

<b>SHAREHOLDER CABINET COMMITTEE</b>	AGENDA ITEM No. 7
<b>13 JUNE 2022</b>	<b>PUBLIC REPORT</b>

Report of:	Kitran Eastman – Managing Director Peterborough Limited	
Cabinet Member:	Councillor Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Kitran Eastman – Managing Director Peterborough Limited	

## **PETERBOROUGH LIMITED UPDATE**

<b>RECOMMENDATIONS</b>	
<b>FROM:</b> Peterborough Limited	<b>Deadline date:</b> N/A
It is recommended that the Shareholder Cabinet Committee note the information within the report and the progress this year made by Peterborough Limited.	

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

- 1.1 This report is presented to the Shareholder Cabinet Committee following a request from the Committee for an update of Peterborough Limited (P-Ltd) services and performance.

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

- 2.1 The purpose of this report is to update the Shareholder Cabinet Sub Committee on the recovery of leisure services in a post COVID world, as well as the financial position of the services, and key achievements and milestones over the last 18 months.
- 2.2 This report is for Shareholder Cabinet 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- 2.3 This report contains and exempt appendix that is NOT FOR PUBLICATION by reason of paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 because they contain commercial information.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 the exempt appendix and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.

### **3. TIMESCALES**

None.

### **4. BACKGROUND AND KEY ISSUES**

#### **Background**

- 4.1 Peterborough Limited (P-Ltd) 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. See background papers for company set up reports.

- 4.2 In February 2019 Peterborough Limited operating as Aragon Direct Services commenced delivery of services for the Council, and private works to offset the cost of services to the Council. These include:
- Recycling and Waste
  - Street Cleansing
  - Parks, Trees and Grounds Maintenance
  - Passenger Transport
  - Building Cleaning
  - Catering
  - Vehicle Workshop
  - Property Services
  - Facilities Management
- 4.3 1 October 2020 Vivacity Leisure Services were transferred into P-Ltd. These services have continued to be operated under the Vivacity branding:
- Reginal Pool and Fitness Centre
  - Lido
  - Vivacity Premier Fitness (VPF)
  - Hampton Leisure Centre
  - Bushfields Leisure Centre
  - Werrington Leisure Centre
  - Jack Hunt Pool
  - Swim School
  - Health and Wellbeing Services
  - Disability Sport and Leisure
- 4.4 1 April 2022 Culture Services were transferred into P-Ltd.
- Peterborough Museum,
  - Libraries,
  - Flag Fen

#### 2021/22 Financial Performance

- 4.5 In 2021/22 P-Ltd made a small (unaudited) profit. This was a fantastic team effort across the business but driven by Aragon.
- 4.6 Aragon Performance in the year was strong, with higher than forecast COVID related works having been received by the building cleaning. Performance on private and additional works was also strong in the property department, and the Parks, Trees and Open Space department.
- 4.7 Vehicle maintenance costs were slightly above budget, but with much of the new fleet now arrived, there has been a reduction in vehicle lease costs as well as lesser repair costs.
- 4.8 to 4.21 **See Appendix 1 Part 1- Exempted Section Not for Publication**

#### Aragon Performance and Risks

- 4.1 Over the past 12 months the Aragon services overarchingly have performed well despite significant impacts and changes to the labour market. This included a national shortage of Class 2 drivers i.e. those with licences to drive recycling and waste vehicles, and more generally a shortage of front-line labour. The Class 2 driver shortage led to non-publicly funded wages increasing by 30% - 40% and paying signing-on bonuses. These wages have now significantly fallen as industry starts to recalibrate and a new wave of qualified drivers entered the market.
- 4.2 The shortage did lead to a suspension of the Garden Waste service. We have now successfully supported three staff members through driver training within the company. These drivers have now started driving rounds. A number of others are also currently in training. The Garden Waste Service has now restarted with 22,000 bin subscriptions already processed.
- 4.3 The planned restructuring of the collection service began on 1st March 2022, changing the collection days for just under half of residents, but affecting the potential collection time for each property. The changes went very smoothly, and the collection schedule is working as planned and even better than expected. This change has allowed the collection rounds to be rebalanced resulting in crews being able to finish within their contracted hours, and leave logical capacity in growth areas, to future proof rounds.
- 4.4 Fly tipping continues to remain at high levels and is tracking above the average of the last four years. As can be seen highlighted below, numbers increased significantly during the first COVID lockdown. The Council enforcement team have been working to reduce this level.

