

AUDIT COMMITTEE	AGENDA ITEM No. 9
30 JANUARY 2023	PUBLIC REPORT

Report of:	Matt Gladstone, Chief Executive
Cabinet Member(s) responsible:	Councillor Wayne Fitzgerald, Leader of the council
Contact Officer(s):	Jens Gemmel von Döllinger, Sustainable Future City Council Director

SECOND INDEPENDENT IMPROVEMENT AND ASSURANCE PANEL REPORT

RECOMMENDATIONS	
FROM: <i>Matt Gladstone – Chief Executive</i>	Deadline date: 30 January 2023
<p>It is recommended that the Audit Committee:</p> <p>Reviews the second report of the Independent Improvement and Assurance Panel and agrees with the actions and progress being made with the delivery of the Improvement Plan.</p>	

1. ORIGIN, PURPOSE AND REASON FOR REPORT

1.1 This report is submitted to Audit Committee following Full Council on 7 December 2022 and Cabinet on 16 January 2023. The report will also be presented to the Joint Scrutiny Committee on 23 January.

1.2 Improvement Panel Comments:

The Council established the Peterborough City Council Independent Improvement and Assurance Panel (PCC IIAP) on 16 December 2021, and updated the terms of reference of the panel to report to the Council on a six monthly basis. This report provides the Panel's second six monthly review of the work of the Council against the previously agreed Improvement Plan and the recommendations of the independent reports commissioned by the Department of Levelling Up, Housing and Communities.

PCC Response:

We accept and welcome the Improvement Panel's findings and will implement its recommendations in full. We will continue to use the panel as a sounding board for matters related to the future sustainability of our city and its administration.

1.3 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.2.14

To review any issue referred to it by the Chief Executive or a Director, or any Council body.

2. BACKGROUND AND KEY ISSUES

2.1 Improvement Panel Comments:

On the 30 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 then 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 it faced.

2.2 Improvement Panel Comments:

The PCC IIAP operates in the context of the statutory intervention framework of powers given to the Secretary of State in the Local Government Act 1999. The independent panel is at the lowest level of external intervention, it does not take any decision making away from the Council. The threat of some level of statutory intervention remains if there is any faltering in implementation of the improvement plan recommendations. Council officers and members of the Panel continue to meet monthly with DLUHC officials to discuss the City Councils progress.

3. **INDEPENDENT IMPROVEMENT AND ASSURANCE PANEL**

3.1 Improvement Panel Comments:

The purpose of the Panel as approved by Council 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 six monthly reports to the Council on the progress of the delivery of the Improvement Plan.

3.2 Improvement Panel Comments:

The Improvement Plan approved at Council on 21 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.

3.3 Improvement Panel Comments:

The Councils Improvement 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 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.”

The IIAP operates as a collective body, bringing all of the expertise of the Panel to the challenges facing the Council. Four of the panel members lead on individual areas that are intertwined across the three themes of the Improvement Plan. In addition, the LGA member of the Panel leads on peer mentoring and support to the training and development of Members. This report covers those four lead areas of Finance/ Transformation/ Assets, Contracts and Companies/ Governance including Member engagement and provides the Panels view on the progress in the last six months. In addition, an update on the progress of the Audit Committee is included from the independent chair. The latest position on the Improvement plan is attached at Appendix A.

4. CURRENT PCC IIAP VIEW ON THE CITY COUNCIL IMPROVEMENT PLAN PROGRESS

4.1 Financial Sustainability

Improvement Panel Comments:

There has been continuous good cooperation from Council staff with the Panels Finance lead since the panel was appointed in December 2021. There has been regular contact and the Senior Finance staff have sought and taken on board advice, comment and challenge on the Finance proposals and their draft reports. The Panel's Finance lead continues to be in regular contact with Senior Finance staff in the Council over and above attending the monthly panel meetings. This includes providing ad hoc advice and comment on the Finance proposals and a regular catch up outside of the panel meetings. The Leader of the Council and the opposition Group Leaders have worked together with real collaborative focus and energy.

4.1.1 CIPFA Recommendations

Improvement Panel Comments:

The CIPFA report to the Council in November 2021 contained a number of recommendations on which the Council had to implement immediate action. These were either substantially completed or were overtaken by events. The CIPFA recommendations were by definition short term and were reported on in our last report, including an officer commentary. The Council is now focussing on medium and long term issues in terms of service delivery remodelling and operating models to attain long term financial stability. A number of further reviews and deep dives have been completed by CIPFA and continue to be reported on through relevant workstreams.

