CIPFA

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Department for Levelling Up, Housing and Communities

Local Government Finance Review – PETERBOROUGH CITY COUNCIL

November 2021

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1 Executive Summary

1.1 General introduction about the review

Peterborough City Council requested Exceptional Financial Support from the Department for Levelling Up, Housing and Communities (DLUHC) for 2020/21 and 2021/22, in addition to that received in 2019/20, to help it balance its budget by raising capital borrowing to support its revenue expenditure. DLUHC commissioned CIPFA to undertake an independent and detailed financial assurance review of the Council.

The financial challenges facing the Council are significant and urgent. The financial difficulty that led to these requests has been apparent for some time but although the Council has made savings these have not been at the level to meet the scale of the challenge and the Council has continued to increase its net service spend and spend on capital projects. As a result, the Council has used one off receipts to balance the budget including reducing reserves.

None of the political parties has overall control of the Council and the political uncertainty is exacerbated by holding elections in thirds, which means that the main parties are always focussed on the next election. The Council has ambitious plans, including support for the new University and a programme of housebuilding and other growth-based activities which will not in the short-term address the immediate financial challenges that the Council faces. However, following the May 2021 elections a new administration has been formed apparently with a new determination and willingness to resolve the financial situation by taking difficult decisions.

Officers consider that the Exceptional Financial Support will enable the Council to balance its budgets for 2022/23 and that from thereon, its programme of savings including transformational activity; demand management for social care and a reduced capital programme, will provide financial resilience.

The Council's Medium Term Financial Strategy (MTFS) relies on several factors:

- Use of current Covid–19 reserves of £10.5 million for 2021/22.
- Capitalisation directives of £5.5 million for 2021/22 (Revenue support of £3.2 million and £2.3 million to provide the resources to manage currently undefined transformational activity) and £19.2 million for 2022/23 (Revenue support of £18.0 million and £1.2 million to continue the transformational activity).
- Achieving savings, some of which are not fully costed and detailed and against a backdrop of under-achievement of savings planned in previous years.
- A reduced capital programme that still contains growth items (e. g. £8.5 million on ICT projects and £8.57 million on provision of Housing).

Of most concern is the inclusion of amounts for an increase in Council Tax above the statutory level for which there is no agreement. The Council also has limited reserves to support them through the MTFS period and at the end of 2019/20 had the lowest ratio of reserves to service expenditure of any of the Council's Near Neighbours. In summary there is a significant risk that the Council will not be able to balance its budget over the period of the MTFS.

The major part of the additional financial support the council expects to request is required to bridge the budget gap in 2022/23 and there is at this time, a high risk that the budget gap for the year will widen further, and the Council will not have the reserves to meet that. That is why the Council has requested the capitalisation directive. Before that is agreed we think the Council should look to minimise the requirement by generating its own resources. The Council does have some substantial non service delivery assets. These are the Rural Estate, the Town Hall and a Retail/industrial/Office portfolio. Our estimate is this would generate a significant Capital Receipt, that should be applied to balance the budget in 2022/23 before any

Exceptional Financial Support is agreed and provide an enhancement of reserves going forward.

This is a critical juncture for the Council, and we consider financial stability through the Council's own resources must be the only focus for the new administration for the next twelve months supported by the new Chief Executive who should be recruited with this as their primary objective. To assist in this focus, we consider it appropriate that the Council recognises that the £19.2 million capitalisation directive should only be agreed once the Council has exhausted all alternative actions to provide a balanced budget for 2022/23.

Once that is achieved the Council does, with a focussed approach to savings and the management of demand, the assistance of the transformational funding; reduced capital spending and the enhancement to reserves from a release of its remaining non service delivery assets, have the potential to be sustainable in the short to medium term.

We recommend that the Council should:

- Determine on a disposal of assets programme designed to generate a capital receipt within the 2022/23 financial year that avoids the need for a further capitalisation directive and makes a significant contribution to the Council's reserves.
- Fully detail the business case for the Transformational Capitalisation including reviewing the intentions for the earmarked reserves before any further support is agreed and as part of this the Council needs to engage an independent body to provide robust challenge and focus on the development of that plan.
- Undertake a comprehensive review of the Children's service in relation to:
  - The approach to demand management
  - Linked to the above, comprehensive modelling of future demand pressures and costs (or a full review of the detail provided for the MTFS)
  - Forensic review of expenditure
- Undertake Service reviews of Housing, Planning and Development and Central Services where there is over average spending and Adult Care services to establish the extent of the demand pressures.

A. Financial Management

The Council has an extended range of commercial partnerships for service delivery and achievement of objectives. We do not think that there is adequate focus of a single corporate shareholder. We think that the Council's Audit Committee should be strengthened and given greater independence and expertise.

We recommend that the Council should:

- The Council should continue its expenditure controls.
- Undertake a review of the Council's external commercial relationships and in particular a review of the need for and future role of a corporate shareholder.
- The membership of the Council's Audit Committee should be strengthened by the appointment of external independent members to improve its expertise and independence.

B. Assets and Commercial Interests

Whilst the Council has taken steps to reduce the Capital programme in order to reduce the revenue consequences, we think the current borrowing requirement is unsustainable and the programme still contains unaffordable growth. We also consider the Council has assets that can be realised in order to contribute to balancing the budget before any exceptional financial support is provided.

We recommend that the Council should:

- Immediately halt spend any capital spend funded by borrowing for which there is no legal commitment and there should be a detailed review process of all schemes.
- Verify valuation of assets individually, including rural estate, and carry out detailed options and market appraisal of all assets to establish asset disposal list.
- Investigate difference in valuation data of £118m and develop consolidated list of assets with property details, current valuations and income to enable a disposals strategy to be developed.
- Complete valuations on the 2023/24 disposal list so the receipts planned can be established.
- Sign no new Farm Business Tenancies, so that agricultural land can be sold free of tenancies where possible.
- Make no further capital investment in farms such as new grain stores.
- Assess current values of retail assets and options for income potential and/or alternative uses.
- Investigate the commercial basis for Peterborough Investment Partnership (PIP) to establish the value of assets held by the joint venture, future capital requirements and options for realising value for the Council.
- The housing joint ventures of Meacham Homes and Medesham Homes should be reviewed to understand the potential for realising capital receipts.
- Implement agile working policy to reduce office space required at Town Hall and Sand Martin House by 30%.

2 Purpose of this report

CIPFA were asked by the DLUHC, to undertake independent and detailed financial assurance reviews of up to nine Local Authorities, reporting back to the Department with findings and recommendations for actions that the Local Authorities need to take to improve management of their finances.

The aims of these reviews are:

- To provide an assessment of the Local Authorities' financial management and management of risk, deliverability of savings plans, and efficiency in delivering services.
- To provide assurance that the Local Authorities that received Exceptional Financial Support from the Department in the financial year 2020/21 have taken appropriate steps to improve their financial sustainability.
- To provide assurance that the Local Authorities that received an in-principle agreement for Exceptional Financial Support from the Department in the financial year 2021/22 have taken appropriate steps to improve their financial sustainability.
- To provide support to these Local Authorities in the form of recommendations and performance requirements to ensure they achieve this objective.

Each review will be structured around the following main areas:

- A detailed assessment of the Local Authority's financial position and financial management and recommendations for actions that the local authorities need to undertake to strengthen their position.
- An assessment of each Local Authority's financial pressure and ability to manage pressures outside additional borrowing, including the development of a deliverable plan for asset sales as means to raise capital receipts and reduce risk (working in conjunction with the Local Authority).
- Taking into consideration the above, a judgement on each Local Authority's in principle capitalisation requirement in 2021/22 delivered through the Exceptional Financial Support (EFS) process.

The information gathered as part of the review is to be used to provide an action plan with appropriate recommendations in relation to:

- Ensuring the long-term sustainability of the Local Authority's finances with a view to be attached as conditions to any financial support provided, including improvement targets where appropriate.
- The Local Authority's ability to manage financial pressures outside additional borrowing, including the development of a proposed plan for asset disposal as a means to raise capital receipts to manage exceptional pressure and/or reduce risk where appropriate. To be considered over a reasonable timescale consistent with value for money and consideration of existing local plans.
- As assessment as to the level of EFS needed for each Local Authority, noting the in-principle decision for support in 2021/22 already indicated to each Local Authority.

2.1 Methods used to gather data

CIPFA undertook a review of the publicly available material on the Council's financial background and were supplied with material related to the Council's current and future financial position. We utilised statistical and financial information provided by the National Audit Office (NAO) and from our own data sources.

This was supported by interviews with senior members, officers and other staff to gain insights into the financial position of the Council and future intentions for the Council's finances. There was also a discussion with the Council's external auditors and the Council's strategic property advisers and the support services provider.

2.2 Any scope restrictions

CIPFA were not restricted in their enquiries. This report is based on information we received up until the 16th September 2021.

3 Background

3.1 The structure of the Council and how it operates

Peterborough City Council became a unitary authority in 1998, having previously been part of Cambridgeshire County Council. It is the most northern sub-division of Cambridgeshire.

The council is made up of 60 councillors, one-third of whom are normally elected each year, with no elections in the fourth year.

The council uses a leader and cabinet model of decision making. The Council is currently in No Overall Control with a minority Conservative administration most recently formed in May 2021 with a new Leader and Portfolio holders. The political composition is: 29 Conservative, 17 Labour, 8 Liberal Democrats, 3 Werrington First Independents, 3 Green. The next elections are in May 2022.

The Councils vision is "To create together a Peterborough residents are proud to live, work and grow up in and where services deliver what local people need and give value for money". The Council says this strategy signals a strong commitment to communities and the environment. The Council has three priority outcomes: pride in our communities, our places and our environment; first rate futures for our children and young people, quality support for our adults and elderly and better jobs, good homes and improved opportunities for all.

Management of the Council, which employs 1,178 staff, is based on a joint management arrangement with Cambridgeshire County Council (CCC), led by the Chief Executive, there are seven executive posts (including the Director of Resources) who together comprise the Management Team. The Director of Resources (Section 151 Officer) is however an exclusive post to the Council.

The Council shares the majority of CMT roles with CCC and the sharing of resources has expanded throughout the organisation with 200 shared roles. During 2020/21 the Council paid £14m to CCC and received £5.9m from CCC.

The Council has a plethora of arrangements for service delivery and pursuing its aims and objectives. Greater detail is outlined later in the report but in summary:

- Serco provide support functions
- Milestone is the highways contractor
- City Culture Peterborough Ltd operates the Museum & Art Gallery, the Key Theatre, Libraries & Archives, and Flag Fen Archaeology Park
- Cambridgeshire and Peterborough Combined Authority perform the functions of the Local Enterprise Partnership and levy the Council for the cost of delivering transport functions
- Opportunity Peterborough Limited is a wholly owned subsidiary for regeneration
- Peterborough Investment Partnership LLP is a limited liability partnership to secure regeneration of key city centre sites with capital market investors
- NPS Peterborough Ltd is a Joint Venture to undertake the property services of the Council
- Medesham Homes LLP is a limited liability partnership to deliver affordable rented housing and housing solutions for vulnerable groups
- Peterborough HE Property Company Ltd is an associated company set up to act as a developer of a new university campus
- Peterborough Limited is a wholly owned subsidiary of the Council, trading under the name of Aragon Direct Services to deliver waste and environmental services and did use the Vivacity branding to deliver Leisure Services
- Blue Sky Peterborough Limited is a dormant wholly owned subsidiary and exists to "deliver renewable energy solutions and energy efficiency for Peterborough City Council"
- Empower Peterborough Community Interest Company is 50:50 controlled by the Council and Empower Community Management LLP and was to deliver solar panel on residential

properties and it acts as an agent to ECS Peterborough 1 LLP with the responsibility of marketing a solar panel programme.

