

COUNCIL	AGENDA ITEM No. 9(e)
26 JANUARY 2022	PUBLIC REPORT

Report of:	Peterborough City Council Independent Improvement and Assurance Panel (PCC IIAP)	
Cabinet Member(s) responsible:	Councillor Wayne Fitzgerald, Leader of the Council	
Contact Officer(s):	Wendi Ogle-Welbourn, Interim Chief Executive	Tel. 863749

**INTRODUCTORY REPORT OF THE PETERBOROUGH CITY COUNCIL
INDEPENDENT IMPROVEMENT AND ASSURANCE PANEL**

RECOMMENDATIONS	
FROM: <i>Independent Improvement and Assurance Panel</i>	Deadline date: N/A
<p>It is recommended that Council:</p> <ol style="list-style-type: none"> 1. Note the report 2. Approve the amendment to the Terms of Reference of the Panel to report to Council on a six monthly cycle. 	

1. PURPOSE AND REASON FOR THE REPORT

1.2 The purpose of this report is to introduce the work of the Independent Panel established by Council on 16th December 2021, in response to two independent reports on the Council's finances and governance commissioned by the Department of Levelling Up, Housing and Communities. It also provides an update on the three key themes, which form the basis of the work of the Panel, and an update on the timeline for the reporting schedule to the Council. An updated timetable for reporting is included at Appendix 1.

2. BACKGROUND

2.1 On the 30th June 2021, the DLUHC announced an external assurance review of the Council's financial position and its wider governance arrangements. Government decisions on further exceptional financial support, and on any statutory interventions that might be necessary, would be informed by those reviews. The financial review was undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the governance review was undertaken by Andrew Flockhart. The governance review reported in September 2021, and CIPFA reported on the finance review in November 2021. Both reviews set out detailed findings, including conclusions, evidence and methodology used, and included recommendations for the future. Importantly, the governance review recommended non-statutory action. The Minister of State for Equalities and Levelling up Communities then wrote to the Council when the reports were published saying that, although she still had concerns, she agreed with the findings

and that with the right support the Council should be able to respond to the challenges. The importance of the decision on this approach is explained further in section 4.

- 2.2 As part of their swift response to the findings and recommendations of the reviews the Council has started undertaking the various workstreams and actions, including the establishment of the PCC IIAP, approved the Improvement Plan, and the draft Corporate Strategy and delegated authority to officers to take other necessary actions to continue at pace. It can be noted that the first meeting of the Panel was held a month prior to the date envisaged in the September governance report. CIPFA continue to work alongside the Council and Andrew Flockhart is a member of the Independent Panel.

3. STATUTORY INSPECTION AND INTERVENTION

- 3.1 To fully understand the role and purpose of the PCC IIAP it is important to put the approach into the context of the statutory intervention framework. The process of review, reporting to DLUHC, consideration of the actions that should be taken, and the Council's response to the ministerial statement and letter to the authority all fit into the framework of powers given to the Secretary of State in the Local Government Act 1999. The legislation provides powers to appoint a person to inspect an authority and to intervene, taking over its functions, where there is evidence that it is failing in its (best value) duties. At the highest level of intervention, Commissioners are appointed who are based at the local authority, report to the Secretary of State and exercise powers of decision making that have been removed from the authority. Total intervention is rare (Rotherham for example) and is more likely to be limited to specific, named services (Liverpool for example).
- 3.2 The governance review concluded that assurance could be given that the Council (leading members and officers) recognised the severity of the situation, accepted responsibility for balancing the budget and were working hard to meet the challenge. In the absence, at that time, of real clarity on the financial standing of the authority or a robust strategy and plan of action it was not possible to give full assurance that the task of closing the funding gap would be achieved. Andrew Flockhart had reasons for optimism though and developed recommendations around non-statutory intervention, to allow the Council, with support, to remain in full control of its decisions and its destiny.
- 3.3 The recommendation to have an independent panel is at the lowest level of external intervention. It is effectively the Council's panel, not DLUHC's, it does not take any decision making away from the Council and it is not a Task Force (Kensington and Chelsea for example) or an Improvement Board (Croydon for example) both of which are higher levels of non-statutory intervention where the appointments to the board or task force are made by the Secretary of State not the Council.
- 3.4 A note of caution however, the Minister accepted the governance review recommendations to allow the Council to take the actions outlined including the PCC IIAP but was very clear that any faltering in implementing any of the actions could lead to reconsideration of a different approach. That is almost certainly code for the threat of some level of statutory intervention as set out in paragraphs 5 and 6.

4. INDEPENDENT IMPROVEMENT AND ASSURANCE PANEL

- 4.1 As indicated in the previous section, the PCC IIAP is the Council's panel. Each member of the panel has been selected and appointed by the Council. We are here to help and support the Council and its officers to achieve its goals and to convince DLUHC that Peterborough City Council will close the funding gap and move forward in a sustainable way. All of the individual members of the Panel are committed to that and are pleased

that we are here in a non-statutory support framework, and grateful to the Council that they have responded so positively to the process.