4.1.2 2021/2022 Outturn, Current and Future Years Budgets

Improvement Panel Comments:

The Council approved a balanced budget for 2022/23 without the need for a capitalisation direction in either 2021/22 or 2022/23. The 2021/22 outturn position returned a revenue underspend which improved the Council's reserves position. The delivery of a balanced budget in the current financial year (2022/23) was obviously dependent upon the delivery of the agreed savings plan. At the time of our first report there was a high level of risk and uncertainty in the achievement of the agreed savings plan with some 28% of identified savings proposals being identified as at least high risk. The Panel's first report highlighted the significant risks that had to be managed.

The Council has an in year savings target of £16.674 million and has during the year moved to a position where none of that figure is now at high risk of deliverability, and for the areas where there is moderate risk some (£3.493 million) mitigating savings have been found from one off savings arising. Continued work will still be required with regard to 2023/24 where high-risk savings of £3 million have been identified from the current year's programme. This is a significant improvement on the position in the summer and reflects a huge amount of hard work across departments and by the finance team.

The much higher than anticipated level of in year inflation has been mitigated largely by the use of additional income arising from the Council's waste disposal arrangements where additional income generated from higher electricity prices has been set aside in a reserve to enable 2022/23 cost pressures to be managed and to maintain the reserve for 2023/24 at a similar level. It is likely that the facility will avoid the windfall tax regime announced in the Autumn statement due to its

size. It is understood that the Council is taking a cautious and prudent approach to future benefits that may arise from this facility. The Panel will continue to take a keen interest in this area.

Work has proceeded on the 2023/24 budget and draft proposals have been prepared that are still being validated for delivery. This is somewhat later than in an ideal scenario (although many authorities are in a similar position due to the volatile financial climate) but does give the Council the ability to set a balanced budget for 2023/24. Public engagement has been through the web-based budget simulator tool which has had a significantly higher level of response than normal consultation arrangements. The Council should be commended on this initiative which has highlighted to the community the very real challenge in balancing a complicated budget.

Internal engagement has been through the Finance Strategy Working Group (FSWG) at member level, and there have been weekly officer level meetings to progress the budget. The members and officers are to be commended for their hard work, dedication and commitment to this work. The Leader of the Council continues to work closely with the Panel, and ensures that the FSWG has access to the same information as the Panel to ensure effective collaboration and knowledge sharing across all political groups. We commend him for his engagement and leadership. There is a clear timeline for the process of agreeing the budget involving public & member engagement between the end of November and budget setting in February 2023. A set of budget principles have been drafted which if agreed by Council will give a clear basis to future budget decisions and the budget process.

The 2023/24 budget and that for 2024/25 will need to move towards a more transformation-based process. The Council is moving towards this and has started to employ additional resource to assist in this process but this needs to maintain momentum if the Council is to be on a more sustainable footing going forward into 2024/25 and beyond. To aid this the speedy delivery of the in-year savings for 2023/24 is essential and the validation process of those savings should include deadlines for delivery. The dependency between the transformation work and the future financial sustainability of the Council cannot be overestimated. It is important that the collaborative model applied by the FSWG to the budget is replicated on the Council's transformation agenda.

PCC Response:

The Council achieved a balanced budget for 2022/23 without the need for a capitalisation direction. At the end of November 2022, the forecast outturn position was an overspend in the region of £1.2m, which was mainly due to in-year pressures relating to Clare Lodge. Clare Lodge is the only all-female secure welfare unit in England and Wales and as such, it provides a significant national resource for children, young people and placing authorities, because of the need to help girls and young women at the highest levels of risk who are increasing in number, complexity and severity. Due to an adverse Ofsted inspection outcome, we have been unable to increase occupancy to more than three young women, however, remedial action continues to be taken to improve this position, including a steep increase in fees to the three local authorities with placements. A follow up inspection provided an improved position, and plans are in place to increase occupancy to eight young women in early 2023. The plan is to start the 2023/24 financial year at least at a break even position. Everything else is on track within the budget.

4.1.3 Savings Board

Improvement Panel Comments:

The Council has set up a savings board to monitor the delivery of savings and to provide a level of challenge where delivery is either delayed or doubtful. This internal challenge has to continue to be extremely robust as the non-delivery of savings place in doubt the Council's ability to achieve its objective of being financially stable from 2024.

PCC Response:

The 2022/23 savings plan has been subject to robust challenge throughout the year, and is on target to be delivered in full. All red ragged savings have been delivered and only £400,000 of amber savings remain. It is anticipated the savings plan will be delivered by the end of the year.

4.1.4 Revenue Controls

Improvement Panel Comments:

The Council has maintained a high level of control on revenue expenditure, these controls will be required to be continued for the foreseeable future to enable non-essential spending to be identified (and further curtailed if necessary) and to enable a culture of budget responsibility to take root and grow within the Council. We are seeing early positive signs that this culture change is starting to happen. The review of the Finance function should assist in accountability and clearer reporting lines in the future and greater use of the functionality in the Council's financial software should also assist budget holders in undertaking their role in managing budgets.

