

<b>COUNCIL</b>	<b>AGENDA ITEM No. 13a</b>
<b>20 MARCH 2024</b>	<b>PUBLIC REPORT</b>

Report of:	Peterborough City Council Independent Improvement and Assurance Panel	
Cabinet Member(s) responsible:	Cllr Mohammed Farooq, Leader of the Council	
Contact Officer(s):	Matthew Gladstone, Chief Executive	Tel. (01733) 863607

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

<b>RECOMMENDATIONS</b>	
<b>FROM:</b> <i>Chief Executive</i>	<b>Deadline date:</b> <b>March 2024</b>
<p>It is recommended that Council:</p> <ol style="list-style-type: none"> <li>1. Requests Cabinet to consider this report and consider any actions that it wishes to take.</li> <li>2. Requests the Growth, Resources and Communities Scrutiny Committee to review this report, the Cabinet's response and the progress being made with the delivery of the Improvement Plan.</li> </ol>	

**1. PURPOSE AND REASON FOR REPORT**

1.1 The Council established the Peterborough City Council Independent Improvement and Assurance Panel (PCCIIAP) on 16 December 2021. At its meeting of 6<sup>th</sup> December 2023, the Council extended the role of panel, updated the terms of reference and agreed to receive an additional report at this meeting to provide an updated view on the 2024/2025 budget and the political landscape.

**2. BACKGROUND AND KEY ISSUES**

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 it faced.

2.2 The PCCIIAP 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 with DLUHC officials to discuss the City Councils progress.

### **3. INDEPENDENT IMPROVEMENT AND ASSURANCE PANEL**

3.1 The purpose of the Panel as approved by Council is to:

- To provide external advice, challenge, and expertise to Peterborough City Council in driving forward the development and delivery of the improvement plan and transformation plan.
- To provide assurance to the Council of the progress on delivering the improvement plan and transformation plan.
- To provide four monthly reports to the Council on the progress of the delivery of the Improvement Plan and transformation plan.

3.2 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 report.

3.3 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 IAP 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. This report covers those four lead areas of Finance/ Transformation/ Assets, Contracts and Companies/ Governance and provides the Panels view on the progress in the last six months.

### **4. CURRENT PCCIIAP VIEW ON THE CITY COUNCIL IMPROVEMENT PLAN PROGRESS**

#### **4.1 THEME ONE: Financial Sustainability**

##### **4.1.1 2023/2024 financial performance**

During the current financial year, the Council has steadily reduced the forecast overspend. The forecast overspends as at December 2023 was £2.139 million on a net budget of £212.669 million. The main drivers of this overspend were demand led services in Looked After Children homelessness and home to school transport. These areas are common areas of high

expenditure against budget across the country. However, the Council has reduced reserves significantly during the year with the net budget being funded by the use of over £10 million of reserves compared to the approved budget set in February 2023. If the projected overspend cannot be brought down by restricting costs or raising income it will be a further call on reserves. The February budget report indicated that net reserves excluding the General Fund balance will be £26.275 million as at March 2024, an overall reduction of almost half in a year. Much of these costs were one off but the ongoing reliance on reserves on a continuing basis is not sustainable in the long run.

#### 4.1.2 **2024/2025 budget**

The 2024/25 budget was set, following consultation which including a budget simulation model, on a net budget of £218.638 million just under £6 million above the 2023/4 net budget. This included an increase in Council tax of 4.99%. The budget assumes the achievement of three main savings streams of Savings and efficiencies (£8.168m), Service transformation (£2.350m) and Income generation (£1.920m). Additional cost pressures including service demands of £ 8.897m, have been included in the budget. As stated in the Section 25 statement made by the Section 151 officer the budget estimates contain a moderate degree of risk.

A high-level description of both the savings and growth proposals was included in the budget report. These include a number of high value proposals to reduce the future cost base of the Council with a view to enabling the Council to achieve a sustainable future City Council in the medium to long term. To enable this to happen the Council will need to ensure that these programmes are resourced correctly to ensure that the anticipated cost reductions are delivered without adversely affecting service delivery. Funding for programme delivery is largely from usable reserves which will further reduce by over £9.5 million in the 12 months to March 2025.

