senior Members and officers of the Council now acknowledge the Council failed to own the issues in the past and recognise it is their responsibility to do so now. They realise that a renewed approach is necessary and are committed to putting the Council on a sustainable footing.
- 4.3 The struggle to balance the Council's budget over several years has been exacerbated by the Covid crisis. The Council is now in a position where it knows it has a serious financial problem but does not know exactly what it is and does not know with sufficient clarity how to move to a sustainable

- position. There isn't a strategy and plan which demonstrates how this will be done.
- 4.4 The Council has a budget for the current year 2021/22 in which significant savings have not yet been identified and delivered. Failure to do so will lead to a deficit being carried forward into 2022/23 making the position for that year even more challenging.
- 4.5 The Council has sought and received external advice and support, over several years, to enable it to tackle the financial challenges it faced. Whilst this has helped the Council develop a package of schemes to deliver savings, they have not been sufficient to resolve the scale of the problem. Moreover, the Council has not yet implemented all the measures which were recommended. More specifically, in 2019 the Council engaged Grant Thornton to provide advice on a range of measures to close the financial gap in its budget as was understood then. The Council agreed to implement recommended savings of £11M but was put off course in doing so by the Covid pandemic in 2020. In the event the Council has delivered only £3.8M of the recommended savings. It remains committed to delivering the balance. This comprises about 53 projects and programmes which are being progressed now. However, delivering these schemes will not in themselves be sufficient to close the financial gap being faced by the Council in 2021/22 and 2022/23. A greater effort is required, challenging some of the assumptions made by the Council to date. The CIPFA review report, produced in parallel with this report, comes to the same conclusion and makes recommendations to support this. Moreover, the LGA Corporate Peer Review team who worked recently with the Council made a similar statement and sought to give the Council confidence that it can do more to make the operation of the Council and its service more efficient.
- 4.6 The Council's reserves are, in the opinion of the CIPFA Review Team, lower than what would be expected of a Council of this type and scale in this kind of context. As such they do not provide adequate resilience for unforeseen spending pressures or loss of income. I agree with this assessment.
- 4.7 The tone of reports to the Cabinet on the Council's financial position reflects the seriousness of the position. However, these reports do not add up to and do not provide between them an overall solution for the problems being faced.
- 4.8 The Chief Executive and the Section 151 Officer have for some time been advising the Council, both formally and informally, of the severity of its financial position. Both the Section 151 Officer and the Deputy Section 151 Officer have been in a dialogue with DLUHC's officials over the last year in order to find alternatives to issuing a S114 Notice. This dialogue and your subsequent decisions led to the provision of Exceptional Financial Support with a Capitalisation Direction.
- 4.9 The Council operates the Leader and Cabinet model of governance. Checks and balances are in place in the form of Scrutiny Committees and an Audit Committee. So far this model and its inherent checks and balances have

failed to produce a balanced budget for 2021/22 or for future years. The external auditors have highlighted this position in their report to the Audit Committee in June.

- 4.10 All the statutory officers for the Council are in post including the Head of Paid Service, the Section 151 Officer, the Monitoring Officer, the Director of Children’s Services and the Director of Adult Services. However, the Chief Executive (Head of Paid Service) has recently announced her retirement with the intention of leaving the Council’s employment in December 2021. In addition, the Executive Director of People and Communities, responsible for Adults and Children’s Services, has announced her plan to retire.

5 Terms of reference for the review

- 5.1 You asked that the Review should focus on five areas.

- i) Governance
- ii) Culture and leadership
- iii) Financial governance
- iv) Services
- v) Capacity and/or capability to improve

- 5.2 You also asked me to assess options for local government reorganisation.

6 Governance

- 6.1 Peterborough City Council has a Conservative led administration but without overall control (29 of 60 councillors). The other political groups are Labour (17), Liberal Democrats (9), Werrington First (3) and Green (3). Being in No Overall Control (NOC) has been a fairly common situation for the Council in recent years. The administration works with other groups on an issue-by-issue basis to achieve the approval of the budget and Council Tax policies as well as other key policies. This approach is not without its risks - in March 2020 the Council narrowly avoided failing to approve a budget for 2020/21. Member to member relationships were poor but are improving.

- 6.2 Being in NOC alongside annual elections presents the risk of a short-term approach. The prevalence of short-term solutions for the financial challenge indicates this is more than a risk and is an issue. The Leader of the Council says he is tackling the issue by working with other political groups with an “open door” policy. The other Group Leaders confirm this. The Leader needs to continue with this approach. There are reasonably positive signs that this will be successful in providing confidence, at least in the short term, that the key decisions on the budget will be supported even when they include unpalatable choices. However, this does not resolve the issue. I make further comments on this, and the need to consider alternative election arrangements through an evaluation process, in the next section of this report.

- 6.3 The new Leader and Cabinet, who have been in place since May 2021, are bringing fresh energy as well as a new approach, valuable expertise and

commitment to the strategic and immediate challenges facing the Council. A new, more collaborative style is evident. The Leader and Cabinet members say they are committed to owning the financial issues and to leading the authority to a stable position. This needs to be demonstrated by leading the development and approval of new corporate and financial strategies for the next three years on the recommended timetable. At the same time the two main opposition groups, Labour and Liberal Democrat, do not share this sense of ownership.

- 6.4 The Leader and Cabinet members are, in most cases, new in the role since May 2021. As a leadership team and as individuals newly in roles which are undoubtedly challenging, they should be supported to grow the knowledge and expertise necessary to operate successfully. A bespoke programme of support should be put in place for the team and for each member by December 2021. This could be done with the support of the LGA
- 6.5 There is an ambitious vision for the long-term future of Peterborough and the Council's role in delivering this – this is commonly referred to as “the growth agenda” with “Peterborough: The City of Opportunity” as the strapline. However, the benefits arising from this will not be delivered in time to assist the Council's finances in the next 2-3 years.
- 6.6 The Council's corporate strategy does not provide sufficient clarity on priorities to guide a three-year financial strategy or plan. This needs to be reviewed and a strategy, with clear priorities that provides the framework within which hard choices can be made, produced by December 2021.
- 6.7 The Council has been prone to a short-term perspective on budget planning. The Medium Term Financial Strategy (MTFS) does not provide clarity or confidence that the financial gap can be closed and the Council's finances put on a sustainable basis. Some unrealistic ideas about how the budget gap can be closed have been promoted. This has given Members and officers some false hope and undermined their focus on and commitment to resolving the issues locally. The MTFS needs to be reviewed with an updated narrative that emphasises the Council's role in meeting the challenges. A revised MTFS should be produced and approved by December 2021.
- 6.8 There is no single plan which everyone is working to which details the objectives, actions, milestones and targets to be delivered as a means of putting the Council on a sustainable financial basis over the next three years (2021/22 to 2023/24). The initial version of this plan needs to be developed by September 2021 drawing on the new commitments being advocated by the new political leadership of the Council. The plan needs to be monitored and updated quarterly with more substantial reviews annually.
- 6.9 The huge impact of the Covid pandemic and the exceptional pressures associated with the measures required of the authority have exposed the frailties of having a Chief Executive shared with Cambridgeshire County Council. Differing (some say diverging) priorities, the very wide range of responsibilities and the need for a constant and simultaneous focus on both

short and long-term issues has meant that the Chief Executive has been spread too thinly. With the announcement of her intention to retire in December 2021 there is an opportunity for the Council to end the shared arrangement and to appoint a new person in the role for PCC exclusively. A politically led move to do this has been made by the new administration at Cambridgeshire County Council. Leading Members at Peterborough have indicated support for this idea and steps to commence the recruitment of a new Chief Executive are underway. This will increase the senior management capacity to change and improve. It will enable the new Chief Executive to drive the development and delivery of a new strategy, focus on the Council's priorities, review other aspects of the shared senior management arrangements and galvanise the whole organisation to deliver services and savings in a way that is sustainable. The Council should aim to have the new Chief Executive in place by January 2022. In making this appointment the Council should be mindful of the level of skills, knowledge and experience required given the challenges being faced.

- 6.10 For similar reasons to those given above and as there are evident differences in the priorities for the two Councils, it has been agreed that both Councils will review together their shared services and the posts involved. (This includes the shared Executive Director and Director posts.) Decisions about the future of these will then be made formally under the Joint Working Agreement which the two Councils operate with. The Council will take legal advice as necessary. The Council should aim to complete the review with the County Council and make the decisions on the outcome of the review by December 2021.
- 6.11 Given the significant changes in senior management personnel I am recommending that the Council and its new Chief Executive review and confirm by March 2022 the senior management structure it wishes to operate with. A key consideration should be the strengthening of leadership capacity. Some form of cost and benefit appraisal should be applied in this process.
- 6.12 In the light of all of this I am recommending the Council appoints an Independent Improvement and Assurance Panel comprising specialist non-executive advisers who should remain in place for at least two years to advise and provide a regular, six-monthly commentary on progress with the improvement plan. The panel will provide expertise and continuity during the period of transition to financial sustainability whilst the new Leader and Cabinet continue to develop in their roles, both individually and collectively, and whilst there is flux in the make-up of the senior management team. It would also mitigate the risks associated with a potential change in political control during this time. The panel should include advisers with expertise in Finance as well as Adults and Children's Services. The panel should have an independent chair. The process for the appointment of members should follow an open and transparent process in line with Nolan principles. Participation of the City Council in the work of the panel will be important throughout its period of operation. Both the Leader and the Chief Executive of the Council should attend its meetings. The financing of the panel and its work needs to be considered by the Council in dialogue with DLUHC.

- 6.13 The Panel's six-monthly reports should be published and presented to the Full Council. The Council's Cabinet should respond to the reports and write to the Secretary of State with details of the progress being made and planned. One or more of the Council's Scrutiny Committees should review the Cabinet's actions in this respect and report on this to the Full Council every six months. The Council should expect that the Secretary of State will monitor the Council's progress with this work.

7 Culture and leadership

- 7.1 The new Leader and Cabinet are promoting a very positive approach to the challenge the Council faces. They are taking ownership of the responsibility to resolve the financial challenge. They are bringing fresh ideas and skills to lead the process of seeking savings whilst enhancing the future of the city and supporting services. The Leader is encouraging a strong team approach which is essential for establishing a clear way forward and when considering difficult choices for savings. An open and collaborative style is being promoted to engage the other political groups e.g. inviting them to participate in the cross-party Budget Working Group. This style is also reflected in the character of recent Council meetings which have been conducted, for the most part, in a courteous and business-like manner. The priority now is to apply this leadership style when tackling the strategic challenges ahead and when making difficult decisions.
- 7.2 There are positive and open relationships between councillors and officers. There is a high degree of mutual trust and respect. This enables councillors and officers to challenge each other when considering policy issues. There is a widespread willingness to learn from others and what has been done in the past, including errors which have contributed to the current situation.
- 7.3 The Council has been very open about the challenges it faces. Equally, the Council has been open to external challenge. In recent years it has invited several different organisations to provide this including a review by the LGA finance officers, in 2018, Grant Thornton in 2019 and, most recently, the LGA Corporate Peer Challenge. There is clear evidence that the Council responds constructively to external challenges of this kind e.g. the savings programme being developed and delivered now is based on the recommendations made by Grant Thornton. Whilst the Council has accepted most of the recommendations made it has not been able to implement all of them due to e.g. the Covid crisis. Furthermore, the sum total of all the recommendations are not, in themselves, sufficient to resolve the overall financial challenge the Council faces.
- 7.4 There are two aspects of the culture at the City Council which need careful consideration. First, the persistence of NOC in the Council combined with annual elections means that the political groups have an eye to the forthcoming elections every year (except for the fourth year). This introduces a high degree of political sensitivity around budget choices which are made, typically in February just a short time before the elections in May. A win or

loss of a couple of seats could change the political control of the Council. So, there is a lot at stake each year (except every fourth year) in May. Whilst there is no political will to change this arrangement, officers report that it is often very difficult to win Member support for the consideration of proposals that will make savings but are considered to be too politically sensitive. Equally, this context leads to a series of short-term solutions and is not conducive to the development of more strategic, long term solutions. This issue is very likely to persist. In the short term, the risks associated with this for the future sustainability of the Council's finances can be mitigated by all councillors recognising their responsibilities for the Council's finances and by the cross-party work being promoted by the Leader of the Council. The political Group Leaders share a particular responsibility for leading the way on this. It is vital this responsibility is acknowledged and the work to enhance cross party work on financial issues is maintained. Failure to do so will put the approval of a balanced (and legal) budget at risk each year. Looking to a long-term solution for this issue, I am recommending that the Council consider formally, by March 2023, through an evaluation process, the option of moving to "all out elections" on a four-year cycle as an alternative to the current system of election by thirds with the exception of the fourth year. The Council should discuss the outcome of the evaluation with DLUHC.

- 7.5 Second, heartfelt pride in Peterborough and the City Council is widespread amongst its Members and officers. There is much to celebrate in what the Council has done and is doing for its community. However, there is a risk that this pride could lead to some defensiveness about established ways of working. Whilst I don't believe this is a significant issue, I am suggesting that Members and officers at Peterborough don't let this get in the way of finding new ways to work. There is much pride to take from the innovations that have been introduced and this should continue.

8 Financial governance

- 8.1 The financial control systems in place are robust and effective. As a leading example of this the Section 151 Officer signs off all spend over £1k. This conveys the severity of the financial position and has been operating for some time. (It may now be time to consider delegating this function to enable the S151 Officer more time to focus on strategic issues.)
- 8.2 However, systems for determining the Council's financial standing need to improve. The estimated funding gap in the current and future years has changed often. As a result, there is not a shared understanding about what the position is. This undermines confidence and certainty about the plans required.
- 8.3 Overall, the checks and balances offered by the Scrutiny Committees and the Audit Committee have not been strong enough and have not focused sufficiently on the strategic dimensions of the challenges facing the Council.
- 8.4 To date, the work of the Scrutiny Committees has not reviewed and challenged sufficiently the MTFS or the annual budget plans. There is no

doubt that these Committees can make a constructive contribution to the overall effort to put the Council on a sustainable financial footing. The new Chairmen of the Scrutiny Committees, in place since May, and who work together in the Joint Scrutiny Committee are willing to learn from errors (of omission more than commission) in the past. The Chair of the Joint Scrutiny Committee accepts this view and is willing to apply the lessons learned. These Members should review their approach to scrutinising the MTFs and the annual budget proposals with a stronger willingness to challenge the assumptions and information presented to them. A fresh approach needs to follow the revision of the MTFs. This should start by December 2021.

