

EXTERNAL ASSURANCE REVIEW – GOVERNANCE ELEMENT

PETERBOROUGH CITY COUNCIL

September 2021

Contents

1	Introduction	2
2	Peterborough’s response to the review	2
3	Overall Findings and Recommendations	2
4	Background	4
5	Terms of reference for the review	6
6	Governance	6
7	Culture and leadership	9
8	Financial governance	10
9	Services	11
10	Capacity and/or capability to improve	12
11	Options for Local Government Reorganisation	13
	Appendices	15

Andrew Flockhart, Lead Reviewer

1 Introduction

- 1.1 In accordance with the terms of reference set out in your letter of appointment dated 30 June 2021, I have carried out a review of governance at Peterborough City Council. I have done this in cooperation with CIPFA who have led on the financial part of the review. We have shared our findings and recommendations with each other. I have reviewed a wide range of documents and interviewed almost 30 Members and officers at the Council. This report sets out my findings and recommendations.

2 Peterborough's response to the review

- 2.1 It is clear that Peterborough City Council has had severe difficulties over several years in planning and managing its finances. Its governance and assurance mechanisms have struggled to cope with the challenges. In 2020/21 the Council were granted a Capitalisation Direction from the government to fund transformational expenditure to generate ongoing savings that would enable the setting of a balanced budget. Despite this the Council has struggled to plan and manage its finances effectively. It has failed so far to balance its budget in 2021/22 and to produce financial plans which can be relied on. A further request for Exceptional Financial Support (EFS) has been made to the government by the Council.
- 2.2 I received very good co-operation from the Council in carrying out this review. I held almost 30 meetings with senior officers and elected Members at the Council. In all instances I met with a high degree of openness and honesty. It is clear the Council accepts the difficulty of its position and there is strong commitment from everyone I met to resolve the issues.
- 2.3 There are widespread views amongst senior Members and officers that the Council is struggling with the legacy of decisions made in the past and that it has not grasped the financial issues effectively. There is a clear understanding that the Council now finds itself in a very serious financial position and a realisation that the Council needs to think anew about the challenge ahead.
- 2.4 I have also listened to the outcomes from the LGA Corporate Peer Review carried out in July 2021. These are, in many ways, complementary to my findings and recommendations.

3 Overall Findings and Recommendations

- 3.1 **I can give you assurance** the Peterborough City Council recognises the severity of its financial position. All leading Members and officers accept responsibility for balancing the budget and are working hard to meet the challenge.
- 3.2 The effort to retrieve the situation is underway and is clearly a priority for the authority. However, there is insufficient clarity about the financial standing of the authority and the absence of a robust strategy and plan of action to close

the funding gap in the current and future years. Consequently, **I cannot give full assurance** that the task will be achieved. There are, however, reasons for optimism. The new Leader and Cabinet are setting a new tone and direction for the authority with appreciable energy. They are bringing new, valuable skills and experience to the role. Furthermore, with the decision to end the shared chief executive arrangement with the County Council and to appoint a CEO solely for Peterborough there are opportunities to increase the managerial leadership capacity.

- 3.3 The report produced by CIPFA following its review comments on the request by Peterborough City Council for a Capitalisation Directive and so I make no comment on this matter here.
- 3.4 I have developed the following recommendations as well as short to medium milestones that the Council should be expected to meet which are in Appendix 2.
- 3.5 Peterborough City Council is recommended to:
- i) Review and approve more clearly defined priorities in the Council's corporate strategy by December 2021. In doing so the Council should provide a framework for making choices, some of which may be hard, and which provides greater clarity about the allocation of resources and the search for savings.
 - ii) Review and confirm a revised MTFS by December 2021 including a revised narrative which confirms the Council's commitment to resolve the issues. Key assumptions made in the current MTFS need to be reviewed and altered. The Council should seek external assurance about the assumptions made in the revised MTFS.
 - iii) Produce a single, detailed improvement plan covering a period of at least two years by December 2021. This should consolidate the wide range of efforts that are underway and being planned. All Members and officers should work together to deliver this plan. The Cabinet should review the plan regularly.
 - iv) Review and enhance the resources provided to support the delivery of the improvement plan (in the form of business analysts and programme and project managers) by October 2021.
 - v) Appoint an Independent Improvement and Assurance Panel of specialist non-executive advisers who should remain in place for at least two years to advise on and provide a regular, six monthly, commentary for the Council on progress with the improvement plan. The panel will provide expertise and continuity during the period of transition to financial sustainability and whilst there is flux in the make-up of the senior management team. It would also mitigate the risks associated with a potential change in political control during this time. The panel should include advisers with expertise in Finance as well as Adults and Children's Services.
 - vi) Enable the Panel's six-monthly reports to be published and presented to the Full Council. The Council's Cabinet should respond to the reports and write to the Secretary of State with details of the progress

