

<b>CABINET</b>	AGENDA ITEM No. 5
<b>19 April 2022</b>	<b>PUBLIC REPORT</b>

Report of:	Matthew Gladstone, Chief Executive	
Cabinet Member(s) responsible:	Councillor Wayne Fitzgerald, Leader of the Council	
Contact Officer(s):	Matthew Gladstone, Chief Executive Officer	

## **SUSTAINABLE FUTURE CITY COUNCIL STRATEGY – DIRECTION OF TRAVEL**

RECOMMENDATIONS	
<b>FROM:</b> Matthew Gladstone, Chief Executive	<b>Deadline date:</b> N/A
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> <li>1. Endorse the Direction of Travel for the ‘<i>Sustainable Future City Council Strategy</i>’ and the continuation of developing the strategy and plans further.</li> <li>2. Notes that this document is considered ‘live’ and will be subject to further updates as the Council formalises its requirements.</li> </ol>	

### **1. ORIGIN OF REPORT**

- 1.1 This report is submitted to Cabinet following a request from Cllr Fitzgerald, Leader of the City Council.

### **2. PURPOSE AND REASON FOR REPORT**

- 2.1 This report is for Cabinet to consider under its Terms of Reference No. 3.2.4, ‘*To promote the Council’s corporate and key strategies and Peterborough’s Community Strategy and approve strategies and cross-cutting programmes not included within the Council’s major policy and budget framework.*’
- 2.2 The purpose of this report is to provide Members, Corporate Leadership and the wider organisation an overview of the current position and the challenges faced by Peterborough City Council and a range of approaches that will be taken to develop the future direction, culture and target operating model for a sustainable future city.
- 2.3 This document aims to start the discussion on new business models, culture, ways of working and target operating model. Specific reports will come back to CLT/Cabinet for consideration.

### **3. TIMESCALES**

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

- 4.1 Peterborough City Council is amongst a number of councils which is facing significant financial pressures. In 2020 the Council requested additional financial support from the government due to the challenges faced. In addition a number of external reviews were undertaken by the Local Government Association, CIPFA and the Department of Levelling Up, Housing and Communities (DHLUC). The reports identified a number of issues which require urgent attention regarding financial sustainability, governance and culture. The Council has also been placed on the first step of external intervention through the form of ongoing scrutiny from DHLUC which is expected to continue until sufficient progress has been made.
- 4.2 In response, the Council has acted swiftly through the appointment of a new Chief Executive solely focused on the city compared to the shared arrangement with Cambridgeshire County Council. An improvement panel has been created made up of a high calibre team of current and previous Chief Executives and financial experts. It is to be commended to see the collaborative approach being taken by the Council working with a range of networks across central and local government.
- 4.3 The financial gap faced by the Council is in the region of £17million in 2022/23 with a further gap of approximately £4million for 2023/24 and onwards. The Council has not needed to seek government financial help and nor is it expecting to in the future. The Council has a robust set of savings proposals, albeit tactical in nature, which are in place to achieve a balanced budget for 2022/23.
- 4.4 The size of the task is significant and is fully recognised by the politicians and senior team. Similarly, cross political working is evidenced through the creation of a Financial Sustainability Working Group to help challenge and exchanges ideas and contributions around the budget. A strengthened audit committee has been created with an independent chair and members together with more support through the scrutiny system.

## **5. INITIAL IMPRESSIONS AND BACKGROUND**

- 5.1 Peterborough City Council is amongst a number of councils which is facing significant financial pressures. In 2020 the Council requested additional financial support from the government due to the challenges faced. In addition, a number of external reviews were undertaken by the Local Government Association, CIPFA and the Department of Levelling Up, Housing and Communities (DHLUC). The reports identified a number of issues which require urgent attention regarding financial sustainability, governance and culture. The Council has also been placed on the first step of external intervention through the form of ongoing scrutiny from DHLUC which is expected to continue until sufficient progress has been made.
- 5.2 A robust improvement plan, focussed on the next 6 months, is in place which has identified a number of areas for urgent attention. A real strength is the lack of defensiveness around the position the Council finds itself in. There appears to be a good sense of self awareness and where issues are being identified there is a strong appetite to fix the issues. The Council is also reaching out for support and fully recognises the need to change.
- 5.3 Drawing upon the improvement plan, five initial priorities have been identified and communicated by the Chief Executive and these will be developed further as part of this work in designing a sustainable future council strategy:

