

# Efficiency Strategy 2016/17 – 2019/20



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**Peterborough City Council Efficiency Strategy 2016/17 – 2019/2020**

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**1. Introduction**

- 1.1. As part of the Local Government Finance Settlement in February 2016, the Government confirmed its offer of a 4-Year Funding Settlement for councils who are prepared to demonstrate their commitment to financial stewardship in an Efficiency Strategy. This document fulfils the requirement for accepting this deal.
- 1.2. A 4-Year Funding Settlement will provide relative certainty with regard to the council's levels of Revenue Support Grant over this period and will aid financial planning.
- 1.3. This Efficiency Strategy also demonstrates the council's commitment to transparency in the way it manages its finances.
- 1.4. This strategy was presented to, and approved by Cabinet on 26 September 2016, and will be reviewed annually as part of the Medium Term Financial Strategy. This document is available for public scrutiny on the council's website.

Signed: \_\_\_\_\_  
Leader of the Council

Signed: \_\_\_\_\_  
Chief Executive

## 2. Priorities

2.1. The council's priorities are to:

- Drive growth, regeneration and economic development
- Improve educational attainment and skills
- Safeguard vulnerable children and adults
- Pursue the Environment Capital agenda
- Support Peterborough's culture and leisure trust Vivacity
- Keep all our communities safe, cohesive and healthy
- Achieve the best health and wellbeing for the city

## 3. About Peterborough

- 3.1. Peterborough city is the third-fastest growing city in the country, with a population of over 188,000 people.
- 3.2. It is the UK's first Gigabit city, and was recently named 'World Smart City of the Year 2015', beating competition from Dubai and Moscow.
- 3.3. A dynamic and rapidly growing area, the City has added 7,000 jobs to the local economy over the last three years, with unemployment at its lowest levels since the 1990s. Claimants of Jobseeker's Allowance dropped by 38 per cent in 2015.
- 3.4. Recently, the council has seen the 4<sup>th</sup> highest level of housing stock growth in the country, more schools than ever rated 'good' or 'outstanding' (over 85 per cent).
- 3.5. As well as the benefits for our communities, the strategy of growing the city and creating jobs provides two main benefits for the council. Firstly, have a thriving economy and high employment can help reduce demand on our services. Secondly, it can help the council to generate revenue through areas such as council tax and business rates. This in turn has allowed the council to deliver savings of £24.1m in 2016/17 without making any reductions to services.

## 4. Innovations in Peterborough – Case Studies

- 4.1. Peterborough City Council takes pride in developing innovative services that are fit for the future. The following case studies are just a few examples of the ways in which Peterborough has transformed its services for the benefit of residents and the city.

### **Case Study 1: Peterborough Investment Partnership (PiP)**

Established in January 2015, PiP is an innovative Joint Venture between Peterborough City Council and Lucent Strategic Land Fund.

By enabling the development of surplus land in the council's ownership, PiP will help to support and sustain the growth and development of Peterborough by bringing new jobs, retail, housing and leisure facilities to the city.

The PiP's first scheme, Fletton Quays, is a £120m redevelopment including hotel, homes, office space and restaurants. Work is currently under way, with the scheme due for completion in 2018.

Through its involvement with the PiP, the council ensured a share of the uplift in property values as well as maximising the returns on its investment.

### **Case Study 2: Peterborough Permanency Service**

Peterborough's new Permanency Service is the first of its kind in the country.

It includes fostering and adoption services and all placement budgets for children and young people in care. The programme utilises third sector/independent sector partners to improve recruitment and support of foster carers, reducing spend on placements.

This investment in better services means that more children experience secure family homes within their own families, through adoption or permanent care.

### **Case Study 3: Integration of Health & Social Care**

Peterborough City Council leads a Joint Commissioning Unit responsible for the commissioning of child health services across Peterborough and Cambridgeshire, bringing council and health services together for benefit of children and young people while also delivering value for money.