- being made and planned. One or more of the Council's Scrutiny Committees should review the Cabinet's actions in this respect and report on this to the Full Council every six months.
- vii) Commission and support a development/support programme by December 2021 for councillors particularly for the new Leader and Cabinet, for the Chairs of the Scrutiny Committees and the Audit Committee, and for the Leaders of all political groups on the Council.
 - viii) The Joint Scrutiny Committee should review the revised MTFs and the budget for 2022/23 prior to them being presented to the Cabinet and Council this coming autumn and winter, and every year subsequently.
 - ix) Strengthen the leadership of the Audit Committee by December 2021 and pay much more attention to its annual report to Council through a considered discussion about its concerns. The Council's response to the Committee's reports should be clear and robust.
 - x) The Council's new Chief Executive should review the senior management structure by March 2022, including the shared arrangements, with a view to strengthening leadership capacity.
 - xi) Consider formally by March 2023, through an evaluation process, the option of moving to "all out elections" on a four-year cycle as an alternative to the current system of election by thirds with the exception of the fourth year. The Council should discuss the outcome of the evaluation with DLUHC.

4 Background

- 4.1 In recent years Peterborough City Council has struggled to plan and manage its finances effectively. Up to 2018 there was an emphasis on one off, non-repeatable savings whilst transformation was being planned. In early 2019 a more fundamental approach was initiated with the support of Grant Thornton. This reported in early 2020 with wide ranging proposals for change. However, their implementation was interrupted by the Covid-19 pandemic. In 2020/21 the Council were granted a Capitalisation Direction from the government to fund transformational expenditure to generate ongoing savings that would enable the setting of a balanced budget. Despite this the Council has struggled to plan and manage its finances effectively. A further request for Exceptional Financial Support (EFS) has been made by the Council.
- 4.2 The financial problems being faced now by Peterborough City Council are acknowledged by its leading Members and officers. There was a view held by some Members and officers that the Council was being treated unfairly by the overall financial settlement. However, the prevalence of this view has diminished. Senior Members and officers of the Council now acknowledge the Council failed to own the issues in the past and recognise it is their responsibility to do so now. They realise that a renewed approach is necessary and are committed to putting the Council on a sustainable footing.
- 4.3 The struggle to balance the Council's budget over several years has been exacerbated by the Covid crisis. The Council is now in a position where it knows it has a serious financial problem but does not know exactly what it is and does not know with sufficient clarity how to move to a sustainable

position. There isn't a strategy and plan which demonstrates how this will be done.

- 4.4 The Council has a budget for the current year 2021/22 in which significant savings have not yet been identified and delivered. Failure to do so will lead to a deficit being carried forward into 2022/23 making the position for that year even more challenging.
- 4.5 The Council has sought and received external advice and support, over several years, to enable it to tackle the financial challenges it faced. Whilst this has helped the Council develop a package of schemes to deliver savings, they have not been sufficient to resolve the scale of the problem. Moreover, the Council has not yet implemented all the measures which were recommended. More specifically, in 2019 the Council engaged Grant Thornton to provide advice on a range of measures to close the financial gap in its budget as was understood then. The Council agreed to implement recommended savings of £11M but was put off course in doing so by the Covid pandemic in 2020. In the event the Council has delivered only £3.8M of the recommended savings. It remains committed to delivering the balance. This comprises about 53 projects and programmes which are being progressed now. However, delivering these schemes will not in themselves be sufficient to close the financial gap being faced by the Council in 2021/22 and 2022/23. A greater effort is required, challenging some of the assumptions made by the Council to date. The CIPFA review report, produced in parallel with this report, comes to the same conclusion and makes recommendations to support this. Moreover, the LGA Corporate Peer Review team who worked recently with the Council made a similar statement and sought to give the Council confidence that it can do more to make the operation of the Council and its service more efficient.
- 4.6 The Council's reserves are, in the opinion of the CIPFA Review Team, lower than what would be expected of a Council of this type and scale in this kind of context. As such they do not provide adequate resilience for unforeseen spending pressures or loss of income. I agree with this assessment.
- 4.7 The tone of reports to the Cabinet on the Council's financial position reflects the seriousness of the position. However, these reports do not add up to and do not provide between them an overall solution for the problems being faced.
- 4.8 The Chief Executive and the Section 151 Officer have for some time been advising the Council, both formally and informally, of the severity of its financial position. Both the Section 151 Officer and the Deputy Section 151 Officer have been in a dialogue with DLUHC's officials over the last year in order to find alternatives to issuing a S114 Notice. This dialogue and your subsequent decisions led to the provision of Exceptional Financial Support with a Capitalisation Direction.
- 4.9 The Council operates the Leader and Cabinet model of governance. Checks and balances are in place in the form of Scrutiny Committees and an Audit Committee. So far this model and its inherent checks and balances have

