

SHAREHOLDER CABINET COMMITTEE	AGENDA ITEM No. 5
15 DECEMBER 2021	PUBLIC REPORT WITH EXEMPT APPENDICES

Report of:	Kitran Eastman – Managing Director Peterborough Limited	
Cabinet Member(s) responsible:	Cllr Mohammed Farooq – Chairman of Peterborough Limited Board	
Contact Officer(s):	Kitran Eastman – Managing Director Peterborough Limited James Collingridge – Head of Environmental Partnerships	Tel. 864736

PETERBOROUGH LIMITED STRATEGIC REPORT 2020-2021

RECOMMENDATIONS	
FROM: Peterborough Limited	Deadline date: N/A
It is recommended that the Shareholder Cabinet Committee:	
<ol style="list-style-type: none"> 1. Note the information within the report and Appendix 2, Peterborough Limited Strategic Report 2021/22. 2. Note the appointment of a New Operations Director for Peterborough Limited. 	

1. ORIGIN OF REPORT

- 1.1 This report is presented to the Shareholder Cabinet Sub-Committee following a request from the Committee to be provided with an update on progress against the Business Plan which was agreed on 2nd March 2020.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to update the Shareholder Cabinet Sub-Committee on the Peterborough Limited Business Plan 2020-2023 (See Background Papers), through the company's annual strategic report 2020/21. The report will also set out the company's key achievements and milestones over the last eight months.
- 2.2 This report is for the Shareholder Cabinet Sub-Committee to consider under its Terms of Reference No. 3.3.2(a), *'To monitor performance and financial delivery of the companies, partnerships and charities set out above in line with Cabinet approved business plans by means of monthly performance monitoring and scrutiny.'*
- 2.3 This report contains exempt appendices that are NOT FOR PUBLICATION by reason of paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 because they contain commercial information. The public interest test has been applied to the information contained within this exempt annex, and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.

3. TIMESCALES

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

- 4.1 Peterborough Limited is wholly owned by Peterborough City Council and was formed as a Teckal compliant Local Authority Trading Company (LATCo). This means that the company is autonomous from the Council but does require a council appointed board and relies on the Council for guidance and input on strategic matters or important issues of policy.
- 4.1 In February 2019 Peterborough Limited, operating as Aragon Direct Services, commenced delivery of some services for the Council. During the Company's first year of operation, it concentrated on providing a smooth transition of operational services, getting under the skin of the finances of the operations and its support services and building a solid foundation for future growth.
- 4.3 On 2nd March 2020 a three-year business plan for the company was approved by the Shareholder Cabinet Sub-Committee.
- 4.4 The Committee has requested an update of progress against the Business Plan. Peterborough Limited Strategic Report 2021/22 (See Appendix 2), outlines progress in first year of the business plan and the position of the Company. This report will be submitted to Companies' House as part of the Company's Audited annual accounts for 2020/21 shortly. A summary of key points can be found below.

2020/21 Summary

- 4.5 In 2020/21 the company worked through the COVID pandemic. The majority of staff were classed as key workers due to the essential nature of waste collection, fly tip clearance, building cleaning, building maintenance and passenger transport. A small number of employees moved to work from home, but the majority of staff kept working throughout the pandemic both in their substantive roles and through support of other parts of the company or as part of the COVID response. Our staff worked tirelessly to deliver essential frontline services, in challenging and frightening times. They were a credit to the company and to Peterborough.
- 4.6 In October 2020 the business expanded by 350 staff, when we took over the Council's leisure provision when its incumbent provider handed back the service. This has changed the course of the company and its remit, as well as providing new opportunities.
- 4.7 Our 2020/21, out turn position was £497,500 profit, this was a stronger performance that expected due to strong operational performance from Aragon, the additional management fee for Vivacity services, and the streamlining and sharing of fixed overheads. More details can be seen in Appendix 1 and 2.
- 4.8 At the end of 2020/21 the company repaid £825k of the set-up loan which the company had with the shareholder ahead of schedule.
- 4.9 Our 2020/21 performance against the three strategic work streams has been strong with approximately two thirds of actions completed or in progress at the end of year one. The table below outline our progress.