- 8.5 The Audit Committee has failed to carry out its role fully. Up till very recently it has not addressed the serious financial challenges facing the Council with sufficient urgency or focus. The Committee has not paid sufficient attention to the strategic risks and issues facing the Council or to the processes used by officers for the preparation of the MTFs. The leadership of this Committee needs to improve. Equally, meetings of the Full Council need to pay more attention to the Committee's annual report and respond to it robustly.
- 8.5 The Budget Working Party led by the Cabinet Member for Finance operates an informal cross-party group which considers options and proposals for savings. Supported by officers, it is a means of sharing information and enabling all parties to contribute ideas and views on proposals before they come forward for executive decisions and scrutiny. Councillors from the Werrington First and Green Party groups join with members of the Conservative group to participate in this. They say the forum is effective and useful. The Labour and Liberal Democrat groups have chosen not to take part. The new Leader of the Council and the Cabinet Member for Finance say they are keen to engage them in this work but it is clear they will not. Nevertheless, the Working Party is a useful forum that reflects the fact that the budget is the responsibility of the whole council. It is important that the Leader and Cabinet Member for Finance sustain this work to achieve a shared understanding and an agreed way forward.
- 8.6 The Executive CMT is chaired by the Chief Executive with the Section 151 Officer and the two Executive Directors of People and Communities and Place as key members. This is the key senior management forum for strategic planning and decision making. It is where all issues escalated to it are resolved and where barriers to delivery are removed. The Executive CMT meets regularly. Its agenda reflects the severity of the financial position and the range of activity planned and underway to close the gap.
- 8.7 The Rapid Implementation Team (RIT) chaired by the Director of Business Improvement and Development and attended by the Section 151 Officer reports to the Executive CMT. It is responsible for all programme and projects to be progressed as part of the effort to close the financial gap. It reviews all areas of the Council's work as a means of enabling savings. It is an effective mechanism for driving and enabling the development and delivery of plans for savings. However, the RIT (and the Executive CMT) needs to be clearer about the priorities and overall plan for delivery. The support provided to it in

the form of business case development and project management to support implementation is insufficient and, therefore, should be reviewed and strengthened.

9 Services

- 9.1 Generally speaking, Peterborough's services appear to perform reasonably well across the board including all environmental and economy services.
- 9.2 In 2018 an Ofsted inspection of the Council's Children's Social Care Services found them to be Good. More recently, in August 2021, Ofsted carried out a themed inspection, without a judgement, of the Council's Children's services. It is clear from the report that the findings of the inspection were consistent with the findings in 2018 with good, and some outstanding, features of the practice identified. An Ofsted and CQC inspection of SEND provision 2018 considered the services required improvement and made recommendations on this which the Council is implementing.
- 9.3 Adult Social Care Services appear to perform well and are integrating with health services through the Integrated Care System (ICS) framework.
- 9.4 The challenge now for Members and officers is to find ways of sustain these, or similar, standards of service whilst savings are made. This shift in thinking and working will be difficult. It will require leadership and support from leading Members and senior officers. The Council should consider appointing senior advisers to its independent panel who have expertise in this area, particularly with the major services such as adult and children's services. It is worth noting that about 67% of the Council's budget is devoted to adults and children's services. Unless efficiencies can be achieved in these services, the Council will not be able to meet the overall financial challenge successfully.

10 Capacity and/or capability to improve

- 10.1 The Council has been very open and transparent in acknowledging its financial problems. In 2019, the Council engaged Grant Thornton to carry out a thorough review and to make a wide range of recommendations for change which have been accepted. The Council has requested and been granted Exceptional Financial Support (EFS) in the form of a Capitalisation Direction in 2020/21 intended to support transformational expenditure. The Council has engaged with the support offered by the LGA including a review of finances in 2020. The Council accepts its responsibility to resolve the financial challenges it now faces.
- 10.2 The Council operates a shared senior management arrangement with Cambridgeshire County Council. All first and second tier posts (i.e. the Chief Executive, the two Executive Directors and three Directors) are shared with the exception of the Chief Finance and Section 151 Officer. This was agreed to several years ago as a cost saving measure. Whilst that objective had merit it has also limited the senior level management resource that can be devoted to delivering the Council's priorities. This issue has been exacerbated by the

Covid-19 crisis. The recent LGA Corporate Peer Review recommended that the Council revise the shared management arrangements as one means of increasing senior management capacity to lead the changes necessary for the financial sustainability of the organisation. I agree with this view. Subsequent to this both Councils have agreed to end the arrangement whereby the post of Chief Executive is shared. With the Chief Executive's decision to retire in December 2021, it is important that the new postholder is in place early in 2022. A job descriptions and person specification for the revised post has been produced and recruitment consultants appointed as a matter of urgency. The advertisement for the post was posted on 2 September. The aim is to complete the recruitment process in November with an appointment at Full Council. Implementing this change will increase the Council's capacity to change significantly. As for the extent of any increase in senior level capability, this will depend on the quality of individuals appointed to these posts. Expertise in the leadership of change and the delivery of transformation in large and complex public service organisations will be key requirements.

- 10.2 The absence of a single improvement plan which details the Council's route to financial sustainability is an impediment. A single plan which consolidates the wide range of efforts that are underway and being planned, and which Members and officers work on together, would help the capacity to change significantly. The plan should provide clear objectives supported by targets, actions and milestones.
- 10.3 The delivery of the improvement plan will require a review of the resourcing necessary. In my view there is insufficient change management capacity in the form of business analysts and programme and project managers. These roles are required to support and facilitate change. A budget to support this should be formed and the roles, when filled, should focus on supporting the changes which deliver the most significant contribution to making the Council financially sustainable.

11 Options for Local Government Reorganisation (LGR)

- 11.1 There is a widespread view amongst senior Members and officers that some form of LGR would help consolidate Peterborough's financial sustainability in the medium to long term (3-5 years). I agree with this view. Evidence from elsewhere in England (e.g. Dorset, Northamptonshire etc) indicates the potential for significant benefits to be delivered through LGR. Senior Members and officers accept that it isn't a solution to the Council's financial challenges in the next two years. In my view there is a significant risk it would be a distraction from the urgent issues the Council needs to resolve in the next 18 months. In the first instance, the task of developing options and proposals for LGR would absorb significant amounts of political and managerial leadership capacity. Subsequent delivery of any proposals agreed by Parliament would absorb even more. Because of this, it should be ruled out as a priority now and positioned as a potential medium to long term solution that can be addressed once other improvements have been delivered.

- 11.2 Whilst there has been much informal discussion in many quarters about the idea of LGR in Peterborough and the wider area, there isn't a shared understanding about the commitment to consider this or what the options are. No specific proposals have been developed for consideration. Consequently, a cost and benefit analysis of options has not been carried out. A shared understanding about the potential value of LGR in principle needs to be established before progress can be made. This does not mean there has to be agreement about the particular form of LGR applied in the Peterborough and Cambridgeshire area, only that there should be an acceptance of the principle that it could deliver benefits and is worth considering.
- 11.3 Formal discussions by political leaders in Peterborough City Council and in the local authorities in neighbouring Cambridgeshire about a commitment to consider the principle of LGR and some options to deliver it are necessary to move this forward or to rule it out for the foreseeable future. The Leader of the Council should lead this process of engagement with the aim of confirming whether or not the idea is acceptable in principle by September 2022.
- 11.4 Three options that could be considered include returning Peterborough to be a district council within a two-tier system in Cambridgeshire, creating two new unitary councils for Peterborough and Cambridgeshire (possibly on the same footprint as the new Integrated Care Systems (ICSs), and replacing all councils in the Peterborough and Cambridgeshire area with a single unitary council.
- 11.5 If and when sufficient political consent to consider the principle of LGR exists is achieved, work to research and develop the evidence that would enable the assessment of options can commence. Relevant evidence should be developed in line with DLUHC's framework for assessing LGR proposals i.e. benefits to services and communities; value for money and the public's views following consultations.

Ends

Appendix 1 – Interviewees

Peterborough City Council: Members

Cllr Fitzgerald, Leader of the Council
 Cllr Allen, Deputy Leader & Cabinet Member for Housing, Culture & Communities.
 Cllr Walsh, Cabinet Member for Adult Social Care, Health & Public Health
 Cllr Hiller, Cabinet Member for Strategic Planning and Commercial Strategy and Investments
 Cllr Ayres, Cabinet Member for Children’s Services, Education, Skills & the University
 Cllr Coles, Cabinet Member for Finance
 Cllr Simons, Cabinet Member for Waste, Street Scene and Environment,
 Cllr Cereste, Cabinet Member for Digital Services & Transformation

Cllr Over, Chair of the Audit Committee
 Cllr Elsey, Chair of Adults and Health Scrutiny Committee
 Cllr Casey, Chair of the Children & Education Scrutiny Committee
 Cllr Harper, Chair of the Growth, Environment and Resources Scrutiny Committee and Chair of the Joint Scrutiny Committee (for the budget)

Cllr Nawaz, Leader of the Labour Group
 Cllr Sandford, Leader of the Lib Dem Group
 Cllr Howell, Leader of the Green Group
 Cllr Lane, representing the Werrington First Group

Peterborough City Council: Officers

Gillian Beasley, Chief Executive
 Steve Cox, Executive Director for Place & Economy
 Wendi Ogle-Welbourn, Executive Director for People & Communities
 Pete Carpenter, Director of Resources and Section 151 Officer
 Amanda Askham, Director of Business Improvement & Development,
 Sue Grace, Director of Customer Services & Digital
 Fiona McMillan, Director of Law & Governance and Monitoring Officer
 Rachel Blake, Financial Improvement Programme Manager
 Mandy Pullen, Head of HR

Sharon Bishop, Branch Secretary, Unison
 Alex Porter, Regional Officer, Unison

Appendix 2 – Peterborough Improvement Plan Milestone

Month	Action	
September '21	<ul style="list-style-type: none"> Agree to revise the senior management structure including a CEO working solely for PCC and commence recruitment processes Agree to revise the corporate strategy and MTFS and commence work Start work to draw together and develop a single improvement plan drawing on the recommendations from this review, the CIPFA review and the LGA Peer Review Agree to review and enhance the resources to support the delivery of improvement 	Cabinet and Council CEO CEO & CFO
October '21	<ul style="list-style-type: none"> Agree to establish Independent Improvement and Assurance Panel including terms of reference and financial arrangements Implement enhancements to support for the delivery of improvement 	Cabinet and Council CEO & CFO
November '21	<ul style="list-style-type: none"> Agree appointment of new CEO Commission a development programme for councillors Review draft revised MTFS by Joint Scrutiny Committee (JSC) 	Council Cabinet JSC
December '21	<ul style="list-style-type: none"> Agree revised corporate strategy & MTFS Agree draft budget for 2022/23 Agree revised membership of the Audit Committee Appoint members of the Independent Improvement and Assurance Panel 	Council Cabinet Council Cabinet
January '22	<ul style="list-style-type: none"> First meeting of the Independent Panel Scrutiny of the draft budget for 2022/23 	Scrutiny Committee
February '22	<ul style="list-style-type: none"> Approve the budget for 2022/23 	Council
March '22	<ul style="list-style-type: none"> CEO concludes review of the senior management structure and makes recommendations Complete delivery of in-year savings for 2021/22 	Council CEO & CFO
May '22	<i>Local elections</i>	
June '22	<ul style="list-style-type: none"> First report by the Independent Panel providing a commentary on progress Consider external auditor's report for 2021/22 & report it to Council Finalisation of 2021/22 budget outturn 	Council Audit Committee Council
July '22	<ul style="list-style-type: none"> Council considers and responds to the Audit Committee's annual audit report 	Council

	<ul style="list-style-type: none"> • Cabinet responds to the Independent Panel's first report and writes to the Secretary of State • Initiate the formal evaluation of the option of a four-year electoral cycle 	Cabinet Cabinet & Council
September '22	<ul style="list-style-type: none"> • Scrutiny review of the Cabinet's response to the Panel's first report to Council, the outcome to be reported to Full Council • Consider the principle of LGR and any consequential actions 	Scrutiny Committee(s) Leader and Cabinet
November '22	<ul style="list-style-type: none"> • Review draft, revised MTFS 	Scrutiny Committee
December '22	<ul style="list-style-type: none"> • Second report by the Independent Panel providing a commentary on progress • Agree updated MTFS and draft budget for 2023/24 	Council
January '23	<ul style="list-style-type: none"> • Cabinet responds to the Independent Panel's second report and writes to the Secretary of State about progress • Scrutiny of the draft budget for 2023/24 	Cabinet Scrutiny Committee
February '23	<ul style="list-style-type: none"> • Scrutiny review of the Cabinet's response to the Panel's second report to Council, the outcome to be reported to Full Council • Approve the budget for 2023/24 	Scrutiny Committee(s) Council
March '23	<ul style="list-style-type: none"> • Consider the report evaluating the option of a four yearly electoral cycle. 	Council
June '23	<ul style="list-style-type: none"> • Third report by the Independent Panel providing a commentary on progress • Consider external auditor's report for 2022/23 & report it to Council 	Council Audit Committee
July '23	<ul style="list-style-type: none"> • Cabinet responds to the Independent Panel's third report and writes to the Secretary of State about progress • Council considers and responds to the Audit Committee's annual audit report 	Cabinet Council
September '23	<ul style="list-style-type: none"> • Scrutiny review of the Cabinet's response to the Panel's third report to Council, the outcome to be reported to Full Council 	Scrutiny Committee(s)
December '23	<ul style="list-style-type: none"> • Fourth and final report by the Independent Panel 	Council
January '24	<ul style="list-style-type: none"> • Cabinet responds to the Independent Panel's final report and writes to the Secretary of State about progress 	Cabinet
February '24	<ul style="list-style-type: none"> • Scrutiny review of the Cabinet's response to the Panel's fourth and final report to Council, the outcome to be reported to Full Council • Approve budget for 2024/25 	Scrutiny Committee(s) Council

Peterborough City Council Independent Improvement and Assurance Panel

Terms of Reference

Following the publication of two independent reports that make up the External Assurance Review of Peterborough City Council, the Minister of State for Equalities and Levelling Up Communities has requested the Council establish an Improvement and Assurance Panel of non-executive advisers, to remain in place for two years to advise on and provide a regular six-monthly commentary for the Council on the progress with its improvement plan.

Purpose

1. The purpose of the Panel is:
 - To provide external advice, challenge, and expertise to Peterborough City Council in driving forward the development and delivery of their improvement plan.
 - To provide assurance to the Council and Secretary of State of the Council's progress on delivering their improvement plan.
 - To provide four monthly reports to the Council on the progress of the delivery of the Improvement Plan.

2. This will involve:
 - Providing regular advice, challenge, and support to the Council on the full range of their improvement activities, and in particular on delivery of the recommendations in the CIPFA and Andrew Flockhart reports published on 3rd November 2021 to ensure financial sustainability of the Council in two years (financial year 2023/24).
 - Working together across specialisms and acknowledging as well as challenging key dependencies with collegiate approach to managing and resolving risk.
 - Exploring key issues in detail through deep dives and specially commissioned pieces of work and through workshops.
 - Ensuring key decisions are made cognisant of the financial implications and impact on in-year budgets and the long term MTFS.
 - Providing written commentaries on the Council's progress to the Secretary of State for Levelling Up, Housing and Communities on the Council's progress, including whether there needs to be any reconsideration of the locally led approach set out in the letter to the Leader of the Council from the Minister dated, 2nd November 2021.

3. The Panel will convene for the first time in December 2021 and is expected to conclude in December 2023. Panel meetings will be held in private, and any minutes produced will not be published. The Panel's first initial response to the Council's Improvement Plan work will be end of January 2022, and thereafter the four monthly reporting regime will commence as set out in paragraph 1 above.

4. The Panel will meet monthly in the first instance and will keep under review the frequency of these meetings.

5. The Improvement and Assurance Panel will comprise:

Independent Chair	Eleanor Kelly
Independent External Member (Finance)	Chris Buss
Independent External Member (Governance)	Andrew Flockhart
Independent External Member (Service)	Chris Naylor
Independent External Member (Assets, Contracts and Companies)	Clive Heaphy
Independent External Member (LGA)	Rachel Litherland
In attendance:	
Leader of the Council	Cllr Wayne Fitzgerald
Chief Executive	Gillian Beasley/Matt Gladstone

6. Additional independent external members may be appointed to the Panel in the future if required.

Wider Local and Political Engagement

7. The Improvement and Assurance Panel will work closely with the other improvement boards/support mechanisms across the Council.