failed to produce a balanced budget for 2021/22 or for future years. The external auditors have highlighted this position in their report to the Audit Committee in June.

- 4.10 All the statutory officers for the Council are in post including the Head of Paid Service, the Section 151 Officer, the Monitoring Officer, the Director of Children's Services and the Director of Adult Services. However, the Chief Executive (Head of Paid Service) has recently announced her retirement with the intention of leaving the Council's employment in December 2021. In addition, the Executive Director of People and Communities, responsible for Adults and Children's Services, has announced her plan to retire.

5 Terms of reference for the review

- 5.1 You asked that the Review should focus on five areas.

- i) Governance
- ii) Culture and leadership
- iii) Financial governance
- iv) Services
- v) Capacity and/or capability to improve

- 5.2 You also asked me to assess options for local government reorganisation.

6 Governance

- 6.1 Peterborough City Council has a Conservative led administration but without overall control (29 of 60 councillors). The other political groups are Labour (17), Liberal Democrats (9), Werrington First (3) and Green (3). Being in No Overall Control (NOC) has been a fairly common situation for the Council in recent years. The administration works with other groups on an issue-by-issue basis to achieve the approval of the budget and Council Tax policies as well as other key policies. This approach is not without its risks - in March 2020 the Council narrowly avoided failing to approve a budget for 2020/21. Member to member relationships were poor but are improving.

- 6.2 Being in NOC alongside annual elections presents the risk of a short-term approach. The prevalence of short-term solutions for the financial challenge indicates this is more than a risk and is an issue. The Leader of the Council says he is tackling the issue by working with other political groups with an "open door" policy. The other Group Leaders confirm this. The Leader needs to continue with this approach. There are reasonably positive signs that this will be successful in providing confidence, at least in the short term, that the key decisions on the budget will be supported even when they include unpalatable choices. However, this does not resolve the issue. I make further comments on this, and the need to consider alternative election arrangements through an evaluation process, in the next section of this report.

- 6.3 The new Leader and Cabinet, who have been in place since May 2021, are bringing fresh energy as well as a new approach, valuable expertise and

commitment to the strategic and immediate challenges facing the Council. A new, more collaborative style is evident. The Leader and Cabinet members say they are committed to owning the financial issues and to leading the authority to a stable position. This needs to be demonstrated by leading the development and approval of new corporate and financial strategies for the next three years on the recommended timetable. At the same time the two main opposition groups, Labour and Liberal Democrat, do not share this sense of ownership.

- 6.4 The Leader and Cabinet members are, in most cases, new in the role since May 2021. As a leadership team and as individuals newly in roles which are undoubtedly challenging, they should be supported to grow the knowledge and expertise necessary to operate successfully. A bespoke programme of support should be put in place for the team and for each member by December 2021. This could be done with the support of the LGA
- 6.5 There is an ambitious vision for the long-term future of Peterborough and the Council's role in delivering this – this is commonly referred to as “the growth agenda” with “Peterborough: The City of Opportunity” as the strapline. However, the benefits arising from this will not be delivered in time to assist the Council's finances in the next 2-3 years.
- 6.6 The Council's corporate strategy does not provide sufficient clarity on priorities to guide a three-year financial strategy or plan. This needs to be reviewed and a strategy, with clear priorities that provides the framework within which hard choices can be made, produced by December 2021.
- 6.7 The Council has been prone to a short-term perspective on budget planning. The Medium Term Financial Strategy (MTFS) does not provide clarity or confidence that the financial gap can be closed and the Council's finances put on a sustainable basis. Some unrealistic ideas about how the budget gap can be closed have been promoted. This has given Members and officers some false hope and undermined their focus on and commitment to resolving the issues locally. The MTFS needs to be reviewed with an updated narrative that emphasises the Council's role in meeting the challenges. A revised MTFS should be produced and approved by December 2021.
- 6.8 There is no single plan which everyone is working to which details the objectives, actions, milestones and targets to be delivered as a means of putting the Council on a sustainable financial basis over the next three years (2021/22 to 2023/24). The initial version of this plan needs to be developed by September 2021 drawing on the new commitments being advocated by the new political leadership of the Council. The plan needs to be monitored and updated quarterly with more substantial reviews annually.
- 6.9 The huge impact of the Covid pandemic and the exceptional pressures associated with the measures required of the authority have exposed the frailties of having a Chief Executive shared with Cambridgeshire County Council. Differing (some say diverging) priorities, the very wide range of responsibilities and the need for a constant and simultaneous focus on both