The programme is, in the view of the panel, ambitious and not without risk particularly from factors that are outside the Council's direct control such as inflation and will need to be closely monitored to ensure that corrective action is taken to ensure that in the event of non-delivery of proposals that other remedial action is taken to ensure that the budget remains in balance during the year. Regular reporting of progress on savings and any adverse budget movement and corrective action taken should be continued as at present.

#### 4.1.3 **Longer term outlook**

For the period post 2024/25, the MTFS shows budget gaps of £3.265 million for 2025/26 and £6.934 million for 2026/27, these assume that the savings programme for 2024/25 is delivered in full, and that inflation and service demand do not exceed the levels anticipated in the MTFS. The Council will need to ensure that plans are in place to meet these anticipated budget gaps – those plans must explicitly exclude any anticipation of further use of reserves. The panel would concur with the view expressed by the Section 151 officer in the section 25 statement that states that “reserves are adequate for the year ahead, but beyond 2024/25, without additional funding or further transformation, there is a risk that reserve balances may not be sufficient to bridge any budget gaps...”.

The Council will need to ensure that transformation plans identified via the programme boards are robust and that they are implemented as quickly as possible. It is recognised that, there will be unforeseen circumstances that may provide both opportunities for cost reductions as well as unavoidable cost increases but these will need careful and prompt identification and management.

#### 4.1.4 **Capital**

The Council has an approved Capital programme for 2024/25 of £120.44 million, this drops to £73.2 million in 2025/26 and then to £23.71 million in 2026/27. This was approved at the February 2024 budget Council, together with the Capital Strategy and a new asset management strategy. The Council funding required to resource this is £59.1 million in 2024/5 and £12.4 million & £4.8 million in the subsequent two years.

The Council has a high level of historic debt and ideally this should be reduced in future years rather than increase. In the absence of capital receipts these costs will result in increased financing costs which will fall to the General fund. Capital funding costs are anticipated to increase from £33.126 million in 2023/24 to £38.566 million in 2026/27 although as a percentage of net expenditure they remain largely constant at around 16%. The high level of debt makes the Council heavily reliant on third party sources for capital funding or on disposing of underutilised, surplus or redundant assets.

The Council has commenced a review of assets which will mean that some difficult decisions on asset retention will be necessary, but without that and the release of funding tied up in those assets the Council will not be able to adequately fund the renewal or replacement of assets that are needed for service provision as identified in the asset management strategy, as at present it is unlikely to be able to afford the revenue costs arising from additional borrowing.

The Panel would encourage the Council to ensure that the need to retain any asset is thoroughly examined against both service need and cost and that imaginative use of shared assets across both the Council and the wider public sector and the Community be examined.

#### 4.1.5 **Accountability Culture**

The Panel has previously commented on the need for budget holders to be able to be held accountable for the budgets and for there to be less reliance on the Corporate Finance team both in terms of forecasting and also in finding the resources to “plug gaps”. This culture is common in many local authorities but is not best practise. The Panel has noted the Council’s response to this and it would, in the light of the position on reserves post 2024/25, encourage the Council to ensure that budget holders have total accountability for the budgets under their control.

### 4.2 **THEME TWO: Governance and Culture**

4.2.1 The overall governance of the City Council has been a matter of concern to the Secretary of State since 2021. Since then, the Council has implemented a series of recommendations to improve its governance. In doing so the Council has achieved greater stability and continuity in its direction of travel and in its decision making than would otherwise have been the case. Notwithstanding this, the whole Council needs to retain focus on some important risks and issues which if not dealt with effectively will lead to a decline in the quality of governance which the public deserves and which is required by the government’s Best Value guidance.

#### 4.2.2 **No Overall Control**

When Peterborough First formed a new administration to lead the Council in November 2023, there was considerable uncertainty about the prospects for the Council’s direction of travel and its governance. This was based on the fact that the administration was formed by a group of eleven members in a Council chamber of 60. To win any vote in Council the administration had to be supported by at least twenty members from other political groups. Adding to the uncertainty was the fact that no formal agreements were made with any opposition groups (Labour, Liberal Democrat and Green) to support the administration.