Costs

8. Any costs associated with the Improvement and Assurance Panel will be met by Peterborough City Council.
9. Panel members will be paid a fee for their work. The fee will be paid on a personal basis.
10. Panel members will need to work flexibly as the demand of the role requires. However, Peterborough City Council may wish to agree in advance the number of days advice to be provided by each Panel member over each 12-month period.
11. The Panel will be supported by an effective programme office to ensure that the overall programme plan is proactively tracked, kept up to date and that issues and risks are managed on a day-to-day basis through officers.

Eleanor Kelly Biography

Eleanor Kelly is the Chief Executive of the London Borough of Southwark, a position she has held since February 2012. In addition to her statutory head of paid service role her department is responsible for regeneration, planning, human resources and corporate strategy.

Eleanor is a CIPFA accountant with senior executive level experience in both public and private sectors, including management consultancy experience with KPMG and substantial local authority experience as a Finance Director (S151) and Chief Executive. She was first appointed to a Finance Director role in 1994 and to her first Chief Executive role in 1999.

Eleanor has often undertaken roles in support of regional and national critical issues and since January 2021 has been the Local Authority national advisor on the senior leadership team of the National Vaccination Programme.

Recognised by her professional accountancy institute as an expert in organisational management, for a number of years Eleanor acted as a national specialist examiner in this subject for the final year professional exams. She has held a number of non-executive directorships, most notably as a trustee of charitable trusts and as a non-executive chairman of the board of directors for a private company. She is currently a trustee, and chair of the Finance and Risk committee, of the Whitehall and Industry Group which is a charity that promotes understanding and cooperation between the civil service, local authorities, and the private sector.

Andrew Flockhart Biography

Experience in Advisory Roles

LGA adviser to Northamptonshire's Chief Executives on programme plans and management arrangements for LGR, 2019 - 2021

MHCLG – Lead Reviewer, Peterborough City Council governance review, 2021

Ministry of Justice – Lay Adviser to the Dorset MAPPA Panel, 2019 to present

Executive Experience

Chief Executive, Borough of Poole, 2014 to 2019

Championed the Council's purpose; principal adviser to Members; supported the delivery of priorities; led the organisation; represented the Council to all partners and the media.

Worked with Chief Executives and Leaders across Dorset (one County, six District and two unitary councils) to develop and deliver LGR from inception in 2015 to implementation in April 2019.

Strategic Director, Borough of Poole, 2004 to 2014

Led improvements to customer, street scene, environmental and cultural services, and the delivery of regeneration, school building, carbon management programmes.

Policy Director, Borough of Poole, 1996 to 2004

A member of the senior team leading the creation of the unitary council in 1997.

Assistant Chief Executive, Wolverhampton City Council, 1991 to 1996

Led a city wide regeneration programme with partners.

Consultant, Victor Hausner & Associates, 1988 to 1991

Work with government and councils to improve policy development and delivery.

Development Manager, Project Fullemploy, 1986 to 1998

With this charity I led the creation of training and employment opportunities for black and minority ethnic communities in cities.

Employment Opportunities Officer, LB of Hammersmith& Fulham, 1979 to 1986

I worked with voluntary and community groups to increase the participation of ethnic minorities and vulnerable groups in training and employment.

Non-Executive Roles

Trustee and Chair of the Board, Bournemouth Symphony Orchestra

Trustee of Poole Young Carers Charity.

Clive Heaphy Biography

Clive Heaphy is an experienced leader in the public and private sectors and a Fellow of CIPFA. Clive had a track record in working with large complex organisations to improve commercial and financial performance. Clive is current working with Nottingham City Council as Corporate Director of Finance and Resources. Other recent roles include setting up the new Northamptonshire Children's Trust as its first CEO and with Birmingham City Council as both Acting Chief Executive and Chief Finance Officer and well as 5 years as Finance Director for HS2 Ltd.

Chris Buss

Qualified CIPFA accountant since 1978, held a wide range of positions in the Finance, Technical Services and Housing Department's at the London Borough of Wandsworth, including 11 years as Director of Finance (S151) and Deputy Chief Executive until retiring in 2017. Following the Grenfell Tower Disaster was asked to become Sec 151 for Royal Borough of Kensington & Chelsea and oversaw the financial aftermath of that incident and setting up new corporate structure leaving in July 2018. Since 2018 have undertaken a range of one-off projects on governance & financial matters until requested to become interim Sec 151 officer at London Borough of Croydon in February 2021, which was on an agreed timescale to August 2021.

Chris Naylor**Chief Executive
London Borough of Barking and Dagenham**

Chris Naylor is Chief Executive of the London Borough of Barking and Dagenham. Under his leadership the Council has focused on inclusive growth, prevention, civic engagement and public participation and equalities.

He joined Barking and Dagenham from the London Borough of Barnet where he was Chief Operating Officer. Previously he was Corporate Director of Resources in Tower Hamlets and Director of Resident Services at Hammersmith and Fulham.

Chris is a Chartered Accountant and has a degree in Social and Political Sciences from the University of Cambridge, specialising in contemporary social theory. Chris was born and brought up in Rotherham, South Yorkshire, where he was educated at Wickersley comprehensive school.

Rachel Litherland**Principal Adviser for the LGA**

Rachel has 22 years of experience working in the public sector in a variety of senior roles across local and central government and with partner agencies.

Rachel started her career as a graduate trainee at Kent CC before becoming Head of Strategy at Shepway DC, Head of Projects at Kent Police, Staff Officer for Michael Howard MP, Assistant Director for Policy at Suffolk CC and National Adviser in Performance and Partnerships for the Improvement and Development Agency.

Rachel is currently Principal Adviser for the LGA and manages the relationship between the LGA and councils in the East England, providing a focal point for councils' improvement needs and link into the LGA's policy development and lobbying work.

Rachel has a BSc in Geography and Politics and a MA in Public Administration.

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Peterborough City Council

Improvement Plan

2021 - 2024

DRAFT V3.0 December 2021
www.peterborough.gov.uk



PETERBOROUGH CITY COUNCIL IMPROVEMENT PLAN

In August 2021, the Department for Levelling Up, Housing and Communities commissioned reviews of the Council's financial stability and its governance arrangements, and these reviews made a series of independent recommendations. This document describes our Improvement Plan, to confirm and provide assurance to the Government that Peterborough's response to the Non-Statutory Review (NSR) regarding Exceptional Financial Support is positive and being undertaken at pace.

This is our two-year Improvement Plan which is structured into six-month planning and delivery windows. Developing the plan using this approach allows us to plan in depth for the next six months, keeping focus on delivering the things that matter, whilst readying the organisation for the things that need to be delivered in the medium term.

As the Leader and Chief Executive, we recognise the seriousness of the financial, governance and operational challenges we face, and it is going to take a significant collective effort from all at the Council to address them and reach a sustainable position. The reviews raise serious issues which we must address and we remain determined and confident in our organisation's capacity and capability to change.

This will require the Council to be brave, innovative, and disciplined. We will refresh our Corporate Strategy and build on the vision for a safe, vibrant, and growing City. A place to live, work and visit where everyone can thrive and feel welcome. Our commitment to this long-term vision remains as strong as ever and our ambition for the City and its people is unchanged. We cannot afford to do everything today, so we will focus on a range of improvement themes that prioritise delivery of the right services for our citizens within the budget we can afford.

The size and scale of the challenge ahead of us is significant and will test us all, but working constructively with the Government, our partners, and the people of Peterborough, we are confident, that with the actions set out in this Improvement Plan, we will successfully deliver the fundamental changes needed for the Council.

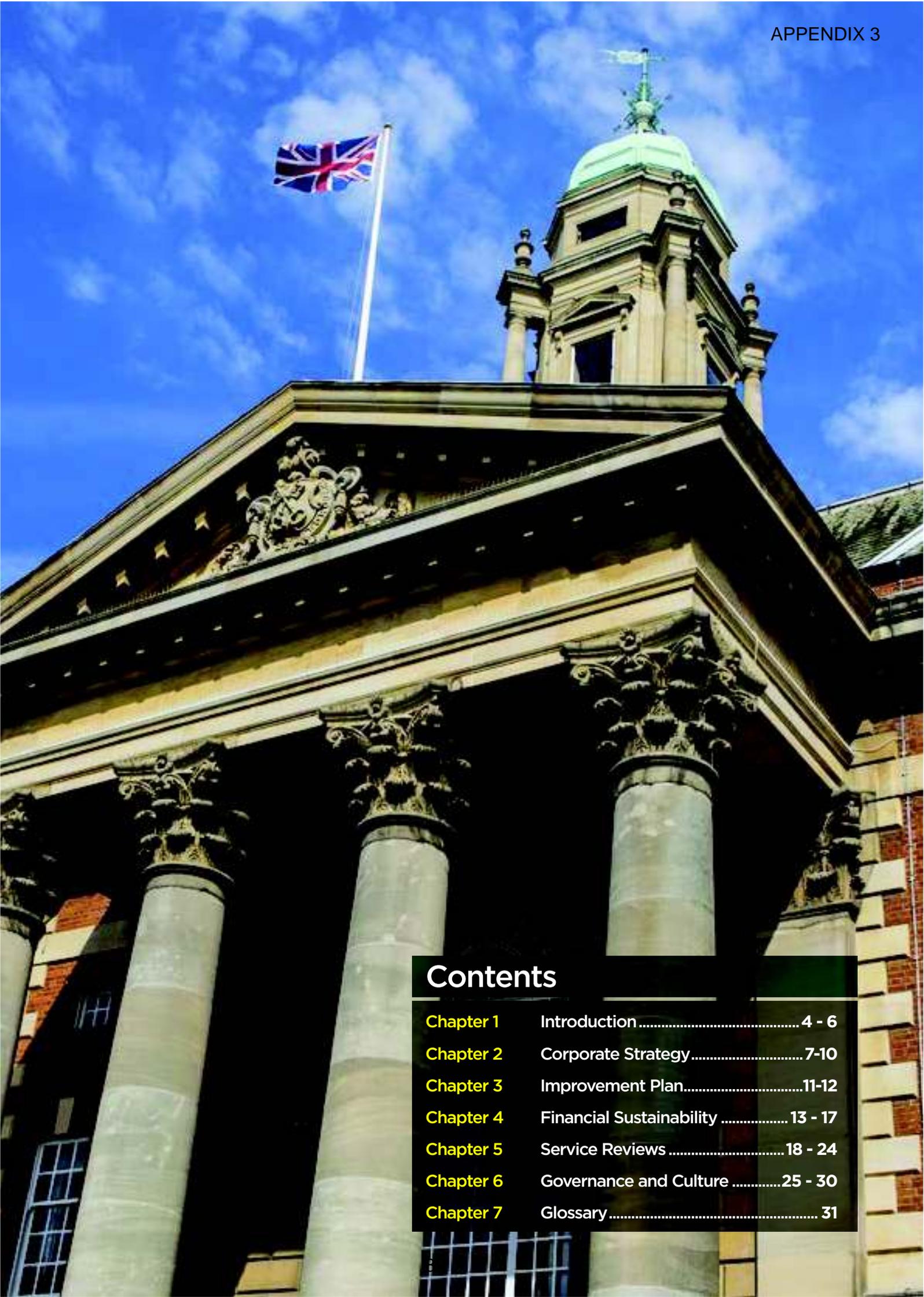
We will be a well governed council which ensures delivery of the right services for those that need them in an efficient, cost effective and sustainable manner.



Cllr Wayne Fitzgerald
Leader of Peterborough City
Council



Gillian Beasley OBE
Chief Executive,
Peterborough City Council



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Introduction

Peterborough City Council is one of the councils that requested Exceptional Financial Support (EFS) from Government during 2020. A condition of this support was that the Department for Levelling-Up, Housing Communities (DLUHC) and the Chartered Institute of Public Finance and Accountancy (CIPFA) would undertake reviews of the Council's governance and finances during the summer of 2021. The DLUHC-commissioned reports on finance and governance matters were published in early November 2021 and the Council has acted swiftly in setting-up an Improvement Panel whose composition reflects a wide range of skills and experience from across the sector.

This is a critical juncture for the Council. We consider financial stability, through the Council's own resources, must be the number one priority for the new administration for the next twelve months supported by a new Chief Executive who will create additional senior management capacity and lead the work on improvement, driving forward a culture of the Council living within its means and focusing on its priorities.

We need to achieve a sustainable balanced budget, in the context of a refreshed Council Strategy that will set the direction for the Council with transparent, effective, and efficient decision making and with regard to the limited resources that are available to us to deliver this on behalf of the people of Peterborough. Being more fiscally resilient is a key tenet to this improvement journey and the Improvement Plan is closely aligned to our short- and medium-term financial priorities.

We are committed to ensuring that we continue to deliver the quality statutory and day-to-day local services that help keep the City safe and clean, and that we work in partnership with the communities we serve to build a prosperous City that offers residents the opportunity to realise their potential. To do this we will set a balanced budget plan for 2022/23 in the next two months and will publish a multi-period Medium-Term Financial Strategy during 2022/23.

Delivering improvement and changes within a well understood and pragmatic financial framework is a non-negotiable part of this plan and financial grip and holding individuals to account will form the cornerstone of our new culture. We will expect managers, staff and Members to be open to scrutiny and challenge around what we do, how we do it and what it costs to deliver at all times. We will empower and resource the organisation to deliver against the Improvement Plan and will hold people to account if commitments to deliver are not met. We will drive culture change through a set of simple and measurable indicators.

This two-year Improvement Plan is structured into six-month planning and delivery windows: keeping focus on delivering the things that matter whilst readying the organisation for the things that need to be delivered in the medium term. We will weigh up potential changes on the basis of whether they improve outcomes and at what cost. We will not make change for change's sake. Equally, we will not rule out any options for change that could help improve outcomes. We will keep an open mind even where options might be uncomfortable.

The plan is built on three key themes which will be monitored, measured and reported within a rigorous programme management framework with a clear focus on delivery:

THEME 1: FINANCIAL SUSTAINABILITY

Achieving financial sustainability relies on us setting a balanced budget for 2022/23, delivering on our savings and transformation plans, delivering sharper focus on collective and individual fiscal responsibility and accountability ensuring that we deliver on our priorities. This will mean taking bold decisions to turn off the things that are no longer "core/can't afford" as we constantly challenge ourselves on how we spend every penny of the Council's money.

THEME 2: SERVICE REVIEWS

We need to urgently review all our activities, including statutory & key services, our contracts and our assets. We have initiated a series of service deep dives starting in Adult's and Children's Services and will continue this

programme of review into mid-2023. The reviews are focused on identifying opportunities for efficiencies using external challenge and the outcome of the reviews will generate options and recommendations for doing things differently. We will manage these reviews using an agile approach so that we can agree and deliver changes as new opportunities and alternative ways of working present themselves. We have to have the ability to make change happen more rapidly.

THEME 3: GOVERNANCE AND CULTURE

This section describes how we will manage the Improvement Plan with the support of the Improvement Panel and associated partners. We will refresh our Corporate Strategy and key policies. We will adopt stronger fiscal and delivery disciplines where individual accountability will be at the heart of our new ethos. We will only change the organisation if we are clear on what has to change, by when and to what standard.

To deliver against these themes, leaders throughout the organisation will have to demonstrate a high level of fiscal self-awareness, emotional intelligence, and subject matter expertise. We must all continue to challenge each other and the status quo, call out things that we think are wrong and be pro-active, seeking out opportunities to innovate and improve.