short and long-term issues has meant that the Chief Executive has been spread too thinly. With the announcement of her intention to retire in December 2021 there is an opportunity for the Council to end the shared arrangement and to appoint a new person in the role for PCC exclusively. A politically led move to do this has been made by the new administration at Cambridgeshire County Council. Leading Members at Peterborough have indicated support for this idea and steps to commence the recruitment of a new Chief Executive are underway. This will increase the senior management capacity to change and improve. It will enable the new Chief Executive to drive the development and delivery of a new strategy, focus on the Council's priorities, review other aspects of the shared senior management arrangements and galvanise the whole organisation to deliver services and savings in a way that is sustainable. The Council should aim to have the new Chief Executive in place by January 2022. In making this appointment the Council should be mindful of the level of skills, knowledge and experience required given the challenges being faced.

- 6.10 For similar reasons to those given above and as there are evident differences in the priorities for the two Councils, it has been agreed that both Councils will review together their shared services and the posts involved. (This includes the shared Executive Director and Director posts.) Decisions about the future of these will then be made formally under the Joint Working Agreement which the two Councils operate with. The Council will take legal advice as necessary. The Council should aim to complete the review with the County Council and make the decisions on the outcome of the review by December 2021.
- 6.11 Given the significant changes in senior management personnel I am recommending that the Council and its new Chief Executive review and confirm by March 2022 the senior management structure it wishes to operate with. A key consideration should be the strengthening of leadership capacity. Some form of cost and benefit appraisal should be applied in this process.
- 6.12 In the light of all of this I am recommending the Council appoints an Independent Improvement and Assurance Panel comprising specialist non-executive advisers who should remain in place for at least two years to advise and provide a regular, six-monthly commentary on progress with the improvement plan. The panel will provide expertise and continuity during the period of transition to financial sustainability whilst the new Leader and Cabinet continue to develop in their roles, both individually and collectively, and whilst there is flux in the make-up of the senior management team. It would also mitigate the risks associated with a potential change in political control during this time. The panel should include advisers with expertise in Finance as well as Adults and Children's Services. The panel should have an independent chair. The process for the appointment of members should follow an open and transparent process in line with Nolan principles. Participation of the City Council in the work of the panel will be important throughout its period of operation. Both the Leader and the Chief Executive of the Council should attend its meetings. The financing of the panel and its work needs to be considered by the Council in dialogue with DLUHC.

- 6.13 The Panel's six-monthly reports should be published and presented to the Full Council. The Council's Cabinet should respond to the reports and write to the Secretary of State with details of the progress being made and planned. One or more of the Council's Scrutiny Committees should review the Cabinet's actions in this respect and report on this to the Full Council every six months. The Council should expect that the Secretary of State will monitor the Council's progress with this work.

7 Culture and leadership

- 7.1 The new Leader and Cabinet are promoting a very positive approach to the challenge the Council faces. They are taking ownership of the responsibility to resolve the financial challenge. They are bringing fresh ideas and skills to lead the process of seeking savings whilst enhancing the future of the city and supporting services. The Leader is encouraging a strong team approach which is essential for establishing a clear way forward and when considering difficult choices for savings. An open and collaborative style is being promoted to engage the other political groups e.g. inviting them to participate in the cross-party Budget Working Group. This style is also reflected in the character of recent Council meetings which have been conducted, for the most part, in a courteous and business-like manner. The priority now is to apply this leadership style when tackling the strategic challenges ahead and when making difficult decisions.
- 7.2 There are positive and open relationships between councillors and officers. There is a high degree of mutual trust and respect. This enables councillors and officers to challenge each other when considering policy issues. There is a widespread willingness to learn from others and what has been done in the past, including errors which have contributed to the current situation.
- 7.3 The Council has been very open about the challenges it faces. Equally, the Council has been open to external challenge. In recent years it has invited several different organisations to provide this including a review by the LGA finance officers, in 2018, Grant Thornton in 2019 and, most recently, the LGA Corporate Peer Challenge. There is clear evidence that the Council responds constructively to external challenges of this kind e.g. the savings programme being developed and delivered now is based on the recommendations made by Grant Thornton. Whilst the Council has accepted most of the recommendations made it has not been able to implement all of them due to e.g. the Covid crisis. Furthermore, the sum total of all the recommendations are not, in themselves, sufficient to resolve the overall financial challenge the Council faces.
- 7.4 There are two aspects of the culture at the City Council which need careful consideration. First, the persistence of NOC in the Council combined with annual elections means that the political groups have an eye to the forthcoming elections every year (except for the fourth year). This introduces a high degree of political sensitivity around budget choices which are made, typically in February just a short time before the elections in May. A win or