The Council operates extensive shared services with four other Councils.

The Council's strategic framework has the following elements: A Corporate Strategy; ambitious performance measures; an MTFS; a set of partnership agreements and action plans; a transformation programme and a Strategic Performance Management and Improvement Framework.

3.2 Key statistical landscape

The population was estimated at 202,259, a 13% increase since 2009, with projected population forecast to reach 214,847 by 2025. The area of the Council is 343.38 sq km.

According to the 2011 Census, 82.5% of Peterborough's residents categorised themselves as white, 2.8% of mixed ethnic groups, 11.7% Asian, 2.3% black and 0.8% other. Peterborough is home to one of the largest concentrations of Italian immigrants in the UK. Within the Councils area there are more than 100 languages spoken and more than a third of children speak English as their second language.

The Peterborough constituency is ranked 84th out of 533 constituencies for deprivation in 2019: 103rd for income deprivation, 134th for employment deprivation, 27th for education, skills and training deprivation, 132nd for health deprivation and disability, 55th for crime, 89th for barriers to housing and services, 297th for living environment deprivation, 108th for income deprivation affecting children and 125th for income deprivation affecting older people.

Designated a New Town in 1967, Peterborough Development Corporation was formed in partnership with the city and county councils to house London's overspill population in new townships sited around the existing urban area. There were to be four townships, but the last of these was never built, but a fourth, called Hampton, is now taking shape south of the city.

Peterborough's population grew by 45.4% between 1971 and 1991. New service-sector companies were attracted to the city, ending the dominance of the manufacturing industry as employers. An urban regeneration company named Opportunity Peterborough, was set up by the Office of the Deputy Prime Minister in 2005 to oversee Peterborough's future development. Between 2006 and 2012 a £1 billion redevelopment of the city centre and surrounding areas was planned. The master plan provided guidelines on the physical shaping of the city centre over the next 15–20 years. Proposals are still progressing.

With the city expanding, in July 2005 the council adopted a new statutory development plan. Its aim was to accommodate an additional 22,000 homes, 18,000 jobs and over 40,000 people living in Peterborough by 2020.

The Council is supporting the city's economic success with a 'Regeneration and Growth Strategy', which outlines investment of £600m across eight key development sites. This includes schemes covering North Westgate, Northminster and the University, which will provide accessibility to higher education and ensure the attainment of skills. As one of its priority outcomes the Council committed to the development of a University in the city and in 2020 planning permission was granted for a new university, ARU Peterborough, which will be an employment focused university run by Anglia Ruskin University with four faculties: Business, Innovation and Entrepreneurship; Creative and Digital Arts and Sciences; Agriculture, Environment and Sustainability; Health and Education. The new university is expected to take its first cohort of approximately 2,000 students by 2022, rising to 12,500 by 2028.

Cambridgeshire and Peterborough Clinical Commissioning Group is the main commissioner of health services in the city. It is one of the largest CCGs in England with a budget of £1.3 billion. The Council has four Section 75 (S75) agreements with health partners. Three of the agreements, Better Care Fund, Learning Disability Services and Integrated Community Equipment Services are with Cambridgeshire and Peterborough Clinical Commissioning Group (CPCCG). The fourth agreement, for Mental Health Services, is with Cambridgeshire and Peterborough NHS Foundation Trust (CPFT).

3.3 Past performance

Revenue

The balance of the Council's financing has changed in recent years. Direct central Government support has declined from 2010/11 to 2020/21 from £135 million to £39 million, whilst Business Rates support has increased from nil to reach £47 million in 2019/20. Locally generated sales, fees and charges have only increased from £26.6 million to £32.2 million over the same period. In 2019/20, the Council increased its commercial income to £8.9 million compared to only £2.5 million in 2010/11.

The financial problems of the Council became significantly noticeable around 4 years ago. In March 2017, the Council's MTFS said the expected budget gaps were: 2017/8 - £18.80 million; 2018/9 - £26.99 million; 2019/20 - £34.34 million; 2020/1 - £37.29 million; 2021/2 - £38.06 million. In December 2017 the prediction was that £35.2 million of savings was needed over the next 3 years. The Council was successful in achieving the targeted £17.6 million in the next financial year, but only £6.8 million of £14.6 million in 2018/19 and £15.9 million of £21.0 million in 2020/21.

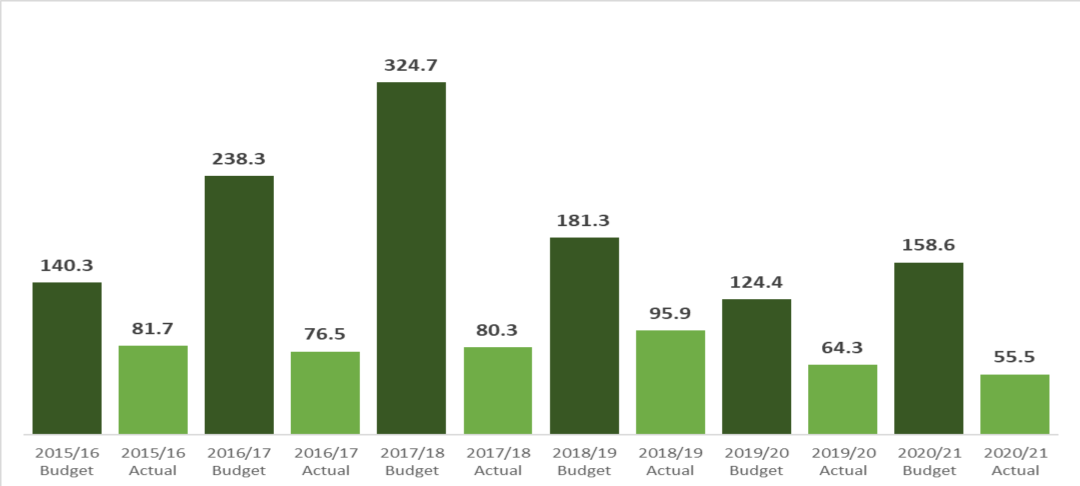
As a result, it has had to balance its budget through capital receipts, sale of assets and use of reserves (2017/18: £20.1 million; 2018/19: £17.4 million; 2019/20 (ignoring the capitalisation directive): £14.1 million; 2020/21: £16.8 million).

Despite the expected budget gaps and the savings made, the Council has forecast increasing expenditure on its services for a number of years, exacerbating the difficulty in funding the planned expenditure:

PETERBOROUGH CITY COUNCIL - NET SERVICE COSTS - MTFS PREDICTIONS							
Date of prediction	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Mar-17	145771	157086	157900	168329	169291		
Nov-17	142315	158039	164322	173630			
Jul-18		147455	157596	166499			
Oct-18			156152	167551	173174		
Feb-19		149448	166096	172044			
Feb-20				168381	174247	178139	
Nov-20				163743	175820	179513	181733
Feb-21					190111	194481	199220

Capital

The Council has previously had an extensive budget for capital spend but has struggled to deliver the programme as planned:



Since this profile was reported in February 2021, the Council has now taken action to make a controlled reduction in the future capital programme but is still planning spend of £146.9 million in 2021/22; £88.1 million in 2022/23 and £35.3 million in 2023/24.

2018/19 Financial Year

According to the Statement of Accounts, the Council's net revenue expenditure was £146.492 million against a budget of £151.819 million, but they added £8.501 million into reserves and as a result, final revenue outturn was a £3.17 million overspend. With a financing adjustment the Council was overspent by £2.1 million that was covered by a contribution from reserves.

The overspend was primarily a result of an overspend on the children's placement budget within the People and Communities directorate. Underspends in the Resources directorate, largely as a result of reduced capital financing costs, investment income and efficiencies off set the full impact of the overspend in People and Communities. That overspend was covered by a transfer from the Capacity Building Reserve.

Capital budgets for 2018/19 were £158.7m. Following slippage of budgets where schemes were delayed in the prior year, the revised budget rose to £181.3 million The final revised outturn was £95.855 million of which £48.760 million was funded by borrowing.

2019/20 Financial Year

According to the Statement of Accounts, the Council's net revenue expenditure was £155.451 million against a budget of £158.944 million with £4.767 million put into reserves and as a result, final revenue outturn was a £1.274 million overspend. In addition, there was a shortfall of £2.821 million in asset sales and £1.631 million in CCG payments (covered by credit notes) and with other adjustments the Council overspent by £5.468 million. By utilising a Capitalisation directive of £5.564 million, they underspent by £0.96 million which was transferred to the Capacity Building Reserve.

Capital budgets as agreed for the 2019/20 were £78.134 million with Invest to Save budgets of £35.99 million. Following slippage of budgets where schemes were delayed in the prior year, the overall budget rose to £87.63 million plus £36.7 million for Invest to Save schemes. The final outturn was £64.3 million (none for Invest to Save schemes) of which £28.259 million was funded by borrowing.

2020/21 Financial Year

The draft Statement of Accounts shows the Council's net revenue expenditure was £159.654 million against a budget of £156.737 million But they added £2.528 million into reserves and as a result, net revenue outturn was a £5.445 million overspend.

Looking in more detail at the individual Directorates outturns for 2020/21 shows:

- A £9.4 million overspend in People & Communities (£4.053 million in Adults – Commissioning - due to delayed savings (£1.515 million); an uplift in carers costs and care package costs for the pandemic (£1.864 million) and increased costs but settlement of CCG debts (£1.199 million). £2.072 million in Communities – Community safety – due to loss of income (Parking Charges, parking, and environmental enforcement - £2.236 million;) £1.818 million in Communities – Think Communities – due almost entirely to the loss of leisure services income.)

- A £1.032 million overspend in Place & Economy due mainly to a £1.638 million overspend from accommodating vulnerable people in temporary accommodation during the pandemic.

- Collectively the other Directorates provided a £1.418 million overspend. The most notable feature of this was a £1.149 million pressure caused by the inability to make savings in Business support due to the need to retain and increase temporary staff for the pandemic.

Of the £24.680 million of support the Council received for Covid-19 costs (including Local Tax Income Guarantee), they were able to add £14.783 million to reserves for meeting Covid-19 related expenditure in 2021/22.

Following those movements, the Council transferred £3.975 million to the Capacity Building Reserve.

The Council's capital budget was £95.55 million with Invest to Save (I2S) Schemes of £50.8 million. The revised budget was £112.989 million with I2S schemes of £45.6 million. The expected outturn is £53.73 million (plus I2S of £3.02 million) of which £24.28 million is funded by borrowing.