4.2 The purpose of the Panel as approved by Council in December 2021 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.

4.3 A Shadow Meeting of the Panel was held on 3rd December, the first full meeting of the Panel was held on the 21st December 2021 and a further meeting of the Panel was held on 7th January 2022. The terms of reference for the Panel included the provision of a first initial response report to the Council at this January meeting. As part of our discussions in our first formal meeting, we did resolve to ask the Council to reconsider the four monthly reporting schedule and revert to the original recommendation in the governance review to receive reports every six months. This is to allow proper space and time for the mechanics of the reporting cycle but also for a focus on the work that is needed to be done rather than on administration.

4.4 The Improvement Plan approved at Council on 21st December 2021 is a critical document, as the Panel will be holding the Council to account on the delivery of this plan, and on the extent to which the plan is meeting the recommendations, actions and outcomes envisaged in the finance and governance review reports.

4.5 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 has initiated a series of service deep dives starting in Adult's and Children's Services and Housing, we 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 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.

4.6 In this introductory report we would comment that we have been very impressed with the work that has already been undertaken in Theme, 1 in particular the work on

balancing the 2022/23 budget, and work is getting well underway in Themes 2 and 3. We have been provided with enormous amounts of information, data and statistics, reports and access to officers. We have benefited from full update presentations at our first formal meeting and written updates on our second meeting (which was held only eight working days after the first meeting so we could discuss this report). Between formal panel meetings there has been a good exchange of information on the budget setting arrangements between the panel finance lead and the officers concerned which is ongoing. We very much look forward to the lifting of physical meeting restrictions so we can establish a close working relationship between the members of the Panel, the Council and the Corporate Management Team. Future reports will be more detailed and more valuable, particularly with regard to the Councils identification and response to risks to the improvement plan as actions develop.

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 underpins the two-year Improvement Plan, starting immediately, with a focus on reaching financial sustainability. This was reported to Council in draft in the December meeting and is now out to consultation. Part two will contain the longer-term vision and ambition for the area with a revised policy framework, and clearer priorities and purpose. This will be an important roadmap in terms of service reprioritisation, as all activity has to be directly related to priority outcomes or stopped.

6. AUDIT COMMITTEE APPOINTMENTS

- 6.1 The Audit Committee was recognised as a weakness in financial governance and there has been excellent progress on implementing the governance review recommendations in this area. The Council meeting on 16th December approved recommendations to strengthen the membership and leadership of the Audit Committee by appointing external independent members to the Committee to improve its expertise and independence, in line with considered best practice. The Council agreed to commence a recruitment process with a view to appointing an Independent Chair of this committee and two further independent members of the committee for an initial fixed term of four years ending May 2026, with provision for extension. On 17th December, the vacancies were advertised locally and nationally seeking candidates who have had previous experience or knowledge of audit functions and could demonstrate their political independence and suitability to provide robust challenge to the Council's financial management. The closing date for applications was 4th January and candidates are currently being shortlisted from a strong field of applicants, with interviews due to take place on 14th January. Subject to ratification of the appointment elsewhere on this agenda the induction process will then commence immediately,

7. MEMBER TRAINING AND DEVELOPMENT

- 7.1 The governance review recommended a development/support programme for councillors be commissioned and the Council has committed to ensuring all members have the knowledge and skills needed to effectively scrutinise and challenge the Council's financial decisions, governance and procedures. Further guidance and training were delivered to Scrutiny members in November 2021 before Joint Scrutiny of the Budget. Work has also commenced with CIPFA to conduct a skills analysis assessment of both the Audit and Scrutiny Committees 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 will

be invited to attend training and development events to increase their knowledge and skills. While this is a good start the Panel think that the LGA should provide some further input alongside CIPFA on the specific needs of members with specific roles or portfolios such as leaders of political groups and Cabinet members.

8. ELECTIONS

- 8.1 The governance review 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 indicative timetable in the governance report suggested the formal evaluation should be initiated by July 2022 with Council to 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. At its meeting on 16th December 2021, the Council noted the recommendation. A report will therefore go to Council in 2022 asking it to approve the commencement of an evaluation process.
- 8.2 The Panel would note that the Minister of State's letter expressly included an expectation to see the Council's plans relating to this recommendation 'in due course'.

9. IMPLICATIONS

Legal Implications - no change to previously reported
Equalities Implications - no change to previously reported
Carbon Impact Assessment – no change to previously reported
Communications and engagement – no change to previously reported

10. CONSULTATION

- 10.1 Part One of the Corporate Strategy is currently out to consultation as required under the Council's constitution. The consultation strategy was approved by Council on 16th December 2021. Final approval to the Corporate Strategy will be considered at the Council meeting on 2nd March 2022.

11. FINANCIAL IMPLICATIONS

- 11.1 There is no change to the estimated financial implications presented to Council in December 2021.

12. BACKGROUND DOCUMENTS

Council report 'Financial Improvement Planning' 16 December 2021
'Governance Review: Peterborough City Council' Andrew Flockhart report 2021

This page is intentionally left blank