loss of a couple of seats could change the political control of the Council. So, there is a lot at stake each year (except every fourth year) in May. Whilst there is no political will to change this arrangement, officers report that it is often very difficult to win Member support for the consideration of proposals that will make savings but are considered to be too politically sensitive. Equally, this context leads to a series of short-term solutions and is not conducive to the development of more strategic, long term solutions. This issue is very likely to persist. In the short term, the risks associated with this for the future sustainability of the Council's finances can be mitigated by all councillors recognising their responsibilities for the Council's finances and by the cross-party work being promoted by the Leader of the Council. The political Group Leaders share a particular responsibility for leading the way on this. It is vital this responsibility is acknowledged and the work to enhance cross party work on financial issues is maintained. Failure to do so will put the approval of a balanced (and legal) budget at risk each year. Looking to a long-term solution for this issue, I am recommending that the Council consider formally, by March 2023, through an evaluation process, the option of moving to "all out elections" on a four-year cycle as an alternative to the current system of election by thirds with the exception of the fourth year. The Council should discuss the outcome of the evaluation with DLUHC.

- 7.5 Second, heartfelt pride in Peterborough and the City Council is widespread amongst its Members and officers. There is much to celebrate in what the Council has done and is doing for its community. However, there is a risk that this pride could lead to some defensiveness about established ways of working. Whilst I don't believe this is a significant issue, I am suggesting that Members and officers at Peterborough don't let this get in the way of finding new ways to work. There is much pride to take from the innovations that have been introduced and this should continue.

8 Financial governance

- 8.1 The financial control systems in place are robust and effective. As a leading example of this the Section 151 Officer signs off all spend over £1k. This conveys the severity of the financial position and has been operating for some time. (It may now be time to consider delegating this function to enable the S151 Officer more time to focus on strategic issues.)
- 8.2 However, systems for determining the Council's financial standing need to improve. The estimated funding gap in the current and future years has changed often. As a result, there is not a shared understanding about what the position is. This undermines confidence and certainty about the plans required.
- 8.3 Overall, the checks and balances offered by the Scrutiny Committees and the Audit Committee have not been strong enough and have not focused sufficiently on the strategic dimensions of the challenges facing the Council.
- 8.4 To date, the work of the Scrutiny Committees has not reviewed and challenged sufficiently the MTFS or the annual budget plans. There is no

doubt that these Committees can make a constructive contribution to the overall effort to put the Council on a sustainable financial footing. The new Chairmen of the Scrutiny Committees, in place since May, and who work together in the Joint Scrutiny Committee are willing to learn from errors (of omission more than commission) in the past. The Chair of the Joint Scrutiny Committee accepts this view and is willing to apply the lessons learned. These Members should review their approach to scrutinising the MTFs and the annual budget proposals with a stronger willingness to challenge the assumptions and information presented to them. A fresh approach needs to follow the revision of the MTFs. This should start by December 2021.