Comparison with Near Neighbours

The Council believes that services are provided at low unit costs. The Council obtains data from LG Futures and in the most recent benchmarking report it was demonstrated that the Council's unit costs, in comparison to other authorities across England, were 11.4% lower than average, and ranked 92nd highest out of 123 comparable authorities (98th of 119 councils based on 2020/21 figures).

Between 2015/16 and 2019/20 the Council has reduced total service expenditure from £1440 per head to £1349 per head[1]. This spend is below the level of the nearest neighbours. The Council believes services are now at dangerously low levels due to successive 'salami cuts' and in some cases, services have reached what they regard as statutory minimum.

This is not completely borne out by the comparisons of 2019/20 RO Return spend in individual services (Table 1). Children's services expenditure is above average while Housing services and Planning and development services are in the highest quartile, while Central Services are the second highest of all the comparator Councils. Other services are below average or in the lowest quartile.

[1] CIPFA: RO returns

TABLE 1 - COMPARISON OF SERVICE COSTS PER HEAD 2019/20			
Service area	Peterborough cost 2019/20	Comparison average 2019/20	Cost overage*
Education	£572.62	£621.46	
Highways & Transport	£13.12	£31.28	
Children's Social Care	£224.23	£214.58	£1,973,425
Adults Social Care	£254.61	£503.08	
Public Health	£54.56	£64.91	
Housing	£44.58	£27.52	£3,488,770
Cultural & Related Services	£28.85	£37.39	
Environmental & Regulatory Services	£60.15	£68.98	£1,807,780
Planning & Development Services	£28.69	£17.21	£2,347,660
Central Services	£62.93	£26.00	£7,552,185
Source: CIPFA based on RO returns			**£17,169,820**
*Population of 204,500 (City Council estimate at mid 2019)			

The financial position

4.1 Introduction

This section will provide an assessment of the Council's financial pressures and their ability to manage pressures outside the use of additional borrowing, including the development of a proposed plan for asset disposal over a reasonable timescale to raise capital receipts, where appropriate.

4.2 Projected budget position for the next few years

Background

At the end of 2019/20, by comparison with its Near Neighbour Councils, the Council was below average for the resilience of its reserves with the lowest ratio of reserves to service expenditure of any of the Council's Near Neighbours.

At the end of the 2020/21 financial year the Council was able to add £3.975 million to its Capacity Building reserves, despite overspending on its services, due primarily to the receipt of Covid-19 support.

At the start of the 2021/22 financial year the Council had reserves of £66 million (of which £6 million was general reserves; £20 million usable reserves; £35 million Covid-19 related reserves (£20.2m of Business Rates (NNDR) Section 31 grants and £15.1m funding committed to meet future expected costs as a result of Covid-19) and £4 million ring fenced reserves). Within the usable reserves was a provision of £5.379 million for Departmental Reserves which have been identified by Cabinet or Corporate Management Team and are incorporated within the Medium Term Financial Strategy for Departmental use. Also £15.036 million which is the balance of the sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council. We have not been able to review these provisions in detail, but we consider that before the exceptional financial support for transformation is provided these sums are reviewed to identify whether they can provide the resources needed for transformation.

The Council has seen slightly better Council Tax collection rates than targeted (at its last update) but Business Rates collection is 2.03% (at last update) behind target. The Council carried over significant Business rate debt from 2020/21 but recent focused action has reduced this.

The predicted revenue gap for 2020/21 is £20 million (which has been reduced to £13.7 million due to savings; delayed demand; extended support). This final position is uncertain because at the present moment the Council is reporting an overspend of £0.2 million and although there has been provision made in the budget for not all anticipated savings being made, currently the savings achievement is reported as falling short by £2.9 million.

In addition, it has been suggested that there will be increased demand for Adults' and Children's Social care which is currently unquantifiable, and not yet visible, but has been partially anticipated by recent additions of £2 million to the base budget for 2020/21; 2021/22 and 2023/24 though currently the overspend is predicted to be £4 million.

The intention is to use £10.5 million from the Covid reserves (a fund to meet the continuing pressures of lost income and extra demands resulting from the pandemic) meaning the shortfall on the year will be £3.2 million. This would form part of the request to DLUHC for capitalisation support.

The Council is expecting that at the year end reserves would amount to £33 million (as part of the reserves at the start of the year relates to Business Rates relief and other specific reserves are drawn down for spending). The Council would also wish to seek a further capitalisation directive of £2.3 million in order to fund transformation resources - Project Management; Business Analysis; Process improvement - to create the capacity for further improvement.

Future Years - Revenue

For 2022/23, assuming that the Council gains its capitalisation directive of £3.2 million for 2021/22, the budget gap is £26.8 million. The Council is formulating a plan to mitigate that: Expected funding changes would deliver £3.2 million; Service Reductions (in development) would deliver £6.821 million; Budget risks and pressures of £1.26 million have been identified. If these proposals came to fruition, the Council would seek a capitalisation directive of a minimum of £18 million. In addition, £1.2 million would be requested to fund transformation capacity to develop and deliver the savings plans needed to close the 2022/23 budget gap. However, that requirement could be mitigated by: Transformational and 'Challenge' savings (Mostly uncosted and undetailed and unlikely to be delivered without the transformation resources) that would deliver a minimum of £1 million.

The Council also anticipates receipts from a replacement for New Homes Bonus that could generate additional funding and a successful outcome of a Pensions test case.

However, there are other potential pressures that will impact on the budget when set. The MTFS includes an assumption that general Council Tax will increase by 2.99% each year (1% higher than the statutory limit). There has been no confirmation of a further ASC Precept for 2022/23 and if this is confirmed, the first 1%, is already incorporated within the MTFS. If there is no ASC Precept or additional general Council Tax increase, there will be a budgetary pressure of £0.890 million.

There are some general risks that are as yet unquantified – changes in borrowing rates and a Pay award – but there are some risks specific to the Council: recently the CMT were advised of the risk from accumulated absences, election costs and the possible consequences from a review of shared services. Also, specific risks from consideration of the possible set up of a Housing Revenue Account where costs (£0.5 million - £0.6 million) likely to be incurred in setting up, are not budgeted, or funded through savings.

The Council commissioned The Adolescent and Children's Trust Peterborough (TACT) to be responsible for permanency services for 10 years from April 2017. In October 2019, TACT served notice of their intention to end the contract with Peterborough City Council to deliver their permanency service. There is some risk to the Council of a final settlement of costs.

In respect of Empower there is a risk following Cabinet approval to the recommendation to transfer the assets of ECSP1 to the Council's direct control. There is a risk this will not be orderly and efficient and Empower may try to frustrate the process and once the assets have transferred to the Council their management will need to be undertaken by a specialist company and the contract managed properly.

The CMT have also been alerted to young person placement costs where Derby House (previously the Manor) was planned to be converted to accommodate and care for placements of this nature and provided a solution as a 'transforming care case' but the CCG did not agree with this plan.

Finally, leisure and culture where since the services transferred back to the Council the contract fee has increased to over £2.5m against £791k which is not sustainable.

To offset some of these pressures, the Council has a number of proposals for financial arrangements that would improve the Council's financial position.

Overall, we consider there is high risk that the exceptional financial support requested of £18 million is likely to be insufficient to balance the budget.

For 2023/24, on the assumption that the Council gains a further capitalisation directive, the Council is predicting it will have a sustainable budget with a budget gap of between £3-£4m. The Council would be able to bridge that gap through the delivery of further savings through transformation but additionally the Council is also relying on the uplift in Council Tax for which there is no agreement in place. We think that any shortfalls in that year's budget should be covered by the disposal of assets.

This detail has been summarised in Table 2 below. This has been RAG rated to indicate our view of the nature of the funding stream being available to the Council, where there is a blank, that is because we do not have definitive figures of the likely cost or yield.

TABLE 2 - FORECAST BUDGET POSITION			
	2021/22	2022/23	2023/24
Reserves at start of the Year	£66m	£33m	£15m@
Revenue Gap	£13.7m	£30m*	£3/4m
Current Expected Under/Overspend	£0.2m		
Expected Funding Changes		£3.2m	
New Savings		£6.82	£2/3m**
Savings in train in 2021/22			£1m
Underachievement of Savings	£2.9m		
Budget Pressures	£4m	£1.26m	
Use of Reserves	£10.5m		
Provision in anticipation of Council Tax enhancement		£0.89m	
Borrowing Rate risk			
Pay Award risk			
Accumulated absences			
Review of shared services			
Set up of Housing Revenue Account		£0.5m -£0.6m	
Empower Operational issues			
Young Persons Placements			
Leisure direct Management costs		£1.7m	
Anticipated Revenue Gap	£2.3m	£18m	
Required Capitalisation Directive	£3.2m	£18m	
Desired transformation Capitalisation Directive	£2.3m	£1.2m	
Potential Transformational & 'Challenge' savings		£1m#	
NHB Replacement/Pension 'Test Case'			
Reserves at end of year	£33m	£15m@	£15m@
Dispensation on Council Tax			
Other Financial arrangements			
*£26.8m if capitalisation directive is granted for 2021/22: # Minimum expected: @Without capitalisation directive: **Not identified			

Our review of this table confirms that there is a high risk that the Council cannot balance its budget for 2022/23 without an injection of resources either from use of its remaining reserves, sale of assets or from a capitalisation directive.

If the Council ends that year with a balanced budget, we think that there is still a significant risk that the financial position is not sustainable unless the sale of assets has increased the Council's reserves significantly or the Council has succeeded in reducing its base revenue spending to below the current level through transformational activity.

Future Years – Capital

For 2020/21 the original programme contained spend of £156.3 million. In February 2021 the expected 2020/21 spend was £83.9 million but the actual outturn was £53.73 million as a result of the in-depth review of the capital programme by the Capital Review Group (CRG) and Corporate Management Team (CMT) undertaken throughout 2020/21 to ensure that the capital programme is both affordable and appropriate and to realise revenue savings to address the forecast overspend reported.

A number of projects across all directorates have been reprofiled to reflect the spending over future years and other projects removed following the scrutiny process linking to the development of the 2021/22 MTFS. This has reprofiled the programme against that agreed by the Cabinet in February 2021 as follows:

Year	2021/22	2022/23	2023/24
	£ million	£ million	£ million
February 2021 Approval	£146.9	£88.1	£35.3
June 2021 Expectation	£119.8	£121.8	£54.9

This reprofiling however would see total spend increase albeit in the latter two years of the MTFS.

Capitalisation Request

At this stage the Council's MTFS is predicated on a balanced budget for 2023/24 through receiving Capitalisation directives of:

- £2.3 million for Business Transformation for 2021/22.
- £3.2 million to balance the 2021/22 budget
- £18 million for 2022/23 in order to provide for a balanced budget.
- £1.2 million for Business Transformation for 2022/23.

In our view, as we explain in this report, we think that, without the Council achieving in full its savings proposals and making other transformational changes, there is a high risk that the requirement may be much higher for 2022/23 and we consider that the Council needs to take additional actions including reviewing whether existing earmarked reserves can be used rather than the transformational support sought.

4.3 Financial resilience

In Section 4.2 we explored the Council's financial position for the current and two following financial years.