Peterborough also supports the response to an ageing population by bringing health and social care teams closer together and providing a one-stop-shop for residents. Social care staff are co-located with NHS services to provide more seamless services.

The council plays a full part in 'Fit for the Future', the 5-year Sustainability & Transformation Plan for the local health and care system, which covers hospital services, community healthcare, mental health, social care and GP services, across Cambridgeshire and Peterborough.

The Fit for the Future programme is made up of four priorities for change, to be delivered through a 10-point plan. The priorities are:

- At home is best
- Safe and effective hospital care, when needed
- We're only sustainable together
- Supported Delivery

#### **Case Study 4: Energy Recovery Facility**

A £72 million waste-to-energy facility was opened in Peterborough in 2016. It has the capacity to process up to 85,000 tons of residual waste a year, will enable Peterborough City Council to divert up to 95% of its non-recyclable waste from landfill and is the most efficient plant of its size in the UK.

It has been built without recourse to PFI and has turned the traditional business model on its head. It is expected to generate 7.25MW of electricity, but rather than the operator profiting from its sale, it has to provide the energy to the council who will trade and make money itself.

The energy is enough to power 16,000 households and will also reduce carbon emissions by around 10,000 tons a year – both supporting the councils Environmental Capital priority. This is equivalent to removing 2,800 Ford Mondeo 2.2 litre diesel cars from the road. It is expected to save the council £1million every year for at least the next 30 years on waste management costs.

#### **Case study 5: Peterborough Energy**

In May 2015 Peterborough became only the second council in the UK to launch its own energy tariff.

In partnership with award-winning provider Ovo Energy, Peterborough Energy aims to save residents money by offering competitively priced, fair tariffs.

Almost 5,000 households have already switched to Peterborough Energy, generating a cumulative saving across the city of more than £1.25million on their energy bills in the process. The average saving of £260 per annum makes a significant impact on those living in fuel poverty.

Working with contractor Mears, the council installed solar panels on 47 properties including 26 schools. The council has now installed solar panels on all of its major properties that can support this technology.

The council also works with Empower Communities to install free solar panels on residential houses. So far panels have been added to 220 households.

The city council is the first ever council to receive the Community Award at the British Renewable Energy Awards

### **Case study 6: Digital Libraries**

In a climate where many local authorities were closing libraries and/or reducing opening hours the council was determined to buck the trend by installing new Bibliotecha Open+ technology, where residents can gain access to libraries with their library card.

The ground-breaking project has led to a 20 per cent reduction in the cost of the service, whilst at the same time increasing opening hours by 50 per cent. This proposal was underpinned by strong consultation results and received cross-party support.

In addition we have worked with the supplier to promote and showcase across the UK. More importantly we have commercialised this arrangement and receive income from showcasing and software sales.

The scheme has been well-received in all of Peterborough's libraries with the greatest uptake and use in the small rural libraries which has seen usage rise by 5%, however Open+ equates to 40% of usage in Peterborough Libraries.

The scheme has been promoted nationally as part of the DCMS Library Digital tool kit and shortlisted as Customer Project of the Year in the V3 Technology awards.

## **5. Growing the City**

- 5.1. The City has a diverse economy, hosting a wide range of businesses from the environmental services sector, advanced engineering and manufacturing, agri-tech, financial services and more.
- 5.2. Opportunity Peterborough is the council's wholly owned economic development company and aims to attract inward investment, support businesses and to improve the city's skills economy. So far in 2016, House of Fraser, Amazon and Ocado have announced over 1,600 new jobs in the city.
- 5.3. As well as thousands of jobs being added to the local economy in recent years the city has seen a record number of start-up businesses. In 2014, almost 2,000 new businesses opened their doors and Peterborough is currently ranked as the 7th most innovative city in the UK based on the number of patents issued.
- 5.4. The city's retail vacancy rate is around 7 per cent, well below the national average. This follows significant investment to regenerate the city centre and a strategy of investing in the night-time economy which in turn has created jobs, brought new businesses to the area such as Côte Brasserie and Wagamama and created income for the council.
- 5.5. To support its growing workforce, Peterborough has significantly grown its housing stock. Peterborough has the 4th highest rate of housing growth in the UK.
- 5.6. The council continues to seek accelerated growth in the city, with exciting upcoming developments such as the flagship Fletton Quays scheme. In addition to this, the council is undertaking a number of exciting Joint Ventures, including a collaboration with Cross Keys Homes housing association to build houses for sale, private rented accommodation and affordable housing.