Flytipping Reports	2017	2018	2019	2020	2021	2022
January	783	790	758	744	850	785
February	598	575	597	640	926	578
March	750	514	713	616	1017	933
April	653	670	554	764	869	
May	729	588	440	833	827	
June	721	651	659	835	801	
July	634	663	751	950	845	
August	661	519	550	777	785	
September	742	596	779	897	887	
October	705	603	690	776	737	
November	696	635	638	828	701	
December	482	515	600	837	582	
<b>TOTAL</b>	<b>8,154</b>	<b>7,319</b>	<b>7,729</b>	<b>9,497</b>	<b>9,827</b>	<b>2,296</b>

- 4.5 The phased replacement program of aging fleet assets across Waste and Recycling, Street Cleansing, Parks and Open Spaces and Home to School Transport has commenced. All the recycling and waste diesel fleet has been delivered, and we are now awaiting four electric vehicles which should be delivered in January 2023. Coaches, some

mini busses and road sweepers and mowers, have been delivered. The ordering of the remaining passenger transport fleet and cages tipper vehicles for street care by PCC has been delayed, which will result in up to a £300K revenue pressure in 2022/23. We are now seeing a significant delay for the small vehicles, and high cost increases, meaning the pressure may continue into 2023/24. These are being linked to COVID, the war in Ukraine (where a significant amount of the metal comes from).

- 4.6 Due to the £10M investment by PCC in fleet replacement, the company has undertaken an improvement in security and accessibility at the Nursery Lane depot. This has been paid for by the company but is an investment into the PCC assets. We believe this will both protect the new assets, and key resilience/business continuity points such as fuel.

### **Vivacity Performance and Risks**

- 4.7 Through the last year the Vivacity Leisure recovery has shown stronger than expected pace. This has been the case throughout our sites, and within our health and wellbeing functions, and swim academy.
- 4.8 All costs relating to sites, including utilities costs are now accounted for in one place, to show the true service delivery costs. Previously with the Trust some costs like utilities were paid for by the Council and never attributed to the sites.
- 4.9 to 4.15 **See Appendix 1 Part 2- Exempted Section Not for Publication**
- 4.10 As highlighted with Aragon, Vivacity had been affected by significant impacts and changes to the labour market. This included a national shortage of lifeguards brought about by the two-year hiatus in training opportunities as well as a move for people to want to work from home rather go into work, and a reduction in young people coming into the jobs market.
- 4.11 P-Ltd carried out a restructuring of the Leisure business in Q3 and Q4 of 2021/22, to make staff more cross functional and bring a single standard and approach to all the sites. Following this we have pushed an 'under new management' campaign for employment of Duty Managers and have seen a marked increase in applications from qualified and quality staff.

### **Culture Transfer**

- 4.12 On 1st April 2022 P-Ltd took over the running of the Culture Services of Peterborough Museum, Libraries and Flag Fen from the City Culture. There are significant synergies between the Vivacity and Aragon operation and Culture services. Both Aragon, Vivacity and Culture have a large workforce providing local services for Peterborough residents. Property repair and maintenance is contracted to Aragon, and many of our back-office functions such as HR, IT, Legal, are run by the same providers.
- 4.13 On transfer, the Culture service formed a separate operating arm of the company, labelled "Culture". This enables clear open and transparent finances. We will ensure, however, that there are not silos between "Culture", "Vivacity" and "Aragon", and the service managers and teams work together. All operational areas report into the same Operations Director.
- 4.14 The Company will then "Run, Review and Reshape" the services. This will take into account the Council's strategic and service provision views, commercial opportunities, and the future financial challenges. These services will be reviewed fully with PCC as the lead.

4.15 An all-Culture staff welcome session and training was successfully held on Monday 9th May. Staff were very engaged and gave good feedback and ideas. It is clear that staff have been nervous and are seeking clarity on the future for the services and their roles.