- 8.5 The Audit Committee has failed to carry out its role fully. Up till very recently it has not addressed the serious financial challenges facing the Council with sufficient urgency or focus. The Committee has not paid sufficient attention to the strategic risks and issues facing the Council or to the processes used by officers for the preparation of the MTFs. The leadership of this Committee needs to improve. Equally, meetings of the Full Council need to pay more attention to the Committee's annual report and respond to it robustly.
- 8.5 The Budget Working Party led by the Cabinet Member for Finance operates an informal cross-party group which considers options and proposals for savings. Supported by officers, it is a means of sharing information and enabling all parties to contribute ideas and views on proposals before they come forward for executive decisions and scrutiny. Councillors from the Werrington First and Green Party groups join with members of the Conservative group to participate in this. They say the forum is effective and useful. The Labour and Liberal Democrat groups have chosen not to take part. The new Leader of the Council and the Cabinet Member for Finance say they are keen to engage them in this work but it is clear they will not. Nevertheless, the Working Party is a useful forum that reflects the fact that the budget is the responsibility of the whole council. It is important that the Leader and Cabinet Member for Finance sustain this work to achieve a shared understanding and an agreed way forward.
- 8.6 The Executive CMT is chaired by the Chief Executive with the Section 151 Officer and the two Executive Directors of People and Communities and Place as key members. This is the key senior management forum for strategic planning and decision making. It is where all issues escalated to it are resolved and where barriers to delivery are removed. The Executive CMT meets regularly. Its agenda reflects the severity of the financial position and the range of activity planned and underway to close the gap.
- 8.7 The Rapid Implementation Team (RIT) chaired by the Director of Business Improvement and Development and attended by the Section 151 Officer reports to the Executive CMT. It is responsible for all programme and projects to be progressed as part of the effort to close the financial gap. It reviews all areas of the Council's work as a means of enabling savings. It is an effective mechanism for driving and enabling the development and delivery of plans for savings. However, the RIT (and the Executive CMT) needs to be clearer about the priorities and overall plan for delivery. The support provided to it in

the form of business case development and project management to support implementation is insufficient and, therefore, should be reviewed and strengthened.

9 Services

- 9.1 Generally speaking, Peterborough's services appear to perform reasonably well across the board including all environmental and economy services.
- 9.2 In 2018 an Ofsted inspection of the Council's Children's Social Care Services found them to be Good. More recently, in August 2021, Ofsted carried out a themed inspection, without a judgement, of the Council's Children's services. It is clear from the report that the findings of the inspection were consistent with the findings in 2018 with good, and some outstanding, features of the practice identified. An Ofsted and CQC inspection of SEND provision 2018 considered the services required improvement and made recommendations on this which the Council is implementing.
- 9.3 Adult Social Care Services appear to perform well and are integrating with health services through the Integrated Care System (ICS) framework.
- 9.4 The challenge now for Members and officers is to find ways of sustain these, or similar, standards of service whilst savings are made. This shift in thinking and working will be difficult. It will require leadership and support from leading Members and senior officers. The Council should consider appointing senior advisers to its independent panel who have expertise in this area, particularly with the major services such as adult and children's services. It is worth noting that about 67% of the Council's budget is devoted to adults and children's services. Unless efficiencies can be achieved in these services, the Council will not be able to meet the overall financial challenge successfully.

10 Capacity and/or capability to improve

- 10.1 The Council has been very open and transparent in acknowledging its financial problems. In 2019, the Council engaged Grant Thornton to carry out a thorough review and to make a wide range of recommendations for change which have been accepted. The Council has requested and been granted Exceptional Financial Support (EFS) in the form of a Capitalisation Direction in 2020/21 intended to support transformational expenditure. The Council has engaged with the support offered by the LGA including a review of finances in 2020. The Council accepts its responsibility to resolve the financial challenges it now faces.
- 10.2 The Council operates a shared senior management arrangement with Cambridgeshire County Council. All first and second tier posts (i.e. the Chief Executive, the two Executive Directors and three Directors) are shared with the exception of the Chief Finance and Section 151 Officer. This was agreed to several years ago as a cost saving measure. Whilst that objective had merit it has also limited the senior level management resource that can be devoted to delivering the Council's priorities. This issue has been exacerbated by the

Covid-19 crisis. The recent LGA Corporate Peer Review recommended that the Council revise the shared management arrangements as one means of increasing senior management capacity to lead the changes necessary for the financial sustainability of the organisation. I agree with this view. Subsequent to this both Councils have agreed to end the arrangement whereby the post of Chief Executive is shared. With the Chief Executive's decision to retire in December 2021, it is important that the new postholder is in place early in 2022. A job descriptions and person specification for the revised post has been produced and recruitment consultants appointed as a matter of urgency. The advertisement for the post was posted on 2 September. The aim is to complete the recruitment process in November with an appointment at Full Council. Implementing this change will increase the Council's capacity to change significantly. As for the extent of any increase in senior level capability, this will depend on the quality of individuals appointed to these posts. Expertise in the leadership of change and the delivery of transformation in large and complex public service organisations will be key requirements.