5.7. As well as providing hundreds of new job opportunities for local people, these developments will increase the council's business rates and New Homes Bonus income which can then be used to provide high-quality services to the citizens of the city.

## **6. Innovation & Technology**

- 6.1. Peterborough is one of the UK's fastest growing cities and one of the Government's demonstrator cities for smart innovation and technology.
- 6.2. Delivered by City Fibre, a new pure fibre network, the Peterborough CORE, delivers gigabit speed internet connectivity, giving Peterborough businesses a serious competitive advantage, with some of the world's fastest internet speeds. Peterborough was named as the UK's first gigabit city.
- 6.3. The council is delivering on an ambitious Technical Strategy which will move applications and storage on to cloud-based environments.
- 6.4. It outlines an approach for self-service, where access is 'digital by default' for front-door transactions. There will also be an investment in preventative technologies, for example, to promote independence for citizens with care and support needs.
- 6.5. As part of the roll-out, the council will also be assessing all roles and processes to see how technology can be better utilised to minimise the workforce and physical resource requirements. This will include upskilling and culture change within the workforce.

## **7. Challenges Ahead**

- 7.1. Peterborough City Council has achieved a lot in the most challenging financial climate that Local Government has ever faced. However, significant challenges remain. In the six years to 2016/17, the council has seen its government funding cut by £54million, which equates to nearly 50 per cent of its government grant.
- 7.2. In addition to substantial grant funding reductions, there are considerable areas of risk and uncertainty that will impact upon the council's operating environment. These include:
  - **Business Rates Revaluation & 100% Rates Retention** – It is anticipated that a business rate revaluation will occur in 2017 over which the council will not have control, potentially causing volatility in the level of business rates income that the council receives. As the funding system for Local Authorities transfers to a system of 100% business rates retention, additional risk will result from bearing the full burden of sizeable business rate appeals. However, the Council has taken part in a business rates retention pilot, which allows for the retention of 100% of business rates above a set baseline and this has proved to be successful for the city.
  - **New Homes Bonus** – New Homes Bonus has been a key income stream for the council. There remains significant risk that this funding stream may be removed or redistributed, which is a key issue. The expected consultation on New Homes Bonus has not been released at the time of writing and therefore the extent of the impact of reforms in this area cannot be known.
  - **Demographic Pressures** – the council is facing acute pressures to its services, particularly Adult Social Care services. As shown in the case studies above, the council is committed to delivering services in new and innovative ways,

however, in a growing city, there will be inevitable and substantial pressure on the demand for council services.

- **Uncertainty resulting from the vote to leave the European Union** – it is not known what impact the vote to leave the European Union will have on the council's position. This is being monitored closely and regularly by the council's Corporate Management Team and action will be taken as details emerge.

- 7.3. The council's approach to managing financial and other risks is given in section 9 of this document.
- 7.4. As demonstrated by the case studies above, Peterborough City Council is committed to doing things in new and innovative ways in order to deliver services in a sustainable way. However, in such a challenging and uncertain environment, the council will need to continue to develop new strategies and ways of working in order to safeguard the services that Peterborough residents value the most. The council's Medium-Term Financial Strategy will be at the heart of this.