Budget	Getting a grip of the finances as top priority and ensuring delivery of robust savings plans to deliver a balanced budget for 2022/23
Vision and priorities	Setting a future direction for the city with partners and outlining what the role of the Council is in its delivery. Alignment of finances, human resources and <u>decision making</u> key
Organisational resilience and capacity	Taking stock of leadership and managerial capacity and structures across the organisation and reset following the intense 2 years of Covid pandemic. Define new target operating model for the Council
Governance and Culture	Looking at the way we do things in the Council including the formal decisions and governance but also the softer aspects around communications, <u>engagement</u> and systems of working
Economic growth	Maximising the impact of growth for all communities which is delivered in a more sustainable and inclusive way. Peterborough is a city of opportunity

- 5.4 Whilst there are real signs of improvement and confidence within the organisation, it is very important to be aware of some of the issues which need addressing. Many of these are long standing, cultural and linked to the organisational structure and capacity.
- 5.5 The Council has recently started consultation on a new corporate strategy. This is positive and needs to build on the work from the place summit last year and wider discussions around the region in terms of the evolving integrated care and health system and also better clarity on priorities at the combined authority for Peterborough and Cambridgeshire. However, there is very little evidence of a history of robust service financial and workforce planning. Neither is there any real sense of performance and programme management and organisational oversight of achievements and outcomes for residents, the community and businesses.
- 5.6 It is clear organisational capacity and the narrative around this is still seen as a priority for urgent attention. Capacity in some areas has been stripped back too far such as around health and safety, workforce development, economic development and performance. Many managers will talk around the lack of capacity to do new things. The primary focus on statutory provision is something many councils have done but it is also important to look at where the Council wants to drive value and invest in key areas aligned to its corporate priorities. Best value is not just about lowest cost. Getting an organisational wide focus on total resources and not just savings is key (commercial companies and members, effective commissioning/strong centre and procurement and how these arrangements are managed).
- 5.7 The staffing levels are often quoted as approximately 1200 and initial impressions looks very small for a unitary council. The generation over several years of numerous external contracts and arm's length organisations, many of which are 100% owned or largely controlled by the Council, disguises the true scale and breadth of the Council's activities. Many of these contracts are being looked at urgently which is right but major questions exist around value for money and the effectiveness of governance arrangements and organisational oversight. The role of elected members on the commercial boards has been identified by the improvement panel as an area for urgent attention.
- 5.8 Over the last few years, the Council has not had an executive senior team solely focussed on Peterborough. The shared services model with Cambridgeshire needs looking at urgently. A new Corporate Leadership Team has been formed with a stronger focus on the city, however, a high proportion of directorate roles have elements of shared services. Understanding what is right for the city is key and in ensuring there is capacity to help achieve our ambitions.

- 5.9 Decision making needs attention. The constitution is robust and regularly updated with good support from a governance team. Formal decision making is often made at Cabinet Member level which supports quick and effective decisions. Decision making is quite silo based across the organisation with little organisational oversight and missed opportunities to consider how various decisions help to address the socio-economic challenges the Council faces. Some confusion exists around key decisions and what needs to be presented to Cabinet particularly where wider implications exist for political portfolios or directorates. The s151 officer is regularly presented with reports for signing off without any context or consideration at leadership team. Helping to shift the focus from the budget to other cross cutting agendas relevant at Cabinet level such as levelling up agenda, health inequality, early help and prevention will be important.
- 5.20 As part of the intervention process the Council is required to actively consider the pros and cons of moving to a 4 yearly system of elections. This process will start after the elections in 2022 and will require external facilitation and careful in-depth assessment. It is important the Council approaches this with an open mind and willing to learn from other places.
- 5.21 Communications support appears strong, both internally and externally. The team are agile and willing to adapt to rapidly changing situations. They recognise the need to be more proactive and work with the media and messaging and they need support from all directors to enable this to happen.
- 5.22 Covid has been a major focus for the city. New ways of working and the agility to move resources quickly to help support the more vulnerable has to be praised and maintained. Now that major incident status has been stood down it is essential for the Council to stop and reflect. It is not simply returning to the way we all used to work but hanging onto the positive aspects and continually seeking new ways of working. Our external environment in which local government operates is constantly evolving and similar to the commercial sector the organisation can never stop adapting how it works.
- 5.23 Peterborough is a great city. It is very welcoming, up for change and has some excellent officers and members serving the community. These are exciting times ahead and the Council has a real opportunity to shift its focus to the future and reset the whole organisation around a new ambitious vision and priorities supported by a new business model for a sustainable future council.