- 10.2 The absence of a single improvement plan which details the Council's route to financial sustainability is an impediment. A single plan which consolidates the wide range of efforts that are underway and being planned, and which Members and officers work on together, would help the capacity to change significantly. The plan should provide clear objectives supported by targets, actions and milestones.
- 10.3 The delivery of the improvement plan will require a review of the resourcing necessary. In my view there is insufficient change management capacity in the form of business analysts and programme and project managers. These roles are required to support and facilitate change. A budget to support this should be formed and the roles, when filled, should focus on supporting the changes which deliver the most significant contribution to making the Council financially sustainable.

11 Options for Local Government Reorganisation (LGR)

- 11.1 There is a widespread view amongst senior Members and officers that some form of LGR would help consolidate Peterborough's financial sustainability in the medium to long term (3-5 years). I agree with this view. Evidence from elsewhere in England (e.g. Dorset, Northamptonshire etc) indicates the potential for significant benefits to be delivered through LGR. Senior Members and officers accept that it isn't a solution to the Council's financial challenges in the next two years. In my view there is a significant risk it would be a distraction from the urgent issues the Council needs to resolve in the next 18 months. In the first instance, the task of developing options and proposals for LGR would absorb significant amounts of political and managerial leadership capacity. Subsequent delivery of any proposals agreed by Parliament would absorb even more. Because of this, it should be ruled out as a priority now and positioned as a potential medium to long term solution that can be addressed once other improvements have been delivered.

- 11.2 Whilst there has been much informal discussion in many quarters about the idea of LGR in Peterborough and the wider area, there isn't a shared understanding about the commitment to consider this or what the options are. No specific proposals have been developed for consideration. Consequently, a cost and benefit analysis of options has not been carried out. A shared understanding about the potential value of LGR in principle needs to be established before progress can be made. This does not mean there has to be agreement about the particular form of LGR applied in the Peterborough and Cambridgeshire area, only that there should be an acceptance of the principle that it could deliver benefits and is worth considering.
- 11.3 Formal discussions by political leaders in Peterborough City Council and in the local authorities in neighbouring Cambridgeshire about a commitment to consider the principle of LGR and some options to deliver it are necessary to move this forward or to rule it out for the foreseeable future. The Leader of the Council should lead this process of engagement with the aim of confirming whether or not the idea is acceptable in principle by September 2022.
- 11.4 Three options that could be considered include returning Peterborough to be a district council within a two-tier system in Cambridgeshire, creating two new unitary councils for Peterborough and Cambridgeshire (possibly on the same footprint as the new Integrated Care Systems (ICSs), and replacing all councils in the Peterborough and Cambridgeshire area with a single unitary council.
- 11.5 If and when sufficient political consent to consider the principle of LGR exists is achieved, work to research and develop the evidence that would enable the assessment of options can commence. Relevant evidence should be developed in line with DLUHC's framework for assessing LGR proposals i.e. benefits to services and communities; value for money and the public's views following consultations.

Ends

Appendix 1 – Interviewees

Peterborough City Council: Members

Cllr Fitzgerald, Leader of the Council
Cllr Allen, Deputy Leader & Cabinet Member for Housing, Culture & Communities.
Cllr Walsh, Cabinet Member for Adult Social Care, Health & Public Health
Cllr Hiller, Cabinet Member for Strategic Planning and Commercial Strategy and Investments
Cllr Ayres, Cabinet Member for Children’s Services, Education, Skills & the University
Cllr Coles, Cabinet Member for Finance
Cllr Simons, Cabinet Member for Waste, Street Scene and Environment,
Cllr Cereste, Cabinet Member for Digital Services & Transformation

Cllr Over, Chair of the Audit Committee
Cllr Elsey, Chair of Adults and Health Scrutiny Committee
Cllr Casey, Chair of the Children & Education Scrutiny Committee
Cllr Harper, Chair of the Growth, Environment and Resources Scrutiny Committee and Chair of the Joint Scrutiny Committee (for the budget)

Cllr Nawaz, Leader of the Labour Group
Cllr Sandford, Leader of the Lib Dem Group
Cllr Howell, Leader of the Green Group
Cllr Lane, representing the Werrington First Group

Peterborough City Council: Officers

Gillian Beasley, Chief Executive
Steve Cox, Executive Director for Place & Economy
Wendi Ogle-Welbourn, Executive Director for People & Communities
Pete Carpenter, Director of Resources and Section 151 Officer
Amanda Askham, Director of Business Improvement & Development,
Sue Grace, Director of Customer Services & Digital
Fiona McMillan, Director of Law & Governance and Monitoring Officer
Rachel Blake, Financial Improvement Programme Manager
Mandy Pullen, Head of HR