PCC Response:

The Council maintains high levels of control on capital and revenue expenditure. As outlined above, the revenue budget is forecast to be delivered broadly in line with the budget, and significant slippage has been identified in the capital programme. Due to the effective controls in place, a spending moratorium will not be required in 2022/23.

4.1.5 Medium Term Financial Strategy

Improvement Panel Comments

The Council's medium term financial strategy (MTFS) will be published in January as part of the Joint Scrutiny agenda. The MTFS has required significant input from service heads across the whole Council, as it requires a view to be taken on the likely level of savings that can be achieved over the medium term in respect of service redesign. In common with all other Local Authorities, the Council faces a particular difficulty in establishing longer term views as at present it is difficult to predict with any degree of accuracy the likely budget gap for future years - due to uncertainty over rising inflation, the level of future government support and the changes to the referendum limit for council tax in 2023/24.

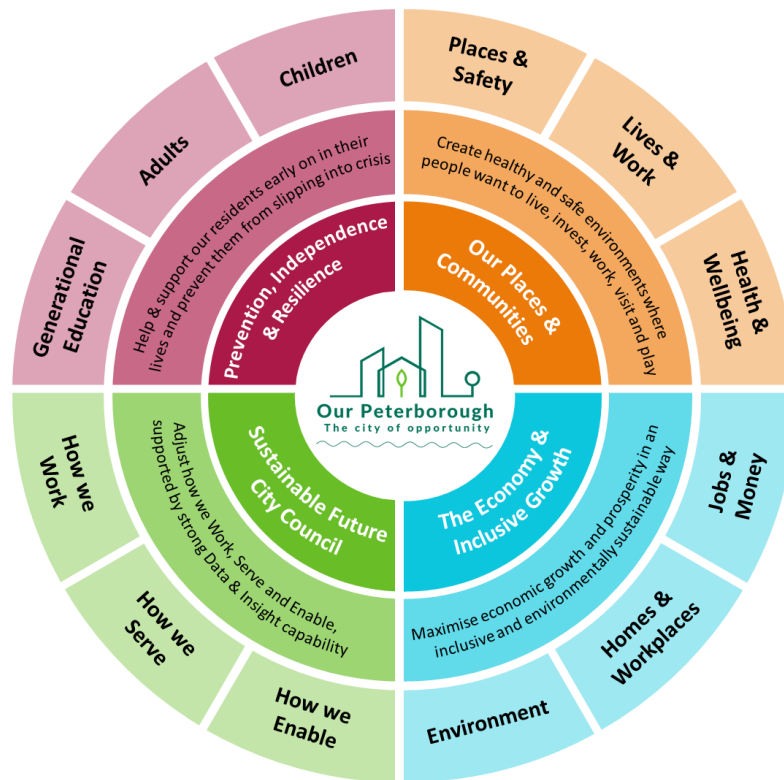
The Council has maintained progress towards the aim of financial sustainability, however there is a need to step up to the next level in terms of transforming services to ensure future sustainability. The MTFS is therefore a very important financial planning and policy document as it is an integral part of the service planning process essential to achieving the scale of service transformation required in the City Council.

PCC Response:

The first iteration of a three-year Medium Term Financial Strategy was produced at the end of June 2022, with quarterly updates thereafter. Significant consultation has been undertaken with the Corporate Leadership Team (CLT), budget holders and managers throughout the Council and members through the Financial Sustainability Working Group (FSWG), Cabinet Policy Group and Cabinet. Additional regular meetings have been held between the chief finance officer and opposition groups, and the opposition group's budget recommendations have now been incorporated into FSWG. The financial position presented to CLT on 21 December indicates a balanced budget will be presented to members in January, and the three-year position is also broadly in balance with only very small deficits (less than £1m) in years two and three.

The Chief Executive is committed to setting up an established Corporate Delivery Unit to act as the "engine room" for our corporate transformation and good programme governance. The Delivery Unit will act as a single source of truth and become the home for overseeing the Council's service re-designs and plans including detailed proposals with the aim to provide confidence in the timely delivery of a Medium-Term Financial Strategy.

The aim is to redesign the Council around our key four priorities which will enable us to decrease demand by helping and supporting people and families before they reach crisis point, effectively moving to a more preventative delivery model while maximising income, and facilitating the process of inclusive and sustainable economic growth to lift more people out of poverty so that the Council can continue to deliver services within a reduced financial envelope as articulated within our "Sustainable Future City Council Strategy 2022-25".