Officers and Members of the Council are committed to remaining transparent and welcoming of external challenge and scrutiny. We have been open about our financial situation and have worked hard to try and address the significant financial challenges we face. However, we know we need to do more. **We recognise that the capitalisation directive from national Government should only be agreed once we have exhausted all alternative actions to provide a balanced budget for 2022/23.**



In 2019, the Council started an extensive Financial Improvement Programme and specialist consultants were engaged to provide rigorous challenge to the Council's baseline position and forecast, and to bring in best practice examples of service transformation and savings. From this, we identified £11m of potential savings for 2021/22 against a £14m budget gap. The COVID-19 pandemic has delayed some activity. We know that with the assistance of transformational funding, reduced capital spending and the enhancement to reserves from a release of its remaining non-service delivery assets, Peterborough has the potential to be sustainable in the short to medium term.

Next year's budget will need to be tactical, addressing the immediate financial structural issues that we need to rectify. External expertise and internal capacity have been increased to develop transformation and budget options to deliver savings in 2022/23. Our improvement programme will also be supported with capacity from CIPFA which has started to examine all major areas of spend across the Council.

Beyond 2023, we expect our budgets (and our MTFs) to become sustainable.

Councillors have ambitious plans, including support for the new University and a programme of housebuilding and other growth-based activities. But these initiatives need time to make an impact, particularly in light of the impacts of the pandemic on our City and citizens. They will not solve the immediate financial challenges that the Council faces. Following the May 2021 elections, a new administration has been formed with a new determination and willingness to resolve the short- and longer-term financial situation by taking difficult decisions now.

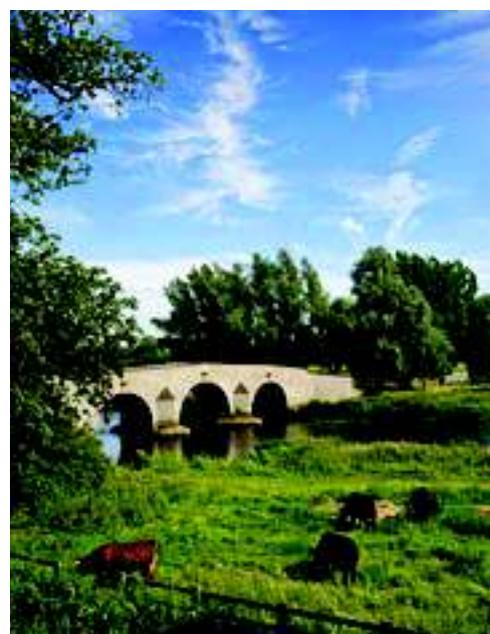
To support the cross-party collaboration that is necessary for hard decisions to be made and key priorities to be agreed, we have established a cross-party Financial Sustainability Working Group which meets on a regular basis to review improvement opportunities. This group will also hold officers to account for delivery of the Improvement Plan and will report directly to the Improvement Panel and Full Council.

The whole organisation has worked incredibly hard through the pandemic and there are, unsurprisingly, signs of change inertia. To address this, we urgently need to change our narrative and reframe it to harness the motivation of staff to ensure the whole organisation has a renewed focus on addressing the significant financial challenges that lie ahead. The improvement and transformation journey will require a huge effort from the whole organisation - Members, senior managers, our workforce, and our delivery partners.

We have responded quickly to recent reports into governance and financial matters and have adopted a spirit of partnership working and collaboration with DLUHC to date. This dialogue will continue during the improvement period over the next two years. We look forward to receiving additional support from the non-executives who will form the Improvement Panel and CIPFA and the insights on best practice they will bring. We will identify and allocate the necessary resources from our own teams to take on this best practice and deliver the required recovery and improvement.

The Improvement Plan is a live document with the two-year plan being split into six-month planning windows, with the immediate six months being set out in detail, while maintaining a view of the longer-term planning horizon. We have finite resources, and we need to target them to focus on making changes to our delivery model where we can deliver the best return while continuing to live within our means.

Delivering this plan will lead to real and positive change, with lessons learned being applied to make Peterborough City Council a stronger and financially sustainable organisation.





Corporate Strategy

The council needs to refresh its Corporate Strategy for the period 2022-2025. This work will be developed in two parts. Part one, which is described here, will be an 18-month tactical strategy for the period January 2022 to July 2023 with a focus on reaching financial sustainability. This will underpin the Improvement Plan which will capture activity to deliver.

Part two will be developed during the first three to six months of 2022 and will set the longer-term ambition and vision for the council and City. This refreshed Corporate Strategy 2022-25 will replace the draft Corporate Strategy which has been in consultation since the spring of this year. Both parts of the refreshed strategy will respond to reports from CIPFA, DLHUC and the Local Government Association and in consideration of the context in which the Council must now operate.

The 2022-2025 Corporate Strategy is an opportunity for the Council to set out a positive vision for the area, with a longer-term revised policy framework that clearly articulates our priorities and purpose to citizens, businesses, partners, and other stakeholders. To develop this vision, the Council will work alongside partners, business and the residents of Peterborough to consider the priorities for the City and the contribution that everyone is able to make.

Both parts of the strategy will focus on the core and statutory services that meet the needs of citizens, particularly in light of the impacts of the pandemic. All service plans will be reviewed to ensure that activity and performance measures are directly related to delivery of priority outcomes laid out in the Corporate Strategy. Activity that is not directly related to the new Corporate Strategy will be stopped.

The strategy will pay careful attention to identifying and meeting the needs of residents now and in the future, acknowledging that Council may not always be the solution. There are huge strengths, assets and resources across Peterborough many of which sit in partner organisations, business and communities. The Council must play its part in bringing people together and leveraging these resources around the key priorities for the City.

“It is clear that we are a council that can achieve what we set our mind to do. We have been highly successful in attracting external funding and have worked tirelessly to support residents throughout the pandemic.

There is an exciting future ahead for the City and this two-part corporate strategy will help us with the decisions we need to make in the short term, so that we can be ambitious in the longer term and have the funding and tools we need to make future investments.

I have already started to establish a more ‘listening’ and collaborative culture inside and outside the council which has been welcomed by partner organisations and, together, we are already driving the strong recovery of our City, from the Embankment redevelopment to delivery of a new University.

You will see that this Council remains committed to ensuring that Peterborough is a place where residents are proud to live, work and grow up. “

Cllr Wayne Fitzgerald, Leader of Peterborough City Council.

Corporate Strategy Part One

Years of austerity measures, reduced funding from Central Government and rising demand for Council services, coupled with recent the COVID-19 pandemic has accelerated our already stressed finances to the brink.

The previous strategy set out a vision for a safe, vibrant, and growing City. A place to live, work and visit where everyone can thrive and feel welcome. Our commitment to this long-term vision remains as strong as ever and our ambition for the city and its people is unchanged. But we must immediately address the serious issues raised in these recent reports and adjust our plans over the next 2 years to ensure future sustainability.

We have developed an Improvement Plan to drive the work we need to do and the decisions we need to make to reach sustainability. The plan will also provide assurance to the Government that Peterborough City Council's response to the Governance and Finance Reviews of the Council is positive and being undertaken at pace.

We have also established an Independent Improvement and Assurance Panel which will provide external advice, challenge, and expertise to Peterborough City Council and hold us to account for the delivery of our Improvement Plan.

We recognise that, if we are to achieve our aims and live up to our aspirations for a successful Peterborough in the future, we must rethink what we do and how we do it today. This document sets out our ambition and our revised priorities.

We will be a well governed council which ensures delivery of the right services for those that need them in an efficient, cost effective and sustainable manner.

We remain committed in ensuring that **Peterborough is a place where residents are proud to live, work and grow up in.** We will act now to ensure that in the longer term we are a financially and environmentally sustainable council which is well positioned to make Peterborough a place where:

- We have a greener, cleaner City with safe, friendly and healthy neighbourhoods.
- There are first rate futures for our children & young people, with quality support for adults, older and disabled people.
- We support and enable people to do more for themselves, for each other and for their communities
- Our City grows in a sustainable and fair way to create job opportunities and address poverty. As we grow, we will invest in the quality and availability of housing.

We will review all our delivery, budgeting, resourcing and performance activities and focus on the best quality core services we can afford.

This first 18-month tactical strategy for the period January 2022 to July 2023, is at the heart of our Improvement Plan and will focus on three key areas: reaching a sustainable financial model by 2023, how we will deliver services now and, in the future, and strengthening our governance and culture.

FINANCIAL SUSTAINABILITY PRIORITIES

- That we manage our finances in a sustainable way to help us reach a strong financial position in the medium term, and continue to deliver the well-planned, modern, effective and value for money public services that local people expect.
- That we develop a four-year MTF5 for 2023-27, reflecting the outcome of a root and branch review of all of our services, and the forecast resources available to the Council.
- That our budget process links clearly to outcomes for residents in Peterborough, rather than being based on the Council's existing structure and services.
- That we carefully manage our capital and investment programme, reduce external borrowing, and generate more capital receipts through disposing of assets that are no longer needed or by using assets to generate income.
- That our council-owned companies, have appropriate financial, governance and management arrangements which drive up quality and provide value for money.

TO DELIVER THIS, WE WILL

- Robustly manage our Capital programme and Investment programme, reduce borrowing and generate more capital receipts through disposal of assets that are no longer needed.
- Optimise the use of our assets to support service delivery to meet the needs of our residents and businesses and support the delivery of our outcomes
- Review our council owned companies to ensure appropriate financial, governance and management arrangements are in place
- Align our outcomes for Peterborough and the ambition of the Council with the resources available to us.
- Establish a planned and sustainable budget framework to ensure that the activities within it are affordable within the resources available to us in the medium to long term.
- Increase our commercial activity to ensure we are maximising revenue and minimising the cost to the taxpayer.
- Ensure that all external contracts we commit to get the best value for taxpayers' money.

OUR SERVICE PRIORITIES

- That the council services local people rely on can continue to be well planned and effectively delivered.
- That the council works with its partners and communities to make the best use of its limited resources and avoids unnecessary interventions and duplication.
- That we effectively deliver quality statutory services to ensure that vulnerable children are protected, and all children have the conditions for the best start in life.
- That our older and vulnerable adults can have a good quality of life and grow old with dignity.
- That the city works together as one to address the climate emergency, getting us on the path to net zero emissions by 2030.
- That our local services that help keep the city safe and clean continue to be delivered well, and that we work in partnership with the communities we serve to build a prosperous city that offers people the opportunity to realise their potential.

TO DELIVER THIS, WE WILL

- Undertake a comprehensive review of our services, including how we manage current demand, encourage independence and intervene early where we need to.
- Model future demand pressures and costs alongside a forensic review of expenditure.
- Focus on providing the best quality core services we can afford whilst continuing to target provision effectively, so that the right services reach the right residents at the right time.
- Deliver on our commitment to make the council's activities net-zero carbon by 2030 and to support the city to achieve the same.
- Organise ourselves so that our available resources are used effectively to meet need in a cost effective and sustainable way that improves the quality of life and reduces inequalities.
- Continue to build strong relationships and work in partnership with local people, communities, businesses and partners to ensure we work together effectively in our commissioning and delivery of services.

GOVERNANCE PRIORITIES

- That there is shared commitment by all Members in Full Council, strong and decisive leadership by Cabinet, constructive and well-informed scrutiny, and inquisitive and challenging audit, enabling the Council to fulfil its ambitions for the city and its duties to the public.
- That public funds are managed responsibly and used to respond to current needs and invest for the future.

- That there is cross party, collaborative work to reach a sustainable future for the Council and City.
- That the principles of good governance are well understood, accepted and put into practice routinely by all Members.
- That our Performance Management Framework provides clear accountability for the delivery of the outcomes in the Corporate Strategy and is effective in managing performance across the organisation.

TO DELIVER THIS, WE WILL

- Establish and embed a strategy for Member development particularly in relation to their roles on audit and scrutiny
- Review existing governance structures to see if improvements can be made.
- Ensure that the principles of good governance are shared, discussed and adopted.
- Undertake a workforce development programme to help our officers and councillors build on their strengths whilst also developing the new skills and experience needed to support the city council, citizens and city over the long term.
- Scrutinise 'performance' in the broadest sense, rather than focusing only on traditional measures such as output indicators and progress on delivering service plans.
- Develop a longer-term revised policy framework that clearly articulates our priorities and purpose to citizens, businesses, partners, and other stakeholders.
- Use evidence and external expertise where needed to drive our decision making, ensuring the decisions we take are well-informed by a diverse range of views, with clear accountability for decisions, and made transparently and openly for the benefit of the public we serve.
- Strengthen good practices in transparency, reporting and audit to deliver effective accountability.

Focus and effort across these three areas will help us to address some of the biggest challenges the Council and the City faces, whilst continuing to deliver the modern, effective and value for money public services that local people need and deserve.



Improvement Plan - key deliverables in the first six months

Theme	Workstream	Key Deliverables	Milestone
Corporate Strategy	Part One	Short term, tactical Strategy informing development of two-year Improvement Plan, with a focus on reaching financial sustainability.	Consultation starts Dec '21
	Part Two	2022- 2025 Corporate Strategy, setting the longer-term ambition and vision for the Council and City	Consultation starts May '22
Financial Sustainability	Medium Term Financial Strategy	Restrict expenditure in 2021/22. Set Revenue and Capital budgets for 2022/23 Develop Medium Term Financial Strategy 2023-2027 Develop and implement new Financial Operating Framework	Nov '21 Nov '21 - Feb '22 Dec '21 - Sep '22 Mar '22 - Nov '22
	Assets	Assets Disposal Review of Assets Base Develop and implement refreshed Assets Strategy	Dec '21 - ongoing May '22 - ongoing Mar '22 - Jul'
	Capital Programme	Review of the existing Capital Programme Develop and implement refreshed Capital Strategy Balance Sheet management	Dec'21 - Mar'22 Jan '22 - May '22 Dec '21 - ongoing
	Initial deep dives into areas identified by CIPFA benchmarking	Adults Childrens Housing and Planning Communities	By Jan '22 By Jan '22 By Feb '22 By Feb '22
Service Reviews	Outcomes Based Service Reviews	Develop methodology and timeline for outcomes-based reviews	Feb '22
	Revised target operating model (TOM)	Create the structure for a new TOM, including assessment of the TOM design principles against revised/new service delivery options.	Feb '22
	Contract Reviews	Complete the review of major contracts, bringing in subject matter experts where required. Ensure all contracts have a named contract holder, who is suitably trained in contract management	Dec '21 - Feb '22 Dec '21 - Jan '22

Service Reviews (continued)	Contract Reviews (continued)	Ensure a Commissioning Strategy exists for all services and sub-services the Council delivers, either through an external provider or in-house	Jan '22 – May '22
	Review of companies	<p>Review of existing Council companies</p> <p>Review and implementation of new group holding structure and Governance arrangements for company oversight</p> <p>New strategy for establishing service delivery arrangements and company creation</p>	<p>Dec '21 – Mar '22</p> <p>Jan '22 – Mar '22</p> <p>Feb '22 – May'22</p>
Governance and Culture	Governance and Assurance	Strengthening Audit committee including recruitment of independent members of the audit committee	Dec'21 – Jan '22
		Strengthen the skills and approaches of members of the Scrutiny Committees through additional training.	Dec'21 – Jan '22
		Make the necessary changes to our Constitution to incorporate the role of the Improvement and Assurance Panel in the Council's governance structures	Dec '21
		Develop proposal to change from elections by thirds to all-out elections every four year.	Dec '21 – Jan '22
	Performance Management	Develop and embed Business Assurance and Project Management Office function, with responsibility for monitoring, reporting and supporting deliver of this Improvement Plan	Dec '21 – Jan'22
		Review performance management framework and embed individual accountability for delivery of this Improvement Plan.	Jan'22 – Mar'22
Capacity and capability	Review of organisational structure	Feb'22 – May'22	
	Six month delivery and resourcing plans delivered for all workstreams in this Improvement Plan	Dec'21 – Jan'22	
	Additional capacity to deliver first 6 months of plan secured	By Jan '22	

THEME ONE Financial Sustainability

FINANCIAL SUSTAINABILITY WORKSTREAM 1 MEDIUM TERM FINANCIAL STRATEGY

The delivery of a realistic and robust Medium Term Financial Strategy (MTFS) is dependent upon a Council-wide commitment from Officers and Elected Members to a fundamental change in how we work, how services are provided, and how we engage with, and provide for, our residents. The status quo will not work and would inevitably lead to direct Government intervention given that the money will simply run out.