## **6. LOOKING AHEAD TO A MORE FINANCIALLY RESILIENT COUNCIL**

- 6.1 The Council has a number of firm foundations in place for supporting a balanced budget for 2022/23. A number of key lines of enquiry have been developed and it is clear there needs to be a strong grip by the senior team and politicians around delivery. A monthly assessment of progress is essential. The next six months are critical in demonstrating progress and realising these efficiencies. This is not a job for finance but a council wide collective effort.
- 6.2 Taken in the context of wider government agendas it is very evident that departmental savings and silo-based approaches to service reductions will not deliver a sustainable council for future years. The organisation needs to be more agile and have the ability to respond to changing agendas and also opportunities as they present themselves. Global events are having an increasing impact on government and funding such as energy prices, the financial markets, levels of inflation, social care pressures and the changing nature of urban centres. The future funding for local government is far from clear and opportunities from agendas like levelling up are important but still lack detail. A thorough understanding of risk and threat and understanding our resilience as a Council and how we work with the community has been tested to the full during the last two years during the pandemic.
- 6.3 A robust 3-year financial plan is essential which underpins this work. The annual budget process is openly recognised as too restrictive and does not enable managers to plan longer term or even to focus on what is really important. The system is too reactive bouncing from one issue to the next. The medium-term financial plan needs to include the following characteristics:

- **Outcome focussed** – driven and aligned by the development of the corporate strategy as agreed by the politicians
- **Base budget driven** – a bottom-up approach is key looking at how to deliver services
- **One ‘council team’** – cross team working and working with the community and partners to plan how services and outcomes can be achieved by working differently
- **Service and financial planning** – robust plans for every service which are developed and agreed each year but including a focus on the MTFP. Quality assured and culture of check and challenge across Directors is vital.

6.4 What is required is a totally different approach which challenges and changes how the council does its business in the future.

## 7. A NEW BUSINESS MODEL AND WAYS OF WORKING FOR THE COUNCIL

7.1 The development of a new corporate strategy and priorities for the Council is a priority. This aims to provide collective focus for the whole organisation but it is only one aspect for a sustainable future council. A new business model needs to look at what sort of organisation do we want to be, including key elements such as:

- **Behaviours and values:** what common values do people adhere to. Staff and members at all levels need to live these behaviours every day;
- **Risk taking:** recognise that we want our staff and teams to continue to innovate and learn from best practice but acknowledging that mistakes may occur. Learning is just as important;
- **Data analytics** – more evidence and data driven in developing new approaches and encouraging innovation and new ways of working driven by data insight;
- **Customer and outcome focussed:** local government is there to serve a diverse range of needs and communities. Asking the question are we really making a difference and adding value;
- **Collaborative:** working in partnership is so essential for helping to tackle cross cutting societal challenges like climate change, homelessness and health inequality;
- **Leadership at every level:** everyone has a role to play and we need to help develop our workforce to have the confidence and ability to make the decision at the right level and knowing when to lead and step forward or let others take the lead.

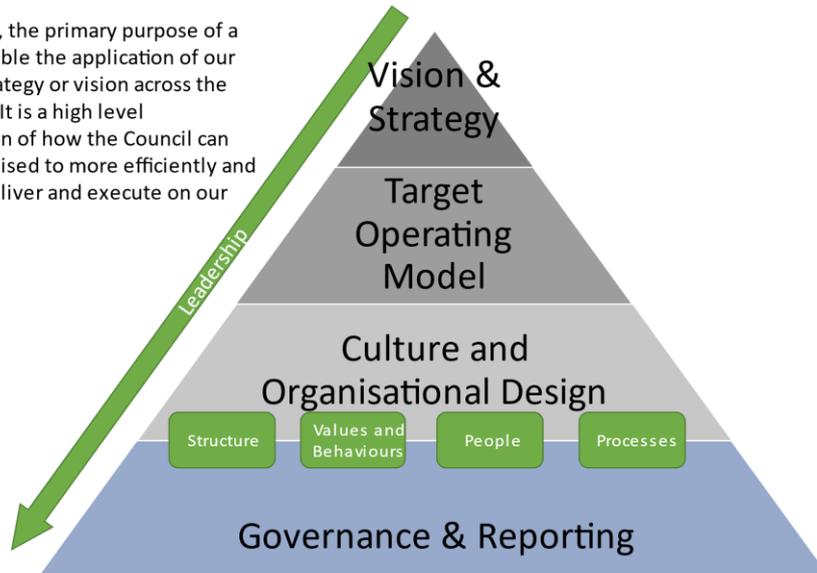
7.2 The new business model for the Council aims to be built around two key components:

1. **Strong corporate centre:** a data driven approach to our strategy development and decision making looking ahead to future demand and needs for Peterborough and its communities. This is about core services like finance/HR/legal and governance ensuring services are well supported in terms of systems, advice, processes to enable the most efficient delivery.
2. **Business units:** the creation of new business units bringing together key functions which make sense to the public and the customer. These units will be driven by customer need and intelligence and a base budget review approach adopted to establish what resources are needed for investment. Business plans will set out priorities in line with the corporate strategy, show where investment is needed and equally what areas can be disinvested or delivered differently.