4.1.6 Capital Finance

Improvement Panel Comments:

The financing of the Capital programme has been an area of considerable concern for the Council. The need to service borrowing to fund the Capital programme reduces the Council's ability to spend on day to day services. The need to borrow to fund capital expenditure is therefore still being tightly controlled and the assumption remains that capital expenditure will normally only be funded from resources other than borrowing. Recent increases in interest rates mean that borrowing should remain as a last resort for funding capital expenditure. It is still the intention to set a Capital programme within the priorities set in the Capital Strategy which relies on none or minimal levels of borrowing.

PCC Response:

£16m was removed from the 2022/23 capital programme, reducing the programme to £82m. Up to 21 December 2022, only £26.6m has been spent, with a year-end forecast of £53.2m. The current position indicates slippage of at least 35%, but more likely 50 – 60% based on the YTD position. The overall programme is overseen by the Capital Programme Board, comprising mainly of executive directors. The board is supported by an operational group, comprising capital programme and project managers.

4.2 Medium to Long Term Transformation

Improvement Panel Comments:

Sound progress has been made since the first report of the Panel and there continues to be good contact and interaction with the Panels Transformation lead, including significant support and involvement outside of the monthly Panel meetings.

In our earlier report we highlighted the work CIPFA had undertaken to support several service reviews and we also noted that the Council was turning its attention to longer term financial and service delivery sustainability. This approach includes reviewing opportunities to deliver additional income, drive efficiency and in other ways reduce cost by adopting a longer-term transformation perspective. We noted the benefits not only in terms of balancing the books, but also for providing a vehicle for communicating a positive change to the organisation, to partners

and the community. We highlighted the importance of this work being encouraged, sustained, nurtured and appropriately governed.

We were encouraged that the Chief Executive had brought into his team an experienced transformation director who was setting about creating a Council wide-transformation team.

Over the last six months the Chief Executive has given a lot of thought to ensuring that the process of discerning and developing proposals is inclusive, bottom up and owned by the wider leadership team. He recognises that this needs to be balanced with clear leadership intent - unambiguous direction and a focus on results. Getting the balance right between these two imperatives will require on-going attention and focus. Too little buy in, or insufficient grip and leadership, and plans may fail to deliver. This would jeopardise the Improvement Plan.

Over the summer months a number of top team workshops were undertaken with a view to identifying key lines of enquiry and a consequent outline transformation programme. These sessions were well attended, there was good engagement and a lot of positive input and outputs. Capacity is now arriving in the Council to take forward the ideas that came from those sessions and build a suite of business cases and a delivery focused Programme Management Office. This work is essential if benefits arising from the emerging transformation are to be realised – including those pivotal to the MTFs. The Chief Executive and the wider leadership team are aware of this and are putting actions in place to shore up capacity. We will continue to support and challenge activity in this area.

Meanwhile, the workshops and follow up activity in the summer have been captured in a new City Strategy that has won the support of Members. This aims to set a compelling narrative, setting out where the City could and should be over the course of a reasonably foreseeable future. This is powerful, because the emerging vision is directly bound to the developing transformation programme, meaning it has substance and sense of purpose within the organisation.

PCC Response:

As a response to our “Sustainable Future City Council Strategy 2022-25” and “City Priorities”, we have started to onboard some additional capacity and expertise around our four key priorities, to help us with the design of our proposals and with the appropriate governance to be put in place from January 2023. We recognise the challenge of bringing in such additional capacity while balancing our budget and will need to find ways to balance the urgent with the important while acknowledging the need to invest in our programme delivery capabilities and do so at pace.

4.2.1 **Assets, Contracts and Companies**

Improvement Panel Comments:

It was originally envisaged that actions under these workstreams would be addressed in the first six months of the Improvement Plan however it was clear at the time of our first report they were dependent on the outcomes of the internal and CIPFA reviews that were concentrating on the more pressing issues of governance, bringing revenue and capital budgets under control and of service redesign. The Panel therefore understood and accepted that they were running behind issues that were of more immediate concern. Good progress is now being made under the new dedicated commercial lead who has demonstrated to the Panel lead on this workstream that she has a good understanding of the issues and is working to prioritise them based on value/risk. A commercial strategy is being developed and work is also underway on a proper governance framework. These are both important tools in the options appraisal process to be applied to all of the current arm’s length companies and commercial arrangements.

The procurement service is now in house (from 1 November 2022) and the final steps are underway to transition City College back in house.

PCC Response:

The property service is currently outsourced to Norfolk Property Services (NPS), and plans are in place to take the service in-house by 31st January 2023. A new Service Director for Assets is due to take up post from 11th January 2023, so a brand new team will be in place in the new year.

Disposals and capital receipts have been delivered to plan, and although significant service improvements are required, there have been no specific problems with the Asset Service.