There are four key work streams in this section which are vital to the delivery of a sustainable financial future for the Council. These are:

1. RESTRICTING EXPENDITURE IN 2021/22

A moratorium has been introduced for the current year to ensure only essential expenditure is incurred in the remaining third of the year. This should produce an underspend which can either be used to roll forward as a one-off solution for 2022/23, or added to reserves, whichever is the greater assessed need.

2. REVENUE AND CAPITAL BUDGETS FOR 2022/23

Presenting a balanced budget for revenue that has a positive Section 25 assurance is a huge challenge. We will meet the challenge by:

- Fully establishing the unavoidable financial pressures our services will be facing, particularly as a result of the pandemic, and factoring those in the final budget
- Rigorously pursuing quick wins, including a review of our fees and charges
- Only including savings proposals that are rated Green or Amber for delivery on the traditional 'traffic-light' risk rating
- Using one-off monies as a last resort (e.g. capitalisation directive) unless for a very specific and one-off purpose (such as COVID-19 funding)
- Ensuring, wherever possible, that the need for short-term results for 2022/23 does not impede the opportunity for greater savings in future years
- The resulting proposals will be released for formal consultation on 21 January 2022, and will be considered by Cabinet on 21 February 2022, before being amended as appropriate and debated by full Council on 2 March 2022
- Financial Sustainability Workstream 3: Capital Programme, outlines the approach to the capital budget

3. MEDIUM TERM FINANCIAL STRATEGY 2023/24-2026/2027

Setting a genuine MTFS that will stand the test of time requires brave and innovative thinking. In our particular situation, it needs a root and branch review of everything we do, and how we do it. We will also need to consider how the fast-changing world of technology can play an increasing role in our engagement with residents, clients and customers. We accept that true and genuine transformation takes time, and money. Our MTFS will recognise that savings from transformation take several years to be fully realised, and so we may have to combine transformation savings with tactical savings in the shorter term. In order to arrive at a four-year strategy, by September 2022, we will:

- Learn from others; examine best practice in other local authorities across all service areas
- Follow-up on the forensic reviews that are already underway in service areas
- Set a range of financial health indicators across the four years, that will effectively set parameters for spending that optimises our use of resources

- Development of key lines of enquiry that will be the basis for the aforementioned 'root and branch review' of services. This will include capital and our company holdings
- Review our attitude to risk and investment. We need to be mindful of our affordability envelope as well as our insurance (mainly financial reserves) against any of our risks materialising

4. FINANCIAL OPERATING FRAMEWORK

We will review all of our financial and budget procedures for both revenue and capital, by September 2022. This will promote good financial management and ensure ownership and accountability for effectively managing the Councils budgets, is front and centre of the organisation's priorities. It is only with this attitude and approach that the Council's will achieve financial sustainability. This review will result in:

- Adoption of budget setting procedures, that will be built on the principle of a bottom-up approach
- Financial Sustainability Working Group (Cross-party member group) monthly briefings
- Appropriate, effective and efficient levels of control on spending
- Accountability being unambiguous, with clearly stated consequences of failure eg budget managers overspending their allocation
- Improved in-year monitoring and reporting, and agile decision making

KEY OBJECTIVES

- An underspend in 2021/22 in order to bolster reserves
- A realistic and achievable budget for 2022/23
- Reduced reliance on one-off funding solutions
- A brave, bold and ambitious MTFs for 2023/24-2026/27
- A greater focus on sustainability and the longer-term
- Greater engagement and accountability with budget managers across the Council
- An appropriate and affordable attitude to risk

KEY DELIVERABLES

- A revenue and capital budget for 2022/23
- A sustainable MTFs for 2023/24-2026/27
- A revised risk appetite
- New Financial Operating Framework and procedure

KEY RISKS

- An underspend in 2021/22 is not delivered
- The 2022/23 budget has an unacceptable reliance on one-off funding
- Genuine transformation in service delivery is not undertaken in a timely manner
- Government fails to fully fund changes in legislation, such as social care reform
- Mitigations against these risks include;
 - Real-time monitoring in 2021/22 of discretionary spend lines, with immediate actions taken
 - Working up for further budget savings that can be delivered in-year in 2022/23 that were not sufficiently worked-up for inclusion in the approved budget in March 2022
 - Issuing of a S114 notice

FINANCIAL SUSTAINABILITY WORKSTREAM 2 ASSETS STRATEGY

The CIPFA report recommended a review of assets to create a consolidated picture of all assets across the Council. At the moment, the Council holds a significant number of assets either on its own or through partners and a new and ambitious strategy is needed to drive inclusive growth and financial sustainability.

1. REVIEW OF THE ASSET BASE

Our updated Asset Management Strategy (AMS) will be based on asset rationalisation where there is no commercial, community or strategic case for retaining the property. In line with the MTFS theme the utilisation of assets will form part of the root and branch review of everything we do and how we do it. The changes to operating practices as a result of the pandemic have demonstrated the possibilities of reducing the use of physical assets while still providing services to residents, clients and customers. It is expected that the decision taken on changes to service delivery will make a number of operational assets redundant and this work will complement the Organisational Capacity and Delivery theme.

2. ASSET DISPOSALS

Receipts from asset disposals will be utilised to meet current commitments, provide additional cash flow into the Council to mitigate budget pressures of servicing past debts (in line with the key Financial Health Indicators referenced in the MTFS section), and if required to provide an alternative funding source for a transformational programme that delivers savings over the period of the MTFS subject to Government approval.

Any disposals must comply with the AMS and the Asset Management Plan. We cannot make short-term decisions that could harm future values. The sites which are recommended for sale will be disposed in accordance with Best Value to ensure the greatest value within the timescales set out in Workstream 1 – MTFS. This will ensure that only asset sales are ‘at the right price’ and will not be rushed into ‘fire sales’.

To achieve asset disposals we will:

- Complete a review of our Asset Management Strategy and Plan
- Bring in a subject matter expert to see how we can add value to the existing estate
- As a result of the above, compile a list of possible disposals, and consider and manage the implications of each potential disposal such as
 - revenue loss,
 - maintenance liabilities, and
 - current and potential future issues which may affect valuations
- Where option appraisals are required an external property advisor will be commissioned
- Set up an effective project management to manage all asset disposal activities in accordance with the timescales of this Plan and MTFS and reporting in accordance with the governance of the Plan
- Mitigate any risk in asset sale realisation by continually reviewing and expanding the list of assets recognised for disposals

KEY OBJECTIVES

- To have an asset strategy that ensures value is maximised over the short, medium and long term
- To commission a report that identifies how we can maximise the value of our existing estate
- Compile a list of assets for disposal between now and March 2023

KEY DELIVERABLES

- An asset strategy approved by Council in July 2022
- A target figure for asset disposals in 2022/23
- Reduced liabilities, both revenue and capital, as a consequence of the asset disposal programme

KEY RISKS

- Capital receipts are not realised in sufficient quantum for 2022/23
- Assets are sold before their values are maximised
- The wrong assets are sold
- Revenue income or potential income is lost and cannot be replaced
- Condition surveys adversely impact on purchase price

FINANCIAL SUSTAINABILITY WORKSTREAM 3 CAPITAL PROGRAMME

Peterborough Council has a high level of debt. The borrowing costs associated with that debt represent 16% of the 2021/22 revenue budget. This must and will be reduced over the medium term. The 2020/21 Statement of Accounts, including internal borrowing, shows total debt at £598m. Total realisable assets held by the Council are shown at £368m.

There are historic reasons for this position, such as investment in assets no longer on our balance sheet (academy schools) and investments in no-realisable assets (eg roads). This is not unusual, but it does mean that maximising our assets through service provision or disposals, is critical

Turning the debt to realisable assets ratio into a more positive and proportionate balance will take time. The following elements will be implemented:

1. REVIEW OF THE EXISTING CAPITAL PROGRAMME

This is already underway. The Section 151 officer has issued an instruction to the organisation that 'the Council must stop all capital expenditure that is not legally required that is funded by Council Resources'. Interim controls have also been introduced until this Improvement Plan is approved and will remain in place until a revised Capital Strategy, developed as appropriate with our partners and the voluntary sector, with associated controls, is approved.

2. CAPITAL STRATEGY

A new Capital Strategy will be presented to Council in March 2022 for approval. This will be based around six basic 'rules':

1. No new borrowing unless failure to do so would result in a breach of our statutory duties (see next bullet)
2. Borrowing for projects that will result in future savings with a payback period of five years or less
3. A two-stage approval process: approval to plan (which allows a project to be included in the capital programme) and approval to spend (required before a contract is entered into that commits the Council to expenditure)
4. A prioritisation process based on need and financial benefit.
5. A review of the current governance and control framework
6. A review of funding sources

3. BALANCE SHEET MANAGEMENT

The level of debt, the cost of debt repayment, and the negative equity shown in the balance sheet are a big concern. The Asset Review section sets out our objectives for asset disposals, which will be used in part to repay debt. Whilst any debt repayment from receipts will reduce the future debt repayment costs (which will be one of our key Financial Health Indicators referenced in the MTFs section) it is unlikely to improve the negative equity situation (unless assets are sold for more than their book valuation). We will therefore only sell assets 'at the right price' and will not be rushed into 'fire sales'. At this stage however, we cannot rule out needing to use some capital receipts to support the 2022/23 revenue spend, subject to Government approval.

KEY OBJECTIVES

- To review the existing capital programme to 'shrink to fit' affordability
- To reduce debt costs as an overall percentage of the revenue budget
- To have a Capital Strategy that reflects the perilous state of our balance sheet
- To have a capital programme that properly reflects the Capital Strategy
- To revisit the Asset Management Plan, to ensure we have the right assets in the right place, and that we have fully budgeted for lifecycle costs

KEY DELIVERABLES

- Propose a revised Capital Programme to Council in March 2022
- Propose a new Capital Strategy to Council in March 2022
- Ensure we have a fit for purpose process for agreeing and prioritising projects
- Present an updated Asset Management Plan to Council in March 2022, along with recommendations for an asset disposal programme (see Financial Sustainability Workstream 2 – Assets)

KEY RISKS

- Council does not adopt the March 2022 recommendations
- More debt is needed to meet our statutory obligations
- Inflation and supply adversely impacting on cost of materials and delivery of projects



THEME TWO Service Reviews

The purpose of this theme is to describe the Council's approach to examining its current service delivery and operating model.

SERVICE REVIEWS WORKSTREAM 1 DEEP DIVES

For the first six-month period of the plan, the focus will be on deep dives into the service areas which are highlighted through benchmarking in CIPFA's report. These deep dives will determine if there is scope to make savings quickly in these areas by applying best practice and learning from other councils. We have commissioned CIPFA to work with our service leads and practitioners to review these service areas.

The key driver for the deep dives, over the next six months, is to challenge the service areas to determine how we could do things differently and save money. We will only be able to make the really tough decisions if we have the right mindset. Where we can make the case for change, we must then have the will and determination to stop doing things that (a) don't meet our statutory duties (b) are not core to our corporate priorities or (c) we simply cannot afford to deliver.

We need to reconsider everything we do and focus only on our priorities and on what we can afford. We have to change our mindset to focus on the things that are essential and important.

Initially and between now and April 2022, we will carry out service deep dive reviews into five key areas:

- PHASE 1:** Children's Services and Adult's Services (start November 2021, ends December 2021).
- PHASE 2:** Housing and Planning (starts December 2021, ends January 2022).
- PHASE 3:** Community and Leisure Services (starts and ends February 2022).
- PHASE 4:** Companies and other commercial interests (starts Dec '21 ends May '22)
- PHASE 5:** Is a cross-cutting theme and comprises assets and contracts. These will be reviewed on a service-by service basis as we conduct each of the reviews in Phases 1-4.

We will review services using external expertise and challenge from CIPFA and other partners. We will also draw on the wide range of experience from our Improvement Panel and we will "borrow with pride" by challenging our current thinking and being open about adopting new ways of working.

We aim to have reviewed and have key options and recommendations for the first phase of services within the next six months. This work will be undertaken on an iterative basis. For Children's and Adults' we expect to be having conversations about what we could do differently during December 2021 with a view to rapid implementation in early 2022.

The approach to the deep dives will be focused, direct and have a quick turnaround. Our deep dive methodology will comprise a fact finding and diagnostic phase, where we will conduct interviews with service leaders and experts. Our analysis and solution development will be based on reliable data points. We will only move forward to mobilisation and implementation once we have agreed that the proposed changes will deliver better outcomes and maximise efficiencies.

Existing performance data along with sector benchmarking data provided by external partners will be used to review the performance of our services and to help us focus where improvements are required.

We will apply a set of criteria in order to inform the next phases. These criteria will include (a) those services showing a benchmarked high spend, (b) services with a known high spend, (c) statutory then non statutory

based on total service spend, (d) services with significant reliance on support services including business support, contracts and other assets including borrowing.

SERVICE REVIEWS WORKSTREAM 2

OUTCOMES BASED SERVICE REVIEWS AND TARGET OPERATING MODEL

After the first set of deep dive reviews, we will take a more cross cutting view of outcomes and services, looking for opportunities for transformation and innovation. There will be a clear line of sight from strategic objectives to service delivery supported by a common business planning and business prioritisation approach; allocation of financial and people resources where they are most needed.

Underlying this, we will ensure that the linkages between service demand and volumes are aligned to our performance reporting framework. Strategic planning and the allocation of money will be done by focusing on the outcomes rather than by where resources sit in the organisation. We will be smarter at linking up finance information and service activity data to help us do this.

For each service review we will apply a standard set of design principles including the following:

- Protect areas of expertise and professionalism that underpin the current service operating models while at the same time challenging if the operating model is still fit for purpose.
- Explore the scope for productivity increases while also looking at whether demand/service consumption can be reduced. Where elements of services should be no longer continued, we will call these out.
- Every individual counts towards the whole and there is a need to ensure that we have the right skills and competency focus for delivering our services including the structure of teams and the make-up of the teams themselves.
- Enable cross functional working wherever possible appreciating that services are rarely delivered in organisational silos.
- Relating to the points above, thinking outside of the box by considering more radical ideas for service delivery including increasing the scope of our existing partners where they are better placed to deliver.
- Ensuring that the assets and other underlying infrastructure (eg, support services, the corporate centre, ICT, applications, data and information) are fit for purpose.
- That commercial activity should happen in one place eg, where the professional accountability for contracts lies within the Procurement function.
- Spans and layers are reviewed to ensure that controls sit at the right level and that unnecessary layers are removed where they don't add value to the service chain.

The service reviews (and taking account of the design principles) will enable us to reframe our view of the services we deliver and how we deliver them. We will gain a better view of how we want to deliver services in the future accepting that some of our new proposals may require further work in the form of business cases and stakeholder consultation.