## **8. Medium Term Financial Strategy (MTFS)**

- 8.1. Each year, the council produces a detailed Medium-Term Financial Strategy covering a ten year period. This document is at the heart of the council's commitment to efficiency and provides the detailed blueprint of the council's budget strategy over the next ten years.
- 8.2. It includes a thorough analysis of the budgetary position, projections for future years and outlines approaches towards risk management. It also incorporates the council's Treasury Management Strategy and Asset Management Plan.
- 8.3. The MTFS underpins the work of all council departments, ensuring financial sustainability and the best possible level of service for residents.
- 8.4. In its 2016/17 – 2025/26 MTFS, the council has committed to:
  - Vigorously pursue efficiency savings.
  - Seek out new forms of service delivery to reduce cost and generate income.
  - Be increasingly entrepreneurial in the way it is managed and run.
  - Act in a measured way when examining options to balance further budgets.
  - Ensure the risks that the Council is likely to face are proactively managed.
- 8.5. The MTFS includes detailed savings proposals, including £24.1m of savings for the 2016/17 financial year which have been achieved without any reductions in service levels. This was facilitated by the council following a deliberate strategy of realising one-off underspends in 2015/16 to support future year budgets.
- 8.6. In its 2016/17 MTFS the council created a Grant Equalisation Reserve from one-off underspends. This reserve will be utilised in order to defer the impact of government funding reductions and to allow for a strategic and measured approach to delivering savings which will, as far as possible, protect the services that the citizens of Peterborough value the most.
- 8.7. However, substantial financial challenges remain. With a budget gap from 2018/19 of in excess of £24m, the Council will need to take strategic action in order to bring the budget into balance and manage the impact of acute reductions to funding.





- 8.8. MTFs savings requirements for the period of this Efficiency Strategy and to 2020/21 are as follows:

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>Opening Budget Gap</b>	<b>7,390</b>	<b>11,330</b>	<b>14,710</b>	<b>17,760</b>	<b>19,510</b>
Total Grant Reductions	9,797	16,305	21,124	23,214	23,214
Total Budget Pressures	6,316	6,311	6,219	6,957	8,484
Total Investments	640	660	650	640	640
<b>Budget Position</b>	<b>24,143</b>	<b>34,606</b>	<b>42,703</b>	<b>48,571</b>	<b>51,484</b>
Overall Savings Proposed	(23,194)	(19,317)	(18,356)	(17,401)	(18,041)
One-off Savings Delivered in 2015/16	(12,137)	0	0	0	0
Contribution To/(From) Grant Equalisation	11,188	(11,188)	0	0	0
<b>Revised Budget Position</b>	<b>0</b>	<b>4,101</b>	<b>24,347</b>	<b>31,170</b>	<b>33,807</b>

- 8.9. This Efficiency Strategy will support the effective delivery of these savings. In future years, this strategy will be embedded within the MTFs document in order that it be considered by Cabinet and Full Council in advance of the beginning of the financial year.

## **9. Risk Management & Governance**

- 9.1. A detailed analysis of the budgetary and wider risks that the council faces is given in the Medium Term Financial Strategy.
- 9.2. A Budgetary Risk Register is also in place, which the Corporate Management Team review on a fortnightly basis at their dedicated Budget meetings, including deciding on mitigating actions to take.
- 9.3. The Budgetary Risk Register is also reported to the Cabinet Policy Forum and the Cross-Party Budget Working Group to allow for thorough scrutiny by Members.
- 9.4. The council is committed to a robust system of governance. A link to the council's Annual Governance Statement is provided in section 15 of this document.