4.2.2 External review reports

Improvement Panel Comments:

Reports had recently been issued by CIPFA on Norfolk Property Services Ltd (NPS) and the Peterborough Improvement Partnership (PIP) at the time of our last report. The exit and transition plan from the NPS joint venture is underway with a review of current structures in hand and a recognition of the need to build an effective property client function, and significant reform of the PIP has gained corporate support. In addition, the details of the Medesham Homes model are being finalised to ensure that the potential for housing growth is maximised.

Overall, management have put effort both into understanding the nature of these relationships and the risks that they pose to the Council as well as seeking to gain a degree of client control over strategy and operations of these companies. However, the Panel remain concerned that there is a significant workload associated with the burden of reform of these relationships given the complexity of decision making and the considerable work to bring functions in-house or deliver improved governance. In common with the transformation agenda this is an area of activity that will need to be properly resourced against a clear plan. Notwithstanding that view, it is noted that the procurement service transition from Serco was very well managed.

The Council has taken steps to embed good practice such as in limiting the role of members on companies and Joint Venture undertakings to reduce the likelihood and impacts of potential conflicts of interests and limitations on objectivity. The Panel will continue to keep a focus on this as an arena where the culture that had developed over time needs to change significantly.

PCC Response:

As above. The Procurement Service was insourced from Serco in November 2022, and the transition has been very good. There have been some delays in completing the CIPFA reports and sharing these with members. Six reports have been presented to members so far (Serco, NPS, City College, PIP, Northminster PIP and City College. Action plans to implement the recommendations have been drafted and most recommendations have already been delivered. The reports will also be shared with the key member of the Improvement Panel for contracts and companies.

4.2.3 Asset Management Strategy and Disposals Plan

Improvement Panel Comments:

Work is underway to complete the MTFs and the budget report for publication in January, consolidating with the other associated strategies including the Capital Strategy, the Asset Management Plan and Disposals Plan, which was approved by Cabinet in September. The Asset Management Plan and a Disposals and Acquisitions policy will be presented to Council in February as part of the budget strategy. The impact of these plans on asset utilisation, retention and disposal will continue to be monitored by the Panel lead.

PCC Response:

A three-year disposal plan is in place, and approved by members. Disposals are being progressed in line with the plan, and capital receipts allocated to the capital programme in accordance with the plan.

4.2.4 Capital Project management

Improvement Panel Comments:

The Council needed to improve capital monitoring to address serious concerns over slippage to ensure that resources are being effectively utilised to meet the Council's objectives in its Council and Service Plans. The Capital programme is now much better understood, managed and controlled. The 2022/23 capital programme was reduced and a detailed review of the following two years is underway.

PCC Response:

As above. Significant slippage has been identified for the 2022/23 capital programme, and steps are being taken to identify reasons for the high level of slippage. The up to date position will be reported to members in the Q3 Budgetary Control Report (BCR). There is often a surge in capital expenditure in the final quarter of the financial year, however, it seems unlikely to be the case in the current financial year. Future years' capital plans will be revised in line with historical slippage, and it would appear the Council's limit in delivering capital plans is in the region of £50m rather than the ambitious programmes set in the past.

There has been some major staffing changes in the capital team, which provides an opportunity to change current practice and working methods. We have engaged external consultants to provide training, simplify processes and make the whole capital and treasury management service more transparent and more in line with best practice.