**P-Ltd Cross Cutting elements**

4.16 Current pressures facing the whole company, and indeed the county is the impact of inflation across all areas, especially relating to fuel and the increase in staffing costs due to National Insurance and minimum wage increases. Before the start of the current financial year, P-Ltd had seen over £500K in increased inflationary costs, but only a £130K contract payment cost increase from PCC.

Gender Pay Gap

4.17 The Company has calculated its gender pay gap statics for the last financial year. The gender pay gap or gender wage gap is the average difference between the remuneration for men and women who are working. Gender pay gap data sets out the difference in average pay of all women compared to the average pay of all men within the company, regardless of type of work or level of work done. It also does not consider whether staff are full time, part time, set hours or Zero hours.

4.18 P-Ltd has a Gender Pay Gap 1.96% in favour of Women. A positive figure indicates a pay gap in favour of men and a negative figure indicates a gap in favour of women

<b>Female Staff Total</b>	<b>Males Staff Total</b>	<b>Female Mean Hourly Rate</b>	<b>Male Mean Hourly Rate</b>	<b>Female Median Hourly Rate</b>	<b>Male Median Hourly Rate</b>	<b>Gender Pay Gap (Mean)</b>
<b>281</b>	<b>379</b>	<b>£11.60</b>	<b>£11.37</b>	<b>£9.50</b>	<b>£9.60</b>	<b>-1.96%</b>

4.19 The positive figure in favour of women is driven by the Culture and Leisure parts of the business. Overall in the company the mean pay for women is higher, but the Median pay is lower.

	<b>Female</b>	<b>Males</b>	<b>Female %</b>	<b>Male %</b>
<b>Upper Quartile</b>	80	85	48%	52%
<b>Upper Middle Quartile</b>	55	110	33%	66%
<b>Lower Middle Quartile</b>	74	91	45%	55%
<b>Lower Quartile</b>	72	93	44%	56 %

4.20 Our gender pay gap has been reported to government and further details will be reported and published with our Annual Strategic Report.

Business Plan Update

4.21 In our second full year of operation the company focus was on onboarding and stabilising new areas of operation such as Leisure, growing our property business and facilities management customer base, and imbedding a secure financial position. The full list of business plan areas of focus across 2020 to 2023 and progress against them can be seen in Appendix 2.

4.22 Some of the key elements planned for the third year of operation (2022/23) the company would:

- Focus on reviewing and remodelling Culture services with PCC

- Grow our share of the commercial recycling and waste market in the Peterborough areas, and expand our commercial facilities management offer.
- Continue to deliver high quality services to PCC specifications via Aragon Direct Services
- Work to ensure Vivacity has recovered to pre COVID levels.
- Work with PCC to finalise the last elements of replacing the ageing P-Ltd fleet to improve resilience and reduce the impact on the environment. This will include the move to our first electric recycling and waste vehicles.

4.23 The Company's three-year business plan 2020 to 2023 comes to an end in April 2023. In September work will start on the new business plan for the company, to bring to the Shareholder Committee in early 2023.

## 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 the core services as efficiently as possible
- Work to build back the leisure business in a post COVID world
- Review the future for Culture services with PCC
- Expand our commercial services offering

## 7. REASON FOR THE RECOMMENDATION

7.1 It is recommended that the Shareholder Cabinet Committee note the information within the report and the progress against the business plan.

## 8. ALTERNATIVE OPTIONS CONSIDERED

8.1 The Shareholder Cabinet Sub Committee could choose to not note this report but instead request alternative directions are explored for the Company.

## 9. IMPLICATIONS

### Financial Implications

9.1 See Appendix 1 Part 3- Exempted Section Not for Publication

### 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" complaint 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, 17<sup>th</sup> December 2018. Item 4.  
<https://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=4214>
- Shareholder Committee Meeting, 2<sup>nd</sup> March 2020. Item 5.  
<https://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=721&MId=4346&Version=4>

## 11. APPENDICES

- 11.1 Appendix 1 – Exempted Section Not for Publication
- Appendix 2 – Business Plan Areas of Focus 2020 to 2023 and Progress against them

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