

NOTE FOR PETERBOROUGH CITY COUNCIL

SUPPORT TO STAR CHAMBER PROCESS – DECEMBER 2019

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

Findings from the work with Peterborough

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Insights

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

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

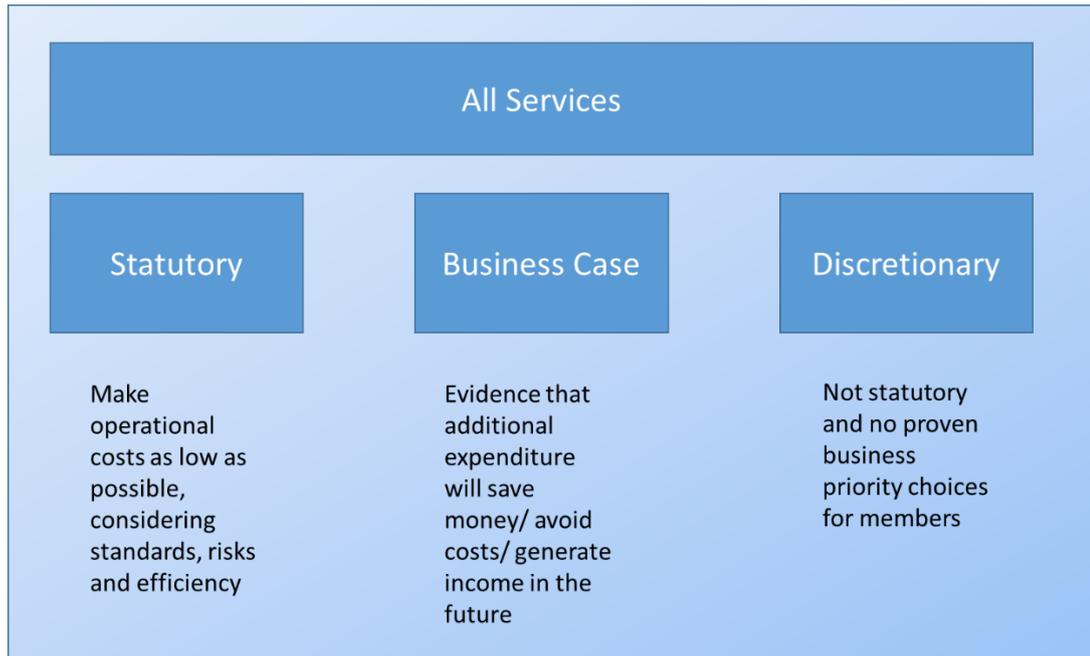
Whilst growth does bring challenges as well as opportunities, it was interesting to hear views expressed that Peterborough is a relatively deprived place with low property values. This is at odds with the popular view of the city as a thriving place in a sub-region that has enjoyed significant economic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

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

Taking the Core Cost model forward

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

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



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

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