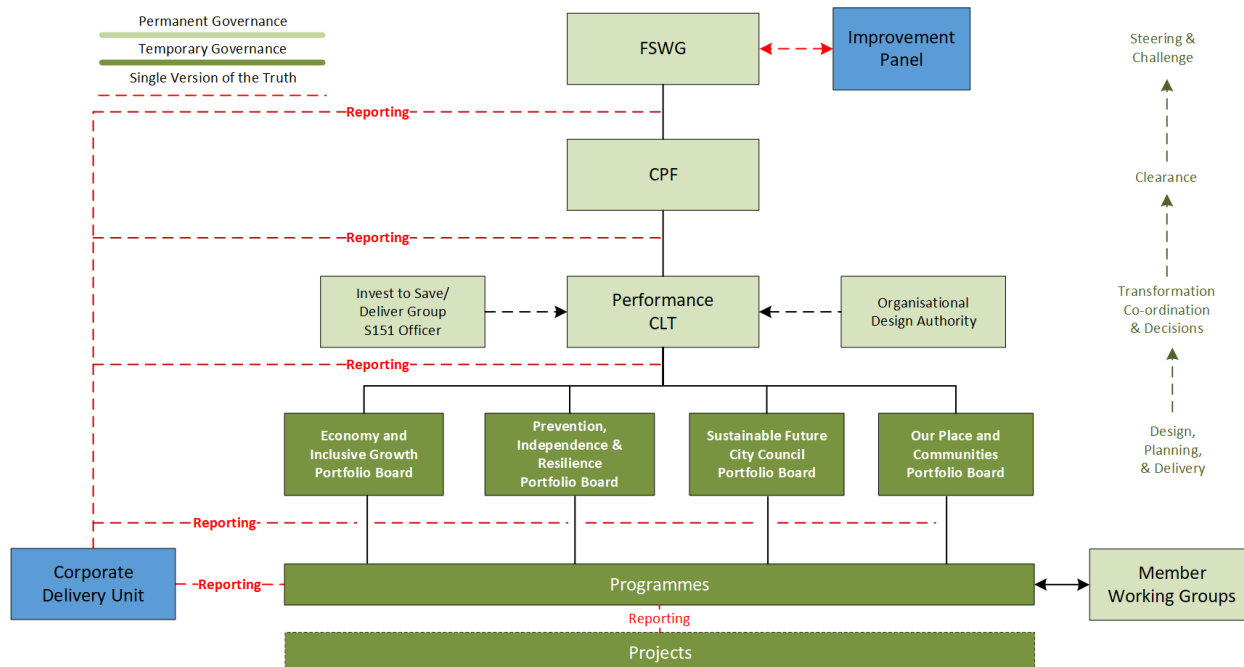
4.3 Governance

Improvement Panel Comments:

The overall governance of the City Council is a matter of concern to the Secretary of State as detailed in the letter to the Leader of the Council in 2021. The Council has accepted a series of recommendations which require change in its governance. The Council started to implement these changes earlier this year. The Panel's overall view is that the City Council is making progress with the actions on governance and cultural change. There has been a major shift in the mutual collaboration and joint engagement between the Leader and all the opposition Group Leaders, particularly through the work of the FSWG. However, there is more to do especially when it comes to putting these changes into practice so that the Council can operate on a sound and sustainable footing. Major challenges remain and the Council is not "out of the woods" yet. The Panel will continue to seek assurance that the progress underway will continue and we will watch the budget decision making process with particular interest as a measure of that change in culture and collective responsibility.

PCC Response:

We acknowledge the nervousness of the Improvement Panel around making governance stick. As a response, the Council has initiated a review of all officer governance arrangements, with the view to amalgamate, incorporate or stop existing boards and include this into a more streamlined governance arrangement around our four key priorities. We recognise the importance of members' engagement and their role in enabling effective decision making and accountability and our plans should enable this. Our revised governance arrangements are designed to be inclusive at lower and upper tier, consultative with members and the public while making sure that the culture of the organisation moves towards a relentless focus on delivery, collaboration, and innovation.



4.3.1 No overall control

Improvement Panel Comments

The results of the May 2022 local elections left the Council in an unchanged position of No Overall Control. Whilst there is a degree of continuity with the Conservative led minority administration still in place, a high degree of uncertainty remains about decision making in the Council chamber. Consequently, there are no guarantees that the administration's policies will be accepted by Council or that there will be continuity in decision making in the best interests of the community. This reinforces the need for all party engagement in decision making processes especially in relation to the corporate strategy and budget setting.

The Panel has observed major efforts to engage all political groups in the corporate strategy and budget making processes. This includes the following:

- The Chief Executive has led a process including all political groups for the formulation and approval of the Council's corporate strategy. This led to the unanimous approval of the strategy when it came to Full Council in October.
- The Leader of the Council, the Chief Executive and the Chief Finance Officer have led and supported frequent meetings of the cross-party Financial Strategy Working Group (FSWG) at which information on proposals and options for the budget are shared in a timely manner.
- At the same time opposition Group Leaders have been offered and have taken up briefings by the Chief Finance Officer about the budget and have been able to discuss options on their approach to the budget with her.
- A series of All Member briefings about the budget for 2023/2024 will take place both pre and post Christmas. This should ensure that every Member has the opportunity to inquire about and understand the budget.
- As would be expected, the budget will also be scrutinised by the Joint Scrutiny Committee before it comes to Full Council.

At the same time, the Panel has noted that following the local elections in May the chairs of all of the Overview and Scrutiny Committees are held by members of opposition groups. This has increased the formal engagement of opposition members in the scrutiny of the Executive's decision making.

This work over the last six months reflects a positive commitment to shared governance of the authority in the context of No Overall Control. This is especially important at a time when so many difficult issues are to be addressed and decisions made; not least in the budget for 2023/24.