## **10. Performance Management**

- 10.1. It is important that the council reviews its performance in order to ensure continuous improvement.
- 10.2. The council has a developing range of performance information and self-assessment tools to support its measurement of performance.
- 10.3. The council uses a range of indicators, including:
- KPIs for Council Tax and Business Rate Collection

- KPIs for the council's partners (e.g. for the council's strategic partnership with Serco)
  - Treasury & Capital Prudential Indicators
  - Regular Budgetary Control Reporting
- 10.4. The council is evolving its performance management methods to incorporate predictive analytics, which will mean easier and faster analysis from standardised linked data and provide a greater insight into customer needs and demands, helping to improve service delivery
- 10.5. Performance indicators are reported regularly to senior officers and to Members as appropriate.
- 10.6. The council has effective systems in place for monitoring the performance of its staff. For example, proactive management and strong occupational health support provided to staff means that Peterborough has a sickness absence rate of 3.48%, much lower than the public sector average of 4.1%. By proactively managing staff absences, the council saves an average of £554 per sickness day prevented.
- 10.7. The council recognises the contribution of its workforce. As part of the MTFs, the council took the decision to maintain service and not reduce headcount, choosing instead to focus on reducing the costs of the pay bill. This has allowed service levels for the residents of Peterborough to be maintained despite a difficult economic climate.

## **11. Flexible Capital Receipts Policy**

- 11.1. As part of the 2015 Spending Review, the Government introduced flexibility on the use of capital receipts:

*"To support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects."*

- 11.2. Guidance issued by the Secretary of State under section 15(1) of the Local Government Act 2003 confirms that the flexibility in the use of capital receipts applies to the period from April 2016 until March 2019.

- 11.3. This flexibility applies to:

*"expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility. Set-up and implementation costs of any new processes or arrangements can be counted as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure"*

- 11.4. The council has chosen to not use this flexibility at this stage, due to its alternative strategy of applying capital receipts to Minimum Revenue Provision, which has allowed substantial savings to be realised.

- 11.5. Should the position change in the future, this strategy document will be reviewed and details of qualifying projects included in a report to Full Council and due regard will be given to the impact on the council's Prudential Indicators.

## **12. Closer Working**

- 12.1. The council is committed to working in partnership wherever this may benefit the citizens of Peterborough.
- 12.2. There are a number of existing and planned partnership arrangements in place which will help the council to create savings, promote economic growth and deliver more effective services. These include:
- Working with partner organisations such as Amey, Skanska, Norse, Serco and Opportunity Peterborough.
  - Interactions with neighbouring councils as well as 'statistical' neighbours and the Greater Cambridgeshire & Greater Peterborough LEP.
- 12.3. The council continuously reviews the services it provides and will explore shared services and traded service arrangements wherever this may benefit the area.
- 12.4. We generate income through trading a number of our services including legal, regulatory and planning services. This has been boosted by our planning (Royal Town Planning Institute) and legal services (Lawyers in Local Government) both being named the best in the country. For example, the planning service now generates around £500,000 per year and has formed a joint planning service with Fenland District Council.
- 12.5. The innovative highway services contract with Skanska allows the partnership to provide consultancy and highway construction services to both public and private sector partners. These have ranged from design solutions for mixed use urban extensions for major developers, to support to other councils in design and physical works, with Peterborough City Council benefitting from a percentage of the overall value.
- 12.6. Close working across council departments and other public sector bodies is also a key priority, with different sections working together to provide joined-up services for the citizens of Peterborough.
- 12.7. A key example of this is the recently-formed Safer Peterborough Prevention and Enforcement Service (PES), which brings together staff from the council, including parking enforcement, housing and city officers with Police to work together to reduce anti-social behaviour in the city.

## **13. Combined Authority**

- 13.1. The council is currently consulting with residents and other local stakeholders on the proposal to form a Cambridgeshire & Peterborough Combined Authority.
- 13.2. Run by an elected mayor, the devolution deal could bring a host of benefits to the local area, including:
- A new £20million annual fund for the next 30 years (£600million) to support economic growth, development of local infrastructure and jobs.