Our conclusion is that the Council needs an injection of resources in the next two years in order to become sustainable and further resources to bolster reserves. These resources could come from further reductions in service expenditure; transformation and efficiencies; reductions in capital expenditure; release of assets or further external support. At this stage the Council is relying on the last of these means. First, however we look at demand pressures on the Council.

Demand Pressures

Overall, the Council expects the population to continue to grow thus increasing demand, but the areas where the Council spends most per head are Children's services and Adult social care. Accordingly, we looked in some detail at those areas.

The Council expects:

- Increasing demand for early help and child protection services.
- Increase in child protection plans by 37%, as latent demand starts to become visible. In turn there is a risk that we will see an increase in the numbers in care as a result of this.
- Cost of care is rising as a result of the following
  - Impact of C-19 on provider costs, e.g. additional staffing for cover and social distancing measures, PPE and cleaning.
  - Increasing numbers of children and young people in Tier 4 inpatient provision liable for section 117 (Mental Health Act) after care support on discharge, requiring complex levels of support from providers.
  - Increasing complexity of children becoming looked after, which can mean an increase in the risk of a placement breakdown and increasing placement costs as a consequence.
  - More teenage children entering care, lack of suitable foster placements across the board, but specifically in-house.
  - Substantial increase in the numbers of children being referred for residential services provision.
  - During the pandemic there has been a reduction in Unaccompanied Asylum-Seeking Young people entering care, the Council is well below its quota so anticipate greater numbers in the coming months as borders open/channel crossings.
  - Education Health Care Plans (EHCP) continue to increase, and we will see a significant increase in the number of EHCPs based on current trends.

We noted that the current MTFS anticipates an extra £2 million per year for Children's Placements for 2022/23 and 2023/24.

For Adult Social Care, the pressures include:

- Higher numbers of mental health act assessments and referrals to brokerage, whilst hospital referrals have been reduced. Whilst there has been a reduction in safeguarding enquiries, the Council believes this is likely to be due to hidden need which may present as a latent demand.
- Increased numbers of contacts from sources other than the hospitals, adult early help referrals.
- Higher activity of need and more complex packages of care.
- Permanent admissions to residential care settings for over 65-year olds in the last 6 months of 2020/21 were 30% higher than the same period in 2019/20. Whilst overall spend on residential care did not increase in line with this last year, the high rates of C-19 deaths are likely to have masked this.
- Demand for support for younger adults, those aged 18-64, has increased in the last year. Contacts for new clients were up by 8%, with numbers transitioning from children's service more than doubling. This resulted in a net increase of this age group receiving long term services within the year of 2.1%.
- Increased pressures on independent sector providers, leading to increased costs of care.

We have not been able to review the implications of these pressures in any detail and therefore we have recommended them for more detailed study.

Reductions in Service Expenditure

In the section above we noted that the Council was incurring service expenditure in a number of services higher than the average. Bringing service expenditure in those areas down to the average would save the council £17.2 million per year (based on 2019/20 comparisons). We accept that based on the budgets for 2020/21 (RA return average), overall, the Council has reduced service expenditure by the equivalent of 5% or £67.67 per head. On this basis, the extra cost against the average is £13.8 million.

In the past two years the Council has purchased analysis from LG Futures and the 2019/20 data identifies that the Council is below average in all areas except for planning services. In the 2020/21 analysis it identifies that there are some areas, where the Council's costs are exceeding the average.

We undertook some limited reviews at some of the reasons for the over average cost we identified. In the case of Children's services, we noted that whilst the number of Looked After Children is lower than statistical neighbours, the expenditure on placements, particularly residential, is significantly higher than its statistical neighbours in 2019/20 (£1415 to £1249); this may, in part, be due to the more complex needs of those in care.

From their benchmarking, the Council considers that the Children's Social Care Services change in unit cost was largely due to a review on the data/client category they report within this data population, which meant a specific type of service user/need was picked up within a different return. The LG Futures data was also received during the middle of the pandemic response, and the Council was already seeing significant changes in actual expenditure, impacting Planning income, Children's social care demand and costs in addition to a rise in housing demand as a result of the supporting rough sleepers guidance issued by the government.

Overall, the Council does not consider there are significant savings to be made other than those in train or which might be achieved through, as yet undefined, transformation. In our view this is an unsustainable position and we consider the Council needs to undertake further, more fundamental reviews in these service areas to establish why their costs are higher and we have made appropriate recommendations.

Transformation/Efficiencies

We have considered the Council's ability to deliver further savings and/or transform its services. The Council has a track record of not fully delivering savings (In February 2020 it reported that it had reintroduced into the MTFS for 2020/21, £4 million in savings that it had failed to achieve in the previous years). The external auditors have commented that the scale of the current budget gap poses a significant challenge for the Council to deliver an achievable savings programme. The LGA Peer review said that *'Everyone needs to be focused on the financial challenges – All councillors not just the administration, officers and partners – you need to develop a shared purpose'* and *'One year at a time' budgeting and reliance on one-off solutions to balance the budget should stop.'* Also, that *'The whole organisation should have a renewed focus on the savings plans and should look to go further – take some tough decisions, undertake strategic transformation and continue departmental reductions.'*

The Council now has a process whereby savings are monitored by a Rapid Implementation Team (RIT), then at Corporate Management Team, progress against savings plans is incorporated into the forecast outturn and is updated regularly. Progress against the actions required to deliver savings are monitored through the RIT with saving owners held to account and escalations reported where necessary through to Executive CMT and Budget CMT. For

2021/22 there are 120 active savings proposals. Currently, the savings achievement is reported as falling short by £2.9m (£14.5 million 'green' rated of £17.4 million).

The Council has Business Transformational resources provided through its strategic support services partner and are very limited. The Council wishes to increase them and are requesting a capitalisation provision to allow them to do this. We think the business case for this needs to be fully detailed including the use of the reserve of sums set aside which can be utilised to fund one-off type expenditure which will improve the longer term financial position of the council before any further support is agreed and as part of this, we think the Council needs to engage an independent body to provide robust challenge and focus on the development of that plan.

Reductions in Capital Expenditure

Although the Council has reduced its capital programme, it is still substantial. In previous years the Council has not spent to the level of its budget. And although the programme is reduced, there must be uncertainty at the capacity of the Council to deliver this programme. In June 2021, the Budget monitoring indicated that the programme totalled £130.054 million with a borrowing requirement of £75.36 million. At that stage only £9.342 million had been spent on the schemes in the programme and only £2.62 million had been borrowed.

Reducing the programme further is likely to reduce the borrowing and financing costs and therefore in our view the Council should halt those schemes that are not legally committed forthwith and that there be a process of detailed review to validate which schemes, that require borrowing, can be funded within the Council's current funding envelope against criteria that prioritises statutory requirements and reduction in revenue costs.

Reserves

We noted above that the Council compared to its Near Neighbours has the lowest ratio of reserves compared to service expenditure. In our view useable reserves is too low to provide the resilience the Council needs in the medium term. In our view that must be addressed by a release of assets.

Release of Assets

The Council currently holds 1821 property assets. Though we have some uncertainties about the valuation status of the total assets, the valuation at 1st January 2020 was £304 million. The Council has been disposing of some assets through its partnership with NPS and in the last 5 years, it was stated the Council has sold £35m of assets to mitigate the financial pressures they have faced. This current financial year £2.4 million of asset sales are expected. The current profile of disposals is for £2.8 million in 2022/23 and 2023/24.

In our view the Council needs to be more ambitious with its disposal programme in order to provide an influx of resources. The detail of our proposals are covered in Section 6 of this report but Table 3 overviews our proposals.

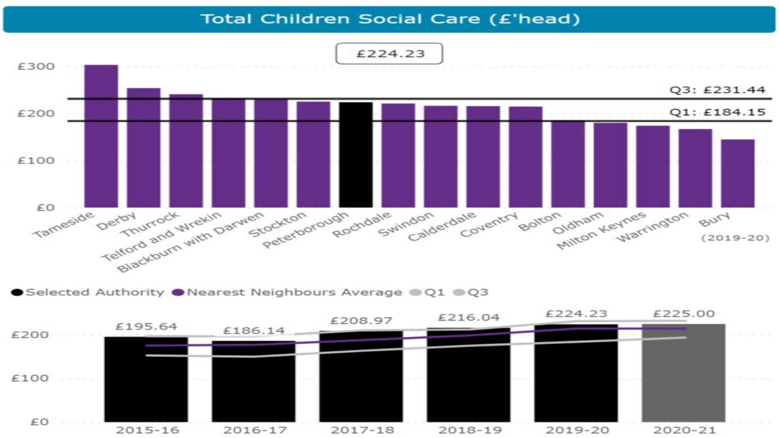
TABLE 3 - SUGGESTED DISPOSAL OF ASSETS							
Asset	**Priority**	**Ease of Disposal**	**Capital Receipt (£m)**	**Revenue Impact (£m)**	**Timing <3 yrs**	**Timing 4 – 5 yrs**	**Comments**
Town Hall	1	1	12.2	-0.58	12.2		Estimated value based on valuation and refurb cost
Rural Estate	1	1	21	-0.4	21		3,000 acres
Rural Estate	1	1	0.5+		0.5+		Sale of 3 houses and 1.5 acre yard
Retail/Indus/ Office Invest't	1	2	14.7	-1.4	9.8	4.9	Phased sale
Peterborough Investment Partnersh	1	TBC	TBC				Review commercial basis of PIP and any value potential
Meacham Homes JV	1	TBC	TBC				No details available
Medesham Homes	1	2	TBC	TBC			Commercial basis to be verified. Assets of £15m, although book loan is £15m
FM Savings/ Sub let income	1	2		0.6			Reduced use of Sand Martin House by PCC, sublet part
TOTALS			48.4	-1.78	43.5	4.9	
Priorities: 1 – high: 2 – medium: 3 – low							
Ease of Disposal: 1 – no constraints: 2 – some constraints eg title, use: 3 significant constraints – planning, CPO's							

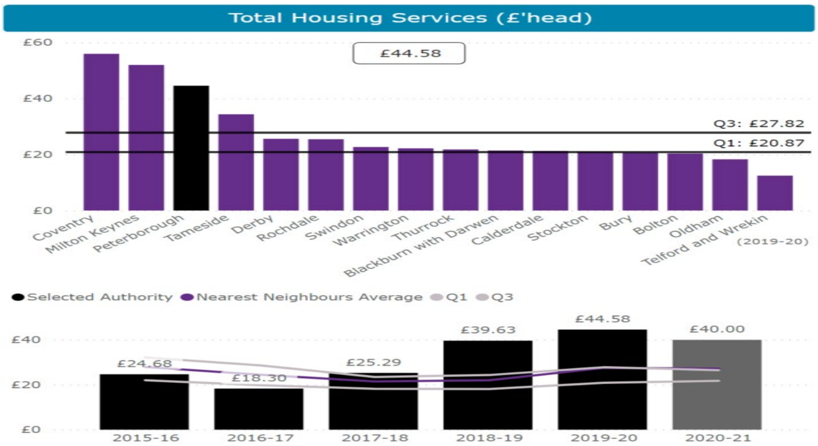
This table indicates that the Council does have assets that could be used to provide the resources to support the revenue budget in the MTFS period while the Council is reducing its base revenue expenditure. A sale of no service delivery assets to generate, we estimate, £43.5 million would avoid the need for the capitalisation directive requested for 2022/23 and bolster the Councils reserves. We recognise that the enhanced sale of assets will have an impact on revenue generated for the Council from those assets but we believe provides the bridging finance to allow the Council to achieve sustainability.