7.3 The development of a new target operating model is referenced in the Council’s improvement plan. This is not simply about looking at the normal spans of control, management structures and design principles. It has to examine the behaviours and values we want in the future and also the culture, systems and processes as shown below. The Council will need to be agile in responding in challenges but also planning much better in designing and delivering services needed to achieve the outcomes set out in the corporate strategy.

## Target Operating Model (TOM) at a glance

As illustrated, the primary purpose of a TOM is to enable the application of our corporate strategy or vision across the organisation. It is a high level representation of how the Council can best be organised to more efficiently and effectively deliver and execute on our strategy.



## 8. NEXT STEPS

- 8.1 There are a number of steps in the process for designing and developing a sustainable future council model for Peterborough. It is important to acknowledge the time needed to do this and recognise this is not a quick fix and simply about redesigning structures. Cultural change takes time and a two-year planning horizon is envisaged as recognised in the Council's improvement plan.
- 8.2 Further detail of the strategy and approach will develop over time and further specific reports brought to Members for consideration such as the development of the medium term 3-year financial plan, the council senior team, corporate strategy and performance culture.
- 8.3 In simple terms the following illustrates the task in hand:
- 1) Moving from Strategy to Delivery (while creating motivated and productive teams):**
    - a. Vision, Purpose, Values & Mission
    - b. Operating Model(s)
    - c. Corporate Plan, and one that drives:
      - i. Service Delivery Plans
      - ii. Performance Management Framework
      - iii. New programmes (or the amalgamation of existing ones)
  - 2) Governance & Grip (It's not just about trust but about knowing what is happening):**
    - a. Review and establish effective governance arrangements (corporately and for programmes)
    - b. Review (Health Checks) of existing programmes and alignment to the Corporate Strategy and MTFP
    - c. A central Delivery Unit that will act as your "Special Ops Centre" and is linked to a Chief Execs team
    - d. Commercial Delivery Vehicles (are they providing real value and what options exist going forward)
  - 3) People & Culture (bringing people along your journey):**
    - a. Shape of the Workforce and Corporate Core
    - b. Workforce Development and Planning
    - c. Base budget reviews including check and challenge to develop business units
    - d. Effective communication incl. member services (engagement, expectation management and reporting)

## 9. REPORTING & GOVERNANCE

9.1 This work will be developed and reported at a variety of levels. Building upon existing structures supported by some additional capacity in some key areas:

Members	<ul style="list-style-type: none"> <li>• Regular reporting through to Cabinet, Scrutiny and Full Council</li> <li>• Improvement panel reporting every six months to the Council</li> <li>• Financial sustainability group could be widened to include improvement plan work to aid cross party working</li> <li>• Audit committee with a strong focus on corporate governance and performance effectiveness</li> </ul>
Corporate Leadership Team	<ul style="list-style-type: none"> <li>• Meeting weekly as a team, including time for development work</li> <li>• Executive Directors and corporate directors to drive the strategy</li> </ul>
Extended Leadership Team	<ul style="list-style-type: none"> <li>• Direct reports to Executive Directors and Corporate Directors.</li> <li>• Monthly network and development sessions – TEAM Peterborough culture</li> </ul>
Manager Forum	<ul style="list-style-type: none"> <li>• Useful forum to ensure managers onboard and involved in the co-design of this work</li> </ul>
Staff conversations	<ul style="list-style-type: none"> <li>• Every 2 weeks – regular communication and engagement across the organisation from CX and CLT and beyond. Regular and concise and <u>two way</u> engagement essential</li> </ul>

9.2 A Chief Executive Delivery Unit will be created to help support the development of this strategy and the delivery of the improvement plan. This will be made up of key secondees from a range of areas including HR/Organisational development, communications, engagement, finance, performance and data. A programme lead is also envisaged to help the Chief Executive, Members and Corporate Leadership Team drive the development of a new business model for a sustainable future council. External support will be obtained where needed including ongoing support through the improvement panel members.

## 10. IMPLICATIONS

### Financial Implications

10.1 The Council's financial strategy and Medium Term Financial Plan (MTFP) will naturally flow from this work and will be detailed in subsequent reports. There are no immediate additional financial costs arising from the recommendations in this report at this stage and can be delivered via existing resources and capital receipts.

### Legal Implications

10.2 There will be areas for consideration around decision making, governance, engagement and the constitution. Proposals will be brought back for consultation.

### Equalities Implications

10.3 None

**Carbon Impact Assessment**

10.4 None

**11. BACKGROUND DOCUMENTS**

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

11.1 None

**12. APPENDICES**

12.1 None