In order to help us draw a more composite picture of what the future might look like, we will create a high-level target operating model (TOM). A TOM sets out the desired future state for an organisation. Articulating our future vision will help us to understand the journey we need to go on to get there and this will include key considerations such as:

- What a new TOM would look like for the Council.
- What its implications might be for staff, managers, stakeholders, partners and customers.
- What it might cost to implement and what the financial and non-financial benefits might be.
- How it would improve and indeed further the outcomes we need to achieve at Council and service level.
- How we need to change the way we work together and act together.

Many public sector organisations face significant financial issues and their financial constraints only increase year-on-year. There comes a point where salami-slicing services to save money takes these organisations into the laws of diminishing returns.

The organisations that tend to recover and survive on a more sustainable footing are those that take the brave decisions about focusing on the “minimum viable product”, allowing them to channel their resources into delivering the outcomes that have the greatest impact on those that they serve. This is why the creation of a TOM will allow the Council to see the relationship between the services that it must continue to deliver against the outcomes, the performance regime, the skills, competences and resources that it needs to deliver them.

KEY OBJECTIVES

- To maximise our ability to achieve our priority outcomes by increasing the efficiency of service delivery.
- To rationalise and simplify our modes of delivery and influence under a coherent strategy.
- Review shared service arrangements to ensure that they remain fit for purpose and where they are not, propose alternative (costed) ways of delivering services.
- Deliver a set of service-based reviews against the Council's priorities and against a backdrop of what it can afford over a two-year programme, with the criteria for the remainder of reviews not detailed in this Plan, to be agreed by the Council's management team during Q4 of the current fiscal year.
- Ensure that the outcomes from the deep dives described in this Plan are consistent with setting a deliverable budget for 2022/23 and a sustainable budget beyond that.
- Review high priority services with the first six months. Agree alternative options for delivery, new ways of working, highlight investments that need to be made (drawing on the capital programme where appropriate to fund transformation).
- Develop business cases for change/transformation focused on changes that will give us the best return on our investment and ones where we can deliver an improved set of outcomes.
- Focus on changes that can be designed, tested and delivered using an agile approach.
- Ensure that the underpinning infrastructure (capital, assets, contracts, commercial arrangements, support services, assets) are challenged to ensure they are fit for purpose and aligned with the services.

The result of this programme, starting now, will be a prioritised, more modern and open Council that acts together to serve its customers and deliver its outcomes in the most efficient way possible with the resources it has available to it. Iterative deep dives will become a common feature of delivering our services so that we constantly review what we do.

KEY DELIVERABLES

- Clear line of sight for the immediate reviews as detailed in this Plan.
- Development of prioritisation criteria for the remaining services.
- Clear scope of each review with key personnel from each service identified along with achievable but demanding start and end dates.
- Key findings and options for change supported by evidence, analysis of performance and financial data including benchmarking and data analysis.
- As the reviews deliver conclusions, ensuring there is close alignment to existing discussions and plans regarding the 2022/23 budget and being cognisant of existing and planned savings plans and initiatives.

KEY RISKS

- Lack of resources from the Council to participate in the deep dives
- Resistance to change or change fatigue leading to lack of new ideas from service areas

- Insufficient engagement from the service areas.
- Lack of resources to deliver the proposed changes.
- Difficulty in unlocking savings and changes in support services (e.g., assets, contracts etc.)

SERVICE REVIEWS WORKSTREAM 3 CONTRACT REVIEWS

The contracts that we have in place are many and wide-ranging. Our contracts support a whole raft of service delivery functions and almost no contract is the same i.e., different terms and conditions, different contractual clauses, different exit arrangements and payment terms etc. Our contracts portfolio fulfils varying functions in our day-to-day service delivery with some contracts acting as additional and supplementary support whilst other contracts are integral to the work of the service and are part of the “fabric” of a given service.

The purpose of this work stream is to review our contracts with a view to getting a common understanding of what contracts are of vital importance to the running of our services and which contracts could (with careful transition planning and service re-design) be terminated.

1. PROPOSED SCOPE

It is vital that our commissioning, procurement and contract management arrangements are commercially driven and result in value for money services whilst providing support to our service delivery operations. By May 2022 we will:

- Have reviewed those existing contracts that give us most cause for concern
- Ensure every contract has an assigned contract manager
- Provide refresher training to all contract managers and reinforce the interfaces between the services and Procurement including a clear understanding of respective roles and responsibilities.
- Refresh the Contract Management Manual to ensure managers are clear what is expected of them
- Ensure a Commissioning Strategy exists for all services and sub-services the Council delivers, either through an external provider or in-house
- Ensure that those commissioning strategies are supported by a detailed market analysis
- Work with key providers and potential providers on shaping the market, to meet our needs
- Develop procurement plans in line with the commissioning strategies
- Review the need to strengthen the head of profession role for commissioning and contract management

2. UNDERSTANDING THE IMPACT AND THE KEY INTERDEPENDENCIES

We will approach the review of contracts in two ways acknowledging that with the first service reviews in Children’s and Adult’s Services, we will review the key contracts that support these services. As we progress with the service reviews, we will review the specific contracts for these services as appropriate. We will also undertake a fundamental review of all contracts across the Council to assess a range of factors including but not limited to the following:

- Is the contract still required?
- Is the contract performing as it needs to?
- Could the services delivered by the contract be delivered in a more efficient and cost-effective way including the termination of the contract and transferring the contracts functions in-house?
- Are any contracts inhibitors to the transformational changes we need to make?
- Would transferring the contracts functions to another provider (potentially through competition) better support out priorities?

- How does changing the contract arrangements affect other elements of delivery including the impact on business support functions?

Getting the right balance of contracts, being delivered in the most cost-effective way with the right levels of management and control is just as important as getting the right commercial arrangements from the contracts themselves. As we progress the service reviews and the review of contracts, we need to maintain the right balance between the needs of the centre (commercial and financial) with the needs of the services.

KEY OBJECTIVES

- Ensure existing contracts are being effectively monitored and managed
- Ensure that there is a well understood strategy and approach to reviewing all contracts in line with financial, commercial and service delivery objectives.
- Contract management skills and roles and responsibilities are clear between contract management and service functions
- A programme of commissioning strategies is a fundamental part of our MTFS
- Procurement Plans are approved prior to any engagement with possible providers

KEY DELIVERABLES

- A review of specific contracts in line with the service reviews being conducted by CIPFA starting in Children's and Adult's
- Each contract will have a set of KPIs that will be reported against
- Large spend contracts that have a major impact on service delivery will be taken through Scrutiny Committees.
- The Contracts Register will be reviewed to ensure it holds the appropriate level of information
- Providers of services will be engaged in order to inform our strategies and planning

KEY RISKS

- We are paying for services that are not being delivered, or not delivered to the required standard
- We have entered into poor contracts, resulting in poor value for money
- We may not have the required penalty clauses in the contract for poor performance
- We are perceived as uninformed purchasers
- We are prevented from existing contracts due to onerous exit terms and conditions

SERVICE REVIEWS WORKSTREAM 4 REVIEW OF COMPANIES

The Council has a plethora of arrangements for service delivery in pursuing its aims and objectives and this includes a number of subsidiaries, joint ventures and associated companies. Over the years, the Council's interests have grown in an ad-hoc manner, with little attention paid to an overarching structure or strategy.

It is important that appropriate governance arrangements are in place in order that the Council has visibility on performance and risk and that the synergies between our interests are maximised.

In order to achieve this, by May 2022 we will:

- Carry out a review of existing companies (supported by CIPFA).
- Run an in-housing /outsourcing process for selected companies, reviewing the process used to create the initial justification and the objective justification (Business Case) for future commercial arrangements.

- On completion of each company review, an evaluation of divestment and disposal options and alternative delivery arrangements where these considerations are appropriate.
- Review of governance arrangement for oversight of the Council's portfolio of companies, including options for a new group holding structure.
- Review of internal governance and oversight arrangements from an officer and elected member perspective, ensuring there are no conflicts of interest and that all members and officers are appropriately trained to carry out their role.
- Review the frequency and content of the reporting arrangements for each entity to the Council and develop a standard report framework for Cabinet decision making for any future proposals to transfer in-house services to a new or existing entity, or for any new activity aimed at growth and/or commercial opportunity for the Council.

1. PROPOSED SCOPE

Over a number of years the Council has secured delivery of its services through a number of different arrangements. These have ranged from wholly owned companies of the Council, joint venture partnerships, and charities through to private outsourced arrangements. The list of companies in scope for the review are as follows:

- Peterborough Limited
- Blue Sky Peterborough
- Empower Peterborough
- Opportunity Peterborough
- Peterborough Investment Partnership LLP
- Medesham Home LLP
- NPS Peterborough Ltd
- Peterborough Museum and Art Gallery Trust
- The Mayor's Charity
- Peterborough HE Property Company Ltd
- Smart Manufacturing Alliance Ltd

2. COUNCIL OWNED COMPANY REVIEW

As part of this work we have commissioned CIPFA to undertake a review of our company and wider commercial portfolio. CIPFA will review each of the companies in turn according to a pre-determined priority based on a range of factors including risk. They will provide an independent analysis of each company including performance, financials, strengths and weaknesses, and the Council's exposure to risk. Where appropriate and where the documentation exists, CIPFA will also review the original business case and commercial and financial justification for the companies to ensure that the original tenet for establishing each company is based on a sound set of principles.

This work will inform individual decisions on whether to maintain, revise focus, in-house or divest from Council companies. The companies under review will form part of a work package agreed between the Council and CIPFA.

3. COMPANY GOVERNANCE ARRANGEMENTS

The Companies theme will focus on the development of Council policy with regard to executive and non-executive directors, establishing a clear role for senior officers through a Shareholder Unit function, ensuring all forms of parental support to companies within the group are subject to effective controls and clear decision making.

4. COMMERCIAL STRATEGY AND COMPANY RULEBOOK

Where Council companies offer reasonable levels of assurance of future financial returns, the Council will seek to maximise this benefit through the development and application of an overarching Commercial Strategy. This will include an assessment of directly delivered charging activity and the treatment of surpluses generated by the companies. Existing and future requirements for Council funding and capital will be evaluated using a combination of risk profile, return on investment and prevailing market conditions.

We will formalise the work of companies and other commercial interests through the development of a Company Rulebook. The Company Rulebook will:

- Provide guidance on the key considerations when the Council is looking to establish new commercial ventures including the creation of new companies.

- Provide officers with a series of guiding principles including reference to existing professional body guidance (e.g. the CIPFA Code) as part of managing the oversight of the companies' portfolio.
- Provide the Shareholder Unit with a set of principles enabling it to provide the checks and balances required of good company oversight and sound commercial management principles.

KEY OBJECTIVES

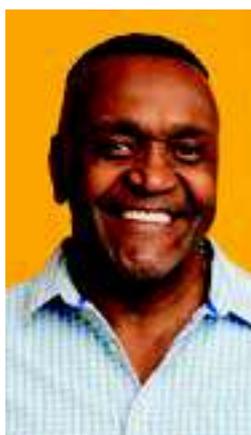
- Provide greater visibility of company performance and risk profile of the wider Council group.
- To reduce overall complexity and simplify the management and oversight of all core Council activities by reducing the number or alternative delivery vehicles. (This needs to be undertaken with close alignment to the customer services strategy/model being deployed by the Council.)
- To strip out duplication of overhead and management costs by bringing core functions in-house where there is no imperative to maintain externalised delivery vehicles.
- To identify opportunities to generate capital receipts to the Capital Programme through divestment of interests in profitable activities.
- To establish robust shareholder controls and assurance mechanisms for those companies the Council maintains.

KEY DELIVERABLES

- Overarching Commercial Strategy.
- Establishment of a link between individual company performance and the Council's wider performance management system and production of corporate key performance indicators.
- Decisions on the direction for each company/commercial interest.
- Options appraisal and potential creation of a new Shareholder Unit.
- Review of the effectiveness of the Shareholder Cabinet Committee.
- Following the Public Interest Reports into the London Borough of Croydon and Nottingham City Council's EnviroEnergy, review the interface between each company's governance and decision making and the Audit Committee and the Scrutiny Committee for Growth, Environment and Resources.

KEY RISKS

- Loss of opportunity for financial returns as a result of decision-making delays.
- Over financial exposure where companies are struggling financially post-COVID.
- Lack of oversight and governance with regard to companies, resulting in the potential for financial and reputational damage to the Council.
- Medium to long term company performance (based on an independent review of each company's financials and up-to-date Business Strategy and business plans).



THEME THREE Governance and Culture

Delivery of the Improvement Plan is dependent upon a number of interrelating factors, not least of all is having an organisational culture and strong governance that supports the need for the change, understands what is required alongside an absolute determination to succeed. Whatever plans are put in place can only succeed when everybody is determined to adopt the behaviours required and to live the new culture. The most pressing need is a culture that is focused on performance, delivery and accountability. Immediate work will concentrate on enabling the organisation to focus on this.

There is a positive base to start from, the External Governance Review led by Andrew Flockhart paid tribute to the political will of the Leader and Cabinet to take ownership in resolving the financial challenges. The Review also recognised the positive and open relationship between Councillors and Officers and the willingness to learn. However, the review recognised the past lack of challenge and scrutiny from members and officers alike has contributed to the financial situation being allowed to deteriorate.

All parts of the Council's system of governance (including Full Council, Cabinet, Scrutiny, Audit and regulatory committees) must play their part effectively, enabling the Council to fulfil its ambitions for the city and its duties to the public.

This will require a shared commitment by all Members in Full Council, strong and decisive leadership by Cabinet, constructive and well-informed Scrutiny, and inquisitive and challenging Audit. All the right parts of the machinery of governance exist - they need to work together better to help the Council get through this very tough period

GOVERNANCE AND CULTURE WORKSTREAM 1 MEMBER GOVERNANCE AND ASSURANCE

The external assurance review report on Governance asked us to commission and support a development/support programme for councillors, particularly the new Leader and Cabinet, the Chairs of the Scrutiny Committees and the Audit Committee and for the leaders of all the political groups of the Council. The report also highlighted the need for us to strengthen the leadership of our Audit Committee and to elevate the role of the Audit Committee's annual report to Full Council so that a considered discussion could take place regarding any concerns raised and a robust response given.

We are committed to ensuring members have the knowledge and skills needed to effectively scrutinise and challenge the Council's financial decisions, governance and procedures. We will work with CIPFA to conduct a skills analysis assessment of both the Audit and Scrutiny Committees in order to deliver a targeted and appropriate training and development programme.

AUDIT & ACCOUNTS COMMITTEE

The governance assurance report found that our Audit Committee was not currently scrutinising the Council's financial challenges with sufficient urgency or focus or paying sufficient attention to the strategic risks and issues facing the Council or the Council's MTFS processes.

CIPFA has been provided with details of the training that was provided in-house by the S151 officer and his team and the Internal Auditor for the Audit Committee after the May elections in 2021. Committee members have also all received the CIPFA handbook "Audit committees - Practical Guidance for Local Authorities and Police (2018 Edition)" which sets out best practice and helpful checklists when reviewing the effectiveness of audit committees.

The DLUHC Finance Review report recommended that the membership of our Audit Committee should be strengthened by the appointment of external independent members in order to improve its expertise and independence and this is in line with industry best practice of every local authority audit committee having at least one independent member. A report recommending the recruitment of independent members of the audit committee, one of whom would chair the Audit Committee, will go to the Special Council meeting on 16 December for approval. This will include draft job advertisement and amended terms of reference for the Audit Committee. CIPFA will be supporting the Council on the recruitment process. If approved by Council on the 16 December 2021, the roles will be advertised immediately

with a view to interview in the second week of January 2022. The induction process will then commence immediately, subject to ratification of the appointment at end of January 2022 at Full Council.