	Building strong foundations	Changing Status Quo and thinking differently	Expanding our business
Complete	3	4	4
In Progress	8	6	5
Not Started	4	5	4

2021/22 update

Through 2021/22 Peterborough Limited's performance has remained strong. Our forecast is ahead of the budgeted position due to Aragon's performance in the first seven months of the year.

- Higher than forecast additional COVID works still being received in building cleaning services.
- Vehicle maintenance costs were running above budget; however, the new fleet is now rolling in and reducing the number of older vehicles.
- Commercial Waste service soft launch.
- Additional grant funded works.
- Increase in external property works.

Significant resources have also been applied to restructure our leisure and corporate services to ingratiate Vivacity and make it fit for the future. Sales are slightly stronger than forecast and our Vivacity forecast is slightly ahead of the budgeted position.

Following the retirement of the former Leisure Operations Director in October, the post was reviewed and combined with the vacant Aragon Operations Director role. A new Operations Director has now been appointed to cover Vivacity and Aragon, who will start in the New Year.

Current Key Risk and Challenges

Staff recruitment continues to be challenging in the current labour market. This is an issue which is affecting most parts of the business, at most levels. The greatest impact, however, is front line workers, especially drivers and lifeguards. Other industry operators have confirmed that they have a similar issue. Retention payments have been a key incentive that have aided with keeping staff, and a programme of training and upskilling is in place. The national shortage of drivers has resulted in the need for us to suspend the garden waste service to ensure the stability of the recycling, food and refuse rounds.

Supply chains, including those for property-based services, remain challenging. Obtaining basic building materials, and leisure supplies continues to be problematic, and likewise with resources for specialist trades. Lead times are generally long for many materials and services, we are working with end-users to manage expectations.

Increase in both National Insurance contributions paid by employers and the 6.6% increase in the national living wage from £8.91 to £9.50, in April has resulted in a higher than expected, unbudgeted, increase in staff cost for 2022/23. Work is ongoing to review where this can be mitigated.

5. CONSULTATION

5.1 No consultation is required at this time.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 The Company will continue to:

- Run its core services as efficiently as possible.
- Work to keep staff safe and the public safe during COVID.
- Support the Council's strategic aims and ambitions.

7. REASON FOR THE RECOMMENDATION

7.1 It is recommended that the Shareholder Cabinet Sub-Committee note the information within the report, and the appointment of the new Operations Director, as part of its governance function for the Company.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The Committee may wish to request additional information or give additional feedback in key areas.

9. IMPLICATIONS

Financial Implications

- 9.1 See Exempted Section Not for Publication Appendix 2 - Peterborough Limited Strategic Report 2021/22, for the company 2020/21 costings and out turn position.
- 9.2 See Exempted Section Not for Publication Appendix 1 - Financial Implications

Legal Implications

- 9.2 Peterborough Limited is a “Teckal” compliant company (advice is detailed in KEY/11JUN18/04 – Link found in background documents) and thus exempt from needing to compete with other companies under procurement legislation for works and service for the Council.

Peterborough Limited is a “Teckal” compliant company which gives it the ability to trade commercially up to 20% of its turnover, over a three-year period. As such at least 80% of the company's income must come from the Council.

Equalities Implications

- 9.3 There are no negative equalities implications.

10. BACKGROUND DOCUMENTS

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

- 10.1 Cabinet Meeting, 11th June 2018. Item 6

<https://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=4142>

Cabinet Meeting, 17th December 2018. Item 4.

<https://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=4214>

Shareholder Committee Meeting, 2nd March 2020. Item 5.

<https://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=721&MId=4346&Ver=4>

11. APPENDICES

- 11.1 Appendix 1 - Exempted Section Not for Publication

Appendix 2 – Exempt Annex - Peterborough Limited Strategic Report 2021/22