

COUNCIL	AGENDA ITEM No. 13
24 JULY 2024	PUBLIC REPORT

Report of:	Peterborough City Council Independent Improvement and Assurance Panel	
Cabinet Member(s) responsible:	Cllr Dennis Jones, 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

RECOMMENDATIONS	
FROM: Chief Executive	Deadline date: July 2024
<p>It is recommended that Council:</p> <ol style="list-style-type: none"> 1. Requests the Cabinet to consider this report and respond with any action it wishes to take, including the recommended internal audit review on Peterborough Limited. 2. Requests the Growth, Resources, and Communities Scrutiny Committee to review this report, the Cabinet’s response to it and the progress being made with the delivery of the Improvement Plan. 	

1. PURPOSE AND REASON FOR REPORT

1.1 The Council established the Peterborough City Council Independent Improvement and Assurance Panel (PCCIAP) on 16 December 2021, and updated the terms of reference of the panel to report to the Council on a six monthly basis. At its meeting of 6th December 2023 the Council agreed to receive an additional report to the March Council meeting to provide an updated view on the 2024/2025 budget and the political landscape. This report is the latest six monthly update and represents the Panel’s sixth report to the Council.

2. BACKGROUND AND KEY ISSUES

2.1 On the 30th June 2021, the then 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 at the time 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 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 will continue to meet with government 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:

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

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 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. 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 PCC IIAP VIEW ON THE CITY COUNCIL IMPROVEMENT PLAN PROGRESS

4.1 Theme 1: Financial Sustainability

The Council has continued to make improvements in how it makes financial decisions, and is working to improve budget management and accountability. The Panel has noted these improvements and would wish to see the changes fully embedded in the management of finances at all levels of the organisation. The continued work of the Financial Sustainability Working Group is an important part of the Councils financial process. Senior finance staff meet regularly with the Finance panel lead outside the formal panel meetings and seek advice as required from panel members as needed.

4.1.1 2023/2024 financial performance

The final revenue outturn report for 2023/24 showed an overspend of £1.2 million. This was a marked improvement over the year and over the sum reported in our last report in March when it was reported that in December 2023 there was a £2.139 million overspend on a net budget of £212.669 million. The main drivers of this overspend were demand led services in Children looked after, homelessness and home to school transport. The end of year reserves figure showed a £25 million reduction in revenue reserves, of which £10 million was used to support the approved revenue budget. The Council has however achieved the bulk of its savings for the year with only £214,000 out of £14.596 million being shown as unachievable.

4.1.2 2024/2025 budget

The 2024/25 budget was set and agreed in February, following consultation which included a budget simulation model, the net budget of £218.638 million is just under £6 million above the 2023/4 net budget. The budget 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.

The early forecasting trends for 2024/25 are not promising; the internal revenue forecast for the end of May shows a forecast overspend of £8.6million with continuing spend pressures in Children's, Adults and temporary accommodation, together with higher-than-expected capital financing costs due to interest rates not moving as expected. This is significantly higher than the corresponding figure for last year. Urgent action will need to be taken to ensure that there is no further reduction in the planned draw down in reserves in the current year. If the current level of forecast overspend materialises reserves would be at a level that in the panel's view would be unacceptable.

The position is further compounded by the status of the savings proposals for the current year. Of the £19.602 million of savings required over the period, £3.368 million are now rated as Red, a further £9.083 million are rated as Amber. In the Panel's view the current risk of the delayed delivery of savings combined with the forecasted overspend places at risk the financial recovery of the Council particularly with its low level of reserves and will need urgent action. We pointed out in our March report that the MTFs assumes the savings proposal will be delivered in full and we would remind the Council again of 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 Panel concur with that view and action needs to be taken both to reduce in year spend and to produce viable savings from the transformation plans being developed. This needs to be done at pace. The previously established Savings Board should continue to monitor the delivery of savings.

The Panel also note, that again in common with many other top tier authorities, that the Council is forecasted to move into deficit on the Dedicated Schools Grant high needs block. This at present does not to be charged against the Council's general fund due to the statutory disregard. If this disregard is removed, then the Council will have a further pressure on the General fund.

4.1.3 **Capital**

The Council in 2023/ 24 spent £112.8 million out of a Capital Programme of £157.7 million. £50.4 million of which related to the purchase of Sand Martin House. The programme was supported by £58.2 million of borrowing which increases revenue costs in future years, albeit a significant proportion relating to Sand Martin House replaced lease payments. The revised programme for 2024/25 including slippage from 2023/24 is £ 148.8 million. It is understood that to reduce spending pressures on the general fund that a moratorium has been placed on new Capital spend funded from borrowing until interest rates are reduced. In view of the pressure on the General fund this is seen in the short term as a prudent approach. However, longer term the council needs to generate resources from Capital receipts from its review of assets. This should both reduce ongoing revenue property related costs and decrease reliance on borrowing as the Council still maintains a historic high level of debt (costing 16% of net revenue budget) of which over 25% is short term (i.e. less than 1 year) and subject to the vagaries of the short-term market.

The Panel would again encourage the Council to continue 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.