1. SCRUTINY COMMITTEES

The Council has four Scrutiny Committees – Adult’s and Health Scrutiny Committee, Children and Education Scrutiny Committee, Communities Scrutiny Committee and Growth, Environment and Resources Scrutiny Committee - which also meet jointly to scrutinise budget proposals.

The Governance assurance report found that the checks and balances that should be offered by the scrutiny role were not strong enough and did not focus enough on the strategic dimensions of our challenges, in particular the MTFs and annual budget plans. There needed to be a stronger willingness to challenge the assumptions and information presented to them.

CIPFA has been asked to consider how best to strengthen the skills and approaches of members of the Scrutiny Committees and are considering this against the training that has already been delivered.

We will make the necessary changes to our Constitution to incorporate the role of the Improvement and Assurance Panel in the Council’s governance structures, including reporting to Full Council every six months and the Cabinet’s response to its recommendations. The Growth, Environment and Resources Scrutiny Committee will review the Cabinet’s actions and report on progress directly to Full Council every six months.

2. CONSIDERATION OF MOVING TO “ALL OUT ELECTIONS” EVERY FOUR YEARS TO ADD STABILITY

The Governance Assurance report recommended that the Council formally consider a report on moving to all out elections every four years instead of electing by thirds by March 2023, via an evaluation process. The Council is also required to discuss the outcome of the evaluation with DLUHC. The report recommended this change in order to bring stability to our decision-making and encourage the development of more strategic long-term solutions. The timetable set out the Governance Assurance report states that the formal evaluation of the option of a four-year electoral cycle should be initiated by July 2022 and Full Council should consider a report outlining the results of the evaluation process by March 2023. Any such decision would require a two-thirds majority of members voting in favour.

A report is therefore due to come back to Full Council in 2022 asking it to consider the recommendation to commence an evaluation process on the proposal to change from elections by thirds to all-out elections every four years.

3. RISK MANAGEMENT

A good foundation for risk management exists, although the organisation has been traditionally risk averse. In order to deliver the Improvement Plan, we may need to embrace a higher level of risk appetite.

RISK APPETITE	DESCRIPTION
Averse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.
Minimalist	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
Cautious	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

Our risk management approach and methodology is articulated within the Risk Management Policy and overseen by the Risk Management Board. Key risks are recorded using the Council's online project management tool (POWA) and the Risk Management Board provides formal oversight and challenge of corporate and departmental risk registers. There is good risk management representation across all Directorates and management engagement in the risk management process.

To oversee the delivery of the Improvement Plan, each Theme will have a series of actions which will be risk assessed and regularly monitored against. Based upon a standard 5 x 5 risk matrix we will ensure consistent treatment and identification of risk at all levels of the organisation. Links will be included if there are clear synergies between a risk in a department and the Improvement Plan so that they are recorded only once to avoid duplication.

Senior Responsible Officers (SROs) and delivery teams will be accountable for ongoing reviews ensuring that risks are identified early, and mitigating actions are developed at pace to get projects back on track. By using POWA as the central repository for all risks this will enable greater coordination and ability to produce regular reports to Officers and Members.

GOVERNANCE AND CULTURE WORKSTREAM 2 PERFORMANCE MANAGEMENT

Monitoring performance at an organisational and individual level is a vital component of delivering the Improvement Plan.

There will be appropriate mechanisms to recognise, applaud and share success whilst also recognising that there has to be consequences for under performance. Every member of the workforce has a role to play and is responsible and accountable for the work they do. This will be supported by consistent process, systems and messaging across the organisation.

The Independent Assurance and Improvement Panel will provide external advice, challenge, and expertise to us in driving forward the development and delivery of our Improvement Plan and they will provide assurance to the Secretary of State on our progress on delivering the plan.

To provide assurance to the Improvement Panel and the Council, that the Improvement Plan is on track to deliver the agreed outcomes, we will implement a robust monitoring process. Monitoring will focus on the successful achievement of key milestones, monitoring of financial implications, and the identification and management of risks and issues across each theme.

1. BUSINESS ASSURANCE AND PROJECT MANAGEMENT OFFICE

A Business Assurance Function will be established which will work hand in hand with each of the theme and action leads and other corporate functions like finance, assets and communications to ensure the delivery of the Improvement plan. It will:

- Act with the authority of the Chief Executive, the Cabinet and the Improvement Panel.
- Bring together, in one place, a high level plan of all improvement activities with focus on improving the immediate financial stability of the Council within the next six months and consequently holding “one version of the truth”.
- Act as a ‘critical eye’ by providing scrutiny and proactively challenging risks, issues and variations from plans across Improvement Plan activity.
- Provide organisational wide support on governance, project portfolio management best practices, tools and standardised processes.
- Provide regular reports to Leadership team and Independent Improvement Panel.
- Work with senior responsible officers (SROs) to develop six monthly delivery and resourcing plans and the necessary support to secure appropriate resources required to deliver.
- Track benefits, ensuring that activity delivers to the intention of the Improvement Plan.

The Business Assurance Function will produce a report for each meeting of the Improvement Panel which will contain the following:

- Summary of the key deliverables and milestones against the plan.
- Things that have been achieved early – things that are late with explanation.
- Key risks and mitigating factors/status of risks etc.
- A financial summary explaining achievement of financial performance in the last period and a forecast outlook for the next period.
- Plans for the next period.
- Other matters arising to be brought to the attention of the Panel.

2. INDIVIDUAL PERFORMANCE AND ACCOUNTABILITY

In order to bring about the requisite culture change individual goal setting and performance management will be scrutinised and altered as necessary. This work will be underpinned by a cultural transformation programme, jointly delivered with partners. This will be designed around driving the behaviour change essential to delivering the Improvement Plan and foremost, making the Council more financially sustainable and will include:

- A clear set of organisational goals which hold the Chief Executive and senior officers to account for their delivery and which are embedded throughout the organisation, so everybody is clear what they are and their role in achieving them.
- A performance management framework has recently been introduced that focuses on outcomes. The governance of the framework will be reinforced to ensure that it is consistently applied and is focused on both outcome and delivery. The performance framework will focus on the key priorities and should be updated on an annual basis.

- On the appointment of the new CEO, developing a culture of individual accountability and a more forensic focus of what we do and why we do it. We need the whole organisation to have “change conversations” in order that we can progressively change the way we work.

GOVERNANCE AND CULTURE WORKSTREAM 3 CAPACITY AND CAPABILITY

The impact of this plan and the level of change on the organisation must not be underestimated and it will place capacity strains in areas of the Council that are already resource constrained. Such issues will have to be managed and additional skills and experience brought in if and as required. A key outcome from this stream of work will be to equip the Council's officers with the experience and toolkit to deliver change within their teams, using external resources as and when required.

Delivery of the plan is heavily dependent on the organisation having the capacity and capability to both deliver it and to ensure it is sustainable. The Council will critically review its structure to ensure it is able to meet the demands of the plan, has the appropriate skills deployed in the right places and where skills are deficient has a plan to close the gap.

1. ORGANISATIONAL STRUCTURE

There has been significant change in leadership across the Council – for both Members and officers – which will continue into 2022. To ensure that the council is well equipped for the change and improvement it will undertake over the next two years, a review of senior roles and their portfolio of accountabilities has been agreed in phase one of the budget.

With the arrival of the new chief executive in February 2022, the organisational structure will be rigorously examined to ensure it is best suited to deliver the plan. Changes will be made where necessary and, in part, will be influenced by the outcomes of the service reviews.

The review will examine resources, spans of control and layers within departments to ensure that it can work in the most effective manner, be staffed at a level which allows for focus on the key deliverables, avoids duplication and ensures that accountability is clear and understood.

The structure must be continually evaluated against the Improvement Plan and assurance given that it will deliver the plan, whilst balancing this with the resource consumed by continuous structural change. As with other areas of the plan, change will only be made where it has a positive impact on outcomes and delivery of the Improvement Plan.

2. SKILLS AND CAPABILITY

The skills requirement falls into two groups, firstly the skills that are needed immediately to ensure the plan can be met, most significantly within the first six to twelve months, ensuring that financial stability is achieved. Secondly the skills for the slightly longer term to close the gaps identified further on in this Improvement Plan and to ensure the future is sustainable.

The scale and breadth of the work now needed to deliver the Improvement Plan is significant and will require a review of capacity, skills and delivery options, some of which will be addressed by the service reviews. Urgent prioritisation of outcomes and activity through the new Corporate Strategy will be undertaken and a clear resource plan against these priorities will be developed. This resource and delivery plan will be considered in six-month cycles, so that capacity is developed and used as it is needed - not too early or too late.

Against this resourcing plan, we will determine if we have the right skills, experience, and attitudes in the right numbers to sustain the delivery of the plan. Gaps, where identified, will be accompanied by a plan to close them. We recognise that this is likely to be a two phased: the requirement to bring in short term resource to provide support to deliver the plan, followed by the need to grow skills for the future.

Not immediately, but over time, a skills development programme will be put in place and will include a succession planning exercise, which will give additional information on skills strength, future needs and recruitment priorities.

3. IMMEDIATE CAPACITY DEMANDS

Over the last three years, the focus of much of the Council's corporate resources has been on creating governance and systems to strengthen financial performance and control and on fixing some foundational issues in IT contracts and systems. Work on the Financial Improvement Programme has consumed what limited change capacity the Council has.

Services have put forward proposals for incremental improvement and, overall, these have been delivered. However, as noted in both the LGA Peer Review and DLUHC reports, the organisational capacity to deliver fundamental transformational change is very limited – both in service teams and in corporate services.

The LGA and DLUHC reports identified some key areas where additional capacity is needed urgently. The first of these was the appointment of a single Chief Executive to focus on Peterborough City Council. This recruitment has been successfully completed, with the new Chief Executive starting in January 2022.

The LGA Peer Review also highlighted the need for a greater strategic focus on place shaping, engagement with communities and work with partners across the city and system. The report recommended that additional strategic capacity was required to link inclusive growth and economic development with people services, demand management and community work. The accountability and skills required to strategically link place and people will be considered as part of the review of the corporate management team.

There is currently no internal resource for business assurance, programme and project management, policy development, transformation, business analysis, design or behaviour change as these functions sit within outsourced arrangements. It is well understood that this contract no longer meets our needs and urgent work is required through the contracts theme to release the funding to build internal capability to deliver transformation and improvement.

The final area highlighted in all reports is the need to carefully consider and plan for the impacts of the pandemic, making sure that the new Corporate Strategy, Improvement Plan and service plans capture additional skills and activity required to respond to increased and new demand.

KEY OBJECTIVES

- Strong governance and assurance from Members, Officers and the Independent Improvement Panel
- Risk appropriately identified and managed
- All stakeholders from public through to DLUHC can transparently see performance against the Improvement Plan.
- Clear ownership and accountability of delivery, performance and risks
- Assurance that the overarching Improvement Plan is being delivered against the stated commitments, milestones, outcomes and that benefits realised in each programme are monitored
- Ensuring the current structure can meet the plan
- Addressing existing capacity and capability gaps to deliver the Improvement Plan

KEY DELIVERABLES

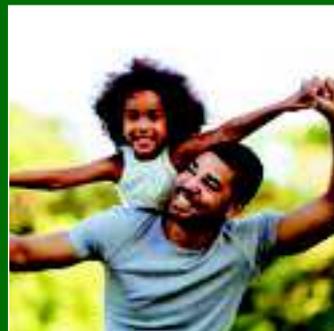
- Training for Members and Officers
- Business Assurance and Project Management Office (PMO) function established
- An organisational structure fit for the task to deliver the key outcomes of the Plan in the next six months
- Detailed delivery and resourcing plans developed with skills needed identified and secured

KEY RISKS

- Unable to engage the skills needed
- The organisational review is unsettling, and some key skills and experience leave the organisation
- Underestimating the amount of resource required to deliver the plan
- Lack of clarity on what is required, who is accountable for delivery and when it has to be delivered by
- Ineffective monitoring of performance and risk leads to plan slippage and potential additional expense

GLOSSARY

TERM	DESCRIPTION
RIT	Rapid Implementation Team is an officer led group which ensures all budget related initiatives are implemented and effective including: savings and income generating initiatives, capital programme, HR and finance controls, debt management and risk.
CMT	The Council's Corporate Management Team, is otherwise known as the CMT. This structure chart outlines the Council's management team
FSWG	Financial Sustainability Working Group is a cross party member working group, established to review the Council's financial position, develop sustainable budget proposals and consider the types of decisions that must be taken. In order to achieve financial sustainability. This will include Involvement of all parties, and will play a vital role in the delivery of financial sustainability for the Council.
CPF	Cabinet Policy Forum is an unofficial (non-public) meeting of Cabinet which reviews the Council's financial position, develops sustainable budget proposals and considers the types of decisions that must be taken In order to achieve financial sustainability.
DLUHC	The Department of Levelling up, Housing, and Communities is the government department that sets policy on supporting local government; communities and neighbourhoods; regeneration; housing; planning, building and the environment; and fire and rescue, in addition to a wider levelling up agenda. It has an important role in supporting local development and promoting economic growth and aspires to create great places to live and work, and to give more power to local people to shape what happens in their area.
CIPFA	CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance, which issues a code of practice and guidance and advice to finance professionals.
MTFS	Medium Term Financial Strategy (MTFS) is a key strategic document which expresses the delivery of the corporate strategy in monetary terms. It takes account of all the various factors and influences that may impact the Council over a multi-year period. An MTFS ensures that we have a clear policy framework to enable us to allocate funds in accordance with our priorities as we go through the service planning and budget setting process.
MTFP	Medium Term Financial Plan is a short term, financial plan, usually covering a one year period.
BUDGET	A statement which reflects the Council's policies in financial terms and which sets out its spending plans for a given period. The revenue budget (spending other than capital spending) is finalised and approved in March before the start of the financial year on 1 April. Actual spending is monitored against the budget each month as part of the Budgetary Control Report (BCR) Process and reported to the Corporate Management Team and Cabinet.
BCR	The Council's Budgetary Control Report (BCR) is the name of the revenue budget monitoring process. This is there the Council's financial performance is monitored and reported on by the finance team and the Budget Manager, on a monthly basis.
FINANCIAL REGULATIONS	The regulations outlining the officer's responsibilities relating to financial matters. https://shorturl.at/epvIJ
THE COUNCILS CONSTITUTION	The Council's constitutional document which;- allocates powers and responsibility within the Council;- sets out delegations for its Executive including the cabinet members and delegation to officers;-sets out the rules of procedures, codes and protocols. http://shorturl.at/czUW8
CPCA	Cambridgeshire and Peterborough Combined Authority.
POWA	The Council's online project management tool (POWA) Microsoft Project Online is a cloud-based Project Management service product that is delivered through Office 365.
TOM	Target Operating Model.
TA	Temporary Accommodation, used to provide short term housing when a family or individual has presented as homeless to the Council.



Peterborough City Council

Corporate Strategy Part One
January 2022 – July 2023

DRAFT for Consultation December 2021

Corporate Strategy

The council needs to refresh its Corporate Strategy for the period 2022-2025. This work will be developed in two parts. Part one, which is described here, will be an 18-month tactical strategy for the period January 2022 to July 2023 with a focus on reaching financial sustainability. This will underpin the Improvement Plan which will capture activity to deliver.