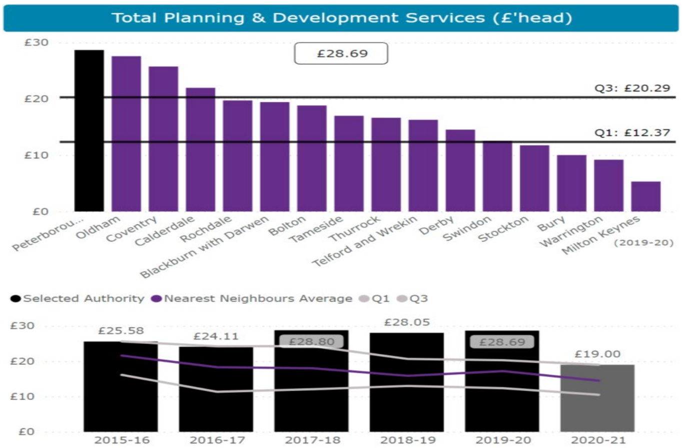
4.4 Efficiency of service delivery

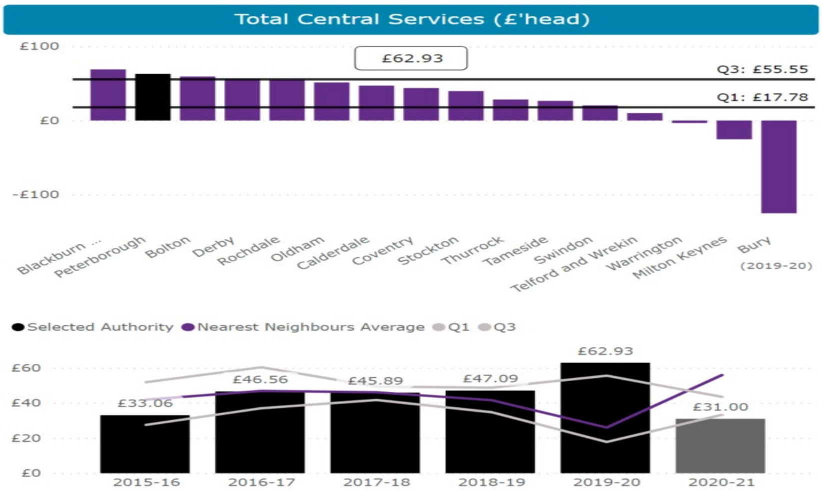
Earlier in this report we gave an overview of the Council's comparative service costs per head of population, and indicated, based on the RO returns for 2019/20, those areas where cost was above the average of Near Neighbours. In this section we detail the comparisons.

Those services where costs exceed the average:

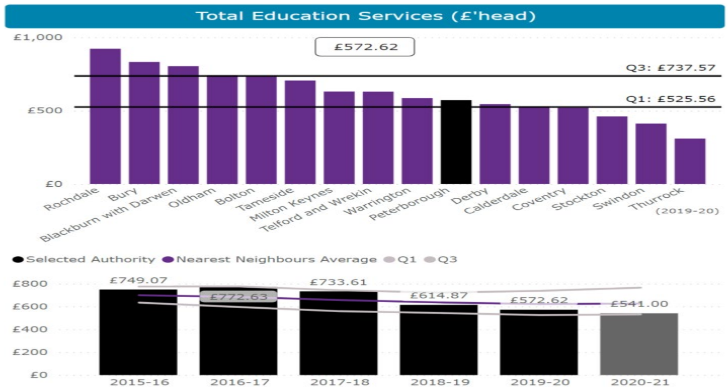


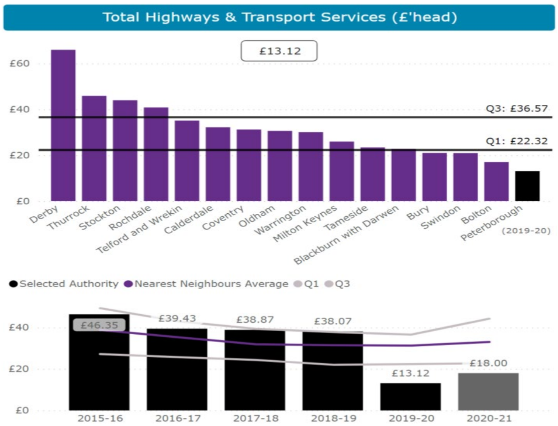

Total Housing Services (£'head)
£44.58
Q3: £27.82
Q1: £20.87
£60
£40
£20
£0
Coventry
Milton Keynes
Peterborough
Tameside
Derby
Rochdale
Swindon
Warrington
Thurrock
Blackburn with Darwen
Calderdale
Stockton
Bury
Bolton
Oldham
Telford and Wrekin
(2019-20)
Selected Authority
Nearest Neighbours Average
Q1
Q3
£24.68
£18.30
£25.29
£39.63
£44.58
£40.00
2015-16
2016-17
2017-18
2018-19
2019-20
2020-21

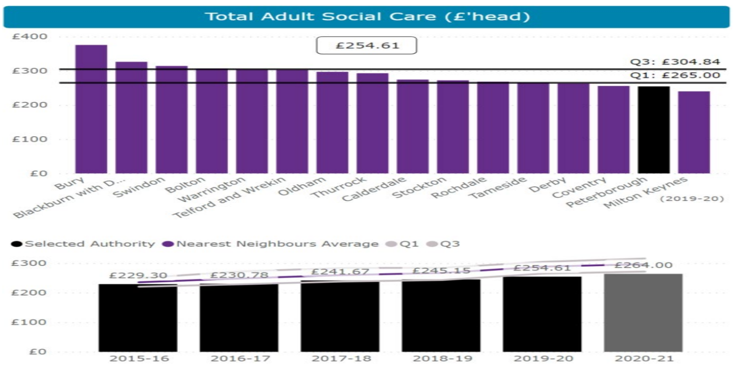

Total Planning & Development Services (£'head)
£28.69
Q3: £20.29
Q1: £12.37
£30
£20
£10
£0
Peterborou...
Oldham
Coventry
Calderdale
Rochdale
Blackburn with Darwen
Bolton
Tameside
Thurrock
Telford and Wrekin
Derby
Swindon
Stockton
Bury
Warrington
Milton Keynes
(2019-20)
Selected Authority
Nearest Neighbours Average
Q1
Q3
£25.58
£24.11
£28.80
£28.05
£28.69
£19.00
2015-16
2016-17
2017-18
2018-19
2019-20
2020-21

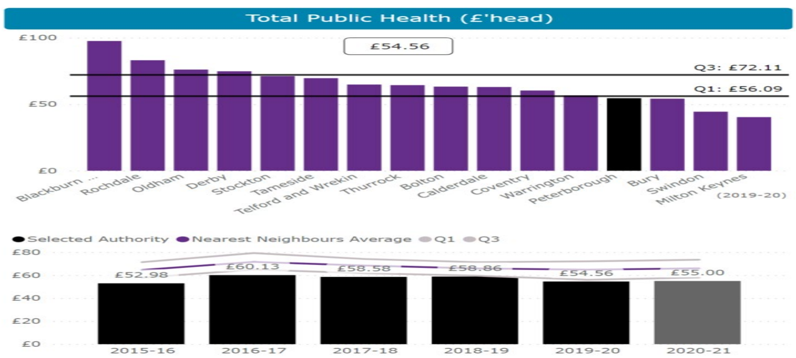

Total Central Services (£'head)
£62.93
Q3: £55.55
Q1: £17.78
£100
£0
-£100
Blackburn ...
Peterborough
Bolton
Derby
Rochdale
Oldham
Calderdale
Coventry
Stockton
Thurrock
Tameside
Swindon
Telford and Wrekin
Warrington
Milton Keynes
Bury
(2019-20)
Selected Authority
Nearest Neighbours Average
Q1
Q3
£33.06
£46.56
£45.89
£47.09
£62.93
£31.00
£60
£40
£20
£0
2015-16
2016-17
2017-18
2018-19
2019-20
2020-21

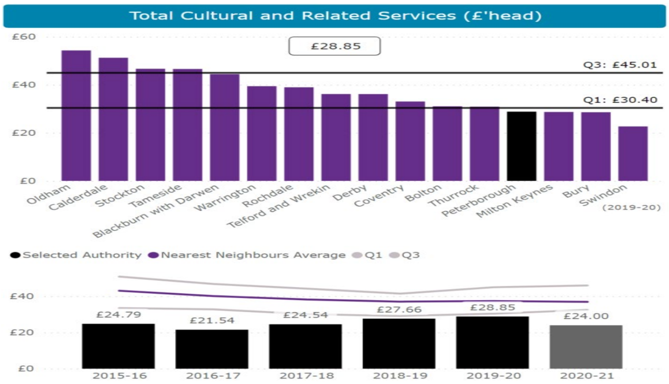
Those services where costs are below average;

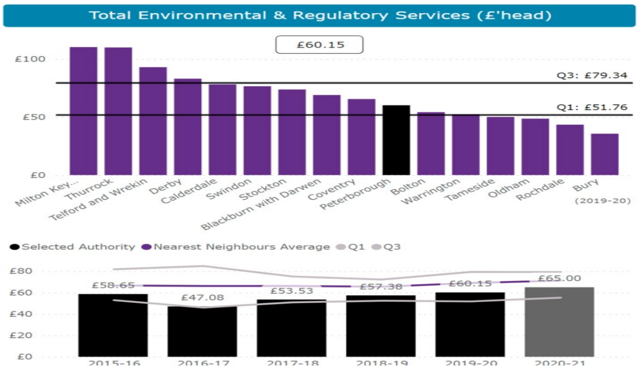












Earlier we pointed out that overall, per head of population, there had been a 5% reduction in the Council's expenditure as reported between 2019/20 RO returns and the 2020/21 RA returns. This changes the position of comparison for only one service, Central Services which is now under average.

We accept that if the Council reduces its service costs further in 2021/22 as planned through savings, then these comparisons may be out of date. However, it can be expected that other Councils are likely to have reduced expenditure and therefore the need for reviewing those services that are over average expenditure is, in our view, still relevant.