4.1.4 Accountability Culture

The Panel has repeatedly commented on the need for budget holders to be able to be held accountable for their budgets and for them to be less reliant on the Corporate Finance team; both in terms of forecasting and also in finding the resources to “plug gaps”. In the light of the 2024/25 forecast and savings position we would again encourage the Council to ensure that budget holders have total accountability and answerability for the budgets under their control.

4.1.5 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 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. The panel have previously recommended that the FSWG should take an overview on transformation plans given the need to closely ally those plans and their achievement with the MTFS.

4.2 Theme 2: Service and External Reviews (Medium to Long Term Sustainability)

4.2.1 Future Sustainable City Council

Peterborough colleagues recognise the need to consciously connect the council's transformation ambition with the MTFS and wider city strategy ambitions and the new maturity in the approach to the work of the portfolio boards has provided helpful focus and has strengthened senior officer accountability. The Panel commented in its last report on the need for confidence that savings from transformation activities will be achieved to generate confidence in the investment needed to achieve that change. We also said that the six months period that has just elapsed would be critical in demonstrating what the portfolio boards can achieve. With hindsight that was an overly ambitious timeline and what we have seen is continued progress and a revised focus within the boards. There is now a need for a concerted effort to align the MTFS and specific projects across the transformation portfolios to create a confident plan of action that shows the path to transformed service delivery over the next two years. There is no lack of ambition or effort, and the recent workshop attended by the Panel, group leaders, SLT and the transformation programme leads clearly demonstrated that. As the

programme governance matures there should be much more positive evidence of progress.

4.2.2 **Companies, Contracts and Assets**

Significant progress continues to be made on maturing the role of the Shareholder Cabinet Committee (SCC) which is working its way through its forward plan and beginning to fulfil its role overseeing the Council's interests in companies. The new MO has given this committee more support and energy and it is beginning to exert strategic influence and an operational overview over the council's company interests. The maturing of this Committee should remain a priority given the ongoing size and complexity of the portfolio and the inevitable risks and issues arising from such a portfolio.

However, a scan of the agenda and papers shows that nearly all of the agenda items and papers are restricted and the lack of transparency is a matter which the Council may wish to address. Although there will undoubtedly be restricted items, much of the content will be of public interest and it is recommended that PCC reviews its policy towards openness.

The SCC still needs to further develop a risk-assessed Commercial Strategy against which current and future ventures can be tested and a statement on the overall aims and objectives of its Local Authority Trading Company (LATCO) portfolio to avoid mistakes of the past being repeated. A well-focussed strategy will be of great significance to the Council in respect of future decision making.

The Council's approach towards managing its assets and making strategic decisions on their future is also improving but, more than two years on, there is still no approved overarching Asset Management Plan around the component elements of the operational, service and commercial portfolios and its rural estate - or evidence of a 'controlling mind' over the Councils long and short term approach to its property.

Some of the challenges highlighted in the last two reports deserve to be repeated as they remain relevant, including;

1. Maximising the utilisation (and minimising the costs) of the operational estate
2. Developing a locality-based approach to its service properties to provide more integrated services at lower costs
3. Reviewing its rural farms estate and generating capital receipts.
4. Resolving the clienting function in relation to FM provision through Peterborough Limited.

Regarding individual companies, there is clear evidence that resources are being deployed to tackle the specific issues and challenges.

Within the Peterborough Investment Partnership (PIP), it remains the intention to dissolve the PIP once work on the Fletton Keys development is completed and SCC have re-affirmed this.

The Council's decision in May 2024 to purchase and develop the Hilton Hotel site is noted. This decision carries significant financial risk and it is recommended that the Council closely monitors progress on a regular basis and takes action should issues arise.

Blue Sky (the energy trading company including solar panels) has now been wound up as of June 2024 and the company dissolved.

Empower Peterborough CIC remains in limbo and although a forced strike off of the company by Companies House was removed after PBC intervention, its future needs to be addressed.

On Peterborough Ltd (trading as Aragon for Waste Collection, Building Cleaning etc and as Vivacity for Culture and Leisure), although the September meeting of the SCC considered the prospects for the 2024/25 business plan, it did not appear to consider the future strategic aims of the company in relation to its role in property and the Council's museums and Leisure Centres. This needs to be revisited prior to considering another business plan. Management's attention has been drawn to the fact that a Mauritius domiciled 'Peterborough Limited' has been set up and it is recommended that Internal Audit review this company to ensure that no fraudulent activity is taking place.

Opportunity Peterborough remains active, but its future intentions are not immediately apparent, and the Shareholder Committee still needs to consider this company and its future urgently. A recent report to SCC was inconclusive.

4.3 **Theme 3: Governance and Culture**

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. 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.

4.3.1 **No Overall Control**

At the time of the Panel's report in March 2024 the Council was being led by a Peterborough First administration with only 11 members in the leading group. This was supported by other opposition groups (Labour, Liberal Democrat and Green) without any formal agreements. The Conservative group, with 23 members at that time, was the principal opposition. This arrangement started in November 2023 and worked reasonably well with significant support from the officer team. In February the budget and Council Tax for 2024/25 was approved unanimously, a remarkable achievement in the circumstances. This provided clarity and stability in plans for the year, vital given the challenges ahead.