Sharon Bishop, Branch Secretary, Unison
Alex Porter, Regional Officer, Unison

Appendix 2 – Peterborough Improvement Plan Milestone

Month	Action	
September '21	<ul style="list-style-type: none"> Agree to revise the senior management structure including a CEO working solely for PCC and commence recruitment processes Agree to revise the corporate strategy and MTFS and commence work Start work to draw together and develop a single improvement plan drawing on the recommendations from this review, the CIPFA review and the LGA Peer Review Agree to review and enhance the resources to support the delivery of improvement 	Cabinet and Council CEO CEO & CFO
October '21	<ul style="list-style-type: none"> Agree to establish Independent Improvement and Assurance Panel including terms of reference and financial arrangements Implement enhancements to support for the delivery of improvement 	Cabinet and Council CEO & CFO
November '21	<ul style="list-style-type: none"> Agree appointment of new CEO Commission a development programme for councillors Review draft revised MTFS by Joint Scrutiny Committee (JSC) 	Council Cabinet JSC
December '21	<ul style="list-style-type: none"> Agree revised corporate strategy & MTFS Agree draft budget for 2022/23 Agree revised membership of the Audit Committee Appoint members of the Independent Improvement and Assurance Panel 	Council Cabinet Council Cabinet
January '22	<ul style="list-style-type: none"> First meeting of the Independent Panel Scrutiny of the draft budget for 2022/23 	Scrutiny Committee
February '22	<ul style="list-style-type: none"> Approve the budget for 2022/23 	Council
March '22	<ul style="list-style-type: none"> CEO concludes review of the senior management structure and makes recommendations Complete delivery of in-year savings for 2021/22 	Council CEO & CFO
May '22	<i>Local elections</i>	
June '22	<ul style="list-style-type: none"> First report by the Independent Panel providing a commentary on progress Consider external auditor's report for 2021/22 & report it to Council Finalisation of 2021/22 budget outturn 	Council Audit Committee Council
July '22	<ul style="list-style-type: none"> Council considers and responds to the Audit Committee's annual audit report 	Council

	<ul style="list-style-type: none"> • Cabinet responds to the Independent Panel's first report and writes to the Secretary of State • Initiate the formal evaluation of the option of a four-year electoral cycle 	Cabinet Cabinet & Council
September '22	<ul style="list-style-type: none"> • Scrutiny review of the Cabinet's response to the Panel's first report to Council, the outcome to be reported to Full Council • Consider the principle of LGR and any consequential actions 	Scrutiny Committee(s) Leader and Cabinet
November '22	<ul style="list-style-type: none"> • Review draft, revised MTFS 	Scrutiny Committee
December '22	<ul style="list-style-type: none"> • Second report by the Independent Panel providing a commentary on progress • Agree updated MTFS and draft budget for 2023/24 	Council
January '23	<ul style="list-style-type: none"> • Cabinet responds to the Independent Panel's second report and writes to the Secretary of State about progress • Scrutiny of the draft budget for 2023/24 	Cabinet Scrutiny Committee
February '23	<ul style="list-style-type: none"> • Scrutiny review of the Cabinet's response to the Panel's second report to Council, the outcome to be reported to Full Council • Approve the budget for 2023/24 	Scrutiny Committee(s) Council
March '23	<ul style="list-style-type: none"> • Consider the report evaluating the option of a four yearly electoral cycle. 	Council
June '23	<ul style="list-style-type: none"> • Third report by the Independent Panel providing a commentary on progress • Consider external auditor's report for 2022/23 & report it to Council 	Council Audit Committee
July '23	<ul style="list-style-type: none"> • Cabinet responds to the Independent Panel's third report and writes to the Secretary of State about progress • Council considers and responds to the Audit Committee's annual audit report 	Cabinet Council
September '23	<ul style="list-style-type: none"> • Scrutiny review of the Cabinet's response to the Panel's third report to Council, the outcome to be reported to Full Council 	Scrutiny Committee(s)
December '23	<ul style="list-style-type: none"> • Fourth and final report by the Independent Panel 	Council
January '24	<ul style="list-style-type: none"> • Cabinet responds to the Independent Panel's final report and writes to the Secretary of State about progress 	Cabinet
February '24	<ul style="list-style-type: none"> • Scrutiny review of the Cabinet's response to the Panel's fourth and final report to Council, the outcome to be reported to Full Council • Approve budget for 2024/25 	Scrutiny Committee(s) Council