4.3.2 **Electoral arrangements**

Improvement Panel Comments:

During the last six months the Council consulted the public and gave proper consideration to the option of all out elections every four years. This process was carried out competently and with integrity. In the event the Council decided not to make the change. The Panel understands this decision. However, it wishes to remind the Council about the reason this matter was recommended by the Secretary of State. The coincidence of No Overall Control and annual elections by thirds in Peterborough has undermined commitment to long term, strategic planning which is in the best interests of the community and is concomitant with the leadership and governance of a major city. Now that the decision has been made by Council not to change the electoral arrangements the onus is on all Members and all political groups to demonstrate their commitment to proper strategic decision making in the best interests of the city whilst annual elections continue. The Panel will keep a close eye on this in the year ahead and will include references to the issue in future reports to the Council.

PCC Response:

The need for the Council to work strategically and focus on the longer term is recognised. The Council will be making decisions in line with the corporate city priorities plan and the MTFs, and service plans are critical to developing a more longer-term focus.

4.3.3 **Council Delegations**

Improvement Panel Comments:

The Chief Executive and the Director of Law & Governance brought forward proposals to update these and bring them into line with best practice in other unitary councils nationally. These were approved by the Council and are now improving corporate oversight and control of key decisions, particularly in relation to financial commitments over certain levels.

4.3.4 **Executive decision making**

Improvement Panel Comments:

Similarly, the Chief Executive and Director of Law & Governance brought forward proposals to increase the corporate oversight and transparency of decisions made by the Executive, especially those made by individual members of the Cabinet. Putting these new systems into practice is improving the quality of governance overall.

4.3.5 **Audit Committee**

Improvement Panel Comments:

Good progress is being made by the newly configured committee which is led by an independent chair. The fresh approach by the committee to its work is evident in the Chairs commentary within this report. This is positive and reflects the proper role for the Committee within the Council's constitution. All Members of the Council have a duty to review the Committee's reports.

PCC Response:

The Audit Committee provides effective challenge with the addition of three new independent audit committee members. Big changes have been implemented following audit committee challenge, e.g. risk management has now been moved away from internal audit and procurement exemptions are being scrutinised in detail, resulting in much fewer exemptions. Our treasury management advisors provided TM training during November 2022, which was very well received.

4.3.6 **LGA Training and Support for Members**

Improvement Panel Comments:

The plan developed by the LGA to support members in Peterborough is well underway. All Group Leaders have an independent peer mentor. The Panel has held meetings with the Peer Mentors and, separately, with the Group Leaders and their Peer Mentors. These meetings were held to

ensure there are shared understandings about the challenges facing the City Council, the Improvement Plan and our respective roles in supporting the Council to make the progress that is necessary. A key issue has been learning ways in which political groups can work together better for the benefit of the Council and the community whilst allowing room for political debate. The Panel has observed more cordial and mutually respectful behaviours in recent Council meetings. This is all to the good. The Panel will continue its dialogue with the Group Leaders and their mentors especially in relation to the consideration and approval by the Council of the 2023/24 budget.

4.3.7 Management Structures and Systems

Improvement Panel Comments:

The Chief Executive has continued to make progress in creating a corporate management team which has the capacity and capability focus on and deliver Peterborough's priorities. This is reflected in the further decoupling (by mutual consent) from Cambridgeshire's management structure and the appointment by the Council of Directors who are 100% dedicated to Peterborough. Directors of Place, Finance, and Law and Governance. An Interim Director of Children's Services is in place pending a permanent appointment. The Chief Executive understands that whilst these changes are likely to have an overall cost to the Council, the benefits to be derived from the new arrangements are very likely to outweigh the costs. The Panel supports this view as this is the approach most likely to enable the Council to realise the full benefits for the city of being a unitary authority.

The new management led boards (procurement, savings, capital programme, improvement), which have been operating for several months now, have increased the focus on and rigour with which programmes of work are planned, monitored, reviewed and controlled. This is reflected in the savings that have been and are being delivered.

In addition, as indicated above work is underway to increase control, clearer lines of accountability and transparency in relation to the arm's length companies supported by the Council. This activity is a clear example of how the three key themes are intertwined particularly as they relate to the overall proper governance of the authority.

PCC Response:

As mentioned under point 4.3 of this report, we recognise that effective governance arrangements must be inclusive, transparent and have clear lines of responsibilities and accountabilities. This is about making governance and change "stick" and do so in a way which is cross-cutting.

4.3.8 Resourcing Change

Improvement Panel Comments:

Progress has been made in putting the resources in place to support the delivery of change which can put the Council and its services on a sustainable footing for the long term. The Panel welcomes the work by the Chief Executive to establish dedicated transformation and programme management capability under his direct leadership. This work is beginning to show results in the form of transformation plans and business cases being produced by officers across the authority. It is important that this resource is sustained over the medium term (at least the next 12 months) given that it will take at least this amount of time to develop long term transformation proposals, develop the necessary business cases for change and then put in place the leadership and governance arrangements to oversee delivery.