4.5 Key recommendations – financial position

Recommendation number	***Recommendation description***	***Proposed owner***	***Timescale***
1	*The Council should determine on a disposal of assets programme designed to generate a capital receipt within the 2022/23 financial year that avoids the need for a further capitalisation directive and makes a significant contribution to the Council's reserves.*	*The Council's Cabinet*	*Within six months*
2	*The business case for the Transformational Capitalisation needs to be fully detailed including reviewing*	*The Council's Cabinet*	*Within 6 months*

	the intentions for the earmarked reserves before any further support is agreed and as part of this the Council needs to engage an independent body to provide robust challenge and focus on the development of that plan.		
3	*The Children's service should receive a comprehensive review in relation to:* • *The approach to demand management* • *Linked to the above comprehensive modelling of future demand pressures and costs (or a full review of the detail provided for the MTFS)* • *Forensic review of expenditure*	*The Chief Executive*	*Within 6 months*
4	*There should be Service reviews of Housing, Planning and Development and Central Services where there is over average spending and Adult services to establish the extent of the demand pressures.*	*The Chief Executive*	*Within 6 months*

5. Authority's approach to financial management

5.1 Introduction

The Council only has a three year Medium Term Financial Strategy. This is formulated in two phases; the first sets out the financial envelope ready for public consultation and the second phase focuses the Council on the decisions that need to be taken. At the Executive level the prospective for the 2022/23 budget is currently being highlighted and the implications assessed. A risk based approach to major corporate finance issues is detailed.

The Council has developed a process of managing its budget that involves regular reporting through a visual dashboard from the Director of Resources to a Budget CMT (a special CMT that focuses on the progress of the Budget) and then reports to the Cabinet.

Budget holders are involved in the generation of the reports and Finance representatives attend Departmental Management Teams. Savings plans are generated at a Directorate level and monitored through a Rapid Implementation Team.

Aware of the increasingly difficult financial position, the Corporate Management Team (CMT) approved and implemented the following expenditure controls during the summer of 2019. These are still in operation in order to control and ensure that all expenditure is only made for essential purposes. These controls include: A panel to review all recruitment and agency requests; Business case requirement for all expenditure in excess of £10k; Service based Heads of Finance providing additional scrutiny and challenge of the business cases in excess of £10k with regular review from the Chief Finance Officer; Enhanced controls for general expenditure, with all expenditure over £1k requiring Chief Finance Officer approval and Implementation of the review of the effectiveness and operation of financial and human resource controls across the organisation. We consider these as sensible arrangements and would want to see them continued.

In November 2020, the External Auditor commented *'It was also found that the Council had comprehensive governance processes established for developing, monitoring and reporting against saving proposals. Evidence was provided that these processes are regularly conducted and receive the appropriate level of political and strategic oversight.'* And *'We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.'*

Our work has enabled us to conclude that the material presented to management on financial matters is of good quality and Service Managers consider they get good positive engagement in financial matters. We did however hear of disparity of the breadth and depth of information that service managers receive from the finance function and that of Cambridgeshire, the latter being larger and more able to provide greater analysis.

The finance function does support the Council in developing medium to longer term financial strategies and plans and structurally the finance function is appropriately represented at all the relevant decision making bodies.

The Council has a mixed economy of arrangements for management of its services and its commercial assets. In terms of direct service delivery:

- City Culture Peterborough Ltd was established to bring together the cultural services provided by Peterborough Museum & Art Gallery, the Key Theatre, Libraries & Archives, and Flag Fen Archaeology Park. The Council is the sole trustee for the charity Peterborough Museum and Art Gallery. The charity is responsible for the provision and maintenance of a Museum and Art Gallery for the City of Peterborough and neighbourhood.

- Cambridgeshire and Peterborough Combined Authority (CPCA) took on the functions of the Local Enterprise Partnership. The CPCA is the Local Transport Authority and levy the Council for the cost of delivering transport functions.

- The Council provides Legal services to Rutland County Council and Fenland District Council; Regulatory services to Rutland County Council; Planning policy services to Fenland District Council, North Kesteven District Council and East Cambridgeshire District Council; Neighbourhood planning service to North Kesteven District Council and East Cambridgeshire District Council; CCTV services to Fenland District Council from January 2020 The Council also has the joint school broadband regional consortia E2BN with other East of England Authorities.

- Vivacity was an independent, not-for-profit organisation with charitable status which managed many of Peterborough's culture and leisure facilities on behalf of the Council through a Funding and Management Agreement (FMA). This was ended by Vivacity as a result of the pandemic.

The Council has arms-length arrangements to promote aspects of its priorities:

- Opportunity Peterborough Limited is a wholly owned subsidiary to “assist, promote, encourage, develop and secure the regeneration in the social, physical, economic environment of the area of Peterborough”. The Council made a funding contribution to the company of £140k in 2020/21.

- Peterborough Investment Partnership LLP is a limited liability partnership, and the members are the Council and Peterborough Partnership PCC Ltd. The Partnership is 50:50 controlled and exists to secure regeneration of key city centre sites with capital market investors. The net assets of the Partnership at 31 March 2021 are £1.3m and made a net profit in year of £98k.

The Council has a Commercial strategy 2018-2021 the vision of which is ‘to develop a range of commercial activity which delivers financial and social return by becoming a Council which uses its assets, skills and position to generate significant levels of new income to support delivery of crucial front line services.’ The Council has created a number of commercial ventures.

- NPS Peterborough Ltd is 50:50 Joint Venture controlled by the Council and NPS Property Consultants Ltd, with NPS Property Consultants Ltd holding 8 A shares and the Council holding 2 B shares. It was set up as an in-house company into which the property services of the Council were transferred. The work transferred included estate management, arrangement of asset acquisition, disposals and rent collection for the Council. The net assets of the company are £546k and it made a 2020/1 profit of £163k. During the year the Council spent £2.2m on services with the company and received £255k for services.

- Medesham Homes LLP is a limited liability partnership, and the members are CKH Developments Limited, Medesham Limited (Jointly owned by CKH Developments Limited and the Council) and the Council. The partnership is controlled 50:50 by CKH Developments Limited and the Council. The objective is to deliver affordable rented housing, and to investigate further opportunities for starter homes, shared equity, market sale, private rented, student accommodation and housing solutions for vulnerable groups. The net assets of the partnership are £483k (2020/1) and it made a profit of £323k. During 2020/21 the Council made a capital grant of £400k to Medesham Homes LLP for the provision of homes for affordable rent and received £16k for services, (2019/20 received £420k for the purchase of property).

- Peterborough HE Property Company Ltd is an associated company of Peterborough City Council. The company (which has a board of four directors, of which the Council has one representative director) is set up to act as a developer of a new university campus and once completed will lease the completed property to ARU Peterborough. The net assets of the company are £26.4m at 31 March 2021 and it made a net loss in the year of £314k.

- Peterborough Limited is a wholly owned subsidiary of the Council, trading under the name of Aragon Direct Services to deliver waste and environmental services and Peterborough Ltd, using the Vivacity branding to deliver Leisure Services (see above). The company is a Local Authority Trading Company (LATCo) and has been set up as a Teckal company. Its financial results are incorporated in the Council's group accounts.

- Blue Sky Peterborough Limited is a dormant wholly owned subsidiary and exists to "deliver renewable energy solutions and energy efficiency for Peterborough City Council". The company is limited by shares, and the share capital of the company is £1. As at 31 March 2021 there have been no transactions through the company.

- Empower Peterborough Community Interest Company is 50:50 controlled by the Council and Empower Community Management LLP and was incorporated as part of the strategic partnership to deliver solar panel on residential properties and it acts as an agent to ECS Peterborough 1 LLP with the responsibility of marketing a solar panel programme. A percentage of the money generated is shared equally between a Local Community Fund and the Council. The net assets of the company are estimated at £9k (2020/21) and it made an estimated loss in year of £2k. Empower defaulted on its loan in March 2021 and the Council is to bring the operation in-house.

The Council established a Cabinet Shareholder Committee in 2017 to oversee these companies and other bodies. This is good practice. We did however note that reports are presented to that Committee by several officers, presumably representing the use of best technical support. In our experience this can dilute focus on the needs of the Council as a single shareholder and we suggest the Council considers whether single officer holding the role of corporate shareholder would improve focus. We think this should also include a similar role for oversight of shared services.

5.2 Adequacy of existing financial management practices

From interviews we have conducted we understand that the problems of the Council's finances became apparent 4 years ago when there was a review of the underlying detail and the MTFS of March 2017 did highlight the scale of the problem. For the 2019/20 budget savings targets were established but only achieved 40% of the required savings.

Grant Thornton were engaged to undertake a thorough budget review exercise in April 2019 and they identified £30m of potential savings. Some of their proposals are being worked on but have been delayed by the consequences of the pandemic.

The Council's External Auditors have grown increasingly concerned at the financial position of the Council. They had issued a qualified opinion for VfM for 2019/20 and although the Council have been open and transparent, they believe there are material uncertainties of their ability to deliver giving an ongoing risk to service provision.

They said in November 2020 *'Our modelling suggests that Peterborough City Council's forecasts within the current financial year and over the Medium-Term Financial Strategy are in-line with our base-case economic scenario. It is however noted that the financial challenge the authority is facing is forecast to be considerably more severe, should the economic crisis vary in either depth or length….. The Council's ability to deal with these challenges is significantly hindered by their reserve position, which is insufficient in dealing with the forecast financial challenge beyond the current financial year. Peterborough City Council's financial* *resilience is therefore a significant risk to the authority's ability to provide value for money from public resources, as the financial uncertainty they face over the medium-term makes it difficult for the authority to make meaningful and sustainable decisions that provide value for money.'*

In our view, it is clear that the Council has failed to take sufficiently timely and extensive action to resolve the Council's financial difficulties. We recognise that the Council is in a position of no overall control but we note the considerable difficulty the Council had in setting a budget for 2020/21. And we think that particularly after the External Auditor's opinion of November 2020, the Council's Cabinet should have been focused on taking action. Since then, a new administration was formed in May 2021 and our interviews lead us to the view that the new Cabinet and Leader are determined to deal with the issue but we were concerned that since the new administration was elected in May, we have had no evidence that any overarching 'crisis management' mechanisms have been put in place at Cabinet level. Further we are concerned that the Council's CMT is expending time and effort on consideration of opposition budget motions proposed and agreed by Full Council on 3 March, including detailed business cases and CMT challenge, that are not likely to be affordable. Pursuing these, risks diversion of the Council in tackling the current financial crisis.

The Council has an Audit Committee that meets quarterly. We were concerned at the lack of rigorous enquiry displayed by the Committee. It is clear that no attempts were made to challenge the developing issue over a sustained period and that the Committee was willing to agree to the Statement of Accounts and the detail of the financial position developing as presented without seeking explanation as to comprehensive corrective action and monitoring its achievement. The Audit Committee is advised by officers and the external auditors, but it has no independent members from outside the Council. We are concerned that this lack of external membership may have contributed to a lack of challenge. We think this should be rectified.

5.3 Approach to transformation and savings

We understand the LGA Peer Review team feel the *'current financial plans do not address the significant budget gap and the Peer Team urgently encourage PCC to reframe your narrative – there is more you can and should do to deliver council-wide transformation and cost efficiencies'.* We agree, the Council should consider the actions it needs to undertake to resolve the financial crisis as its primary focus.

Our work suggests that the Chief Executive provides good leadership of the Executive Team but we are aware that with her retirement there may be a hiatus in progressing the savings plan. We know that the Council has budgeted for a new post that is solely for the Council (not shared with Cambridgeshire) and we believe this would give the Council greater leadership capacity.

We are concerned (as are the Council) that they do not have the capacity to drive fundamental transformation to improve its overall financial position. The Council uses its strategic support services partner, Serco to deliver support for this and these resources have been reduced. The Council is hoping to use a further capitalisation directive to achieve additional resources to develop capacity.