The local elections in May 2024 led to a further change in the administration of the Council. A third of the council seats were up for election. The Council now

comprises 19 Labour members, 14 Peterborough First, 11 Conservative, 8 Liberal Democrats, 4 Green and 4 Independent. The Labour group, being the largest in the Council chamber, now leads the minority administration of the Council. This is the third administration that has been in place since October 2023. In most circumstances it will require support from at least 12 members of opposition groups to carry a majority in the Council chamber. No formal agreements are in place to provide certainty.

This situation carries inherent risks and uncertainties for the Council and, ultimately, the services it provides to the public. The administration needs to find ways of achieving continuity in direction of travel and stability in the operation of the Council whilst tackling the big challenges that are in plain view. This will rely on all Members of the Council to think and work in a collegiate manner when it comes to making key decisions in the best interests of the public.

One factor that could, and should, contribute to a degree of stability is that fact that the current group of elected Members on the Council will be in place for (almost) two years up till the elections in 2026. This offers the Labour led administration a two-year time horizon with which to approach the challenges at hand. This is an opportunity which should not be missed to take a more strategic look at ways of reducing the Council's cost base whilst fulfilling the Council's aims for the city and the quality of services it provides such as Children's Services. The Financial Sustainability section of this report spells out the enormous scale of the financial challenge.

In view of the fact there is a new minority administration in place the Panel wishes to repeat the recommendations made in our March report, with some variations, to the previous minority administration. It is vital that:

- i. The new Leader and Cabinet find ways to work well with and win support from the opposition groups in relation to key decisions.
- ii. The new Portfolio Holders need to get on top of their briefs especially as many significant issues in the medium and long term need to be resolved.
- iii. The FSWG continues to operate with the participation of all political groups especially in the development of the budget and Council Tax proposals for 2025/26
- iv. Sufficient and suitable mentoring and training support is delivered for the Leader and Cabinet as well Group Leaders and those responsible for chairing Overview & Scrutiny and regulatory committee meetings.
- v. The challenges which arose from the Ofsted inspection continue to be managed and responded to positively.
- vi. All Members, especially the Leader and Cabinet, focus on long term strategies and transformation which are essential for the Council to operate on a stable and sustainable footing.

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. Working collaboratively and in a collegiate manner for the good of the City has been a feature of the Council over the last three minority administrations and there is no reason for that to change.

One other change in context for the Council deserves a comment here. This is the election of a new Labour government in Westminster, with the support of two

Labour MPs in the city's constituencies. Whilst these are very early days the Panel encourages the Council to work together with its MPs to speak with one voice about the challenges the city faces as well as its aspirations and the support it requires from government.

4.3.2 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. Having a Council elected for a four-year period would enable Members to put political arrangements in place that would provide greater continuity and enable longer term and more effective strategies to be realised. Therefore, the Panel asks that the Council adheres to its commitment to reconsider this matter.

4.3.3 Management Structures and Systems

The composition of the senior management team is more stable than it has been for some years. To add to this, a permanent Monitoring Officer has been appointed. For the first time in years all three Statutory Officers are in place on a permanent basis. This represents important progress in the core governance functions of the authority.

4.3.4 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, in the way and at the pace which the Council desires. This matters for long-term financial stability and to improvement of the Council's services to the public.

4.4 LGA training and support for members

4.4.1 The LGA has been providing additional support to Peterborough City Council since it established an improvement panel in December 2021. In June 2022 all group leaders were allocated a member peer to support them personally to help the council drive forward the development and delivery of their improvement plan. It is universally acknowledged that there has been a change in member behaviour. Peers have really helped with the step change to get members in a no overall control authority working respectfully and with residents at the heart of what they do.

In 2023 the peer mentor and mentee relationships were reset, and group leaders reaffirmed the support knowledge and skills they required along with the frequency of touching base. The level of support required varies across the different group leaders but is still valued in most cases. It is now timely to review the peer support programme again to establish its impact and whether it should continue or whether there should be a broader emphasis on all member training and development.

4.5 Conclusion

The Panel is in the same position as previously, we continue to recognise that Members and Officers alike work extremely hard on the issues facing the City Council and continue to work collectively and collegiately. We 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. Continuing to accept 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. It sets an excellent example to other NOC Councils and is an excellent demonstration to civil servants of how far Peterborough has come.

We also must recognise, however, that the challenges remain immense and that we continue to report on forecast revenue overspending and that we all need to see an acceleration in the achievement of real transformation. The next six months will continue to be challenging, but should also be exciting if the Council builds on what it has achieved so far.

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 No change to previously reported.

Equalities Implications

- 6.3 No change to previously reported.

Carbon Impact Assessment

- 6.4 No change to previously reported.

Communications and Engagement

- 6.5 No change to previously reported.

7. BACKGROUND DOCUMENTS

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

- 7.1 Council report 'Financial Improvement Planning' 16 December 2021

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

8. APPENDICES

8.1 None