PCC Response:

As mentioned under point 4.2 of this report, the challenge for us is to find the required investment for the Council's transformation programmes and which is required to support the organisation to redesign services around our four key priorities while balancing our budget. This is no easy task but we recognise that this investment is required to not only bring about real change but to do so at pace.

4.4 Progress report from the Independent Chair of Audit Committee

Comments from the Independent Chair of Audit Committee:

4.4.1 **Background**

The Audit Committee comprises an independent co-opted non-voting Chair, 7 voting councillors representing the parties within the council and 2 independent co-opted non-voting members. The independent members have been in place since February 2022 and are here to provide insight, knowledge and challenge to this committee from their varied and extensive experience. This committee is apolitical and has met 5 times (in March, June, July, August, and October) and discussed a varied and busy agenda.

4.4.2 **Main areas of discussion**

- Finalising the 2020/21 accounts – working with the external auditors E&Y to make use of the expected statutory instrument to enable PCC to have an unqualified set of accounts, working around a national issue on accounting for infrastructure assets affecting many councils.
- Strategic risk management and the processes around the refreshing and management of those risks
- Fraud including the annual report by Internal Audit and the National Fraud initiative
- Budget monitoring and the tracking of the financial outturn
- Council reserves policy – examining the logic and process by which reserves are made, accepting the challenging financial position of the council.
- The process and scope of Procurement

4.4.3 **Main areas of comfort**

The external audits have progressed well and any issues raised addressed by management. The Financial Statements have been produced on time and to a good quality. The Finance team have been excellent in supporting the process.

The quality of the audit work of E&Y has been independently checked by the AQR inspectors of the FRC and found to be good.

Internal audit has a comprehensive program of work and have made progress although they have had resource challenges which if not addressed could reduce the levels of future assurance.

4.4.4 **Areas of concern**

The governance and tracking of the realisation of the required savings for the Council to achieve its financial plans of a balanced budget will continue to be challenging and the committee is keen to keep abreast of the situation and any further risks that may emerge.

The ongoing identification and management of strategic risks in these times of economic uncertainty which could produce a range of outcomes. Transparency and continuous review are required to navigate these difficult times.

The risks and governance around Procurement, including the scope of the Procurement department, their systems and the exceptions that flow through those systems. PCC expenditure flows through different routes and the Audit Committee is concerned that the governance around all of those routes needs to be as effective as possible for good control and value for money. This risk is also an opportunity for PCC to achieve the savings it needs in this and subsequent financial years.

Summary

- 4.4.5 The Audit Committee is working effectively and continues (through a planned and responsive rolling agenda) to seek assurance that PCC is managing risk effectively in challenging times whilst delivering its plans.

The Council is continuing to improve its governance of risk and strengthen its internal control environment accepting the areas of concern noted above.

4.5 Conclusion

Improvement Panel Comments:

In conclusion on all of the above, it is the view of the PCCIAP that the Council continues to show commitment to the delivery of the Improvement Plan, in recognition that it is essential for its long-term sustainability. The Panel recognise that the Council has made significant progress in the last six months towards the aim of financial sustainability, on transformation activity, on work around assets and contracting arrangements and on governance. The financial management of the Council has significantly improved and the high level of risk and uncertainty in achieving the current year savings targets has largely receded. The Members and officers are to be commended for their efforts to date. However, major risks remain and the scale of the challenge, particularly in the transformation agenda, must not be underestimated. Members and officers have continued to work effectively and with commitment, but this is still the early stages of the journey – setting the stage for the really hard work to come. It is vitally important that this work is planned and resourced appropriately. The Panel will continue to monitor, review and support the Council's work to deliver on the Plan.

5. CONSULTATION

The consultation strategy was approved by Council on 16 December 2021.

6. REASON FOR THE RECOMMENDATION

- 6.1 Reporting process in accordance with the governance review of September 2021.

7. ALTERNATIVE OPTIONS CONSIDERED

- 7.1 No alternative options considered.

8. IMPLICATIONS

Financial Implications

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

Legal Implications

- 8.2 No change to previously reported.

Equalities Implications

- 8.3 No change to previously reported.

Carbon Impact Assessment

- 8.4 No change to previously reported.

Communications and Engagement

8.5 No change to previously reported.

9. BACKGROUND DOCUMENTS

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

9.1 Council report 'Financial Improvement Planning' 16 December 2021

9.2 'Governance Review: Peterborough City Council' Andrew Flockhart report 2021

10. APPENDICES

10.1 Appendix A – Improvement Plan

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