In our work we tested with the Council whether they had any plans for savings for 2022/23. Table 4 lists the readiness status of the proposals.

Opportunity	2022/23	2023/24	Notes
	£m	£m	
Remaining £8m GT Lean Review Savings	-2.4	-2.4	
Additional Items - Savings	2	-1.4	
NNDR Growth	-1	-0.5	
Reduced Specification Grounds, Street Maintenance, etc	0	0	Possible >£500k
Reduction in Serco Contract Costs	0	0	Possible >£330k
Reduced Agency Spending	0	0	
Use of Apprenticeship Scheme in different way	0	0	
Reduction in Staff Terms and Conditions	0	0	
Movement of Staff into PL to Pensions Fund Savings	0	0	
Transformation of Foster Placements	0	0	
Reduction of Capital Programme – effect on Debt Costs	-2.2	-2	
Commercial Property Sales	0	-7	
Empower – Way Forward	0	0	(See Note)

At this stage we did not get sufficient clarity of the outcomes from the use of the transformation capitalisation requested to be able to judge the level of savings that might be possible. We did note that having taken direct control of Empower there is the possibility of using the resource generated to sell to private consumers allowing spare capacity to be sold onto the Grid but details are not available and we do not expect this to be producing income in the short term.

5.4 Recommendations – financial management

This section will set out the key recommendations to improve the authority's financial arrangements:

Recommendation number	***Recommendation description***	***Proposed owner***	***Timescale***
5	*The Council should continue its expenditure controls.*	*The Chief Executive*	*Immediate*
6	*There should be a review of the Council's external commercial relationships and in particular a review of the need for and future role of a Corporate shareholder.*	*The Chief Executive*	*Within 6 months*
7	*The membership of the Council's Audit Committee should be strengthened by the appointment of external independent members to improve its expertise and independence.*	*The Council's Cabinet*	*Within 3 months.*

6. Council assets and other commercial interests

6.1 Review of the council's current asset position

The Council currently holds 1821 property assets. Though we have some uncertainties about the valuation status of the total assets, the valuation at 1st January 2020 was £304 million. The Council has been disposing of some assets through its partnership with NPS and has disposed of around £34 million in assets since 2016/17. The current profile of disposals is for £3.3 million by 2023/24.

In the last 5 years, it was stated the Council has sold £35m of assets to mitigate the financial pressures they have faced, this includes Peterborough United Football Ground (£6m). This current financial year £2.4 million of asset sales are expected including a further £230k from the football club, minor disposals of £300k and a residential cottage next to a school site for £250k. £2.6 million is targeted for 2021/22 and £0.2 million in 2023/24.

The Council uses the Technology Forge system for managing their property and have outsourced their property management function to NPS. A Strategic Asset Management plan was published in 2018, although this does not appear to have been updated as yet.

The Town Hall site is already let out to the NHS and DWP and there are good meeting facilities. The North and South sides of the building have been renovated at a cost of £7.5m from 2018. The Town Hall therefore offers potential for sale as a commercial investment and includes some retail units.

The rural estate is extensive and covers some 3,000 acres of grade 2 and 3 land which is largely tenanted. A restructuring of the rural estate has been underway over the last few years with the aim of reducing the number of holdings to 7 as existing tenancies become expired. The strategy was 6 holdings being of 400 acres and 1 of 500 acres for a new entrant to farming. Lettings on Farm Business Tenancies (FBT) of up to 15 years has been the strategy. We have not been able to establish how far this strategy has been implemented and we would recommend no new FBT's are signed.

The agricultural holdings could be sold as tenanted investments or preferably untenanted land where this is possible to maximise value. There is a strong market for both and we would expect institutional as well as private interest. The estate returns £400k per annum which is a yield of 1.9% on the value of £21m. It should also be noted that further capital investment would be required in grain stores which are planned. Even at 400 acres, it could be argued these are not the most optimum size of arable unit bearing in mind the capital requirements for equipment and machinery and the reducing subsidies available, therefore we would question the future viability of these size of units.

The Council own several retail premises and industrial units which pre COVID were valued at £18m with a 10% return. Retail investment values have fallen as have returns and an expert assessment should be made of the value and likely future returns. We have included these on the disposal list to allow the market to recover and time for analysis to occur. An assessment should be done of any regeneration opportunities.

Peterborough Investment Partnership (PIP) is a 50:50 joint venture with IAGH3 who use their expertise to gain planning permission and development partners to regenerate run down areas. The Council provide redundant land to be developed by the partnership. It was stated there were no current assets in PIP. Previously, Fletton Quays has been redeveloped under this partnership with the Council moving their council offices to Sand Martin House. As part of the Fletton Quays scheme there is 150k sq ft of offices, a hotel, (160 bed), 400 residential units and retail units, visitor centre, distillery and car parking. A further scheme is planned for the Northminster area. The commercial basis for PIP should be investigated to establish any value held by the joint venture, future capital requirements and options for realising value for the Council.

We understand there is a joint venture with Meacham Homes to provide affordable housing for vulnerable people, however, we have had no clarification on this entity or if it holds any assets. This should also be reviewed to understand any potential for realising capital receipts.

There is a housing 50:50 joint venture between Cross Keys Homes and the Council called Medesham Homes. It has completed developments of 29 units at Midland Road (£3.9m investment); 30 at Belle Vue (£4.9m); 35 at Castle Acre (£6.2m) and 45 are being constructed at Bretton Court (£6m). It was stated they have a liability of £15m noted as deferred income from Government Grants which is a covenant the Council have placed on the RTB receipts the Council have passed over to them. The net value has been shown as only £483k.

A full summary of our proposals for assets is set out in Table 3 of this report (page 21).

We have included for a reduction in occupation of Sand Martin House, due to efficiencies that are being gained by Councils adopting agile and home working policies. This would enable 21,000 sq. ft to be made available to let out and bring in income, as well as reduction in FM and energy spend**.**

6.2 Capital programme

The Council does have an up-to-date Capital Strategy. This was agreed by Cabinet in February 2021. The specific aims of this strategy are to ensure:

- Physical assets and related resources are efficiently and effectively used to support the Council's priorities. These inputs when reviewed against the outputs from asset investment schemes will demonstrate value for money.
- Issues related to property and other assets are fully reflected in the Council's planning, for example, ensuring adequate funds for maintenance are available.
- Stakeholders can understand the Council's Asset Investment decisions and the management of its asset investment projects.
- Adequate provision is made for delivering corporate priorities and demonstrated through effective resource allocation.
- Invest to save projects are encouraged.
- The Council works within the Prudential Code framework and demonstrates robust and linked asset investment and treasury management.
- Asset management plans are reviewed to identify surplus assets which can move through a disposal process to generate new Asset Investment and/or revenue resources; (see AMP).
- Asset investment spending plans are affordable, financially prudent, sustainable and integrated with the MTFS.
- Support for our partners by maximising the potential for joint working and match funding, where this secures better outcomes than could be achieved in isolation.

Our assessment is this represents an appropriate strategy for the Council. However, we have already commented extensively on the Council's current capital programme, the recent reductions but the current size of the programme which we think is still unsustainable and requires review.

The Cabinet also approved a borrowing strategy in February 2021. The proposed strategy for 2021/22 financial year is:

- To consider the rescheduling (early redemption and replacement) of loans to maximise interest rate savings and possible redemption discounts.
- Significant risk of a sharp fall in long- and short-term rates may arise. In this case long-term borrowings will be postponed, and potential rescheduling from fixed rate funding into short-term borrowing will be considered.
- Significant risk of a much sharper rise in long and short-term rates than currently forecast may arise. This may arise due to a greater than expected increase in world economic activity or a sudden increase in inflation risks. In this case the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
- To maintain an appropriate balance between PWLB, Local Authority and other market debt in the debt portfolio and a balance in the maturity profile of debt.
- To give full consideration to other debt instruments e.g., Local Authority Bonds as an alternative to PWLB borrowing. Due regard will be given to money laundering regulations. The Council is monitoring the development of the scheme and may participate if this proves beneficial.

Our assessment is this represents an appropriate strategy for the Council.

The Cabinet also approved the Council's policy on MRP in February 2021. The policy reflects a different proposal for different types of borrowing.

- For unsupported borrowing: Asset Life, annuity method – MRP will be based on the prevailing PWLB interest rate for a loan with a term equivalent to the estimated life of the project. If capital receipts have been used to repay borrowing for the year then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by the amounts which have instead been repaid from capital receipts. The level of capital receipts to be applied to redeem borrowing will be determined annually by the Chief Finance Officer (S151), taking into account forecasts for future expenditure, the generation of further receipts and alternative uses which may provide better value for money for the Council's financial strategy. The same process will apply for S106, POIS and CIL receipts

- For other finance leases: The MRP requirement would be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability.

- For Secured loans to third parties repaid in bullet form: No MRP will be charged each year as reliance can be placed on the capital receipt that will be generated when the loan is repaid or, in the event of a default, the realisation of the security.

- Secured loans to third parties repaid over the life of the loan: MRP will be charged each year equal to the Annual Base Repayment Amounts profiled in the legal agreement.

Our assessment is this represents an appropriate policy for the Council.

The budget proposal for Capital spend as at February 2021 for the next 3 financial years is as follows:

Capital Expenditure	2019/20 Actual £m	2021/22 Est £m	2022/23 Est £m	2023/24 Est £m
Customer & Digital Services	3	2.5	3	3
People & Communities	21	46.1	13.1	16.5
Place & Economy	18.1	46.6	53.3	13.8
Resources	16.6	18.2	12.1	2
Capitalisation Direction	5.6	20	-	-
Invest to Save	-	13.5	6.6	-
Total	64.3	146.9	88.1	35.3
Financed by:				
Capital receipts (repayment of capital loans)	-	1.1	15.5	1.2
Capital grants & contributions	36.2	67.8	62	20.6
Net financing requirement	28.1	78	10.6	13.5
Total	64.3	146.9	88.1	35.3
IFRS16 Transition adjustment	-	-	22	-

This demonstrates a reducing programme of service related expenditure as of the proposals, £20 million in 2021/22 relates to the capitalisation directive and £22.0 million in 2022/23 relates to IFRS16 Transition (estimated). Of greater importance is how the programme is funded. Compared to 2020/21 the financing requirement is reduced significantly in the remainder of the MTFS period.

We have reviewed the proposals and whilst we acknowledge the significant reductions in the capital spending proposed following the work of the Council's CMT, we note the programme still contains some significant items: Infrastructure maintenance - £6.10 million in 2020/21; £5.08 million in 2022/23 and £4.58 million in 2023/24 and Strategic Property portfolio capital maintenance and minor works - £2.25 million in 2021/22; £1.7 million in 2022/3 and £1.69 million in 2023/24. Also, ICT Projects - £2.5 million in 2021/22; £3 million in 2022/23 and 2023/24;

Most noticeable is the proposed spend of £2.0 million in 2021/22 and £6.57 million in 2022/23 on provision of Housing.