- £100m of new funding to support the building of new homes in Cambridgeshire and Peterborough, including affordable housing
- A new £70million fund to build more council rented homes in Cambridge because house prices are so high
- Creating a transport plan for Cambridgeshire and Peterborough that helps to coordinate road, rail and bus services
- Investment in a Peterborough University with degree-awarding powers.
- Co-designing with Government a National Work and Health Programme focused on those with a health condition or disability, as well as the long-term unemployed
- Integrating local health and social care resources to provide better outcomes for residents
- A devolved skills and apprenticeship budget to give more opportunities to our young people
- Working with local partners as part of an integrated employment service to ensure residents have better access to the job market
- Working with Government to secure a Peterborough Enterprise Zone – attracting investment from business, leading to more and better quality jobs for residents
- Working with Government on the continued regeneration of Peterborough city centre
- Opportunities for additional business rates retention

## **14. Review**

- 14.1. This Strategy will be reviewed annually and submitted to Full Council for approval as part of the Medium Term Financial Strategy process.

## **15. Key Documents**

- 15.1. The following documents support the council's commitment to working efficiently:
- Medium-Term Financial Strategy 2016/17 – 2017/18  
<https://www.peterborough.gov.uk/upload/www.peterborough.gov.uk/council/jobs-and-careers/schools-and-education/strategies-policies-and-plans/budgets-spending-and-performance/MediumTermFinancialStrategy-2016-26-May2016.pdf?inline=true>
  - Statement of Accounts 2015/16 (Draft)  
<https://www.peterborough.gov.uk/upload/www.peterborough.gov.uk/council/budgets-spending-and-performance/StatementOfAccounts-201516.pdf?inline=true>

- 2015/16 Outturn Report  
<http://democracy.peterborough.gov.uk/documents/s28053/Item%205%20Outturn%20Report%20Budget%20Monitoring.pdf>
- Annual Governance Statement 2015/16 (Draft)  
<http://democracy.peterborough.gov.uk/documents/s28046/Item%209%20Draft%20Annual%20Governance%20Statement%20Cover%20Report.pdf>
- Peterborough & Cambridgeshire Devolution Proposal  
<https://www.peterborough.gov.uk/upload/www.peterborough.gov.uk/council/strategies-policies-and-plans/Devolution-CambridgeshireAndPeterboroughAuthoritiesGovernanceReview-AppendixC-17June2016.pdf?inline=true>
- Customer Service Standards  
<https://www.peterborough.gov.uk/council/budgets-spending-and-performance/customer-service-performance/>
- Fit for the Future Programme Summary  
[http://www.fitforfuture.org.uk/wp-content/uploads/2016/06/FFTF\\_SummaryDoc\\_p9.pdf](http://www.fitforfuture.org.uk/wp-content/uploads/2016/06/FFTF_SummaryDoc_p9.pdf)

## Report Sign Off Sheet

Report Sign Off Sheet				
<b>Pre-Drafting Comments</b>	<b>Section</b>	<b>Name</b>	<b>Comments</b>	<b>Date</b>
	<b>Finance</b> <i>If your report contains budgetary implications, please ensure you liaise with Finance prior to drafting your report.</i>			
<b>Date Report Submitted Into BOX 'Holding Folder'</b>				<b>Date</b>
<b>Post-Drafting Comments</b>	<b>Section</b>	<b>Name</b>	<b>Comments</b>	<b>Date</b>
	<b>Democratic Services</b> <i>Please ensure your report has been commented on by Democratic Services prior to obtaining final approvals.</i>	-	-	-
<b>Post-Drafting Final Approvals</b>	<b>Section</b>	<b>Name</b>	<b>Approved</b>	<b>Date</b>
	<b>Legal</b>	Alison Stuart	Seen at CMT	14/09/2016
	<b>Finance</b>	Steven Pilsworth	Approved	16/09/2016
	<b>Procurement</b> <i>(approval must be sought from Procurement if your decision is contract / procurement related)</i>			
	<b>Democratic Services</b>	Pippa Turvey	Approved	16/09/2016
<b>Report Submitted Into BOX 'Clean Folder'</b>				<b>Date</b>
<b>Director's Approval</b> <i>Directors are requested not to sign if the above section is incomplete</i>	John Harrison (seen at CMT)			<b>Date</b>
				14/09/2016

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