The Panel were concerned that the situation could deteriorate and, in its report to Council in December 2023, pointed out that the administration needed a high degree of officer support to operate with confidence and stability through to the local elections in May 2024. The Panel

also highlighted six specific actions which Members needed to take in order to provide sound governance for the authority in the best interests of the City and the public.

The Panel now observes that in relation to the six recommended actions:

- The new Leader and Cabinet have found ways to work well with and win support from the opposition groups in relation to key decisions.
- The new Portfolio Holders have worked hard to get on top of their briefs though many significant issues in the medium and long term need to be resolved.
- Not only did sufficient members of opposition groups support the approval of the budget and Council Tax for 2024/25 but the vote to support this was unanimous –a major achievement for the authority and one which bodes well for the future sound governance of the Council; the conduct of Members at the Council meeting was markedly different from years gone by and is to be applauded.
- Mentoring and training support for the Leader and all Group Leaders has been provided and needs to continue.
- The challenges arising from the Ofsted inspection are being managed and responded to positively though the details of this still need to be worked out and delivered.
- The commitment by all Members to focus on long term strategies and transformation which will put the Council on a stable footing for the long term needs to be sustained. Whilst huge progress has been made, attention now needs to focus on the next phase of change which is all about improvement.

The Panel asks all members, including the Cabinet and the Overview and Scrutiny Committee, to consider how best to build on what has been achieved in order to deliver the improvement that the Council is capable of and which it wants to provide for the City and all its communities.

#### 4.2.3 **Electoral Arrangements**

Members and officers of the Council are familiar with the Panel's advice on the benefits that could be achieved by moving to all out elections. The fact that the Council has achieved a unanimous vote on the budget and provided continuity in direction of travel despite a change in administration to one led by eleven members does not change the Panel's advice. Therefore, the Panel asks that the Council adheres to its commitment to reconsider this matter after the local elections in May.

#### 4.2.4 **Management Structures and Systems**

The composition of the senior management team is more stable than it has been for some years. This represents important progress. A priority now is to appoint a permanent Monitoring Officer to fill the position that has been held on an interim basis in recent months.

#### 4.2.5 **Resourcing Change**

The Panel is pleased to note that the changes made by the Chief Executive in the leadership capacity and capability in the Corporate Delivery Unit is beginning to show signs of progress. This needs to be sustained in order to drive the transformation programme in the direction, the way and the pace which the Council desires. This matters for the long-term stability and improvement of the Council's services to the public and also to the future financial sustainability of the Council.

#### 4.3 **Conclusion**

The Panel concludes that Members and Officers alike continue to work extremely hard on the issues facing the City Council and continue to work collectively and collegiately. We continue to stress that in the political context of a minority administration there is an even greater onus on all political group leaders, and indeed all members, to work together in the best interests of the

community. Acceptance of the shared responsibility to the local electorate for holding the authority together is vital.

We pointed out previously that continuity in this commitment by all groups and all members was very important for the sound governance of the council. The budget setting Council was an excellent demonstration of the political collaboration which has been a very positive part of Peterborough's approach to date.

We will now focus on the coming six-month period which will be critical in determining what the portfolio boards can achieve for a genuine improvement in financial sustainability and the lives and prospects of the communities of Peterborough.

The effort and the progress over the last two years has been commendable, but the challenges are still immense. The collaborative approach – across political groups and between member and officers - has been at the heart of what has been achieved to date and will continue to be vital for the future if the City Council is to achieve its ultimate aspiration of excellence for the people of Peterborough.

## **5. CONSULTATION**

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

## **6. IMPLICATIONS**

### **Financial Implications**

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

### **Legal Implications**

- 6.2 There are no legal implications in respect of the report which is an update report from the Improvement Panel

### **Equalities Implications**

- 6.3 No change to previously reported.

## **7. BACKGROUND DOCUMENTS**

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

- 6.1 Council report 'Financial Improvement Planning' 16 December 2021 [\\_](#)  
'Governance Review: Peterborough City Council' Andrew Flockhart report 2021 [\\_](#)

## **7. APPENDICES**

- 7.1 None.