We note that since the February approval the programme has been reprofiled, but in our view the Council needs to re-evaluate the programme immediately in order to minimise the amount of expenditure that has to be financed and in our view the Council should halt spend on those schemes that are not legally committed forthwith and that there be a process of detailed review to validate which schemes, that require borrowing, can be funded within the Councils current funding envelope against a criteria that prioritises scheme that are needed to meet statutory requirements or reduce the revenue costs of the Council.

6.3 Recommendations – assets and commercial interests

This section will set out the key recommendations to improve the authority's financial arrangements:

Recommendation number	***Recommendation description***	***Proposed owner***	***Timescale***
8	*The Council should immediately halt any capital spend funded by borrowing for which there is no legal commitment and there should be a detailed review process of all schemes.*	The Council's Cabinet	Immediate
9	*Verify valuation of assets individually, including rural estate, and carry out detailed options and market appraisal of all assets to establish asset disposal list*	*Director of Resources*	*Within 1 month*

10	*Investigate difference in valuation data of £118m and develop consolidated list of assets with property details, current valuations and income to enable a disposals strategy to be developed.*	*Director of Resources*	*Within 1 month*
11	*Complete valuations on the 2023/24 disposal list so the receipts planned can be established.*	*Director of Resources*	*Within 1 month*
12	*No new Farm Business Tenancies are signed, so that agricultural land can be sold free of tenancies where possible.*	*Director of Resources*	*Immediate*
13	*No further capital investment in farms such as new grain stores.*	*Director of Resources*	*Immediate*
14	*Assess current values of retail assets and options for income potential and/or alternative uses.*	*Director of Resources*	*Within 2 months*
15	*The commercial basis for PIP should be investigated to establish the value of assets held by the joint venture, future capital requirements and options for realising value for the Council.*	*Director of Resources*	*Within 1 month*
16	*The housing joint ventures of Meacham Homes and Medesham Homes should be reviewed to understand the potential for realising capital receipts.*	*Director of Resources*	*Within 3 months*
17	*Implement agile working policy to reduce office space required at Town Hall and Sand Martin House by 30%.*	*Director of Resources*	*Within 3 months*

7. Roadmap for improvement

Appendix 2 sets out a roadmap for improvement with suggested timelines. These are outline timelines and will need refinement to recognise both their significance in contributing to development of the Council and also the likely resource impact.

While it may be possible to review some of the timelines, depending on capacity, there is concern that this will may add to the financial risk and scale of the financial challenge. It will certainly increase the risk that the Council may require further financial support next year.

The roadmap highlights that there is a lot that the Council needs to do quickly if it is to make real progress in addressing the financial challenges that it faces. This will require considerable focus from both Members and council officers.

More importantly it will require members across all political parties to engage effectively with officers on the tough choices that they will need to make over the coming year to show leadership to address the considerable financial challenges that their council faces.

Appendix 1 – Summary of recommendations

	Recommendation description	Proposed owner	Timescale
	Financial Position		
1	The Council should determine on a disposal of assets programme designed to generate a capital receipt within the 2022/23 financial year that avoids the need for a further capitalisation directive and makes a significant contribution to the Council's reserves.	The Council's Cabinet	Within six months
2	The business case for the Transformational Capitalisation needs to be fully detailed including reviewing the intentions for the earmarked reserves before any further support is agreed and as part of this the Council needs to engage an independent body to provide robust challenge and focus on the development of that plan.	The Council's Cabinet	Within 12 months
3	The Children's service should receive a comprehensive review in relation to: • The approach to demand management • Linked to the above comprehensive modelling of future demand pressures and costs (or a full review of the detail provided for the MTFS) • Forensic review of expenditure	The Chief Executive	Within 6 months
4	There should be Service reviews of Housing, Planning and Development and Central Services where there is over average spending and Adult services to establish the extent of the demand pressures.	The Chief Executive	Within 6 months
	Financial Management		
5	The Council should continue its expenditure controls.	The Chief Executive	Immediate
6	There should be a review of the Councils external commercial relationships and in particular a review of the need for and future role of a Corporate shareholder.	The Chief Executive	Within 6 months
7	The membership of the Council's Audit Committee should be strengthened by the appointment of external independent members to improve its expertise and independence.	The Council's Cabinet	Within 6 months.
	Assets and Commercial Interests		
8	The Council should immediately halt spend any capital spend funded by borrowing for which there is no legal commitment and there should be a detailed review process of all schemes.	The Council's Cabinet	Immediate

9	Verify valuation of assets individually, including rural estate, and carry out detailed options and market appraisal of all assets to establish asset disposal list.	Director of Resources	Within 1 month
10	Investigate difference in valuation data of £118m and develop consolidated list of assets with property details, current valuations and income to enable a disposals strategy to be developed.	Director of Resources	Within 1 month
11	Complete valuations on the 2023/24 disposal list so the receipts planned can be established.	Director of Resources	Within 1 month
12	No new Farm Business Tenancies are signed, so that agricultural land can be sold free of tenancies where possible.	Director of Resources	Immediate
13	No further capital investment in farms such as new grain stores.	Director of Resources	Immediate
14	Assess current values of retail assets and options for income potential and/or alternative uses.	Director of Resources	Within 2 months
15	The commercial basis for PIP should be investigated to establish the value of assets held by the joint venture, future capital requirements and options for realising value for the Council.	Director of Resources	Within 1 month
16	The housing joint ventures of Meacham Homes and Medesham Homes should be reviewed to understand the potential for realising capital receipts.	Director of Resources	Within 1 month
17	Implement agile working policy to reduce office space required at Town Hall and Sand Martin House by 30%.	Director of Resources	Within 1 month

Appendix 2- Detailed improvement roadmap

The roadmap below shows an indicative timeline between now (requiring immediate action) and December 2022.

Roadmap	Description	Owner	Immediate	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Dec-21	Aug-22
Financial Position										
1	The Council should determine on a disposal of assets programme designed to generate a capital receipt within the 2022/23 financial year that avoids the need for a further capitalisation directive and makes a significant contribution to the Councils reserves.	Cabinet			■	■	■	■		
2	The business case for the Transformational Capitalisation needs to be fully detailed including reviewing the intentions for the earmarked reserves before any further support is agreed and as part of this the Council needs to engage an independent body to provide robust challenge and focus on the development of that plan.	Cabinet								■
3	The Children's service should receive a comprehensive review in relation to:	CE				■	■			
	a) The approach to demand management				■					
	b) Linked to the above comprehensive modelling of future demand pressures and costs (or a full review of the detail provided for the MTFS)					■				
	c) Forensic review of expenditure						■			
4	There should be Service reviews of Housing, Planning and Development and Central Services where there is over average spending and Adult services to establish the extent of the demand pressures.	CE				■	■	■		
Financial Management										
5	The Council should continue its expenditure controls.	CE	■							
6	There should be a review of the Councils external commercial relationships and in particular a review of the need for and future role of a Corporate shareholder.								■	
7	The membership of the Council's Audit Committee should be strengthened by the appointment of external independent members to improve its expertise and independence.	Cabinet		■				■		
Assets and Commercial Interests										
8	The Council should immediately halt spend any capital spend funded by borrowing for which there is no legal commitment and there should be a detailed review process of all schemes.	Cabinet	■							
9	Verify valuation of assets individually, including rural estate, and carry out detailed options and market appraisal of all assets to establish asset disposal list.	Dir of Res		■						
10	Investigate difference in valuation data of £118m and develop consolidated list of assets with property details, current valuations and income to enable a disposals strategy to be developed.	Dir of Res		■						
11	Complete valuations on the 2023/24 disposal list so the receipts planned can be established.	Dir of Res		■						
12	No new Farm Business Tenancies are signed, so that agricultural land can be sold free of tenancies where possible.	Dir of Res	■							
13	No further capital investment in farms such as new grain stores. Assess current values of retail assets and options for income potential and/or alternative uses.	Dir of Res	■							
14	Assess current values of retail assets and options for income potential and/or alternative uses.	Dir of Res	■	■						
15	The commercial basis for PIP should be investigated to establish the value of assets held by the joint venture, future capital requirements and options for realising value for the Council.	Dir of Res			■					
16	The housing joint ventures of Meacham Homes and Medesham Homes should be reviewed to understand the potential for realising capital receipts.	Dir of Res		■						
17	Implement agile working policy to reduce office space required at Town Hall and Sand Martin House by 30%, achieve sub let income and FM and energy cost savings.	Dir of Res		■						

Appendix 3 – List of those interviewed

Adrian Chapman	Neighbourhoods
Alex Gee	NPS
Amanda Askham	Director – Improvement and Development
Carole Coe	Finance Department
Charlotte Black	ASC
Cllr Andy Coles	Cabinet Member for Finance
Cllr David Over	Chair of Audit Committee
Cllr Peter Hiller	Cabinet Member for Planning and Commercial Strategy
Cllr Shaz Nawaz	Leader of the Labour group
Cllr Wayne Fitzgerald	Leader of the Council
Fiona Chapman	Finance Department
Fiona Leverton	Finance Department
Fiona McMillan	Director of Law and Governance (Monitoring Officer)
Gillian Beasley	Chief Executive
Kirsty Nutton	Finance Department
Lou Williams	Head of Children's Services
Neil Harris	EY – External Audit
Nick Hutchins	Finance Department
Oliver Hayward	AD Commissioning
Pete Carpenter	Chief Finance Officer (s151)
Steve Cox	Executive Director – Place and Economy
Steve Crabtree	Head of Internal Audit
Wendi Ogle-Welbourn	Executive Director – People and Communities

Appendix 4 – List of documents

Key document, data, and information

The list below comprises documents, data and information we will require as part of the Capitalisation Review. We recognise that each organisation may have alternate titles or that some data areas are combined. It may also become apparent during the review that may be required.

Key Finance documents:

Initial bid for Capitalisation, and any supporting papers

The Revenue Budget Report 2021/22

The Capital Programme 2021/22

The Section 25 Statement for 2021/22

Reserves Strategy

Budget Strategy

Capital Strategy

Treasury Management Strategy

Prudential indicators for 2020-21 and for 2021-22

Out-turn Report 2018/19, 2019/20 and 2020/21

Capital Out-turn Report 2018/19, 2019/20 and 2020/21

Savings planned and delivered by Directorate for 2018/19, 2019/20 and 2020/21

Financial statements for the Council and any companies owned/part-owned by the Council for 2018/19, 2019/20 and 2020/21

Latest monitoring reports for 2021-22

The Medium-Term Financial Plan

Relevant reports to the Audit Committee

Pension Fund report for 2018/19, 2019/20 and 2020/21

Financial Regulations

Finance Team Structure Chart - showing staff in post, interims and vacancies

Business Plan for Finance

Other key documents:

Council organisational chart – showing key staff in post, interims and vacancies

Corporate Plan for 2018-19, 2019-20, 2020-21 and current

Council Risk Register (showing position at end of 2018-19, 2019-20, 2020-21 and current)

Annual Governance Statement for 2018-19, 2019-20, and 2020-21

Report of External Auditors to Audit Committee

Annual Report of Internal Auditors

Log of IA recommendations and actions

Asset register, including any assessment of assets that may be surplus

Book value of assets, including valuation strategy

MRP calculations

Schedule of asset rental/income streams and how they contribute to budgets.

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