Part two will be developed during the first three to six months of 2022 and will set the longer-term ambition and vision for the council and City. This refreshed Corporate Strategy 2022-25 will replace the draft Corporate Strategy which has been in consultation since the spring of this year. Both parts of the refreshed strategy will respond to reports from CIPFA, DLHUC and the Local Government Association and in consideration of the context in which the Council must now operate.

The 2022-2025 Corporate Strategy is an opportunity for the Council to set out a positive vision for the area, with a longer-term revised policy framework that clearly articulates our priorities and purpose to citizens, businesses, partners, and other stakeholders. To develop this vision, the Council will work alongside partners, business and the residents of Peterborough to consider the priorities for the City and the contribution that everyone is able to make.

Both parts of the strategy will focus on the core and statutory services that meet the needs of citizens, particularly in light of the impacts of the pandemic. All service plans will be reviewed to ensure that activity and performance measures are directly related to delivery of priority outcomes laid out in the Corporate Strategy. Activity that is not directly related to the new Corporate Strategy will be stopped.

The strategy will pay careful attention to identifying and meeting the needs of residents now and in the future, acknowledging that Council may not always be the solution. There are huge strengths, assets and resources across Peterborough many of which sit in partner organisations, business and communities. The Council must play its part in bringing people together and leveraging these resources around the key priorities for the City.

“It is clear that we are a council that can achieve what we set our mind to do. We have been highly successful in attracting external funding and have worked tirelessly to support residents throughout the pandemic.

There is an exciting future ahead for the City and this two-part corporate strategy will help us with the decisions we need to make in the short term, so that we can be ambitious in the longer term and have the funding and tools we need to make future investments.

I have already started to establish a more ‘listening’ and collaborative culture inside and outside the council which has been welcomed by partner organisations and, together, we are already driving the strong recovery of our City, from the Embankment redevelopment to delivery of a new University.

You will see that this Council remains committed to ensuring that Peterborough is a place where residents are proud to live, work and grow up. “

Cllr Wayne Fitzgerald, Leader of Peterborough City Council.

Corporate Strategy Part One

Years of austerity measures, reduced funding from Central Government and rising demand for Council services, coupled with recent the Covid-19 pandemic has accelerated our already stressed finances to the brink.

The previous strategy set out a vision for a safe, vibrant, and growing City. A place to live, work and visit where everyone can thrive and feel welcome. Our commitment to this long-term vision remains as strong as ever and our ambition for the city and its people is unchanged. But we must immediately address the serious issues raised in these recent reports and adjust our plans over the next 2 years to ensure future sustainability.

We have developed an Improvement Plan to drive the work we need to do and the decisions we need to make to reach sustainability. The plan will also provide assurance to the Government that Peterborough City Council's response to the Governance and Finance Reviews of the Council is positive and being undertaken at pace.

We have also established an Independent Improvement and Assurance Panel which will provide external advice, challenge, and expertise to Peterborough City Council and hold us to account for the delivery of our Improvement Plan.

We recognise that, if we are to achieve our aims and live up to our aspirations for a successful Peterborough in the future, we must rethink what we do and how we do it today. This document sets out our ambition and our revised priorities.

We will be a well governed council which ensures delivery of the right services for those that need them in an efficient, cost effective and sustainable manner.

We remain committed in ensuring that **Peterborough is a place where residents are proud to live, work and grow up in.** We will act now to ensure that in the longer term we are a financially and environmentally sustainable council which is well positioned to make Peterborough a place where:

- We have a greener, cleaner City with safe, friendly and healthy neighbourhoods.
- There are first rate futures for our children & young people, with quality support for adults, older and disabled people.
- We support and enable people to do more for themselves, for each other and for their communities
- Our City grows in a sustainable and fair way to create job opportunities and address poverty. As we grow, we will invest in the quality and availability of housing.

We will review all our delivery, budgeting, resourcing and performance activities and focus on the best quality core services we can afford.

This first 18-month tactical strategy for the period January 2022 to July 2023, is at the heart of our Improvement Plan and will focus on three key areas: reaching a sustainable financial model by 2023, how we will deliver services now and, in the future, and strengthening our governance and culture.

Financial Sustainability Priorities

- That we manage our finances in a sustainable way to help us reach a strong financial position in the medium term, and continue to deliver the well-planned, modern, effective and value for money public services that local people expect.
- That we develop a four-year MTFs for 2023-27, reflecting the outcome of a root and branch review of all of our services, and the forecast resources available to the Council.
- That our budget process links clearly to outcomes for residents in Peterborough, rather than being based on the Council's existing structure and services.
- That we carefully manage our capital and investment programme, reduce external borrowing, and generate more capital receipts through disposing of assets that are no longer needed or by using assets to generate income.
- That our council-owned companies, have appropriate financial, governance and management arrangements which drive up quality and provide value for money.

To deliver this, we will:

- Robustly manage our Capital programme and Investment programme, reduce borrowing and generate more capital receipts through disposal of assets that are no longer needed.
- Optimise the use of our assets to support service delivery to meet the needs of our residents and businesses and support the delivery of our outcomes
- Review our council owned companies to ensure appropriate financial, governance and management arrangements are in place
- Align our outcomes for Peterborough and the ambition of the Council with the resources available to us.
- Establish a planned and sustainable budget framework to ensure that the activities within it are affordable within the resources available to us in the medium to long term.
- Increase our commercial activity to ensure we are maximising revenue and minimising the cost to the taxpayer.
- Ensure that all external contracts we commit to get the best value for taxpayers' money.

Our Service Priorities

- That the council services local people rely on can continue to be well planned and effectively delivered.
- That the council works with its partners and communities to make the best use of its limited resources and avoids unnecessary interventions and duplication.
- That we effectively deliver quality statutory services to ensure that vulnerable children are protected, and all children have the conditions for the best start in life.
- That our older and vulnerable adults can have a good quality of life and grow old with dignity.
- That the city works together as one to address the climate emergency, getting us on the path to net zero emissions by 2030.
- That our local services that help keep the city safe and clean continue to be delivered well, and that we work in partnership with the communities we serve to build a prosperous city that offers people the opportunity to realise their potential.

To deliver this, we will

- Undertake a comprehensive review of our services, including how we manage current demand, encourage independence and intervene early where we need to.
- Model future demand pressures and costs alongside a forensic review of expenditure.
- Focus on providing the best quality core services we can afford whilst continuing to target provision effectively, so that the right services reach the right residents at the right time.
- Deliver on our commitment to make the council's activities net-zero carbon by 2030 and to support the city to achieve the same.

- Organise ourselves so that our available resources are used effectively to meet need in a cost effective and sustainable way that improves the quality of life and reduces inequalities.
- Continue to build strong relationships and work in partnership with local people, communities, businesses and partners to ensure we work together effectively in our commissioning and delivery of services.

Governance Priorities

- That there is shared commitment by all Members in Full Council, strong and decisive leadership by Cabinet, constructive and well-informed scrutiny, and inquisitive and challenging audit, enabling the Council to fulfil its ambitions for the city and its duties to the public.
- That public funds are managed responsibly and used to respond to current needs and invest for the future.
- That there is cross party, collaborative work to reach a sustainable future for the Council and City.
- That the principles of good governance are well understood, accepted and put into practice routinely by all Members.
- That our Performance Management Framework provides clear accountability for the delivery of the outcomes in the Corporate Strategy and is effective in managing performance across the organisation.

To deliver this, we will

- Establish and embed a strategy for Member development particularly in relation to their roles on audit and scrutiny
- Review existing governance structures to see if improvements can be made.
- Ensure that the principles of good governance are shared, discussed and adopted.
- Undertake a workforce development programme to help our officers and councillors build on their strengths whilst also developing the new skills and experience needed to support the city council, citizens and city over the long term.
- Scrutinise 'performance' in the broadest sense, rather than focusing only on traditional measures such as output indicators and progress on delivering service plans.
- Develop a longer-term revised policy framework that clearly articulates our priorities and purpose to citizens, businesses, partners, and other stakeholders.
- Use evidence and external expertise where needed to drive our decision making, ensuring the decisions we take are well-informed by a diverse range of views, with clear accountability for decisions, and made transparently and openly for the benefit of the public we serve.
- Strengthen good practices in transparency, reporting and audit to deliver effective accountability.

Focus and effort across these three areas will help us to address some of the biggest challenges the Council and the City faces, whilst continuing to deliver the modern, effective and value for money public services that local people need and deserve.

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Independent Member of Audit Committee Job Description

Job purpose:

The Independent Member supports the Council's Audit Committee in its role to provide independent assurance to the members of Peterborough City Council, and its wider citizens and stakeholders, on the adequacy of the risk management framework, the internal control environment, and the performance assessment of the Council. The Committee provides an independent review of Peterborough City Council's governance, performance assessment, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Duties and Responsibilities

Participating in meetings of the Audit Committee and making decisions:

- To actively participate in meetings of the Audit Committee (currently in person)
- To demonstrate independence, integrity, objectivity and impartiality in decision-making according to legal, constitutional and policy requirements
- To have regard to the requirements of the Chair of the Audit Committee and the professional advice of senior officers of the Council including the Chief Finance Officer and Chief Internal Auditor
- To contribute to the development of the forward work programme for the Audit Committee
- To promote the role of the Audit Committee within the Council
- To support reporting as required to Council, including the Annual Audit Committee report
- To participate in any training and development required for the role

Contributing to the work of the Audit Committee in its role in reviewing the Council's financial affairs:

- Make reports and recommendations in relation to the Council's financial affairs
- Oversee the Council's internal and external audit arrangements
- Work with the Council's internal and external auditors

- Review the financial statements prepared by the Council
- Seek assurances of compliance with the Treasury Management Strategy and Practices

Contributing to the work of the Audit Committee in its role in reviewing and assessing the governance, risk management and control of the authority:

- Review and assess the risk management, internal control, and corporate governance arrangements of the Council
- Make reports and recommendations to the Council on the adequacy and effectiveness of those arrangements
- Review and assess the financial risks, and be satisfied that the Council's assurance statements, including the Annual Governance Statement, reflects the risk environment and any activities required to improve it
- To be committed to the values of the Council and Nolan principles of public life
- To participate actively in supporting the principles and practice of equality of opportunity as stated in the Council's Equal Opportunities Policy.

An independent member will need to have appropriate skills, experiences and competencies to meet the key responsibilities and commitments below.

Key Responsibilities and Commitments

- Committing to attend and constructively participate in planned and ad hoc meetings
- Thorough preparation for meetings through careful consideration of all agenda reports and documents
- Questioning senior management on issues arising from committee papers with due regard to the role of the Audit Committee
- Adopting and demonstrating a politically neutral perspective in questions asked and the general contribution to the work of the Audit Committee
- Applying relevant skills and experiences to add value and depth to the work of the committee
- Committing to personal development in the role
- Committing to attend training sessions in accordance with agreed development
- Sign and abide by the appropriate Code of Conduct for Co-opted Members
- Adopting the highest levels of personal integrity, openness and honesty

Payment

An annual honorarium of £1500 will be paid (£3000 for the Chairman), together with reimbursement for travelling and subsistence expenses.



Independent Member of Audit Committee Person Specification

Area to be demonstrated	Essential requirements	Desirable requirements	How assessed
Independence from the Council	<p>You must not be a councillor or officer of the Council or have been so in the preceding five years prior to appointment</p> <p>You should have no significant business dealings with the Council</p> <p>You should have no established links to any political party</p>		Application form and interview
Education & Training	A suitable professional or management qualification (eg. accountancy, internal audit, risk management, the law or other relevant discipline)		Application Form
Experience & Knowledge	A working knowledge of the general or financial management of large organisations in	<p>Experience of participation in Committee or Board Meetings</p> <p>For applicants who wish to be</p>	Application Form and Interview

	<p>the public or private sector</p> <p>A general knowledge of systems of internal control, good governance, risk management and performance management</p>	<p>considered for Chair of the Committee, experience of chairing meetings</p> <p>An understanding of the complexity of issues surrounding audit, finance and risk management in local government</p>	
Skills and Abilities	<p>Ability to be objective, independent and impartial</p> <p>Have good communication skills</p> <p>Ability to have regard to other points of view</p> <p>Ability to understand complex issues and demonstrate judgment in dealing with them</p> <p>Ability to think strategically and focus on material issues and overall position</p> <p>Embraces and acknowledges the importance of accountability and probity in public life</p>	<p>An ability to understand complex situations and reports, as well as the statutory background to those reports</p>	<p>Application Form and Interview</p>

	<p>Ability to question and challenge constructively</p> <p>Ability to interpret information and come to a rational conclusion</p> <p>Demonstrate objectivity, integrity, discretion and effective interpersonal skills</p> <p>Able to attend physical or remote meetings as required, and to give sufficient time to the duties of the Audit Committee</p> <p>Digitally capable (or willing to undertake training) to access information, reports and communicate electronically</p>		
Personal Attributes	<p>Committed to the Council's Equal Opportunity Policy and its promotion</p> <p>Committed to the values of the Council and to the Nolan principles of public life</p>	Committed to personal development and training	Interview

	You must have respect for confidentiality requirements		
Special Circumstances	<p>Regarded as an independent and experienced professional</p> <p>Be of good character:</p> <ul style="list-style-type: none"> • You must not have any criminal convictions • You must not be an undischarged bankrupt 		

Independent Improvement and Assurance Panel Report Flowchart

First Report

June 22 – Full Council to receive the first report from the Independent Improvement and Assurance Panel, providing commentary on progress.

July 22 – Cabinet to consider the first report from the Independent Improvement and Assurance Panel, to provide a response and write to the Secretary of State.

Sept 22 – Growth, Environment and Resources Scrutiny Committee to review the Cabinet response to the first report from the Independent Improvement and Assurance Panel.

October 22 – Full Council to receive the Growth, Environment and Resources Scrutiny Committee review of the Cabinet response to the first report from the Independent Improvement and Assurance Panel.

Second Report

Dec 22 – Full Council to receive the second report from the Independent Improvement and Assurance Panel, providing commentary on progress.

Jan 23 – Cabinet to consider the second report from the Independent Improvement and Assurance Panel, to provide a response and write to the Secretary of State.

Feb 23 – Growth, Environment and Resources Scrutiny Committee to review the Cabinet response to the second report from the Independent Improvement and Assurance Panel.

March 23 – Full Council to receive the Growth, Environment and Resources Scrutiny Committee review of the Cabinet response to the second report from the Independent Improvement and Assurance Panel.

Third Report

June 23 – Full Council to receive the third report from the Independent Improvement and Assurance Panel, providing commentary on progress.

July 23 – Cabinet to consider the third report from the Independent Improvement and Assurance Panel, to provide a response and write to the Secretary of State.

Sept 23 – Growth, Environment and Resources Scrutiny Committee to review the Cabinet response to the third report from the Independent Improvement and Assurance Panel.

October 23 – Full Council to receive the Growth, Environment and Resources Scrutiny Committee review of the Cabinet response to the third report from the Independent Improvement and Assurance Panel.

Fourth Report

Dec 23 – Full Council to receive the fourth and final report from the Independent Improvement and Assurance Panel, providing commentary on progress.

Jan 24 – Cabinet to consider the fourth and final report from the Independent Improvement and Assurance Panel, to provide a response and write to the Secretary of State.

Feb 24 – Growth, Environment and Resources Scrutiny Committee to review the Cabinet response to the fourth and final report from the Independent Improvement and Assurance Panel.



March 24 – Full Council to receive the Growth, Environment and Resources Scrutiny Committee review of the Cabinet response to the fourth and final report from the Independent Improvement and Assurance Panel.

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